



## THE EFFECT OF ETHICAL LEADERSHIP ON EMPLOYEE PERFORMANCE AND INCREMENTAL INNOVATION WITH INTERNAL MOTIVATION AS AN INTERVENING VARIABLE IN THE DISTRICT LIBRARY AND ARCHIVES DEPARTMENT DELI SERDANG

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### Abstract

Technological changes are so fast, putting leaders under pressure. The purpose of this research is to partially determine the effect of ethical leadership and internal motivation on employee performance. To determine the effect of ethical leadership on internal motivation. To determine the effect of ethical leadership on incremental innovation. The results of the study show that ethical leadership has a significant effect on internal motivation as indicated by the results of Sig. (0.001 < 0.05). Ethical leadership has a significant effect on employee performance with Sig. (0.010 < 0.05). Ethical leadership has a significant effect on incremental innovation as indicated by the results of Sig. (0.009 < 0.05). Internal motivation has no effect on employee performance as indicated by the results of Sig. (0.795 > 0.05). Internal motivation has a significant effect on incremental innovation as indicated by the results of Sig. (0.002 < 0.05). Ethical leadership has no effect on employee performance through internal motivation as shown by the results of Sig. 0.871 > 0.05. Ethical leadership has no effect on incremental innovation through internal motivation as shown by the results of Sig. (0.896 > 0.05).

**Keywords:** Ethical Leadership, Job Performance, Innovation, Motivation

**JEL Classification:** L21, L25

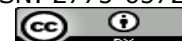
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## 1. INTRODUCTION

Organizations are currently faced with complex environmental conditions and there is a desire to adopt a responsive and adaptive attitude that encourages the innovative behavior of their employees (Manahan and Tampubolon, 2020). The company's activities are faced with an atmosphere filled with ever-increasing demands, there are tendencies that change rapidly as performance standards increase for employees due to the demands of globalization and technological change (Jordaoet al., 2019).

Technological changes are so fast, putting leaders under pressure (Soliha and Hersugondo, 2018). Leaders must be able to create

techniques that have the ability to increase the innovative performance of employees as competition increases, globalization and the pace of technological revolution. Technological changes are so fast, putting leaders under pressure (Soliha and Hersugondo, 2018). Leaders must be able to create techniques that have the ability to increase the innovative performance of employees as competition increases, globalization and the pace of technological revolution. Innovative performance is considered as a core competency for any competitive organization. Innovative work is no longer considered a



quality that is only inherent in employees, but must be possessed by every employee to support their respective work specialties (Nugroho & Amiruddin, 2022). Innovative work is useful for supporting all employee activities at the Library and Regional Office of Deli Serdang Regency.

The Archives and Documentation Library Office for the Deli Serdang Regency area, is one of the government institutions engaged in the archives sector. This requires a qualified workforce so that the files do not overlap. Work that is carried out optimally will provide benefits to the community and employees who want to visit to find according to their needs.

The performance produced by employees is inseparable from the role of a leader in a company (Sulfiandy et al, 2019). Leadership in the organization is needed to motivate a group of people who work to achieve a common goal. A leader can direct employees and workers with strategies to achieve a vision. A leader has a different way of approaching his employees such as charismatic or authoritarian leadership in planning employee activities to achieve a goal (Nugroho & Amiruddin, 2022). As a leader, in setting long-term goals and visions, you must have a clear vision of the future, specific and clear goals that motivate your subordinates.

The current problem is that employee performance is disrupted due to miscommunication between leaders and subordinates not going the way they want. Not all of the leaders' instructions and orders can be understood properly by their employees because the cultural background among employees is different from one another. There is also due to the fact that the level of education possessed by employees is still low to understand instructions which are only instructions without clear written guidelines.

Ethical leadership can create employee success and develop employee potential to reduce conflict situations in the workplace, reduce employee bad behavior and reduce workforce laziness. In addition, ethical leadership within the organization is required incremental innovation or additional

innovation. Incremental innovation or additional innovations are innovations by improving existing components (Nugroho & Amiruddin, 2022). Incremental innovation is the way employees in the supply chain create added value by improving existing products and services or improving the way they serve society (Nugroho & Amiruddin, 2022).

Incremental innovation involves slight changes in technology and the addition of some value or new differentiation in current products, services and technologies (Okuyama, 2017). Incremental innovation is characterized by not requiring high and expensive technology to adopt the innovation. Incremental innovation is based on business risks that tend to be small and adapts to company conditions with limited resources. Incremental innovation involves small, cumulative changes; organizations can develop such innovations more easily than radical innovations. Additional innovation is the output of existing knowledge within the organization and facilitates additional product development (Robertson et al (2012) in Nugroho & Amiruddin (2022).

Additional innovation contributes to provide solutions to existing problems such as stagnation of a work plan. Through collaboration, existing innovations can improve the quality of existing products. Incremental innovation involves a low level of novelty based on relatively small changes in product enhancements. According to Darroch and McNaughton (2016), most innovations are incremental in nature and represent line extensions or modifications to existing work. Internal motivation is a person's main capital to achieve success and success in doing work with high enthusiasm.

## 2. LITERATURE REVIEW AND HYPOTHESES

### 2.1. Ethical Leadership

Dale Timple (2000: 58) defines leadership as a process of social influence in which managers seek voluntary participation from subordinates in an effort to achieve

organizational goals. With leadership carried out by a leader also describes the direction and goals to be achieved from an organization. So that it can be said that leadership is very influential for the big name of the organization.

Being ethical means playing fair, thinking about the welfare of other individuals, and thinking about the consequences of individual actions. However, even if the individual grows up with strong feelings of good or bad, another individual's bad behavior may support his or her ethical sense as well. Ethical leaders think about the long-term consequences, drawbacks and benefits of their decisions

## 2.2. Job performance

In doing a job someone will produce something either in the form of goods or services. A person's ability to produce something can be measured qualitatively and quantitatively, the results he achieves are called achievements. Employee performance is something that is expected by the organization and its employees in order to develop and launch every work of the organization so that the goals are expected to be achieved.

## 2.3. Innovation

Kusumo (2016) defines innovation as a company mechanism to adapt in a dynamic environment, therefore companies are required to be able to create new thoughts, new ideas and offer innovative products and improve services that satisfy customers.

## 2.4. Motivation

Motivation (motivation) is a desire within a person that causes that person to act. People usually act for a reason to achieve a goal. Thus, motivation is a drive that is governed by purpose and rarely arises in a vacuum. The words need, want, desire, and urge, all are similar to motive, which is the origin of the word motivation (Mathis and Jackson, 2019: 114-115).

## 2.5. Hypotheses

- H1: Ethical Leadership On Employee Performance at the Library and Archives Service of Deli Serdang Regency
- H2: Ethical leadership positive effect on internal motivation at the Deli Serdang Regency Library and Archives Service.
- H3: Ethical leadership positive effect on incremental innovation at the Deli Serdang Regency Library and Archives Service
- H4: Internal motivation has a positive effect on employee performance at the Deli Serdang Regency Library and Archives Service
- H5: Internal motivation positive effect on incremental innovation at the Deli Serdang Regency Library and Archives Service
- H6: Ethical leadership positive effect on employee performance through internal motivation at the Deli Serdang Regency Library and Archives Service.
- H7: Ethical leadership positive effect on incremental innovation through internal motivation at the Deli Serdang Regency Library and Archives Service.

## 3. RESEARCH METHODS

This type of research used is quantitative which aims to determine the effect of ethical leadership on employee performance and incremental innovation through internal motivation at the Library and Archives Service of Deli Serdang Regency.

## 4. RESULTS AND DISCUSSION

### 4.1. Normality Test

The normality test aims to test whether in the regression model, the dependent variable and independent variable have a normal distribution. Testing for normality in this study was carried out by means of graphical analysis.

From Figure 1, it can be seen that the points spread around the line and follow the diagonal line, so the residual value is normal.

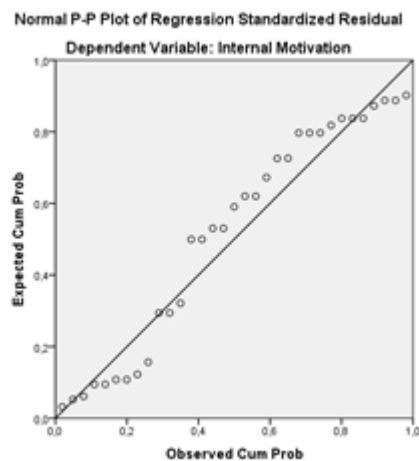


Figure 1. Normality Test

Heteroscedasticity testing is done by testing the scatterplot graph. Based on Figure 2, it can be seen that there is no clear pattern, and the points spread above and below the number 0 on the Y axis, based on the graphical method there is no heteroscedasticity in the regression model.

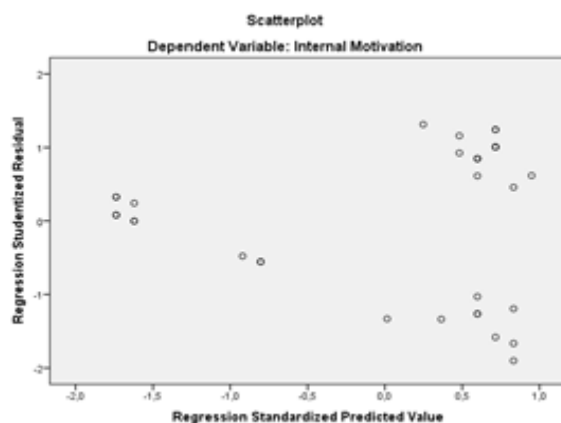


Figure 2. Heteroscedasticity

#### 4.2. Validity and Reliability Test

The table shows that the correlation between each indicator/item for the variables of ethical leadership, employee performance, incremental innovation and internal motivation with  $n = 33$  with a confidence level of 95% (0.334). So it can be concluded that each indicator/question item in this research variable is valid.

Table 1. Validity Test

Variabel	Item	r-hitung	r-tabel	Keterangan
<i>Ethical Leadership (X)</i>	P1	0,843	0,334	Valid
	P2	0,776	0,334	Valid
	P3	0,768	0,334	Valid
	P4	0,862	0,334	Valid
	P5	0,851	0,334	Valid
	P6	0,715	0,334	Valid
	P7	0,838	0,334	Valid
	P8	0,687	0,334	Valid
	P9	0,665	0,334	Valid
	P10	0,725	0,334	Valid
<i>Kinerja Karyawan (Y<sub>1</sub>)</i>	P1	0,751	0,334	Valid
	P2	0,652	0,334	Valid
	P3	0,500	0,334	Valid
	P4	0,873	0,334	Valid
	P5	0,814	0,334	Valid
	P6	0,677	0,334	Valid
	P7	0,735	0,334	Valid
	P8	0,719	0,334	Valid
<i>Incremental Innovation (Y<sub>2</sub>)</i>	P1	0,735	0,334	Valid
	P2	0,775	0,334	Valid
	P3	0,778	0,334	Valid
	P4	0,842	0,334	Valid
<i>Internal Motivation (Z)</i>	P1	0,852	0,334	Valid
	P2	0,745	0,334	Valid
	P3	0,907	0,334	Valid
	P4	0,857	0,334	Valid
	P5	0,781	0,334	Valid

Statement items that have been declared valid in the validity test will be determined for their reliability with the following criteria:

- 1). If the value of Cronbach's Alpha  $> 0.60$  then the statement is reliable.
- 2). If the value of Cronbach's Alpha  $< 0.60$  then the statement is not reliable.

Table 2. Reliability Test

Variabel	Question	Cronbach's Alpha	Result
<i>Ethical Leadership (X)</i>	10	0.945	Reliable
<i>Kinerja Karyawan (Y<sub>1</sub>)</i>	8	0.911	Reliable
<i>Incremental Innovation (Y<sub>2</sub>)</i>	4	0.902	Reliable
<i>Internal Motivation (Z)</i>	5	0.935	Reliable

In testing the reliability of the Cronbach's Alpha value, it must be greater than 0.60, so the research instrument can be said to be reliable. From the table above it can be seen that the value of Cronbach's Alpha  $> 0.60$  means that the instrument is reliable.

#### 4.3. Path Analysis

Path analysis techniques are used to be able to determine how much influence each exogenous variable has on its endogenous variables, both direct, indirect and total effects.

Using Cronbach's Alpha statistical test above 0.6 we can find out how trustworthy or not. In this study, it was proven that the value of Cronbach's Alpha was above 0.6 with the following analytical results: 0.799 for the Product Quality variable, 0.758 for the Price Perception variable, 0.751 for the Accessibility variable, 0.831 for the customer satisfaction variable. So it shows that the questionnaire can be trusted.

Testing the Coefficient of Determination (R<sup>2</sup>) Equation Model I Statistical calculation results can be seen as follows:

**Table 3.** Coefficient of Determination Model I

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,557 <sup>a</sup>	,311	,288	4,35083

a. Predictors: (Constant), *Ethical leadership*  
 b. Dependent Variable: *Incremental innovation*

The R Square value shows a value of 0.311 meaning that the ability of the ethical leadership variable to explain internal motivation is 31.1% while the remaining 0.689 or 68.9% is the error value of the substructural model variable I.

The results of the feasibility testing of the substructure path analysis model 1 can be seen in the following table:

**Table 4.** Equation Model Feasibility Test I

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	264,513	1	264,513	13,973	,001 <sup>b</sup>
Residual	586,821	31	18,930		
Total	851,333	32			

a. Dependent Variable: Internal Motivation  
 b. Predictors: (Constant), Ethical Leadership

The probability value of the test is 0.001, the value is smaller than 0.05 (0.001 < 0.05). This shows that the substructure path analysis model I is fit.

The results of testing the hypothesis for substructure I are as follows:

**Table 5.** Equation Model Hypothesis Testing I

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3,275	3,662		,894	,378
Ethical Leadership	,336	,090	,557	3,738	,001

Table 5, shows that the probability value (p) of ethical leadership is 0.001. When compared with the Alpha value (0.05), it can be determined that the probability < Alpha (0.001 < 0.05), so it can be concluded that ethical leadership has a positive and significant effect on internal motivation. The value of Beta ethical leadership affecting internal motivation is 0.557.

The R Square value shows a value of 0.288 meaning that the ability of the ethical leadership and internal motivation variables to explain employee performance is 28.8%, while the remaining 0.712 or 71.2% is the error value of the substructure model variable II.

The results of this test can be seen in Table 6 below:

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	415,438	2	207,719	6,062	,006 <sup>b</sup>
Residual	1027,895	30	34,263		
Total	1443,333	32			

a. Dependent Variable: Kinerja Karyawan  
 b. Predictors: (Constant), Internal Motivation, Ethical Leadership

The probability value of the test is 0.006, the value is smaller than 0.05 (0.006 < 0.05). This shows that the substructure path analysis model II is fit.



**Table 7. Testing the Equation Model Hypothesis II**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	15,390	4,990		3,085	,004
Ethical Leadership	,398	,146	,508	2,737	,010
Internal Motivation	,063	,242	,049	,262	,795

Table 7, shows that the probability value (p) of ethical leadership is 0.010. When compared with the Alpha value (0.05), it can be determined that the probability is smaller than the Alpha value ( $p < 0.05$ ), so it can be concluded that ethical leadership has a significant effect on employee performance ( $0.010 < 0.05$ ). The value of ethical leadership affecting employee performance is 0.508.

Table 4.14 shows that the probability value (p) of internal motivation is 0.795. When compared with the Alpha value (0.05), it can be determined that the probability is greater than the Alpha value ( $p > 0.05$ ) internal motivation has no effect on employee performance ( $0.795 > 0.05$ ). The value of internal motivation affecting employee performance is 0.049.

The results of testing the hypothesis for substructure III are as follows:

**Table 8. Testing the Hypothesis Model Equation III**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	15,559	3,093		5,030	,000
Ethical Leadership	-,253	,090	-,503	-2,804	,009
Internal Motivation	,567	,150	,679	3,782	,001

Table 8, shows that the probability value (p) of ethical leadership is 0.009. When compared with the Alpha value (0.05), it can be determined that the probability is smaller than the Alpha value ( $p < 0.05$ ), so it can be concluded that ethical leadership has a significant effect on incremental innovation ( $0.009 < 0.05$ ). The value of ethical leadership affecting incremental innovation is -0.503.

Table 8, shows that the probability value (p) of internal motivation is 0.001. When compared with the Alpha value (0.05), it can be determined that the probability is smaller than the Alpha value ( $p < 0.05$ ) internal motivation has a significant effect on employee performance ( $0.001 < 0.05$ ). The value of internal motivation affecting incremental innovation is 0.679.

In order to obtain information related to the hypothesis answers about the indirect effect in this study, namely the effect of ethical leadership on employee performance through incremental innovation, the following Sobel test can be used:

**Table 9. Sobel Test I**

Input:	Test statistic:	Std. Error:	p-value:
a 0.090	Sobel test: 0.16149349	0.13486612	0.87170474
b 0.242	Aroian test: 0.15828481	0.13760007	0.87423238
s <sub>a</sub> 0.557	Goodman test: 0.16490556	0.13207559	0.86901832
s <sub>b</sub> 0.049	Reset all	Calculate	

The table shows that in the Sobel Test the probability value (p-value) is 0.871 greater than 0.05 ( $0.871 > 0.05$ ), so it can be concluded that there is no significant effect of ethical

leadership on employee performance through incremental innovation. The Effect of Ethical Leadership on Employee Incremental Innovation Through Internal Motivation.



To obtain information related to the hypothesized answers about the indirect effect in this study, namely the effect of ethical leadership on employee performance through internal motivation, the following Sobel test can be used:

**Tabel 10.** Sobel Test II

Input:	Test statistic:	Std. Error:	p-value:
a 0.090	Sobel test: 0.13041783	0.10351345	0.89623586
b 0.150	Aroian test: 0.03442886	0.39211292	0.97253517
s <sub>a</sub> 0.557	Goodman test: NaN	NaN	NaN
s <sub>b</sub> 0.679	Reset all	Calculate	

The table above shows that in the Sobel Test the probability value (p-value) is 0.896 greater than 0.05 ( $0.896 > 0.05$ ), so it can be concluded that ethical leadership towards incremental innovation is through internal motivation. To see whether there is a normal distribution or not in the regression model, dependent variables, independent variables, you must test the normality of the data. If the signification value of the test results in table 4 is obtained a value of  $0.084 > 0.05$ , then the normal distribution data with substance is found to be a significance value of  $> 0.05$ . The data analysis shows an assumption of the normality of the data, as shown in the table above. Regression between independent variables that have two or more regressions is a reference to multiple regression. There are more than two independent variables, so this is exactly what happens. The following is an overview in the regression model on product

quality, price perception and accessibility impacting customer satisfaction.

## 5. CONCLUSION

The conclusions in this study are: Ethical leadership has a significant effect on internal motivation as indicated by the results of Sig. ( $0.001 < 0.05$ ). Ethical leadership has a significant effect on employee performance at the Deli Serdang Regency Library and Archives Service as shown by the results of Sig. ( $0.010 < 0.05$ ). Ethical leadership has a significant effect on incremental innovation as indicated by the results of Sig. ( $0.009 < 0.05$ ). Internal motivation has no effect on employee performance as indicated by the results of Sig. ( $0.795 > 0.05$ ). Internal motivation has a significant effect on incremental innovation as indicated by the results. ( $0.002 < 0.05$ ). Ethical leadership has no effect on employee performance through internal motivation as shown by the results of Sig. ( $0.871 > 0.05$ ). leadership has no effect on incremental innovation through internal motivation as shown by the results of Sig. ( $0.896 > 0.05$ ).

Suggestions in this study are: Companies must improve good justice in the organization in order to make cooperation between employees stronger. Having good organizational justice is believed to increase incremental innovation in the organization to achieve the goals of the organization. Companies must maintain an excellent organizational culture within the organization in order to develop and advance the company in a better direction.

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