The Effect of Ethical Leadership on Organizational Adaptive Capacity  
(Case Study: YAPCO Company)

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Abstract

Organizational adaptive capacity means the organization's ability for continuous learning and meeting the organization's internal and external changes and that one of the factors affecting organizational adaptive capacity is leadership style. In the present study, the status of moral leadership as well as its impact on organizational adaptive capacity in YAPCO Company is measured. This study is applied in terms of the objectives and descriptive in terms of data collection. The current study was guided with regard to the viewpoints of 217 employees in YAPCO Company whose number has been estimated by Morgan table. The participants were selected using simple random sampling techniques. Data was analyzed using confirmatory factor analysis and the analysis of covariance structures (structural equation modeling). Also, t-test was used to examine the formulated hypotheses. Data analysis and statistical tests were performed via SPSS and PLS software. The obtained results suggest that ethical leadership has a significant and positive impact on organizational adaptive capacity in YAPCO Company.

Keywords: Leadership, Ethical Leadership, Adaptability, Adaptive Capacity, YAPCO Company.
1. Introduction
In the past, manufacturers focused on meeting customer's need and due to the lack of competition in the market, no attention was given to the issues of adaptive capacity and organizational innovation and the most important organizational values were ready-made in the form of pre-plans in the markets (Hsibyn et al, 2001). Then, by increasing changes and environment complexity, markets' situation was changed so that sovereignty was transferred from manufacturer to consumer in market (Trout, 2003). Thus, the need for dynamic and momental adjustment with the changing environment is essential in this condition and organizations and their leaders and managers should be adaptive and responsive and prospective to encounter with competitive conditions. In order for organizations to effectively meet the changing demands of today's environment, they require more flexibility, adaptive capacity and innovation in the competitive environment (Vale, 1999). Organizational adaptive capacity means to consider and take into account the demands of work environment in organizational activities. Compatible organization is ledered by customers, makes a risk and takes advice from its mistakes and has a change capacity (Monavryan, Bakhtae, 2006). On the other hand, the principled leadership style is needed to influence such changes (Schein, 1992). The results of precious studies in this area show that ethical leadership has a significant relationship with organizational adaptive capacity (Goucher, 2007; Sussman, 2004; Astrykman, 2005). Ethical leader plays a role of model in organization and proceeds ethical behavior among subordinates (Brown, Trevino, 2006). They try to make fair decisions, care for the feelings of their subordinates and create fair working environment in the organization (Den Hoogh & Den Hartog, 2008). Hence, the measurement of relationship between ethical leader and organizational adaptive capacity is important to improve the process of and increase organization's efficiency. However, few studies have examined the relationship between leadership style and organizational adaptive capacity. Accordingly, this study focuses on the relationship between these components. This study is also required for the considered population because as a production service company, YAPCO Company should find measures to get competitive advantage and survival in the business market for increasing organizational adaptive capacity in the automotive industry. YAPCO Company should consider the compatibility with the environment as a necessity to maintain the current contribution and gain a greater share of the market and in order to accomplish this, the proposed approach is ethical leadership. So, the question is whether ethical leadership has an effect on YAPCO Company's organizational adaptive capacity or not?

2. Theoretical literature
2.1 Ethical leadership
Ethical leadership is a leadership style having entered into the leadership and management literature in the last decade of the twentieth century and means an appropriate normative behavior in personal actions, inter-personal relationships and encouraging followers through bilateral relationship (Brown et al., 2005). Ethical leader is as an honest person adhering to principles and who makes fair and balanced decisions. He adjusts clear ethical standards and uses rewards and punishments to be able to create a healthy environment with a high efficiency in the organization. Ethical leader plays a role of model in the organization and proceeds ethical behavior among subordinates (Brown, Trevino, 2006).

According to Brown et al (2005), the concept of ethical leadership includes two aspects: 1) the ethical person emphasizing on cases such as (honesty, justice, integrity and concern for others) and 2) the ethical director referring on issues such as (communicate, reward or punishment in accordance with ethical standards and role of model in ethical behavior). According to the theory of social learning, ethical leadership affects the ethical climate in the organization. This theory suggests that
individuals pay more attention to the authentic and attractive behaviors of model role and imitate it. However in addition to direct observation, employees are directly affected by their supervisors because they have a power to serve moral and immoral behaviors and give reward and punishment to them (Bandura, 1986).

Leaders affect organizational variables through different mechanisms in working environment. Part of such effectiveness is related to the personality and psychology elements of leaders and the other is related to their leadership styles (Heidari et al., 2010).

Leadership styles today observed in studies and ideas shows a variety which is different from leadership styles in the past. One of these new leadership styles is ethical leadership. Ethical leadership is the style of leadership requiring developing ethical standards and managing employees’ behaviors in which leader leads to the implementation of ethical standards through his behaviors.

Ethical leader means to have ethical values such as (fairness, respect for others, honesty, credibility, sincerity, support the participation and sympathy, etc.) and put them into action (Yılmaz, 2010). Ethical leadership means behavior in accordance with rules, responsibility and goodwill toward employees and society (Tatars, Mehmet, 2011).

### 2.2 Aspects of ethical leadership

On the aspects of ethical leadership, Den Hartog and De Hoogh (2008) considered three aspects of fairness, power-sharing and clarity of role (Den Hartog and De Hoogh (2008)). Brown (2005) also took into account the aspects of ethical guidance, people orientation, honesty and integrity, stability concern and tolerability for ethical leadership (Brown et al., 2005).

- **Fairness** is considered as an important form of moral leadership behaviors. This is a concept that leaders act with integrity in dealing with others. They make principle and fair choices and decisions, are trustworthy and honest, do not discriminate, and are responsible for their own actions (Brown et al., 2005; Den Hartog and De Hoogh, 2008; Trevino et al., 2003).

- **Power-sharing** also means that ethical leaders allow their subordinates to participate in decision-making and express their ideas (Den Hartog and De Hoogh, 2009) and lead to enable those (Rsik et al, 2006). Power-sharing causes to have less dependency on their leaders by subordinates (Jucal, 2006).

- **Clarity of role** means that ethical leaders participate in open communications and have transparency (Brown et al., 2005). Ethical leaders clearly state responsibilities, expectations and performance objectives so that subordinates know what is expected for them (Den Hartog and De Hoogh, 2008). People orientation means having a real concern for moral leaders to people and expresses real concern and care, respect and support of subordinates and, if possible, to ensure to meet their needs (Kanagy, Conger, 1993; Trevino and et al., 2003).

- **Ethical guidance** means that leaders clearly transfer standards against ethical behavior and standard (Trevino et al., 2003). Organizations and senior managers adjust a set of behavior rules, standards and codes which are as guidelines for ethical behavior (Bio, Buckley, 2001) and leaders can raise the awareness of subordinates on these guidelines. Ethical leaders also use reward and punishment for making their subordinates responsible for their actions (Trevino et al., 2003). According to Brown et al. (2005), ethical leaders guide their followers in determining ethical priorities and explain the ethical rules (Brown et al., 2005).

- **Concern for the stability and sustainability** means focusing on the development of ethical leaders in environment, distribution of responsibilities and endurance over time (never Wes, Fink, 2004, 2006). Here the leader should act beyond their personal interests and the interests of the environment and society pay attention (Frđyg, 2007). Ethical leaders have a moral awareness of the
impact that they have on stakeholders and the community are concerned about the impact (Dna, Preston, 1995).

- Finally, the integrity of ethical leadership means to have integrity and honesty in behavior. Honest behaviors can be described as a criteria and concept indicating whom behave according to the code of conduct (Daynn, Lvsky, Tomlinson, 2006; Palansky, Yamaryn, 2007, 2009). Leaders acting on their promises are trusted by their followers because they behave according to what are expected to them (Saymons, 2002).

2.3 Adaptive Capacity

Smith considers adaptability as a strategy to deal with vulnerability and refers to adjustments in the environmental, social and economic systems conducting in response to the environmental stimuli and reduction of vulnerability (Smith, Pylyfsva, 2001). Adaptability is the relationship which is necessary to facilitate the survival of the system in the environment between a system and its environment (Coleman, Han, 2006). In other definitions, adaptive organization means responsive organization which is constantly modernizing and integrating with partners, suppliers and customers to keep up with uncertain business environment and quickly reacts to customer demand, market opportunities and external threats (Kapur et al., 2003). Organizational adaptive capacity means the organization's ability to continuously learn and respond to the organization's internal and external changes playing a fundamental role in the organizational performance and effectiveness (Astrykmn, 2005). Sussman believes that organizational adaptive capacity is one of the very important aspects of organizational capacity and helps organizations' strategic objectives such as stability and order in the organization (Sussman, 2004).

Ability to continuously learn and respond to changes in internal and external environment are the very critical dimensions of organizational adaptive capacity (Astrykmn, 2005). Gunderson and Hvlynq also believe that flexibility and organizational adaptive capacity are essential for the survival of social and environmental systems and overcoming instability and uncertainty. Organizations with adaptive capacity have the potential to anticipate and respond to the environmental changes and pass crisis (Goucher, 2007). Denison argues that the culture of adaptability is based on flexibility, considers the external environment and tries to provide customers’ needs. He believes that adaptive capacity has features such as creating change, customer-orientation, and organizational learning (Seyye djvadyn et al., 2010).

2.4 Aspects of adaptive capacity

Daniel Denison (2000) considers the culture of adaptability including aspects such as creating change, customer-orientation, and organizational learning:

- Creating change: A degree of importance and valuation of organization in creating the ways of adaptability in response to environmental needs, ability to understand the business environment, rapid response to the environment and predicting changes.

- Focusing on customer: A degree of organization valuation on the relationship of organization with customers and achieving their satisfaction, the rate of understanding customers’ demands and responding to them and anticipating future needs.

- Organizational Learning: A degree of organization valuation on ignoring mistakes learning, research, exchanging experiences and learnings in the organization, encouraging innovation and continuity in learning and recepting criticisms (Denison, 1990). Sussman (2004) considers organizational adaptive capacity in four components of external concentration, innovation, networking relations, researching and curiosity for achieving knowledge:
- External concentration: Environmental conditions are rapidly changing which is a compelling reason for external concentration as a key feature of adaptive organizations. Comparative organizations rely heavily on their environment and need its resources and capacities. They should adapt themselves to their environment and, if possible, sometimes adapt their environment to themselves.
- Networking relations: is to create relationships and connect to a larger network than the organization. Hereby, the organization realizes to be able to successfully do their missions through the development of strategic alliances, interactions and and common efforts with the outside of the organization.
- Researching: Curious organizations always look for learning and using new knowledge and emphasize on the importance of learning and managing knowledge and measuring results.
- Innovation: Adaptive organization should continuously achieve innovation and improving the processes and systems exist in organizational through the welcoming atmosphere of creativity and new ideas, the diversity of opinion, testing these ideas (Sussman, 2004). Also, Strictman (2005) outlined comprehensive aspects of organizational adaptive capacity including common vision, systemic thought, external focus, network communication, researching and social capital:
- Shared vision: is to have a common understanding and aim through involving employees in the formulation and implementation of a common vision. The organization's perspective should be integrated with employees' personal outlook and they should know how their job duties lead to realizing the organizational aims.
- Systemic thought means to understand the interdependence of various sections of organization and adopt a long-term approach to solve problems and identify the patterns of change.
- Social capital is to support social networks, the importance of mutual relationships, sharing knowledge and ensuring to foster a sense of trust via organizational policies (Astrykmn, 2005).

2.5 The relationship between the study variables
The role of leadership is crucial in adaptive systems (Bowl, Scholts, 2007). The results of research carried out abroad show that there is a significant relationship between ethical leadership and organizational adaptive capacity (Strictman, 2005, Sussman, 2004, Goucher, 2004).
According to the theory of complexity of leadership, leadership is not a position and authority but interaction with dynamic and complex interaction of collective motivation for change and a mutual action. Leaders are those who play three adaptive, business, and empowerment roles. Adaptive organization is an organization whose leaders invest on interactive dynamics to facilitate innovative and creative future for the organization (Rodrik, 2009). Some scientists also believe that the leaders in the field of leadership will facilitate organizational adaptive capacity through organizational and cultural processes. Leaders can manage organizational change through proper relationship with followers and encouraging them to innovate, and affect social influence processes and create and initiate a little bit change to prepare for crisis (Goucher, 2007).
In order for organizations to effectively meet the demands of a changing environment, they require flexibility and adaptive capacity for organizational innovation (Vale, 1999). Appropriate leadership style is necessary to influence such changes and conditions (Schein, 1992). Cutler believes that by leadership a culture can correctly be developed in accordance with the change (Cutler, 1998).
There are two different views on the relationship between leadership and the culture of adaptability. Functionalist perspective, where leaders are in charge of and responsible for changing the culture through essential measures and performance of symbolic roles (Mindel et al., 1985). In this view, leaders are in the change of organizational culture (Schein, 1992). From the viewpoints of anthropology, leaders are part of the culture and not apart from it (Smirsich, 1983) and it does not
believe in creating a culture by leaders. Schneider and colleagues argue that managers and leaders make the environment (Smirsich et al., 1995). Tsui et al suggest that through their actions, leaders can alter the essence of the organizational culture (Tsui et al., 2006). In fact, according to Cutter, only culture can be fostered by the leadership that matches the change (Cutler, 1998).

3. The study model and methodology
The primary objective of this study was to study the relationship between ethical leadership and organizational adaptive capacity of is YAPCO Company. Accordingly, the study variables can be drawn up in the form of the following model:

According to the research model, research hypotheses were formulated as follows:

**The main hypothesis:**
Ethical leadership has an effect on organizational adaptive capacity of YAPCO Company.

**Secondary hypotheses:**
1. Ethical Leadership has an impact on systemic thinking in YAPCO Company.
2. Ethical Leadership has an impact on organizational learning in YAPCO Company.
3. Ethical Leadership has an impact on changes in YAPCO Company.
4. Ethical Leadership has an impact on the company's shared vision in YAPCO Company.
5. Ethical Leadership has an impact on innovation in YAPCO Company.
6. Ethical Leadership has an impact on the company's external focus in YAPCO Company.

7. Ethical Leadership has an impact on customer orientation in YAPCO Company.

Since the researcher is trying to solve a problem by science, and seeks for practical guidelines for the promotion of organizational adaptive capacity among employees in YAPCO Company, it can be claimed that the present study is an applied research in terms of the objectives. This research is also descriptive in terms of data collection that seeks to scientifically determine the existence of phenomena. It is also a survey study in terms of the categories of descriptive research because the researcher collected data using sampling and then, using statistical analysis, he extended the results to the study population.

In this study, the statistical population consisted of all employees with bachelor's degree in YAPCO Company whose number is 500 people. According to Morgan table, 217 individuals were selected using simple random sampling technique so that each employee has an equal chance of being selected. The questionnaire consisted of Ethical Leadership Questionnaire (Kalshovan, 2011) that considers four dimensions (power-sharing, clarity of role, people orientation, and ethical guidance). Also, to assess adaptive capacity, standard questionnaires of Sussman (2004) (innovation) and Strictman (2005) (systemic thinking, shared vision and external focus) and Denison (2000) (organizational learning, change and customer-orientation) were used.

The validity of the questionnaire was evaluated using confirmatory factor analysis (CFA) running SMART PLS software. The results of confirmatory factor analysis confirmed the construct validity of the questionnaire. Factor loadings are shown in the following diagram.

Diagram 2: The model in the state of the estimation of standard coefficients

The diagram above shows the numbers or coefficient as measurement equations which are the relationship between latent variables (oval) and observed variables (rectangles). The equations are so called factor loadings. All factor loadings of less than 0.4 should be excluded from the model and the model be modified and estimated regardless of these indices. All indices have factor loadings greater than 0.4.
Diagram 3: The model in the state of [T-Value]

The above diagram shows the model in the state of significant coefficients (t-value). This model, in fact, tests all the measurement equations of the model (factor loadings) and SEM (path coefficient) using t-test. According to this model, path coefficient and factor loading is significant at 95% confidence level if the t-value is outside the range of -1.96 to +1.96. All the values of t-statistics are acceptable and highlight the significance of the factor loadings.

The reliability of the questionnaire was calculated using Composite Reliability (CR) and Cronbach's alpha coefficient through which all values obtained were over 0.70, which indicates high reliability of the questionnaire.

4. Data analysis and findings

In this study, for the analysis of data collected in the inferential level to verify the accuracy of the hypotheses and relationships between the study variables, "structural equation modeling", particularly path analysis technique was used. Smart PLS software version 2 and SPSS software version 22 have been used for developing structural equation model and descriptive statistics, respectively.

4.1 The results of Kolmogorov Smimov test

As it can be seen in Table 1, the level of significance is more than error value 0.05 in some variables, so the null hypothesis is not rejected on the variables and the normality can be accepted while in some other variables, the level of significance is lower than 0.05, so the hypothesis of normality is rejected and these variables (innovation and customer orientation) are not normal.

Table 1: Results of Kolmogorov Smirnov Test

<table>
<thead>
<tr>
<th>Result of normality</th>
<th>Sig</th>
<th>Z</th>
<th>The study variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>normal</td>
<td>0.112</td>
<td>1.201</td>
<td>Power sharing</td>
</tr>
<tr>
<td>normal</td>
<td>0.328</td>
<td>0.95</td>
<td>Clarity of role</td>
</tr>
<tr>
<td>normal</td>
<td>0.288</td>
<td>0.983</td>
<td>People orientation</td>
</tr>
<tr>
<td>normal</td>
<td>0.242</td>
<td>1.027</td>
<td>Ethical guidance</td>
</tr>
<tr>
<td>normal</td>
<td>0.01</td>
<td>1.625</td>
<td>Systemic thought</td>
</tr>
<tr>
<td>Non-normal</td>
<td>0.008</td>
<td>1.653</td>
<td>Organizational learning</td>
</tr>
<tr>
<td>normal</td>
<td>0.1</td>
<td>1.223</td>
<td>Creating change</td>
</tr>
<tr>
<td>normal</td>
<td>0.19</td>
<td>1.084</td>
<td>Shared insight</td>
</tr>
</tbody>
</table>
According to the non-normality of some study variables and two-level model, to validate the model and respond to hypotheses, structural equation modeling has been used in Partial Least Squares (PLS) using SMARTPLS software.

### 4.2 Calculating convergent validity, reliability and goodness index of model fitness

Table 2 indicates validity and reliability for all variables.

Table 2: Pearson correlation coefficient, convergent validity and divergent validity

<table>
<thead>
<tr>
<th>GOF</th>
<th>√R²</th>
<th>√AVE</th>
<th>Cronbach's alpha</th>
<th>R²</th>
<th>CR</th>
<th>AVE</th>
<th>Latent variables</th>
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</thead>
<tbody>
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<td>0.602</td>
<td>0.695</td>
<td>0.866</td>
<td>0.929</td>
<td>0.631</td>
<td>0.946</td>
<td>0.779</td>
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<td></td>
<td></td>
<td></td>
<td>0.856</td>
<td>0.461</td>
<td>0.895</td>
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<td>Clarity of role</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>0.888</td>
<td>0.664</td>
<td>0.919</td>
<td>0.663</td>
<td>People orientation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.918</td>
<td>0.466</td>
<td>0.942</td>
<td>0.802</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>0.796</td>
<td>0.401</td>
<td>0.88</td>
<td>0.71</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.872</td>
<td>0.425</td>
<td>0.921</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.89</td>
<td>0.351</td>
<td>0.932</td>
<td>0.82</td>
<td>Creating change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.868</td>
<td>0.415</td>
<td>0.919</td>
<td>0.791</td>
<td>Shared insight</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.844</td>
<td>0.338</td>
<td>0.906</td>
<td>0.762</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.899</td>
<td>0.454</td>
<td>0.937</td>
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<td></td>
<td></td>
<td>0.84</td>
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<td>0.929</td>
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</tr>
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<td></td>
<td></td>
<td>0.889</td>
<td>0.766</td>
<td>0.905</td>
<td>0.713</td>
<td>Organizational adaptive capacity</td>
</tr>
</tbody>
</table>

Using Average Variance Extraction (AVE) (convergent validity), it was determined that all the studied structures have AVE higher than 0.5 indicating that each marker just measures your structure and their combines in such a way that all the structures are well separated from each other. Composite Reliability (CR) and Cronbach's alpha are used to evaluate reliability and the reliability requirement to approve these indicators is the reliability higher than 0.7. All these are higher than 0.7 and shows that the instruments are reliable.

Goodness of fit (GOF) is also given in the Table. It shows a compromise between the quality of the structural model and the model measured and is equal to:

\[
GOF = \sqrt{\text{AVE}} \times \sqrt{R^2}
\]

Where \(\sqrt{\text{AVE}}\) and \(\sqrt{R^2}\) are the average AVE and \(R^2\). The GOF value higher than 0.4 indicates the model goodness. The value of GOF index is 0.602 which is greater than 0.4 and is indicative of the goodness of fit of the model. In simpler words, the data of this study has a good fit with the factor structure and theoretical foundation which indicates the alignment with theoretical structures.
4.3 correlation coefficient and divergent validity

Table 3 explores the correlation coefficients and divergent validity.

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>√AVE</th>
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<td>Power-sharing</td>
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<td>Clarity of role</td>
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<td></td>
<td></td>
<td></td>
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<td>People orientation</td>
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<td></td>
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<td>0.407</td>
<td>0.305</td>
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<td>Changing</td>
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<td>shared insight</td>
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<td>Innovation</td>
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<td>0.463</td>
<td>0.332</td>
<td>0.324</td>
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<td>External concentration</td>
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<td>0.354</td>
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<td>0.369</td>
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</tr>
<tr>
<td>Customer-oriented</td>
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<td>0.477</td>
<td>0.423</td>
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<td>0.37</td>
<td>0.285</td>
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<td>0.256</td>
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</tbody>
</table>

The last column of this table shows the square root of the average variance explained (AVE). In order to conform the divergent validity, the value of square root of the average variance higher than the corresponding coefficients of correlation with other variables. For example, the square root of the average variance explained for the variable of power-sharing is 88.3% that is higher than the correlations between this variable and other variables. As the table shows, the square root of the average variance explained for all the variables is more than the correlation of that variable and other variables. Below the main diagonal, Pearson correlation coefficients are shown. A positive coefficient indicates positive relationship and negative coefficient indicates a negative relationship between two variables. All coefficients are significant at the level of error of less than 0.05.

4.4 Validation of the structural model

After the validation of the measurement models, the structural model (internal) is investigated.

<table>
<thead>
<tr>
<th>Dependent variables</th>
<th>Independent variable</th>
<th>Beta</th>
<th>t-value</th>
<th>R²</th>
<th>Direction</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical leadership</td>
<td>Creating change</td>
<td>0.553</td>
<td>13.806</td>
<td>0.306</td>
<td>+</td>
<td>conformed</td>
</tr>
<tr>
<td></td>
<td>Shared insight</td>
<td>0.552</td>
<td>12.999</td>
<td>0.305</td>
<td>+</td>
<td>conformed</td>
</tr>
<tr>
<td></td>
<td>External focus</td>
<td>0.61</td>
<td>16.641</td>
<td>0.372</td>
<td>+</td>
<td>conformed</td>
</tr>
<tr>
<td></td>
<td>Customer-orientation</td>
<td>0.571</td>
<td>15.813</td>
<td>0.326</td>
<td>+</td>
<td>conformed</td>
</tr>
</tbody>
</table>

Based on the results of structural equation coefficients, t values were estimated as outside the range for all parameters (according to the rule of 5% error to reject the null hypothesis for values outside
the range outside the region of -1.96 to +1.96 of each model parameter). Therefore it can be concluded that the hypothesis is confirmed with 95% confidence and given the positive path coefficient, it can be said that ethical leadership has a significant positive effect on organizational adaptive capacity and its dimensions. In addition, coefficient of determination indicates to what extent the independent variable could explain the dependent variable.

5. Conclusion and suggestions

5.1 Results

The results of Pearson correlation coefficient demonstrated that there was a relationship between each dimension of ethical leadership and dependent variables (all the correlation coefficients are significant), so that power sharing has the highest correlation with change (0.491) among the dependent variables, clarity of role guidance external focus (0.468), people orientation has the highest correlation with organizational learning (0.472) and ethical guidance has also the highest correlation with shared insights (0.456). In addition, the results showed that there is a relationship between each of the dimensions of ethical leadership and organizational adaptive capacity.

Main hypothesis

Based on the results of structural equation coefficients, t values (34.466) was estimated as outside the range for this hypothesis (according to the rule of 5% error to reject the null hypothesis for values outside the range outside the region of -1.96 to +1.96 of each model parameter). Therefore it can be concluded that the hypothesis is confirmed with 95% confidence and it can be said that ethical leadership has a significant positive effect on organizational adaptive capacity. Based on the positive path coefficient (0.875/0), it can be said that ethical leadership has a significant and positive impact on organizational adaptive capacity. The coefficient of determination for organizational adaptive capacity is equal to 0.766. So ethical leadership has been able to explain 76.6% of the variable of organizational adaptive capacity.

Secondary hypotheses

Based on the results of structural equation coefficients, t value was estimated as outside the range for secondary hypotheses (according to the rule of 5% error to reject the null hypothesis for values outside the range outside the region of -1.96 to +1.96 of each model parameter). Therefore it can be concluded that the all secondary hypotheses are confirmed with 95% confidence and it can be said that dimensions of ethical leadership has a significant positive effect on organizational adaptive capacity.

Also, due to the positive value of beta coefficient, it can be said that ethical leadership has a direct and positive impact on all aspects of organizational adaptive capacity. For example, positive beta coefficient (0.546) has a direct and positive impact of ethical leadership on organizational learning in YAPCO Company. The coefficient of determination was equal to 0.299. So the variable of ethical leadership has been able to explain 29.9% of changes in organizational learning in YAPCO Company. As it is obvious, the results of this study are in line with the results of previous research. As Kotler (1998) states that can be led only by cultural properly developed in accordance with the change. Strictman (2005), Sussman (2004) and Goucher (2004) also found similar results in their studies and observed significant relationship between ethical leadership and organizational adaptive capacity. Goucher (2007) points out that through truerelationships with followers and encouraging them to innovate, leaders can affect social influence processes and create change in order to prepare for crisis. Rodrik (2009) also suggests that adaptive organization is created through leaders who invest on interactive dynamism. Also, inside the country, previous studies including the research
conducted by Sanjaghi et al (2011) considers leadership style as a factor affecting organizational adaptive capacity. In addition, in their article, Abbas Zadeh and Bodaghi (2014) demonstrated the impact of ethical leadership on organizational adaptive capacity and that in their research, ethical leadership could explain the dependent variable of adaptive capacity. In addition, Darwish and Farzanehdokht (2010) acknowledged the relationship between the leader and leader-follower relationship and creativity and innovation as one of the aspects of organizational adaptive capacity. Therefore, the results of previous studies are applicable to the population in the present study and the results obtained at YAPCO Company are in line with previous studies.

5.2 Suggestions

Given the results of the study and evaluation of the relevant questionnaires, it can be concluded that attention to leadership style is important. A precondition for considering this issue is the relationship that, according to research results, exists between the elements of ethical leadership style and organizational adaptive capacity in YAPCO Company. In order to further improve these indicators and strengthen ethical leadership style due to their impact on organizational adaptive capacity, the following suggestion are given:

- **On the aspect (power-sharing) of ethical leadership:** It should be noted that given the results, some suggestions are presented to YAPCO Company executives in order of priority with regard to the impact of each of the items according to the respective factor loadings as follows:
  - Subordinates are allowed to influence corporate decisions and determine their performance objectives.
  - YAPCO Company executives consider the recommendations of the staff members in their decisions.
  - In connection with organizational strategies and determining how to achieve organizational objectives, they consult with subordinates.

In general, on power-sharing, it is recommended that Yapkco Company's managers let subordinates participate in decision-making and encourage them to express their ideas and enable employees. In this case, employees are better prepared to deal with changes and increase organizational adaptive capacity.

- **On the aspect (clarity of role) of ethical leadership:**
  - Employees are accurately and clearly explained for what each are responsible.
  - Work priorities are clearly defined for employees.
  - Desired performance and what is expected of subordinates have been explained.

In general, on the clarity of role, it is recommended that Yapkco Company's managers clearly express responsibilities and expectations and performance goals through describing duties and clarify objectives so that subordinates know what is expected of them. Through open communication with subordinates and transparency in relations, leaders can assist clarity of role in organization, lead making employees be aware of their tasks and goals in the organization and know their responsibility in the face with environmental changes and keep pace with them. However, it should be noted that on this case, managers should pay attention to the proportionality of abilities and skills of people to their performance jobs and expectations and institutionalize the belief of ethical leaders for them.

- **On the aspect (people orientation) of ethical leadership:**
  - Managers should be concerned about the personal development of employees.
  - They should spend time to talk about work, working feeling and sympathy for employees.
✓ They should pay attention to employees’ personal needs, devote a time for personal contact and communication with employees and ask about their feelings. In general, it is recommended that Yapko Company’s managers observe subordinates’ respect, take necessary support to them, pay more attention to meet their needs and indeed, are generally concerned and care their employees. For this purpose, managers can ask on employees’ issues and problems through periodic meetings and thereby, promote employees’ motivation to try in the changing environmental conditions and keep pace with changes.

➤ **On the aspect (ethical guidance) of ethical leadership:**

✓ Managers should clearly express correct and ethical behavior in the organization and determine exactly what is expected of employees in terms of behavior and ethical guidelines of their situation.

☐ The possible consequences of unethical behavior in organizations should be noted and the necessary evaluations are done for how to behave.

☐ Employees behaving according to the ethical guidelines and honesty should be praised and thereby, employees are motivated to emerge ethical behaviors in the organization.

In general, in this case, it is recommended that Yapko Company's managers clearly transfer standards against ethical behavior and standard and adjust a set of rules and behavior codes which are as guidelines for ethical behavior. Leaders should also use reward and punishment to make subordinates responsible for their actions. It should be noted that leaders should also observe fairness and justice in encountering with employees to fix their ethical part in the organization and thereby, they cause emerging ethical behavior in employees.

3.5 **Limitations**

In this study, the items of the questionnaire were measured by employees' perception and perspective in Yapko Company while reviewing views at different levels of managers along with employees’ views in these institutions may involve more comprehensive results. Also, due to the time and facility constraints, the effect of intervening variables such as organizational structure, cultural factors, etc. which may affect organizational adaptive capacity is not intended (as the study results showed that ethical leadership only predicts a percentage of changes in the aspects of the dependent variable by the coefficient of determination and the rest of changes in the dependent variable is caused by other factors which are not considered by researcher). So, future researchers are recommend to examine the intervening effect of these variables on the study model at the same time.
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