



**EXPLORING THE IMPACT OF ETHICAL LEADERSHIP, WORKPLACE FUN,
AND WORK-LIFE BALANCE ON EMPLOYEE PERFORMANCE IN THE
SERVICE SECTOR**

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Abstract

Employee performance is a critical determinant of effectiveness and sustainability within service organizations, particularly in dynamic economies such as Pakistan. This study, focusing on the professional services sector, investigates how ethical leadership, workplace fun, and work-life balance influence employee performance. Drawing from social learning theory and conservation of resources theory, the research examines how workplace culture, individual well-being, and leadership behavior interact to shape employee outcomes. Employing a quantitative research design, data were collected through structured questionnaires administered to 169 employees from a leading audit firm in Pakistan. The findings reveal that while ethical leadership positively affects performance, workplace fun and work-life balance have stronger effects, with work-life balance being the most influential. These results highlight the value of an employee-centered approach that goes beyond psychological and emotional resource perspectives. This study contributes valuable insights to the expanding literature on organizational behavior in developing economies.

Keywords: Service Sector, Ethical Leadership, Work Life Balance, Workplace Fun, Employee Performance

1. Introduction

Services have emerged as the largest and fastest-growing economic sector, representing a dominant share of total production and workforce distribution in developed economies. Globally, services account for 47 percent of gross domestic product in low-income countries, 53 percent in middle-income countries, and 73 percent in high-income countries (Wing, 2024). Across international borders, the expansion of the services sector increases market share for providers, strengthens export capacity, and reduces service delivery costs through foreign investment. Continued growth in this sector underscores the increasing importance of knowledge-based and skills-driven operations. Rising consumption and business demand are driven by service-related activities within manufacturing organizations and the advancement of information technology operations (Khan & Wali, 2020; Ahmad et al., 2024).

In Pakistan, the service sector's contribution has consistently increased across all segments of the economy. The growth rate of the services sector surpasses that of agriculture and industry, with its share in gross domestic product now exceeding 57 percent, while employment figures show that it engages slightly more than one-third of the national workforce (Wing, 2024). The service sector in Pakistan is deeply interconnected with agriculture and industry, supplying critical resources to both. This paper examines the significance of the services sector in the broader economy and specifically explores its role within Pakistan.

Despite ongoing expansion, service companies continue to face challenges such as inconsistent performance, job dissatisfaction, and elevated employee turnover (Jabeen and Khan, 2021).



Previous research has highlighted the influence of leadership style on employee behavior and performance, particularly in people-oriented sectors like services (Zulqarnain and Ali, 2023). Of the various leadership models, ethical leadership has garnered the most attention for its capacity to shape employee behaviors and organizational outcomes.

Workplace fun has also become a prominent organizational factor that determines employee performance outcomes. Positive workplace experiences minimize stress, foster collaboration, and stimulate creativity. Research indicates that employees are more likely to achieve high performance and engagement when ethical leaders embed workplace fun into organizational culture (Müceldili and Erdil, 2016; Marc & Ali, 2017; Hasan & Sadat, 2023; Xiong, 2024; Ramos, 2025). These insights are especially valuable for Pakistani service organizations seeking to transform their human resources strategies to cultivate productive and mentally healthy work environments (Lamm and Meeks, 2009).

Following the global pandemic, work-life balance has emerged as a critical priority, with employees increasingly recognizing its significance. According to Haar et al. (2014), a healthy integration of work and personal life is necessary to avoid burnout, enhance job satisfaction, and achieve consistent performance. Employees in Pakistan's service sector often work extended hours under intense customer service demands, creating stressful conditions that can erode efficiency (Shujat et al., 2019). Ethical leadership plays an essential role in supporting work-life balance policies and behaviors that improve employee outcomes.

Ethical leadership upholds the principles of justice, honesty, and transparent communication within organizations. By modeling ethical behavior, leaders foster trust and commitment among employees (Taamneh et al., 2024; Rozan & Poulin, 2025). In the Pakistani service industry, ethical leadership is essential for establishing accountable workplaces that drive higher performance. Employees perform better and remain committed when their values align with organizational goals through the example set by ethical leaders (Ismail & Ali, 2020; Islam et al., 2023; Quader, 2024). While this relationship has been widely studied in various sectors globally, there is limited research on its application within the Pakistani service sector.

This study, therefore, investigates the combined influence of ethical leadership, workplace fun, and work-life balance strategies on employee performance within Pakistan's service industry. It provides evidence-based guidance for managers and human resource professionals to develop organizational cultures that are both effective and ethically sound. The research is highly relevant for Pakistani service organizations aiming to enhance employee engagement, productivity, and retention through improved management approaches. As employee performance is directly linked to business expansion and competitive advantage, organizations must identify and leverage key performance drivers. This research examines how leadership culture and employee well-being interact in Pakistan's service sector, building on the foundation of existing scholarship. The primary research is going to answer this question. What impact do ethical leadership, workplace fun, and work-life balance initiatives have on employee performance in the service industry?

2. Literature Review

In the modern context, performance and productivity have become central considerations across all spheres of organizational life. Employee performance stands as a crucial driver of organizational achievement, making the enhancement and optimization of both individual and collective outcomes among the most essential activities for any organization (Akhtar, 2025). Human resources are regarded as the cornerstone of organizations and represent the source of



all internal innovation and transformation. To sustain growth and thrive, organizations must continuously improve their performance (Akhtar and Asif, 2017). The perceptions and contributions of employees are especially significant, as employee performance is closely tied to the attainment of organizational objectives. Substandard employee performance can place the organization at risk (Gazi et al., 2024). Numerous variables influence how well organizational duties are executed in line with established criteria, thereby increasing the likelihood of goal achievement. Achieving optimal performance requires multiple conditions: competent and respected leadership, clear and understandable objectives, adequate resources and tools, and an enabling organizational environment (Kavussanu and Ring, 2016).

Interest in employee performance has driven a substantial body of scholarly research (Miah, 2018; Yinusa & Ogoun, 2024). Many factors shape how employees execute their roles, with leadership attitude and style having a particularly profound impact on organizational effectiveness. Employee performance improves under effective leadership because employees view their leaders as role models, value their strong personalities, and form trusting relationships. According to Reid and Ramarajan (2016), leadership styles must adapt to the needs of specific projects and procedures. Contemporary research demonstrates that leadership is a critical determinant of organizational success (Burton et al., 2017; Modupe, 2021; Adam, 2022). Many organizations now use ethical leadership to inspire and improve workforce performance. This paper examines how work-life balance, workplace fun, and ethical leadership collectively influence employee performance.

Ethical leadership is increasingly recognized as an influential factor in motivating and guiding human resources (Burton et al., 2017; Arshad et al., 2025). Kalshoven et al. (2011) defined ethical leadership as the ability of leaders to influence individuals and groups to achieve organizational goals in a socially responsible manner. This concept encompasses several dimensions, such as delegating authority, fairness, honesty, ethical guidance, clear role expectations, empathy, and social and environmental responsibility. Trevino et al. (2003) emphasized ethical leadership's connection to moral conduct, which includes reliability, sincerity, fairness, thoughtful decision-making, openness, and genuine concern for others. Ethical leaders manage with strong values, transparent communication, and recognition mechanisms, setting a moral example for followers through both behavior and character. Beyond personal conduct, ethical leaders shape organizational standards by modeling appropriate behavior, offering ethical guidance, and applying discipline as needed (Brown et al., 2005; Karim et al., 2025).

There is a well-established link between employee performance and ethical leadership, which can be explained through Social Learning Theory and Conservation of Resources Theory. Leaders who consistently demonstrate ethical behavior serve as role models, influencing followers to adopt similar attitudes and actions (Peiffer et al., 2018; Marc, 2025). Bedi et al. (2016) confirmed that leaders can foster ethical conduct within teams by acting as exemplary figures. Conservation of Resources Theory posits that ethical leadership enhances employee performance by providing a source of psychological satisfaction, enabling employees to conserve personal resources such as self-esteem and confidence (Mahmood, 2019; Cabrita and Duarte, 2023). Hobfoll (1989) asserted that individuals possess limited resources that must be managed effectively to achieve goals. Ethical leadership strengthens psychological resources, such as self-control and optimism, by reducing stress and facilitating social support (Hassan et al., 2022; Raja & Iqbal, 2019). Employees who feel supported by ethical leadership demonstrate improved performance outcomes. The dual application of Social Learning Theory



and Conservation of Resources Theory provides a comprehensive explanation of ethical leadership's impact on employee work outcomes, highlighting both the importance of role modeling and stress reduction (Bedradina and Nezdoyminov, 2019; Mehmood et al., 2022). Organizations that prioritize ethical leadership foster work environments conducive to employee well-being and high performance.

Within organizational behavior and management literature, employee performance is a fundamental outcome variable. Social Learning Theory demonstrates that individuals learn by observing and imitating others' behavior (Salas et al., 2020). In workplace settings, employees learn from both senior leaders and peers. Empirical research reveals that ethical leadership and a culture of workplace enjoyment have a direct, positive impact on employee performance. Wu and Parker (2017) found that ethical leadership is associated with improved task performance and organizational citizenship behaviors. Walumbwa et al. (2011) further described ethical leadership as cultivating a workplace culture grounded in moral values and service orientation. It is recognized as a unique leadership approach with distinct ethical behaviors (Brown et al., 2005; Hoogh and Hartog, 2008). Some scholars propose that ethical leadership is a moral characteristic developed through continuous learning and practice (Wang et al., 2015; Shin et al., 2015; Zhu et al., 2019). Consequently, greater employee engagement and involvement—fostered by ethical leadership—are likely to boost performance. Research shows that ethical leadership strengthens employees' sense of commitment, motivation, and drive, all of which positively affect organizational outcomes (Shin et al., 2015). Ethical leadership thus produces welcoming and highly motivated work environments.

While the positive influence of ethical leadership on employee performance has been confirmed in earlier studies (Aronson, 2001; Kanungo, 2001; Athota et al., 2019; Downe et al., 2016), fewer investigations have targeted the public sector. Further research in public organizations is warranted. Tangkawarow and Tanoto (2023) argued that as projects and processes develop, leadership style must also evolve. In contrast to autocratic leadership, which is often seen as lacking ethical qualities, democratic and participatory styles are perceived as more ethical (Rangus and Černe, 2019). The effects of ethical leadership on performance are more pronounced in organizations with strong values (Malik et al., 2016). Moral values can be cultivated through ethical leadership development programs, enhancing both direct and indirect effects on team performance (Liu and Khong-Khai, 2024).

A positive attitude toward fun in the workplace characterizes both individuals and organizations, describing environments where enjoyable, humorous, and playful activities are encouraged. Karl et al. (2005) found that social activities and food-related events were considered the most enjoyable workplace activities by employees, underscoring the value of inclusivity in promoting workplace fun. According to Yang and Chen (2023), enjoyable workplaces achieve better outcomes than those characterized by repetitive tasks. Constandt and Willem (2018) identified workplace fun as an indicator of a positive and competitive organizational culture. Fun activities can improve organizational flexibility and dynamics, making the work environment more attractive (Tews et al., 2013). Djastuti et al. (2019) identified a strong positive relationship between fun at work and performance, while Kamalan and Sutha (2018) concluded that performance improves when employees enjoy their work. However, other studies contend there is no direct link between workplace fun and employee performance (Alayli, 2023).

The definition of work-life balance varies among scholars. Frame and Hartog (2003) described it as a cooperative arrangement between employers and employees to develop working



conditions that address both organizational and personal needs, emphasizing shared responsibility. Others place the onus on employees to achieve balance. Isa and Indrayati (2023) defined work-life balance as satisfaction across all life domains achieved through effective use of time, energy, and commitment. Greenhaus et al. (2003) described it as meaningful involvement and satisfaction in both work and family life. Haar et al. (2014) defined it as one's self-assessment of managing multiple responsibilities. Increasingly, organizations are implementing work-life balance initiatives that foster employee social engagement and help reduce operational costs and turnover, resulting in higher efficiency (Helmle et al., 2014). These strategies are also deployed to meet legal and social obligations related to gender equity, social integration, and family support (Susana and Ramon, 2013).

Employers often worry that flexible arrangements could be misused, potentially impacting operations. Nevertheless, structured work-life balance strategies enhance employee satisfaction, team success, leadership development, and even promotion opportunities (Poulose and Sudarsan, 2017). Extended work hours can reduce employee commitment and performance, especially in high-stress environments like hospitality, where stress spills into personal life. Employers and employees alike increasingly recognize the importance of work-life balance. Research shows that flexible arrangements can improve job satisfaction, performance, and retention (Silaban and Margaretha, 2021). This study adds to the literature by examining how ethical leadership, workplace fun, and work-life balance interact to influence employee performance in a developing economy. It extends Social Learning Theory by highlighting that ethical leadership alone may not boost performance unless supported by workplace satisfaction and work-life balance. This suggests that a supportive environment enabling employees to emulate ethical behavior is essential for promoting such conduct.

An extensive literature has established the importance of employee performance as a key driver of organizational success (Akhtar, 2025; Gazi et al., 2024; Akhtar & Asif, 2017), and has linked it to factors such as leadership style (Burton et al., 2017; Reid & Ramarajan, 2016), workplace culture (Karl et al., 2005; Constandt & Willem, 2018), and work-life balance (Haar et al., 2014; Helmle et al., 2014), important gaps remain. First, although ethical leadership has been shown to enhance employee commitment, motivation, and performance (Brown et al., 2005; Walumbwa et al., 2011; Shin et al., 2015), prior research has largely focused on Western and manufacturing contexts, with limited empirical evidence specific to the service sector in developing economies like Pakistan (Islam et al., 2023; Malik et al., 2016). Similarly, while positive workplace environments and fun have been associated with better outcomes (Tews et al., 2013; Djastuti et al., 2019), studies disagree on the directness and strength of this effect (Alayli, 2023), and few have integrated workplace fun with ethical leadership and work-life balance in a single model. Moreover, although the significance of work-life balance is widely acknowledged, especially in the wake of the global pandemic (Haar et al., 2014; Shujat et al., 2019), much of the existing research considers these factors in isolation rather than examining their combined and comparative influence on employee performance. Notably, in the Pakistani context, where extended work hours and service demands are prevalent, there is a lack of robust, context-specific evidence about how these variables interact to shape performance (Shujat et al., 2019; Jabeen & Khan, 2021). This study addresses these gaps by investigating the interplay of these factors within the professional services sector in Pakistan.



3. Theoretical Underpinnings

From the perspective of conservation of resources theory, ethical leadership leads to enhanced employee performance because employees perceive ethical leadership behaviors as a source of satisfaction that helps preserve their resources, including self-esteem and confidence (Cabrita and Duarte, 2023). Hobfoll (1989) established that individuals possess limited resources, which require effective management to achieve goals. Ethical leadership supports the development of employee psychological resources, such as self-esteem, self-control, and an optimistic outlook, by reducing stress and fostering social support networks (Hassan et al., 2023). When employees feel supported through ethical leadership, they are more likely to demonstrate improved performance outcomes. The impact of ethical leadership on employee work outcomes can be examined through both social learning theory and conservation of resources theory. By serving as ethical role models and implementing strategies that reduce workplace stress, leaders help build essential psychological resources within their teams (Bedradina and Nezdoyminov, 2019). Organizational success is maximized when ethical leadership is prioritized, as it creates a positive work environment that supports employee well-being and superior results.

In the fields of organizational behavior and management, employee performance is regarded as a primary outcome variable. Social Learning Theory posits that individuals learn by observing and imitating the behaviors of others (Salas, Rosen, and Burke, 2020). Employees observe patterns of behavior from senior management and peers in the workplace. Research indicates that ethical leadership, combined with enjoyable workplace activities, directly improves employee performance. Wu and Parker (2017) demonstrated that ethical leadership leads to better task performance and higher levels of organizational citizenship behavior.

Conservation of resources theory, proposed by Hobfoll (1989), provides effective insight into the relationship between work-life dynamics and employee performance. The theory asserts that individuals strive to acquire, retain, and protect their resources—including time, energy, and well-being—until these resources are threatened or depleted, or until no replacements are available. Employees who struggle to manage work-life boundaries may experience resource depletion, leading to burnout, reduced motivation, and diminished job performance (Shujat et al., 2019). In contrast, organizational support for maintaining professional work-life balance allows employees to preserve their psychological and physical resources. This improved resource management leads to sustained concentration and productivity at work, resulting in higher employee performance (Haar et al., 2014). In service industries, where employees often face high emotional demands from customer interactions, resource preservation is crucial for maintaining superior service quality.

This study integrates social learning theory and conservation of resources theory as the primary theoretical foundations. This combined framework provides a comprehensive explanation of the relationships among ethical leadership, work-life balance, and employee performance. The development of the research framework is informed by an analysis of how these theoretical perspectives impact employee outcomes in the context of Pakistan's service sector. These theories serve as essential foundations for understanding how ethical leadership, work-life balance, and workplace fun collectively enhance employee performance.

Furthermore, the study is grounded in social learning theory, conservation of resources theory, and the job demands-resources model. Ethical leadership is operationalized through the modeling of ethical behavior to drive improvements in work performance. Initiatives to promote workplace fun are expected to foster motivation and create collaborative environments. Sustaining employees' psychological resources through effective work-life

balance further contributes to elevated performance outcomes. The proposed research design is underpinned by the integration of these theoretical approaches, which collectively clarify the connections among the studied variables. The theoretical model depicted in Figure 1 demonstrates the direct and substantial influence of ethical leadership, workplace fun, and work-life balance on employee performance outcomes. Based on this framework, the following hypotheses are formulated:

H1: *Ethical leadership is positively associated with employee performance*

H2: *Fun environment is positively associated with employee performance*

H3: *Work-Life Balance is positively associated with employee performance*

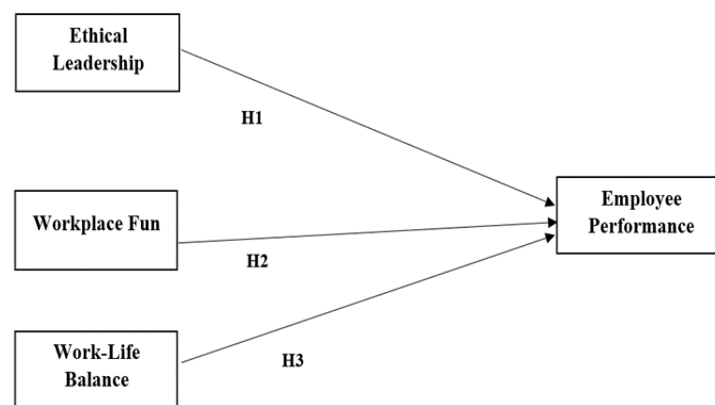


Figure 1: Indicates the direction of employee performance

The development of the research framework was informed by an analysis of how the integration of these concepts influences employee outcomes within Pakistan's service sector. The examined theories serve as essential foundations for understanding the ways in which ethical leadership, work-life balance, and workplace fun collectively contribute to enhancing employee performance.

4. Methodology

This research adopts a theory-driven methodology, employing a deductive approach that utilizes well-established frameworks such as social learning theory and conservation of resources theory to test hypotheses derived from existing literature. The study follows an explanatory research design to clarify the relationships among ethical leadership, workplace fun, work-life balance, and their combined effects on employee performance within Pakistani service industries. To capture the current attitudes and behaviors of employees, data were collected at a single point in time using a cross-sectional time horizon, enabling efficient analysis of the connections among these variables.

Studying an entire population is rarely practical in social research due to financial and time constraints (Cohen and Bradford, 2005). Therefore, it is essential for researchers to precisely define their sample size and selection strategy before beginning the study. This research focuses on employees of Ferguson & Co. Chartered Accountants, a leading audit firm in Pakistan's professional services sector, particularly in banking, audit, and assurance services. The firm's rigorous professional standards and workforce diversity provide an ideal context for studying the impact of ethical leadership and employee responses to workplace fun and work-



life balance initiatives. Employees at Ferguson's offices in Pakistan constitute the target population, with a representative sample drawn for the study.

The research employs two principal sampling strategies: probability and non-probability techniques. Probability sampling methods—including simple random, cluster, stratified, and systematic sampling—use random criteria to ensure that each member of the population has an equal chance of selection. Non-probability sampling, in contrast, does not guarantee equal selection opportunities. For this study, a simple random sampling technique was implemented to select 150 participants, ensuring equal probability of inclusion for each individual.

The research utilizes both primary and secondary data sources. Primary data are collected directly from respondents, while secondary data involve information previously gathered by other researchers. Secondary data sources include interviews, surveys, books, periodicals, and academic publications, all accessed with strict confidentiality and data privacy assurances for respondents. Secondary data are recognized for their authenticity and reliability. Data analysis involves a detailed examination to address the research problem.

Data for the research model were collected using a structured, closed-ended survey divided into two sections. The first section solicited sociodemographic information. The second section included items addressing the three independent variables—work-life balance, ethical leadership, and workplace fun, as well as the dependent variable, employee performance. Ethical leadership was measured using fifteen items adapted from Yukl et al. (2013). Workplace fun was assessed with a validated five-item scale from Karl et al. (2005). Work-life balance was evaluated using a four-item scale by Brough and Bauld (2014). Employee performance was measured with an instrument from Pradhan and Jena (2016), which covers three dimensions: contextual performance (ten items), adaptive performance (seven items), and task performance (six items). All responses were recorded on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Participants were required to be residents of Pakistan and employees of A. F. Ferguson & Co. Chartered Accountants. Pakistan was selected for this research due to the significant influence of leadership styles on employee performance within the service sector, especially in auditing. The dataset was analyzed using a multivariate regression approach, facilitated by the SPSS software, version 26. The analysis began with demographic profiling, followed by an evaluation of model variables through Cronbach's Alpha, composite reliability, and average variance extracted. Separate regression analyses were conducted to examine the relationships among ethical leadership, workplace fun, work-life balance, and their respective impacts on employee performance.

5. Results and Discussion

Approximately 200 questionnaires were distributed via email. After removing incomplete responses, 169 completed questionnaires were analyzed. Among the respondents, 65.7 percent were male and 34.3 percent were female. The age distribution indicated that the majority of participants were between 31 and 40 years old, comprising 42.6 percent of the total sample. Additionally, 23.7 percent were in the 26 to 30 age group. The remaining respondents were either above 40 years of age or fell within the 21 to 25 age category. Regarding educational qualifications, 50 percent of the respondents held a Bachelor's degree, while a smaller proportion possessed a Master's degree. In terms of job designation, 20.7 percent were senior managers, 16 percent were managers, 18.3 percent were audit associates, and 17.3 percent held the position of senior associate. Trainees accounted for



15.4 percent of the sample. Concerning professional experience, 31.4 percent reported having between 6 and 10 years of experience, and 27.2 percent had 11 to 15 years. Additionally, 21.9 percent had less than 6 years of experience, while 19.5 percent had more than 15 years of professional experience.

Table 1: Demographic Analysis

Characteristics	Frequency	Percentage
Gender		
Male	111	65.7
Female	58	34.3
Total	169	100
Age		
20 years	4	2.4
21 to 25 years	21	12.4
26 to 30 years	40	23.7
31 to 40 years	72	42.6
41 to 50 years	27	16.0
51 years and above	5	3.0
Total	169	100
Highest Education		
High school	6	3.6
College Diploma	11	6.5
Bachelor's Degree	85	50.3
Master's Degree	58	34.3
Doctorate Degree	9	5.3
Total	169	100
Current Designation		
Intern / Trainee	26	15.4
Associate	31	18.3
Senior Associate	29	17.2
Assistant Manager	21	12.4
Manager	27	16.0
Senior Manager	35	20.7
Total	169	100
Years of Experience		
Less than 6 years	37	21.9
6 to 10 years	53	31.4
11-15 years	46	27.2
More than 15 years	33	19.5
Total	169	100

To validate the dataset, multicollinearity diagnostics were performed. As the tolerance values were greater than 0.1 and the variance inflation factor values were below 10, it was determined that multicollinearity was not a concern. Additionally, the data were examined for common method bias, following the recommendation of Shujat et al. (2019). The variance explained by



Harman’s single-factor test was 45.5 percent, which is below the 50 percent threshold, thereby confirming the absence of common method bias in the study.

An analysis of average variance extracted was conducted to determine whether the constructs exhibited convergent validity. The results exceeded the 0.50 threshold, as shown in Table 2. Cronbach’s alpha was used to assess the reliability of each scale, with values above 0.70 considered acceptable. As indicated in Table 2, each scale achieved a Cronbach’s alpha value above 0.70, supporting the accuracy of the data. Furthermore, the data were tested for composite reliability, using a threshold of 0.70 as a benchmark. The composite reliability value for each variable surpassed this benchmark.

Table 2: Validity and Reliability Analysis

Variables	VIF	Tolerance	CR	AVE	α
EL	2.574	0.389	0.927	0.566	0.963
WF	2.383	0.420	0.717	0.545	0.799
WLB	2.705	0.370	0.857	0.600	0.942
EP			0.941	0.553	0.944

Note: Variance Inflation Factor = VIF, Employee Performance = EP, Cronbach’s Alpha = α , Ethical Leadership = EL, Workplace Fun = WF, Average variance extracted = AVE, Work-Life Balance = WLB, Composite reliability = CR.

Pearson correlation coefficients were calculated to evaluate the relationships among ethical leadership, workplace fun, work-life balance, and employee performance. The results presented in Table 3 show that ethical leadership is moderately and positively correlated with employee performance (0.606), thereby supporting the first hypothesis. Workplace Fun demonstrated a strong and significant correlation with Employee Performance (0.657), providing support for the second hypothesis. The third hypothesis was confirmed by the positive association between work-life balance and employee performance (0.733). These findings demonstrate that employee performance exhibits a positive bivariate relationship with each of the three independent variables. Furthermore, significant correlations were also identified among the independent variables, as shown in Table 3, indicating a potential overlapping influence among various dimensions of organizational culture.

Table 3: Correlation Analysis

Variables	EL	WF	WLB	EP
EL	1			
WF	0.702	1		
WLB	0.744	0.720	1	
EP	0.603	0.657	0.733	1

The statistical output confirms the significance of the model, with an F-value of 73.647, indicating that the overall model accounts for a substantial proportion of variance in employee performance. The adjusted R-squared value of 0.565 demonstrates that the three predictors collectively explain 56 percent of the variability in employee performance, reflecting a reliable model fit.

Table 4: Regression Analysis

Hypothesis	Path	Beta	Significance	Support
H1	EL → EP	0.034	<0.001	Yes
H2	WF → EP	0.256	<0.001	Yes
H3	WLB → EP	0.524	<0.001	Yes

Table 4 demonstrated that work-life balance was the most significant and strongest determinant of employee performance, with a standardized coefficient of 0.524, thus supporting the third hypothesis and highlighting the essential role of work-life balance in enhancing employee performance. Workplace fun, with a coefficient of 0.256, supported the second hypothesis by emerging as another strong predictor of employee performance. However, although the correlation analysis indicated a significant association between ethical leadership and employee performance, the regression analysis revealed that ethical leadership was not a substantial predictor of employee performance, with a coefficient of 0.034. This suggests that when all predictors are considered together, the dominant influence of work-life balance and workplace fun may outweigh the effect of ethical leadership.

5.1. Discussions

The results provide valuable insights that directly address the objectives of this research paper. The primary objective was to examine the impact of ethical leadership, workplace fun, and work-life balance on employee performance in Pakistan’s service sector. In exploring the second objective—understanding the individual and comparative effects of each factor—the analysis reveals that although ethical leadership contributes to the overall environment of the workplace, its effect on employee performance is often indirect and influenced by contextual mediators such as trust or engagement (Silaban and Margaretha, 2021). While ethical leadership is not the strongest predictor within this model, it remains vital as a guiding principle for fostering long-term trust and setting organizational standards. Recent studies have demonstrated that employees are willing to exert extra effort when they perceive their leaders as honest, straightforward, and ethically principled (Kalshoven et al., 2013). Thus, although ethical leadership alone may not guarantee strong performance outcomes, it provides a foundation that enhances the effectiveness of other performance-boosting strategies. For this reason, leadership development should emphasize both workplace competence and the ethical, equitable treatment of employees.

The study findings emphasize the interconnectedness of the three variables rather than viewing their impacts in isolation. Although the direct relationship between ethical leadership and employee performance was modest, ethical leadership may exert an indirect effect by facilitating work-life balance and creating a more enjoyable work environment. By modeling fairness and people-oriented behaviors, ethical leaders cultivate an atmosphere of trust (Bedi et al., 2016), enabling employees to feel psychologically secure, enjoy their work experience, and manage personal and professional responsibilities without fear of negative consequences. Consequently, future research should utilize moderated or mediated models to further investigate the interplay between ethical leadership and the other two factors, as ethical leadership could serve as a contextual amplifier for workplace fun and work-life balance. Additionally, leadership training should incorporate ethical reasoning, emotional intelligence, inclusivity, and the ability to foster flexible and enjoyable work environments. This



comprehensive approach will strengthen the impact of leadership on performance and better align with the evolving expectations of the modern workforce.

The findings demonstrate that the integration of ethical leadership, workplace fun, and work-life balance is instrumental in shaping employee performance, particularly in service roles that demand frequent emotional labor (Shujat et al., 2019). The synergy between employee well-being, organizational culture, and leadership style creates a holistic model for enhancing performance, suggesting that organizations must look beyond traditional, control-oriented approaches. In contrast to ethical leadership's more foundational influence, workplace fun and work-life balance exert stronger and more immediate effects on employee outcomes. These two factors directly influence how employees manage stress and maintain motivation. Prior studies have shown that work environments promoting enjoyment and accommodating personal life integration enhance psychological resilience, job satisfaction, and productivity (Haar et al., 2014). Superior performance outcomes linked to work-life balance and workplace fun indicate that these resources help shield employees from emotional exhaustion, which is especially relevant in high-contact service professions such as auditing (Shujat et al., 2019). Thus, interventions aimed at improving workplace culture emerge as critical strategies for sustainable performance and employee engagement. The positive correlation between employee performance and workplace fun supports the growing view that enjoyment and productivity are not mutually exclusive. Wu et al. (2017) noted that when fun is naturally integrated into workplace culture, rather than imposed, it fosters authentic engagement, creativity, and a sense of community among employees. This dynamic is especially relevant in collectivist societies like Pakistan, where social harmony and interpersonal connections strongly influence workplace behavior. Therefore, promoting workplace fun is not merely a morale booster; it is a culturally attuned strategy that enhances cohesion and organizational outcomes. By integrating enjoyment and work-life balance, organizations create conditions that enable employees to better manage stress, remain motivated, and achieve higher performance, reinforcing the importance of these variables in service sector contexts.

6. Conclusions and Policy Implications

This study examined the effects of enjoyable work environments, ethical leadership, and work-life balance on employee performance in Pakistan's service industry, both individually and collectively. The research followed a quantitative design, using structured questionnaires completed by 169 employees of leading audit firms in Pakistan. Participation required respondents to reside in Pakistan and be employed at an audit firm. Pakistan was selected for data collection because its service sector, particularly the auditing industry, is increasingly shaped by leadership approaches that influence employee performance. For statistical analysis, a multivariate regression approach was employed, with data processed using specialized statistical software. The findings indicate that ethical leadership is positively associated with employee performance; however, its predictive value is outweighed by the stronger influence of workplace fun and work-life balance, with work-life balance emerging as the most significant factor. The study underscores the importance of employee-centered policies and positive work environments, as all three variables demonstrated positive correlations with performance, yet workplace fun and work-life balance proved to be the strongest predictors. While ethical leadership remains important at a conceptual level, its direct effect on performance is more limited, suggesting its impact may be indirect or contextual. By integrating elements of organizational climate and leadership behavior, the results advance



theoretical understanding of employee performance and highlight the need for multifaceted strategies to improve productivity. Practically, the study offers managers valuable insights on cultivating high-performing teams in service-driven contexts, emphasizing flexible work schedules, supportive workplace cultures, and ethical role modeling. These findings support the adoption of human-centered and comprehensive approaches to performance management, especially within developing economies like Pakistan.

For policy implications, organizations should recognize that achieving work-life balance requires the provision of flexible work arrangements and employee-friendly policies. Managers should prioritize flexible schedules, adequate leave, and reasonable workloads to enable employees to manage responsibilities outside of work. Furthermore, because workplace attitudes significantly affect job performance, organizations should view a positive work culture as a strategic asset. Engaging in team-building activities, encouraging fun, and celebrating special occasions can elevate morale, lower stress, foster collaboration, and support long-term performance improvement. At the same time, ethical leadership remains essential for shaping organizational values, even if its impact on performance is not always immediate. Leaders should model justice, transparency, and respect to build trust, commitment, and moral conduct within teams. Consequently, leadership development initiatives should focus on nurturing ethical relationships alongside operational effectiveness.

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