



Synergy Of Ethical Leadership And HPWS: Unveiling Employee Motivation And Performance In Public Sector

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ABSTRACT

This study empirically explores the improvement of job performance in the public sector through an approach that combines aspects of leadership with ethical leadership, a system aspect approach with a High-Performance Work System (HPWS), and an individual aspect approach with employee motivation within the scope of government financial institutions (GFI). Social Exchange Theory is used as a conceptual basis. Data were collected through an online questionnaire with a 7-point Likert scale measurement. The analysis was carried out using the Structural Equation Modeling (SEM) technique with SmartPLS 4 software to test the combination of multidimensional and unidimensional variables. The data obtained were 843 and after going through the screening and data cleaning process, 640 respondent responses were obtained for testing. The results of the study indicate that ethical leadership and HPWS have a positive and significant effect on employee motivation and job performance, and employee motivation has a positive and significant effect on job performance. In addition, employee motivation mediates positively and partially the relationship between ethical leadership and HPWS on job performance. This study provides theoretical contributions by combining ethical leadership and HPWS perspectives in one model that explains how these two factors affect job performance in the public sector through employee motivation mediation, while adding employee motivation as an intermediary mechanism to improve job performance in the public sector.

INTRODUCTION

Job performance within the public sector context possesses more complex dimensions, given its direct link to public service and the management of state resources. Performance is not solely related to task completion but also encompasses efficiency and effectiveness in achieving organizational goals (Huaman-Cuya et al., 2024). Ly (2024) identified that individual performance is influenced by various forms of organizational commitment. This finding shows that job performance is closely related to the psychological and emotional aspects of employees, especially in dealing with digital transformation and increasing task complexity. Therefore, understanding and enhancing job performance in the public sector is crucial for supporting successful government performance and improving the quality of public services.

Organizational performance can be influenced by several aspects, one of which is the system in place within the organization. A high-performance work system (HPWS) plays a critical role in generating outcomes for organizations (Messersmith et al., 2011). Several studies have demonstrated the positive impact of HPWS on performance. HPWS is positively correlated with workplace financial performance ratings, and HPWS along with target setting represents an important management technology for managers in the public sector to achieve their organizational goals (Bryson and White, 2021). HPWS can also provide empowerment, motivation, and incentives that align with employee needs (Edgar et al., 2021). Furthermore, HPWS directly influences organizational commitment, employee motivation, job satisfaction, and quality of life (Dorta-Afonso et al., 2021).

Another aspect influencing performance is leadership. Strong and skilled leadership can boost employee morale, enhance process efficiency, and improve citizen satisfaction with public services (Huaman-Cuya et al., 2024). One leadership style that has been extensively studied is ethical leadership (EL). EL has a positive impact on work engagement, employee well-being, and performance (Sarwar et al., 2020). EL also positively and significantly affects employee motivation and satisfaction (Oladimeji and Abdulkareem, 2022). EL fosters employee motivation in the workplace, and thus leaders should cultivate a culture where ethical behavior is the norm by emphasizing moral values, integrity, and trust (Ouakouak et al., 2020).

Employee motivation (EM), in turn, has a positive impact on job performance (JP), and good JP tends to reduce employees' desire to quit their jobs (Ouakouak et al., 2020). Ability and motivation are positively related to contextual performance, which will partially mediate the relationship with task performance (Edgar et al., 2021). Motivation can be enhanced, in part, through EL, which helps employees feel motivated and satisfied at work, thereby increasing employee retention (Oladimeji and Abdulkareem, 2022).

Previous research has extensively examined the influence of EL and HPWS on JP and EM separately (Imran and Atiya, 2020; Ouakouak et al., 2020; Dorta-Afonso et al., 2021; Oladimeji and Abdulkareem, 2022; Emur et al., 2023). Furthermore, the mediating role of EM in these relationships has not been thoroughly explored. This research contributes by integrating the perspectives of EL and HPWS within the context of the public sector. It also enriches public sector management literature by presenting a theoretical model that explains the mechanism of performance enhancement through the interaction of these two variables, especially HPWS in public sector. Through this research, it is hoped that a deeper understanding can be generated regarding how to improve job performance through integrated leadership approaches and human resource management systems in the public sector.

The structure of this research includes an introduction, a literature review on EL, HPWS, EM, and JP, a theoretical framework explaining the relationships between variables, research methodology, analysis and discussion, and theoretical and practical implications. Given the identified gaps and the importance of the topic, this research seeks to answer the following overarching research question: How do ethical leadership (EL) and high-performance work

systems (HPWS) jointly influence job performance (JP) in the public sector, and what is the mediating role of employee motivation (EM) in these relationships?

LITERATURE REVIEW

Social Exchange Theory (SET)

Social Exchange Theory (SET) is a widely used theory in studies of social and organizational relationships for understanding the reciprocal interactions between individuals and organizations. This theory posits that social relationships involve the exchange of resources, both material and non-material, such as information, support, and recognition (Blau, 1964). Cropanzano & Mitchell (2005) categorize the basic principles of SET as rules and norms of exchange (Reciprocity rules and Negotiated rules and other exchange rules), resources exchanged, and resulting relationships (Transactions and exchange relationships). Cropanzano et al. (2017) define SET as a process involving (i) the initiation of action by one actor toward a target, (ii) a response in the form of attitudes or behaviors from the target as a form of reciprocity, and (iii) the relationships that form as a result of this series of exchanges.

One of the fundamental principles of SET is that relationships evolve over time into commitments characterized by mutual trust, loyalty, and reciprocal benefit. To achieve this, parties must adhere to certain "rules" of exchange. These rules shape the "normative definition of the situation that emerges between or is adopted by the participants in the exchange relationship" (Emerson, 1976). The concept of equity, or the perceived fairness of these exchanges, is also crucial in understanding relational outcomes. Imbalances in equity, whether in personal, academic, or organizational contexts, can lead to feelings of resentment or alienation, ultimately damaging the health of the relationship (Kumar and Shailaja, 2024). SET has become a broad theory capable of encompassing many other theories under its umbrella, allowing it to describe a wide range of social phenomena (Ahmad et al., 2023). SET can also explain how employees respond to leadership and organizational policies based on their perceptions of the value they receive from these interactions.

Ethical Leadership, Employee Motivation, and Job Performance

Ethical leadership (EL) is a leadership style that emphasizes integrity, honesty, and ethical conduct in decision-making. Ethical leaders not only provide direction but also serve as role models for their employees in carrying out their duties and responsibilities (Brown et al., 2005). Another definition of EL is how an individual demonstrates behaviors that align with social norms through their personal actions and interactions with others. Furthermore, these behaviors are also socialized to team members through open two-way communication, the provision of rewards as a form of appreciation, and the involvement of team members in decision-making processes (Schwepker & Dimitriou, 2021).

Job Performance (JP) is a fundamental concept in human resource management that describes the effectiveness of an employee's execution of tasks and responsibilities. Armstrong (2021) divides performance into output and behavior. Performance as output measures how well employees achieve pre-set targets and goals. Performance as behavior refers to what employees do, not just what they produce. Jex & Britt (2008) categorize JP into two main categories: in-role (task) performance and extra-role (contextual) performance. In-role performance refers to the technical aspects of an employee's job, while extra-role performance refers to non-technical abilities.

Ouakouak et al. (2020), in their research on the public sector in Kuwait, demonstrated that EL has a positive impact on JP. The findings of Oladimeji and Abdulkareem (2022) in the federal civil service in Nigeria are also consistent with this research, finding that EL positively and significantly influences EM and employee satisfaction. This study concludes that promoting ethics in the workplace is an essential element in stimulating individual performance, which

impacts overall organizational performance and the provision of better services. Based on this research, the following hypothesis is developed:

H1: Ethical leadership has a positive effect on job performance.

Employee Motivation (EM) serves as a driving force that propels employees to achieve optimal performance. Ryan and Deci (2000) discuss the importance of understanding motivation from the perspective of Self-Determination Theory (SDT), which distinguishes between intrinsic and extrinsic motivation. Intrinsic motivation is undertaken because the activity itself is inherently interesting or satisfying. Extrinsic motivation, on the other hand, is undertaken to achieve outcomes that are separate from the activity itself. The Ability, Motivation, Opportunity (AMO) model is associated with a behavioral perspective but is also linked to the relationship between human resource management and performance. This model posits that performance depends on an individual's ability, motivation, and opportunity (Boxall and Purcell, 2016).

Dorta-Afonso et al. (2021), in their research on the hospitality sector in the Canary Islands, demonstrated that HPWS directly influences organizational commitment, employee motivation, job satisfaction, and quality of life. Another study by Edgar et al. (2021) in the service sector in New Zealand, testing how HPWS and individual-level Ability, Motivation, Opportunity (AMO) affect employee performance, found that the organizational systems dimension of HPWS and individual AMO have a positive relationship with employee performance. Another study by Si and Satrya (2020), found that where the ethical leadership style influences the intrinsic motivation of employees. Based on this research, the following hypothesis is developed:

H2: Ethical leadership has a positive effect on employee motivation.

High Performance Work System (HPWS)

Various labels are commonly used in defining this topic, such as high-performance work system, high-involvement work system, high-commitment work system, and high-performance human resources practices. However, all of these terms share the same understanding that organizations can achieve high performance by implementing practices that recognize and encourage employees' abilities to create value within the company (Gittell, Seidner, and Wimbush, 2010). HPWS is a system consisting of five main practices: self-managing work teams, employee involvement practices, organizational learning procedures, integrated production technology, and total quality management (Kirkman and Rosen, 1999). HPWS is defined as a system encompassing a series of innovative HR practices and work processes that are mutually reinforcing, and which correlate with improved performance at the individual employee and organizational levels. The components of such a system may consist of strategies for: enhancing engagement; talent management; learning and development, with particular consideration given to leadership development; financial and non-financial rewards; and the development and use of individual performance management systems (Dundon and Rafferty, 2018).

HPWS is considered an important factor influencing performance-related outcomes (Imran and Atiya, 2020). Bryson and White (2021), through their research in the UK public sector, identified a positive correlation between the implementation of HPWS and financial performance, as well as the implementation of organizational change. These findings are reinforced by Emur et al. (2023), who confirmed the direct influence of HPWS on job performance, both directly and through the mediation of psychological capital. Based on this research, the following hypothesis is developed:

H3: HPWS has a positive effect on job performance.

Dorta-Afonso et al. (2021) demonstrated that HPWS directly influences organizational commitment, employee motivation, job satisfaction, and quality of life. Another study by Edgar et al. (2021), testing how HPWS and individual-level Ability, Motivation, Opportunity (AMO) affect employee performance, found that the organizational systems dimension of HPWS and individual AMO have a positive relationship with employee performance. Based on this research, the following hypothesis is developed:

H4: HPWS has a positive effect on employee motivation.

Employee Motivation and Job Performance

Ouakouak et al. (2020) also demonstrated in their research that employee motivation has a positive effect on job performance. That study stated that leaders should also create situations that highlight positive emotional approaches and adjust their emotions to stimulate motivation and improve job performance. The results of Dorta-Afonso et al. (2021) are also consistent with this research, finding that worker motivation and organizational commitment positively and significantly influence individual job performance. The results of Pamawan et al. (2025) are also consistent with this research, finding that workers of the organization will be inspired to do their best in order to attain optimal performance if they receive the right kind of motivation. Based on this research, the following hypothesis is developed:

H5: Employee motivation has a positive effect on job performance.

Mediation Effect of Employee Motivation

Ouakouak et al. (2020) also demonstrated in their research that employee motivation positively mediates the relationship between ethical leadership and job performance. The study also showed that leaders tend to increase employee motivation when they interact systematically with employees, value their aspirations for autonomy, and provide the resources they need to improve their performance. The results of Oladimeji and Abdulkareem (2022) are also consistent with this research, finding that employee motivation positively mediates the relationship between ethical leadership and employee performance. The results of Hidayah et al. (2025) also in line with this research, where employees are always enthusiastic when given motivation and enthusiasm by their leader, as seen from their increasing performance. Based on this research, the following hypothesis is developed:

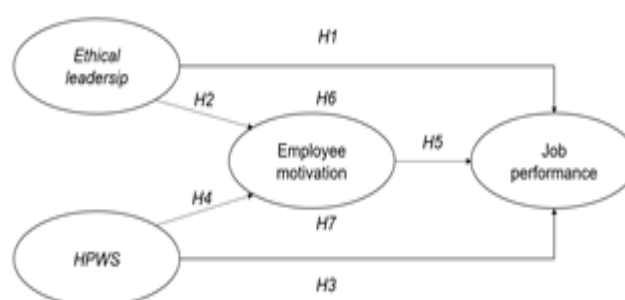
H6: Employee motivation positively mediates the effect of ethical leadership on job performance.

Dorta-Afonso et al. (2021) also demonstrated in their research that employee motivation positively mediates the relationship between HPWS and job performance. Another study by Edgar et al. (2021), testing how HPWS and individual-level Ability, Motivation, Opportunity (AMO) affect employee performance, found that the organizational systems dimension of HPWS and individual AMO have a positive relationship with employee performance. At the individual level, contextual performance was found to partially mediate the relationship between ability and task performance and fully mediate the relationship between motivation and task performance. Based on this research, the following hypothesis is developed:

H7: Employee motivation positively mediates the effect of HPWS on job performance.

Based on the hypothesized relationships formulated above, the conceptual model to be investigated in this study is depicted in Figure 1 below.

Figure 1 Conceptual Model



METHODS

Context

This research is conducted at Government Financial Institutions (GFI). As institutions with a mandate in managing state finances, GFI face increasingly complex demands to improve organizational performance. One such effort to improve performance is carried out through the optimization of employee performance, given that employee performance not only impacts the achievement of organizational goals but also influences the quality of services provided to the public (Huaman-Cuya et al., 2024). The authority of GFI in the areas of budgeting, state revenue (taxes and customs), fiscal policy, and state expenditure requires the management of human resources (HR) capable of keeping pace with the rapid developments of global transformation. Currently, GFI prioritize the modernization of HR with characteristics of agility, adaptability, and mastery of technology. Referring to this explanation, we are motivated to choose GFI as the unit of analysis in this study because GFI offer a representation of the broader Indonesian public sector at the macro level.

Research Method and Sample

This research is conducted using a quantitative method, collecting data through online questionnaires from GFI employees. The sampling method used is purposive sampling, with the sample criteria being GFI employees who have a minimum of one year of work experience. Based on the sample size calculation using the Slovin formula, the minimum required sample size from a population of 76,737 GFI employees is 398 respondents. Questionnaires were distributed online from February 21, 2025, to April 17, 2025, using various media such as WhatsApp, official email, and other social media applications. The collected data is analyzed using SmartPLS4 via Structural Equation Modeling (SEM) to explain the relationships between constructs. The data obtained were 843 and after going through the screening and data cleaning process, 640 respondent responses were obtained for testing.

Measurements

The job performance variable is measured using a 5-item questionnaire applied by Janssen & Van Yperen (2004), where the questionnaire items are an adaptation of Podsakoff and MacKenzie's (1989) questionnaire items. Furthermore, the ethical leadership variable is measured using a 10-item questionnaire applied by Lam et al. (2016), which is an adaptation of the questionnaire items by Brown et al. (2005). Next, the HPWS variable is measured using a 25-item questionnaire applied by Hsu et al. (2007), which is an adaptation of the questionnaire items by Snell & Dean (1992). These questionnaire items measuring HPWS consist of the dimensions of selective recruitment (6 items), training and development (6 items), empowerment (4 items), performance-based pay (3 items), competitive pay (3 items), and job rotation (3 items). Finally, the employee motivation variable is measured using a 4-item questionnaire applied by Ouakouak et al. (2020), where the questionnaire items are an adaptation of the questionnaire items by Sjöberg & Lind (1994). The measurement scale for this research uses a 7-point Likert scale, with a scale of 1 (Strongly Disagree) to 7 (Strongly Agree).

RESULTS

Measurement Model

This study uses assistance of SmartPLS4 software to analyze the data collected. There are several stages of data analysis methods that are carried out. The analysis process using Partial Least Square begins with validity and reliability testing. Reliability testing ensures that the questionnaire as a measuring tool is accurate, consistent, and precise, while validity testing ensures that all parts of the data collection are valid and appropriate. The results of the reflective

construct measurement are considered qualified if the outer loading value is > 0.70 . The minimum value of the outer loading value is 0.6 if the research conducted is exploratory. Furthermore, the Composite Reliability (CR) value is considered qualified if the CR value is > 0.7 . The Average Variance Extracted (AVE) value > 0.5 is considered qualified if AVE is > 0.5 . The Cronbach's Alpha value is considered qualified if > 0.7 (Hair et al., 2019). In formative constructs, the evaluation of the measurement model will be different from the reflective construct. The evaluation criteria for formative constructs include collinearity tests with Variance Inflation Factor (VIF) values < 5 , significance and relevance of outer weights through bootstrapping with t-statistic values > 1.96 ($p < 0.05$), and evaluation of outer loadings for indicators with insignificant outer weights (Hair et al., 2022).

The next step is to test the relationship model between variables (path analysis). Hypothesis testing with path analysis is carried out using the bootstrapping method. A hypothesis is said to be accepted if the significance (p-values) < 0.05 and the t-statistics (t-value) > 1.96 . The bootstrapping test is one of the advantages of using SmartPLS, where the data used does not have to have a normal distribution because of the use of the bootstrapping method (Hair et al., 2022). In PLS, structural model analysis consists of the Goodness of Fit test and analysis of causal relationships between latent variables. This analysis method is used to evaluate the relationship between constructs. A coefficient value ≥ 1.96 indicates a significant relationship at a 95% confidence level (Hair et al., 2019). The results of the estimated value and t-value with a positive or negative sign are used to determine whether there is a positive or negative relationship.

The HPWS variable comprises six dimensions. Therefore, testing was conducted using a first-order approach at the indicator level and a second-order approach at the dimension level. Due to the presence of three indicators with outer loading values below 0.7, these indicators were removed, starting with the indicator with the lowest value, HPWS_E13, followed by JP_5 and HPWS_SR1. The analysis was then re-run until all indicators exhibited outer loading values greater than 0.7, as shown in the following table:

Table 1 Validity and Reliability Test Result

Dimension	Indicator Number	Outer Loadings	α	CR	AVE
<i>selective recruitment</i>	HPWS_SR2	0.787	0.881	0.913	0.678
	HPWS_SR3	0.865			
	HPWS_SR4	0.817			
	HPWS_SR5	0.825			
	HPWS_SR6	0.822			
<i>training and development</i>	HPWS_TD7	0.843	0.932	0.947	0.748
	HPWS_TD8	0.854			
	HPWS_TD9	0.897			
	HPWS_TD10	0.851			
	HPWS_TD11	0.881			
	HPWS_TD12	0.861			
<i>empowerment</i>	HPWS_E14	0.866	0.836	0.902	0.753
	HPWS_E15	0.857			
	HPWS_E16	0.880			
<i>performance-based pay</i>	HPWS_PbP17	0.872	0.820	0.893	0.735
	HPWS_PbP18	0.838			
	HPWS_PbP19	0.861			
<i>competitive pay</i>	HPWS_CP20	0.872	0.892	0.933	0.823
	HPWS_CP21	0.915			

Dimension	Indicator Number	Outer Loadings	α	CR	AVE
	HPWS_CP22	0.933			
<i>job rotation</i>	HPWS_JR23	0.920	0.927	0.954	0.873
	HPWS_JR24	0.940			
	HPWS_JR25	0.944			
<i>Job Performance</i>	JP1	0.902	0.937	0.955	0.842
	JP2	0.913			
	JP3	0.938			
	JP4	0.917			
<i>Ethical Leadership</i>	EL1	0.789	0.946	0.954	0.675
	EL2	0.734			
	EL3	0.821			
	EL4	0.827			
	EL5	0.850			
	EL6	0.811			
	EL7	0.789			
	EL8	0.862			
	EL9	0.852			
	EL10	0.873			
<i>Employee Motivation</i>	EM1	0.898	0.891	0.926	0.758
	EM2	0.928			
	EM3	0.921			
	EM4	0.719			

The results of the discriminant validity evaluation using the Heterotrait-Monotrait Ratio (HTMT) criterion indicate that the requirements are met. This is demonstrated by the HTMT values for each pair of dimensions, which are consistently below the threshold of 0.90. This shows that each construct in the research model has distinct characteristics and does not overlap with other constructs, as shown in the following table:

Table 2 HTMT Result

Variabel	HTMT
Ethical Leadership <-> Employee Motivation	0.550
Job Performance <-> Employee Motivation	0.583
Job Performance <-> Ethical Leadership	0.515

Validity was assessed through the significance and relevance of the weights, as well as the potential for multicollinearity issues using Variance Inflation Factor (VIF) values < 5 (Hair et al., 2022). Therefore, it can be concluded that the research model is free from multicollinearity problems, so that the resulting parameter estimates are reliable and do not experience significant bias in their interpretation, as can be seen in table below:

Table 3 VIF Result

Indikator	VIF	Indikator	VIF	Indikator	VIF
EL1	2.282	EL9	3.229	JP3	4.923
EL2	1.992	EL10	3.869	JP4	3.803
EL3	2.613	EM1	3.087	<i>Selective Recruitment</i>	2.103

Indikator	VIF	Indikator	VIF	Indikator	VIF
EL4	3.296	EM2	4.259	<i>Training Development</i>	3.323
EL5	3.784	EM3	3.741	<i>Empowerement</i>	2.599
EL6	2.671	EM4	1.591	<i>Performance Based Pay</i>	3.124
EL7	2.345	JP1	3.099	<i>Competitive Pay</i>	2.171
EL8	3.670	JP2	3.718	<i>Job Rotation</i>	2.226

Next, an evaluation was performed on the fit of the research model by assessing its level of agreement with the empirical data collected. This was validated through the Standardized Root Mean Square Residual (SRMR) value of 0.041, which is below the critical value of 0.08. This SRMR value indicates that the developed model has a good ability to represent the phenomena being studied in the context of the field data. Subsequently, an assessment of R^2 was conducted, which indicates the percentage of variance that can be explained by each endogenous construct and is used to evaluate how well the model explains the phenomena under investigation (Hair et al., 2022). For the job performance variable, an R^2 value of 0.370 was obtained.

Structural Model

The results of the direct effect test performed with PLS-SEM are shown in Table 4.31 below. A hypothesis is accepted if the t-values are greater than 1.645 and has a 5% error tolerance, while a hypothesis is not accepted if the t-values are lower than 1.645 and has a 5% error tolerance, as can be seen in table below:

Table 4 Results of Direct Effect

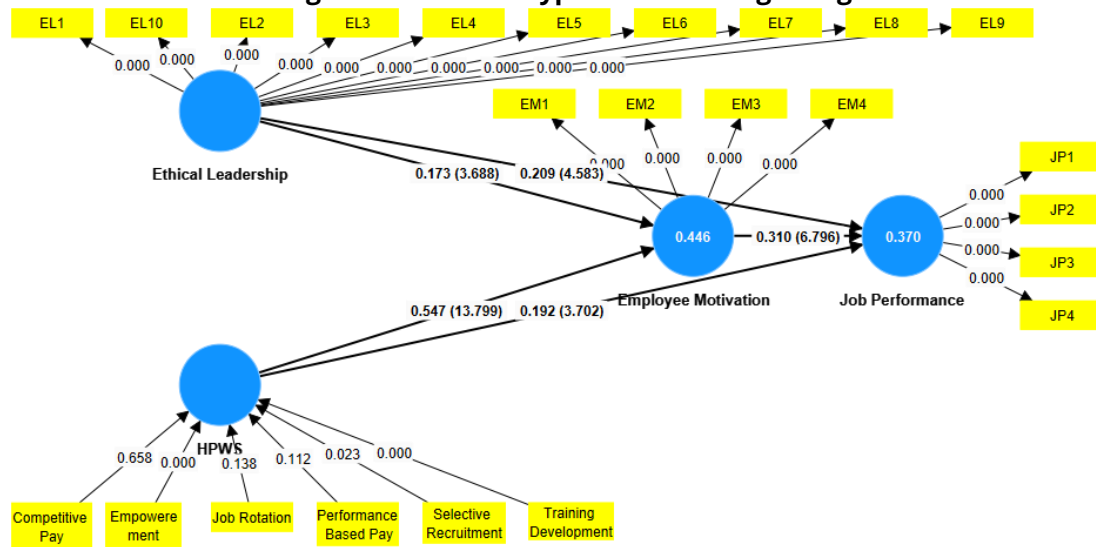
Hypothesis	Hypothesis Statement	Path Coefficient	t-values	p-values	95% Confidence Interval	
					5%	95%
H1	<i>EL -> JP</i>	0.209	4.583	0.000	0.120	0.298
H2	<i>EL -> EM</i>	0.173	3.688	0.000	0.082	0.266
H3	<i>HPWS -> JP</i>	0.192	3.702	0.000	0.095	0.300
H4	<i>HPWS -> EM</i>	0.547	13.799	0.000	0.472	0.628
H5	<i>EM -> JP</i>	0.310	6.796	0.000	0.217	0.392

This study also examines the indirect effect of the employee motivation (EM) variable as a mediating variable in the relationship between the independent variables ethical leadership (EL) and high-performance work system (HPWS) on the dependent variable job performance (JP). The detailed table of the mediation effect test is as follows:

Table 5 Results of Indirect Effect

Hypothesis	Hypothesis Statement	Path Coefficient	t-values	p-values	95% Confidence Interval	
					5%	95%
H6	<i>EL -> EM-> JP</i>	0.054	3.410	0.001	0.024	0.085
H7	<i>HPWS -> EM-> JP</i>	0.170	5.920	0.000	0.115	0.226

Figure 2 Model of Hypothesis Testing Using PLS



DISCUSSION

The result of H1 showed that the influence of ethical leadership (EL) on job performance (JP) is significant and in the same direction. This shows that the stronger the ethical leadership style of the direct supervisor, the better the performance of employees in achieving targets and work quality. These findings support the importance of strengthening the application of ethical leadership principles as an integral part of the human resource management strategy to encourage organizational performance. These results are in line with or support the research findings of Ouakouak et al. (2020) where job performance is also influenced by the extent to which leaders convey behavior that is in accordance with norms and provide emotional support in the form of positive emotions. The results of Oladimeji and Abdulkareem's (2022) research on in line with this research, which found that ethical leadership positively and significantly influences employee motivation, satisfaction, and performance. This study concludes that promoting ethics in the workplace is an important element in stimulating individual performance, which impacts overall organizational performance and the provision of better services.

The results of H2 showed that the influence of ethical leadership (EL) on employee motivation (EM) is significant and in the same direction. This shows that the stronger the ethical leadership style of the direct supervisor, the higher the level of employee work motivation. This finding supports the statement that ethical leadership provides a foundation of values and norms that influence the work spirit of employees, for example through clarity of vision, fairness in decision-making, and concern for the welfare of subordinates. Therefore, organizations that want to increase employee motivation should strengthen ethical practices at the management level. These results are in line with or support the findings of Ouakouak et al. (2020), which in their research showed that ethical leadership has a positive effect on employee motivation. That research showed that employees respond positively to ethical cues given by their leaders and demonstrate greater motivation. The results of Oladimeji and Abdulkareem's (2022) research are also in line with this research, which found that ethical leadership positively and significantly influences employee motivation and satisfaction.

The results of H3 showed that the influence of high-performance work system (HPWS) on job performance (JP) is significant and in the same direction. This shows that improvements in the implementation of HPWS, which includes practices such as selective recruitment, training and development, empowerment, performance-based and competitive pay, and job rotation,

correlate with improved employee performance in achieving targets and work quality. This finding is in line with the statement that HPWS can create a supportive work environment, increase employee engagement, and ultimately drive better performance. These results are in line with or support the research findings of Imran and Atiya (2020), where the research results show that HPWS and human capital positively and significantly influence job performance. HPWS also helps in the development and retention of human resources, which in turn impacts job performance. Another study by Emur et al. (2023) on multi-sector companies in Indonesia found that HPWS and proactive personality have a direct impact on job performance. In addition, both also have an indirect positive impact through mediation by psychological capital.

The results of H4 showed that the influence of high-performance work system (HPWS) on employee motivation (EM) is significant and in the same direction. This shows that improvements in the implementation of HPWS, which includes practices such as selective recruitment, training and development, empowerment, performance-based and competitive pay, and job rotation, correlate with increased motivation. This finding is in line with the statement that HPWS not only impacts the operational aspects of the organization but also has an impact on employee work motivation. These results are in line with or support the research findings of Dorta-Afonso et al. (2021), where the research showed that HPWS directly influences organizational commitment, employee motivation, job satisfaction, and quality of life. Another study by Edgar et al. (2021) test how HPWS and individual-level Ability, Motivation, Opportunity (AMO) affect employee performance, found that the organizational systems dimension of HPWS and individual AMO have a positive relationship with employee performance.

The results of H5 showed that the influence of employee motivation (EM) on job performance (JP) is significant and in the same direction. This shows that the higher the motivation of employees, the higher the performance of employees in achieving targets and work quality. These findings support the statement that motivation is the main driver of productivity, where employees who have adequate intrinsic drive tend to show initiative, perseverance, and higher quality work results. Therefore, organizations need to strengthen mechanisms that maintain motivation because it will encourage improved individual and organizational performance. These results are in line with or support the findings of Ouakouak et al. (2020), which in their research also showed that employee motivation has a positive effect on job performance. That research stated that leaders should also create situations that highlight positive emotional approaches and adjust their emotions to stimulate motivation and improve job performance. The results of Dorta-Afonso et al.'s (2021) research are also in line with this research, which found that worker's motivation and organizational commitment positively and significantly influence individual job performance.

Moreover, the mediating effect observed in the results of H6 and H7, showing that employee motivation (EM) positively mediated the relationship between variables. These results are in line with or support the findings of Ouakouak et al. (2020) in their research, which showed that employee motivation positively mediates the relationship between ethical leadership and job performance. The study also in line with Oladimeji and Abdulkareem's (2022) research, which found that employee motivation positively moderates the relationship between ethical leadership and employee performance.

CONCLUSION

Based on the research results obtained, it can be concluded that the practices within a high-performance work system, such as selective recruitment, training, empowerment, a fair compensation system, and job rotation, as well as ethical leadership, can improve employee performance in Government Financial Institutions, especially when supported by strong motivation from each employee. When linked to Social Exchange Theory (SET), which states that the relationship between individuals and organizations is formed through the principle of

reciprocity, where individuals will contribute more when they feel treated fairly, valued, and supported by the organization, it can be said that ethical leadership provides clarity of values, a sense of psychological safety, and treats subordinates fairly and morally. Furthermore, the implementation of HPWS practices demonstrates that the organization invests in the well-being and development of employees. In the framework of SET, when employees witness and experience ethical treatment from their leaders and HPWS creates a positive perception of the organization, employees will feel valued and foster a sense of moral and emotional obligation to reciprocate this kindness by working harder and demonstrating behaviors that support the organization's goals.

A factor that influences the performance of GFI employees is ethical leadership. An ethical leadership style is a necessity for the organization in order to create trust between leaders and employees at GFIs. Of the ten measurement indicators, the tenth item is the strongest instrument in representing ethical leadership in the GFI employee environment. This can be interpreted to mean that an ethical leadership style in which leaders will make decisions based on correct and ethical considerations has a strong influence on the performance of employees in the GFI environment. From this analysis, it can be said that the strongest perception of employees towards an ethical leader in GFIs is a leader who prioritizes transparency, accountability, and fairness in decision-making, which can build trust among stakeholders and strengthen the organization's reputation. These findings are in line with research by Schwepker & Dimitriou (2021) in which leaders display behavior that is in line with social norms through their personal actions and interactions with others.

The results of this study also show that HPWS influences the job performance of employees at GFIs. Referring to the results obtained, the HPWS factor in promoting employee job performance at GFIs is almost as large as the ethical leadership factor. This finding can be interpreted to mean that the HPWS system, which consists of various managerial practices combined to build an environment in which employees develop a sense of commitment and responsibility, can increase employee productivity. This is in line with Imran and Atiya's (2020) research, where HPWS has a positive and significant effect on job performance. The dimensions that represent HPWS in this study consist of 6 dimensions, namely selective recruitment, training and development, empowerment, performance-based pay, competitive pay and job rotation. Of these six dimensions, training and development is the dimension that most strongly represents the HPWS variable. This finding provides meaning that the continuous improvement of the abilities, skills, and knowledge of employees at GFIs, both through technical and soft skills training, is the most influential component in HPWS practices at GFIs. In the training and development dimension, the most influential item is HPWS_TD9, which means that overall, employees' perceptions of the training and development provided at GFIs have been effective in improving employee performance. Although the six indicators in training and development have been proven to have a strong influence on improving employee performance, a good mentoring system to support new employees still needs attention from the organization, because these indicators are below average according to employee perceptions in the GFI environment.

In this study, employee motivation is the strongest driving factor influencing the job performance of GFI employees. In the employee motivation variable, the most influential item is the second item, which means that the high motivation of GFI employees is able to improve employee performance. In addition, referring to the answers to open questions from respondents, information was obtained that most employees have high internal motivation and it is expected that the organization can also maintain the motivation of its employees, for example with non-material benefits, a fair and transparent system, and the ability to motivate from direct superiors. These findings are in line with Ouakouak et al.'s (2020) research, which states that leaders must also create situations that highlight positive emotional approaches and adjust their emotions to stimulate motivation and improve job performance. Although employee motivation has proven to be a strong influence on improving the job performance of GFI

employees, the desire of employees to spend more time working as a form of enthusiasm needs attention from the organization, because this indicator is below average according to the perceptions of employees in the GFI environment.

SUGGESTION

Based on the test results obtained in this study, the following are some managerial implications that can be applied by public sector organizations, especially GFIs, in order to continuously improve and generate better performance:

Firstly, the research results show that ethical leadership has a direct influence on job performance and can be indirectly mediated by employee motivation. Considering that GFIs are institutions with a mandate in managing state finances, where their performance affects the wider community, an ethical leader is very much needed to be able to run the organization with integrity and treat subordinates fairly. This is a concern because employees' perceptions of direct superiors making fair and balanced decisions are still below average. Organizational efforts to foster this leadership style can include regular ethics training programs. GFIs can incorporate ethics training programs into existing competency development programs at all levels, especially for leaders.

Secondly, the research results show that high-performance work systems have a direct influence on job performance and can be indirectly mediated by employee motivation. Knowing that HPWS, especially in the practice of training and development, is the strongest factor influencing employee performance at GFIs, it is important for GFIs to encourage good mentoring system practices to support new employees, as this indicator is below average according to the perceptions of employees in the GFI environment. This can be done, among other things, by appointing competent mentors. GFIs can implement structured mentoring programs so that new employees can adapt to the work culture and understand their duties and responsibilities. This mentoring should be carried out by experienced senior employees who have relevant competencies.

Thirdly, the research results show that employee motivation has a direct influence on job performance, and recognizing the important role of employee motivation as a mediator between the direct relationship of ethical leadership and HPWS on job performance, leaders at GFIs can focus on building and maintaining high employee motivation. This is a concern because GFI employees' perceptions of their desire to spend more time working are still below average. To encourage this engagement, several action initiatives can be taken by the organization, such as recognition and reward for employee contributions. In general, employee rewards at GFIs have been appreciated, but GFIs can further develop the existing reward system, such as by giving awards for employee initiatives, innovations, or significant contributions outside of routine tasks, clearly communicating the criteria and nomination process for various types of awards, and communicating the success of individuals and teams through internal channels to inspire other employees.

Based on the research that has been conducted, the researchers realize that there are still several limitations that may affect the research results. Some of the limitations that can be identified are as follows: Firstly, this research uses a self-assessment method in its measurement, which contains the possibility of distortion of results as a result of the subjectivity of the respondents. There is a tendency that the answers given do not fully reflect the actual conditions, which can be influenced by biased personal perceptions and subjective interpretations of the questions posed, which can affect the research results. Secondly, this research uses a cross-sectional approach, which only provides a brief snapshot of a particular point in time. This may result in it not being possible to evaluate trends or changes over time and difficulty in determining the causal relationship between the variables studied. Thirdly, this research is limited to testing three variables that affect employee performance based on

references to previous studies. The results of this study indicate that these three tested variables only have an influence of 37% on performance based on the value of the coefficient of determination (R^2) obtained.

Based on the results and limitations of the research above, some suggestions for further research that can be carried out related to this research topic are as follows. Firstly, regarding the potential bias of self-assessment in filling out questionnaires, further research can combine data from self-assessment with other data, such as direct supervisor performance assessments. This can help provide a broader picture of the characteristics or performance being studied. Secondly, regarding the cross-sectional design, which cannot ensure a causal relationship between variables, it is recommended to use a longitudinal design to observe changes in variables over time, or an experimental design to directly test the effects of interventions. This can help to gain a better understanding of the dynamics of the relationships between the variables studied. Thirdly, regarding the coefficient of determination (R^2) value, further exploration is needed by adding or researching other variables that will be studied related to performance. Expanding the variables studied, such as employee motivation, which in this study uses intrinsic motivation, can use several other types of motivation in further research, such as adding extrinsic motivation or other variables such as work environment and organizational support. This may be able to provide a higher influence needed in further research.

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