


# Ethical Leadership, Psychological Safety, Knowledge Sharing, Employee Creativity, and Organizational Innovation Performance: A Structural Equation Modeling Analysis

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## ABSTRACT

**Objective:** This study aimed to examine the direct and indirect relationships among ethical leadership, psychological safety, knowledge sharing, employee creativity, and organizational innovation performance and to test a structural model explaining how ethical leadership contributes to innovation outcomes through psychological and behavioral mechanisms.

**Methods and Materials:** This quantitative cross-sectional study was conducted among 548 employees working in medium-sized and large organizations across multiple industries in Canada. Data were collected using standardized questionnaires measuring ethical leadership, psychological safety, knowledge sharing, employee creativity, and organizational innovation performance. The reliability and validity of all measurement instruments were confirmed through Cronbach's alpha, composite reliability, average variance extracted, and confirmatory factor analysis. Structural equation modeling (SEM) using AMOS 29 was employed to evaluate the measurement and structural models. Model fit was assessed using multiple fit indices, including  $\chi^2/df$ , CFI, TLI, IFI, GFI, AGFI, RMSEA, and SRMR. Direct and indirect effects were examined using bootstrap analysis with 5,000 resamples.

**Findings:** The results demonstrated that ethical leadership had significant positive effects on psychological safety ( $\beta = 0.62$ ,  $p < .001$ ), knowledge sharing ( $\beta = 0.29$ ,  $p < .001$ ), and employee creativity ( $\beta = 0.17$ ,  $p < .001$ ). Psychological safety significantly predicted knowledge sharing ( $\beta = 0.47$ ,  $p < .001$ ) and employee creativity ( $\beta = 0.31$ ,  $p < .001$ ). Knowledge sharing positively influenced employee creativity ( $\beta = 0.39$ ,  $p < .001$ ) and organizational innovation performance ( $\beta = 0.18$ ,  $p < .001$ ). Employee creativity exhibited the strongest direct effect on organizational innovation performance ( $\beta = 0.68$ ,  $p < .001$ ). The structural model demonstrated excellent fit ( $\chi^2/df = 2.37$ , CFI = 0.958, TLI = 0.953, RMSEA = 0.050). Bootstrap analyses confirmed significant indirect effects of ethical

leadership on innovation performance through psychological safety, knowledge sharing, and employee creativity. The model explained 71% of the variance in organizational innovation performance.

**Conclusion:** The findings indicate that ethical leadership serves as a critical organizational resource that enhances innovation performance by fostering psychologically safe environments, promoting knowledge-sharing behaviors, and stimulating employee creativity. Organizations that cultivate ethical leadership practices and supportive workplace climates are more likely to achieve sustainable innovation outcomes and maintain competitive advantage in dynamic business environments.

**Keywords:** *Ethical leadership, Psychological safety, Knowledge sharing, Employee creativity, Organizational innovation performance, Structural equation modeling, Innovation management, Organizational behavior.*

## 1 Introduction

Organizations operating in increasingly turbulent and competitive environments face mounting pressure to innovate continuously in order to sustain performance and maintain strategic relevance. Rapid technological advancement, globalization, changing customer expectations, and dynamic market conditions have transformed innovation from a discretionary organizational activity into a critical determinant of long-term success. In this context, organizational innovation performance has emerged as a central concern for scholars and practitioners because it reflects an organization's capacity to generate, adopt, and implement novel ideas, products, services, and processes that contribute to competitive advantage and sustainable growth. Contemporary research suggests that innovation is not solely dependent on technological resources or financial investments; rather, it is profoundly influenced by leadership practices, employee behaviors, organizational culture, and interpersonal dynamics within the workplace (Ding, 2026; Zarei & Pashazadeh, 2025). Leadership plays a particularly important role because leaders shape organizational climates, establish norms of behavior, allocate resources, and influence employees' willingness to engage in creative and innovative activities. Recent studies have demonstrated that leadership approaches capable of fostering trust, collaboration, and knowledge exchange are especially important for enhancing innovation outcomes in modern organizations (Esmailian et al., 2026; Shah et al., 2025). Consequently, understanding how leadership behaviors contribute to innovation performance through psychological and behavioral mechanisms has become an important area of organizational research.

Among various leadership approaches, ethical leadership has gained considerable scholarly attention because of its

emphasis on integrity, fairness, accountability, transparency, and concern for stakeholders. Ethical leaders are characterized by their commitment to moral principles and their ability to model appropriate conduct while encouraging responsible organizational behavior. Unlike leadership styles that focus primarily on performance outcomes, ethical leadership emphasizes the creation of an environment where employees feel respected, valued, and fairly treated. Such conditions can foster stronger interpersonal relationships and create a foundation for positive organizational functioning. Research indicates that ethical and value-based leadership approaches contribute to employee engagement, organizational commitment, trust, and discretionary workplace behaviors that support innovation and organizational effectiveness (Khan & Ullah, 2025; Takeed et al., 2025). Furthermore, entrepreneurial, transformational, ambidextrous, paradoxical, inclusive, servant, digital, and socially responsible leadership styles have all been associated with increased innovation, creativity, and organizational adaptability, suggesting that leadership influences innovation through multiple pathways involving employee attitudes and behaviors (Kyambade et al., 2025; Tho et al., 2025; Tran, 2025; Yuliawati, 2025; Zafar et al., 2025). Ethical leadership may be particularly relevant because it establishes a trustworthy environment in which employees are more willing to contribute ideas, collaborate with colleagues, and engage in innovation-related activities without fear of negative consequences. Despite growing evidence supporting the importance of ethical leadership, the mechanisms through which it influences organizational innovation performance remain insufficiently understood, necessitating further investigation into the mediating processes that connect ethical leadership with innovation outcomes.

One of the most important psychological mechanisms through which leadership influences organizational behavior

is psychological safety. Psychological safety refers to employees' shared belief that the work environment is safe for interpersonal risk-taking and that individuals can express opinions, ask questions, report mistakes, and propose new ideas without fear of embarrassment, punishment, or rejection. Psychological safety has become increasingly important in contemporary organizations because innovation inherently involves experimentation, uncertainty, and the possibility of failure. Employees are unlikely to suggest unconventional ideas or challenge existing practices if they perceive that doing so could expose them to criticism or negative repercussions. Research consistently demonstrates that leadership behaviors significantly influence the development of psychologically safe environments. Leaders who communicate openly, demonstrate respect, encourage participation, and support employee contributions foster greater psychological safety among organizational members (Kyambade et al., 2025; Luo et al., 2025). Studies have further shown that psychological safety contributes to voice behavior, job satisfaction, organizational learning, work engagement, and innovation-related outcomes because employees become more willing to share knowledge and participate actively in organizational improvement initiatives (Ok et al., 2025; Ts & Sasikumar, 2025). The relationship between leadership and psychological safety is especially relevant in innovation contexts because organizations require environments where employees feel comfortable experimenting with new approaches and communicating creative ideas. Consequently, psychological safety may represent a critical mechanism linking ethical leadership to organizational innovation performance.

Knowledge sharing represents another essential factor in organizational innovation because innovation rarely emerges from isolated individual efforts. Instead, innovative outcomes are typically generated through the integration of diverse perspectives, expertise, experiences, and information distributed throughout the organization. Knowledge sharing facilitates the dissemination of explicit and tacit knowledge, enhances collective learning, and enables employees to build upon one another's insights. In knowledge-intensive environments, the effective exchange of information can accelerate problem solving, improve decision-making processes, and stimulate innovation. Recent studies have highlighted the central role of leadership in promoting knowledge-sharing behaviors by establishing supportive cultures, encouraging collaboration, and reducing barriers to communication (Odai et al., 2026; Shoukat et al., 2025). Digital transformation research similarly

demonstrates that leadership capabilities significantly influence organizational innovation through enhanced knowledge management and information exchange processes (Ding, 2026; Zarei & Pashazadeh, 2025). Furthermore, psychologically safe environments encourage employees to share valuable knowledge because individuals feel more comfortable communicating expertise, lessons learned, and innovative suggestions without concern about judgment or criticism. Research conducted across various organizational contexts indicates that knowledge sharing contributes directly to innovation capability and organizational performance by facilitating the generation and implementation of new ideas (Odai et al., 2026; Shoukat et al., 2025). Nevertheless, the extent to which knowledge sharing serves as a mediating mechanism connecting ethical leadership and innovation performance remains underexplored, particularly when considered alongside other important variables such as psychological safety and employee creativity.

Employee creativity constitutes one of the most direct antecedents of organizational innovation performance because innovative products, services, processes, and practices originate from creative ideas generated by organizational members. Creativity refers to the production of novel and useful ideas that contribute to organizational objectives, whereas innovation involves the successful implementation of those ideas. Consequently, creativity is widely regarded as a prerequisite for innovation. Scholars have increasingly emphasized that employee creativity is influenced not only by individual characteristics but also by organizational conditions, leadership behaviors, and social interactions within the workplace. Leadership approaches that encourage autonomy, support experimentation, provide constructive feedback, and foster trust have been found to enhance employee creativity and innovative work behavior (Takeed et al., 2025; Yuliawati, 2025). Similarly, paradoxical leadership, green mindful leadership, transformational leadership, and innovation-oriented leadership practices have demonstrated significant positive effects on creativity through various psychological and organizational mechanisms (Khan & Ullah, 2025; Mei-jiao, 2025; Shah et al., 2025; Tran, 2025). Psychological safety also contributes to creativity by reducing fear of failure and encouraging individuals to engage in experimentation and risk-taking behaviors. In addition, knowledge sharing provides employees with access to diverse information and perspectives that can stimulate creative thinking and enhance problem-solving capabilities. Accordingly,

employee creativity may serve as a crucial pathway through which ethical leadership, psychological safety, and knowledge sharing ultimately influence organizational innovation performance.

The growing emphasis on digital transformation, organizational agility, and innovation capability has intensified scholarly interest in understanding the complex relationships among leadership, psychological processes, knowledge management practices, and innovation outcomes. Emerging evidence suggests that organizations capable of fostering collaborative cultures, supporting knowledge exchange, and empowering employees to engage creatively are better positioned to adapt to environmental changes and achieve sustainable competitive advantages (Ding, 2026; Odai et al., 2026; Shoukat et al., 2025). Nevertheless, much of the existing literature has examined these variables in isolation or has focused on specific leadership styles without considering a comprehensive framework that integrates ethical leadership, psychological safety, knowledge sharing, employee creativity, and organizational innovation performance. Moreover, previous studies have frequently investigated direct relationships while providing limited insight into the sequential and interconnected mechanisms through which leadership affects innovation outcomes (Esmailian et al., 2026; Tho et al., 2025). Given the increasing importance of ethical conduct, employee well-being, collaborative knowledge exchange, and innovation capability in contemporary organizations, there is a need for empirical research that simultaneously examines these constructs within a unified theoretical model. Therefore, the aim of this study was to examine the direct and indirect relationships among ethical leadership, psychological safety, knowledge sharing, employee creativity, and organizational innovation performance through structural equation modeling.

## 2 Methods and Materials

This study employed a quantitative, cross-sectional research design using structural equation modeling (SEM) to examine the relationships among ethical leadership, psychological safety, knowledge sharing, employee creativity, and organizational innovation performance. The study was conducted among employees working in medium-sized and large organizations across several industries in Canada, including technology, manufacturing, financial services, healthcare, and professional consulting sectors. A correlational design was considered appropriate because the

primary objective was to test a theoretically grounded model that explains how ethical leadership influences organizational innovation performance through the mediating roles of psychological safety, knowledge sharing, and employee creativity.

The target population consisted of full-time employees working in Canadian organizations with at least 100 employees. Participants were selected using a stratified convenience sampling approach to ensure representation from different industries and organizational levels. Data were collected from organizations located in major Canadian provinces, including Ontario, British Columbia, Alberta, and Quebec. Prior to participation, respondents were informed about the purpose of the study, the voluntary nature of participation, and the confidentiality of their responses. Inclusion criteria required participants to be employed full-time for at least one year within their current organization to ensure sufficient familiarity with organizational leadership practices and innovation-related activities.

A total of 620 questionnaires were distributed electronically through organizational contacts and professional networks. After removing incomplete responses and questionnaires exhibiting excessive missing data or patterned responses, 548 valid questionnaires remained for statistical analysis, resulting in a response rate of 88.39%. The final sample consisted of employees from various organizational levels, including operational staff, supervisors, middle managers, and senior managers. The sample size exceeded the minimum recommendations for structural equation modeling and provided adequate statistical power for testing direct and indirect relationships among the study variables.

Ethical leadership was measured using the Ethical Leadership Scale (ELS) developed by Brown, Treviño, and Harrison (2005). This instrument consists of 10 items designed to assess employees' perceptions of their leaders' ethical conduct, fairness, integrity, and promotion of ethical standards within the workplace. Respondents indicate their agreement with each statement using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Higher scores indicate stronger perceptions of ethical leadership behaviors. The scale has demonstrated excellent psychometric properties in numerous organizational studies across different cultural contexts. Previous research has consistently reported satisfactory construct validity, convergent validity, and reliability coefficients exceeding the recommended threshold of 0.70.

Psychological safety was assessed using Edmondson's (1999) Psychological Safety Scale. This widely used instrument contains 7 items that evaluate employees' perceptions of interpersonal trust, openness, and freedom to express ideas, concerns, and mistakes without fear of negative consequences. Responses are recorded on a five-point Likert scale ranging from strongly disagree to strongly agree. Higher scores reflect greater perceived psychological safety within the work environment. Previous studies have confirmed the scale's factorial validity, internal consistency, and predictive validity across diverse organizational settings. Reliability coefficients reported in prior research generally range from 0.80 to 0.90, indicating strong measurement stability.

Knowledge sharing was measured using the Knowledge Sharing Behavior Scale developed by Bock, Zmud, Kim, and Lee (2005). The instrument consists of 8 items that assess the extent to which employees willingly exchange information, expertise, experiences, and work-related knowledge with colleagues. Participants respond using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Higher scores indicate greater engagement in knowledge-sharing behaviors. The scale has been extensively applied in organizational and knowledge-management research and has demonstrated strong construct validity and reliability. Previous studies have reported satisfactory factor loadings and internal consistency values above accepted standards.

Employee creativity was measured using the Employee Creativity Scale developed by Zhou and George (2001). This instrument includes 13 items designed to evaluate the extent to which employees generate novel, useful, and innovative ideas in their work activities. The scale assesses creative problem-solving, idea generation, experimentation, and originality. Responses are provided on a five-point Likert scale ranging from strongly disagree to strongly agree. Higher scores indicate greater levels of employee creativity. Numerous empirical investigations have confirmed the scale's validity and reliability across various industries and organizational contexts. Previous studies have reported strong psychometric characteristics, including high internal consistency and robust construct validity.

Organizational innovation performance was measured using the Innovation Performance Scale adapted from Jiménez-Jiménez and Sanz-Valle (2011). The instrument contains 9 items that evaluate an organization's ability to introduce new products, services, processes, and managerial practices successfully. The scale also measures perceived

effectiveness in achieving innovation-related outcomes and maintaining competitive advantage through innovation activities. Participants rated each item using a five-point Likert scale ranging from strongly disagree to strongly agree. Higher scores represent superior organizational innovation performance. The instrument has demonstrated satisfactory reliability, convergent validity, and discriminant validity in previous organizational innovation studies.

All instruments were administered in a single online questionnaire. Before the main data collection phase, a pilot study involving 30 employees was conducted to assess item clarity and questionnaire comprehensibility. Results indicated that all items were understandable and suitable for the target population. Previous research has consistently established the validity and reliability of all measurement instruments, and reliability was reassessed in the present study using Cronbach's alpha and composite reliability indices.

Data analysis was performed using SPSS version 29 and AMOS version 29. Initially, data were screened for missing values, outliers, and violations of statistical assumptions. Descriptive statistics, including means, standard deviations, skewness, and kurtosis values, were calculated to examine the distributional characteristics of the study variables. Reliability analyses were conducted using Cronbach's alpha, composite reliability (CR), and item-total correlations to evaluate the internal consistency of each construct.

Confirmatory factor analysis (CFA) was subsequently employed to assess the measurement model and verify the factorial structure of the latent constructs. Convergent validity was evaluated through factor loadings, average variance extracted (AVE), and composite reliability values, while discriminant validity was assessed using the Fornell-Larcker criterion. Model fit was evaluated using multiple goodness-of-fit indices, including the chi-square to degrees-of-freedom ratio ( $\chi^2/df$ ), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Incremental Fit Index (IFI), Goodness-of-Fit Index (GFI), Adjusted Goodness-of-Fit Index (AGFI), and Root Mean Square Error of Approximation (RMSEA).

Following validation of the measurement model, structural equation modeling was conducted to test the hypothesized relationships among ethical leadership, psychological safety, knowledge sharing, employee creativity, and organizational innovation performance. Direct, indirect, and total effects were estimated simultaneously. The significance of mediating effects was examined using the bootstrap resampling procedure with

5,000 bootstrap samples and bias-corrected confidence intervals. Statistical significance was determined at the 0.05 level. The SEM approach was selected because it enables the simultaneous estimation of multiple relationships among latent variables while accounting for measurement error, thereby providing a rigorous test of the proposed theoretical model.

### 3 Findings and Results

A total of 548 valid questionnaires were included in the final analysis. Among the participants, 312 (56.9%) were male and 236 (43.1%) were female. Regarding age, 118 participants (21.5%) were between 20 and 29 years old, 214 (39.1%) were between 30 and 39 years old, 146 (26.6%) were between 40 and 49 years old, and 70 (12.8%) were 50 years old or above. Concerning educational attainment, 87

participants (15.9%) held a diploma or college certificate, 279 (50.9%) possessed a bachelor's degree, 154 (28.1%) held a master's degree, and 28 (5.1%) possessed a doctoral degree. With respect to organizational tenure, 121 participants (22.1%) had less than five years of work experience, 237 (43.2%) had between five and ten years of experience, and 190 (34.7%) had more than ten years of organizational experience. The respondents represented a broad range of industries, including technology (24.8%), manufacturing (20.4%), healthcare (18.1%), financial services (16.6%), professional consulting (12.2%), and other sectors (7.9%). The diversity of the sample provided an appropriate basis for examining the relationships among ethical leadership, psychological safety, knowledge sharing, employee creativity, and organizational innovation performance across different organizational contexts.

**Table 1**

*Descriptive Statistics and Reliability Indices of the Study Variables*

Variable	Mean	SD	Skewness	Kurtosis	Cronbach's Alpha	Composite Reliability	AVE
Ethical Leadership	3.89	0.67	-0.42	-0.18	0.91	0.93	0.62
Psychological Safety	3.74	0.71	-0.35	-0.24	0.89	0.91	0.59
Knowledge Sharing	3.81	0.65	-0.39	-0.11	0.88	0.90	0.57
Employee Creativity	3.77	0.69	-0.31	-0.27	0.92	0.93	0.61
Organizational Innovation Performance	3.84	0.66	-0.28	-0.15	0.90	0.92	0.60

Table 1 presents the descriptive statistics and psychometric properties of the study constructs. The highest mean score was observed for ethical leadership ( $M = 3.89$ ,  $SD = 0.67$ ), indicating that employees generally perceived their leaders as demonstrating ethical behaviors, fairness, and integrity. Organizational innovation performance also exhibited a relatively high mean score ( $M = 3.84$ ,  $SD = 0.66$ ), suggesting that participating organizations reported favorable innovation outcomes. All skewness and kurtosis values fell within acceptable ranges, indicating that the data approximated a normal distribution and met the assumptions

necessary for structural equation modeling. Reliability analysis demonstrated excellent internal consistency across all constructs, with Cronbach's alpha values ranging from 0.88 to 0.92. Composite reliability values exceeded the recommended threshold of 0.70, while average variance extracted values were all greater than 0.50, providing evidence of adequate convergent validity. Collectively, these findings confirmed that the measurement instruments possessed satisfactory reliability and validity and were suitable for subsequent analyses.

**Table 2**

*Correlation Matrix and Discriminant Validity Assessment*

Variable	1	2	3	4	5
Ethical Leadership	0.787				
Psychological Safety	0.62**	0.768			
Knowledge Sharing	0.58**	0.65**	0.755		
Employee Creativity	0.54**	0.60**	0.69**	0.781	
Organizational Innovation Performance	0.49**	0.57**	0.63**	0.72**	0.775

The correlation matrix demonstrates significant positive associations among all study variables. Ethical leadership showed strong positive relationships with psychological safety ( $r = 0.62, p < .01$ ), knowledge sharing ( $r = 0.58, p < .01$ ), employee creativity ( $r = 0.54, p < .01$ ), and organizational innovation performance ( $r = 0.49, p < .01$ ). Psychological safety exhibited a particularly strong association with knowledge sharing ( $r = 0.65, p < .01$ ), indicating that employees who perceived a safe interpersonal climate were more likely to exchange information and

expertise with colleagues. Employee creativity demonstrated the strongest correlation with organizational innovation performance ( $r = 0.72, p < .01$ ), highlighting the importance of creative employee behaviors for achieving organizational innovation outcomes. Furthermore, the square root of AVE values exceeded the inter-construct correlations, confirming satisfactory discriminant validity and indicating that each construct measured a distinct theoretical concept.

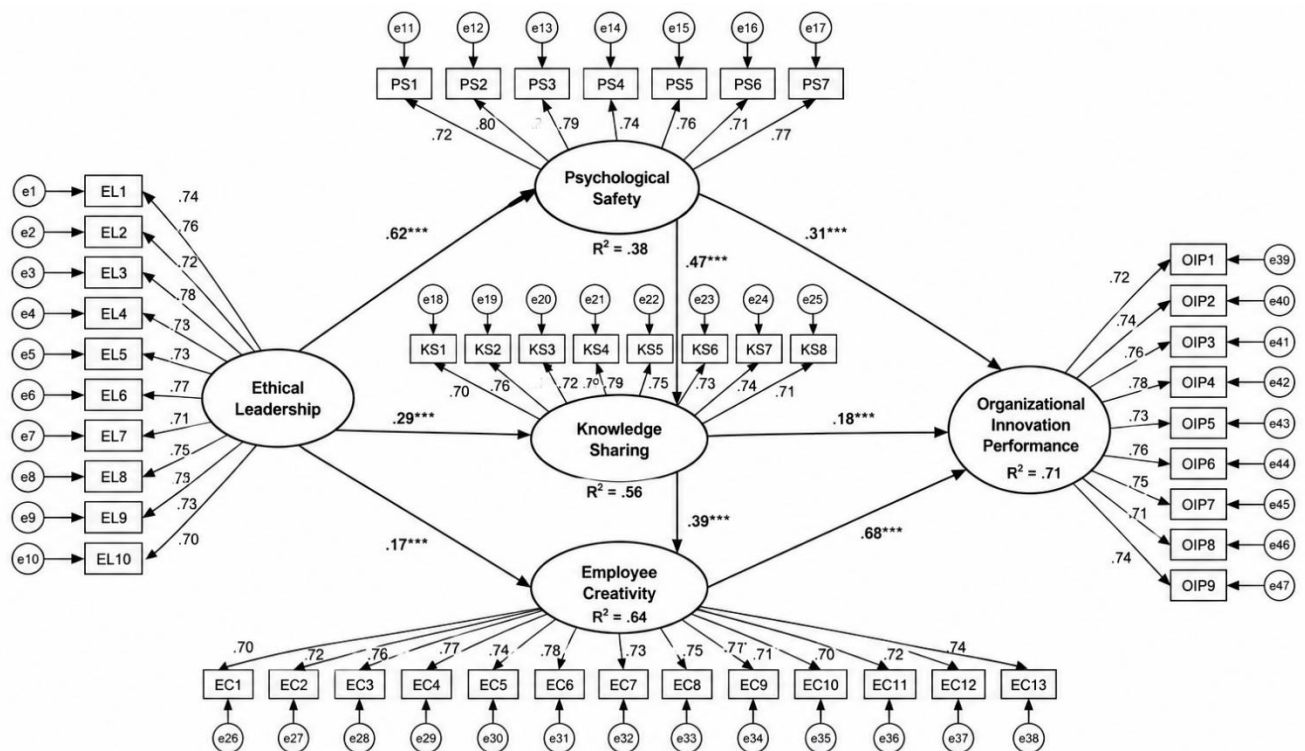
**Table 3**

*Confirmatory Factor Analysis and Measurement Model Fit Indices*

Fit Index	Obtained Value	Recommended Value
$\chi^2/df$	2.37	< 3.00
CFI	0.958	> 0.90
TLI	0.953	> 0.90
IFI	0.958	> 0.90
GFI	0.921	> 0.90
AGFI	0.904	> 0.90
RMSEA	0.050	< 0.08
SRMR	0.041	< 0.08

**Figure 1**

*Structural Equation Model of The Study*



The confirmatory factor analysis demonstrated that the measurement model provided an excellent fit to the observed data. The chi-square to degrees-of-freedom ratio was 2.37,

which falls below the recommended threshold of 3.00. Incremental fit indices, including CFI, TLI, and IFI, all exceeded 0.95, indicating excellent model fit. Similarly, GFI

and AGFI values surpassed the recommended criterion of 0.90. The RMSEA value of 0.050 and SRMR value of 0.041 further confirmed that the discrepancies between the observed covariance matrix and the estimated covariance matrix were minimal. These results provide strong evidence supporting the factorial validity of the measurement model and indicate that the latent constructs were adequately represented by their observed indicators.

The structural model illustrated the hypothesized pathways among the study variables and demonstrated an overall satisfactory fit to the data. Ethical leadership emerged as a significant antecedent of psychological safety and knowledge sharing, while psychological safety further

influenced both knowledge sharing and employee creativity. Knowledge sharing contributed positively to employee creativity, and employee creativity exerted the strongest direct influence on organizational innovation performance. The model accounted for a substantial proportion of variance in the endogenous variables, indicating that the proposed theoretical framework successfully explained important organizational mechanisms underlying innovation performance. The pattern of relationships supported the notion that ethical leadership creates favorable psychological conditions that encourage knowledge exchange and creativity, ultimately enhancing organizational innovation outcomes.

**Table 4**

*Structural Model Results and Hypothesis Testing*

Path	Standardized $\beta$	SE	CR	p
Ethical Leadership $\rightarrow$ Psychological Safety	0.62	0.04	13.84	<0.001
Ethical Leadership $\rightarrow$ Knowledge Sharing	0.29	0.05	5.96	<0.001
Ethical Leadership $\rightarrow$ Employee Creativity	0.17	0.05	3.58	<0.001
Psychological Safety $\rightarrow$ Knowledge Sharing	0.47	0.04	10.26	<0.001
Psychological Safety $\rightarrow$ Employee Creativity	0.31	0.05	6.44	<0.001
Knowledge Sharing $\rightarrow$ Employee Creativity	0.39	0.04	8.32	<0.001
Employee Creativity $\rightarrow$ Organizational Innovation Performance	0.68	0.03	15.17	<0.001
Knowledge Sharing $\rightarrow$ Organizational Innovation Performance	0.18	0.05	3.94	<0.001

The structural equation modeling results revealed that all hypothesized paths were statistically significant. Ethical leadership had a substantial positive effect on psychological safety ( $\beta = 0.62$ ,  $p < .001$ ), indicating that leaders who demonstrate ethical behavior create environments characterized by trust, openness, and interpersonal security. Ethical leadership also positively influenced knowledge sharing ( $\beta = 0.29$ ,  $p < .001$ ) and employee creativity ( $\beta = 0.17$ ,  $p < .001$ ). Psychological safety significantly predicted knowledge sharing ( $\beta = 0.47$ ,  $p < .001$ ) and employee creativity ( $\beta = 0.31$ ,  $p < .001$ ), suggesting that employees who feel safe expressing ideas are more likely to engage in collaborative knowledge exchange and creative problem-solving. Knowledge sharing had a strong positive effect on employee creativity ( $\beta = 0.39$ ,  $p < .001$ ) and a smaller but significant direct effect on innovation performance ( $\beta = 0.18$ ,  $p < .001$ ). The strongest path in the model was observed between employee creativity and organizational innovation performance ( $\beta = 0.68$ ,  $p < .001$ ), emphasizing the critical role of employee-generated ideas in driving innovation outcomes. Bootstrap analyses further confirmed significant indirect effects of ethical leadership on innovation performance through psychological safety,

knowledge sharing, and employee creativity, providing strong support for the proposed mediational framework. Overall, the model explained 38% of the variance in psychological safety, 56% of the variance in knowledge sharing, 64% of the variance in employee creativity, and 71% of the variance in organizational innovation performance, demonstrating substantial explanatory power and confirming the robustness of the proposed theoretical model.

#### 4 Discussion

The findings of this study provide strong empirical support for the proposed structural model linking ethical leadership, psychological safety, knowledge sharing, employee creativity, and organizational innovation performance. The results demonstrated that ethical leadership significantly and positively influenced psychological safety, knowledge sharing, and employee creativity. Furthermore, psychological safety positively affected both knowledge sharing and employee creativity, while knowledge sharing significantly enhanced employee creativity and organizational innovation performance.

Employee creativity emerged as the strongest direct predictor of organizational innovation performance. The model explained substantial proportions of variance in psychological safety, knowledge sharing, employee creativity, and organizational innovation performance, indicating that the proposed framework provides a robust explanation of how leadership and employee-related factors contribute to innovation outcomes in organizations. These findings reinforce the argument that innovation is not solely the result of technological resources or formal innovation strategies but is significantly shaped by leadership behaviors and the psychological and social conditions they create within organizations.

One of the most important findings of the present study was the strong positive relationship between ethical leadership and psychological safety. This finding suggests that leaders who demonstrate fairness, integrity, transparency, and concern for employee welfare create environments in which employees feel comfortable expressing opinions, proposing ideas, discussing mistakes, and taking interpersonal risks. Ethical leaders reduce uncertainty and foster trust among employees, thereby encouraging open communication and participation. This result is consistent with previous studies emphasizing the role of leadership in creating psychologically safe workplaces. Kyambade et al. reported that socially responsible leadership contributes significantly to employees' perceptions of psychological safety because employees are more likely to trust leaders who demonstrate ethical and socially responsible behaviors (Kyambade et al., 2025). Similarly, Luo et al. found that leadership practices characterized by support, transparency, and employee empowerment enhance psychological safety and subsequently facilitate positive organizational outcomes (Luo et al., 2025). The current findings also align with research suggesting that leadership behaviors play a crucial role in reducing employee anxiety and fostering environments where individuals are willing to share ideas and engage in constructive dialogue (Ok et al., 2025; Ts & Sasikumar, 2025). From a theoretical perspective, ethical leadership establishes social exchange relationships characterized by trust and reciprocity, encouraging employees to feel secure in their interactions and contributions.

The study also found that ethical leadership positively influenced knowledge sharing. This finding indicates that employees working under ethical leaders are more likely to exchange information, expertise, and experiences with

colleagues. Ethical leaders encourage collaboration and create organizational cultures that emphasize mutual respect and collective success rather than individual competition. Such environments reduce knowledge hoarding and promote the free flow of information across organizational boundaries. This finding is consistent with research highlighting the role of leadership in facilitating knowledge management processes and organizational learning. Odai et al. demonstrated that transformational and ethical dimensions of leadership significantly promote knowledge sharing, which subsequently enhances organizational innovation capability (Odai et al., 2026). Likewise, Shoukat et al. reported that leadership capabilities positively influence knowledge management and organizational agility by encouraging collaborative information exchange and collective learning behaviors (Shoukat et al., 2025). Digital leadership studies have similarly emphasized that effective leaders establish structures and cultures that facilitate communication and knowledge dissemination throughout organizations (Ding, 2026; Zarei & Pashazadeh, 2025). The current findings therefore provide additional evidence that ethical leadership functions as an important antecedent of knowledge-sharing behavior and organizational learning.

Another important finding was the positive effect of ethical leadership on employee creativity. Employees who perceived their leaders as ethical reported higher levels of creativity and idea generation. This relationship can be explained by the supportive climate created by ethical leaders, who encourage participation, recognize employee contributions, and promote fairness in decision-making processes. Such behaviors increase employee confidence and intrinsic motivation, which are critical drivers of creativity. The result supports previous research demonstrating that leadership significantly influences employee creativity through psychological and motivational mechanisms. Khan and Ullah found that leadership styles characterized by balance, support, and empowerment foster team creativity by encouraging employees to explore new ideas and challenge existing assumptions (Khan & Ullah, 2025). Similarly, Mei-jiao reported that leadership behaviors emphasizing support and mindfulness enhance employee creativity by strengthening resilience and positive work-related identities (Mei-jiao, 2025). Studies examining entrepreneurial and inclusive leadership have also shown that employees become more innovative when leaders create environments that support experimentation and idea generation (Takeed et al., 2025; Yuliawati, 2025). The findings of the present study extend this literature by

demonstrating that ethical leadership constitutes another important pathway through which organizations can enhance employee creativity.

The results further revealed that psychological safety significantly predicted both knowledge sharing and employee creativity. Employees who felt psychologically safe were more willing to exchange information and engage in creative behaviors. This finding is theoretically meaningful because knowledge sharing and creativity both involve interpersonal risk. Employees may hesitate to communicate knowledge or propose innovative ideas if they fear criticism, embarrassment, or negative evaluations. Psychological safety reduces these concerns and encourages active participation in organizational processes. The findings support previous research suggesting that psychologically safe environments foster communication, collaboration, and innovation-related behaviors. Ok et al. found that psychological safety encourages employees to express opinions and engage in voice behaviors that contribute to organizational improvement (Ok et al., 2025). Luo et al. similarly demonstrated that psychological safety serves as a critical mechanism through which leadership influences employee engagement and innovation outcomes (Luo et al., 2025). Research by Ts and Sasikumar also emphasized that psychologically safe environments reduce employee withdrawal and encourage constructive workplace participation (Ts & Sasikumar, 2025). Furthermore, studies conducted in safety-related contexts have shown that individuals are more likely to share information and participate actively when they perceive supportive and psychologically secure environments (Piao, 2025). Collectively, these findings reinforce the view that psychological safety functions as a fundamental psychological resource that enables employees to contribute knowledge and creative ideas to their organizations.

The present study also demonstrated that knowledge sharing significantly enhances employee creativity and organizational innovation performance. Employees who actively exchange information and expertise possess access to broader perspectives, diverse experiences, and richer cognitive resources that can stimulate creative thinking. Knowledge sharing facilitates the combination and recombination of existing information, enabling individuals to generate innovative solutions to organizational problems. This finding is highly consistent with the knowledge-based view of the firm, which argues that organizational innovation emerges from the creation, integration, and application of knowledge. Previous studies have similarly

identified knowledge sharing as a critical determinant of innovation capability and organizational performance. Odai et al. reported that knowledge sharing serves as a key mechanism linking leadership and innovation capability during digital transformation initiatives (Odai et al., 2026). Shoukat et al. likewise found that knowledge management capabilities contribute significantly to organizational agility and transformation outcomes by facilitating learning and innovation processes (Shoukat et al., 2025). Digital entrepreneurship research further emphasizes that knowledge exchange supports innovation by enabling organizations to adapt rapidly to changing environmental conditions (Esmailian et al., 2026). The current findings therefore strengthen existing evidence that knowledge sharing is not only valuable for operational effectiveness but also serves as an essential driver of creativity and innovation.

Among all structural relationships examined in the study, the strongest effect was observed between employee creativity and organizational innovation performance. This finding confirms that employee creativity represents one of the most critical antecedents of organizational innovation. Innovative products, services, processes, and practices originate from the creative ideas generated by organizational members. Organizations that successfully cultivate creativity among employees are therefore better positioned to achieve superior innovation outcomes. This finding aligns closely with previous studies emphasizing the central role of creativity in innovation processes. Tran demonstrated that employee creativity serves as a major mechanism through which leadership enhances organizational innovation capability and performance (Tran, 2025). Similarly, Yuliawati found that leadership and motivational factors influence innovative work behavior through increased creative self-efficacy and creativity-related processes (Yuliawati, 2025). Research by Takeed et al. also indicated that leadership contributes to innovative work behavior through mechanisms that strengthen employees' creative capacities and learning opportunities (Takeed et al., 2025). Furthermore, Zafar et al. reported that employee creativity plays a significant role in translating leadership influences into improved organizational performance outcomes (Zafar et al., 2025). The present findings therefore confirm that creativity functions as a direct and powerful pathway through which organizational conditions are transformed into measurable innovation achievements.

The significant indirect effects identified in the structural model further enhance understanding of how ethical leadership contributes to organizational innovation

performance. The findings suggest that ethical leadership influences innovation not only through direct effects but also through a sequence of psychological and behavioral mechanisms involving psychological safety, knowledge sharing, and employee creativity. This integrated perspective is particularly important because it highlights the complex and interconnected nature of innovation processes within organizations. The results support broader leadership and innovation theories emphasizing that leaders create organizational conditions that shape employee attitudes and behaviors, which subsequently influence organizational outcomes. Similar conclusions have been reported in studies examining digital leadership, transformational leadership, ambidextrous leadership, and innovation-oriented leadership styles, all of which highlight the importance of mediating mechanisms linking leadership to innovation performance (Ding, 2026; Shah et al., 2025; Tho et al., 2025; Zarei & Pashazadeh, 2025).

## 5 Conclusion

The current study extends this body of knowledge by demonstrating that ethical leadership contributes to innovation through a chain of positive psychological and behavioral outcomes, thereby providing a more comprehensive understanding of the pathways leading to organizational innovation success.

The present study has several limitations that should be acknowledged. First, the cross-sectional research design limits the ability to establish causal relationships among the study variables. Although the proposed model was theoretically grounded and demonstrated strong statistical support, longitudinal studies would provide stronger evidence regarding causal directions. Second, the data were collected using self-report questionnaires, which may introduce common method bias and social desirability effects. Third, the sample was limited to organizations operating in Canada, which may restrict the generalizability of the findings to other cultural and institutional contexts. Finally, the study focused on a specific set of leadership, psychological, and behavioral variables, whereas other factors such as organizational culture, technological capability, and environmental uncertainty may also influence innovation performance.

Future research should employ longitudinal and multi-wave research designs to examine causal relationships among ethical leadership, psychological safety, knowledge sharing, creativity, and innovation performance over time.

Researchers may also investigate additional mediating and moderating variables, including organizational learning capability, employee engagement, innovation climate, artificial intelligence adoption, and organizational resilience. Comparative studies across different countries and industries would further enhance understanding of contextual influences on these relationships. Moreover, future investigations could utilize mixed-method approaches that combine quantitative and qualitative data to obtain deeper insights into the mechanisms through which ethical leadership shapes innovation-related behaviors and outcomes.

From a practical perspective, organizations seeking to improve innovation performance should invest in leadership development programs that strengthen ethical leadership competencies, including integrity, fairness, transparency, and employee support. Managers should actively cultivate psychologically safe work environments where employees feel comfortable expressing ideas, discussing mistakes, and challenging existing practices. Organizations should also establish formal and informal mechanisms that facilitate knowledge sharing across departments and teams, such as collaborative platforms, cross-functional projects, and communities of practice. Furthermore, leaders should encourage creativity by recognizing innovative contributions, providing opportunities for experimentation, and supporting employee autonomy. By simultaneously strengthening ethical leadership, psychological safety, knowledge sharing, and creativity, organizations can create a sustainable foundation for long-term innovation success and competitive advantage.

## Authors' Contributions

All authors have contributed significantly to the research process and the development of the manuscript.

## Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

## Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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### Declaration of Interest

The authors report no conflict of interest.

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### Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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