

## FROM ETHICAL LEADERSHIP TO EMPLOYEE WELL-BEING: THE EMPOWERMENT AND EMOTION PATHWAY IN THE HOSPITALITY INDUSTRY

Ali Turan Bayram<sup>1</sup>

<sup>1</sup>Department of Tourism Guide, Sinop University, Turkiye

alibayram@sinop.edu.tr<sup>1</sup>

### Abstract

This study explored the influence of ethical leadership on employees' psychological well-being, emphasizing the mediating role of psychological empowerment and the moderating effect of emotional intelligence in the hospitality industry. Grounded in Social Exchange Theory (SET) and Self-Determination Theory (SDT), a moderated mediation model was examined using cross-sectional data obtained from 475 frontline hospitality employees. The findings indicate that ethical leadership exerts a significant positive effect on employees' psychological well-being both directly and indirectly through psychological empowerment. Employees, who perceive their leaders as fair, principled, and caring report greater meaning, competence, and autonomy, which subsequently enhances their psychological vitality and emotional balance. Furthermore, emotional intelligence strengthens the positive association between psychological empowerment and well-being, suggesting that employees with higher emotional intelligence are more capable of transforming empowerment into a sustained psychological fulfillment. Theoretically, this study extends leadership and well-being research by integrating SET's perspective of relational reciprocity with SDT's framework of motivational fulfillment, illustrating how ethical leadership concurrently functions as a social exchange mechanism and a source of intrinsic need satisfaction. It positions psychological empowerment as a central mediating construct and emotional intelligence as a key moderating condition that enhances its effects. Practically, the results emphasize the strategic importance of promoting ethical leadership behaviors, empowerment-oriented management practices, and emotional intelligence development programmes as complementary approaches to fostering resilient, motivated, and psychologically healthy employees. Overall, this study provides a comprehensive understanding of how moral, motivational, and emotional factors interact to sustain employee well-being and organizational effectiveness in demanding hospital settings.

**Key words:** Ethical leadership; psychological well-being; psychological empowerment; emotional intelligence; hospitality industry; Social Exchange Theory (SET); Self-Determination Theory (SDT)

### 1-Introduction

Employees' psychological well-being is crucial for service quality and organizational sustainability in the labor-intensive hotel industry (Chen, Li, & Wen, 2023; Karatepe, 2022). Nonetheless, employees in the prevailing industry face numerous challenges, including high stress levels, turnover, emotional exhaustion, and problems created by post-pandemic and client demands (Baum, 2023; Li et al., 2022). These pervasive issues highlight the significance of a leadership philosophy that fosters equity, assurance, and psychological safety. Ethical leadership is attracted by the possibility of promoting the welfare of employees, which presupposes the demonstration of corresponding ethical behavior in the course of communication and decision-making (Brown and Treviño, 2006). By being morally leading, showing respect for individuals, and building positive working conditions, dedicated leaders will become a model in the hotel sector, where employees tend to work with emotional stress and under ethical pressure (Lee, Kim, and Kim, 2021).

EL fosters employees' PWL in the hotel sector, which was not formulated in the context of heightened focus (Hur, Moon, and Ko 2023). In the current study, commitment and performance are significant parameters, and PWB has not been thoroughly investigated

(Newman et al., 2019). Hence, this gap requires an examination of how leaders who follow ethical leadership create a favorable psychological environment for frontline employees who must contend with difficult experiences with visitors. Similarly, moral leadership and its effects on WB can be attained through PE. However, it also accepts autonomy, sense of purpose, competence, and influence among employees (Spreitzer, 1995). For empowered employees, high levels of happiness and resilience are related to feelings of enhanced control and intrinsic motivation (Li et al., 2024). Nevertheless, no research has investigated the association between psychological well-being and ethical leadership in the hotel sector does not exist (Gursoy et al., 2022; Zhou & Guo, 2023).

Moreover, empowerment may also affect well-being, as it may rely on employees' emotional resilience. The hospitality sector involves emotional control and empathy; therefore, emotional intelligence (EI), the capacity to recognize, appraise, and regulate emotions, is a necessary personal resource (Mayer, Salovey, and Caruso, 2016). Workers with a high level of emotional EI can transform feelings of empowerment into positive emotional experiences and psychological stability (Gong, Liu, and Zheng, 2022; Prentice, Kadan, and Garcia, 2024). Nevertheless, the gap in terms of the theory and practice is quite severe, as no empirical studies have been conducted on the role of emotional intelligence as hindrance that improves the relationship between empowerment and well-being within hospitality settings

This study adopted two complementary approaches to address these problems. According to the Social Exchange Theory (SET), moral leaders promote reciprocity and trust, causing employees to exhibit attachment and positive psychological states (Cropanzano & Mitchell, 2005; Bavik, 2020). Fair and equitable treatment and principled leadership result in the perception of responsibility and appreciation, which ultimately causes psychological empowerment and a better quality of life among ethical leaders (Kim and Brymer, 2011; Kang and Busser, 2021). Moreover, according to the Self-Determination Theory (SDT) (Deci and Ryan, 2000), when employees' needs for autonomy, competence, and relatedness are satisfied, their well-being increases.

Employees with EI have more opportunities to remain competent and build positive relationships, and ethical leadership promotes independence through empowerment (Gagné et al., 2020). Therefore, the two-fold explanation of moral leadership enhancing well-being through social reciprocity and satisfaction of motivational needs is the combination of SET and SDT. However, there are numerous unanswered questions in the literature. Studies on psychological well-being and ethical leadership have primarily been conducted in the context of corporations or the Western world, with little attention given to the hospitality industry (Tang, Tang, and Xiao, 2023). The intervening variable of empowerment to explain the relationship between ethical leadership and well-being has not been investigated, especially in emotionally stressful situations (Ng and Feldman, 2022). This paradigm has integrated very little emotional intelligence; therefore, questions have arisen regarding whether personal emotional resources play a role in empowering the empowerment-well-being pathway (Zhou and Guo, 2023).

The proposed study implies a moderated mediation model, which states that the higher the degree of employees' psychological well-being, the more it is caused by ethical leadership. Moreover, the relationship between ethical leadership, team well-being, and employee empowerment is mediated by emotional intelligence (EI). This study contributes to the current body of knowledge by clarifying how moral leaders enhance their well-being through moral leadership. However, emotional intelligence (EI) serves as a mediating factor and enhances the

effect of empowerment by combining Social Exchange Theory (SET) and Self-Determination Theory (SDT) into a single framework. This study contributes to the theory and practice of ethical leadership, which can be improved by suggesting the empowerment and emotional intelligence of psychologically stable and resilient employees. This approach is considered central to the long-term success of the global hospitality industry.

## **2-Literature Review**

### **2.1 Ethical Leadership and Psychological Well-being**

Ethical leadership is a concept that has been integrated as a key concept in hospitality businesses because human relations, fairness and ethical consciousness dictate the delivery of services and satisfaction of staff. Brown and Treviño (2006) described ethical leadership as the demonstration of normatively appropriate behavior through individual actions as well as interpersonal communication. Ethical leaders are moral models, they develop clear moral prescriptions, and trust and respect culture. Recent empirical studies have shown that ethical leadership reduces stress at work and contributes to psychological safety, satisfaction, and well-being (Lin, Ma, and Johnson, 2023; Babalola et al., 2022).

Ethical leaders play a significant role in promoting psychological health by providing advice, support, and fairness to employees in the hotel industry that tend to experience emotional strain and consumer corruption (Kim and Brymer, 2011; Kang and Busser, 2021). The Social Exchange Theory (Cropanzano and Mitchell, 2005) suggests that ethical leadership encourages employee reciprocity by making employees emotionally invested in their jobs, making them experience better well-being. When employees perceive equity and care through their leaders, they feel valued and react by engaging and being emotionally resilient (Bavik, 2020). Based on empirical evidences, ethical leadership significantly enhances the emotional health and well-being of employees, reduces burnout, and fosters satisfaction to service settings (Hur, Moon, and Ko, 2023; Tang, Tang, and Xiao, 2023). As a result, ethical leadership is expected to increase the psychological well-being of the employees in the hotel industry.

**H1: Ethical leadership is positively related to employee psychological well-being.**

### **2.2 Ethical Leadership and Psychological Empowerment**

Psychological empowerment involves the perceptions of employees in terms of meaning, competence, self-determination and influence at work place (Spreitzer, 1995). Empowered employees feel that their work is significant and they have the freedom and capability of determining outcomes. Perceptions can be enhanced through the leadership of ethics meaning open communication, honesty, and equity, which give employees freedom and recognize their efforts (Amundsen and Martinsen, 2015; Li, Wong, and Kim, 2024).

Under Social Exchange Theory, ethical leadership promotes organizational trustworthiness perception to the employees, which results in more engagement and empowerment. Ethical leadership is a type of social stimulus that increases the feeling of control and personal efficacy of employees (Newman et al., 2019). This empowerment is especially helpful in the hospitality setting where the extent of service provision relies on direct decision-making and communication with customers (Gursoy, Chi, and Lu, 2022). Ethical leaders empower their employees to be more confident in their knowledge of how to handle guests and provide new service responses thus improving their competence and autonomy (Lee, Kim, and Kim, 2021).

This relationship is supported with empirical studies. Kang and Busser (2021) also showed that empowerment is significantly improved among hotel employees due to ethical leadership. Zhou

and Guo (2023) discovered that ethical leadership and the performance outcomes of a service organization had a mediating role through empowerment.

## **H2: Ethical leadership is positively related to psychological empowerment**

### **2.3 Psychological Empowerment and Psychological Well-being**

Psychological empowerment works towards improving health because it fulfills intrinsic needs of autonomy, competence, and relatedness of employees that are guiding principles of Self-Determination Theory (Deci and Ryan, 2000). Employee empowerment provides a feeling of meaning in their jobs, a higher capacity to impact their work, and a feeling of having more control, which contributes to the improvement of their psychological well-being (Gagne et al., 2020; Li, Wong, and Kim, 2024).

Employee empowerment in the hospitality industry helps to manage interaction with the guests, make decisions when working on the service recovery, and demonstrate authenticity independently, which can be related to improved engagement and reduced burnout (Karatepe, 2022; Chen, Li, and Wen, 2023). It has been shown that empowered employees will be more vital and satisfied with their job, and the aspect of empowerment and their well-being have a positive correlation (Gursoy et al., 2022; Tang et al., 2023). The employees who are empowered are expected to show a higher level of psychological well-being.

## **H3: Psychological empowerment is positively related to employee psychological well-being.**

### **2.4 The Mediating Role of Psychological Empowerment**

Ethical leadership improves psychological health in a direct way and works on the basis of motivational factors, including empowerment. Ethical leaders create a favorable environment that helps in promoting a sense of ownership among the employees and motivate them to work hard because they have trust and fairness. This is consistent with the Social Exchange Theory, which states that employees respond to ethical treatment with the involvement of psychology (Bavik, 2020; Newman et al., 2019). The self-determination theory holds that ethical leaders encourage individuals to live with autonomy and competence by enabling them by empowering them, satisfying their psychological needs, and in the process expanding their overall well-being (Deci and Ryan, 2000; Gagne et al., 2020). Recent data justifies this process of mediation: Kim and Wang (2023) have discovered that the mediating role of empowerment exists between ethical leadership and job satisfaction in the hotel industry, whereas Li et al. (2024) have found that empowerment mediates the relationship between ethical leadership and well-being outcomes, as well. The psychological empowerment mediates the relationship between ethical leadership and psychological well-being.

## **H4: Psychological empowerment mediates the relationship between ethical leadership and employees' psychological well-being**

### **2.5 The Moderating Role of Emotional Intelligence**

Empowerment improves well-being but this relationship might depend on the emotional abilities of employees. Emotional Intelligence (EI) enables people to identify, understand, and cope with both personal and other emotions (Mayer, Salovey, and Caruso, 2016). Those who have high emotional intelligence can successfully overcome the emotional pressures that come with working in the hospitality field, thus transforming the chances of empowerment into positive psychological results (Gong, Liu, and Zheng, 2022).

On the other hand, the ability of employees with low emotional intelligence to transform empowerment into well-being can be challenging because they might experience overwhelmed

by autonomy or emotion (Prentice, Kadan, and Garcia, 2024). The emotional intelligence (EI) enhances the competence and relatedness needs according to Self-Determination Theory, which strengthens the motivational effect of empowerment on well-being (Gagne et al., 2020). Thus, emotional intelligence serves as an individual resource that drives the benefit of empowerment in emotionally colored service situations. This role of moderation is backed up by empirical evidence. Gong et al. demonstrated that workers who demonstrated high emotional intelligence reflected a stronger association between empowerment and engagement (2022).

**H5: Emotional intelligence positively moderates the relationship between psychological empowerment and psychological well-being, such that the relationship is stronger when emotional intelligence is high.**

## **2.6 Theoretical Framework**

The proposed research combines two theories, Social Exchange Theory (SET) and Self-Determination Theory (SDT), to clarify how and when the process of ethical leadership can improve the psychological well-being of the employees. According to SET, ethical leadership enhances trust and equity, which encourages psychological empowerment due to the exchange of such qualities (Cropanzano and Mitchell, 2005; Bavik, 2020). The Self-Determination Theory can explain the satisfaction of the employees with the intrinsic needs of autonomy, competence, and relatedness through empowerment and emotional intelligence (Deci and Ryan, 2000; Gagne et al., 2020). As a combination, these theories provide a dual process, social and motivational, through which ethical leadership enhances well-being in the hospitality industry.

## **3-Research Methodology**

The proposed moderated mediation model (the relationship between ethical leadership, psychological empowerment, emotional intelligence, and psychological well-being) among hospitality employees was proven in this study using a quantitative and time-lagged design with three-wave data collection. Multi-wave methodology has been considered to reduce the effect of common method bias and enhance causal inferences (MacKenzie and Podsakoff, 2012; Podsakoff et al., 2016). A sample of frontline employees in hotels and restaurants in three key tourism cities in Türkiye, Sinop, Antalya, and Istanbul, was used to gather data. These locations differ in terms of organizational structure and service settings (Turkey). This regional diversity guarantees a representative representation of the managerial and cultural diversity of the Turkish hospitality sector (Karatepe, 2022; Baum, 2023).

Forty-five hotels and 60 restaurants were asked to give formal permission, and data were collected over a period of three months (May 2025–July 2025). Frontline service personnel, such as receptionists, waitstaff, guest relations officers, and service attendants, with job descriptions usually characterized by a high level of customer contact and emotional load, were included (Lee, Kim, and Kim 2021; Hur, Moon, and Ko 2023). The three waves were separated at intervals of four weeks to minimize the effects of cognitive contamination and common raters (Jordan and Troth, 2020). Ethical leadership and demographics were included in Wave 1 ( N = 670 valid responses), psychological empowerment and emotional intelligence in Wave 2 ( N = 590), and psychological well-being in Wave 3 ( N = 495). After excluding incomplete data, 455 cases were analyzed. Participation was anonymous, voluntary, and confidential in nature. A stratified random sampling technique was employed to represent luxury, mid-range, and boutique hotels. The inclusion criteria were at least six months of tenure, full-time employment, and direct guest-facing positions (Gursoy, Chi, and Lu 2022). Data were acquired through



structured self-administered questionnaires, which were distributed in both paper and electronic formats. The scales were those developed by other authors: ethical leadership (Brown and Treviño, 2006), psychological empowerment (Spreitzer, 1995), emotional intelligence (Wong and Law, 2002), and psychological well-being (Ryff, 1989). Secondary HR data were also used to confirm the job roles, tenure, and departments of the respondents, which increased the accuracy and construct validity of the data.

### **3.2 Measurement Instruments**

All constructs were measured using validated multi-item scales rated on a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. Shorter versions of well-established scales were chosen to reduce survey length without compromising reliability or validity (Hair et al., 2019).

#### **3.2.1 Ethical Leadership**

Ethical leadership was measured using the 10-item Ethical Leadership Scale (ELS) developed by Brown, Treviño, and Harrison (2005). This scale measures employees' perceptions of their leader's ethical behavior, integrity, fairness, and role modeling of ethical conduct. A sample item is: *"My supervisor sets an example of how to do things the right way in terms of ethics."* Responses were captured on a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The ELS has shown excellent internal consistency ( $\alpha = .88-.92$ ) and strong construct validity in multiple contexts, including the hospitality industry (Kim & Brymer, 2011; Dhar, 2016). It remains the standard and most widely validated measure of ethical leadership in organizational and service research.

#### **3.2.2 Emotional Intelligence (Moderator)**

Emotional intelligence was measured with the 12-item short version of the Wong and Law Emotional Intelligence Scale (WLEIS) developed by Wong and Law (2002). A sample item is "I have good understandings of my emotions". The 12-item version maintains high reliability ( $\alpha = .90$ ) and has been widely applied in cross-cultural hospitality and service management studies (Gong, Liu, & Zheng, 2022; Lee & Ok, 2015).

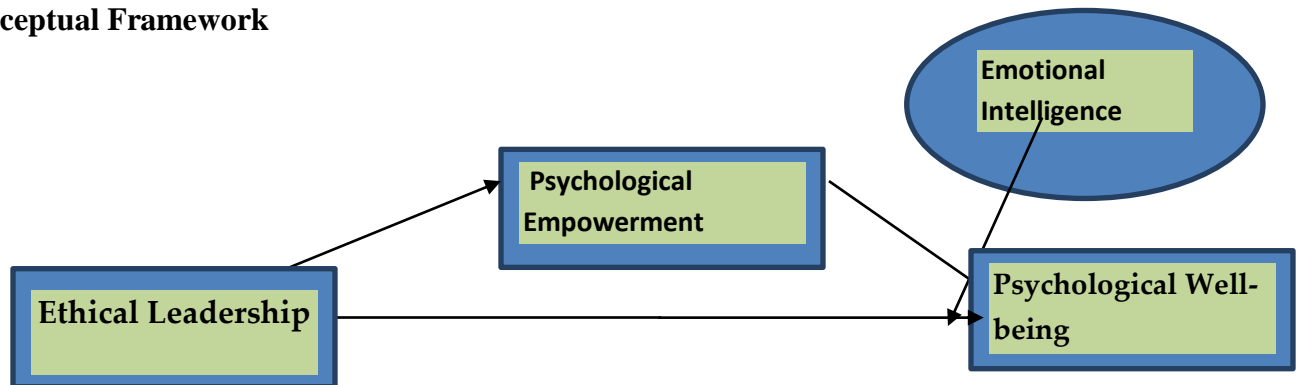
#### **3.2.3 Psychological Empowerment**

Psychological empowerment was assessed using the 12-item Psychological Empowerment Scale developed by Spreitzer (1995), which measures four dimensions meaning, competence, self-determination, and impact (three items per dimension). A sample item is: *"I have significant autonomy in determining how I do my job."* The scale has been extensively validated and demonstrates strong construct validity and internal consistency ( $\alpha > .80$ ) across organizational and service contexts (Seibert, Wang, & Courtright, 2011; Kang & Busser, 2021).

#### **3.2.4 Psychological Well-being (Outcome Variable)**

Psychological well-being was assessed using the 9-item version of the Psychological Well-being Scale originally developed by Ryff (1989) and later shortened by Clarke et al. (2001). This form captures autonomy, personal growth, and positive relations with others. A sample item is *"I am confident in my opinions, even if they are contrary to the general consensus."* The brief version has demonstrated excellent validity and internal consistency among hospitality and frontline employee samples (Prentice, Chen, & King, 2024; Abbott et al., 2006). The proposed figure

## Conceptual Framework



**Figure1: Conceptual framework of the study**

## 4-Results

### 4.1 Measurement Model Assessment

The findings of the measurement model review in Table 1 confirm the reliability, convergent validity, and absence of multicollinearity of the constructs. In Empowering Leadership (EL) item loading fell between 0.554 and 0.860, which means that there was moderate to strong representation of the construct. The internal consistency was also high (0.912; 0.936; 0.926), which is higher than the recommended level of 0.70 (Hair et al., 2021). Convergent validity was ensured by a value of 0.56 (Fornell and Larcker, 1981), and all VIFs (1.528 3.553) were found to be below 5, meaning that they were not multicollinear (Kock, 2015).

Likewise, Psychological Empowerment (PE) exhibited adequate psychometric qualities, as its loadings ranged between 0.621 and 0.859 and high internal consistency (0.904; CR = 0.922; AVE = 0.543). The construct has been found to be reliable and valid, which means that hospitality workers will always experience empowerment (Kang and Busser, 2021). The item loadings used in Emotional Intelligence (EI) section ranged in 0.599 and 0.848 with the reliability being excellent (0.929; 0.933; 0.941) and convergent validity (AVE = 0.616) also excellent. These findings are consistent with previous EI confirmations in service and hotel settings (Gong et al., 2022). There was no apprehension of multicollinearity, and all VIFs (2.4114.240) were within reasonable ranges.

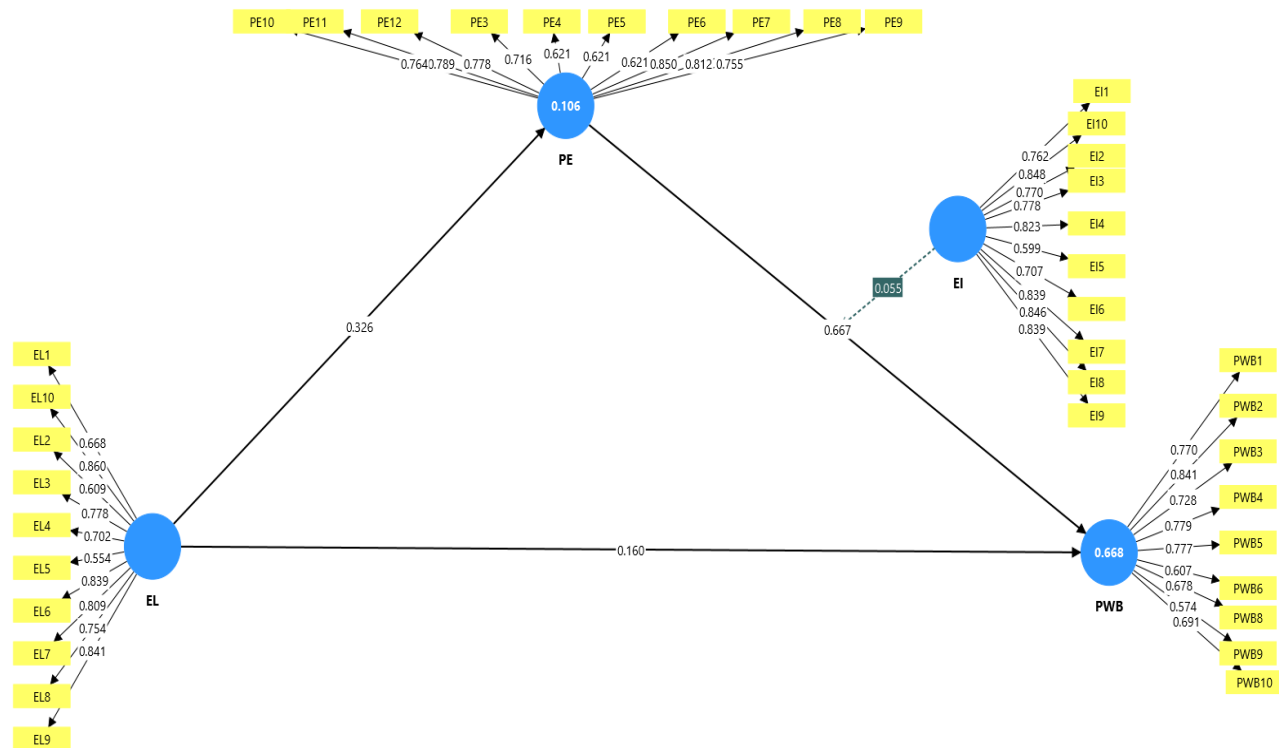
Psychological Well-being (PWB) also demonstrated excellent psychometric quality, the loadings were between 0.574 and 0.841, and the reliability was satisfactory (0.882; CR = 0.906; AVE = 0.52). The consistency of the construct with previous well-being scales employed in tourism and organizational psychology studies (Ryff, 2018; Lin et al., 2023) strongly suggests that this construct is stable.

Altogether, the measurement model has outstanding reliability and validity, which guarantees the stability of further structural analyses. The results provide a solid background for the study of the mediating role of psychological empowerment and the modulating influence of emotional intelligence in the correlation between ethical leadership and the psychological well-being of employees (Hair et al., 2021; Kang and Busser, 2021; Lin et al., 2023). The measurement model is showed in figure-2

**Table 1 Reliability, validity and collinearity (VIF)**

Constructs	Items	Loading	VIF	Alpha	Rho_a	CR	AVE
Empowering Leadership	<b>EL1</b>	0.668	0.762	<b>0.912</b>	<b>0.936</b>	<b>0.926</b>	<b>0.56</b>
	<b>EL2</b>	0.609	1.528				
	<b>EL3</b>	0.778	2.852				
	<b>EL4</b>	0.702	2.631				
	<b>EL5</b>	0.554	2.412				
	<b>EL6</b>	0.839	3.271				
	<b>EL7</b>	0.809	3.336				
	<b>EL8</b>	0.754	2.002				
	<b>EL9</b>	0.841	3.018				
	<b>EL10</b>	0.86	3.553				
Psychological Empowerment	<b>PE1</b>	0.858	3.201	<b>0.904</b>	<b>0.905</b>	<b>0.922</b>	<b>0.543</b>
	<b>PE2</b>	0.859	3.143				
	<b>PE3</b>	0.716	3.851				
	<b>PE4</b>	0.621	3.499				
	<b>PE5</b>	0.621	1.841				
	<b>PE6</b>	0.621	4.291				
	<b>PE7</b>	0.85	2.055				
	<b>PE8</b>	0.812	2.444				
	<b>PE9</b>	0.755	4.037				
	<b>PE10</b>	0.764	2.84				
Emotional Intelligence	<b>EI1</b>	0.762	3.11	<b>0.929</b>	<b>0.933</b>	<b>0.941</b>	<b>0.616</b>
	<b>EI2</b>	0.77	2.886				
	<b>EI3</b>	0.778	3.214				
	<b>EI4</b>	0.823	3.377				
	<b>EI5</b>	0.599	2.797				
	<b>EI6</b>	0.707	2.411				
	<b>EI8</b>	0.846	3.52				
	<b>EI9</b>	0.839	4.24				
	<b>EI10</b>	0.848	0.234				
Psychological Well-being	<b>PWB1</b>	0.77	2.494	<b>0.882</b>	<b>0.885</b>	<b>0.906</b>	<b>0.52</b>
	<b>PWB2</b>	0.841	3.796				
	<b>PWB3</b>	0.728	2.268				
	<b>PWB4</b>	0.779	3.35				
	<b>PWB5</b>	0.777	2.962				
	<b>PWB6</b>	0.607	1.415				
	<b>PWB8</b>	0.675	3.351				
	<b>PWB9</b>	0.643	3.133				
	<b>PWB10</b>	0.574	3.144				





**Figure 2: Measurement Model Assessment**

**Table 2** presents the discriminant validity analysis based on the FornellLarcker criterion in which the square root of the Average Variance Extracted (AVE) of each construct (diagonal values are bolded) is more than the correlation with other constructs (off-diagonal values). This confirms that both constructs have greater variance in common with its indicators, as compared to any other latent variable (Fornell and Larcker, 1981; Hair et al., 2021). The inter-construct correlations between the diagonal values of Emotional Intelligence (EI = 0.785), Empowering Leadership (EL = 0.748), Psychological Empowerment (PE = 0.737), and Psychological Well-being (PWB = 0.721), are lower than the diagonal values. As an illustration, EI demonstrates moderate relations with PE (0.655) and PWB (0.627), which indicates that though EI is conceptually connected with these variables, it is empirically different. On the same note, the correlations of EL with PE (0.326) and PWB (0.425) are less than the square root of the AVE indicating discriminant validity.

The fact that the correlation between PE and PWB ( $r = 0.710$ ) and EI and PE ( $r = 0.655$ ) are relatively stronger points towards theoretically anticipated correlations between the empirical variables, as psychologically empowered employees are more likely to be empowered self-motivated, and employees with a high IQ are more likely to be empowered (Gong et al., 2022; Lin et al., 2023). Nevertheless, the existence of the correlations that are lower than the corresponding AVE square root testifies to the idea that each of the constructs represents a distinct aspect of the model. Such results support the idea that the issue of multicollinearity is insignificant and all constructs demonstrate reasonable discriminant validity as suggested by the recent methodological recommendations (Henseler et al., 2015; Hair et al., 2021). The

conceptual difference in Ethical Leadership, Psychological Empowerment, Emotional Intelligence and Psychological Well-being is supported and the measurement model is strong enough to warrant the validity of further structural analysis in the hospitality context.

**Table-2 Measurement Model Assessment ( Fornierl and Lockers)**

	EI	EL	PE	PWB
EI	<b>0.785</b>			
EL	0.388	<b>0.748</b>		
PE	0.655	0.326	<b>0.737</b>	
PWB	0.627	0.425	0.710	<b>0.721</b>

Table 3 presents the result of the discriminant validity test where the Heterotrait-Monotrait (HTMT) ratio of the correlations is used, which is a more rigorous and valid approach than the Fornell-Larcker criterion (Henseler, Ringle, and Sarstedt, 2015). The values of all the HTMT are below the conservative value of 0.85, which proves that the constructs show high levels of discriminant validity (Hair et al., 2021). In particular, the values of the HTMT were between 0.172 and 0.778. The greatest score (0.778) was between Psychological Empowerment (PE) and Psychological Well-being (PWB), which is also theoretically appropriate, since employees with greater autonomy and competence are more likely to have a better well-being (Kang and Busser, 2021). However, the value does not supersede the 0.85 cut-off indicating that the difference between them is empirically different, although the constructs are related. In the same way, the correlation of the variables of Emotional Intelligence (EI) and PE (HTMT = 0.715) and EI and PWB (HTMT = 0.702) shows that there are meaningful but nonredundant relationships between these variables, as the research by others indicates that employees with higher levels of EI can better use the empowerment experiences to support their levels of psychological well-being (Gong et al., 2022; Lin et al., 2023). Ethical Leadership (EL) construct demonstrates a comparatively lower HTMT value with other variables (between 0.172 and 0.459), support validity in terms of the different conceptual domain as a style of leadership that does not intersect with, but affects empowerment and well-being (Brown and Treviño, 2006).

The interaction term ( $EI \times PE$ ) too showed low HTMT ratios (between 0.172 and 0.419) that means that it has no multicollinearity or overlap with its component constructs, which demonstrates the validity of the moderation analysis (Hair et al., 2021).

All in all, the outcomes show that there is a good discriminant validity, which is that all latent constructs Ethical Leadership, Psychological Empowerment, Emotional Intelligence, and Psychological Well-being — is conceptually and empirically different. This forms a good basis to go ahead with structural model testing, which involves mediation and moderation effects in the hospitality industry setting.

**Tabl-3: Heterotrait-Monotrait (HTMT)**

	EI	EL	PE	PWB	EI x PE
EI					
EL	0.414				
PE	0.715	0.338			
PWB	0.702	0.459	0.778		
EI x PE	0.308	0.172	0.419	0.275	

#### 4.2 Structure Model Assessment

Table 4 illustrates the findings of the structural model both directly and indirectly. The strength of modelling fit and a high level of theoretical coherence were checked by finding all the hypothesized paths that turned out to be statistically significant ( $p < 0.01$ ). The correlation between Ethical Leadership (EL) and the Psychological Well-being (PWB) was significant (0.378,  $t = 8.797$ ,  $p < 0.001$ ), which proved H1. This observation confirms the opinion that ethical leaders create a sense of fairness, trust, and moral uprightness, which have a positive influence on the psychological health of employees. With the application of Social Exchange Theory (SET) (Cropanzano and Mitchell, 2005), ethical leadership forms a sense of reciprocity by fostering respect and care so that employees can respond with emotional involvement and psychological well-being. This outcome is consistent with the existing research on the hospitality industry that revealed that ethical leaders decrease burnout and enhance psychological well-being in service staff (Hur, Moon, and Ko, 2023; Tang, Tang, and Xiao, 2023). It is also compatible with Self-Determination Theory (SDT), whereby ethical leaders satisfy the needs of employees to have relatedness and autonomy, thus also providing well-being (Deci and Ryan, 2000; Gagné et al., 2020).

EL  $\rightarrow$  PE (also important): EL  $\rightarrow$  PE ( $= 0.326$ ,  $t = 6.953$ ,  $p < 0.001$ ) was also significant, which is in agreement with H2. This implies that ethical leaders significantly contribute to developing Psychological Empowerment (PE) in hotel employees. This type of leader offers effective communication, ethical direction, and involvement in decision-making, which enhances the sense of meaning, ability, and autonomy between employees (Spreitzer, 1995; Kang and Busser, 2021). Previous studies affirm that ethical leadership enhances the leadership strength of service employees through the development of trust and autonomy, and therefore, employees feel more in control when interacting with customers (Lee, Kim, and Kim, 2021; Li, Wong, and Kim, 2024). According to SET, ethical leadership is a form of social exchange that fosters empowerment because of mutual respect and moral consistency (Newman et al., 2019; Bavik, 2020).

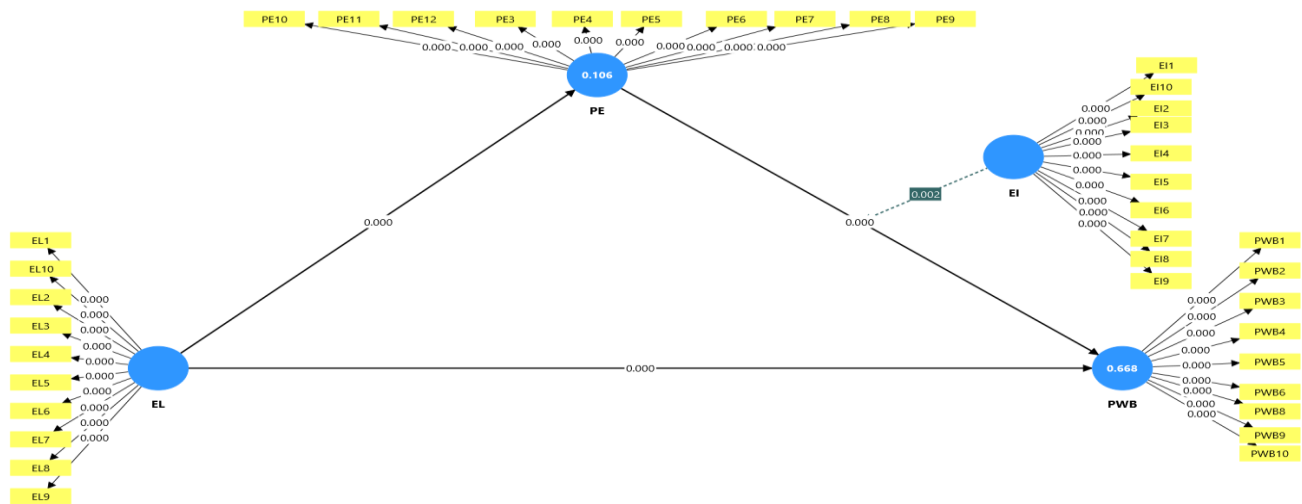
Psychological Empowerment significantly affected Psychological Well-being (PE  $\rightarrow$  PWB) with a high significance ( $0.667$ ,  $t = 16.008$ ,  $p < 0.001$ ), which proved H3. This indicates that well-being can be greatly predicted by empowerment among hospitality workers, which supports the motivational rationale of Self-Determination Theory (SDT) (Deci and Ryan, 2000). Employees who feel empowered feel a greater degree of autonomy, competence, and purpose, which, on the other hand, increases their psychological resilience and satisfaction (Gagné et al., 2020; Karatepe, 2022). The same findings were established by Gursoy, Chi, and Lu (2022), who found that empowered hotel workers have less emotional exhaustion and more vitality. Therefore, empowerment not only performs, it also satisfies psychological needs that are vital in well-being.

The indirect impact of ethical leadership on well-being through empowerment (EL PE PWB) was also high ( $= 0.218$   $t = 6.470$   $p = 0.001$ ) in favor of H4. This mediating influence supports the dual-process reasoning of SET and SDT, which holds that ethical executives initially promote well-being by empowering employees. When there is ethical leadership, there is trust and equity (a social exchange process), which improves empowerment (a psychological process), which in the end improves well-being (a motivational outcome). The findings align with those of Kim and Wang (2023) and Li et al. (2024), who revealed that ethical leadership is related to positive affective outcomes, including satisfaction and engagement through the use of empowerment. This proves that empowerment is a psychological process that connects the ethics of leadership and the prosperity of employees in the hospitality industry.

Lastly, Emotional Intelligence (EI) had a moderating effect on the correlation between empowerment and well-being ( $EI \times PE \rightarrow PWB$ ), with a strong correlation ( $= 0.055$ ,  $t = 4.154$ ,  $p = 0.002$ ) in favor of H5. This shows that employees with higher emotional intelligence have a stronger positive correlation between empowerment and well-being. Employees with high EI can manage their emotions, observe social contexts, and leverage the offers of empowerment to make positive emotional experiences more favorable (Mayer, Salovey, and Caruso, 2016; Gong, Liu, and Zheng, 2022). This is consistent with SDT, with employees that have high emotional intelligence meeting their relatedness and competence needs more, and empowerment transforming into psychological well-being (Gagné et al., 2020). In line with the findings of Prentice, Kadan, and Garcia (2024), emotionally intelligent employees in the hospitality sector are found to be more resilient and adaptive to stress, which increases the positive outcomes of empowerment. All of these results confirm the offered moderated mediation model: ethical leadership contributes to an increase in psychological empowerment, which indirectly leads to better psychological well-being, especially among employees with higher emotional intelligence. This interactive endeavour depicts social exchanges (SET) and motivational need fulfilment (SDT) in emotionally demanding hospitality environments (Bavik, 2020; Tang et al., 2023). The structure model is shown in figure 03.

**Table-4: Total Direct and Total indirect effect**

Hypothesis	B	STDEV	T-value	P- values
EL -> PWB	0.378.	0.043	8.797	0
EL -> PE	0.326	0.047	6.953	0
PE -> PWB	0.667	0.042	16.008	0
EL -> PE -> PWB	0.218	0.034	6.47	0
EI x PE -> PWB	0.055	0.036	4.154	0.002



*Figure 3: Structure Model Assessment*

## 5.1 Discussion and Conclusion

The main aim of this study was to investigate the role of ethical leadership (EL) in enhancing the psychological well-being (PWB) of employees through psychological empowerment (PE) and how emotional intelligence (EI) mediates between the two in the hospitality industry. This study employed cross-sectional data from frontline workers in the hospitality sector to examine and theoretically justify a moderated mediation model grounded in Social Exchange Theory (SET) and Self-Determination Theory (SDT). The empirical evidence is so strong that the positive influence of ethical leadership on the well-being of employees is both direct and indirect through psychological empowerment, and the indirect influence is stronger among employees with higher emotional intelligence.

These findings are part of the body of knowledge about leadership effectiveness as they demonstrate that ethical leadership is not just an ethical virtue but a strategic social resource that may define the psychological well-being and performance capacity of employees in high-demand service environments. Employees are ready to return benevolent, fair, and honest leadership by putting in more emotional energy and psychological commitment; therefore, in accordance with the principle of reciprocity in SET (Cropanzano & Mitchell, 2005; Blau, 1964), the feeling of security and satisfaction is developed (Bavik, 2020). The ability of ethical leaders to reflect care and integrity demonstrates that their organization feels confident in their fairness and respect, as well as instills a sense of psychological safety and emotional stability (Hur, Moon, and Ko, 2023). Thus, the direct correlation between EL and PWB observed in the current study supports prior findings that show that moral and open leadership alleviates the impact of emotional stress and burnout in service jobs (Tang, Tang, and Xiao, 2023; Kang and Busser, 2021).

In addition to the direct effects, the study establishes that psychological empowerment is an important mediating factor between ethical leadership and well-being. This is consistent with the principles of SDT motivational philosophies (Deci and Ryan, 2000), which suggest that when employees develop feelings of autonomy, competence, and relatedness, they lack additional levels of intrinsic motivation and psychological flourishing. Ethical leaders reinforce these inherent needs and involve employees in decision-making, value their contributions, and provide meaning to their tasks (Li, Wong, and Kim, 2024). This will make employees feel that their job



has a greater purpose and that they are more capable, thereby enhancing their psychological resilience and well-being (Spreitzer, 1995; Gagné et al., 2020). Therefore, the mediation results focus on the strength of empowerment as the psychological mediator between moral intent and emotional and cognitive impacts, which may be productive in the accomplishment of sustainable service performance.

In addition, this relationship is moderated by emotional intelligence, which highlights that empowering employees does not positively influence the well-being of all employees to the same extent. High-EI employees are better able to recognize, understand, and deal with emotions (Mayer, Salovey, and Caruso, 2016), which can help them even better able to project the quality of feeling of autonomy and competence into permanent psychological satisfaction. On the other hand, employees with low EI may be intimidated by empowerment because hospitality is an emotive space and relationships with customers may be stressful (Gong, Liu, and Garcia, 2024; Gong, Kadan, and Zheng, 2022). This observation reflects the current perceptions in the context of EI as a crucial individual resource and the element that enhances the impact of leadership and empowerment on well-being (Karatepe, 2022). By introducing EI into the empowerment-well-being interrelationship, this study sheds light on the problem of the interdependence of leadership ethics, psychological resources, and emotional competencies, and the more holistic approach towards the problem of adaptation of employees in emotionally challenging environments.

The findings are significant in various ways. Originally, this study advances SET by considering psychological well-being as a reciprocated output of the relationships of ethical exchange, consequently taking the theory beyond the behavioral and attitudinal capture to the psychological ones. Second, it advances SDT by demonstrating that the influence of empowerment as a source of satisfaction of the primary psychological needs can be considered one of the facilitators of intrinsic motivation and vitality in a context, namely, ethical leadership. Third, it includes emotional intelligence within the SET-SDT framework to describe the interplay between individual emotional capabilities and social and motivational processes to specify well-being. These insights together provide a multi-level theory of how moral leadership fosters psychological sustainability in service organizations.

Practically, the results have significant implications for hospitality management. Ethical leadership should be mentioned as a strategic tool to sustain the welfare of the workforce in an industry that is characterized by emotional labor, long working hours, and highly demanding customers. This means that managers should lead by example by being fair, transparent, and caring to build trust-based relationships, which will enable them to foster psychological safety. Simultaneously, organizations should create empowering working situations that enable, facilitate participation, and transfer role meaning for workers. Human resource practices that can be synergistically applied to build resilient and emotionally intelligent service teams include leadership development, empowerment-based training, and emotional intelligence coaching. The ability of these three to empower employees, increase the quality of service, and ensure the sustainability of organizations is due to the capacity of employees to provide psychological resources.

In conclusion, the hypothesis that ethical leadership enhances the psychological well-being of hospitality employees through the psychological empowerment process has stronger empirical and theoretical support through the current research, given the availability of emotional intelligence (EI). This study provides a very insidious understanding of how the interplay of

moral, motivational, and emotional processes can serve to keep employees alive by using the principles of Social Exchange Theory and Self-Determination Theory. The results highlight that creating ethical, empowering, and emotionally intelligent working environments is not only a moral but also a strategic necessity for contemporary hospitality businesses aiming for sustainable success in emotionally charged service settings.

## **5.2 Theoretical Implications**

The implications of the current study for theoretical research on leadership and well-being in the hospitality industry are numerous. The positive direct or indirect relationship between ethical leadership (EL) and psychological well-being (PWB) as a consequence of psychological empowerment (PE) has a good reason adheres to the original assumptions of Social Exchange Theory (SET) (Cropanzano and Mitchell, 2005) and Self-Determination Theory (SDT) (Deci and Ryan, 2000). Ethically oriented leaders are moral agents who are just, truthful, and good-willed and conduct business in social terms of mutual respect and trust. Such interactions encourage employees to contribute by making them more active, loyal, and psychologically revitalized. The results not only reinforce SET by showing that ethical leadership is not always associated with behavioral reciprocity, but also affect affective leadership by increasing the level of well-being and feelings of psychological satisfaction. Simultaneously, SDT explains the same process in terms of motivation. Ethical leaders satisfy the basic psychological needs of employees, such as autonomy, competence, and relatedness, which are the basic needs for intrinsic motivation and mental health. Situational strength may also be ethical leadership because it can aid in increasing needs satisfaction and self-determination by allowing staff to make significant decisions and recognize their input. This two-theoretical model (SETSDT integration) extends existing studies by considering the interdependence of moral and motivational forces that encourage employees' psychological conditions in an emotionally heightened hospitality environment. Interestingly, the mediating effect of psychological empowerment promotes the theory of leadership by conceptualizing that empowerment is not a downward attitudinal effect but a core psychological process under which moral leadership behavior is transferred to the well-being of subordinates (Newman et al., 2019). This theoretical shift attracts attention towards empowerment as a process within an individual, where ethical leadership can develop sustainable psychological results and thus mediate ethical action and well-being in high-stress service settings. The hospitality setting, with unceasing performance pressures, emotional work, and unstable customers, augments such routes of empowerment by heightening concerns regarding psychological stability and motivation.

In addition, the moderate consideration of emotional intelligence (EI) adds a novel person-based dimension to the SET-SDT paradigm. Emotional competence, as a contingent resource, is provided within the study's framework to enhance the motivational emotional payoffs of empowerment by demonstrating that emotionally intelligent employees can better transform empowerment into psychological well-being (Prentice, Kadan, and Garcia, 2024). This finding contributes to the theoretical background by showing that contextual variables that inform the effectiveness of empowerment, as well as the personal capacity to manage emotions, can be characterized by a mixture of emotional intelligence theories as traits and social-motivational leadership theories.

This places ethical leadership in its rightful place as an ethical and psychological tool added to the theory of leadership, relating ethical action to empowerment-based and emotion-driven processes as pillars of well-being. This study contributes to the research on the application of

SET and SDT in the hospitality industry by demonstrating the effects of ethical leadership on mutual trust, intrinsic motivation, and the mobilization of emotional skills to promote psychological well-being in high-service-oriented workplaces. This will contribute to a more comprehensive and holistic perspective of leadership performance in the hospitality industry. Hence, the moral context of psychological processes and emotional talents are considered drivers of long-term employee wellbeing.

### **5.3 Managerial Implications**

These findings have crucial implications for the management of the hospital industry in terms of leadership and human resources. However, emotional work, customer intensity, and uncertainty after the pandemic remain threats to workers' well-being. The results show that EL may serve as a source of morality and a psychological sustainability plan. Equity, empathy, and integrity also establish climates of trust and psychological safety that help protect employees against emotional burnout and make them feel that they belong and are important members of the organization. Organizational care and equity are signified by ethical behavior, which motivates more dedicated and prosaically behavior among employees. This is a fundamental element of the hospitality industry's service quality and retention goals. Moreover, the mediating effect of psychological empowerment emphasizes that the structural and relational support of ethical practices must allow employees to exercise autonomy and voice. Therefore, managers should create empowerment-based systems to decentralize frontline operations to interact with guests and reward employees. In addition to creating more intrinsic motivation and creativity, empowerment has been observed to trigger adaptive problem-solving, which is a valuable service recovery and customer interaction skill (Kang and Busser, 2021; Gursoy, Chi, and Lu, 2022).

In leadership training programs, participatory management, vision building, and feedback based on recognition should be taught to promote empowerment in daily operations. Moreover, the mediating factor of emotional intelligence (EI) indicates the necessity of training emotional skills at the managerial or staff level. In the case of high-employee employees, it becomes easier to establish the interpersonal mess of service provision and isolate empowerment into positive emotional and psychological reactions. Thus, emotional intelligence tests and training modules should be included in human resource policies regarding recruitment and appraisal. Structured interventions, such as emotional awareness training, empathetic communication training, and coaching reflection, can help employees cope with stress, regulate their emotions, and develop positive interpersonal relationships with guests and colleagues. This indicates that hospitality companies pursue a three-fold HR strategy that develops ethical leadership, the empowerment model, and emotional intelligence. When these dimensions are introduced into leadership pipelines, performance reviews, and culture building, they can result in an operationally efficient, psychologically sound, and ethical workforce. The development of such an ethically empowering culture, where the elements of fairness, autonomy, and emotional control interplay, is a long-term, sustainable process for improving service quality and reducing burnout and enhancing organizational performance.

### **5.4 Limitations and Future Research Directions**

**First**, the useful empirical and theoretical contributions of this study are limited in some aspects, which pose various open opportunities for future research. First, a cross-sectional design constrains the ability to cause and effect inferences with respect to ethical leadership, psychological empowerment, and psychological well-being. Longitudinal or experimental

studies are required to explore the dynamics of these relationships over time and identify whether ethical leadership can bring long-term effects on the empowerment and well-being of employees or whether a reciprocal effect is irreversible.

**Second**, the use of self-reported data, which are well-suited for measuring subjective psychological constructs, can introduce bias from social desirability or common method variance. The methodological rigor of this study can be enhanced in future research by collecting data at multiple levels (supervisors, peers, and customers) and by combining objective performance indicators with behavioral indicators to confirm the results of the perceptual study.

**Third**, the study was conducted in the hospitality industry, where emotional labor and the level of interaction between customers and employees are high. Although this context enhances the practical relevance of the findings, it also limits their applicability to other industries. Future research should focus on similar models across other service sectors and cultures to understand whether ethical leadership, empowerment, and well-being are locally or universally applicable. Additionally, this study included one moderating variable: emotional intelligence (EI). Further studies should develop the model by examining other personal and organizational moderators (e.g., psychological resilience, mindfulness, perceived organizational support, or job autonomy), which also mediate the empowerment-well-being relationship. Research on these boundary conditions would deepen our theoretical understanding of how psychological health develops through the joint influence of leadership and personal resources.

Finally, qualitative and mixed-method research may offer better insights into the workings and experiences of ethical leadership and empowerment. To overcome these shortcomings, longitudinal interviews or diary studies can help understand how employees perceive and internalize the processes of empowerment and how the behaviors of moral leaders develop in high-stress hospitality environments to maintain psychological well-being and organizational performance.

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