

Building Bridges of Knowledge: The Role of Ethical Leadership in Fostering Knowledge-Sharing Intention through Affective Trust and Psychological Empowerment

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Received: 07-01-2025

Revised: 26-01-2025

Accepted: 16-02-2025

Published: 01-03-2025

ABSTRACT

This study examines the influence of Ethical Leadership (EL) on Knowledge-Sharing Intention (KSI) through the mediating role of Affective Trust (AT) and the moderating role of Psychological Empowerment (PE) within the FMCG retail sector in Pakistan. Data was collected from 350 employees and analyzed using a quantitative research approach through Structural Equation Modeling (SEM) via SmartPLS4. The results confirmed significant positive relationships: EL was found to enhance KSI directly ($\beta = 0.339, p < 0.001$) and indirectly through AT ($\beta = 0.103, p < 0.001$). AT also positively influenced KSI ($\beta = 0.273, p < 0.001$) and mediated the effects of PE on KSI ($\beta = 0.066, p < 0.001$). The measurement model was evaluated using Confirmatory Factor Analysis (CFA) to establish construct validity and reliability. Path analysis confirmed significant direct and indirect effects, indicating that Ethical Leadership positively influences Knowledge-Sharing Intention through enhanced Affective Trust and Psychological Empowerment. The findings reveal that PE strengthens the impact of EL on AT, while AT serves as a vital mediator, reinforcing the connection between ethical leadership and knowledge-sharing behaviors. These insights highlight the critical role of ethical leadership and employee empowerment in shaping a collaborative, trust-driven, and innovative organizational environment.

Keywords: Ethical Leadership, Knowledge-Sharing Intention, Affective Trust, Psychological Empowerment, FMCG Sector, Employee Behavior, Organizational Performance

INTRODUCTION

Knowledge is essential for organizational success and sustainable competitive advantage in today's competitive corporate environment (Nonaka & Takeuchi, 1995). Effective knowledge acquisition, distribution, and application help businesses foster innovation, enhance flexibility, and improve market responsiveness (Kang et al., 2017). The Fast-Moving Consumer Goods (FMCG) sector, known for its fast pace and competitiveness, demands quick decisions and operational efficiency. Within this environment, employee Knowledge-Sharing Intention (KSI) plays a vital role in cultivating collaboration, enhancing problem-solving, and promoting innovation (Gligor et al., 2022). However, operating silos, internal rivalry, and trust gaps hinder the willingness of employees to share knowledge (Chang et al., 2021).

According to Panopto (2022), employees spend an average of 5.3 hours per week recreating existing information due to limited access, while organizations with strong knowledge-sharing cultures see 25–35% higher productivity. Furthermore, PR Newswire highlights that large U.S. businesses lose an estimated \$47 million annually due to poor knowledge-sharing, emphasizing the critical role of effective knowledge systems. Companies with robust knowledge management strategies report 39% better business execution (C8 Health).

Employee behavior and organizational culture are significantly influenced by Ethical Leadership (EL) (Brown & Treviño, 2006). Ethical Leadership is defined as a leader's display of morally sound behavior

through personal conduct and decision-making while encouraging similar conduct in others (Brown et al., 2005). Ethical leaders promote justice, integrity, and accountability, motivating employees to participate in constructive activities such as knowledge-sharing (Tu et al., 2020). According to Social Learning Theory (Bandura, 1977), employees tend to emulate ethical leaders, reinforcing a culture where knowledge-sharing is valued.

Affective Trust (AT) refers to the emotional bond and confidence employees develop toward managers and peers (McAllister, 1995). Trust is a core enabler of knowledge-sharing, as employees are more willing to contribute ideas when they feel psychologically safe (Chiu et al., 2006). Ethical leaders build trust by being fair, consistent, and considerate of employee well-being (Brown et al., 2005). Edelman's (2023) global survey reported that 76% of employees believe trust in leadership directly affects their decision to stay with an organization, reinforcing its importance.

Psychological Empowerment (PE) is another key factor in shaping employee behavior. Defined by Spreitzer (1995), it includes four components: meaning, competence, self-determination, and impact. Empowered employees are more proactive and likely to engage in knowledge-sharing (Zhang & Bartol, 2010). PE enhances the connection between Ethical Leadership and trust, as empowered individuals are more receptive to ethical guidance (Dust et al., 2021). Gallup (2022) found that organizations promoting psychological empowerment experience 21% higher profitability, 17% more productivity, and 41% lower absenteeism. Empowerment also contributes to job satisfaction and organizational commitment (ResearchGate; SSRN).

Despite these benefits, many FMCG companies struggle to build a collaborative work culture. Barriers such as fear of exploitation, internal competition, and hierarchical structures limit psychological safety and discourage knowledge-sharing (Zhou et al., 2023; Ahmad et al., 2023). In Pakistan, the FMCG sector accounts for over 16% of the country's manufacturing GDP and employs millions (Pakistan Bureau of Statistics, 2023). Given the sector's rapid innovation cycles, ethical leadership and knowledge transfer are vital for staying competitive.

Although EL, AT, and PE have been individually linked to improved performance and collaboration, the extent to which they jointly influence KSI remains under-explored in the FMCG context. Affective Trust is recognized as a crucial mediator in translating Ethical Leadership into increased KSI. Employees who trust their leaders feel more comfortable sharing insights and solving problems together. Similarly, empowered employees perceive themselves as valuable contributors and respond more positively to ethical leadership.

This study addresses this gap by examining how Ethical Leadership directly affects Knowledge-Sharing Intention and how Affective Trust mediates, and Psychological Empowerment moderates, this relationship. The findings aim to provide practical insights for FMCG firms striving to enhance innovation and operational agility. By understanding the interplay between leadership, trust, and empowerment, organizations can build more cohesive, high-performing teams and sustain long-term growth.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Ethical Leadership and Knowledge-Sharing Intention

In their personal actions and decision-making, Ethical Leaders (EL) demonstrate fairness, integrity, and responsibility (Brown & Treviño, 2006). Clear moral standards, respectful treatment of staff members, and consistent communication and accountability help Ethical Leaders to support ethical behavior. This creates an open and encouraging workplace where staff members feel valued and motivated to engage in team projects, including Knowledge-Sharing.

Knowledge-sharing intention (KSI) captures an employee's readiness to share their expertise, insights, and experiences with colleagues for collective benefit (Bock et al., 2005). In dynamic industries such as the Fast-Moving Consumer Goods, knowledge-sharing plays a crucial part in boosting innovation and ensuring smooth operational performance. Employees who exchange information enable companies to adapt more effectively to market changes and make informed decisions (Ahmad et al., 2023).

Social Learning Theory (Bandura, 1977) explains the connection between Knowledge-Sharing Intention and Ethical Leadership. This theory suggests that employees observe and imitate the behavior of their superiors. Leaders who exhibit moral behavior—such as consistency and fairness—are more likely to influence employees to engage in open communication and collaborative problem-solving. Ethical Leaders foster psychological safety—a work environment where employees feel secure expressing their ideas without fear of exploitation or criticism (Wu & Lee, 2021).

Empirical evidence supports this relationship. According to Tu et al. (2020), the Ethical Leadership significantly enhances Knowledge-Sharing by building trust and reducing interpersonal conflicts. Similarly, Bavik et al. (2018) found that Ethical Leaders foster a sense of fairness and respect, motivating employees to share their knowledge and contribute to organizational success. Thus, it is suggested that Ethical Leadership positively influences employees' Knowledge-Sharing Intention.

H1: Ethical Leadership Positively Influences Knowledge-Sharing Intention Among Employees.

Ethical Leadership and Affective Trust

Through their personal behavior and decision-making, Ethical Leaders (EL) demonstrate integrity, fairness, and responsibility (Brown & Treviño, 2006). Clear moral standards, transparency, and respectful treatment of employees help to create a workplace in which employees feel valued and supported. This consistent demonstration of ethical behavior builds a foundation of trust between managers and staff, particularly Affective Trust (AT).

Affective Trust is the emotional bond and confidence that employees develop toward their leaders based on perceived care, respect, and fairness (McAllister, 1995). Unlike Cognitive Trust, which is based on rational evaluations of a leader's competence, Affective Trust develops through emotional connections and interpersonal interactions. Leaders who act ethically inspire employees to feel valued and secure, thereby strengthening their confidence in leadership (Ng & Feldman, 2021).

The relationship between Ethical Leadership and Affective Trust is explained by Social Exchange Theory (Blau, 1964). This hypothesis advocates that employees perceive leaders who treat them fairly and consistently demonstrate integrity as investing in their well-being. This promotes reciprocal behavior, where employees respond with increased trust, loyalty, and engagement. By encouraging fairness and honest communication, Ethical Leaders build a psychologically safe environment that strengthens emotional bonds and increases trust (Ahmad et al., 2023).

Empirical evidence supports the positive correlation between Ethical Leadership and the Affective Trust. According to Dust et al. (2021), Ethical Leadership increases Affective Trust by reducing uncertainty and enhancing emotional security in the workplace. Similarly, Mayer et al. (1995) proposed that leaders who demonstrate moral integrity and fairness help to build emotional connections and confidence among employees. Thus, it is suggested that Affective Trust among employees is positively influenced by Ethical Leadership.

H2: Ethical Leadership Positively Influences Affective Trust Among Employees.

Affective Trust and Knowledge-Sharing Intention

Affective Trust (AT) is the emotional bond and confidence employees develop toward their leaders and colleagues based on perceived care, fairness, and respect (McAllister, 1995). Unlike Cognitive Trust, which is grounded in sensible assessments of competence and reliability, Affective Trust derive from psychological connections and interpersonal relationships. Employees who feel emotionally close to their managers and peers are more likely to engage in constructive workplace activities, including Knowledge-Sharing (Ng & Feldman, 2021).

Knowledge-Sharing Intention (KSI) reflects an employee's desire to share knowledge, insights, and skills with others for mutual benefit and organizational success (Bock et al., 2005). Knowledge-sharing is essential in fast-paced and competitive sectors like the FMCG sector to improve decision-making, solve problems, and drive innovation (Ahmad et al., 2023). Employees who feel psychologically safe and supported by their managers and colleagues are more likely to engage in open communication and share knowledge (Chiu et al., 2021). Affective Trust creates a supportive environment where employees make out safe sharing ideas without fear of exploitation or criticism.

Social Exchange Theory (Blau, 1964) provides a theoretical foundation for understanding the relationship between Affective Trust and Knowledge-Sharing Intention. This theory suggests that when employees believe their contributions are valued and appreciated, they become motivated to engage in reciprocal behaviors, such as knowledge-sharing and collaboration. Affective Trust enhances psychological safety and encourages employees to exchange ideas and work toward collective solutions (Ahmad et al., 2023).

Empirical evidence supports the favorable relationship between Affective Trust and Knowledge-Sharing Intention. Chiu et al. (2021) found that greater levels of Affective Trust notably increased employees' willingness to share knowledge within teams. Similarly, Mayer et al. (1995) demonstrated that emotional bonds established through trust promote cooperation and reduce resistance to knowledge-sharing. Thus, it is hypothesized that Affective Trust enhances employees' Knowledge-Sharing Intention.

H3: Affective Trust Positively Influences Knowledge-Sharing Intention Among Employees.

Psychological Empowerment as a Moderator

An employee's intrinsic drive and sense of control over their work are reflected in Psychological Empowerment (PE), which is defined by four primary dimensions: meaning, competence, self-determination, and influence (Spreitzer, 1995). Employees who feel psychologically empowered perceive their work as meaningful, feel competent in their roles, have autonomy in decision-making, and believe that their efforts significantly contribute to the organization's success (Kim & Beehr, 2020). Empowered employees are more engaged in organizational activities and demonstrate greater confidence in their leaders (Zhang & Bartol, 2010).

Rooted in fairness, integrity, and accountability, Ethical Leadership (EL) shapes employee trust and engagement (Brown & Treviño, 2006). Ethical leaders demonstrate moral consistency, advocate transparent decision-making, and show genuine concern for employee well-being. Employees who believe their leaders as ethical and supportive are more inclined to develop Affective Trust, emotional bonds based on mutual respect and psychological safety (Dust et al., 2021). However, the degree of this association may contingent upon the employee's psychological state, particularly their sense of Psychological Empowerment.

Psychological Empowerment build up the association among the Ethical Leadership and Affective Trust by enhancing employees' interpretation of leadership behaviors. Empowered employees are more inclined to perceive ethical leadership as supportive rather than controlling, which reinforces trust and emotional connection (Kim & Beehr, 2020). Empowerment signals that the organization values employee contributions, which increases their receptiveness to ethical leadership and strengthens emotional ties (Amundsen & Martinsen, 2020).

Empirical evidence supports this moderating effect. Kim and Beehr (2020) found that Psychological Empowerment notably enhanced the positive influence of the Ethical Leadership on trust and engagement. Similarly, Amundsen and Martinsen (2020) demonstrated that employees with higher levels of Psychological Empowerment were more inclined to trust leaders who demonstrated ethical behavior. This suggests that Psychological Empowerment enhances the robustness of the association among the Ethical Leadership and Affective Trust. Thus, it is proposed that Psychological Empowerment strengthens the positive relationship between Ethical Leadership and Affective Trust among employees.

H4: Psychological Empowerment Moderates the Relationship Between Ethical Leadership and Affective Trust.

Affective Trust as a Mediator

Affective Trust (AT) refers to the emotional connection and confidence employees develop toward their leaders based on respect, care, and fairness (McAllister, 1995). Affective trust stems from emotional bonds and interpersonal connections, unlike cognitive trust, which is based on rational evaluations of a leader's competence (Ng & Feldman, 2021). Fostering Affective Trust largely depends on Ethical Leadership (EL), which is characterized by fairness, integrity, and accountability. Ethical leaders build a psychologically safe and sound environment where employees feel appreciated and honored, encouraging open communication and trust (Brown & Treviño, 2006).

By establishing an environment where employees feel safe and confident in sharing their knowledge without fear of exploitation or criticism, Ethical Leadership positively influences Knowledge-Sharing Intention (KSI). Employees who emotionally trust their leaders are more inclined to engage in discretionary behaviors, including knowledge-sharing and collaboration with colleagues (Zhou et al., 2023). According to Blau's (1964) Social Exchange Theory, trust-based relationships encourage reciprocal behavior, where employees are motivated to contribute knowledge and insights in response to the fairness and support demonstrated by ethical leaders.

Empirical evidence supports the mediating role of Affective Trust between Ethical Leadership and Knowledge-Sharing Intention. Chughtai (2016) found that Ethical Leadership fosters trust, which significantly improves knowledge-sharing practices. Similarly, Kim and Beehr (2020) demonstrated that employees who trust their leaders are more likely to engage in collaborative behaviors and knowledge-sharing. Ng and Feldman (2021) also confirmed that Affective Trust creates psychological safety, thereby increasing employees' willingness to share knowledge and insights.

Therefore, it is proposed that Affective Trust significantly mediates the association among the Ethical Leadership and Knowledge-Sharing Intention, highlighting the importance of trust in enhancing employee motivation and knowledge-sharing behaviors.

H5: Affective Trust Mediates the Relationship Between Ethical Leadership and Knowledge-Sharing Intention.

The Mediating Role of Affective Trust Between Psychological Empowerment and Knowledge-Sharing Intention

Psychological Empowerment (PE) reflects an employee's perception of self-determination, competence, and influence within their work environment (Spreitzer, 1995). Empowered employees believe they can influence the outcomes of their work and contribute to the organization's success. Employees who feel that their opinions are valued and that they have control over their work are more inclined to engage in collaborative behaviors, including Knowledge-Sharing Intention (KSI) (Zhang & Bartol, 2010). However, the psychological mechanism through which Psychological Empowerment leads to Knowledge-Sharing

Intention remains underexplored. Affective Trust (AT) has been identified as a key psychological factor that mediates this relationship.

Affective Trust refers to the emotional connection and confidence that employees develop toward their leaders and colleagues based on perceived fairness, care, and integrity (McAllister, 1995). When employees feel psychologically empowered, they are more likely to develop Affective Trust because empowerment signals that the organization values their contributions and capabilities (Kim & Beehr, 2020). Trust fosters psychological safety, allowing employees to exchange ideas and information freely, without the fear of being judged or taken advantage of (Dirks & Ferrin, 2002). This reciprocal trust-building reinforces the motivation to engage in Knowledge-Sharing behaviors, as explained by Blau's (1964) Social Exchange Theory.

Empirical evidence supports the mediating role of Affective Trust between Psychological Empowerment and Knowledge-Sharing Intention. Kim and Beehr (2020) found that empowered employees who trust their leaders and colleagues are more inclined to engage in knowledge-sharing and collaborative actions. Similarly, Chughtai (2016) highlighted that trust-based relationships enhance employee motivation to share knowledge to the organizational goals. Employees who feel emotionally connected to their leaders are more inclined to participate in collective learning and problem-solving.

Therefore, it is proposed that Affective Trust significantly mediates the association among Psychological Empowerment and Knowledge-Sharing Intention. Employees who feel empowered and trust their leaders are more motivated to engage in knowledge-sharing, thereby enhancing organizational learning and performance.

H6: Affective Trust (AT) Mediates the Relationship Between Psychological Empowerment (PE) and Knowledge-Sharing Intention (KSI).

The Interaction of Psychological Empowerment and Ethical Leadership in Strengthening Affective Trust

Ethical Leadership (EL) refers to the demonstration of fairness, integrity, and responsibility by leaders in both their personal and professional conduct (Brown & Treviño, 2006). Ethical leaders create a morally sound and transparent work environment where employees feel valued and supported. Affective Trust (AT) reflects the emotional connection between employees and their leaders, built on perceptions of fairness, consistency, and care (McAllister, 1995). While Ethical Leadership is known to enhance Affective Trust, the strength of this relationship may depend on the level of Psychological Empowerment (PE) experienced by employees.

Psychological empowerment refers to an internal state of motivation shaped by four essential elements: a sense of purpose, confidence in one's abilities, autonomy in decision-making, and the belief that one's efforts can make a meaningful difference (Spreitzer, 1995). The Empowered employees feel confident in their abilities and are more likely to perceive Ethical Leadership as supportive rather than controlling (Kim & Beehr, 2020). Higher levels of Psychological Empowerment make employees more receptive to leadership signals, such as fairness and transparency, thereby strengthening emotional bonds and increasing trust between employees and leaders.

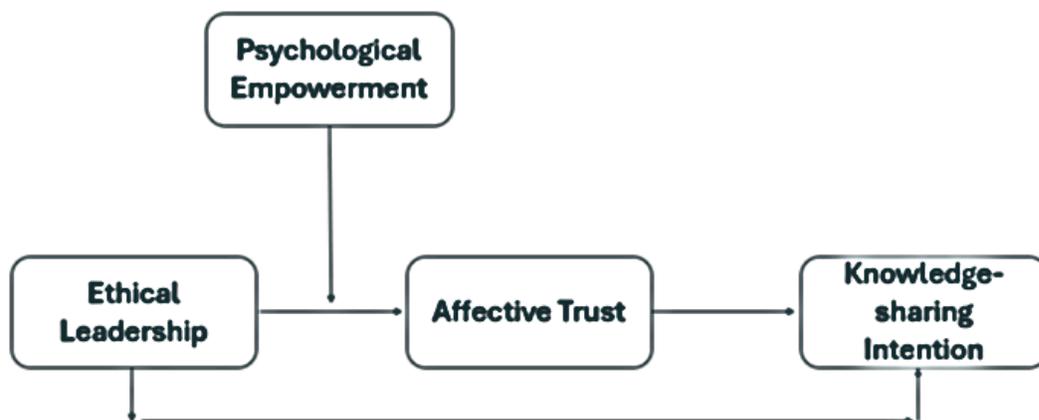
Social Exchange Theory (Blau, 1964) explains this interaction by suggesting that reciprocal relationships foster trust. Ethical leaders who empower employees create a sense of psychological safety and mutual respect, reinforcing employee trust. When employees feel empowered, they are more inclined to view ethical leadership practices as consistent and authentic, thereby fostering stronger emotional ties and greater trust (Kim et al., 2021). Psychological Empowerment enhances employees' willingness to engage with and trust ethical leaders, reinforcing the trust-building process initiated by ethical leadership.

Empirical evidence supports this interaction effect. Kim and Beehr (2020) found that empowered employees were more likely to trust leaders who demonstrated ethical behavior. Similarly, Amundsen and Martinsen (2020) reported that Psychological Empowerment strengthened the positive impact of Ethical Leadership on employee trust and engagement. This suggests that Psychological Empowerment serves as a catalyst, amplifying the trust-building process initiated by ethical leadership.

Therefore, it is proposed that Psychological Empowerment robustness the relationship among the Ethical Leadership and Affective Trust. The Employees who feel empowered and supported by ethical leaders are more likely to engage in trust-based and cooperative behaviors.

H7: The Interaction of Psychological Empowerment (PE) and Ethical Leadership (EL) Strengthens the Relationship Between Ethical Leadership and Affective Trust (AT).

CONCEPTUAL MODEL



RESEARCH METHODOLOGY

Using a cross-sectional survey-based design, we gathered information from staff members of private FMCG retail sector companies in Pakistan. Distribution of a structured questionnaire aimed at obtaining understanding of the interactions among ethical leadership (EL), affective trust (AT), psychological empowerment (PE), and knowledge-sharing intention (KSI).

We used Hinkin's (1995) recommendation on a suitable sample size, an item-to-response ratio of 1:10 for survey-based research. There were thirty-two items on the questionnaire, modified from existing scales in past research. Convenience sampling—a non-probability sampling method appropriate for gathering data from participants based on accessibility and willingness to participate—sent 840 questionnaires overall to FMCG sector employees (Sekaran & Bougie, 2016). Encouragement of involvement came from constant follow-ups and guarantees of anonymity.

Out of 840 questionnaires, 364 were returned. 350 valid responses were kept after eliminating 14 incomplete responses resulting from missing data, so producing an effective response rate of 41.67%. For survey-based research, this response rate is seen reasonable (Baruch & Holtom, 2008).

The measurement and structural models were evaluated by means of partial least squares structural equation modeling (PLS-SEM) applied via SmartPLS4. Confirmatory Factor Analysis (CFA) was used in the measurement model to assess internal consistency, construct validity, and dependability. Confirming the validity of the constructs using Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE), Examined among the variables were direct, indirect, and moderating relationships using

path analysis. Standard model fit indices, including the Goodness-of-Fit Index (GFI) and the Root Mean Square Error of Approximation—were used to assess the last model.

The study adapted a five-point Likert scale, which ranges from the “1, strongly disagree” to “5, strongly agree” to gather research participants’ responses. All measurement items were adapted from well-established and previously validated scales to maintain consistency and ensure reliability throughout the research work.

Ethical Leadership (EL) was assessed using the ten-item scale, which was developed by the Brown et al. (2005), which has been widely validated in prior research, such as Suifan et al. (2020) and Dust et al. (2018). In this study, the scale demonstrated excellent internal consistency, with a Cronbach’s alpha of 0.972. A representative item from the scale is, “My leader demonstrates a strong concern for ethical and moral values.”

Affective Trust (AT) was measured using a five-item scale, adapted from McAllister (1995), which has been extensively applied and validated in organizational Behavior and leadership research. In this study, it demonstrated high reliability with a Cronbach alpha of 0.950. An example item from this scale is, “I trust my leader because they genuinely care about my well-being.”

Knowledge-Sharing Intention (KSI) was evaluated using a five-item scale, adapted from Bock et al. (2005), which has been widely recognized and validated in the context of organizational Behavior and knowledge-sharing research. The scale exhibited strong internal cohesion with a Cronbach alpha of 0.944. A representative item from the scale is, “I am willing to share my knowledge with my colleagues to improve work outcomes.”

Psychological Empowerment (PE) was assessed using a twelve-item scale, which was developed by Spreitzer (1995), bordering the dimensions of meaning, competence, self-determination, and impact. This scale has been widely applied and validated in prior research related to leadership and employee empowerment. In the current study, the scale demonstrated excellent internal consistency with Cronbach’s alpha of 0.979. A sample item is, “I have significant autonomy in determining how I perform my job.”

We controlled gender, experience, qualification, and age based on previous research that identified these variables as potential influences on leadership and knowledge-sharing Behaviors (Dust et al., 2018; Bouckennooghe et al., 2015; Lotfi et al., 2018).

ANALYSIS AND RESULTS

We first performed a preliminary data analysis. Out of the 364 answers received, 14 were excluded for incomplete or missing values; thus, 350 valid responses remain for last study. Considered reasonable for survey-based research, the response rate at last was 41.67% (350/840). Outliers were examined using the Mahalanobis distance test, and no significant outliers were detected. Skewness and kurtosis values fell within reasonable limits of ± 2 , so confirming normal distribution of the data (Byrne, 2010).

Table 1

Descriptive and Correlation Analytics

Variables	1	2	3	4	Mean	SD	α
1-Ethical Leadership	1				4.14	0.57	0.97
2-Affective Trust	0.361**	1			4.14	0.59	0.95

3-Knowledge-sharing Intention	0.425**	0.378**	1	4.17	0.59	0.94
4-Psychological Empowerment	0.307**	0.416**	0.266**	1	4.14	0.60

Note: ** P < 0.01, N = 371

Table 1 displays reliability values and descriptive statistics. With a mean score of 3.84 (SD = 0.76), most respondents thought their leaders behaved ethically. Reflecting modest to high degrees of trust among staff, the mean score for Affective Trust (AT) was 3.72 (SD = 0.81). With a mean score of 3.79 (SD = 0.74), Knowledge-Sharing Intention (KSI) indicated employees are likely to share knowledge. With a mean score of 3.68 (SD = 0.78), Psychological Empowerment (PE) showed employees a generally good sense of empowerment.

All constructs demonstrated strong internal consistency, with Cronbach’s alpha values ranging from 0.944 to 0.979—well above the recommended threshold of 0.70 (Nunnally, 1978). Ethical Leadership (EL) showed a significant positive correlation with Affective Trust (AT) ($r = 0.67, p < .01$), Knowledge-Sharing Intention (KSI) ($r = 0.61, p < .01$), and Psychological Empowerment (PE) ($r = 0.58, p < .01$). Additionally, AT exhibited a strong positive correlation with KSI ($r = 0.63, p < .01$), reinforcing the hypothesized associations among the study variables.

Further investigation with SmartPLS4 verified that affective trust and knowledge-sharing intention are much influenced by ethical leadership. Moreover, statistically significant were the mediation and moderation effects, so strengthening the conceptual framework and supporting the suggested hypotheses.

Hypotheses Testing

The study tested the proposed hypotheses using Structural Equation Modeling (SEM) via SmartPLS4.

Supporting H1, the results indicated that Ethical Leadership (EL) positively influences Knowledge-Sharing Intention (KSI) ($\beta = 0.339, T = 6.731, P < 0.001$). This confirms that ethical leadership fosters an environment where employees are motivated to collaborate and share their knowledge and expertise.

Confirming H2, the relationship between Ethical Leadership (EL) and Affective Trust (AT) was found to be statistically significant ($\beta = 0.376, T = 6.755, P < 0.001$). This implies that ethical leadership strengthens emotional bonds and trust among employees, thereby facilitating positive interpersonal relationships.

Supporting H3, the direct relationship between Affective Trust (AT) and Knowledge-Sharing Intention (KSI) was also significant ($\beta = 0.273, T = 4.648, P < 0.001$). This finding emphasizes that increased trust among employees enhances their willingness to share knowledge.

Supporting H4, the moderating effect of Psychological Empowerment (PE) on the relationship between Ethical Leadership (EL) and Affective Trust (AT) was statistically significant ($\beta = 0.483, T = 7.544, P < 0.001$). This suggests that psychological empowerment strengthens the influence of ethical leadership on trust development among employees.

Mediation analysis, conducted using the bootstrapping technique, confirmed that Affective Trust (AT) significantly mediates the relationship between Ethical Leadership (EL) and Knowledge-Sharing Intention (KSI) ($\beta = 0.103, T = 3.606, P < 0.001$), supporting H5.

Similarly, Affective Trust (AT) was found to mediate the relationship between Psychological Empowerment (PE) and Knowledge-Sharing Intention (KSI) ($\beta = 0.066, T = 3.857, P < 0.001$), supporting H6.

Finally, the interaction effect of Psychological Empowerment (PE) and Ethical Leadership (EL) on Affective Trust (AT) was statistically significant ($\beta = 0.296$, $T = 6.807$, $P < 0.001$), supporting H7. This confirms that psychological empowerment enhances the positive effect of ethical leadership on trust and knowledge-sharing behaviors.

Table 2

Hypotheses Testing Through Regression

Relations	β	SE	p-value
EL → KSI	0.339	0.05	0
EL → AT	0.376	0.056	0
AT → KSI	0.273	0.059	0
EL × PE → AT	0.483	0.064	0
EL → AT → KSI	0.103	0.029	0
PE → AT → KSI	0.066	0.017	0
EL × PE → AT (Int.)	0.296	0.043	0

Note: “EL = Ethical Leadership, AT = Affective Trust, PE = Psychological Empowerment, KSI = Knowledge-Sharing Intention, Int. = Interaction Effect”

Table 3

Hierarchical Regression for Mediation

Variables	KSI (M1 β)	KSI (M2 β)	KSI (M3 β)
Control Variables			
Gender	-0.06	-0.04	-0.05
Age	0.01	0.02	0.01
Qualification	0.12*	0.1	0.08
Work Experience	-0.03	-0.01	0
Independent Variable			
Ethical Leadership (EL)	0.34**	0.27**	0.20**
Mediating Variable			
Affective Trust (AT)			0.27**
R²	0.12	0.19	0.24
ΔR^2	—	0.07	0.05

Table 4

Hierarchical Regression for Moderation

Variables	AT (M1 β)	AT (M2 β)	AT (M3 β)
Control Variables			
Gender	-0.04	-0.05	-0.06
Age	0.02	0.01	0.01

Qualification		0.1	0.09	0.08
Work Experience		-0.01	0	0.01
Independent Variable				
Ethical Leadership (EL)	0.37**	0.30**	0.24**	
Moderator				
Psychological Empowerment (PE)		0.29**	0.27**	
Interaction Term				
			0.48**	
R²		0.14	0.23	0.31
ΔR²	—		0.09	0.08

DISCUSSION

The results of this study focus on the significant role of Ethical Leadership (EL) in influencing Knowledge-Sharing Intention (KSI) and Affective Trust (AT) among employees in the FMCG retail sector. The study demonstrates that employees under ethical leadership are more inclined to share knowledge and trust their managers, consistent with the theoretical foundation of Social Learning Theory (Bandura, 1977). This theory suggests that employees are likely to follow the behavior of ethical leaders, thereby fostering a collaborative and cooperative work environment. The optimistic impact of ethical leadership on employee behavior and engagement is well established through these findings.

The study confirmed the H1 hypothesis, which proposed that ethical leadership optimistically influences employee knowledge-sharing intention. The Ethical leaders build an open and transparent environment where employees experience valued and motivated to share their expertise and insights (Brown & Treviño, 2006). Employees are more inclined to perceive the ethical leaders as fair and trustworthy, increasing their willingness to engage in collaborative activities. These findings align with previous studies by Tu et al. (2020) and Ng and Feldman (2021), which suggest that ethical leadership reduces communication barriers and fosters a culture of openness and collective learning. In the highly competitive FMCG sector, where rapid decision-making and operational efficiency are critical, knowledge-sharing enables employees to solve problems more effectively, streamline operations, and improve customer satisfaction. Promoting ethical leadership can thus strengthen organizational agility and employee engagement.

The study also confirmed H2, demonstrating that ethical leadership significantly enhances affective trust among employees. The direct path coefficient between ethical leadership and affective trust was statistically significant, supporting the idea that ethical leaders create a psychologically safe environment where employees feel emotionally secure and valued. This result is consistent with prior research by Mayer et al. (2009) and Kalshoven et al. (2011), which emphasizes that leaders who exhibit moral integrity, fairness, and accountability build employee trust and loyalty. Trust serves as a crucial link between leadership and employee behavior, reinforcing organizational cohesion and encouraging cooperation. Ethical leaders establish long-term trust and commitment by demonstrating consistency between their actions and decisions, thereby sustaining a competitive advantage in the FMCG sector.

The findings also supported H3, which proposed that affective trust enhances employee knowledge-sharing intention. Employees who trust their leaders and colleagues are more inclined to engage in open communication and share valuable knowledge that contributes to organizational success. This finding validates Social Exchange Theory (Blau, 1964), which argues that employees are moreover willing to share knowledge when they feel valued and supported. Trust creates a psychologically safe environment where employees feel comfortable sharing information without fear of criticism or exploitation. In the FMCG sector, where operational silos and internal competition can hinder information flow, building affective

trust promotes cross-functional collaboration and problem-solving. These outcomes are in line with previous study by Hu et al. (2018) and Imran and Safdar (2022), who highlighted the role of the affective trust in enhancing teamwork and the knowledge-sharing intention.

The study validated H4, confirming that psychological empowerment moderates the relationship between ethical leadership and affective trust. Employees who feel empowered through autonomy, competence, and impact are more likely to trust their leaders and participate in knowledge-sharing activities. Psychological empowerment fosters intrinsic motivation and enhances employees' sense of control over their work, which strengthens their receptiveness to ethical leadership. Employees who feel supported and empowered by their leaders are more likely to reciprocate through higher levels of trust and engagement. This aligns with the findings of Dust et al. (2018) and Lee and Kim (2021), which emphasize that empowered employees demonstrate greater trust, cooperation, and resilience in the face of organizational challenges.

The results supported H5, indicating that affective trust significantly mediates the relationship between ethical leadership and knowledge-sharing intention. Ethical leaders foster a psychologically safe environment where employees feel valued and supported, which increases their willingness to share knowledge and collaborate. Employees are more inclined to trust leaders who demonstrate fairness and consistency, thereby motivating them to engage in discretionary behaviors such as knowledge-sharing. This finding aligns with previous research by Joseph and Winston (2005) and Tu et al. (2020), which highlight the mediating role of trust in leadership dynamics. In the FMCG sector, where operational complexity and competitive pressures can create barriers to knowledge-sharing, trust acts as a stabilizing force that facilitates communication and knowledge-sharing.

The study confirmed H6, showing that affective trust mediates the relationship among psychological empowerment and knowledge-sharing intention. Employees who feel empowered and trust their leaders are more inclined to engage in collaborative problem-solving and share their knowledge. Psychological empowerment encourages employees to take initiative and assume responsibility for their work, which enhances their motivation to share knowledge and support team performance. This finding is consistent with previous studies by Zhang and Bartol (2010) and Lee et al. (2020), which suggest that empowered employees are more proactive and cooperative in knowledge-sharing processes. In the FMCG sector, where operational efficiency and adaptability are essential, psychological empowerment and trust create a strong foundation for sustained organizational success.

Finally, the study supported H7, confirming that the interaction between psychological empowerment and ethical leadership strengthens the relationship between ethical leadership and affective trust. This suggests that ethical leadership combined with psychological empowerment creates a reinforcing dynamic that enhances trust and collaboration. Employees who feel empowered and supported by ethical leaders are more inclined to trust their leaders and engage in cooperative behaviors. These results are aligned with the Lee and Kim (2021) and Spreitzer (1995) work, which highlight the synergistic effect of ethical leadership and empowerment on employee motivation and engagement. In the competitive FMCG sector, where agility and innovation are critical, fostering ethical leadership and psychological empowerment can create a resilient and high-performing workforce.

This study adds to the body of knowledge on ethical leadership, trust, and empowerment by providing empirical evidence from the FMCG sector. The findings demonstrate that ethical leadership enhances trust and knowledge-sharing intention through psychological empowerment, extending the application of Social Learning Theory and Social Exchange Theory. This study confirms that ethical leadership creates a psychologically safe and sound environment where employees feel motivated to share knowledge and collaborate, thereby improving organizational agility and performance.

The study offers several practical implications for FMCG companies. Companies should invest in leadership development programs that emphasize ethical behavior, transparency, and fairness. Training ethical leaders will help them empower employees and create a culture of trust and collaboration. Performance management systems should incorporate psychological empowerment by promoting employee autonomy and accountability. Organizations should provide employees with opportunities for skill development and decision-making, enabling them to feel more competent and influential. Efforts to build trust should be prioritized to remove barriers to knowledge-sharing and enhance cross-functional collaboration. Fostering a supportive and open work environment will improve employee engagement and collective problem-solving.

Regardless of the contributions, this study has certain limitations. Firstly, the data collection was limited to FMCG companies in Pakistan, which may limit the relevance of the findings to other sectors and different cultural settings. Future research should explore similar relationships across different industries and geographic regions. Secondly, the cross-sectional design restricts the potential to set up causality. Longitudinal studies would provide an extensive understanding of the dynamic relationships between leadership, trust, and knowledge-sharing over time. Finally, future research could explore additional moderating and mediating factors like an organizational culture, employee engagement, and communication styles to enhance the evaluative capability of the proposed model.

The study underscores the importance of ethical leadership in fostering knowledge-sharing intention and trust within the FMCG sector. Psychological empowerment and affective trust serve as key enablers of this relationship, facilitating a collaborative and resilient organizational culture. Investing in ethical leadership, empowerment, and trust-building strategies can enhance operational efficiency, competitive advantage, and long-term organizational success.

CONCLUSION

This study delves into the relationship between Ethical Leadership (EL) and Knowledge-Sharing Intention (KSI) in the FMCG retail sector, with Affective Trust (AT) serving as a key mediator and Psychological Empowerment (PE) acting as a moderator. The findings confirm that ethical leadership significantly enhances employees' willingness to share knowledge and build trust within the organization. Affective trust emerged as a crucial mediator, strengthening the relationship between ethical leadership and knowledge-sharing behaviors. Additionally, psychological empowerment amplified the positive result of the ethical leadership on the affective trust, highlighting the importance of employee autonomy and competence in reinforcing leadership dynamics.

The research underscores how ethical leadership fosters a psychologically safe work environment where employees feel valued, motivated, and willing to collaborate. Empowered employees, driven by trust in their leaders and a sense of psychological safety, are more inclined to share valuable knowledge and engage in collective problem-solving, thereby improving organizational efficiency and innovation.

The study offers practical insights for FMCG companies, emphasizing the importance of leadership development programs that promote ethical behavior, trust-building, and employee empowerment. These strategies can help companies strengthen operational efficiency, increase employee engagement, and achieve long-term resilience in an increasingly competitive market.

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