



The Impact of Ethical Leadership and Employee Engagement on Customers' Perceived Service Quality: A Study of Sri Lankan Public Service

Achini Tharanga Wijesekera*¹ & R. Lalitha S. Fernando²

University of Sri Jayewardenepura, Sri Lanka

Email Corresponding Author: achinitharanga123@gmail.com

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Abstract

This paper investigates how ethical leader influences employee engagement for enhancing the quality of public service in Sri Lanka while examines their customers' perception of service quality, employees' perception of the style of ethical leadership, and the level of employee engagement. For that, two questionnaires were distributed. The first questionnaire was distributed through 500 employees in 83 Divisional Secretaries to identify the level of ethical leadership and employee engagement. The second questionnaire was distributed to 2500 customers to identify the level of service quality. To measure these constructs customized scales were used. The results found that, the customers were generally satisfied with the service provided by the public service. Employees in public service were satisfied with the ethical leadership of their administrators and they engage well. The results indicate that ethical leadership and employee engagement significantly affect customers' perceived service quality and employee engagement is partially mediates the association between ethical leadership and service quality. This study helps to identify the extent of ethical leadership exhibited by public officers, and how it influences service quality through employee engagement. The findings will help the public service to identify its strengths and weaknesses, and will serve as an important source of feedback to the public service that can be used in decision-making processes to better serve customers. In addition, this paper filled the gap in the literature by addressing the relationship between ethical leadership, employee engagement and customers' perceived service quality. The empirical findings of this will help to enhance the body of knowledge in the area of service quality. The findings will help to uncover the nature of ethical leadership, and employee engagement in the existing public service in Sri Lanka.

Keywords: Customers' Perceived Service Quality, Ethical Leadership, Employee Engagement, Public Service, Sri Lanka

JEL CODE: C83, D23, M31, H10



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1. Introduction

The public service is different from other profit-oriented services, as the main goal of public service is not merely to make profits but to serve people. The government service could be considered to be an excellent one if the citizens of the country have a high degree of satisfaction with the public service delivered by it. Sri Lankan contemporary public service has been severely criticized since it has not always served the public interest. Indeed, it has been accused of being 'guilty of gross mismanagement,' and there is a perception that moral and ethical standards in public sector personnel are in decline (Wijesiri, 2016). Also, in 2016 the country has one public servant for every 15 citizens, whereas the world average is to have one public servant for every 208 citizens (Wijesiri, 2016). On the other hand, the statistics provided by the Department of Census and Statistics in 2018 revealed that there are over 1.4 million employees in the Sri Lankan public service. When compared to other countries, then, there are more employees in Sri Lanka to provide public services to the people, and therefore, criticisms seem justified when that service is not of a high quality. Therefore, public officials have been compelled to find ways to provide high quality services to meet citizens' expectations. To contribute to this goal, using existing literature, this study aims to identify the factors affecting the service quality of the Sri Lankan public service. On the other hand, public service work ethics are one of the main barriers to providing quality services (Thenuwara, 2018; Amaradasa, 2012). Amaradasa (2012) pointed out that an almost non-existent work ethic can be the biggest barrier to service quality and productivity enhancement in the Sri Lankan public service. The 'Global Competitiveness Ranking' of 2017/2018 indicates that Sri Lanka is ranked 85 out of 137 countries. This ranking guide also lists 17 factors, which are the most difficult barriers to surmount for the Sri Lankan public service. Among these factors, the second most problematic factor in the national labour force is the poor work ethic (Thenuwara, 2018). The 'National Human Resources Development Council of Sri Lanka' and the 'Ministry of National Policies and Economic Affairs' proposed a "Common Competency Framework for a Productive and Ethical Public Services Culture Management System" to establish a people-oriented and a results-oriented public sector. Its main aims are to enhance an ethical, productive and citizen-focused managerial workforce, moving towards a quality public service from 2020. By these means, it may be possible to improve the service quality of public servants and their satisfaction, loyalty and commitment. The president of Sri Lanka has confirmed in his National Policy Statement that he will introduce a 'Code of Ethics' to ensure an independent public service and emphasized that for such a system to be put in place, ongoing monitoring, training on its use and rewarding those who determine ethical leadership are also required (Wijesiri, 2019).

As mentioned earlier, to provide a quality service, the government needs a people-oriented and results-oriented public service. To that end, according to the public service literature, an ethical, productive and citizen-focused workforce is essential. The significance of ethics has



(quite sadly) long been ignored in public service, and has emerged as a concern only last decade (Haq, 2011). Therefore, several attempts have been made to introduce and promote ethical standards among public servants. Of these attempts, enhancing leadership skills would be very effective in promoting ethics among public servants (Hart, 2001). Therefore, in the process of promoting ethics, the behavior of ethical leadership is crucial since it provides ethical guidance to employees. Some scholars have found that leaders with high levels of ethical leadership will motivate their workers and see that they engage well with their jobs in order to produce a superior service quality (Schaubroeck et al., 2011; Den Hartog and Belschak, 2012). Verifying this, Mostafa and El-Motalib (2018) identified a positive association between ethical leadership and employee engagement in public sector organizations. There are only a limited number of studies that address the relationships between ethical leadership, employee engagement and service quality. Therefore, based on the existing literature, the study has identified the theoretical and empirical gaps in the extant body of knowledge, and these gaps have led to the following research question: how ethical leadership will increase the level of employee engagement in order to provide a quality public service in Sri Lanka? To solve the research question, the study employed three research objectives.

The main aim of this study is to identify whether ethical leadership significantly affects employee engagement to increase service quality in the context of the public service in Sri Lanka. Therefore, (1). To examine the impact of ethical leadership on employee engagement in the public service in Sri Lanka. (2). To identify whether ethical leadership and employee engagement significantly affect customers' perceived service quality in Sri Lankan public service context. (3). To identify the mediating affect of employee engagement on the relationship between ethical leadership and perceived service quality.

This study attempts to identify how ethical leadership helps to increase the level of employee engagement with a view to providing a quality service. This research study also helps to identify the extent of ethical leadership exhibited by public officers in Sri Lanka, and how it influences the service quality through employee engagement. The findings of this study will help the public service to identify its strengths and weaknesses, and they will serve as an important source of feedback to the public service that can be used in decision-making processes to better serve customers. The model developed by this study can be used for future research.

2. Literature Review

2.1 Perceived Service Quality

Service quality is an abstract and elusive construct having the features of intangibility, heterogeneity and inseparability. These features are unique to services (Parasuraman et al., 1985). According to the literature, the conceptualization and measurement of service quality have been subject to much debate. For a service organization to find and retain satisfied customers, the importance of conceptualizing and measuring service quality is critical. Indeed, perceived service quality can be defined as a "customer's perception of the overall superiority of an organization's excellence in providing services" (Zeithaml, 1998). Parasuraman et al. (1985, 1988) noted that "customers' assessment of overall service quality depends on the gap between the actual performance and their expectations, and customers assess service quality based on five dimensions, namely, tangibility, responsiveness,



reliability, empathy, and assurance”. Based on these dimensions, these researchers developed a scale named SERVQUAL, and this is the instrument that is most widely used in measuring customers’ perception of service quality in both profit and non-profit oriented organizations (Aldridgr &Rowley, 1998).

2.2 Ethical Leadership

Ethical leadership is “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct through two-way communication, reinforcement and decision-making” (Brown et al., 2005, p.120). There are three essential characteristics of ethical leadership, namely (1) being an ethical role model to others, (2) treating people fairly, and (3) actively managing ethics in the organization (Brown et al., 2005). When ethical leaders are honest and transparent in their communications with their followers, they encourage their followers to engage in their work well (Brown & Trevino 2006; Trevino et al., 2003). In this case, employees are willing to respect and trust the leader, and are more comfortable when forwarding issues (Brown & Trevino, 2006; Trevino et al., 2003). In addition, ethical leaders are fair in decision-making, and thus, their subordinates are likely to be less worried about the possible negative effect of their voice. This type of leadership is important to enhance ethical conduct in their workplace, thereby transferring the ethical values of the organization (Michael et.al.,2010). This leadership also promotes employee commitment to the organization (Singhapakdi & Vitell, 1990). Many studies have proven that ethical leadership has a significant positive effect on the behavioral outcomes of its followers (Iqbal et al., 2020; Yousaf et al., 2019).

2.3 Employee Engagement

One of the first challenges existing in the literature on ‘Employee Engagement’ is the lack of an acceptable definition (Marcey & Schneider, 2008; Markos & Sridevi, 2010; Cowardin-Lee & Soyalp, 2011). According to Iddagoda et al, (2016), the confusion about the meaning of employee engagement is evidenced by the use of different labels for employee engagement such as job engagement, personal engagement, work engagement, organizational engagement and employee engagement. Kahn (1990) defines engagement as the “harnessing of organization members’ selves to their work roles”. Employees prompt themselves behaviorally, emotionally, and cognitively when they engage in their work (Kahn, 1990). In contrast, disengagement is, when employees withdraw and protect themselves physically, cognitively, or emotionally during their role performance (Kahn, 1990, p. 694). In 2002, Schaufeli et al. introduced an alternative view of engagement as being “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption”. Vigor is characterized by “high levels of energy and mental resilience while working, the willingness to invest effort in one’s work, and persistence even in the face of difficulties”. Dedication is “a sense of significance, enthusiasm, inspiration, pride, and challenge.” Absorption is characterized by being fully concentrated and happily engrossed in one’s work, whereby time passes quickly and one has difficulties with detaching oneself from work” (Schaufeli et al., 2002). According to Fleming and Asplund (2007), engagement is “the ability to capture the heads, hearts, and souls of your employees to instil an intrinsic desire and passion for excellence”. Engaged employees expect the success of their organization, and therefore, they are emotionally, socially and spiritually attached to the organization’s objectives, mission and vision.



2.4 Conceptual framework and Hypothesis Development

2.4.1 Ethical leadership and employee engagement

Ethical leaders are adopting moral conduct, influencing individuals to begin two-way communication, relationships, and decision-making (Brown et al., 2005). Also, it improves organizational performance through adding moral values to organizations' practices. Ethics plays a vital role in improving individuals' work behaviour, action and conduct through enhancing their right thoughts and principals (Rabie & AbdulMalek, 2020). A good leader should be a moral character rather than managers' knowledge, expertise and strategic power (Guo K, 2022). The moral characteristics of an ethical leader are morally responsible, honest and visionary (Sharma et al., 2019). Therefore, moral leadership is a unique concept, which supports employee satisfaction. Employee satisfaction is a social and psychological emotion which helps to employee achievement (Teimouri et al., 2018). This leadership strongly influences employee productivity while increasing their satisfaction (Freire and Bettencourt, 2020). As ethical leaders are perceived as being trustworthy, caring and honest, employees understand that such leaders are committed to them and wish to act in their best interest. The relationship between leadership and employee engagement has not been widely investigated previously (Carasco-Saul et al., 2014). It has been revealed that ethical leadership can have a positive impact on followers as they consider ethical leaders as an "ideal representation of the group's identity" (Kalshoven & De Hartog, 2009).

A study found a strong positive association between ethical leadership and LMX (Walumbwa et al., 2011), and LMX was found to partially mediate the impact of ethical leadership on the rating of subordinates' performances by the leader. The ethical leadership guides employee attitudes, behaviour and actions, thereby enhancing employees' work commitment (Kaffashpoor & Sadeghian, 2020). Therefore, ethical leadership is significantly affect to work engagement (Den Hartog & Belschak, 2012; Adnan et al., 2020). A study found a positive relationship between ethical leadership and work engagement in public sector organizations (Mostafa & El-Motalib, 2018).

H1: There is an association between ethical leadership and employee engagement in the public service in Sri Lanka.

2.4.2 Ethical leadership and customer' perceived service quality

Limited studies are available that examine the relationship between ethical leadership and perceived service quality. The ethical leaders help to motivate their workers and they engage well in order to adhere to service quality (Schaubroeck et al., 2011). Further, they found that ethical leadership enhances the employees' normative beliefs. This leadership is important to followers, organization and society since ethical leaders are directed by a set of values and take decisions considering stakeholders' interests (Kanungo and Mendonca, 2001). Therefore, ethical leadership can strongly influence employee to improve employee performance (Halvorsen et al., 2022).

H2: Ethical leadership significantly affects the customers' perceived service quality of the public service in Sri Lanka.

2.4.3 Employee engagement and customer' perceived service quality

Salanova et al. (2005) empirically confirmed that employee engagement affects customer experiences through the service climate. The potential improvements from better-engaged



employees include increased retention, productivity, and stronger client focus (Rank et al., 2007; Wallace & Trinka, 2009). In addition, Southard (2010) confirmed the positive relationship between employee engagement and service quality.

H3: Employee engagement significantly affects customers' perceived service quality of the public service in Sri Lanka.

Consequently, public sector organizations must emphasize promoting ethical leadership to stimulate employees' sense of meaningful work to provide service. Since the third objective is to identify the mediating effect of employee engagement on the relationship between ethical leadership and customers' perceived service quality.

H4: Employee engagement mediates the relationship between ethical leadership and perceived service quality of the public service in Sri Lanka.

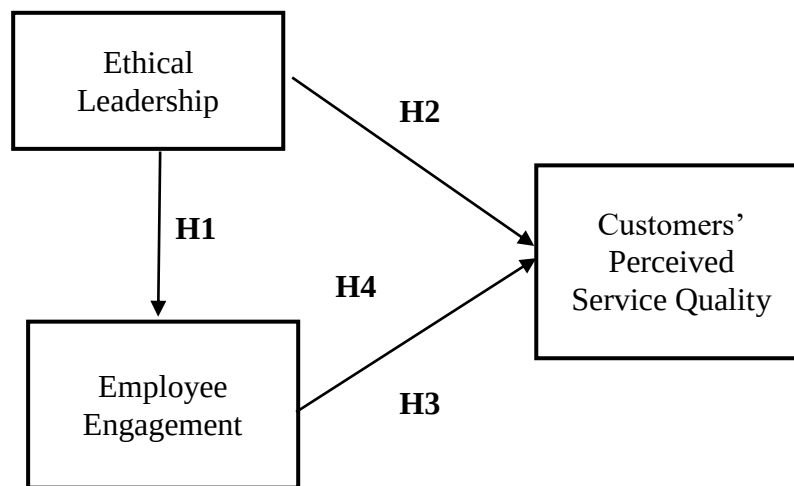


Figure 1: Conceptual Framework of the Study

3. Research Method

3.1 Measures

Ozer (1999, as cited in Erdoganand & Bavik, 2008) suggested that the development of industry-specific quality measurements would be better suited to the nature of the industry. Therefore the questionnaires were contained following customized measures for public service.

3.1.1 Perceived service quality

Public organizations do not necessarily desire to retain their customers. Therfore Wijesekera and Fernando (2016) develop a scale using SERVQUAL scale (Parasuraman et al., 1988) to measure service quality for the Sri Lankan public service. Hence, for this study this scale was used. The dimensions and number of items of this scale are set down as follows.

**Table 1: The Survey Instrument for Service Quality of Public Service**

Quality dimensions	Sample Items	No. of Items
Responsiveness (RE)	Timeliness of service delivery The availability of employees to deliver the service	5
Communication (CO)	Unit functions are well-coordinated as a team Employees have one to one effective communication	3
Tangible (TA)	Cleanliness and order, and sufficient waiting areas for customers	5
Empathy (EM)	Provide instructions and explanations to their customers in a friendly manner Respect their customers	3
Assurance (AS)	Maintain trustworthiness	3

3.1.2 Ethical Leadership

To measure this construct Wijesekera and Fernando (2017) developed a scale for Sri Lankan public service was used. To develop this scale they have used three scales such as Ethical Leadership Scale (Brown et al., 2005) that is most widely used to measure (Yukl et al., 2013), Ethical Leadership Work Questionnaire (Kalshoven et al., 2011) and Ethical Leadership Questionnaire (Yukl et al., 2013).

Table 2: The Survey Instrument Used to Measure Ethical Leadership in the Public Service

Quality dimensions	Sample Items	No. of Items
People Orientation (PO)	Makes fair and balanced decisions Respect for employees	14
Integrity (IN)	Listens to what employees have to say Does not practice favoritism	5
Ethical guidance (EG)	Communicates ethical standards to subordinates Keeps his/her actions consistent with his/her stated values	8
Role clarification (RC)	Clarifies the responsibilities expected from employees Discusses success and failure at work often, and advices employees on how to avoid failures in the future	3



3.1.3 Employee Engagement

Further, Wijesekera and Fernando (2018) customized the Utrecht Work Engagement Scale (UWES) was developed by Schaufeli et al. (2002), which has become one of the most widely used instruments to measure engagement around the world (Rana & Ardichvili, 2015) to Sri Lankan Public Service. The definition used for engagement is “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption” (Schaufeli et al., 2002).

Table 3: The Survey Instrument for Employee Engagement of Public Service

Quality dimensions	Sample Items	No.of Items
Dedication (DE)	Job is very important Job is meaningful.	7
Vigor (VI)	Can continue work in spite of difficulties. Put full effort into my work	6
Absorption (AB)	Time passes quickly when doing the job Never think about other things when performing the job	3

3.2 Sample and Procedures

This study aims to investigate the service quality of the public service in Sri Lanka. To investigate service quality, the researcher was selected by the Divisional Secretariats to represent the public service. This is because Divisional Secretariats are the organizations that dispense more than 90 percent of government related services provided to citizens in Sri Lanka (Herath, 2008). These data sets were collected from 83 Divisional Secretariats chosen from among 330 Divisional Secretariats of the country. For that, a systematic random sampling technique was used. Front line employees were selected from three branches, namely, land, administration and social services, which provide services within the premises of a Divisional Secretariat. 500 responses (from employees) were selected from 83 Divisional Secretariats and each of the 500 employees was evaluated by 5 customers who were served by the relevant employee. Random sampling methods were used to select employees and customers.

To collect data, two self-administered questionnaires were used. The measures on the questionnaires were a 5-point and a 7-point Likert scale. One questionnaire was distributed among employees to collect data to recognize the level of ethical leadership of administrators and the level of employee engagement. The second questionnaire was distributed among customers to identify the level of service quality. According to the requests of the respondents, the questionnaires, which translated into the Sinhala and Tamil languages, were also distributed. These questionnaires consisted of three pages, together with a covering letter. The first section of the questionnaire profiled and generated background information on the respondents, the second section solicited data on service quality dimensions, ethical leadership, and employee engagement dimensions.- Before the final data collection of this study to verify the validity of the instruments, content validity and pilot tests were done. To ensure the content validity the questionnaires were forwarded to peer groups for evaluation. Based on their comments and suggestions, the questionnaires were improved. Then a pilot



survey was conducted using 50 employees and 50 customers of five Divisional Secretariats in the Gampaha District. All dimensions had adequate levels of reliability and item-total correlations (>0.3). Therefore, none of the items were deleted from the scales.

The finalized questionnaires were dispatched for the final data collection. In final data analysis to compile the descriptive statistics, test of common method variance, multivariate assumptions and exploratory factor analysis (EFA) the SPSS version 22.0 software package was used. After structural equation modelling (SEM) method was used to establish the measurement model using confirmatory factor analysis (CFA) and find the causal relationships expected from the research model. For that AMOS version 22 package was used.

4. Results and Discussion

Out of 500 questionnaires distributed among employees, 495 were found to be useful. The customers' sample consisted of 2475 customers. During the analysis, descriptive statistics, exploratory factor analysis, EFA and the SPSS version 22.0 software package were used. Afterwards, the structural equation modelling, SEM method was used to establish the measurement model using confirmatory factor analysis, CFA in order to find the causal relationships expected from this study.

4.1 Descriptive Demographic Statistics

The demographic characteristics of employees are given in Table 5 and the majority of them are seen to be female and aged between 31-40 years. 59% of the respondents are undergraduate and post-graduate degree holders.

Table 4. Demographic Characteristics of Employees

Demographic	Categories	Frequency	Percentage (%)
Gender	Female	360	72.7
	Male	135	27.3
	Total	495	
Age	Below 20 years	1	.2
	21-30 years	64	12.9
	31-40 years	284	57.4
	41-50 years	111	22.4
	51 -60 years	35	7.1
	Total	495	
Education Level	GCE O/L	9	1.8
	GCE A/L	164	33.1
	Diploma	32	6.5
	Degree	265	53.5
	Post Graduate Diploma	25	5.1
	Total	495	
Total experience in government service	Below 1 year	27	5.5
	1-5 years	96	19.4
	6-10 years	205	41.4
	11-15 years	81	16.4



Experience in the current organization	Above 15 years	86	17.4
	Total	495	
	Below 1 year	102	20.6
	1-3 years	142	28.7
	4-6 years	185	37.4
	7-9 years	47	9.5
	Above 10 years	19	3.8
	Total	495	

The demographic characteristics of customers are given in Table 5, the majority of respondents are male and 29% of them are aged between 38-47 years. About 28% of them have qualifications above that of the GCE A/L, and nearly 68% of the respondents are employed.

Table 5: Demographic Characteristics of Customers

Demographic	Categories	Frequency	Percentage
Gender	Female	1144	46.2
	Male	1331	53.8
	Total	2475	100.0
Age	18-27	457	18.5
	28-37	588	23.8
	38-47	714	28.8
	48-57	539	21.8
	58<	177	7.2
	Total	2475	100.0
Education Level	Below GCE O/L	188	7.6
	GCE O/L	506	20.4
	GCEA/L	1081	43.7
	Degree	542	21.9
	Above degree	158	6.4
	Total	2475	100.0
Doing a Job?	Yes	1686	68.1
	No	789	31.9
	Total	2475	100.0

4.2 Descriptive Statistics and Internal Reliability Analysis of Scales

Table 6. Descriptive Statistics and Internal Reliability Analysis of Scales

	Mean	SD	No.of Items	KMO
Perceived Service Quality (PSQ)				.955
Responsiveness (RE)	4.07	1.166	5	
Tangible (TA)	4.48	1.024	5	
Empathy (EM)	3.97	0.906	3	
Assurance (AS)	3.89	0.972	3	
Communication (CO)	4.15	1.230	3	
Valid N (list wise) 2475				



Ethical Leadership (EL)				.971
People Orientation (PO)	3.69	0.701	14	
Integrity (IN)	3.77	0.746	5	
Ethical Guidance (EG)	3.73	0.655	8	
Role Clarification (RC)	3.83	0.774	3	
Valid N (list wise) 495				
Employee Engagement (EE)				.921
Vigor (VI)	6.02	0.819	7	
Dedication (DE)	5.55	1.005	6	
Absorption (AB)	5.46	1.012	3	
Valid N (list wise) 495				

The mean scores of these dimensions in service quality are indicated in Table 6. Each dimension was measured on a 7- point Likert scale and the highest mean score of 4.48 ± 1.024 was for tangibility. The lowest mean of 3.89 ± 0.972 was for the assurance dimension. However, there are no significant variances in the respondents' prevalence of agreement on the perceived service quality dimensions. The ethical leadership construct contained four dimensions and it was measured on a 5- point Likert scale. As indicated in Table 7, all dimensions have above 3 mean scores. Role clarification reports the highest value of 3.83 ± 0.77 ; $M \pm SD$. This indicates that the employees tend towards the notion of ethical leadership. The employee engagement construct was measured on a 7- point Likert scale. All dimensions reported above 5 mean scores. Vigor reports the highest mean score is 6.02 and absorption reports the lowest value of 5.46 ± 1.012 ; $M \pm SD$. There is no significant variance in employees' agreement on all dimensions of employee engagement.

Table 7: Correlation Coefficient between the Ethical Leadership and Employee Engagement Dimensions and Service Quality Dimensions.

	PO	IN	EG	RC	DE	VI	AB
RE	.274**	.221**	.238**	.220**	.225**	.194**	.203**
CO	.266**	.217**	.230**	.199**	.240**	.219**	.218**
TA	.187**	.157**	.173**	.148**	.161**	.153**	.176**
AS	.237**	.205**	.200**	.186**	.234**	.171**	.199**

** Significance at the 0.01 level

Table 7 indicates that all dimensions of service quality are significantly correlated with all dimensions of ethical leadership and employee engagement. This may be explained by the fact that leaders' characteristics like people orientation, integrity, role clarification, ethical guidance and employees' characteristics like vigor, absorption and dedication raise the service quality dimensions of responsiveness, communication, tangible and assurance.

4.3 Exploratory Factor Analysis (EFA)

The perceived service quality construct contained five dimensions; RE, CO, EM, TA and AS. However, after the EFA, the observed data was distinguished by four factors, and all factors reported values above 0.5, except for two factors. The total variance explained was 59.15%, which is adequate. To maintain uni-dimensionality, items should report factor loadings above 0.5 (Hair et al., 2014). Therefore, the two factors which did not maintain the factor loadings above 0.5 were removed from the scale and EFA was run again. The results of EFA are



illustrated in Table 5.15. Here, the data was distinguished into three factors and all factors reported values above 0.5, except one factor. This factor was removed from the scale and EFA was run for the third time. Now, the observed data was distinguished into three factors and all factors reported values of above 0.5, where the total variance explained by these factors is 57.11%). The new dimensions can be identified as responsiveness; RE, tangibility; TA and empathy; EM. The ethical leadership constructs contained four dimensions; PO, IN, EG and RC. The factor loadings were above 0.5. These factors explain 63.61% of the total variance, which is a considerably high percentage. The output of EFA for employee engagement shows that the generated factors are aligned with the primary scale. The three factors explain 63.89% of the total variance, which is quite satisfactory. Only one factor has deviated from the theoretically defined location.

4.4 Measurement Model for Confirmatory Factor Analysis (CFA)

There are three types of SEM; the measurement model, structural model and Path Analysis (Awang, 2015; Hair et al., 2014). However, the first two models are the most commonly used SEM types in the field of Social Science. The measurement model is associated with CFA and the structural model with causal analysis. The measurement model was tested with first order and second order methods. Initially, the first order CFA for each construct of this study was discussed. Thereafter, all constructs of this study were submitted to the first order measurement model separately. Thereafter, the second order CFA was done to check the suitability of the measurement model to forward the structural model. Therefore, the variables were forwarded by CFA that was carried out with SEM. SEM primarily depends on several Model -of -Fit indices in order to determine its fitness and viability (Annexure 1).

After the CFA for perceived service quality, one item reported a standardized regression weight below 0.5 and the other items reported values above 0.6. Therefore, this one item was discarded. The new measurement model for PSQ was then finalized. The CFA results for ethical leadership indicate appropriate convergent validity which is above 0.5, but there were significant correlations among all latent variables which led to a value greater than 0.9. This is because the dimensions of ethical leadership are similar to one another. Therefore, ethical leadership was considered one latent variable containing the entire items PO, IN, EG and RC together, and based on this premise, the first order CFA was run again. Thereafter, two items were removed from the scale since their standardized regression weights were below 0.5. These two items are ‘the ethical leader delegates responsibilities to his subordinates’ and ‘the ethical leader uses punishments to keep assistants responsible for their actions’. Then, the first and the second order measurement models were finalized. The CFA for the measurement models for all variables had a satisfactory goodness of fit; GOF, as depicted in Table 8. Therefore, the validity of the scales is confirmed.

Table 8: Goodness of Fit for Variables

Fit indices	Absolute fit indices			Incremental fit indices			
	CIMIN/DF	GFI	RMSEA	NFI	IFI	TLI	CFI
Cut of Value	<5.0	0- 1	0.03-0.08	0 -1	≥. 0.9	0-1	>.90
Actual Value -PSQ	4.323	.983	.037	.980	.984	.978	.984
Actual Value- EL	4.725	.788	.087	.861	.887	.878	.887
Actual Value –EE	4.722	.892	.087	.897	.917	.899	.916



Also, this measurement model provides other measurements like, Convergent validity, Construct validity, Discriminate validity, and Composite Reliability. By using CFA, the composite reliability; CR and average variance extracted; AVE was performed to measure reliability. According to Table 9, all dimensions of these variables reported Cronbach's alpha values above 0.7, and this indicates that all dimensions have high internal consistency.

Table 9: Cronbach's Alpha, AVE AND CR

	Cronbach's alpha	AVE	CR
RE	0.94	0.71	0.96
EM	0.90	0.71	0.95
TA	0.83	0.55	0.89
EL	0.97	0.57	0.98
DE	0.87	0.51	0.92
VI	0.89	0.59	0.93
AB	0.71	0.44	0.79

All variables have good CR values and AVE values except AB. AB demonstrates lower AVE values, which means lower convergent validity. The other variables have achieved good convergent validity, since more than 50 percent of the variance has been explained by the measuring items for the latent construct. But AB is considered acceptable because it has maintained a satisfactory level of CR.

According to the recommendation of Hair et al. (2014) discriminant validity can be tested through the shared variance, since the shared variance between any two constructs would be less than the AVE of each factor. Therefore, discriminant validity was ensured.

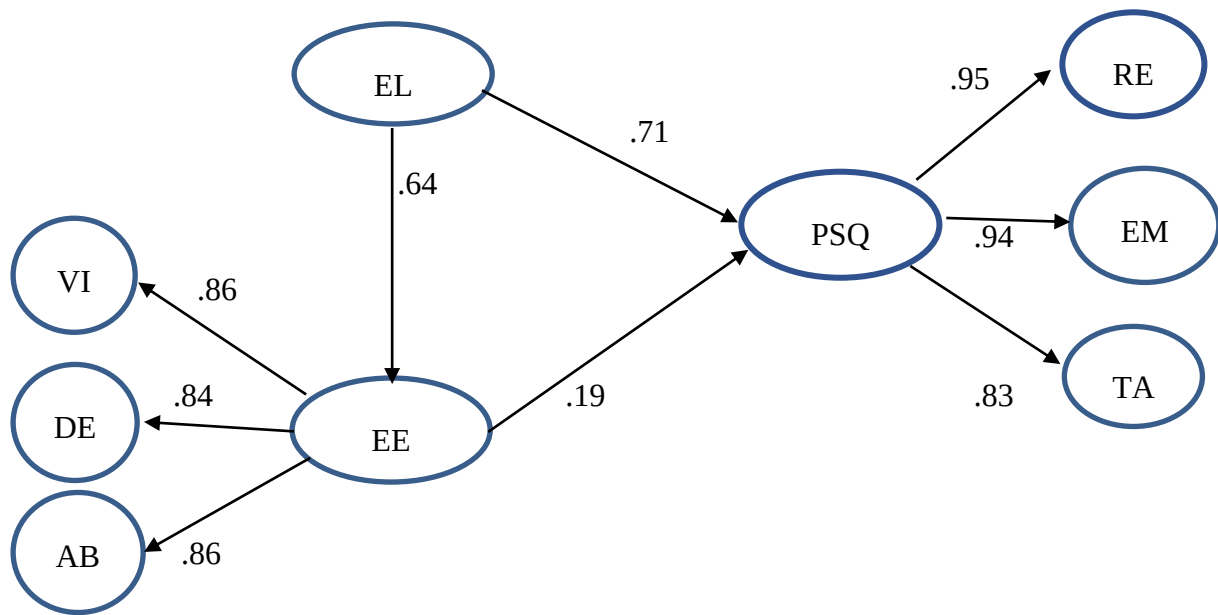
Table 10: Squared Multiple Correlation (SMC)

	EL	VI	AB	DE	RE	EM	TA
EL	<i>0.57</i>						
VI	0.243	<i>0.59</i>					
AB	0.166	0.312	<i>0.44</i>				
DE	0.271	0.375	0.311	<i>0.51</i>			
RE	0.077	0.043	0.046	0.057	<i>0.71</i>		
EM	0.074	0.038	0.042	0.065	0.697	<i>0.71</i>	
TA	0.024	0.014	0.025	0.014	0.496	0.449	<i>0.55</i>

AVE shows in italics on the diagonal

4.5 Structural Model

Finally, the structural model was tested to confirm the causal relationships among variables, as is illustrated below.



*Significant at the 0.05 level

Figure 2: Structural Model -Causal Relationships between Variables

The GOF values for the structural model are indicated in Table 11. Absolute and incremental indices show moderate model fit. Parsimony indices confirm absolute model fit.

Table 11: Goodness of Fit for the Structural Model in Figure 1

		Absolute fit indices				Incremental fit indices			Parsimony fit indices
Fit indices		CIMIN/D F	RMR	GFI	RMSEA	IFI	TLI	CFI	PARTIO
Cut of Value		<5.0	0- 1	0.03-0.08	0 -1	≥.0.9	0-1	>.90	≥. 0.9
Actual Value		2.614	.050	.761	.057	.885	.879	.884	.960

According to the results of the fitted model, Table 12 indicates that ethical leadership impacts positively on customers' perceived service quality ($\beta = .172$, $P=.001$) and affect employee engagement ($\beta = .643$, $P=.008$). Thus, employee engagement positively affects customers' perceived service quality ($\beta = .191$, $P=.007$).



Table 12: The Results of the Model

Path	Standardized Estimate	P	Results
PSQ <--- EL	.172	***	Significant
EE <--- EL	.643	.008	Significant
PSQ <--- EE	.191	.007	Significant

According to Table 13, the standardized direct effects and indirect effects are significant at the 0.05 level. This result indicates that the mediating impact of EM on the association between EL and PSQ is significant at the 0.05 level. Therefore, this is a partial mediation because both the direct effect and indirect effect of EL on PSQ are significant.

The results that support this relationship are aligned with those of previous literature, and the relationship is confirmed in the context of the Sri Lankan public service. Well engaged employees increased productivity, retention and demonstrated strong customer focus (Rank et al., 2007; Wallace and Trinko 2009). Southard (2010) also confirmed the positive relationship between employee engagement and service quality.

Table 13: The Standardized Direct Effects and Indirect Effects
Two-Tailed Significance

	Standardized Direct Effects	Standardized Indirect Effects
	EL	EE
EE	.021	
PSQ	.031	.012

However, perusing the literature reveals that very little work has been done by researchers to identify the impact of leadership on employee engagement (Saul et al., 2014). However, Walumbwa et al. (2011), did find a positive relationship between ethical leadership and Leader Member Exchange; LMX. Through LMX, it was possible to investigate the impact of ethical leadership on subordinates' performance. The empirical evidence of this study confirmed that ethical leadership and employee engagement have significant positive impacts on customers' perceived service quality in the context of the Sri Lankan public service. Finally, this study confirmed that employee engagement partially mediates the relationship between ethical leadership and customers' perceived service quality in the Sri Lankan public service; $P = 0.012$. This study discloses the importance of ethical leadership and employee engagement in explaining customers' perceived service quality in the Sri Lankan public service. The ethical leadership style of public officers and employee engagement strongly affect customers' perceived service quality in the public service in Sri Lanka. In addition, the ethical leadership style of public officers also affects employee engagement, and serves to improve service quality. Therefore, this study confirmed that employee engagement partially mediates the relationship between ethical leadership and the perceived service quality of the public service in Sri Lanka. The findings of this study will help the public service to identify



its strengths and weaknesses, and they will also serve as an important source of feedback that can be used in decision-making processes to better serve customers.

5. Conclusion

Findings of this study have confirmed the significant relationships between ethical leadership and employee engagement on customers' perceived service quality. This means that the ethical leader increase the level of employee engagement in order to provide a quality service. Moreover, there are significant direct relationships between ethical leadership and customers 'perceived service quality, and employee engagement and customers 'perceived service quality. Therefore, employee engagement acts as a partial mediator of the relationship between ethical leadership and perceived service quality.

In this study, Divisional Secretariats were selected to represent the whole public service. Therefore, to generalize the findings more effectively, further studies can be carried out by provincial administration and other public sector organizations. This study examined only two factors affecting customers' perceived service quality; however, there are many more factors like HRM practices and technology, and several other mediators and moderators that can be scrutinized. To avoid issues related to biases in this study, it is suggested that employee engagement be evaluated by employees' immediate supervisor, in the same manner that employees evaluate their immediate supervisor's ethical leadership style in this study. In the future, this model can be tested using the explanatory sequential design method.

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