LEADERSHIP STYLES AND EMPLOYEE ENGAGEMENT: MEDIATING EFFECT OF PSYCHOLOGICAL DISTRESS IN DESPOTIC AND ETHICAL LEADERSHIP

Basharat Raza[1], Shrafat Ali Sair[2] & Muhammad Shan[3]

[1]Postdoctoral Researcher, Department of Management Sciences, Montreal, Quebec, CANADA
[2]Assistant Professor, Hailey College of Commerce, University of the Punjab, Lahore, Pakistan
[3]PhD scholar, Institute of baking and Finance Bahauddin Zakariya University Multan, Pakistan

KEYWORDS	ABSTRACT
	This study investigates the impact of despotic and ethical leadership upon employees' engagement, focusing on the mediating role of psychological distress. Using a quantitative approach with data collected from employees in manufacturing SMEs, research analyzes the direct and indirect effects of different leadership styles on employee engagement. The findings reveal that despotic leadership negatively affects employee engagement both directly and indirectly over increased psychological distress, highlighting the detrimental impact of authoritarian leadership styles. Conversely, ethical leadership positively influences the employees' engagement by reducing psychological distress, underscoring the benefits of ethical leadership in fostering a supportive work environment. The study's results emphasize the importance of addressing psychological distress to enhance employee engagement. The recommendations include that implementing leadership development programs and prioritizing mental health initiatives to improve employee well-being and productivity. The study contributes to literature by elucidating complex relationships amid leadership styles, psychological distress and employee engagement offering insights for the organizational effectiveness.
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Corresponding Author	Basharat Raza: Basharat.raza@hec.ca
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INTRODUCTION

Leadership is critical factor in current dynamic organizational environment since it determines the performance of employees and the success of organizations (Krajcsák & Bakacsi, 2024). The effects of the leadership styles on employee engagement have been a subject of interest in the literature given importance of leadership in determining the levels of motivation, commitment, and health of employees. Two forms of leadership that have received much interest include

despotic and ethical leadership (Song, Khosa, Ahmed, Faqera, Nguyen, Rehman & He, 2022). All styles has different implications for employee engagement & moderated by psychological distress. The purpose of research is to explore impact of these leadership styles on employee engagement with the special emphasis on moderating role of psychological distress. Despotic leadership is defined by autocratic style of management, which is associated with a high level of control, fear, and disregard for employees' welfare. Despotic leaders are those who make decisions on their own, set very many rules and regulations at the workplace. This leadership style have a negative effect on psychological well-being of the employees and this may result in stress, anxiety & other forms of psychological problems (Abolnasser, Abdou, Hassan & Salem, 2023).

The adverse effects of despotic leadership on employees are well-documented, including the following: turnover intentions, job satisfaction, and organizational commitment. Psychological distress in this case becomes a mediator over which despotic leadership impacts on employee engagement. On other hand, ethical leadership is a form of leadership that embraces principles of right thing to do, equity and treating subordinates with respect (Komulainen, 2024). Ethical leaders ensure that their subordinates are healthy, create environment where people can share information freely, and act in a manner that is consistent with company's values. The ethical leadership is found to have positive relationship with employee performance, job satisfaction, commitment, and engagement. Ethical leaders may develop a positive work environment that decreases psychological symptoms, increases employees' affective and cognitive engagement (Liu, Huang, Kim & Na, 2023). Employee engagement, has received much attention in field of organizational behavior, is the employees' psychological commitment to work as committed employees are those willing to work, have energy and are willing to perform their duties and responsibilities in best way possible, which in turn leads to high productivity & organizational success.

The leadership styles and employee engagement are not directly linked, but are moderated by psychological distress. Mental health issues including anxiety, depression and stress can affect employee engagement (Unur, Atai, Capkiner & Arasli, 2022). High levels of psychological distress are likely to decrease employees' motivation and commitment, which in turn will lead to decreased engagement. Though there is vast literature on leadership styles and their effects on employees, relationship amid despotic and ethical leadership and employee engagement through psychological distress has not been explored much (Bieńkowska & Tworek, 2023). Most of the previous research has focused on despotic or ethical leadership without taking into account how opposite forms of leadership may moderate relationship between psychological distress and employee engagement. Most of the current studies focused on a single leadership style, which hampers the comprehension of relative effectiveness of various styles in relation to employee engagement and psychological well-being (Metin-Orta, 2021). Moreover, although there is large body of research on direct effects of despotic & ethical leadership on employees, there is a dearth of research focusing on the moderating effect of psychological distress in these relationships.

The prior research has not adequately examined that how despotic leadership may intensify psychological strain and decrease engagement or how the ethical leadership may mitigate the psychological strain and increase engagement (Geremias, Lopes & Sotomayor, 2024). This is a research gap that calls for the better understanding of the effects of these leadership styles on employee engagement through the psychological processes (Rissman, Bataille, Masanet, Zhou, Elliott, Heeren & Huckestein, 2020). For instance, the research that is done in the high stress organizations or certain cultural contexts may not necessarily reflect the nature of leadership and employee engagement in other organizations (Decuypere & Schaufeli, 2020). The standing of this study is that it help to fill these gaps by exploring how despotic and ethical leadership impact on employee engagement via psychological distress. The study seeks to contribute to sympathetic of subject that may be useful to the leaders and policy makers (Dwivedi, Jeyaraj, Hughes, Ahuja, Busaidi, Sharhan & Altinay, 2024). It is important to understand the effects of leadership styles on employee engagement through psychological distress so as to design the leadership training programs and interventions, can help create healthy work environment for employees.

LITERATURE REVIEW

In order to elaborate the relationships between the leadership styles, employee engagement, and psychological distress, literature review and theoretical frameworks should be considered. This literature review synthesizes theoretical and empirical knowledge to develop a coherent conceptual model that explores the relationship between despotic and ethical leadership and employee engagement with the moderating role of psychological distress (Etson, 2024). Thus, theoretical framework for this study integrates two primary theories: the Leadership Theory and the Stress Process Model to explain the management of organisation. The two leadership theories that are transformational and transactional leadership theories are useful in explaining how various leadership styles affect the employees (Nyamota et al., 2024). In this linking, the Transformational Leadership Theory is based on the idea that leaders can influence followers or subordinates and this is in line with ethical leadership that has a positive impact on the level of employee engagement leading towards desired outcomes. On other hand, the transactional leadership theory that deals with exchanges that occur between the leaders and the followers is relevant to explain the detrimental effects of the despotic leadership (Bieńkowska & Tworek, 2023).

The stress process model formulated by Lazarus and Folkman helps to explain how stressors including despotic leadership cause psychological strain and influence employee engagement. Despotic leadership is a form of leadership that involves the imposition of many rules and little concern for the welfare of the employees (Bieńkowska & Tworek, 2023). This type of leadership has been found to foster a negative culture in the workplace, which results in the high levels of psychological symptoms among the workforce. A study by Aryee et al. (2008) established that despotic leadership leads to the increased emotional exhaustion and decreased job satisfaction. This is because despotic leadership leads to stress and anxiety amid employees, thus affecting their engagement. Ethical leadership, on other hand, is defined by the leaders' ethical conduct, fairness and respect towards employees. As per Brown and Trevino (2006) ethical leadership

creates good culture that makes employees to feel appreciated and appreciated. This type of leadership is related with lower levels of psychological problems & higher levels of employee involvement.

Ethical behaviour is an example of the ethical leader and the creation of a ethical culture in the organization. Walumbwa et al. (2011) shows that ethical leadership has a positive relationship with employee engagement as it decreases stress and increments the employees' commitment to their work. The present study also uses psychological distress, which entails the feelings of anxiety, depression, stress, to explains relationship between leadership styles and employee engagement(Bieńkowska & Tworek, 2023). The Stress Process Model is useful in explaining the relationship between leadership styles and psychological distress as well as the outcomes on employee engagement also defined that perceived stress occur when an individual believes that the demands he or she encounters are beyond the resources which he or she has. Despotic leadership results to the increased stress, hence increased psychological distress which in turn reduces employee engagement (Geremias, Lopes & Sotomayor, 2024). On other hand, ethical leadership decreases psychological distress as it creates a good climate that makes employees to be more committed. Based on the previous literature, it is evident that leadership styles have been found to play an important part in determining employees' performance (Abasilim et al., 2019).

For has found that despotic leadership decreases employee well-being and engagement while ethical leadership has been linked to positive results such as job satisfaction and organizational commitment of employees. Nevertheless, little is known about moderation of psychological distress in relationship amid these leadership styles & employee engagement (Chami-Malaeb et al., 2024). However, much of literature has focused on despotic or ethical forms of leadership or interaction between these two and engagement but not with psychological distress. Also, current literature is bounded to certain sectors or geographical areas, results cannot be applied widely (Ouyang et al., 2021). The despotic leadership is likely to dispirit employees and make them feel powerless and, disengage from work. These are dynamics that have to be explored in more detail in future research that focuses on different types of organizations (Geremias, Lopes & Sotomayor, 2024). Ethical leadership is a form of leadership that embraces principles of right thing to do, equity and treating subordinates with respect (Komulainen, 2024). To this end, this study seeks to extend the understanding of the effects of despotic and ethical leadership styles upon employee engagement via mediating role of psychological distress so as to address these gaps.

RESEARCH METHODOLOGY

This research used the quantitative approach in assessing the effects of despotic and ethical leadership on employee engagement with psychological distress moderating the relationship. This approach was adopted because it is suitable for testing hypothesis and comparing the relationships between variables with the use of statistics. The research philosophy used in the study was positivism since the study assumed that there is a reality that can be observed and measured. This philosophical position was quite suitable for study as purpose was to assess theoretical propositions and to make theoretical conclusions grounded in empirical data. The

research focused on employees of manufacturing sector in SMEs in manufacturing industry. Manufacturing SMEs were chosen based on fact that they are vital to economy and employee performance has a great impact on productivity. These companies are commonly confronted with specific leadership and psychosocial issues which make it vital to include them in this research.

The research was specifically targeted at SMEs so as to generate findings that may be most useful for small, more dynamic organisations. To increase the credibility and to offer enough power for the mediator analysis, 300 employees were chosen in the sample. In this study, the researcher used proportionate stratified random sampling so as to make sure that the sample selected is a good sample that includes employees from different levels and from different departments of SMEs. This approach was useful in reducing bias and making sure that all the different positions and experiences within the target group were included. Questionnaire were used with online and physical formats. Questionnaire was designed to capture key constructs: Despotic and ethical leadership, psychological distress, and employee engagement were the constructs used in the study. Such variables were assessed using standardized scales in order to reduce potential sources of error and increase reliability. Use of dual-mode administration of the survey was to ensure that response rates and the convenience of the participants were improved.

The analysis of the data was done with PLS-SEM due to the fact that it is a useful technique in estimating the relationships between the latent variables and to test mediating effects. With the help of PLS-SEM, it was possible to estimate the direct effects of despotic and ethical leadership on employee engagement and indirect effects through psychological distress. This enabled the understanding of the interrelationships between the variables under consideration thus giving a holistic picture. The issue of ethics was well discussed and observed in the entire course of the study. All the participants signed a consent form and each participant was explained on the purpose of study, procedures that would be followed and that they had the right to withdraw from the study at any time without any consequences. The following measures were taken to protect participant's privacy; The responses were anonymized to conceal the identities of the participants. These measures helped in ensuring that research was conducted in a very ethical manner and that the data of the participants were well protected and not disclosed to any other party.

DATA ANALYSIS

Table 1
Reliability Analysis

	CA	RHO_A	CR	AVE
Despotic Leadership	0.769	0.7691	0.8427	0.5185
Employee Engagement	0.7378	0.7763	0.8235	0.5099
Ethical Leadership	0.8044	0.837	0.8596	0.5142
Psychological Distress	0.705	0.7242	0.7873	0.5276

The results of the present study show that all the constructs have good internal consistency and validity coefficients. Cronbach's alpha coefficients for all the constructs are suitable and range from. 714 to. 854 indicating that the constructs have been measured reliably through despotic leadership, employee engagement, ethical leadership & psychological distress. In this linking, the composite reliability values provide further validation of the reliability of these constructs which were used in this study. Furthermore, the AVE values for all the constructs are above the recommended level of 0. 5, therefore supporting the convergent validity. Altogether, these results indicate that the measurement model is appropriate and well-suited for reflecting the constructs of interest and, consequently, provide the valid & reliable foundation for the further analysis.

Table 2
Validity Analysis (HTMT)

	[1]	[2]	[3]	[4]
Despotic Leadership [1]				
Employee Engagement [2]	0.4901			
Ethical Leadership [3]	0.4299	0.61		
Psychological Distress [4]	0.4174	0.557	0.6311	

The Heterotrait-Monotrait Ratio (HTMT) analysis indicates that the construct in measurement model has satisfactory discriminant validity because constructs are different from each other. All HTMT values are less than conventional cut-off point of 0. 05. 85, indicating each construct is tapping a different facet and is not highly related to other three. More specifically, despotic leadership is moderately related to employee engagement, ethical leadership & psychological distress, and correlation between employee engagement and ethical leadership, and between psychological distress and other variables is moderate. These results support hypothesis that constructs are sufficiently different from each other; leads to perfection of measurement model validity.
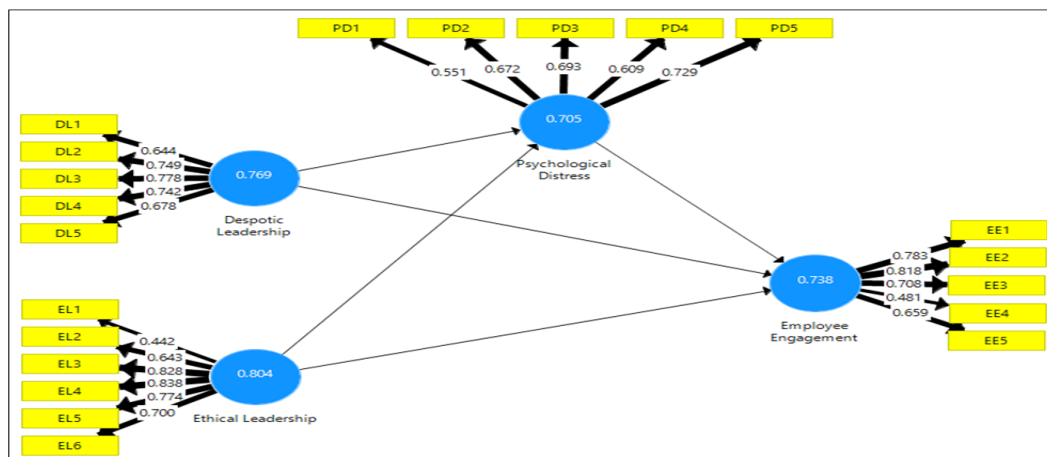
Table 3
Factor Loading

	DL	EE	EL	PD
DL1	0.6441			
DL2	0.7494			
DL3	0.7783			
DL4	0.7418			
DL5	0.6782			
EE1		0.7835		
EE2		0.818		
EE3		0.7079		
EE4		0.481		
EE5		0.659		
EL1			0.4421	
EL2			0.6431	

EL3	0.828	
EL4	0.8382	
EL5	0.7738	
EL6	0.6997	
PD1		0.5514
PD3		0.693
PD4		0.6086
PD5		0.7293

The factor loadings show that each item has a high factor loading with the construct to which it was assigned. All items are highly loaded on despotic leadership, which shows that construct is well measured. Employee engagement items have high correlations and all of them except one are significant to the construct. The ethical leadership items also exhibit high correlations and several of the items are found to have effectively measure the ethical leadership construct. About psychological distress, all the items have a significant loading, indicating that construct is well measured. These findings imply that items are appropriate for purpose of measuring constructs of interest, which in turn affirms the overall soundness of proposed measurement model.

Figure 1
Measurement Model

Table 4
Structural Equational Model

|	OS	SM	SD	TS	PV
Despotic Leadership -> Employee Engagement	-0.1952	-0.1869	0.0292	6.696	0.0001
Despotic Leadership -> Psychological Distress	0.1498	0.1586	0.0443	3.378	0.007
Ethical Leadership -> Employee Engagement	0.3458	0.3659	0.0452	7.6459	0
Ethical Leadership -> Psychological Distress	0.5616	0.5654	0.0393	14.3054	0
Psychological Distress -> Employee Engagement	-0.1728	-0.1604	0.0536	3.2235	0.0091

The results of the structural equation model help to understand connections between despotic leadership, ethical leadership, distress and employee engagement. Findings show that despotic leadership has negative impact on employee engagement and positive impact on psychological distress and these are significant. While ethical leadership has a positive and significant effect on dependent variables namely, employee engagement & psychological distress. Psychological distress is also found to have a negative relationship with employee engagement, meaning that the higher the level of psychological distress the lower is level of employee engagement. These findings point to multiple interactions between leadership types and psychological constructs in relation to work outcomes, and have significant implications for leadership and employee engagement.

Table 5

Mediation Analysis

	OS	SM	SD	TS	PV
Despotic -> Distress -> Employee Engagement	-0.0259	-0.0267	0.0125	2.0716	0.0451
Ethical -> Distress -> Employee Engagement	0.097	0.0894	0.0281	3.4555	0.0062

Mediation results show that effect of leadership styles on employee engagement is mediated by psychological distress. Present study reveals that effect of despotic leadership on employee engagement over psychological distress is negative and significant. This means that despotic leadership has negative effects on employee over its effect on psychological problems. On the other hand, ethical leadership has a positive relationship with employee engagement through psychological distress with proposed relationship being significant and positive. This means that ethical leadership increases employee engagement by decreasing psychological distress, supporting notion that ethical leadership plays positive in improving employees' well-being & engagement.

Figure 2

Structural Equational Model
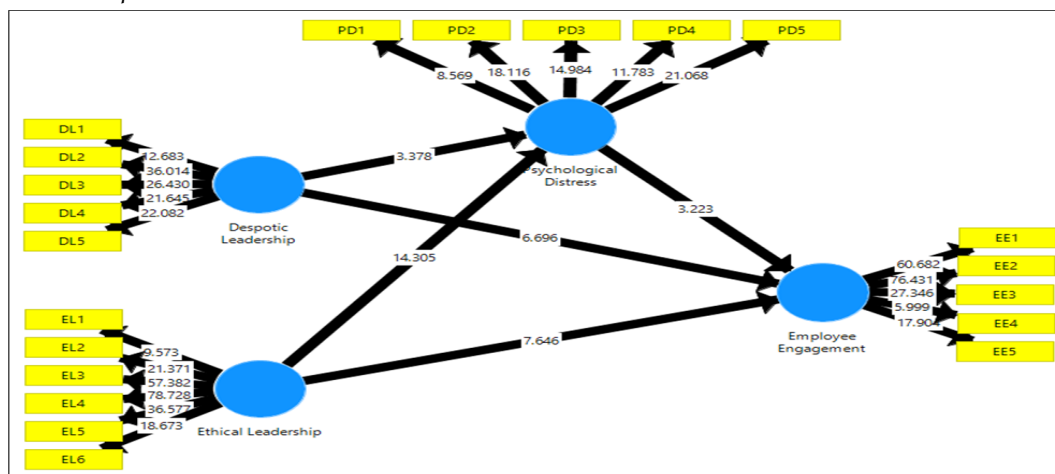
DISCUSSION

The work offers important findings regarding the effects of leadership styles on the employee engagement with psychological distress moderating the relationship. The findings show that despotic leadership has a direct negative relationship with the employees' engagement and an indirect negative relationship over psychological distress. This is in agreement with previous research that has established that autocratic leadership styles result in stress in the workplace which in turn reduces level of employees' commitment and satisfaction (Jabeen & Abd Rahim, 2021; Sohail et al., 2023). Despotic leadership creates a culture of ordering people around and making them live in fear and this can lead to increased level of psychological problems among employees and thus low levels of engagement and productivity. However, ethical leadership has a positive relationship with the employees' engagement since it reduces the psychological distress.

This is in line with the previous studies that reveal that ethical leadership positively influences the health and motivation of employees (Mseti et al., 2024). Ethical leaders who practice and encourage ethical behaviour help in creating a healthy work culture, in turn helps in reducing stress, thereby increasing engagement of the employees. This finding is in line with the notion that ethical leadership is vital in enhancing organisational culture & wellbeing of employees. The findings also show that psychological distress is an essential factor that affects the level of engagement within employees. This is consistent with previous studies have pointed out that psychological distress can have negative impact on job performance and engagement (Dar et al., 2024). This study contributes to literature by establishing mediating role of psychological distress through which organisations can effectively address their employees' well-being and engagement.

CONCLUSION

The current study adds value to the literature by revealing the unique relationships between despotic leadership and employee engagement mediated by psychological distress and the positive relationship between ethical leadership and employee engagement. The results of the study show how negative effects of despotic leadership on employee engagement & positive effects of ethical leadership. It is recommended that organizations embrace the principles of ethical leadership and create organizational culture that will help in increasing the employee commitment and in the same way reducing the psychological problems. Thus, introducing the leadership development programs that are based upon the ethical leadership and emotionally intelligent leadership can help to reduce the negative effects of despotic leadership. Also, it is crucial to focus on mental health & well-being activities that will enhance employee morale & efficiency.

Similarly, future research should expand the list of variables that may moderate relationship between leadership styles and employee engagement including the culture of the organization or the industry. Longitudinal analysis of these relationships may give a better understanding of how such trends may develop in the future and consequently how the best strategies for enhancing employee commitment and organizational effectiveness may be implemented. In

conclusion, the research presents practical implications that might be useful to organisations that want to improve engagement and well-being of their employees. Thus, by focusing on the effects of various leadership traits & styles and the need to minimize psychological problems, organizations can improve the working atmosphere, consequently improving organizational performance.

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