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Unraveling the Dark Side of Leadership Tactics: The Role of Emotional Exhaustion and Ethical Climate from the Despotic Leadership's Perspective

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ABSTRACT

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Despotic leadership, Employee performance, Emotional exhaustion, Ethical climate, Conservation of resource (COR) theory

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The literature focuses on the positive attributes of leadership, while limited research has explored the negative attributes of leaders, such as despotic leadership. Thus, there is a need to examine this serious organizational issue because a lot of employees' performance becomes weaker due to despotic leadership style. Drawing on the Conservation of Resource (COR) theory, this research explores how despotic leadership negatively impacts employee performance in the pharmaceutical industry. We examined the underlying role of emotional exhaustion in associating despotic leadership with employee performance. Further, the positive boundary condition of ethical climate is also explored. This research collected data from three-wave online surveys of 312 pharmaceutical industry frontline employees. The findings show that despotic leadership significantly impacts employee performance. Emotional exhaustion mediates the negative relationship between despotic leadership and employee performance. In addition, ethical climate directly and indirectly moderates the significant relationship between despotic leadership and employee performance through emotional exhaustion. This novel paper contributes to theory and practice in organizational behavior and the pharmaceutical industry and helps to understand the nexus between despotic leadership and employee performance. In addition, this research improves employee performance by understanding the failure factors through which despotic leadership and its tactics distort employees' feelings. Further, this research addresses how top management and decision-makers should engage their leaders in special training programs to mitigate despotic leadership's negative impact on employee performance.

Employee performance is an important key element for measuring the happy life of organizational employees, which has value for their personal goals (David et al., 2024). Employee goal achievement is understood to lead to organizational success (Chen et al., 2023). In addition, an admirable and supportive organizational work environment motivates employees to work with commitment and enthusiasm for better performance (Riyanto et al., 2021). In contrast, adverse organizational practices contribute to employee pressure, resulting in stress and negative outcomes (i.e., employee performance failure) (Shahzad et al., 2024). A clash between employees and stress conditions gives direction to studying employee performance. Previous studies proved that employee performance relates to work engagement (Bencsik & Chuluun, 2021), job satisfaction (Indrayani et al., 2024), and well-being, which requires a good leader who can motivate them and encourage them to attain their personal as well as organizational goals.

A good leader always understands the problems of their employees at the workplace and provides relevant guidelines with every possible support for positive outcomes (i.e., employee performance) (López-Cabarcos et al., 2022). Therefore, employees' aggressive attitudes and leaders' speckle create confusion in the work environment. Prior literature concentrated on positive aspects of leadership, and limited studies proceeded with negative leadership styles (Mackey et al., 2021). Interest has been seen in the negative aspect of leadership styles, such as despotic leadership (Mubarak et al., 2023), which is defined as "presumptuous and shifty of others" since it depends on close predominance and conduct that serves the personal circumstance of the leader (De Hoogh & Den Hartog, 2008, p. 298). It is important to understand that despotic leadership is unique in terms of attitude, behavior, and outcomes. Previous research explores despotic leadership with other work-related outcomes (Albashiti et al., 2021). Therefore, this novel research aims to investigate and improve employee performance that was not fully explored by understanding and finding the failure factors through which despotic leadership styles distort employees' performance.

Previous research explored how despotic leadership adversely impacts employee performance for two main reasons. First, despotic leaders build rigorous control over employees by misusing employees for their interests in the pharmaceutical industry. The consequences are threatful to employees and organizations regarding motivation and employee performance (Islam et al., 2023). Secondly, despotic leadership creates hurdles for employees through verbal and nonverbal abuses (Farghaly Abdelaliem & Abou Zeid, 2023); it builds anxious behavior that will decrease employee morale, leading to poor performance. The above discussion gives clear direction and investigates how such a negative leadership style adversely affects organizational employee performance. Employee performance is described through many definitions; the study adopts (Viswesvaran & Ones, 2017, p. 216) definition of performance as "scalable actions, behavior and outcomes that employees engage in or bring about that is linked with and contribute to organizational goals." Employee performance is an important element in the pharmaceutical industry. It motivates employees for better progress development especially in the tough competitive work environment.

Based on the discussion, this research explores important research questions (RQS). In this milieu, including (RQ1) is whether there is an association between despotic leadership and employee performance in the pharmaceutical industry. (RQ2) Does emotional exhaustion mediate the association between despotic leadership and employee performance in the

pharmaceutical industry? Emotional exhaustion is referred to as the depletion of a staff member's emotional reserves, resulting in exhaustion, tiredness, and professional alienation (Demerouti et al., 2014).

Despotic leadership impacts employees' career growth, and employees become emotionally exhausted when they negatively perceive no resources to cope with this tough condition (Mubarak et al., 2023). Emotional exhaustion increases employees' stress levels, creates mistrust in the working environment, and consequently affects employee performance (Junça Silva et al., 2024). Our argument is supported by previous literature, which proved that emotionally exhausted employees never achieve goals (i.e., employee performance) (Asaloei et al., 2024). We argue that despotic leadership in the pharmaceutical industry leads to emotionally exhausted feelings among employees, which are associated with poor employee performance. Our assumption is validated by the Conservation Of Resource (COR) theory, which suggests that despotic leadership creates stress that can deplete resources; this theory motivates us to perform in a despotic environment with limited resources (Hobfoll, 2018).

Increasing despotic leadership in the organization is associated with employee performance and emotional exhaustion; explain this link. The next question (RQ3) is: What regulates the connection of despotic leadership with employee performance in the pharmaceutical industry? In this context, we describe the idea of ethical climate by Victor and Cullen (1987) referred ethical climate as “the shared perceptions of what is ethically correct behavior and how ethical issues should be handled” (p. 52). Ethical climate contributes to a positive perception of justice and respect among employees. Previous literature explores the ethical climate as a moderating variable with abusive supervision (Wang & Xiao, 2021), so current research suggests the ethical climate as a moderator to reduce the impact of despotic leadership on employee performance via emotional exhaustion.

Specifically, if we discuss the pharmaceutical industry, employees under despotic leadership may feel stressed, leading to decreased motivation and fear of criticism or punishment (Ahmad et al., 2021). This negative perception can lead to poor employee performance and high turnover in the pharmaceutical industry, resulting in high costs for hiring and training. Previous research supports this study's arguments by highlighting factors such as organizational commitment, employee satisfaction, career opportunities, and motivation, which are found to influence employee retention significantly (Qureshi et al., 2021). There is a need for a unique study to explore the impact of despotic leadership on employee performance that can provide clear direction to pharmaceutical employees to perform in tough competition with self-motivation.

This novel study advances the literature of despotic leadership and the pharmaceutical industry in three ways. First, based on COR theory, it explores the negative association between despotic leadership and employee performance, a valuable outcome in the pharmaceutical industry. Second, this research examines the underlying mechanism of emotional exhaustion between despotic leadership and employee performance. Third, current research investigates the moderating effect on the association between despotic leadership and emotional exhaustion and between despotic leadership and employee performance. Our study helps minimize the determined effects of the despotic leadership style on employee performance.

Literature Review and Hypotheses Development

Theoretical and Conceptual Framework

Based on the COR theory, that has become increasingly relevant in research at the intersection of leadership (Braun & Peus, 2018). According to the theory's basic principles, individuals are motivated to obtain, retain, and protect their resources (Hobfoll et al., 2018a). Morally, employees utilize these resources in response to stressful situations. Hobfoll (1989) describes resources as those elements, personal characteristics, conditions, or energies which are valued by the individual or that serve as means for the accomplishment of those things, personal traits, conditions or energies. Job security, a friendly workplace, emotional stability, employee career growth, and autonomy of participation in decision-making are examples of resources that can be undermined due to despotic leadership (Cooke et al., 2019; Hobfoll, 2014).

Therefore, the present research is based on COR theory, which explores the negative impacts of despotic leadership on employee performance through emotional exhaustion in the pharmaceutical industry. Theory acts as a remedy to mitigate the adverse effects of emotional exhaustion situations by motivating people to survive in tough working conditions with limited resources (Hobfoll, 1989). Thus, COR theory strengthens employees' resources to cope with stressful conditions, resulting in improved employee performance. Further, the industry is also responsible for fostering a supportive environment (ethical climate) and providing sufficient resources to encourage employee performance (Mehmood et al., 2023).

Despotic Leadership and Employee Performance

Employees' attitudes are based on an effective leadership style, and its consequences are positive or negative. Previous literature indicates that the negative working style of a despotic leader threatens employees at the workplace (Zhou et al., 2021) and results in poor employee performance. When a leader is very controlling and unkind, it can have a harmful outcome on the quality of employee performance (Ni & Zheng, 2023). Employees who work under such a leader can feel stressed and scared because they do not feel valued or cared for. Consequently, they are less motivated at work. They may be afraid to try new things because they worry about being criticized or punished. When employees feel fear, they are not likely to be creative or take risks, which are vital for achieving success and generating new ideas. The long-term consequences of this kind of leadership can be even worse. Employees might leave their current organizations to find better workplaces where they are more appreciated and feel free to express themselves (Shahzad et al., 2024). Prior literature investigates toxic leadership with various constructs such as organizational commitment, job satisfaction, and counterproductive work behavior (Mehta & Maheshwari, 2013; Rizani et al., 2022) and career success with perceived organizational support as a moderator (Chauhan et al., 2022). Furthermore, it is linked with different leadership styles like humble leadership (Chughtai & Arifeen, 2023), servant leadership (Wang et al., 2019), and transformational leadership (Al-Ghazali, 2020). Another recent research explores despotic leadership determinantal effects with other outcomes such as job satisfaction and job performance (Shahzad et al., 2024). However, no study specifically has been conducted in the past following despotic leadership and employee performance, and the study of Khizar et al. (2023) highlights this gap in recent literature.

Based on the literature, this research follows the fourth principle of COR theory, which strategizes defensive aspects and posits how despotic leadership can deplete and drain

employees' resources, ultimately impacting their performance. COR theory provides an individual strength to survive in a competitive environment, especially in the pharmaceutical industry, as the present research discusses (Hobfoll, 1989; Hobfoll et al., 2018a, 2018b). Thus, we suggest the following hypothesis:

H1: Despotic leadership has a negative association with employee performance.

Mediating Role of Emotional Exhaustion

Despotic leadership imposes strict control on employees, making them emotionally exhausted. Continuous practice exacerbates the adverse effects of a despotic leadership style, leading to decreased job satisfaction and employee performance (Raja et al., 2020; Tufail et al., 2023). Despotic leaders often initiate a stressful work environment through oppressive and controlling behavior. They may excessively monitor and criticize employees, set unrealistic expectations, and create a climate of fear and anxiety. This constant stress can drain employees emotionally and contribute to feelings of exhaustion. It is essential to note that the impact of despotic leadership on emotional exhaustion can vary among individuals, as employees may respond differently to such leadership styles. However, despotic leadership tends to create a negative and stressful work environment that can harm employees' emotional well-being and contribute to emotional exhaustion. Previous research has shown a relationship between despotic leadership, interpersonal deviance, and indirect aggression, mediated by emotional exhaustion (Khan et al., 2022; Shahzad et al., 2024). Another study investigated despotic leadership with project success mediated by emotional exhaustion (Shahzad et al., 2023). However, little research has investigated the relationship between despotic leadership and employee performance; thus, this study fills this gap and advances previous literature.

The COR theory offers a comprehensive understanding of the impact of despotic leadership on emotional exhaustion and how these factors can mediate the association between despotic leadership and employee performance (Hobfoll et al., 2018a). Past literature highlights and validates present research that employees subjected to despotic leadership often report higher levels of emotional exhaustion due to constant stress and anxiety, which negatively impacts their ability to perform effectively (Zia et al., 2024). Organizations can take steps to reduce the adverse effects of despotic leadership, such as providing employees with a sense of job security and implementing programs to reduce emotional exhaustion (Anwar & Abdullah, 2021). Therefore, the present study supports emotional exhaustion as a mediating mechanism between despotic leadership and employee performance. Thus, we suggest the following hypothesis:

H2: Emotional exhaustion mediates the negative association between despotic leadership and employee performance.

Moderating Role of Ethical Climate

Victimized employees perceive an organization as having values and never forgetting work, even under despotic leadership (Ahtisham et al., 2023). That thought motivates them to perform well, although the working environment is unsuitable. Organizational employees show low commitment to these working conditions and become emotionally exhausted, and the risk of poor performance increases. An ethical climate that promotes fairness, integrity, and respect can help counterbalance the negative effects of despotic leadership. When employees perceive

that the organization values and supports ethical behavior, it can act as a buffer against the negative impact of despotic leadership on their performance. Employees may be more motivated to uphold their ethical standards and maintain their commitment to their work despite the challenges posed by despotic leaders (Hefny, 2021).

Furthermore, an ethical climate emphasizing fairness and justice can help address the perceived unfairness and mistreatment associated with despotic leadership. When employees perceive that their organization treats them fairly, it can enhance their overall job satisfaction and commitment. This, in turn, can positively impact their performance and willingness to go above and beyond their role; it is evidenced that emotionally exhausted employees fail to achieve positive outcomes (i.e., employee performance) (Anasori et al., 2022). So, there is a need for a respectable, friendly culture (i.e., an Ethical climate) that can mitigate the negative impact of despotic leadership and emotionally exhausted employees on employee performance. Previous research suggests that dark side leadership (despotic leadership) can be moderated by suggesting a potential future moderating variable, collaborative climate, and workplace friendship, that is related to ethical climate, which could positively enhance employee performance (Hassan et al., 2024).

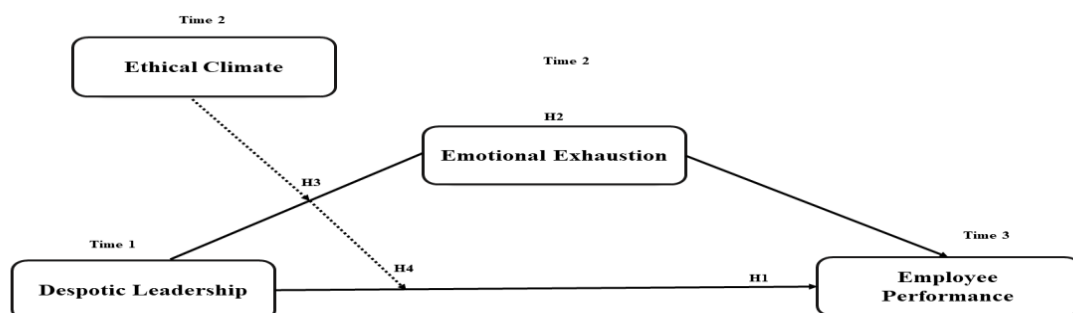
In addition, from a supportive point of view, the COR theory suggests that the availability and protection of resources, including the positive ethical climate within the organization, can play a crucial role in buffering the negative impact of despotic leadership on emotional exhaustion (Mehmood et al., 2023). By offering support and fostering a positive work environment, an ethical climate can help employees replenish their resources, withstand the challenges posed by despotic leadership, and reduce emotional exhaustion. Ethical climate can be seen as a resource within the workplace. A positive ethical climate characterized by fairness, integrity, and respect provides employees psychological safety and support (Liu et al., 2023). It is a resource that helps replenish and protect employees' emotional and psychological well-being. Employees who perceive their organization's ethical climate as supportive can buffer the negative effects of despotic leadership and mitigate emotional exhaustion. Thus, we suggest the following hypothesis; for more detail, please see Figure 1.

H3: Ethical climate moderates the negative association between despotic leadership and employee performance. A negative association will be weaker when the ethical climate is higher.

H4: Ethical climate moderates the positive association between despotic leadership and emotional exhaustion; the positive association will be weaker when the ethical climate is higher.

Figure 1

Theoretical and Conceptual Framework



Method

Research Approach

Our research used the three-wave online survey to gather data from the target population for this study, which included frontline employees working in the Pakistani pharmaceutical industry. There are three main reasons to use online surveys. First, it is very cheap. Second, it is a time-saving approach. Third, the chances of common method bias are reduced while using this approach Podsakoff et al. (2012). We communicated with human resources (HR managers) of the pharmaceutical industry and provided them with our survey link, which they further distributed among their employees electronically through emails.

Questionnaire Design

The data was collected using adopted questionnaires for all constructs, such as despotic leadership, emotional exhaustion, ethical climate, and employee performance. We used 22 items in the questionnaires on a 5-point Likert scale to rate each item, ranging from (1 = strongly disagree), (2 = disagree), (3 = neutral), (4 = agree) and (5 = strongly agree). Before starting our procedure, we performed the pilot testing technique. The reason for this testing is to improve our weak points and check the validity and reliability of our data. We selected top professionals in the pharmaceutical industry and got help from the professors who were well aware of our topic. After refinement, we started getting proper permission from the industry and began our study in major cities of Pakistan.

Sampling and Data Collection

The study's current population is all of Pakistan's pharmaceutical industry employees from the major cities. Most prominently, a three-wave online survey design was implemented, where data collection for the research variables was divided into different periods (with a two-week time lag), and data was collected for the independent variable (despotic leadership) at T1. In contrast, the mediator (emotional exhaustion) and moderator (ethical climate) were collected at T2, and the dependent variable (employee performance) was gathered at T3. Each questionnaire included a cover letter assuring respondents of confidentiality and stating that the study was for research purposes only. We promised to keep their names and responses secret to encourage honest participation. Data was analyzed using SPSS and Process Macro. SPSS will be helpful in regression analysis, according to Hayes's process macro model for mediation and moderation analysis (Perosanz & Hayes, 2021). Since the present research used a three-wave online survey in two months with a two-week time lag, it was obvious that every questionnaire must be assigned a unique code to differentiate each response. The purpose of this code is to send back the questionnaire to the same respondent again. At T1, we distributed 500 questionnaires and received 390 questionnaires with a response rate of 78 %. After two weeks, at T2, 390 questionnaires were sent back to the same respondents to collect data on the mediating (Emotional Exhaustion) and moderating (Ethical Climate) variables. A total of 350 were received back with a response rate of 70 %. Furthermore, after waiting a further two weeks at T3, the questionnaires were again sent back to respondents to collect data for the dependent variable. They received 312 questionnaires in a fully complete form. Out of 500 questionnaires, 312 (62.4%) were found accurate and thus, utilized for the analysis, which is considered good in online surveys (Rasheed et al., 2020).

Measures

The questionnaire was administered in English since English is the official language used in Pakistani pharmaceutical industries.

Despotic Leadership. The six-item scale used to measure despotic leadership was developed by De Hoogh and Den Hartog (2008). One example of scale is “Is punishing; has no pity or compassion.” The alpha reliability for this measure was reported as $\alpha = .95$.

Employee Performance. A six-item scale developed by Turnley et al. (2003) was used to measure employee performance. One scale example is “I fulfill all the responsibilities specified in my job description.” The scale has a high value of .94 alpha reliability score.

Emotional Exhaustion. Emotional exhaustion was assessed by Maslach and Jackson (1981). One scale example is “I enjoy my work. I have no symptoms of emotional exhaustion.” The scale has a value of .93 alpha reliability score.

Ethical Climate. The Scale of ethical climate was measured by Victor and Cullen (1988). Scale examples are “employees strictly obey the company’s policies” and “The major concern is always to do what is best for the other person.” The scale has a high value of .92 alpha reliability score.

Demographic Information. The questionnaire also includes four demographic variables: age, gender, experience, and education. The purpose of demographic information is to support generalization from current research.

Analysis and Data Results

Data Screening

Before starting our analysis data, 312 respondents passed the screening process. We use process macro and SPSS to complete our screening processes. The Process Macro is used for its ability to simplify and streamline the analysis of complex models involving mediation, moderation, and conditional processes, making it easier to interpret and report interactions, indirect effects, and conditional effects without requiring advanced statistical programming skills (Sarstedt et al., 2020).

The data were also analyzed using SPSS functions to assess collinearity issues. It is important to note that when more than two indicators are used in the same construct, we are dealing with a multicollinearity issue. Therefore, multicollinearity often refers to the collinearity of parameters in a formative measurement model. This is because path coefficients of the structural model might be biased if collinearity between predictor constructs is detected at a critical point. Therefore, every set of predictor constructs is examined distinctly for each sub-part of the structural model to determine whether they exhibit a critical level of collinearity. The VIF values assess collinearity issues for the structural model. It is important to remove the predictor constructs with a VIF greater than five if collinearity is present at a critical level, merge the corresponding constructs into one construct, or create higher-order constructs to address collinearity issues for the structural model (Sarstedt et al., 2020).

Participants

Table 1 shows a study of 312 participants selected based on their demographic and professional attributes. 65% of the sample comprises males, while 35% is female. Most of the sample comprises participants aged 41 to 50, who make up 31.5% of the sample. The 31-40-year-old

age group follows closely with 26%, those above 51 years with 23%, and those between 20 and 30 years with 19.5%. Based on their educational backgrounds, the majority of participants hold a Bachelor's degree, accounting for 72%. Those with a Master's degree make up 21.5% of the participants, and a smaller segment of 6.5% has a Diploma. Regarding professional experience, 44% of participants have 5 to 10 years of experience. There are 27% of participants with 11 to 15 years of experience, 23.5% with more than 16 years of experience, and 5.5% with less than five years of experience.

Table 1

Demographic Profile of Participants

| Category | Classification | Count | Proportion |
|-----------------|--------------------|-------|------------|
| Gender | Male | 203 | 65% |
| | Female | 109 | 35% |
| Age | 20 to 30 | 61 | 19.5% |
| | 31 to 40 | 81 | 26% |
| | 41 to 50 | 98 | 31.5% |
| | Above 51 | 72 | 23% |
| Education | Bachelors | 225 | 72% |
| | Master | 67 | 21.5% |
| | Diploma | 20 | 6.5% |
| Work Experience | Less than 5 years | 17 | 5.5% |
| | 5 to 10 years | 137 | 44% |
| | 11 to 15 years | 84 | 27% |
| | 16 years and above | 74 | 23.5% |

Reliability and Validity

All variables' mean values and standard deviation are given in [Table 2](#). The table also summarizes the central tendency and variability of four variables: despotic leadership, employee performance, emotional exhaustion, and ethical climate. The mean value for despotic leadership is 3.10 with a standard deviation, which measures the amount of variation or spread in the data, of 1.27. So, it suggests a moderate level of variability around the mean. Further, employee performance has a mean value of 3.32 with a standard deviation of 1.17, highlighting a higher average score with moderate variability similar to despotic leadership.

Next, emotional exhaustion has a mean of 3.47, indicating a slightly higher average value compared to despotic leadership, and its standard deviation is 1.04, which is lower than that of despotic leadership, implying less variability in emotional exhaustion scores. Finally, the mean of the ethical climate is 2.89 with a standard deviation of .94, showing that it has the lowest average score among the four variables and is relatively less spread.

Table 2
Mean, Standard Deviation and Internal Reliability of Constructs

| Construct Variables | <i>Me</i> | <i>SD</i> | <i>CA</i> | <i>CR</i> | <i>AVE</i> |
|---------------------|-----------|-----------|-----------|-----------|------------|
| 1. DL | 3.10 | 1.27 | .95 | .93 | .75 |
| 2. EP | 3.32 | 1.17 | .94 | .94 | .72 |
| 3. EE | 3.47 | 1.04 | .93 | .87 | .60 |
| 4. EC | 2.89 | .94 | .92 | .87 | .61 |

Note. DL = Despotic leadership, EP = Employee Performance, EE = Emotional Exhaustion, EC = Ethical Climate, M = Mean, SD = Standard Deviation, CA = Cronbach's Alpha, CR = Composite reliability, AVE = Average variance extracted.

These constructs were assessed using three important metrics in the research study: Cronbach's alpha, Average Variance Extracted (AVE), and Composite Reliability (CR), using SPSS. All measures were reliable as per general rule of thumb (Souza et al., 2017), with despotic leadership having a high reliability of ($\alpha = .95$ followed by employee performance with a reliability of ($\alpha = .94$), emotional exhaustion having ($\alpha = .93$), and ethical climate with ($\alpha = .92$, representative that the items within each construct consistently measure the same underlying concept. These higher values recommend that the questionnaire is highly reliable.

Composite Reliability (CR), similar to Cronbach's Alpha, assesses the construct's reliability but considers the different loadings of items on the factor, offering a more nuanced view of reliability. With CR values of .93 for despotic leadership, .94 for employee performance, .87 for emotional exhaustion, and .87 for ethical climate, constructs demonstrate excellent reliability. These figures exceed the commonly accepted threshold of 0.7, indicating that the constructs are reliably measured (Quoquab et al., 2019).

Average Variance Extracted (AVE) evaluates the proportion of variance a construct obtains from its indicators compared to the variance caused by measurement error. It is a key indicator of construct validity. The AVE values in this study, .75 for despotic leadership, .72 for employee performance, .60 for emotional exhaustion, and .61 for ethical climate, are above the recommended benchmark of 0.5 (Yusoff et al., 2020). So, it recommends that more than half of the variance observed in the indicators of each variable is due to the construct itself rather than error, indicating strong construct validity. This robust reliability and validity support the integrity of this research findings, providing a solid foundation for further analysis and interpretation.

Similarly, Table 3 proves that the Pearson correlation among all construct variables is significant. This table shows Pearson correlation coefficients, which assess the strength and direction of the linear association between two variables. The Pearson correlation coefficient ranges from -1 to 1, where -1 signifies a perfect negative relationship, 0 represents no relationship, and 1 denotes a perfect positive relationship. Values like .19 between despotic leadership and emotional exhaustion, .24 between despotic leadership and ethical climate, and so on indicate the strength and direction of the correlation. Positive values indicate that as one variable rises, the other is likely to rise as well, significantly 2-tailed. This is the p-value, indicating the significance of the correlation. A low p-value (generally ≤ 0.05) suggests significant evidence against the null hypothesis, suggesting a significant correlation. Values like .00 and .00 indicate the significance level of the correlations. All correlations were calculated using 312 observations of despotic leadership and emotional exhaustion .19, a moderate positive correlation. As despotic leadership increases, emotional exhaustion tends to increase slightly. Therefore, this is statistically significant. Further despotic leadership and

ethical climate were found significant at .24. A slightly stronger positive correlation between despotic leadership and emotional exhaustion indicates a more notable association. Despotic leadership and employee performance were found to be significant at .26, a similar positive correlation to despotic leadership and ethical climate, suggesting a modest association. Despotic leadership and moderation .83 is a very strong positive correlation, implying that changes in despotic leadership are closely related to changes in moderation.

Table 3

Validity of the Constructs by Pearson Correlation

| | | DL | EE | EC | EP | DL*EC |
|-------|---------------------|-------|-------|-------|-------|-------|
| DL | Pearson Correlation | 1 | .19** | .24** | .26** | .83** |
| | Sig. (2-tailed) | | .00 | .00 | .00 | .00 |
| | N | 312 | 312 | 312 | 312 | 312 |
| EE | Pearson Correlation | .19** | 1 | .55** | .55** | .30** |
| | Sig. (2-tailed) | .00 | | .00 | .00 | .00 |
| | N | 312 | 312 | 312 | 312 | 312 |
| EC | Pearson Correlation | .24** | .55** | 1 | .52** | .67** |
| | Sig. (2-tailed) | .00 | .00 | | .00 | .00 |
| | N | 312 | 312 | 312 | 312 | 312 |
| EP | Pearson Correlation | .26** | .55** | .52** | 1 | .35** |
| | Sig. (2-tailed) | .00 | .00 | .00 | | .00 |
| | N | 312 | 312 | 312 | 312 | 312 |
| DL*EC | Pearson Correlation | .83** | .30** | .67** | .35** | 1 |
| | Sig. (2-tailed) | .00 | .00 | .00 | .00 | |
| | N | 312 | 312 | 312 | 312 | 312 |

Note. ** Correlation is significant at 0.01 level (2-tailed). DL = Despotic leadership, EP = Employee Performance, EE = Emotional Exhaustion, EC = Ethical Climate.

Hypothesis Testing

In hypothesis testing, we used SPSS and Process Macro. This tool aims to examine the mediation effects of emotional exhaustion in the relationship between despotic leadership and employee performance. The step-by-step tests are given in detail below in [Table 4](#).

Further, [Table 4](#) indicates a significant association between despotic leadership and employee performance, with a coefficient of .24 for despotic leadership, suggesting that for every unit increase in despotic leadership, employee performance increases by .24 units. The p-value for despotic leadership is .000, significantly below the .05 threshold, resulting in rejecting the null hypothesis and supporting the alternative that despotic leadership affects employee performance. Although the positive coefficient might seem counterintuitive given the negative implications associated with despotic leadership, it statistically confirms a meaningful association between despotic leadership and employee performance. Therefore, this finding underscores the complexity of leadership impacts on performance and suggests that the impact of despotic leadership on employee outcomes is significant. Based on the results ($B = .24, p < .00$), our hypothesis, H1, is supported.

Table 4
Results of direct & Indirect hypothesized path

| Hypothesis | Unstandardized Coefficients | | Standardized Coefficients | <i>t</i> | <i>p</i> |
|----------------------|-----------------------------|-----|---------------------------|----------|----------|
| | B | SE | β | | |
| Direct path analysis | | | | | |
| H1 DL → EP | .24 | .06 | .26 | 3.83 | .00 |
| Mediation analysis | | | | | |
| H2 DL → EE | .15 | .05 | .19 | 3.83 | .00 |
| EE → EP | .62 | .06 | .55 | 9.32 | .00 |
| Moderation analysis | | | | | |
| H3 DL*EC → EP | -.28 | .05 | -1.16 | -5.66 | .00 |
| H4 DL*EC → EE | -.34 | .03 | -1.58 | -8.78 | .00 |

Note. DL = Despotic leadership, EP = Employee performance, EE = Emotional exhaustion, EC = Ethical climate (Moderator), B = Beta value, SE = Standard Error.

Additionally, the analysis of Table 4 indicates that despotic leadership statistically affects emotional exhaustion. Specifically, emotional exhaustion is projected to rise by .15 units for each one-unit increase in despotic leadership, with a standardized coefficient (Kabeta & Halubanza, 2023) of .19. The t-test result of 3.83 and a p-value of 0.00 confirm the significance of this relationship, indicating that as despotic leadership increases, there is a meaningful and adverse impact on emotional exhaustion. The findings reveal a statistically significant association between emotional exhaustion and employee performance. Specifically, as dynamic exhaustion increases by one unit, employee performance increases by .62 units. The beta value of 0.55 signifies this relationship's statistical significance ($p < .00$), demonstrating that higher levels of emotional exhaustion are associated with employee performance. The constant value of 1.15, statistically significant ($p < .00$), suggests a significant effect on employee performance even when emotional exhaustion is at zero. Based on Table 4, the ($\beta = .19$, $p = .00$) supports this study, so our hypothesis H2 is also supported.

Finally, Table 4 presents a moderating impact of ethical climate between despotic leadership and employee performance; the results are significant ($\beta = -.28$, $p = .00$), representing that the association between despotic leadership and employee performance is influenced by ethical climate for improved employee performance. Therefore, it suggests a complex interaction where the positive impacts of leadership and ethical climate on performance are moderated, potentially diminishing under certain conditions. So, based on the results ($\beta = -.28$, $p < .00$), we can claim hypothesis H3 is supported.

In addition, examining ethical climate as a moderator in the association between despotic leadership and emotional exhaustion shows significant results such as ($\beta = -.34$, $p < .00$). So, all the results support our study; therefore, our hypothesis H4 is supportive. Table 5 presents the summary of the hypothesis testing results.

Table 5
Summary of the Hypothesis Tested

| S No | Hypothesis | Relationship | Decision |
|------|------------|--|----------|
| 1. | H1 | Despotic leadership has a negative relationship with employee performance. | Accepted |
| 2. | H2 | Emotional exhaustion mediates the negative relationship between despotic leadership and employee performance. | Accepted |
| 3. | H3 | Ethical climate moderates the negative relationship between despotic leadership and employee performance. A negative relationship will be weaker when the ethical climate is higher. | Accepted |
| 4. | H4 | Ethical climate moderates the positive relationship between despotic leadership and emotional exhaustion; positive relations will be weaker when the ethical climate is higher. | Accepted |

Discussion

Based on COR theory and validated theoretical model, this study explores the association of despotic leadership with employee performance influenced by emotional exhaustion and moderated by the ethical climate in the pharmaceutical industry. First, we explore the direct association between despotic leadership and employee performance. The results of this research are supportive; therefore, our first hypothesis, H1, is accepted. Previous research findings support this argument that despotic leadership is a source of anxiety that leads to poor outcomes (Shahzad et al., 2024).

Second, this research explores the correlation between despotic leadership and employee performance mediated by emotional exhaustion. The outcomes of this study show a significant association between despotic leadership and employee performance through emotional exhaustion. Thus, our second hypothesis, H2, is accepted. Keep in mind the previous literature that emotional exhaustion is a stressful situation for employees that leads to negative outcomes such as poor employee performance (Rughoobur-Seetah, 2024). The findings of this study also validate our argument that emotional exhaustion hurts employee performance. Thus, employees feel stress (Albashiti et al., 2021). While previous research has focused on work assessment, our study uniquely contributes to the field by highlighting the adverse impact of this issue on employee performance. This is a serious and important concern of the pharmaceutical industry.

Third, we also investigated the moderating influence of ethical climate between despotic leadership and employee performance through emotional exhaustion. Initially, we check the third hypothesis's direct moderating effect. The findings of the hypotheses are also supported by literature (Hefny, 2021). Therefore, our third hypothesis is accepted. These findings contribute to the comprehensive understanding of the importance of ethical climate in the pharmaceutical industry. This challenge urges the industry to keenly focus on significant ethical concerns to ensure improved employee performance.

Finally, we check the indirect relationship results of the fourth hypothesis. The findings of the fourth hypothesis are also supportive. It indicates that emotional exhaustion plays a fuel-up role as a mediator that adversely impacts employee performance within the pharmaceutical industry. These findings contribute to ethical values that are essential for employee performance. Our theoretical model's findings are also supported by the conservation of resources (COR) theory, as it offers an analytical lens to understand how emotionally exhausted employees, due to despotic leadership, can survive in a challenging work environment with limited resources (Hobfoll et al., 2018a).

Theoretical Implications

Current research develops a theoretical model that despotic leadership has an adverse association with employee performance in the context of the pharmaceutical industry. First, it extends the previous literature by recommending that despotic leadership is directly connected with employee performance. The outcomes align with understanding how despotic leadership damages the employees' emotions and causes poor performance. This research proved to have significant outcomes on employee performance and filled the gaps in previous studies.

Secondly, this research highlights emotional exhaustion's mediating role in the relationship between despotic leadership and employee performance. This aspect was not specifically explored in the previous literature, making our results significant in how despotic leadership

adversely impacts employee performance through emotional exhaustion. As we explored, emotional exhaustion as a mediator because of a despotic leadership style fuels up the employee's emotions, resulting in absenteeism in the workplace. Previous literature also proved that emotional exhaustion builds burnout, leads to stressful situations, and the employee never feels secure in the workplace (Asaloei et al., 2024). The outcome of this situation is always poor performance.

Thirdly, this research explores a significant moderating association between despotic leadership and employee performance. A despotic leadership style is a serious problem for pharmaceutical industry employees where unique-minded employees are always required. Still, when employees work insecurity, there must be a remedy to minimize the adverse impact of such leader supervision. Therefore, current research suggests that the ethical climate is a potential moderator that mitigates the impact of despotic leadership on employee performance.

Finally, the study explores the moderating impact of ethical climate in the connection of despotic leadership and employee performance through emotional exhaustion. Specifically, emotional exhaustion plays a crucial role in mediating the impact of despotic leadership on employee performance. The findings indicate that the conservation of resource theory motivates stressful employees and mitigates the negative impact of despotic leadership through emotional exhaustion (Hobfoll, 1998). Further, an ethical climate that promotes fairness, integrity, and respect can help counterbalance the negative effects of despotic leadership. When employees perceive that the organization values and supports ethical behavior, it can act as a defence against the harmful impact of despotic leadership, resulting in improved employee performance. Employees may be more motivated to uphold their ethical standards and maintain their emotionally exhausted situation, resulting in a commitment to their work despite the challenges posed by despotic leaders.

Practical Implications

Practically, current research has three important insights for the pharmaceutical industry by offering effective strategies to reduce the negative impact of despotic leadership on employee performance. Firstly, mental peace is mandatory for positive outcomes such as improved employee performance and the requirement for self-motivated employees to succeed in the industry. We suggest shifting towards a culture emphasizing supportive trained leaders that can help in enhancing employee performance, especially in the competitive pharmaceutical industry where despotic leadership may be prevalent. Further, this research suggests that open communication and leader evaluation should be necessary in the industry that enable employees to express their concerns freely and foster involvement and value. Moreover, leadership actions are aligned with organizational values by implementing clear policies on leadership conduct. Such a participation style can improve employee engagement and performance (Saffar & Obeidat, 2020). A participating working environment that minimizes the adverse effects of despotic leadership and boosts employee performance is enhanced by regular evaluation of leadership practices and good symbols for employee performance, including stress management and work-life balance initiatives.

Secondly, the present research highlights the critical issue of despotic leadership and its influence on emotional exhaustion in employees of the pharmaceutical industry. Therefore, this study recommends that top management and decision-makers implement advanced training

sessions specifically designed for such despotic leaders. These sessions should focus on mitigating despotic leadership, which leads to emotional exhaustion among employees, and promoting ethical leadership practices. By addressing despotic behavior, these efforts can significantly enhance employee performance. It can help leaders understand the effects of their negative actions better and motivate them to adopt ethical behaviors (Al Halbusi et al., 2021). Such training can also be beneficial for leaders and employees in better dealing with stressful work, contributing to a healthier workplace culture. Continuous monitoring and feedback can change leadership behaviors. This research's ultimate desire results in employees feeling more confident and transparent if encouraged to express concerns in a safe workplace environment. By integrating these strategies, the industry can create a more supportive and high-performing balance between leaders and employees that can lead to positive outcomes, i.e., employee performance.

Thirdly, fostering ethical behavior is particularly crucial in the pharmaceutical industry, where the pressure to meet objectives may lead to despotic leadership. Present findings suggest that an ethical climate acts as a buffer to mitigate such leadership's negative impacts on employee morale and emotional and overall performance. It is necessary because it promotes fairness, respect, and integrity among all organizational members, from leaders to employees, encouraging positive interactions and ethical decision-making that is beneficial for both employees and industry progress. Finally, our research also recommends that the industry must encourage counselling programs and arrange special stress management workshops for these frontline employees. The purpose is to minimize the negative perception while working and maintain their positions without any anxiety. It is the responsibility of the industry to analyse their progress and motivate them to improve if they feel any deficiency in improving overall employee performance.

Limitation and Future Direction

Nothing is perfect in our ever-changing world, as improvements are always possible. The pharmaceutical industry is an ever-growing field with tough competition. This study has several contributions but still has a few limitations. The first limitation is the online survey technique; future studies should be longitudinal or experimental to explore despotic leadership's negative impact on employee performance-related variables related to artificial intelligence. The second limitation is from the variable point of view. We used the emotional exhaustion (emotional variable). Future research should include other emotional and cognitive variables, such as job insecurity. The third limitation is from a research tool point of view. We used SPSS and process macro software. Smart PLS can be used in future research because the advanced and complex nature model can be run easily. The fourth limitation is generalization. We collect samples from Pakistan. Future research should be comparative and focus on other Asian countries to get different results because every country has different norms, beliefs, and cultures. The fifth limitation is from the industry point of view. The current study is based on the pharmaceutical industry. Future research should be on other sectors, such as the hospitality and service industry.

Conclusion

The findings of the present study highlight noteworthy theoretical additions to the literature. Drawing on COR theory, this research suggests that despotic leadership is a serious concern in

the pharmaceutical industry that negatively affects employee performance. Specifically, the current study investigates emotional exhaustion as a unique mediator in the association of despotic leadership and employee performance. Furthermore, this research also contributed to the knowledge of ethical climate as a moderating variable, exploring direct and indirect moderating effects between despotic leadership and employee performance through emotional exhaustion.

Declarations

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