Ethical leadership: through the eyes of employees

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Chapter 1

**Introduction**

**Abstract**

Ethical leadership is an important concept for organizations, as it affects the reputation and thus the financial success of an organization. Ethical leaders behave fairly, transparent, responsible, honest, caring and promote ethical behavior through communication, modeling and reinforcement. Recently, the attention for ethical leadership has become more prominent in leadership research. Scientific research on ethical leadership is however scarce. The present dissertation examined antecedents and consequences of ethical leadership. Four empirical papers will be presented, focusing on the development of a valid measure of ethical leadership, leader personality in relation to ethical leadership, and on the effects of ethical leadership on follower behaviors. Finally, the effectiveness of ethical leaders in different situations will be examined.
Figure 1 - *Headlines of Dutch newspapers*
Introduction

The recent unethical scandals around the world have put pressure on organizations to operate in an ethical manner. The scandals are destructive for organizations as they diminish the reputation of top management and thus the financial success of an organization (cf., Orlitzky, Schmidt, & Rynes, 2003). Striking examples of unethical scandals in both profit and non-profit organizations increased the attention for ethics from both the popular press and researchers. This research project started in 2006 in reaction to scandals, such as the Enron case in the USA and the Ahold case in the Netherlands. Since then, various ethical breakdowns have been revealed all over the world. Examples of recent breakdowns in the Netherlands are illustrated by headlines in Figure 1.

Researchers as well as organizations emphasize the need to formulate codes of ethics (Weaver, Treviño, & Cochran, 1999). Organizations may typically establish expectations about ethical behavior via codes of ethics, however codes are usually not sufficient (e.g., Arnaud & Schminke, 2007). Enron and Ahold illustrate the research findings of Weaver et al. (1999) that besides codes of ethics, managerial support to put these codes into ethics is indispensable for guiding ethical behavior. For example, Enron wrote in 2000 their codes: “We act with the highest integrity”. Yet, what happened is that this organization is highlighted as one of the largest scandals. Top management created a climate that set the stage for the conflicts of interest and unethical accounting practices (cf. Treviño, Brown, & Hartman, 2003). This led to Enron’s downfall in 2001. Thus, a code of ethics alone does not seem enough to diminish unethical behaviors.

Concerns about ethics and the misuse of power have dominated headlines in the media about business and public leaders and shaken public trust in these organizations in the Netherlands. For instance, the publication of integrity violations from various banks during the financial crisis in 2009 reduced clients’ and employees’ trust in the banks as well as in their leaders. Although media attention is given to top management integrity violation, literature suggests that leaders at all levels within an organization set the tone for ethical behavior. Leadership is therefore one of the most important factors in studying ethics (see for a review Brown & Treviño, 2006). Ethical leaders at all levels within the organization are expected to direct organizational members towards goals which are not only beneficial to the
organization and its members, but also to other stakeholders and society (e.g., Kanungo, 2001).

Leaders’ behaving ethically is the key theme of this dissertation. From a philosophy perspective, ethics are about norms and specify how leaders “ought” to behave (e.g., Ciulla, 2004). In this dissertation a behavioral perspective is taken, specifying characteristics of ethical leaders. This behavioral perspective links with other areas of leadership research. Ethical leaders are characterized by behaving fairly, caring and trustworthy and are expected to actively communicate, reinforce and model ethical behaviors (e.g., De Hoogh & Den Hartog, 2008; Treviño, Brown, & Hartman, 2003). However, despite the central role of ethics in the practice of leadership, academic research on ethical leadership has lagged behind and our empirically based knowledge about ethical leadership in organizations is still limited. This dissertation attempts to increase insight in the concept of ethical leadership, as well as antecedents and consequences. More specifically, research topics that will be addressed are: the measurement of ethical leadership, leader personality in relation to ethical leadership, ethical leadership in relation to follower behaviors and the role of context in the ethical leadership-follower behavior relationship.

In this introductory chapter, first a brief review of the concept of ethical leadership and its origination is presented. Subsequently, ethical leadership in relation to follower behaviors as well as the possible situational moderators are described. The antecedents of ethical leadership are also briefly presented. The literature presented in this chapter provides the background against which the current dissertation research was conducted. The chapter will conclude with an outline of the chapters to follow.

Ethics in Leadership Research

Until 2005, ethics received relatively little attention in leadership research (Cuillia, 1995; Treviño et al., 2003). The relative lack of attention for the ethical nature of leadership in the mainstream leadership literature is surprising as several studies show that followers highly value honesty, integrity and truthfulness in their leaders (cf., Den Hartog et al., 1999; Kouzes & Posner, 1987). The increased attention for ethics in the area of leadership is reflected in transformational, charismatic and authentic leadership (e.g., Cameron, Dutton,
These leadership styles are all described as containing an inspiring, values-based leadership style that includes an ethical content and overlap the ethical leadership domain (Brown & Treviño, 2006). After that, ethical leadership has started to be developed as a separate leadership style.

The last three decades, transformational and transactional leadership theories have been the focus of an extensive body of research. In original conceptualizations of transformational leadership, morality and ethics played an important role. Burns (1978) originally introduced the term transforming leadership (later called transformational leadership by Bass, 1985). Burns argued that transforming leaders appeal to the moral values of followers in an attempt to raise their consciousness about ethical issues and to entail transcending their self-interests. Transformational leadership is often contrasted with transactional leadership. Burns (1978) describes transactional leadership as resting on the values found in the means of an action. These are described as modal values including, responsibility, fairness, honesty and promise-keeping. This is in contrast to transforming leadership that is concerned with end-values, such as liberty, justice and equality. Transforming leaders raise their followers up through various stages of morality and need (Burns, 1978). Ciulla (2004) notes that use of values to refer to ethics in the transformational theories is problematic. For instance, having values does not mean that a leader acts on them.

Based on Burns’ discussion, Bass (1985) proposed a broadened model of transformational leadership and operationalized transformational leadership in four dimensions: charisma, inspirational motivation, intellectual stimulation, and individualized consideration. Bass (1985) believed that the charisma and inspirational motivation dimension taken together accounting for the charismatic aspect of transformational leadership and is a necessary element of transformational leadership. Charismatic leadership has been defined as providing an ethical component: “followers with a clear sense of purpose that is energizing, is a role model for ethical conduct and builds identification with the leader and his or her articulated vision” (Avolio, Bass, & Jung, 1999, p.444). This suggests that ethical conduct is essential to transformational and charismatic leadership. At the same time, however, Bass (1985) noted that transformational leaders could inspire followers to do good or bad, indicating that transformational or charismatic leaders could use their power towards ethical as
well as unethical ends. In later work, Bass and Steidlmeier (1999) distinguished between authentic transformational leaders, who are ethical, genuine and use power to attain moral and social end-values, and pseudo-transformational leaders, who are self-interested, seek power at the expense of others and lack morality.

Other authors have also argued that charismatic and transformational leadership can take ethical as well as unethical forms. The use of power by such leaders is central in the distinction between personalized and socialized charismatic leaders made by House and Howell (1992). Personalized charismatic leaders have a low concern for the moral exercise of power and use power for their own good. They are also characterized as self-aggrandizing, non-egalitarian, and exploitative. In contrast, socialized charismatic leaders have a high concern for the moral exercise of power and strive to use power for the good of others. They are described as collectively oriented, egalitarian, and non-exploitative (see also Howell, 1988; Howell & Shamir, 2005). Thus, authors differentiating between subtypes of transformational and charismatic leadership take the social versus self-oriented use of power related to the morality of the means used by the leader as well as the morality of the leaders’ ends into account.

The morality of the ends leaders strive for as well as the means through which leaders attempt to achieve their goals are seen as important for ethical leadership. This morality of means versus ends in transformational leadership parallels the perspectives of deontological and theological theories in philosophical ethics. From the deontological perspective intentions are the morally relevant aspects of an act. As long as a leader behaves according to the duty or on moral principles then the leader behaves ethically regardless of the consequences. From the teleological point of view, it matters that the leader’s behaviors result in ethics. It is the end result that accounts for the ethics of leaders. Ciulla (2004) addresses that research needs both the deontological and the teleological perspective to understand ethical leadership.

Next to transformational and charismatic leadership, other theories about leadership styles such as authentic (e.g., Luthans & Avolio, 2003), and servant leadership (Graham, 1991) emerged, all paying attention to the moral aspects of leadership. Luthans and Avolio (2003) for example, describe authentic leaders as moral/ethical as well as true to
themselves, hopeful, optimistic, and resilient. Graham (1991) describes a model of servant leadership that is both inspirational and moral and argues that servant-leadership moves beyond transformational leadership to encourage in followers not only intellectual and skill development, but enhanced moral reasoning as well. Servant leadership, espoused by Robert Greenleaf (1977; 2002), suggests that the leader’s main impulse is to serve people, and the leader will attract followership based on trust.

More recently, researchers have begun to consider ethical leadership as a set of behaviors or a behavioral style in itself rather than focusing only on ethical aspects of other leadership styles. Indeed, researchers have shown that ethical leadership is empirically related to the above presented transformational, transactional and authentic leadership, but well distinguishable (cf., Brown et al., 2005; Kalshoven, Den Hartog, De Hoogh, in press; Walumbwa et al., 2008). In this dissertation ethical leadership is approached as a separate leadership style as well.

As mentioned above, the behavioral approach to ethical leadership is an upcoming stream of research. Brown, Treviño and Harrison (2005) define ethical leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships and the promotion of such conduct to followers through two-way communication, reinforcement and decision-making". They take a social learning approach to ethical leadership and focus on ethical leaders’ role modeling. Ethical leaders act as role models and promote ethical behavior among members of the organization (Brown et al., 2005; Treviño et al., 2003). Ethical role modeling refers to observational learning, imitation and identification (Brown et al., 2005). Leaders need to be aware of their role model position, because it emphasizes visible actions (Treviño, Hartman & Brown, 2000). Employees continually observe the actions of their leaders and infer from that what desirable behavior within that context is. Other researchers argue that ethical leaders behave altruistically rather than focus on self-interests (Kanungo, 2001). De Hoogh and Den Hartog (2009a) approach ethical leadership from a social influence perspective and define ethical leadership as: "the process of influencing in a social responsible way the activities of an organized group toward goal achievement". So far, examples of ethical leader behaviors are: honesty, trustworthy, fairness, sharing responsibilities, clarifying performance expectations,
discussing business ethics and being concerned about others and the broader environment (e.g., Brown et al., 2005; De Hoogh & Den Hartog, 2008; De Hoogh & Den Hartog, 2009a; Treviño et al., 2003).

Recently, researchers have started to use and extend the behavioral perspective of Brown and colleagues (e.g., De Hoogh & Den Hartog, 2008; Resick et al., 2006). Brown and colleagues developed a ten-item instrument to measure perceptions of ethical leader behavior, the Ethical Leadership Scale (ELS). De Hoogh and Den Hartog (2008) built on Brown et al.’s model of ethical leadership and distinguished morality and fairness, role clarification and power sharing as different components of ethical leadership. These studies have, however, certainly not exhausted the possible behaviors that can be perceived as ethical by subordinates (e.g., people-orientation cf., Treviño et al., 2003). In this dissertation we will build on the behavioral perspective introduced by Brown and colleagues (Brown et al., 2005; Treviño et al., 2003) and evaluate which types of leader behaviors may be seen as ethical. The first goal of this dissertation is to contribute to the field by developing an alternative and dimensional operationalization and measure of ethical leader behavior. Further, this dissertation seeks to enhance our understanding of leader personality as an antecedent of ethical leadership and the relationship between ethical leadership and follower attitudes and behaviors. The final aim is to investigate the context in which ethical leaders operate and how this context influences the relationship between ethical leadership and follower behavior.

**Ethical Leadership and Follower Outcomes**

Most theoretical and empirical research on ethical leadership to date has been in the area of follower outcomes of ethical leader behaviors. Previous research found that ethical leadership was positively related to employee attitudes. For example, Brown et al. (2005) found that ethical leadership is positively related to satisfaction with the leader, perceived leader effectiveness, follower’s job dedication and follower’s willingness to report problems to management and Den Hartog and De Hoogh (2009) found a positive relationship of ethical leadership with normative and affective commitment and with trust in management and colleagues. Thus, so far, it seems that ethical leadership is mainly positively related to follower attitudes.
So far, less attention has been paid to subordinate behavioral outcomes (as rated by other sources such as a supervisor). Brown and Treviño (2006) stress the importance of investigating the influence of ethical leaders on follower behaviors. As a reaction to this, several studies reported on in this dissertation examine ethical leadership in relation to follower behaviors. Follower behaviors are often operationalized in terms of organizational citizenship behaviors (OCB), which are depicted as moral behavior (cf., Ryan, 2001). In order to explain individuals’ reactions to ethical leadership behavior both the social learning (e.g., Brown et al., 2005) and social exchange (Mayer et al., 2009) approaches are applied to the ethical leadership field. OCB has its roots in the social exchange theory (Organ, 1988) and therefore followers are likely to repay the fair, honest and caring treatment of their leaders by exhibiting OCB. Also, followers are likely to copy the ethical behavior of leaders and therefore engage in OCB (as suggested by social learning theory). This dissertation (chapter 2, 4 and 5) adds to this body of work by investigating the relationship between ethical leadership and various forms of followers OCB using multi-source data.

The Context of Ethical Leadership Research

Scholars concerned with ethical leadership describe the importance of the context for the relationship between ethical leadership and follower behavior (e.g., Brown et al., 2005; De Hoogh & Den Hartog, 2009a). This is in line with leadership studies in general, which show that context is relevant in leadership studies as the context can inhibit or enhance the strength of the impact of the leader on his/her followers. For example, De Hoogh et al. (2005) found that charismatic leaders are more effective in dynamic circumstances. Within the charismatic leadership field the situational strength theory has been used to explain these moderator variables (Shamir & Howell, 1999).

In line with the situational strength theory, we argue that weak and ambiguous situations are likely to increase the strength of the ethical leadership and follower behavior relationship. Such a weak or ambiguous situation provides few situational cues or reinforces to guide follower behavior (e.g., Mischel, 1977). In these situations followers are likely to look for a role model that shows them how to appropriately behave. In this dissertation, we study individual perceptions of job autonomy and low moral awareness at the group level as
indicators of such weak situations. In addition, empathic concern at the group level is investigated as a potential situational moderator as well. Here, we propose that in an empathic concern context, helping behavior will be highly valued and rewarded and thus followers will reciprocate the ethical treatment of a leader by engaging in helping behavior. Overall, our knowledge of situational moderators of ethical leadership and follower behavior is minimal and, so far, the few propositions that have been formulated in the literature have never been tested. The research in chapter 4 and 5 focuses on situational moderators and adds to this limited body of literature.

Antecedents of Ethical Leadership

So far, research on antecedents of ethical leadership has also been limited. Theoretically, scholars suggest leader personality traits, organizational climate and role modeling of top management as possible antecedents of ethical leaders (cf., Brown & Treviño, 2006; De Hoogh & Den Hartog, 2009a). In this dissertation, we add to the literature by focusing on leader personality as a first step in understanding why some leaders behave ethically and others do not. The Big Five personality traits, labeled conscientiousness, agreeableness, neuroticism, extraversion and openness to experience, have been widely used in research and there are several meta-analyses on personality characteristics of effective leadership (e.g., De Hoogh, Den Hartog & Koopman, 2005; Judge & Bono, 2000; Judge, Bono, Ilies, & Gerhardt, 2002a). This Big Five personality framework has began to inspire research on ethical leadership as these traits are less sensitive to social desirability than personality measures on integrity.

Walumbwa and Schaubroeck (2009) were the first to link three of the Big Five traits with ethical leadership. They showed that conscientiousness (reflects the tendency to be dependable, responsible, dutiful and thoughtful) and agreeableness (reflects being altruistic, warm, generous and trusting) are positively related to ethical leadership. Furthermore, these scholars proposed a negative relationship between neuroticism (reflects being anxious, unstable, stressed and impulsive) and ethical leadership, however they did not find one. The studies in this dissertation (chapter 3) aim to add to the literature by replicating the relationships tested by Walumbwa and Schaubroeck (2009). Especially by extending their
work through including all Five Factors of personality and not a subset and furthermore by using both a uni-dimensional and a multi-dimensional measure of ethical leadership. Thus, we examine the relationship between the Big Five personality traits of leaders and perceptions of overall as well as sub-dimensions of ethical leadership.

Key Issues of the Thesis and Outline

The outline above illustrates that the ethical leadership literature is a newly emerging field of inquiry and has made progress in identifying consequences of ethical leadership, however several key questions remain. This dissertation aims to answer several of these by addressing antecedents, consequences and the situational context of ethical leadership as key issues regarding research on the role of ethical leaders within organizations. These key issues are investigated in four studies using multi-source research designs. Each chapter reports on a separate study or combination of studies, and was written such that it can be read independently from the other chapters. Consequently, some overlap exists across the chapters in the theory and method descriptions. Below, an overview of each of the chapters is given and Figure 2 illustrates the outline of the dissertation.

In chapter 2, the focus is on the development and validation of a questionnaire measuring distinguishable ethical leader behaviors as well as an overarching measure of ethical leadership, labeled the Ethical Leadership at Work (ELW) questionnaire. The chapter starts with a review of the ethical leadership research field. Next, a multi-dimensional measure of ethical leadership is developed and validated. The most often used measure of Brown et al. (2005) has some shortcomings. For instance, trust is measured as a part of ethical leadership rather than as a different construct. Furthermore, the measure does not include all behaviors that are described in the literature as being a part of the ethical leadership construct (cf., Treviño et al., 2003). The validation process in this chapter involves multiple studies using several samples and relates the developed dimensions of ethical leadership to other leadership styles, follower attitudes and follower behaviors.

The ELW questionnaire is used to operationalize ethical leadership in chapter 4 and 5. In these chapters the emphasis is on the overarching ethical leadership construct rather than the different dimensions of ethical leadership. In chapter 3, ethical leadership is
Figure 2 - Outline of the investigated relationships within the dissertation

Note. The numbers correspond with the related chapter.
operationalized by both the ELS (Brown et al., 2005) and three dimensions of the ELW. These specific dimensions have been used to operationalize ethical leadership in previous research (e.g., De Hoogh & Den Hartog, 2008; Kalshoven & Den Hartog, 2009).

In chapter 3, antecedents of ethical leadership are investigated. More specifically, the propositions presented by Brown and Treviño (2006) are tested. They propose that three out of five of the Big Five factors of personality are related to ethical leader behaviors. As indicated, the personality traits conscientiousness, agreeableness and emotional stability are likely to positively relate to ethical leadership. Empirical evidence on the proposition that these personality traits are related to ethical leadership is however scarce and only comes from one study focusing on U.S. data (Walumbwa & Schaubroeck, 2009). To test the relationship between leader personality and perceived ethical leadership two multi-source samples are presented in this chapter.

Chapter 4 focuses on the interaction between the ethical context and ethical leadership in relation to follower helping behavior. As indicated, context received little attention in the ethical leadership field, so far. In this paper empathic concern at the work group level is investigated as an enhancer and moral awareness at the work group level is investigated as a neutralizer of the relationship between ethical leadership and follower behavior. Additionally, a multi-level perspective is incorporated to investigate whether the within- or between group variance explained these moderation effects. In this chapter we add to the literature by showing that the ethical characteristics of the context have different effects on the ethical leadership and follower behavior relationship.

Chapter 5 presents a study building on the previous chapter by investigating another moderator on the relationship between ethical leadership and follower behaviors, namely job autonomy. Furthermore, this study adds to the research field by investigating the process through which ethical leaders have an influence on followers. Learning more about how such leaders affect outcomes is worthwhile. More specifically, a mediated moderation model was tested in which responsibility was expected to be the mediator between the interaction of job autonomy and ethical leadership on follower behavior. In other words, in high autonomy situations, ethical leaders are likely to influence employees behaviors through responsibility.
Finally, chapter 6 provides an overall discussion of the research presented in this dissertation and concludes how the findings of the studies have an impact on theory. Additionally, some future research suggestions and potential practical implications are presented.