

Ethical leadership, adhocratic culture, and innovative work behavior: Drivers of company performance

Estyana Puspita Aprilianty^{1,*}, Jati Waskito²
Universitas Muhammadiyah Surakarta, Indonesia^{1,2}
Corresponding e-mail: B100190488@student.ums.ac.id*

ABSTRACT

Purpose — *This study aims to analyze the effects of ethical leadership and adhocratic culture on company performance, with innovative work behavior serving as a mediating factor.*

Method — *This study employed a quantitative approach, with permanent employees from the Social Security Agency on Health (BPJS) company as survey respondents, constituting 70% of the sample. The sampling technique utilized purposeful saturation sampling. Validity and dependability of the outer model were evaluated using SmartPLS. The hypotheses were tested using the output of the SmartPLS inner model.*

Result — *We found that ethical leadership and innovative work behavior have a significant influence on company performance. However, our analysis suggests that adhocratic culture does not exert a significant impact on company performance. In terms of the relationship between ethical leadership, adhocratic culture, and innovative work behavior, we observed that both ethical leadership and adhocratic culture play an important role in shaping innovative work behavior. However, our findings indicate that innovative work behavior does not serve as a positive and substantial mediator between ethical leadership and company performance. Similarly, we found that innovative work behavior does not act as a positive and substantial mediator between adhocratic culture and company performance.*

Contribution — *This study makes an academic contribution by revealing the specific impacts of ethical leadership and adhocratic culture on company performance, highlighting the importance of ethical leadership and innovative work behavior.*

Keywords: *ethical leadership, adhocratic culture, company performance, innovative work behavior*



INTRODUCTION

Leaders play a crucial role in ensuring stability, efficiency, and guiding organizations towards their goals. However, the traditional approach to leadership alone may no longer be sufficient in today's society, as it can lead to ethical issues and social problems. In response, ethical leadership has emerged as a new requirement for leaders in modern organizations ([Rosida & Wajdi, 2023](#)). Ethical leadership encompasses both personal and interpersonal aspects, encompassing behaviors, decision-making processes, and relationships that adhere to ethical norms and values ([Waskito et al., 2019](#)).

Ethical leadership plays a significant role in providing purpose and motivation to followers within an organization, fostering their adaptability to change and enhancing the quality of work. It encompasses qualities, actions, and behaviors exhibited by leaders that have positive impacts on others. Key characteristics of ethical leaders include honesty, reliability, compassion, and fairness ([Ahmad et al., 2022](#)). In today's dynamic work environment, where high performance is expected from employees, leaders must be responsive to the demands of change, including cultivating an organizational culture that embraces a distinct creative orientation such as adhocratic culture.

Adhocratic culture refers to a corporate environment that esteems employees' ability to experiment, take risks, and adapt to change. In contrast to a culture characterized by hesitation, the primary objective of this form of culture is to foster adaptability and creativity ([Osman et al., 2023](#)). These qualities demonstrate an outward focus and have been shown to enhance firm performance and facilitate knowledge conversion. Growth, stimulation, innovation, and diversity are the central themes underlying this perspective. An adhocratic culture actively seeks ongoing innovation and the acquisition of new information and resources, aiming to produce unique, value-added products and services as a measure of success ([Udanarti, 2022](#)). While innovation may bring about some undesired outcomes, change is an unavoidable aspect ([Khan et al., 2022](#)). [Khan et al. \(2022\)](#) propose that adopting an adhocratic culture can foster both innovation and performance, which are crucial for sustainable organizational success in today's competitive markets.

Given that innovation is a complex process with many hazards, positive leadership behavior is considered a key factor in encouraging employee innovation ([Hidayati et al., 2019](#)). In this situation, employing innovative work behavior is seen as having benefits for the organization or group. It is also considered that companies cannot rely solely on the culture that has existed for a long time, but must construct a culture while maintaining the core values of the company. Then, as a driver of innovation within the company, employees are also

expected to demonstrate innovative work behavior that can help the company accomplish its objectives and survive in the corporate world. Employees do this to maintain their positions in the company ([Kuswati et al., 2021](#)).

Corporate performance and organizational efficacy are sometimes used interchangeably. Organizational effectiveness assesses how successfully a social system with constrained means and resources, like an organization, accomplishes its objectives without placing an undue burden on its members. When assessing performance, factors including productivity, flexibility, and inter-organizational conflicts are taken into account ([Alshebami, 2021](#)). An organization's performance can be used to measure its level of production and efficacy. Leaders can determine whether these achievements have been realized or not by comprehending the overall performance of the company. Knowing the state of the business will make it simpler for you to create policies. Thus, company proprietors can manage and organize the business better. Business owners can promptly make decisions to enhance organizational functions if there are deficiencies.

Although adhocratic culture has a positive effect on the performance of a company, its presence can also promote organizational performance ([Naranjo-Valencia et al., 2019](#)). Building and implementing an appropriate organizational culture, such as adhocratic culture, can lead to high employee commitment within the organization. Adhocratic culture plays a crucial role in the success and performance of a company, which in turn influences employee job satisfaction and performance. The alignment between the dominant culture and the external environment greatly impacts a firm's performance, with a stronger alignment resulting in more significant benefits from the culture. Leaders must meet the demands of change, including fostering creativity and innovation. Innovation is considered a core competency, and large companies tend to excel at harnessing its advantages, while smaller businesses often thrive in generating innovation. Therefore, it is crucial to establish a leadership style that complements the adhocracy culture, encouraging thinking outside the conventional boundaries.

Prior studies have explored the impact of leadership and adhocracy culture in different contexts. [Sanchez-Famoso et al. \(2023\)](#) conducted research in small and medium-sized family companies, examining the integration of ethical leadership, internal social capital, and company performance. [Gao, Zhao, and Qu \(2020\)](#) investigated the effect of person-organization (PO) adhocracy value congruence on employee creativity using fit theory. [Alheet et al. \(2021\)](#) examined the influence of leadership style on innovative work. In comparison to these previous studies, the novelty of the current research lies in its focus on the

relationship between leadership styles aligned with adhocratic culture and the development of innovative thinking.

Based on the aforementioned background description of the problems, the objective of this study is to examine the effect of ethical leadership and adhocratic culture, with innovative work behavior serving as a mediating factor.

METHOD

This type of research follows a quantitative approach to examine a pre-established hypothesis. Quantitative research is a research method rooted in positivism, which involves studying specific populations or samples and gathering data through questionnaires ([Bougie & Sekaran, 2017](#)). In this study, questionnaires were employed as a means of collecting research data. The Likert scale served as the research instrument. The sample size for this investigation was determined using the saturated sampling technique, typically employed when the population consisted of fewer than 100 individuals.

A saturated sample, also known as a census, is used when the population being studied is relatively small compared to the number of employees in a company. In this particular investigation, there were 21 question indicators, and the required number of respondents was limited to 70 permanent employees.

This study employed a non-probability sampling technique called purposive sampling, which involved selecting samples based on specific criteria. In this case, the criteria were permanent employee at the Social Security Agency on Health (BPJS) in Surakarta. The study utilized descriptive analysis and Structural Equation Model (SEM) analysis with SmartPLS for data analysis.

Hypotheses development

Ethical leadership and company performance

According to [Sarwar et al. \(2020a\)](#), an ethical leader is an individual who demonstrates moral behavior both personally and within the corporate setting. Moral behavior is guided by a set of values that influence the actions and conduct of those in positions of authority. When leaders are perceived as trustworthy, considerate, and selfless, employees are more likely to connect with them, engage in positive interactions, and align their interests with the organization's goals. Previous research by [Kim and Thapa \(2018\)](#) supports this theory, indicating that ethical leadership has a beneficial impact on firm performance.

H1: Ethical leadership impacts company performance

Adhocratic culture and company performance

Adhocracy culture is characterized as an organizational culture that promotes adaptation, risk-taking, and experimentation among employees (Noone et al., 2022). The performance of an organization is typically assessed based on its operational efficiency. Companies with an adhocracy culture view individual adhocracy values as enduring personal beliefs, involving a preference for monitoring external environmental changes, taking risks to drive innovation, and operating in a flexible context. However, not all employees may be able to adapt to the adhocracy culture due to the fast pace of work, which may lead to burnout and stress, ultimately impacting employee performance negatively. In contrast, previous research by Misigo, Were, and Odhiambo (2019) found that adhocratic culture does not have a significant impact on company performance.

H2: Adhocratic culture does not impact company performance

Innovative work behavior and company performance

According to Iqbal et al. (2020), Innovative Work Behavior (IWB) can be described as the purposeful generation, introduction, and application of fresh ideas within a work role, group, or organization, with the intention of enhancing the performance of that specific role, group, or organization. Individuals who perceive themselves as thriving in their work tend to exhibit greater levels of IWB compared to those who do not thrive. The presence of innovative work behavior has been shown in previous studies, including research by Iqbal et al. (2020), to have an impact on company performance.

H3: Innovative work behavior affects company performance

Ethical leadership and innovative work behavior

Molnár et al. (2021) suggest that ethical leadership plays a role in motivating employees to channel their efforts and abilities towards their work and foster innovation. Ethical leaders emphasize factors that inspire employees to be creative and innovative in order to achieve collective objectives for the betterment of the team and the organization. Leaders are expected to meet the demands of change, which include fostering creativity and innovation. Previous research conducted by Iqbal et al. (2020) supports the notion that ethical leadership has an impact on promoting innovative work behavior.

H3: Ethical leadership affects innovative work behavior

Adhocracy culture and innovative work behavior

Innovative behavior refers to a range of behaviors in which employees generate new ideas during work processes and make efforts to implement them ([Khan et al., 2022](#)). This includes actively seeking and discovering new opportunities and solutions. Such behaviors are seen as advantageous for organizations. Leaders or advocates of this culture demonstrate creativity and exhibit a high willingness to take risks by implementing new initiatives. Previous research conducted by [Chege, Gichunge, and Muema \(2022\)](#) supports the idea that an adhocratic culture has a positive influence on fostering innovative work behavior.

H5: Adhocratic culture affects innovative work behavior

Ethical leadership, company performance, and innovative work behavior

Research has demonstrated that changes in the workplace can foster innovative work behavior. Innovation involves the introduction of new ideas, practices, procedures, and techniques to individuals, groups, and organizations ([Amirudin & Nugroho, 2022](#)). This highlights the importance of leaders as role models in establishing an ethical work environment and cultivating a strong company reputation. However, without the presence of innovative behavior, there can be a negative impact on employee performance. Even innovative companies can fail to reap the benefits of their innovative practices if they are not effectively implemented. A research conducted by [Iqbal et al. \(2020\)](#) have found that ethical leadership does not influence company performance with innovative work behavior serving as the mediating variable.

H6: Ethical leadership has no effect on company performance with innovative work behavior as a mediating variable

Adhocracy culture, company performance, and innovative work behavior

Adhocracy culture is characterized by its emphasis on adaptation, risk-taking, and experimentation among employees, as described by [Noone et al. \(2022\)](#). However, when an adhocracy culture is poor or lacking, it can have negative consequences on employee interaction and hinder the development of innovative work behavior. In such cases, employees may struggle to communicate effectively with one another, leading to a decrease in the company's ability to innovate. Barriers and competition among employees may arise, impeding the establishment of proper teamwork. Notably, previous research conducted by [Gao, Zhao, and Qu \(2020\)](#) found that adhocratic culture,

with innovative work behavior as a mediating factor, does not influence firm performance.

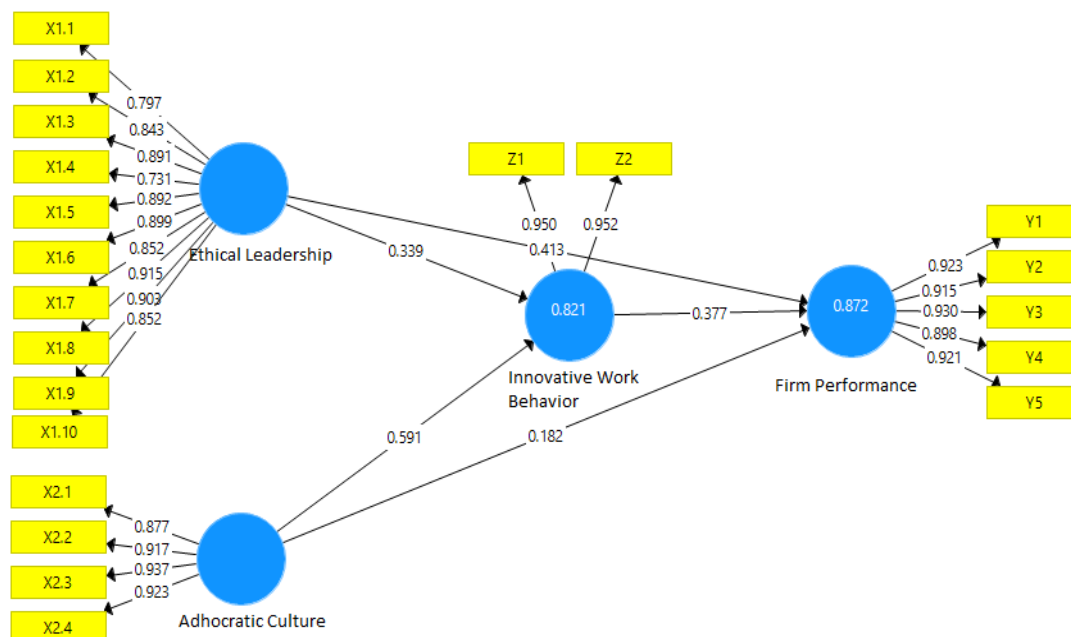
H7: Adhocratic culture does not influence company performance with innovative work behavior as a mediating variable

RESULT AND DISCUSSION

Outer model analysis

In this study, the SmartPLS 3.0 software and the Partial Least Squares (PLS) data analysis techniques were employed to evaluate the research hypotheses. By conducting outer model testing to examine the validity and reliability, the study investigated the connection between latent variables and their associated indicators. The structure of the analyzed PLS program model is as follows:

Figure 1. Outer Model



Source: Processed data (2023)

As depicted in Figure 1, none of the variable indicators exhibit outer loading values exceeding 0.7. Consequently, all indicators are considered suitable for research purposes and can be further examined. The outer loading value is determined to be 0.906. Additionally, the R square value indicates that the impact of ethical leadership, adherent culture, and innovative work behavior on

firm performance is 0.872, whereas it is 0.821 for the relationship between ethical leadership, adherent culture, and innovative work behavior. A higher R square value indicates a stronger influence of the connection between the dependent variable and its mediation.

Convergent validity

When the outer loading value of an indicator exceeds 0.7, it is considered to exhibit convergent validity within the good category ([Ghozali, 2019](#)). The outer loading values for each indicator on the research variables are provided below:

Table 1. Convergent validity value

	Convergent validity	Description
X1.1	0.797	Valid
X1.2	0.843	Valid
X1.3	0.891	Valid
X1.4	0.731	Valid
X1.5	0.892	Valid
X1.6	0.899	Valid
X1.7	0.852	Valid
X1.8	0.915	Valid
X1.9	0.903	Valid
X1.10	0.852	Valid
X2.1	0.877	Valid
X2.2	0.917	Valid
X2.3	0.937	Valid
X2.4	0.923	Valid
Y1	0.923	Valid
Y2	0.915	Valid
Y3	0.930	Valid
Y4	0.898	Valid
Y5	0.921	Valid
Z1	0.950	Valid
Z2	0.952	Valid

Source: Processed data (2023)

In order to meet the criteria for convergent validity, the AVE (Average Variance Extracted) value should exceed 0.5 ([Ghozali, 2019](#)). The AVE values for each variable in this study are provided below:

Table 2. AVE value

Variable	AVE	Description
Adhocratic Culture	0.835	Valid
Innovative Work	0.904	Valid
Ethical Leadership	0.738	Valid
Performance	0.842	Valid

Source: Processed data (2023)

In Table 2, it is evident that the AVE values for the adhocratic culture variable, innovative work variable, ethical leadership variable, and performance variable are all above 0.5, specifically 0.835, 0.738, and 0.842, respectively. These values indicate robust discriminant validity for each variable.

Discriminant validity

The discriminant validity test relies on the cross-loading values. An indicator is considered to possess discriminant validity when its cross-loading value on a specific variable is higher than its cross-loading values on other variables. The cross-loading values for each indicator are as follows:

Table 3. Cross loading

Indicator	Adhocratic Culture	Innovative Work	Ethical Leadership	Performance
X1.1	0.619	0.564	0.797	0.697
X1.2	0.785	0.746	0.843	0.788
X1.3	0.801	0.843	0.891	0.869
X1.4	0.559	0.569	0.731	0.666
X1.5	0.800	0.804	0.892	0.797
X1.6	0.804	0.786	0.899	0.792
X1.7	0.796	0.754	0.852	0.762
X1.8	0.859	0.832	0.915	0.851
X1.9	0.826	0.763	0.903	0.771
X1.10	0.771	0.714	0.852	0.725
X2.1	0.877	0.790	0.816	0.785
X2.2	0.917	0.782	0.819	0.774
X2.3	0.937	0.867	0.838	0.866
X2.4	0.923	0.821	0.791	0.813
Y1	0.786	0.825	0.845	0.923
Y2	0.821	0.808	0.870	0.915
Y3	0.813	0.825	0.814	0.930
Y4	0.835	0.838	0.766	0.898
Y5	0.815	0.819	0.839	0.921
Z1	0.856	0.950	0.804	0.833
Z2	0.843	0.952	0.843	0.873

Source: Primary Analysis Data, 2023

According to the findings presented in Table 3, it is apparent that each indicator within the research variables exhibits the highest cross-loading value on the variable it corresponds to, surpassing the cross-loading values on other variables. These results indicate that the indicators utilized in this study possess strong discriminant validity as they have cross-loading values exceeding 0.7 when associated with their respective variables.

Reliability test and Cronbach's Alpha

The reliability test assesses the consistency and stability of the measuring device or research tool employed to measure a particular concept or construct. In this study, composite reliability and Cronbach's alpha were employed to evaluate the reliability of the measures.

Table 4. Composite reliability and Cronbach Alpha

Variable	Composite reliability	Cronbach's Alpha
Adhocratic Culture	0.953	0.934
Innovative Work	0.950	0.894
Ethical Leadership	0.966	0.960
Performance	0.964	0.953

Source: Processed data (2023)

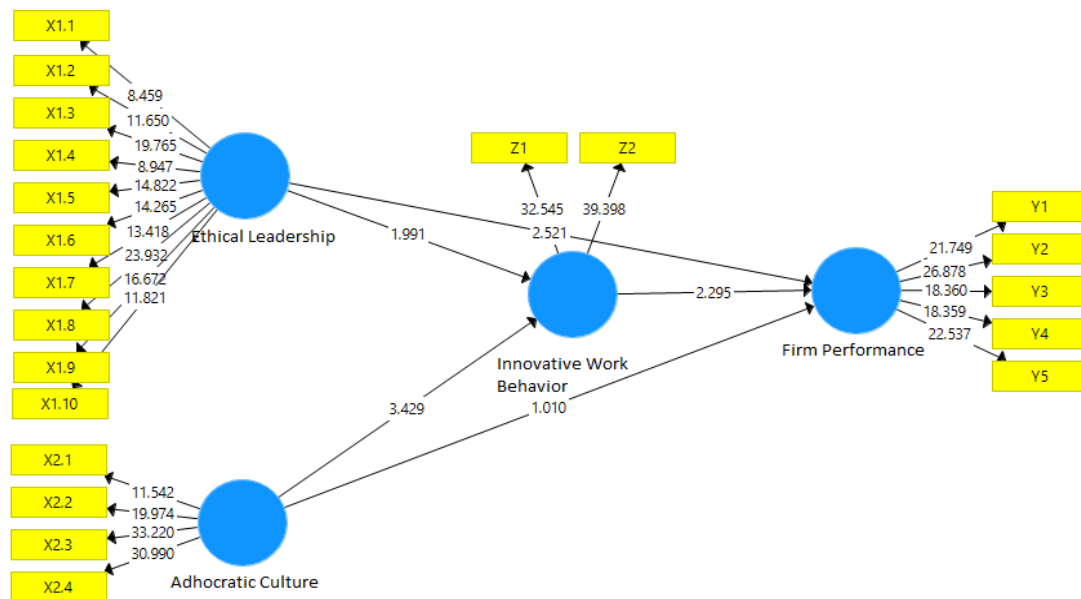
Table 4 demonstrates that the composite reliability values for each variable, namely ethical leadership, adhocratic culture, innovative work behavior, and performance, are all above 0.6. Specifically, the composite reliability values are 0.966 for ethical leadership, 0.953 for adhocratic culture, 0.850 for innovative work behavior, and 0.964 for performance. These values indicate that all five variables are reliable, as their composite reliability values exceed the threshold of 0.6.

Additionally, Table 4 reveals that all variables in this study possess a Cronbach's alpha value exceeding 0.6, further confirming their reliability.

Inner model analysis

In this study, the inner model is utilized to examine the relationship and interaction between latent variables. Three analyses are conducted: measurement of R^2 (R-square), Goodness of Fit, and hypothesis testing.

Figure 2. Inner model



Source: Processed data (2023)

According to Figure 2, each construct demonstrates a t-statistic value exceeding 1.90. This suggests that all hypotheses are accepted due to their positive and substantial effects. However, it should be noted that a compliant culture does not significantly influence company performance. Additionally, innovative work behavior is unable to significantly and positively mitigate the impact of an adhocracy culture or moral leadership on organizational performance. Notably, the t-statistic value for the relationship between adhocracy culture and innovative work behavior is the highest, measuring 3.420.

Goodness of Fit

The evaluation of the structural model in this complex study examines the relationship between manifest and latent variables of the main predictors, mediators, and outcome variables. The R Square (R^2) test is conducted to assess the goodness of fit for the model.

Table 5. R-Square value

	R-Square	R-Square Adjusted
Innovative Work	0.821	0.815
Performance	0.872	0.866

Source: Processed data (2023)

According to the information provided in Table 5, the R-Square values are utilized to assess the influence of variables such as ethical leadership, adhocratic culture, and innovative work on company performance, as well as the magnitude of the influence of ethical leadership and adhocratic culture on innovative work.

Based on the data presented in the table, it can be observed that the combined influence of ethical leadership, adhocratic culture, and innovative work on company performance is 0.872, corresponding to 87.2%. Moreover, the combined influence of ethical leadership and adhocratic culture on innovative work is determined to be 0.821, or 82.1%.

Hypotheses test

Table 6. Hypotheses test

	Hypotheses	Original sample	t-Statistics	p-Value	Description
Direct Effect					
Adhocratic culture → innovative work	H1	0.591	3.429	0.001	Significant
Adhocratic culture → Performance	H2	0.182	1.010	0.313	Insignificant
Innovative work → Performance	H3	0.377	2.295	0.022	Significant
Ethical leadership → innovative work	H4	0.339	1.991	0.047	Significant
Ethical leadership → Performance	H5	0.413	2.521	0.012	Significant
Indirect Effect					
Adhocratic Culture → Innovative Work → Performance	H6	0.223	1.854	0.064	Insignificant
Ethical leadership → Innovative Work → Performance	H7	0.128	1.521	0.129	Insignificant

Source: Processed data (2023)

According to the information presented in Table 6, the results of direct and indirect hypotheses are as follows:

Model 1 (effect of independent variables on company performance):

- The ethical leadership variable has a significant effect on company performance. The t-statistic value is 2.521 with a p-value of 0.012, indicating

that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted.

- The adhocratic culture variable does not have a significant effect on company performance. The t-statistic value is 1.010 with a p-value of 0.313, indicating that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted.
- The innovative work variable has a significant effect on company performance. The t-statistic value is 2.295 with a p-value of 0.022, indicating that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted.

Model 2 (effect of independent Variables on innovative work):

- The ethical leadership variable has a significant effect on innovative work. The t-statistic value is 1.991 with a p-value of 0.047, indicating that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted.
- The adhocratic culture variable has a significant effect on innovative work. The t-statistic value is 3.429 with a p-value of 0.001, indicating that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted.

Model 3 (mediating effect of independent variables on dependent):

- The mediating effect of innovative work between ethical leadership and company performance is not significant. The t-statistic value is 1.521 with a p-value of 0.129, indicating that the null hypothesis (H_0) is accepted and the alternative hypothesis (H_a) is rejected.
- The mediating effect of innovative work between adhocratic culture and company performance is not significant. The t-statistic value is 1.854 with a p-value of 0.064, indicating that the null hypothesis (H_0) is accepted and the alternative hypothesis (H_a) is rejected.

These results suggest that the ethical leadership variable has a direct significant effect on both company performance and innovative work. The adhocratic culture variable has a direct significant effect on innovative work but does not significantly influence company performance. Additionally, innovative work does not act as a significant mediator between ethical leadership or adhocratic culture and company performance.

Discussion

Ethical leadership on company performance

Ethical leadership has a significant impact on company performance due to its role as a coordinator, motivator, and catalyst that drives a company towards success. Ethical leadership is crucial and necessary for supporting a company's achievement. Ethical leaders exhibit moral behavior based on a set of values that guide their actions and behaviors, particularly when they hold positions of authority.

Altruistic ethical leaders play a vital role in fostering empathy among staff members and facilitating the development of highly productive relationships. When employees perceive their leaders as trustworthy, they are more likely to identify with the organization, engage in collaborative interactions, and align their interests with the company's goals.

According to a study by [Sarwar et al. \(2020\)](#), ethical leadership refers to individuals who demonstrate moral behavior both personally and within the organization. This theory is supported by research conducted by [Kim and Thapa \(2018\)](#), which found a positive impact of ethical leadership on firm performance.

Adhocratic culture on company performance

The finding that adhocratic culture does not have a significant impact on company performance suggests that companies emphasizing less on innovation and risk-taking may struggle to generate novel solutions in response to external changes. Consequently, the decisions made under such circumstances might not yield the desired outcomes.

According to [Noone et al. \(2022a\)](#), an adhocratic culture is characterized by an organizational climate that encourages adaptation, risk-taking, and experimentation among employees. Company performance is typically measured based on operational efficiency. In other words, the more effectively a company's operations are executed, the better its overall performance, and vice versa. Low operational efficiency and employee performance are indicative of poor company performance.

However, a strong adhocratic culture that emphasizes customer satisfaction and fosters a shared understanding of overarching business goals is more likely to foster a cohesive workforce and enhance productivity. This viewpoint aligns with the research conducted by [Gichunge and Muema \(2022\)](#), which suggests that adhocratic culture does not significantly impact company performance.

Innovative work behavior on company performance

Innovative work behavior has a significant impact on company performance, indicating that the intentional application of new ideas within a company can greatly benefit its success. Innovation plays a crucial role in attracting customers, enabling a company to adapt, thrive, and remain competitive amidst various business challenges.

According to [Iqbal et al. \(2020\)](#), innovative work behavior refers to the creation, introduction, and deliberate implementation of new ideas within a work role, group, or organization, with the aim of enhancing overall performance. The importance of fostering innovative work behavior can be supported by three key principles. Firstly, employees often identify problems and propose creative solutions. Secondly, individuals who thrive in their work are more energized, increasing their propensity to engage in innovative behaviors. Thirdly, creative individuals generate solutions that can be applied to similar situations, leading to improved performance.

This theory is supported by research conducted by [Bos-Nehles and Veenendaal \(2019\)](#), which highlights the significant impact of innovative work behavior on company performance. Encouraging employees to engage in innovative work behavior can have a positive and profound effect on a company's overall success.

Ethical leadership on innovative work behavior

Ethical leadership has a significant impact on innovative work. This highlights the importance of ethical leadership in creating a positive work environment and fostering productive relationships at the individual, team, and organizational levels.

According to [Molnár et al. \(2021\)](#), ethical leadership serves as an inspiration for employees to channel their efforts and skills towards their work, leading to increased creativity and innovation. When employees perceive their leaders as people-focused and ethical, they are more likely to engage in innovative behaviors. In the modern workplace, excellence is expected from employees, and leaders must meet the demands of change, including fostering creativity and innovation. Innovation is recognized as a critical skill necessary for success.

The findings of this study align with the research conducted by [Molnár et al. \(2021\)](#) and [Jia et al. \(2022\)](#), both of which support the significant impact of ethical leadership on innovative work. Ethical leadership sets the tone for a culture that encourages and supports innovation among employees.

Adhocratic culture on innovative work behavior

Adhocratic culture has a notable impact on innovative work. This indicates that companies that prioritize innovation often adopt an adhocratic culture to foster continuous improvement. Innovative work behavior is recognized as a beneficial behavior for organizations. The leaders and supporters of this culture are typically creative individuals who embrace risk and take bold steps to implement new ideas. Organizations that fail to make progress struggle to compete in a dynamic market environment. The progress of modern society can be attributed to innovation.

According to [Khan et al. \(2022\)](#), innovative behavior encompasses a range of actions where employees generate fresh ideas, actively seek new opportunities and solutions, promote idea generation, seek support from sponsors, advance idea development, and conduct feasibility tests. This study aligns with the research conducted by [Noone et al. \(2022\)](#), which affirms the significant impact of adhocratic culture on innovative work.

Ethical leadership, company performance, and innovative work behavior

Ethical leadership does not directly impact company performance when considering innovative work behavior as a mediating variable. This suggests that the development and growth of employees play a crucial role in their ability to adapt to their roles and advance in their personal development. Employees who continuously develop and learn are more likely to identify problems, seek new solutions, and generate original ideas. According to [Amirudin and Nugroho \(2022\)](#), workplace changes have a significant influence on work behaviour, including fostering innovation through the introduction of new ideas, practices, procedures, and techniques to individuals, groups, and organizations.

This study aligns with the research conducted by [Iqbal et al. \(2020\)](#), which indicates that ethical leadership does not have a significant direct effect on company performance when considering the mediating role of innovative work behaviour.

Adhocratic culture, company performance, and innovative work behavior

Adhocratic culture does not have a direct impact on company performance when considering Innovative Work Behaviour as a mediating variable. This can be attributed to the influence of organizational innovation on company performance. A poor adhocratic culture can hinder effective communication and collaboration among employees, thereby limiting the development of innovative

work behaviour. When employees face barriers and experience competition among themselves, it becomes challenging to foster a sense of teamwork and create an environment conducive to innovation (Noone et al., 2022a).

This suggests that some companies may not prioritize communication, cooperation, and inclusive decision-making processes that are crucial for fostering innovation and adaptation in the work environment. The findings of this study align with the research conducted by Gao, Zhao, and Qu (2020), which also concluded that adhocratic culture does not have a direct effect on company performance when considering Innovative Work Behaviour as a mediating variable.

CONCLUSION

This study aimed to examine the impact of ethical leadership and adhocratic culture on company performance, with innovative work behavior as a mediating variable. After analyzing the data and engaging in discussions, the following conclusions were drawn. Ethical leadership was found to have a significant effect on company performance, indicating its importance in driving positive organizational outcomes. However, adhocratic culture was not found to have a significant impact on company performance, suggesting that its influence may be limited in this regard. On the other hand, innovative work behavior was found to significantly contribute to overall performance, emphasizing the importance of fostering a work environment that encourages and supports creativity and idea generation.

The study also revealed that ethical leadership plays a significant role in promoting innovative work behavior among employees. When employees perceive their leaders as ethical and people-focused, they are more likely to engage in innovative behaviors. Similarly, an adhocratic culture was found to positively impact innovative work behavior, indicating that organizations that embrace a culture of adaptation, risk-taking, and experimentation tend to foster a climate conducive to generating novel ideas and solutions.

However, the study did not find evidence supporting the mediating role of innovative work behavior between ethical leadership or adhocratic culture and company performance. This suggests that while ethical leadership and an adhocratic culture may influence innovative work behavior, they may not directly translate into improved company performance. Other factors or mechanisms may be at play in determining the relationship between these variables and organizational outcomes.

The implications of this research are significant for companies seeking to understand the effects of ethical leadership and adhocratic culture on company performance through the lens of innovative work behavior. The findings can provide valuable information for decision-making processes aimed at enhancing employee performance and driving organizational success.

For future research, it is recommended to explore additional variables such as locus of control and work commitment, which were not examined in this study. Locus of control, which refers to individuals' acceptance of personal responsibility, and work commitment, which relates to employees' compliance with agreements made with the company or organization, can shed light on other factors that may influence company performance. Investigating these variables can provide deeper insights into employees' motivations and behaviors, ultimately contributing to a more comprehensive understanding of performance dynamics within organizations.

REFERENCES

1. Ahmad, I., Ullah, K., & Khan, A. (2022). The impact of green HRM on green creativity: mediating role of pro-environmental behaviors and moderating role of ethical leadership style. *International Journal of Human Resource Management*, 33(19), 3789–3821. <https://doi.org/10.1080/09585192.2021.1931938>
2. Alheet, A. F., Adwan, A. Al, Areiqat, A. Y., Zamil, Ahmad. M. A., & Saleh, M. A. (2021). The effect of leadership styles on employees' innovative work behavior. *Management Science Letters*, 239–246. <https://doi.org/10.5267/j.msl.2020.8.010>
3. Alshebami, A. S. (2021). The Influence of Psychological Capital on Employees' Innovative Behavior: Mediating Role of Employees' Innovative Intention and Employees' Job Satisfaction. *SAGE Open*, 11(3). <https://doi.org/10.1177/21582440211040809>
4. Amirudin, R. U., & Nugroho, S. P. (2022). *Effect of Ethical Leadership on Employee Performance and Innovation with Internal Motivation as Intervening Variable (Empirical Study of Small and Medium Industries (IKM) in Klaten Regency)*.
5. Bos-Nehles, A. C., & Veenendaal, A. A. R. (2019). Perceptions of HR practices and innovative work behavior: the moderating effect of an innovative climate. *International Journal of Human Resource Management*, 30(18), 2661–2683. <https://doi.org/10.1080/09585192.2017.1380680>
6. Bougie, R., & Sekaran, U. (2017). *Metode Penelitian Untuk Bisnis: Pendekatan Pengembangan-Keahlian* (ke 6). Alfabeta.
7. Gao, A., Zhao, K., & Qu, Q. (2020). Linking person–organization adhocracy value congruence to creativity. *Journal of Managerial Psychology*, 35(7–8), 603–615. <https://doi.org/10.1108/JMP-08-2019-0448>
8. Ghozali, I. (2019). *Aplikasi Analisis Multivariate*. Universitas Diponegoro.
9. Gichunge, S. W., & Muema, E. (2022). Analysis of Adhocracy Culture Implementation Approach and Performance of Universities in Kenya. *EdinBurg Peer Reviewed Journals and Books Publishers Journal of Strategic Management*, 2(3), 1–10.
10. Hidayati, S. K., Perizade, B., & Widiyanti, M. (2019). Effect Of Work Discipline And Work Environment To Performance Of Employees. *International Journal of Scientific and Research Publications (IJSRP)*, 9(12), p9643. <https://doi.org/10.29322/ijsrp.9.12.2019.p9643>
11. Iqbal, Z. A., Abid, G., Contreras, F., Hassan, Q., & Zafar, R. (2020). Ethical leadership and innovativework behavior: The mediating role of individual attributes. *Journal of Open Innovation: Technology, Market, and Complexity*, 6(3). <https://doi.org/10.3390/joitmc6030068>

12. Jia, K., Zhu, T., Zhang, W., Rasool, S. F., Asghar, A., & Chin, T. (2022). The Linkage between Ethical Leadership, Well-Being, Work Engagement, and Innovative Work Behavior: The Empirical Evidence from the Higher Education Sector of China. *International Journal of Environmental Research and Public Health*, 19(9).
<https://doi.org/10.3390/ijerph19095414>
13. Khan, M. M., Mubarik, M. S., Islam, T., Rehman, A., Ahmed, S. S., Khan, E., & Sohail, F. (2022). How servant leadership triggers innovative work behavior: exploring the sequential mediating role of psychological empowerment and job crafting. *European Journal of Innovation Management*, 25(4), 1037–1055. <https://doi.org/10.1108/EJIM-09-2020-0367>
14. Kim, M. S., & Thapa, B. (2018). Relationship of ethical leadership, corporate social responsibility and organizational performance. *Sustainability (Switzerland)*, 10(2). <https://doi.org/10.3390/su10020447>
15. Kuswati, R., Purwanto, B. M., Sutikno, B., & Aritejo, B. A. (2021). Pro-Environmental Self-Identity: Scale Purification in the Context of Sustainable Consumption Behavior. In *Eurasian Studies in Business and Economics* (Vol. 17, pp. 173–185). Springer Science and Business Media B.V. https://doi.org/10.1007/978-3-030-65147-3_12
16. Molnár, E., Mahmood, A., Ahmad, N., Ikram, A., & Murtaza, S. A. (2021). The interplay between corporate social responsibility at employee level, ethical leadership, quality of work life and employee pro-environmental behavior: The case of healthcare organizations. *International Journal of Environmental Research and Public Health*, 18(9).
<https://doi.org/10.3390/ijerph18094521>
17. Noone, B. M., Lin, M. S., & Sharma, A. (2022a). Firm Performance During a Crisis: Effects of Adhocracy Culture, Incremental Product Innovation, and Firm Size. *Journal of Hospitality and Tourism Research*.
<https://doi.org/10.1177/10963480221086846>
18. Noone, B. M., Lin, M. S., & Sharma, A. (2022b). Firm Performance During a Crisis: Effects of Adhocracy Culture, Incremental Product Innovation, and Firm Size. *Journal of Hospitality and Tourism Research*.
<https://doi.org/10.1177/10963480221086846>
19. Olivia, M., & Marchyta, N. K. (2022). The Influence of Perceived Ease of Use and Perceived Usefulness on E-Wallet Continuance Intention: Intervening Role of Customer Satisfaction. *Jurnal Teknik Industri*, 24(1), 1–9. <https://doi.org/10.9744/jti.24.1>
20. Osman, A. M., Liu, Y., & Wang, Z. (2023). Influence of Organizational Culture on Construction Firms' Performance: The Mediating Roles of Innovation and Marketing Capabilities. *Buildings*, 13(2).
<https://doi.org/10.3390/buildings13020308>

21. Rosida, E., & Wajdi, M. F. (2023). The Effect of Work Environment, Work Ability, and Work Discipline on Work Performance in Companies of BPJS Kesehatan. *Jurnal Informatika Ekonomi Bisnis*, 276–280.
<https://doi.org/10.37034/infeb.v5i1.239>
22. Sanchez-Famoso, V., Maseda, A., Iturralde, T., & Alayo, M. (2023). A generational perspective of family firms' social capital: Interplay between ethical leadership and firm performance. *Business Ethics, the Environment and Responsibility*. <https://doi.org/10.1111/beer.12521>
23. Sarwar, H., Ishaq, M. I., Amin, A., & Ahmed, R. (2020a). Ethical leadership, work engagement, employees' well-being, and performance: a cross-cultural comparison. *Journal of Sustainable Tourism*, 28(12), 2008–2026.
<https://doi.org/10.1080/09669582.2020.1788039>
24. Sarwar, H., Ishaq, M. I., Amin, A., & Ahmed, R. (2020b). Ethical leadership, work engagement, employees' well-being, and performance: a cross-cultural comparison. *Journal of Sustainable Tourism*, 28(12), 2008–2026.
<https://doi.org/10.1080/09669582.2020.1788039>
25. Udanarti, N. (2022). *Journal of Business and Management Studies The Effect of Work Environment and Work Motivation on Employee Performance through Workload on Bpjs Health Employees Prima Branch Office*. <https://doi.org/10.32996/jbms>
26. Waskito, J., Imronudin, I., & Chuzaimah, C. (2019). Observing pro-environmental behavior based on consumer attitudes and norms. *Diponegoro International Journal of Business*, 2(2), 76.
<https://doi.org/10.14710/dijb.2.2.2019.76-85>
27. Wilson, N., Alvita, M., & Wibisono, J. (2021). The Effect Of Perceived Ease Of Use And Perceived Security Toward Satisfaction And Repurchase Intention. *Jurnal Muara Ilmu Ekonomi Dan Bisnis*, 5(1), 145.
<https://doi.org/10.24912/jmieb.v5i1.10489>
28. Zhang, W., & Banerji, S. (2017). *Challenges of servitization: A systematic literature review (Unpublished Version) Challenges of servitization: A systematic literature review*.
<https://www.researchgate.net/publication/321429619>