

# Can Ethical Leadership and Informational Justice Work as Magic to Get Innovative Work Behavior and Retention from New Workforce?

Huma Khan

PHD Scholar University of Malaysia, Sarawak, UNIMAS

Email: drhumakhan2815@gmail.com

Associate Professor Dr. Abang Azlan Mohamad

University of Malaysia, Sarawak, UNIMAS, Faculty of Economics and Business

Email: maazlan@unimas.my

Professor Dr. Lo May Chiun

University of Malaysia, Sarawak, UNIMAS, Faculty of Economics and Business

Email: mclo@unimas.my

DOI Link: <http://dx.doi.org/10.6007/IJAREMS/v14-i3/26105>

Published Online: 26 August 2025

## Abstract

**Purpose:** This research explores the impact of ethical leadership on innovative work behavior and employee retention in Pakistan's hotel industry, focusing on generational differences between millennials and Generation Z. **Method:** Using a quantitative, cross-sectional design, data were collected from 147 hotel employees in Lahore through a structured survey. **Results:** Findings reveal a positive relationship between ethical leadership, innovative work behavior, and employee retention, but informational justice does not significantly moderate these relationships for Generation Z. **Conclusion:** The study highlights the influence of generational differences on how ethical leadership is perceived and its effects on workplace outcomes. Practical implications emphasize fostering ethical leadership and fair communication to enhance innovation and retain Generation Z employees. This study contributes to the literature by addressing ethical leadership, generational shifts, and informational justice within the developing country service sector.

**Keywords:** Ethical Leadership, Employee Retention, Innovative Work Behavior Informational Justice, Generation Z, Millennials

## Introduction

### *Background*

The hotel industry in Pakistan has encountered many shifts in its history facing continues declines and now uplifts for many reasons. Previous studies highlighted the alarming decline in 2008 (Khan, 2012). However, after many challenges and downfall the industry survived but

required its own challenges particularly, training and retaining staff as competition is growing and industry has less experienced workers (Hashim et al., 2016). Nevertheless after 2012, the tourism industry in Pakistan has gone through a tremendous growth transition for a couple of years (Raza et al., 2021). This revitalization can be attributed to numerous factors that include increased governmental efforts to promote tourism, improvising in infrastructure, and growing interest from international travelers. Concerning the World Travel and Tourism Council, the tourism sector of Pakistan will contribute 5.7% to Pakistan's GDP in 2022 (Iqbal et al., 2024). Additionally, Pakistan has expanded its activities in projects for international tourists and investors. Such a revival has led to the expansion of the hotel industry with global and local brands. Receptively, it has catered to the interest of rising accommodation demands as well. Major hotel chains are investing in new properties whereas boutique hotels are emerging to attract different segments of travelers ranging from backpackers to luxury seekers (Matondolo, 2022).

However, this constant growth brings various challenges predominantly in workforce management for several reason e.g., market competition and low training of employees and the generational composition of employees shifts (Generation X, millennials and generation Z). The increment in several tourists has created the need for skilled labor which has led to a competitive job market in the hospitality sector (Khan et al., 2020; Sun et al., 2022). Consequently, organizations are experiencing the challenges of attracting and retaining talented employees while addressing the unique and new expectations of a diverse workforce. Respectively, in the existing time, there has been a mix of two generations working at the same time that are coping with demanding situations. Generation Z who was born between 1997 and 2012 are now entering the workforce with distinct expectations and working behaviors (Egerová, Komárková & Kutlák, 2021). This tech-savvy and socially conscious generation highly prioritizes ethical behavior, transparency, and meaningful work that can be aligned with their values. Generation Z seeks employers committed to social responsibility activities and sustainable development goals. These issues resonate deeply with their beliefs while working in the workplace.

At the same time, millennials, born between the years 1981 and 1996 are stepping into managerial roles and guiding the incoming Generation Z employees (Foote, 2022). This generational transition is increasing the need to rethink the leadership strategies in the industries such as hospitability. Additionally, reconsidering is important for both groups for a better future of innovation and sustainable growth (Cancino et al., 2018). Hence, the leaders must recognize the difference in the motivation levels and working styles between these generations. For instance, while the millennials may value flexibility and work-life balance as their priority, Generation Z might give value to opportunities for professional development and strong alignment with the company values. As study by (Barhate & Dirani, 2022) highlighted that generation Z has more clear expectation and career goals comparatively. Also, management might need to revisit and redesign its approach to involve new generation for creative and productive outcome (Chillakuri, 2020).

To overcome these issues management can focus on leadership style particularly, ethical leadership as this style has become increasingly essential to this context (Banks et al., 2021). Ethical leadership which largely focuses on fairness, transparency and integrity has been shown to develop and foster a culture of trust, engagement, and creativity among employees.

Therefore, by promoting a culture of ethical behavior a leader can create an environment where the employees can feel highly valuable and empowered while deciding on organizational goals (Alshammari, Almutairi & Thuwaini, 2015). Another key factor can be organizational support (Hadi & Sheikh, 2024), Moreover, informational justice is related to the employees feeling informed and involved in the decision-making process and as mentioned above this will help to promote clear goals and expectation of employer as well. Respectively, this concept is associated with the demands of Generation Z and the enhancement of overall workplace satisfaction. Correspondingly, when an employee will perceive that their voices are heard and their input is being valued it leads to a high level of job satisfaction and loyalty to the organization (Milliken et al., 2015).

Likewise, understanding how these leadership practices can influence innovation and retention is critical for businesses that aim to maintain a competitive advantage in the Pakistani hotel industry (Hanif, Sagheer & Mehak, 2020). Organizations that embrace ethical leadership and prioritize informational justice are likely to attract and retain top talented employees (Raza et al., 2020). Respectively this will lead to enhanced service quality and customer satisfaction. As the hotel industry keeps evolving in Pakistan, fostering a collaborative and employee-involved workplace culture will be highly important for navigating the challenges posed by a generational gap. Hence, by investing in their employees and aligning their values with the employees, hospitality organizations can position themselves for the long run success in the vibrant and growing sector of Pakistan (Ajmal, Sareet & Islam, 2024). This holistic approach will not only provide an advantage to the organizations themselves but will also add value to the development of the tourism industry of Pakistan. Respectively, it will increase the sustainable economic growth and enrichment of the experience of the visitors in the country.

### *Objectives and Aims of the Study*

The study achieved three core objectives such as to examine the association between ethical leadership innovative work behavior and employee retention in Pakistan's hotel industry. Similarly, the study will analyze moderator role of informational justice in link with ethical leadership and key work outcomes such as innovation and retention among the generation Z employees. Lastly, the study will attain the objective of developing the strategies that can be utilized in the hotel industry by the leaders in the Pakistani industry while coping with the shift from millennial managers and generation Z employees to foster a culture of innovation and long-term retention (Nahar, 2023). Likewise, the study will achieve the following aims aligned with the above-mentioned objectives:

1. The study examined the impact of ethical leadership on fostering innovative work behavior and employee retention in Pakistan's hotel industry, In the context of the generational shift from millennials to Generation Z.
2. To examine the moderator role of informational justice in the association between ethical leadership and innovative work behavior and retention of Generation Z employees.
3. To provide practical recommendations for the hotel industry of Pakistan to manage the generational transition effectively and promote sustainable leadership practices.

### *Research Questions*

1. Does ethical leadership foster on innovative work behavior of employees?
2. Does ethical leadership have impact on employee retention?

3. Does the moderator role of informational justice in the association between ethical leadership and innovative work behavior and retention of Generation Z employees in the hospitality sector?

#### *Research Gap*

Although the existing literature extensively discusses the impact of leadership styles on the employee's wellbeing and behavior most of the studies have been conducted in Western contexts or industries such as technology and finance (Baig et al., 2021). However, a limited number of studies have been conducted on specific dynamics of ethical leadership, informational justice, and employee behavior in Pakistan's hotel industry (Tarkang & Ozturen, 2019; Khattak et al., 2022; Hayat et al., 2020). Specifically, the study has been conducted in the light of a generational transition which is not been well explored yet. Additionally, the intersection of ethical leadership with informational justice as a mediator for innovative work behavior and retention within a multigenerational workforce has not been adequately addressed in the context of emerging economies such as Pakistan (Kara, 2022). Thus, this study aims to fill the gap by examining how ethical leadership and informational justice can drive innovation and retention in Pakistan's growing hospitality sector where managing generational variation is highly critical.

#### **Significance of the Study**

Hence, it can be stated that the existing study holds significance in various key areas, narrowly within the country Pakistan where the trend of tourism and hospitality is expanding drastically. First, as tourism is continuously contributing to the national economy of Pakistan, it is highly important to understand how to lead and cope with the multigenerational workforce to maintain a competitive advantage in the hotel industry (Azhar, Kiran & Ahmed, 2021). The research will provide valuable insights into how ethical leadership and informational justice influence innovation and employee retention. Respectively, the findings will enable hotel managers to adopt more effective leadership strategies.

Second, the findings will also help inform the creation of the industry's specific tools and policies that can be tailored to fulfill the values and expectations of Generation Z (Dabija, Bejan & Dinu, 2019). Simply, the focus will be transparency, fairness, and ethical decision-making. Similarly, giving value to Generation Z's unique characteristics and traits can largely help in driving innovation in the future activities of Pakistan's hotel industry.

Lastly, the study will contribute to the wide understanding of leadership and generational dynamics in the emergent trends and demands of the market (Anderson et al., 2017). The research findings can also offer guidance for other developing countries that may experience similar challenges. This will help them in shaping and improvising their leadership programs, HR policies, and strategies for employee retention and fostering a culture of innovation within the hospitality industry. In identifying these gaps, the study will not only add value to academic knowledge but also provide practical implications for enhancing leadership effectiveness in Pakistan's hotel industry during its critical period of growth.

#### **Literature Review**

In this section of the article in-depth literature review has been done which provides detailed literature arguments related to the key variables of the study. As mentioned before the focus

of the study is on ethical leadership, innovative work behavior, employee retention and informational justice. The section has explored the independent variable (Ethical leadership) and its importance in organizational behavior. Similarly, the next section examined the relationship between ethical leadership and dependent variables (innovation and retention), followed by the moderating role of informational justice. Hence, the purpose of this part of the article is to identify the knowledge gap, contextualization the study within existing theories and provide a foundation for analyzing the variables that influence Generation Z employees in the Pakistani hotel industry.

### *Ethical Leadership*

Ethical leadership can be defined as fairness, integrity and transparency that have gained attention for their role in shaping and improvising employee behaviors and organizational results. "The ethical leader is one who promotes honesty, and mirrors his or her actions with their values and beliefs" (Badrinarayanan, Ramachandran & Madhavaram, 2019). The current study highlights that ethical leader set moral standards, promote ethical conduct, and foster an environment of trust among employees and the organization. Ethical leadership is especially significant in labor-intensive sectors such as hospitality where employee interaction is done directly and affects service quality and customer satisfaction (Agyeiwaah, Dayour & Zhou, 2022).

Respectively, in Pakistan, the hotel industry, ethical leadership is highly crucial due to the diverse and multi-cultural workforce. The hospitality sector in Pakistan is highly noteworthy and contributes to the country's economy by employing around 1.5 million people in 2022 (Ahmed, Rahpoto & Ahmed, 2024). With such a noteworthy growth rate it is expected the industry will reach to growth of 7% in the coming five years (Duan et al., 2022). Hence, due to the increasing number of foreign visitors' hotels go through pressure to maintain their high-end services, and incorporation of ethical leadership is vital. Further, Generation Z employees as well known for their emphasis on the values and largely engage and satisfy under the ethical leadership (Nedelko et al., 2022). Similarly, previous studies showed that ethical leaders inspire employees to align their values with the organizational goals and objectives resulting in a high level of organizational performance and work commitment. Moreover, ethical leadership is linked with fostering an open and inclusive working environment where employees largely feel respected and valued, driving positive organizational behavior (Dey et al., 2022). This becomes extremely crucial when considering the generational shift as Generation Z expects more fairness, ethical conduct, and alignment between their personal and organizational values.

Furthermore, the existing study draws support from the social exchange theory because it is one of the effective theories that helps in explaining the reciprocal relationship between ethical leadership and employee outcomes such as innovative work behavior and retention (Su et al., 2021). With respect to SET, employees tend to respond positively to fair and ethical treatment by their leaders (Fan et al., 2021). Respectively, a positive working environment can result in better employee performance, engagement in innovation and long-term retention in the organization. Likewise, the moderating role of information justice is also consistent with SET as fairness in the communication can improve the exchange relationship, strengthen the positive impact of the ethical leadership on the employees' innovative work behaviors and retention narrowly for Generation Z (Shojol, 2023).

### *Ethical Leadership and Innovative Work Behavior*

Innovative work behavior can be defined as the intentional creation, introduction and application of new ideas within a role, group, or organization. “The behavior of employees to create, introduce and apply new ideas intentionally at work, within a group or an organization for contributing to performance” (Kremer, Villamor & Aguinis, 2019). “An individual behavior that intentionally introduces new and useful ideas, work processes, products and procedures in the workplace and in the context of modern work” (Conte, 2024). New ideas are needed to increase significant changes in organizations, for example the creating of new routines, simplifying work processes, using new work tools, and increasing cooperation both internally and externally (Deken et al., 2016). The maintenance of innovative work behavior is highly important to maintain a competitive edge in the market. Ethical leadership plays a significant role in fostering innovative behavior by creating a psychologically safe and healthy work environment. Such working conditions increase employees feeling to execute experiments and express new ideas despite of fear negative results (Guo et al., 2018). Ethical leaders can encourage employees’ creativity by recognizing an individual’s contributions and fostering a culture of openness, trust, and support.

Considering the Pakistani hotel industry, ethical leadership is likely to impact Generation Z employees' innovative work behavior by promoting a collaborative and inclusive culture (Ajmal et al., 2024). The country’s hospitality sector contributed approximately PKR 930 billion to the GDP as per 2021 reports (Batmunkh, 2021). Thus, fostering innovation is highly critical for the maintenance of competitive advantage in the market. Previous studies showed that when employees perceive their leaders as an ethical entity, they feel a high level of motivation and execute extra work. respectively, it contributes to organizational innovation and high performance. Given that Generation Z values personal development and creativity, the millennial's ethical leadership can largely foster an environment where these employees can engage more in innovative behavior (Gabrielova & Buchko, 2021). Hence, the study proposed the first hypothesis such as:

*Hypothesis 1: Ethical leadership has a positive association with innovative work behavior in Pakistan's hotel industry*

### *Ethical Leadership and Employees Retention*

Employee retention in the competitive hospitality sector is highly challenging as mentioned before. The shift from millennial to Generation Z imposes extra pressure on management to cope with the changing needs and expectations of the new generation (Chala et al., 2022). Ethical leadership has a strong association with retention rates due to its ability to foster a culture of trust, commitment, and support (Eluwole et al., 2022). Ethical leaders are highly transparent in their decision-making ability, they treat employees with fairness and cultivate the organizational culture with respect and value. Respectively, in return employees' level of loyalty and performance increases. “The retention of a good employee is important for the organization because the competitive advantage stems from the creation of a loyal workforce” (Mehta, Kurbetti & Dhankhar, 2014).

In Pakistan's hotel industry, the employee turnover rate is relatively high (Saleem et al., 2021). As per previous reports, the turnover is increasing by 30% annually. Such high turnover imposes pressure on the hotels to retain skilled workers for the long run (Irabor & Okolie, 2019). As Generation Z is entering the workforce millennials must cope with these challenges

in addition to service-oriented sector demands. Generation Z places high importance on the meaning of full work that can be aligned with their personal goals and objectives. In this respect, ethical leadership is an effective tool for addressing their retention in the long run. Research indicates that ethical leadership reduces the level of turnover intention by increasing job satisfaction and employees' organizational commitment (Torlak et al., 2021). These are factors that are highly valued by Generation Z employees, hence, coping with such requirements is highly important for the hotel industry of Pakistan.

*Hypothesis 2: Ethical leadership has a positive association with employee retention in Pakistan's hotel industry.*

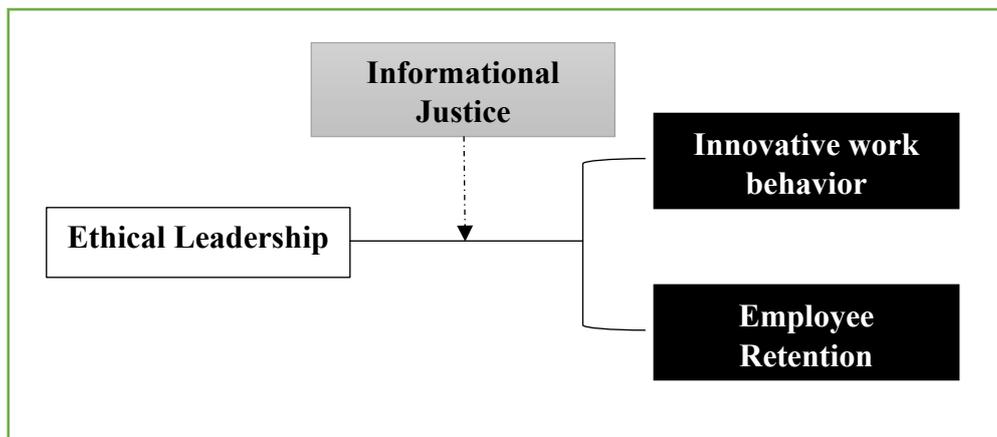
#### *Role of Informational Justice as a Moderator*

Informational justice refers to the fairness and transparency of communication concerning the decision-making process. "Justice for persons and communities in their activities as seekers, sources, and subjects of information" (Mathiesen, 2015). It can be stated that informational justice can play a vital moderating role between ethical leadership and the key results of innovative work behavior and employee retention (Lim & Moon, 2022). Hence, ensuring that employees feel included and informed about the company's plans and activities can increase their perception of fairness in the organization (Heine et al., 2023). Studies revealed that when informational justice is perceived to be high impacts positive effects of ethical leadership on innovation and retention are extravagant (Nyaanga, 2020). This is especially pertinent for Generation Z employees who are well known for their preference for transparency and clear communication from their leaders (Gabriellova & Buchko, 2021). When ethical leadership is accompanied by high levels of informational justice, employees' level of engagement with innovative work behavior also increases. Similarly, employees feel more empowered by the openness of communication and information shared.

Moreover, informational justice strengthens the association between ethical leadership and retention by promoting a sense of inclusion and engagement in the workplace (Kurian & Nafukho, 2022). The employees are more likely to remain with an organization where they are well-informed and involved in the core decisions (Al Mamun & Hasan, 2017). This is particularly important for Generation Z who expects transparency and active participation in decision-making (Dobrowolski et al., 2022). In Pakistan, the hospitality industry should ensure to provide adequate information to the employees to increase the levels of retention (Ghani et al., 2022). Hence, the study proposed hypotheses three and four as follows:

*Hypothesis 3: informational justice has a moderating role in the association between ethical leadership and innovative work behavior of employees.*

*Hypothesis 4: informational justice has a moderating role in between association between ethical leadership and employees' retention of employees.*

*Illustration 1: conceptual framework*

### Methodology

The study has adopted a correlation research design; a quantitative approach has been used to explore the relationship between two or more variables without manipulation (Bloomfield & Fisher, 2019). The core aim of this is to assess the statistical relationships between ethical leadership, innovative work behavior, and employee retention. With a focus on the moderating role of informational justice. The correlation design is highly appropriate for the studies because it helps in understanding how these variables interact in the workplace. Narrowly in the Pakistani hotel industry. By not manipulating the variables this approach helps in providing insights into the naturally occurring relationship between ethical leadership practices and their impact on the employees' innovation and retention without implying direct causality. This design is relevant for the examination of whether ethical leadership behavior is associated with positive workplace consequences across the millennials and Generation Z. Both these generations are highly distinct from one another based on attitudes towards work and leadership.

The research population was based on the first-line and middle-level employees working in various hotels in Lahore, Pakistan. These employees were selected because they were directly impacted by the leadership practices and were involved in implementing innovative solutions in their respective roles. The study emphasizes the employees from various generational backgrounds narrowly millennials and Generation Z who make up a noteworthy portion of the contemporary era of the workforce. These two generations have very unique expectations of leadership, job satisfaction and opportunities for innovation. Similarly, in the study, they have been considered valuable subjects for the examination of the impacts of ethical leadership. Hence, for data collection, the study employed convenience sampling, a non-probability sampling method that is suitable for exploratory research. Although, convenience sampling may limit the generalizability of the findings it allows for efficient data collection from the participants who are easily accessible and available.

The decision to emphasize Lahore was driven by practical considerations and the noteworthy of the city as a major hub for Pakistan's hospitality sector. The total number of samples was 147 employees from different hotels in Lahore. The study targeted those in operational and supervisory roles to gain better insights into how leadership behavior can affect daily activities such as innovation and retention decisions. Further, for data collection structured

questionnaire was developed that was adapted from established instruments in previous research. This questionnaire measures the basic constructs of the study such as ethical leadership, innovative work behavior, employee retention and informational justice. All items in the questionnaire were rated on a scale of 7-point Likert ranging from 1 (strongly disagree) to 7 (Strongly agree) (Taherdoost, 2019). This allowed the respondents to express their degree of agreement with the core constructs. The questionnaire was divided into four sections that began with demographic information such as gender, education and marital status. The second section focused on ethical leadership and assessed how employees perceived their leaders' ethical standards and integrity. The third section examined innovative work behavior which focused on the employees engaged in creative problem-solving and proposed new ideas. The final section addressed employee retention and informational justice which captures the employees' intentions to remain with their existing organization and their perceptions about the fairness in workplace communication.

Before the data collection process was executed approval was obtained from the relevant ethics committees to ensure that the study adhered to ethical guidelines which included participants' consent and data confidentiality. The questionnaire was then distributed among the employees working at the various hotels in Lahore over a certain period. This allowed the participants to get ample time for the completion of surveys without disrupting their work schedules. The respondents were assured about their anonymity and confidentiality which emphasizes their responses were private and were only used for academic use. Once the data was collected it was coded and entered into statistical software (such as SPSS) for analysis. The descriptive statistics were used to summarize the demographic information and responses while the correlation analysis was accessed to strengthen and direction of the relationship between ethical leadership, innovative work behavior, and employee retention. Further, the regression analysis was for employees to test the study hypotheses with ethical leadership as an independent variable, innovative work behavior and employee retention as a dependent variable and informational justice as a moderating variable.

The inclusion of informational justice allowed the study to explore its moderating effect on the association between ethical leadership and other two variables by providing insights into how fairness in communication influences these associations. Through these statistical methods, the study was able to draw meaningful conclusions about the impact of ethical leadership in the Lahore hotel industry considering the generational differences.

### **Data Analysis and Findings**

The sample comprised of 147 hotel employees in Lahore, Pakistan. Of these 68% were male whereas 32% were female, indicating a gender imbalance, educational qualifications showed that 67% held a graduation degree, 32% held a master's degree and 1% had an undergraduate qualification. The marital status of the respondents showed that 24% were married and 76% were unmarried. This demographic breakdown highlights the dominance of unmarried, graduate-level male employees within the sample. The data provides the grounds for examination of the association between independent, dependent and moderate variables.

Variable	Category	Number Of Responses	Percentage
<b>Gender</b>	Male		68%
	Female		32%
<b>Education</b>	Under Graduation	1	
	Graduation	99	
	Masters/MPhil	47	
<b>Marital Status</b>	Married	36	
	Unmarried	111	

The model fit indices confirm the adequacy of the proposed model with an average path coefficient of 0.131 ( $p=0.015$ ) indicating that the association between variables is statistically significant. The average R-squared (ARS) value of 0.269 ( $p<0.001$ ) suggests that almost 26.9% of the variance in the dependent variables is explained by the model, demonstrating moderate explanatory power. Additionally, the Average adjusted R-square (AARS) value of 0.270 strengthens the model's predictive validity. In addition to that the average block VIF of 5.017 falls within acceptable thresholds which indicates that multicollinearity is not a significant issue. Hence, supporting the model's robustness and reliability for additional analysis.

Model Fit Indices	Values	comments
<b>Average path coefficient (APC)</b>	0.131	0.015
<b>Average R-squared (ARS)</b>	0.269	<0.001
<b>Average adjusted R-squared (AARS)</b>	0.270	<0.001
<b>Average block VIF (AVIF)</b>	5.017	Acceptable if $\leq 5$ ,

The constructs used in the study such as ethical leadership, employee retention, innovative work behavior and information were examined for reliability by using composite reliability and Cronbach's Alpha. The composite reliability scores for these constructs ranged from 0.727 to 0.840 which indicates good internal consistency across all the variables. Additionally, Cronbach's Alpha values range from 0.708 to 0.800 which exceed the minimum threshold of 0.70. Additionally, it demonstrates the reliability of the constructs. Similarly, the convergent validity was confirmed with the help of average variance extracted (AVE) with all the constructs exceeding the recommended threshold of 0.50. These results affirm that the measurement model is both reliable and valid for assessing the construct under investigation.

	<b>Ethical Leadership</b>	<b>Employee Retention</b>	<b>Innovative work behaviour</b>	<b>Informational justice</b>
<b>Composite reliability</b>	0.840	0.816	0.803	0.727
<b>Cronbach's alpha</b>	0.708	0.729	0.800	0.777
<b>Avg. Var. Extras</b>	0.568	0.515	0.543	0.511

The correlation analysis reveals a significant positive relationship between ethical leadership and employee retention ( $r=0.708$ ,  $p<0.01$ ) as well as innovative work behavior ( $r=0.615$ ,  $p<0.01$ ) this indicates that a higher level of ethical leadership is strongly associated with a greater employee retention and also enhance the innovative behaviors at workplace. Additionally, informational justice showed a positive correlation with ethical leadership ( $r=0.582$ ,  $p<0.01$ ), employee retention ( $r=0.574$ ,  $p<0.01$ ) and innovative work behavior ( $r=0.603$ ,  $p<0.01$ ). These findings suggest that fairness in the distribution of information significantly contributes to improved employee results. Additionally, it reinforces the role of informational justice in fostering a positive and healthy organizational environment.

	<b>Ethical Leadership</b>	<b>Employee Retention</b>	<b>Innovative work behaviour</b>	<b>Informational justice</b>
<b>Composite reliability</b>	0.840	0.816	0.803	0.727
<b>Cronbach's alpha</b>	0.708	0.729	0.800	0.777
<b>Avg. Var. Extras</b>	0.568	0.515	0.543	0.511

The direct hypotheses in the current study were tested using standardized beta coefficients and p-values. The results indicated that both hypotheses were supported. Specifically, H1 which examined the relationship between ethical leadership and innovative work behavior was confirmed with a standard beta of 0.073 ( $p=0.035$ ), indicating a statistically significant positive effect. Similarly, H2, which explores the relationship between ethical leadership and employee retention, was supported by a standardized beta of 0.091 ( $p=0.029$ ), demonstrating a significant positive association. These findings provided robust evidence that ethical leadership significantly contributes to fostering innovative behaviors and enhancing employee retention within the organizational context.

Hypothesis	Relationship	Standard Beta	P- Value	Decision
<b>H1</b>	Ethical Leadership → innovative work behavior	0.073	0.035	Supported
<b>H2</b>	Ethical Leadership → Employee Retention	0.091	0.029	Supported

The moderation analysis aimed to examine whether informational justice moderated the association between ethical leadership and two other dependent variables such as innovative work behavior and employee retention. The results showed that the moderating role of informational justice is not supported. For the H3, the interaction effect on innovative work behavior was weak with a beta value of 0.008 and not statistically significant (p=0.376). Whereas, the H3 interaction effect between ethical leadership and informational justice on employee retention was negative with a value of -0.186 and not significant (p=0.521). These findings suggest that while informational justice is correlated with the core variables it does not moderate the relationship between ethical leadership and employee outcomes in a significant manner.

Hypothesis	Relationship	Standard Beta	P- Value	Decision
<b>H4</b>	Ethical Leadership X informational justice → Innovative work behavior	0.008	0.376	Not Supported
<b>H5</b>	Ethical Leadership X informational justice → Employee retention	-0.186	0.521	Not Supported

Respectively, the findings of the study showed that H1 and H2 were accepted while H3 and H4 were not supported. This means when a leader shows ethical leadership in the organization employees are more motivated to execute innovative work behavior and retention also increases. On the other side, informational justice does not play any vital role in the relationship between ethical leadership and innovative work behavior and retention. Further, in the next section in-depth discussion about the findings has been provided with the supporting literature and arguments.

**Discussion**

The findings of the existing study highlight the importance of the impact of ethical leadership on both innovative work behavior and employee retention within the hotel industry in Lahore,

Pakistan. The analysis showed that there is a strong positive correlation between ethical leadership and employee retention mirrors the findings of Tarkang and Ozturen (2019) who argued that ethical leaders foster organizational commitment when the leader embodies integrity. Respectively, the results indicate that when leaders follow ethical standards by demonstrating integrity employees are more likely to feel committed to the organizations. This aligns with Theriou et al., (2020), who put a value on the role of ethical leadership in fostering a supportive work environment, maintaining loyalty and reducing the level of turnover in the organization. The results support the previous studies that have established a clear association between ethical leadership practices and employee retention narrowly in industries characterized by high levels of turnover in the hotel industry (Tarkang & Ozturen, 2019; Khattak et al., 2022; Hayat et al., 2020). Furthermore, the positive association between ethical leadership and innovative work behavior underscores the significance of ethical standards in promoting creativity and innovation among employees (Theriou, Chatzoudes & Diaz Moya, 2020). Contrary to some of the earlier studies this existing study suggests that while leadership positively influences innovative work behavior, its role is narrowly pronounced in environments requiring adaptability such as the hotel industry. Similarly, ethical leaders can help in creating a culture of trust and open communication by encouraging employees to share their ideas and engage in innovative practices. Božič (2019) supports this idea by pointing out the requirement for creativity to meet evolving guest demands the existing study goes further by arguing that ethical leadership is crucial in fostering the psychological safety important for bringing innovation. In contrast Khattak et al (2002) provide a broader perspective by suggesting that innovation stems from structural support rather than ethics. The divergence here emphasizes the study's contribution by narrowing the focus on ethical leadership as a core drive for innovation in highly challenging, service-oriented industries such as hospitality.

The examination of the moderating role of informational justice in the relationship between ethical leadership and employee outcomes provides additional insights relevant to the study's aims. Although, the results showed that informational justice did not significantly moderate these associations. The findings critically diverge from some of the existing literature (Vaamonde, Omar & Salessi, 2018). This suggested that while fair and transparent communication is highly valuable in the workplace it does not enhance the positive effects of ethical leadership in employee retention and innovative work behavior in a meaningful manner. This finding aligns with the understanding of the core principles of ethical leadership such as integrity and fairness. Respectively, it may already include the tenets of informational justice which make further moderation insignificant. However, previous studies support this notion and indicate that ethical leaders inherently practice principles of fairness which reduce the need for additional moderating factors to explain employees' outcomes.

Furthermore, the results of demographic analysis show that the majority of participants were unmarried and held a bachelor's degree which highlighted a predominantly young and educated workforce in Lahore, Pakistan. This demographic profile is narrowly relevant to the understanding of the dynamics of a multigenerational workforce both millennials and Generation Z. Furthermore, the result showed that these groups prioritized ethical considerations and sought meaningful working experiences. This emphasis on ethical leadership becomes highly crucial in attracting and retaining talent in the hospitality sector narrowly as organizations experience generational transitions.

Additionally, the findings support the existing studies and trends in the global labor market where ethical considerations increasingly impact employee expectations and organizational loyalty (Dhir, Dutta & Ghosh, 2020). The hotel industry in Pakistan goes through various challenges in retaining skilled employees during the generational shift. Hence, by fostering an ethical leadership culture an organization can increase the level of employee satisfaction and position itself as a desirable employer in the competitive job market. A study conducted by Dey et al., (2022) emphasizes that organizations should prioritize ethical leadership enjoy a more favorable reputation, and attract a higher competence of employees. This reputational advantage is highly critical in an industry characterized by high turnover rates and intense competition for talent.

In line with the study's aim to provide practical recommendations for the hotel industry in managing the generational transition, the study emphasizes the significance of training and development initiatives that focus on ethical leadership. Thus, by equipping current and future leaders with the skills and knowledge it is highly important to uphold ethical standards. Likewise, organizations can develop a sustainable leadership model that highly prioritizes employee well-being and organizational success (Choi, 2021). The programs emphasizing ethical decision-making, communication skills and emotional intelligence can increase leaders' effectiveness in promoting positive organizational culture thereby aligning with the expectations and requirements of the multigenerational workforce.

"While previous research such as Dey et al. (2022) emphasizes the reputational benefits of ethical leadership in attracting talent". This study critically builds on that by arguing that the generational shift necessitates an even stronger emphasis on ethical leadership to retain talent in industries with historically high turnover. Moreover, the insights gained from the study can help guide the hotel manager in developing strategies that can be easily aligned with the values of their workforce. By prioritizing ethical leadership and creating a culture of transparency and fairness organization can not only retain talent but also increase the level of creativity and innovation in the organization. Such dual focus on retention and innovation is highly important for sustainable growth in Pakistan's hotel industry narrowly in light of evolving expectations of Generation Z employees.

### **Limitations and Future Recommendations**

This study has several limitations. Firstly, the use of convenience sampling and a focus on Lahore-based participants may limit the generalizability of findings to hotel employees in other regions of Pakistan, where organizational cultures and employee expectations might differ. Future research should consider more representative sampling methods. Secondly, the cross-sectional design captures a single time frame, overlooking the evolving nature of leadership practices and employee behaviors. Longitudinal studies could provide deeper insights into how ethical leadership, innovative work behavior, and employee retention develop over time. Additionally, this study did not explore moderating or mediating factors like organizational culture or employee engagement, which future research could investigate. Lastly, incorporating qualitative methods such as interviews or focus groups could enrich quantitative data and provide deeper insights into employee experiences with ethical leadership.

### **Conclusion**

This study provides valuable insights into the significant role of ethical leadership in fostering innovative work behavior and enhancing employee retention within Pakistan's hotel industry, particularly in light of the generational shift from millennials to Generation Z. The findings indicate a strong positive correlation between ethical leadership and employee retention, suggesting that leaders who adhere to ethical standards and demonstrate integrity are more effective in maintaining employee loyalty and reducing turnover rates. This aligns with existing literature reinforcing the notion that ethical leadership is essential for cultivating a supportive work environment conducive to employee satisfaction and retention.

Moreover, the study reveals that ethical leadership positively influences innovative work behavior, underscoring its importance in promoting creativity and adaptability among employees. Ethical leaders create a culture of trust and open communication, encouraging employees to share ideas and engage in innovative practices (Zhang et al., 2021). This is particularly relevant in the hotel industry where the ability to respond to changing guest expectations and market conditions is critical for maintaining a competitive edge.

Interestingly, while the existing study examined the moderating role of informational justice the results showed that it did not significantly enhance the relationship between ethical leadership and employee outcomes. This finding suggests that the principles of ethical leadership may already encompass the concepts of fairness and transparency thereby mitigating the requirement for additional moderation.

Lastly, as the hotel industry in Lahore faces challenges related to employee retention and the need for innovation prioritizing ethical leadership emerged as a strategic imperative. By developing and fostering an ethical culture hotel managers can better engage and retain a multigenerational workforce, ultimately contributing to the industry's sustainability and growth in a competitive market. The insights gained from this study can help in the provision of future guidance for developing effective leadership practices that resonate with the changing expectations of today's workforce.

## References

- Agyeiwaah, E., Dayour, F., & Zhou, Y. (2022). How does employee commitment impact customers' attitudinal loyalty?. *Journal of Hospitality and Tourism Insights*, 5(2), 350-376.
- Ahmed, K., Rahpoto, S., & Ahmed, F. (2024). Tourism in Pakistan: An Economic Analysis. *Journal of Development and Social Sciences*, 5(2), 434-446.
- Ajmal, M., Sareet, Z., & Islam, A. (2024). Unleashing innovation through employee voice behavior in the hotel industry: the impact of ambidextrous leadership on innovative work behavior. *Journal of Hospitality and Tourism Insights*.
- Al Mamun, C. A., & Hasan, M. N. (2017). Factors affecting employee turnover and sound retention strategies in business organization: A conceptual view. *Problems and Perspectives in Management*, (15, Iss. 1), 63-71.
- Alshammari, A., Almutairi, N. N., & Thuwaini, S. F. (2015). Ethical leadership: The effect on employees. *International Journal of Business and Management*, 10(3), 108.
- Azhar, K. A., Kiran, Z., & Ahmed, H. (2021). Investigating Intergeneration Working Relationships: an Evidence from Higher Educational Institutions (heis) of Pakistan and China. *Global Journal for Management and Administrative Sciences*, 2(1), 79-99.
- Badrinarayanan, V., Ramachandran, I., & Madhavaram, S. (2019). Mirroring the boss: Ethical leadership, emulation intentions, and salesperson performance. *Journal of Business Ethics*, 159, 897-912.
- Baig, S. A., Iqbal, S., Abrar, M., Baig, I. A., Amjad, F., Zia-ur-Rehman, M., & Awan, M. U. (2021). Impact of leadership styles on employees' performance with moderating role of positive psychological capital. *Total Quality Management & Business Excellence*, 32(9-10), 1085-1105.
- Banks, G. C., Fischer, T., Gooty, J., & Stock, G. (2021). Ethical leadership: Mapping the terrain for concept cleanup and a future research agenda. *The Leadership Quarterly*, 32(2), 101471.
- Barhate, B., & Dirani, K. M. (2022). Career aspirations of generation Z: a systematic literature review. *European Journal of Training and Development*, 46(1/2), 139-157.
- Bloomfield, J., & Fisher, M. J. (2019). Quantitative research design. *Journal of the Australasian Rehabilitation Nurses Association*, 22(2), 27-30.
- Božič, V. (2019). *DETERMINANTS OF FIRM'S PERFORMANCE: EMPIRICAL EVIDENCE FROM SLOVENIAN AND CROATIAN HOTEL INDUSTRY* (Doctoral dissertation, Univerza v Ljubljani, Ekonomska fakulteta).
- Cancino, C. A., La Paz, A. I., Ramaprasad, A., & Syn, T. (2018). Technological innovation for sustainable growth: An ontological perspective. *Journal of Cleaner Production*, 179, 31-41.
- Choi, H. J. (2021). Effect of chief executive officer's sustainable leadership styles on organization members' psychological well-being and organizational citizenship behavior. *Sustainability*, 13(24), 13676.
- Chillakuri, B. (2020). Understanding Generation Z expectations for effective onboarding. *Journal of Organizational Change Management*, 33(7), 1277-1296.
- Chala, N., Poplavska, O., Danylevych, N., Ievseitseva, O., & Sova, R. (2022). Intrinsic motivation of millennials and generation Z in the new post-pandemic reality.
- Conte, J. M. (2024). *Work in the 21st century: An introduction to industrial and organizational psychology*. John Wiley & Sons.

- Dabija, D. C., Bejan, B. M., & Dinu, V. (2019). How sustainability oriented is Generation Z in retail? A literature review. *Transformations in Business & Economics*, 18(2).
- Deken, F., Carlile, P. R., Berends, H., & Lauche, K. (2016). Generating novelty through interdependent routines: A process model of routine work. *Organization Science*, 27(3), 659-677.
- Dey, M., Bhattacharjee, S., Mahmood, M., Uddin, M. A., & Biswas, S. R. (2022). Ethical leadership for better sustainable performance: Role of employee values, behavior and ethical climate. *Journal of Cleaner Production*, 337, 130527.
- Dhir, S., Dutta, T., & Ghosh, P. (2020). Linking employee loyalty with job satisfaction using PLS–SEM modelling. *Personnel Review*, 49(8), 1695-1711.
- Dobrowolski, Z., Drozdowski, G., & Panait, M. (2022). Understanding the impact of Generation Z on risk management—A preliminary views on values, competencies, and ethics of the Generation Z in public administration. *International Journal of Environmental Research and Public Health*, 19(7), 3868.
- Duan, W., Khurshid, A., Nazir, N., & Calin, A. C. (2022). Pakistan's energy sector—from a power outage to sustainable supply. Examining the role of China–Pakistan economic corridor. *Energy & environment*, 33(8), 1636-1662.
- Egerová, D., Komárková, L., & Kutlák, J. (2021). Generation Y and generation Z employment expectations: A generational cohort comparative study from two countries.
- Eluwole, K. K., Karatepe, O. M., & Avci, T. (2022). Ethical leadership, trust in organization and their impacts on critical hotel employee outcomes. *International Journal of Hospitality Management*, 102, 103153.
- Fan, X., Li, J., Mao, Z. E., & Lu, Z. (2021). Can ethical leadership inspire employee loyalty in hotels in China?—From the perspective of the social exchange theory. *Journal of Hospitality and Tourism Management*, 49, 538-547.
- Foot, T. M. M. (2022). *Strategies for Developing Millennials and Generation Z into Future Nonprofit Leaders* (Doctoral dissertation, Walden University).
- Gabrielova, K., & Buchko, A. A. (2021). Here comes Generation Z: Millennials as managers. *Business horizons*, 64(4), 489-499.
- Ghani, B., Zada, M., Memon, K. R., Ullah, R., Khattak, A., Han, H., ... & Araya-Castillo, L. (2022). Challenges and strategies for employee retention in the hospitality industry: A review. *Sustainability*, 14(5), 2885.
- Guo, L., Decoster, S., Babalola, M. T., De Schutter, L., Garba, O. A., & Riisla, K. (2018). Authoritarian leadership and employee creativity: The moderating role of psychological capital and the mediating role of fear and defensive silence. *Journal of Business Research*, 92, 219-230.
- Hadi, N. U., & Sheikh, S. A. (2024). Fostering hotel ambidexterity through knowledge-sharing culture and knowledge-sharing behavior: a study of the hospitality sector in Pakistan. *Business Process Management Journal*.
- Hanif, M. I., Sagheer, H., & Mehak, S. (2020). Impact of knowledge sharing and knowledge retention on employees development through the mediation of sustainable competitive advantage and moderation of transformational leadership. *International Review of Management and Marketing*, 10(4), 96.
- Hayat Bhatti, M., Akram, U., Hasnat Bhatti, M., Rasool, H., & Su, X. (2020). Unraveling the effects of ethical leadership on knowledge sharing: the mediating roles of subjective well-being and social media in the hotel industry. *Sustainability*, 12(20), 8333.

- Heine, E. C., Stouten, J., & Liden, R. C. (2023). Providing service during a merger: the role of organizational goal clarity and servant leadership. *Journal of business ethics*, 184(3), 627-647.
- Hashim, I., Hashim, S., Yue bo, X., Ahmad, M., & Mobin, M. (2016). Empirical Analysis of Pakistan Hotel industry based on SWOT Model. *Journal of Tourism, Hospitality and Sports*, Vol.19, pp.17, ISSN (Paper) 2312-5187 ISSN (Online) 2312-5179.
- Iqbal, M., Khawer, A., Khan, G. S., & Irshad, M. S. (2024). Does Tourism Development Influence the Economic Growth in Pakistan? Evidence from ARDL and Causality Approach. *iRASD Journal of Economics*, 6(1), 66-79.
- Irabor, I. E., & Okolie, U. C. (2019). A review of employees' job satisfaction and its affect on their retention. *Annals of Spiru Haret University. Economic Series*, 19(2), 93-114.
- Kara, I. (2022). *Leading in the 4IR through millennials' preferred leadership styles* (Doctoral dissertation, University of Johannesburg).
- Khan, N., Hassan, A. U., Fahad, S., & Naushad, M. (2020). Factors affecting tourism industry and its impacts on global economy of the world. *Available at SSRN 3559353*.
- Khan, A., Muneer, S., Shah, A., Hussain, N., Abro, S., & Mahar, A. (2021). The Impact of Organisational Commitment and Job Embeddedness on Employee Turnover Intention in the Hotel Industry of Pakistan: The Mediating Impact of Job Satisfaction. *International Journal of Innovation, Creativity and Change*, 15(05), 165-178.
- Khan, M. (2012). Challenges affecting the tourism industry in pakistan. *A journal of Pakistan Studies*, 4(1).
- Khattak, S. I., Haider, A., Ahmed, S. K., Rizvi, S. T. H., & Shaokang, L. (2022). Nexus of ethical leadership, career satisfaction, job embeddedness, and work engagement in hospitality industry: a sequential mediation assessment. *Frontiers in Psychology*, 13, 86589.
- Kremer, H., Villamor, I., & Aguinis, H. (2019). Innovation leadership: Best-practice recommendations for promoting employee creativity, voice, and knowledge sharing. *Business horizons*, 62(1), 65-74.
- Kurian, D., & Nafukho, F. M. (2022). Can authentic leadership influence the employees' organizational justice perceptions?—a study in the hotel context. *International Hospitality Review*, 36(1), 45-64.
- Lim, J. Y., & Moon, K. K. (2022). Transformational leadership and employees' helping and innovative behaviors: contextual influences of organizational justice. *International Journal of Manpower*, 43(4), 1033-1053.
- Mathiesen, K. (2015). Informational justice: A conceptual framework for social justice in library and information services. *Library trends*, 64(2), 198-225.
- Matondolo, M. P. M. (2022). *Hotel choice attribute of business and leisure travellers in Cape Town* (Doctoral dissertation, Cape Peninsula University of Technology).
- Mehta, M., Kurbetti, A., & Dhankhar, R. (2014). Review paper—study on employee retention and commitment. *International journal of advance research in computer science and management studies*, 154(5).
- Milliken, F. J., Schipani, C. A., Bishara, N. D., & Prado, A. M. (2015). Linking workplace practices to community engagement: The case for encouraging employee voice. *Academy of Management Perspectives*, 29(4), 405-421.
- Nahar, N. (2023). *How to engage and retain new generation employees after the pandemic COVID-19* (Doctoral dissertation, Brac University).

- Nedelko, Z., Peleckienė, V., Peleckis, K., Peleckis, K. K., Lapinskienė, G., & Potocan, V. (2022). Generation Z and ethicality of advancement in the workplace: a study of Slovenia and Lithuania. *Journal of business economics and management*, 23(2), 482-506.
- Nyaanga, E. M. (2020). Mediating role of organizational commitment on organizational justice and turnover intentions in millennial information technology professionals (Doctoral dissertation, Grand Canyon University).
- Perry, J. L., Nicholls, A. R., Clough, P. J., & Crust, L. (2015). Assessing model fit: Caveats and recommendations for confirmatory factor analysis and exploratory structural equation modeling. *Measurement in physical education and exercise science*, 19(1), 12-21.
- Raza, S. A., Qureshi, M. A., Ahmed, M., Qaiser, S., Ali, R., & Ahmed, F. (2021). Non-linear relationship between tourism, economic growth, urbanization, and environmental degradation: evidence from smooth transition models. *Environmental Science and Pollution Research*, 28, 1426-1442.
- Raza, M. A., Ul-Hadi, N., Khan, M., & Mujtaba, B. G. (2020). Empirical evidence of organizational justice and incivility in the tourism industry: Assessing the moderating role of Islamic work ethics and trust in leader. *Journal of Transnational Management*, 25(4), 274-299.5
- Saleem, S., Rasheed, M. I., Malik, M., & Okumus, F. (2021). Employee-fit and turnover intentions: The role of job engagement and psychological contract violation in the hospitality industry. *Journal of hospitality and tourism management*, 49, 385-395.
- Shojol, F. A. (2023). Impact of transformational leadership and performance appraisal on employee engagement among generation-Y bank employees in Bangladesh.
- Su, X., Lin, W., Wu, J., Zheng, Q., Chen, X., & Jiang, X. (2021). Ethical leadership and knowledge sharing: the effects of positive reciprocity and moral efficacy. *Sage Open*, 11(2), 21582440211021823.
- Sun, J., Sarfraz, M., Khawaja, K. F., Ozturk, I., & Raza, M. A. (2022). The perils of the pandemic for the tourism and hospitality industries: envisaging the combined effect of COVID-19 fear and job insecurity on employees' job performance in Pakistan. *Psychology Research and Behavior Management*, 1325-1346.
- Taherdoost, H. (2019). What is the best response scale for survey and questionnaire design; review of different lengths of rating scale/attitude scale/Likert scale. *Hamed Taherdoost*, 1-10.
- Tarkang Mary, M. E. M., & Ozturen, A. (2019). Sustainable ethical leadership and employee outcomes in the hotel industry in Cameroon. *Sustainability*, 11(8), 2245.
- Theriou, G., Chatzoudes, D., & Diaz Moya, C. A. (2020). The effect of ethical leadership and leadership effectiveness on employee's turnover intention in SMEs: The mediating role of work engagement.
- Torlak, N. G., Kuzey, C., Dinç, M. S., & Güngörmüş, A. H. (2021). Effects of ethical leadership, job satisfaction and affective commitment on the turnover intentions of accountants. *Journal of Modelling in Management*, 16(2), 413-440.
- Vaamonde, J. D., Omar, A. G., & Salessi, S. M. (2018). From organizational justice perceptions to turnover intentions: The mediating effects of burnout and job satisfaction.