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The double-edged sword of ethical leadership: Investigating when and why ethical leadership promotes versus inhibits team performance

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Abstract

Although previous studies pointed towards a positive association of ethical leadership and team performance, we suggest that ethical leadership may have unintended, paradoxical effects on interpersonal dynamics within the team, and, ultimately, team performance. Drawing on social information processing theory, we propose that ethical leadership can be a mixed blessing, with paradoxical impacts on team performance via two distinct pathways—task and relationship conflicts, contingent upon the team's informal power disparity. Specifically, we propose that ethical leadership has a positive indirect effect on team performance via reducing relationship conflict but a negative indirect effect on team performance via suppressing task conflict. Those indirect effects are more pronounced when the team has a more egalitarian power structure among their members. Results from a three-wave field study, in which we surveyed 90 work teams in China, provided support for our conceptual model. Our findings reveal the benefits and costs of ethical leadership and the importance of examining informal power disparity in this leadership process.

Ye Liu and Yan Shao contributed equally to this manuscript.

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KEYWORDS

ethical leadership, relationship conflict, task conflict, team performance, team power disparity

INTRODUCTION

Interest in ethical leadership has notably increased over the past two decades (see the review by Lemoine et al., 2019). This heightened focus is echoed by a survey conducted by JUST Capital (2019) among over 4,000 US citizens, which revealed that "act ethically at the leadership level" was ranked as the second most important issue, outranking other vital concerns such as paying a living wage, work-life balance, and equality. By embodying both the role of a "moral person" who upholds fairness and honesty and that of a "moral manager" who exemplifies and reinforces normatively appropriate behaviors, ethical leadership has been generally found to have beneficial effects (den Hartog, 2015). Existing research indicates that the beneficial effects of ethical leadership are not limited to widely studied ethical outcomes—such as reducing deviance and fostering organizational citizenship behavior (Hannah et al., 2014; Kolthoff et al., 2010; van Gils et al., 2015)—but also extend into the realm of performance (Eisenbeiss & van Knippenberg, 2015; Kacmar et al., 2013; Tu & Lu, 2016; Walumbwa et al., 2012).

While the prevailing scholarship paints a largely positive picture of ethical leadership, recent studies have started to shed light on its more intricate and nuanced aspects, emphasizing the complexities of its impacts (den Hartog, 2015; Keem et al., 2023; Miao et al., 2013; Stouten et al., 2013). Intriguingly, the defining feature of ethical leadership is its strong focus on establishing prescriptive norms and regarding strict adherence to those norms as moral (Lemoine et al., 2019), while such a focus can effectively mitigate interpersonally harmful relationship conflicts (Mayer et al., 2012)—stemming from perceived incompatibility between interests, values, beliefs, and emotional tensions among team members (Jehn, 1995)—and enhance group/team performance (Walumbwa et al., 2012), defined as the extent to which a team fulfills its mission and reaches its goals (Zellmer-Bruhn & Gibson, 2006). However, this focus may also introduce potential drawbacks. Specifically, the emphasis on strict norm adherence may paradoxically inhibit deviations from established procedures and rules (Keem et al., 2023) and motivate team members to convert divergence into consensus before escalating into heightened disagreements and tensions (Babalola et al., 2018). Such a mechanism serves to suppress task conflicts (Babalola et al., 2018; Mo et al., 2012), defined as perceived disagreement regarding ideas, opinions, or perspectives about tasks (Jehn, 1995). However, the suppression of task conflicts may inadvertently stifle teams' deliberate information processing that contributes to better team performance (Jehn, 1995; Keem et al., 2023; O'Neill et al., 2013).

The incomplete understanding of the complex implications of ethical leadership, particularly in terms of norm establishment and adherence within groups, gives rise to several issues. First, it cultivates an overly optimistic view of ethical leadership's consequences, leading to a skewed interpretation of its effects. Second, the failure to acknowledge the role of ethical leadership in shaping team norms restricts our comprehension of its dynamics at the team level and its varied impacts on team outcomes. Bedi et al. (2016) highlight this gap, noting that the prevailing studies on ethical leadership tend to emphasize individual-level mechanisms and outcomes, while its implications at the group level remain sparse and underexplored. This discrepancy underscores the need for more research on the antecedents and consequences of

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ethical leadership in team contexts. Furthermore, this oversight in understanding the complex role of norm establishment and adherence within the framework of ethical leadership raises important questions of the conditions under which these norms exert a more substantial influence on team dynamics and performance.

In light of the above identified issues, our research aims to explore how and when ethical leadership affects team performance via shaping two different types of conflicts: task and relationship conflicts. Specifically, we suggest that ethical leadership may suppress potentially productive task conflicts while mitigating destructive relationship conflicts, thereby having paradoxical effects on team performance. Drawing on social information processing theory (Salancik & Pfeffer, 1978), we posit that formal team leaders' ethical leadership serves as a key source of social information that provides behavioral norms and expectations. With collective exposure to the ethical standards upheld by the leaders' ethical behaviors and the employment of rewards for desirable behaviors and sanctions for inappropriate behaviors, team members are likely to form shared perceptions of ethical norms and values and conform to accepted behavioral norms in the team. This adherence to established norms serves to reduce the likelihood of personal attacks, thereby mitigating the occurrence of destructive relationship conflicts within the team.

However, ethical leadership, while nurturing a positive environment that promotes open, bidirectional communication and the free expression of ideas, may mitigate team task conflicts through two distinct mechanisms: first, it guides team members towards engaging in respectful dialog and achieving mutual understanding, thereby preemptively resolving differences in opinions and views before they escalate into task conflicts. Second, its stringent focus on norm adherence—particularly norms centered around respect, care, and support—may inadvertently lead to self-censorship among team members. This tendency can subdue the expression of dissenting or challenging opinions, thus resulting in a diminished incidence of task conflicts. Given that elevated levels of task conflict often lead to a deeper, more comprehensive processing of task-relevant information (de Dreu & Weingart, 2003; Farh et al., 2010), while high levels of relationship conflict typically distract team members and pose threats to ego (de Dreu & Weingart, 2003; de Wit et al., 2012; Jehn, 1995), we hypothesize that ethical leadership may enhance team performance by suppressing detrimental relationship conflicts, while potentially inhibiting performance by reducing constructive task conflicts.

Moreover, building on social information processing theory, which suggests that the effects of social information on attitudes and behaviors are stronger when ambiguity and uncertainty are present in the situation (Salancik & Pfeffer, 1978), we propose that the effects of ethical leadership on both team conflicts and performance are stronger when low power disparity is present in the team. Team power disparity, delineated as "the differences in the concentration of power among team members" (Greer & van Kleef, 2010, p. 1032), is characterized by informal influence structures and unwritten rules that extend beyond formal leadership roles. When team power disparity is low, the absence of distinct hierarchical cues may result in ambiguous guidelines for interaction and decision-making processes. In contrast, in teams characterized by high power disparity, the establishment of well-defined roles and expectations provides explicit and clear behavioral guidance, thereby enhancing the coordination of tasks and the management of interpersonal relationships (Halevy et al., 2011; Magee & Galinsky, 2008). Accordingly, we propose that the impact of ethical leadership on team conflicts and performance will be more pronounced in teams with low power disparity and attenuated in those with high power disparity. Figure 1 presents our research model.

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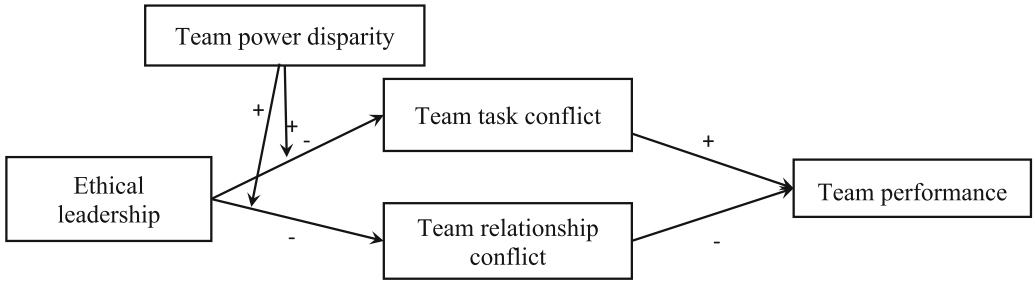

FIGURE 1 Overview of the hypothesized model.

This study aims to contribute to ethical leadership literature in several ways. First, we extend previous literature that challenges the overly positive view of ethical leadership (den Hartog, 2015; Miao et al., 2013; Stouten et al., 2013). We propose that ethical leadership can be a double-edged sword: while it may enhance team performance by mitigating destructive relationship conflicts, it could also inadvertently inhibit team performance by suppressing the potentially productive task conflicts. This nuanced perspective offers scholars and practitioners a more balanced understanding of ethical leadership and cautions against an uncritical embrace of its perceived benefits. Second, by examining the mediating role of two distinct team conflict processes in the relationship between ethical leadership and team performance, our study serves as a unifying framework that consolidates the somewhat fragmented literature on ethical leadership, team conflict, and team performance, providing a more coherent understanding of the ethical leadership's downstream effects. Third, in answering recent calls for diversifying theoretical approaches to enrich our comprehension of ethical leadership (Lemoine et al., 2019), our research extends beyond the commonly employed social exchange theory (Blau, 1964) and social learning theory (Bandura, 1977, 1986). By adopting social information processing theory as the overarching framework, we offer a more nuanced examination of how and when ethical leadership influences team dynamics and performance. Last but not the least, we explore team power disparity as a contingent factor that may attenuate the effects of ethical leadership on team conflict and performance. This responds to calls for more research on contextual factors that influence the effectiveness of ethical leadership (Bedi et al., 2016; den Hartog, 2015; Mayer et al., 2012).

THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Social information processing theory

Social information processing theory posits that the social context plays a pivotal role in shaping individuals' attitudes and behaviors (Salancik & Pfeffer, 1978). This theory underscores the importance of actors within one's immediate social context in providing cues about what attitudes and behaviors are expected and deemed appropriate in specific settings. In teams, formal team leaders are the central actors in disseminating social information by the virtue of their elevated status and direct interactions with team members (Chiu et al., 2016; Yang, Huang, et al., 2018). Consequently, the conduct and expectations of a team leader significantly

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influence the team members' shared perceptions of their work environment, which in turn affects their behaviors within the team (Rego et al., 2019).

Besides, social information processing theory delineates two mechanisms through which social context affects individuals' attitudes and behaviors (Salancik & Pfeffer, 1978). First, the social environment serves as a rich source of cues that individuals draw upon to construct meaning and interpret events, guiding them towards socially acceptable beliefs, attitudes, and justifications for behaviors. Second, it directs an individual's attention towards pieces of information, thereby increasing their salience. This, in turn, establishes expectations about appropriate actions and the consequences of these actions. When working in teams, leaders can significantly influence the construction of meaning within the team by actively modeling and reinforcing socially acceptable beliefs, attitudes, and behaviors. Through this process, they establish norms and values that serve as guidelines for team members' behaviors, effectively steering the team's collective understanding and actions. Besides, a team leader can strategically direct team members' attention towards certain information and expectations, thereby enhancing their salience within the team context. By setting clear expectations for actions and their associated outcomes, the team leader plays a pivotal role in concentrating the team's focus and aligning individual behaviors with the collective goals of the team.

Furthermore, social information processing theory suggests that the influence of social context on individuals' behaviors or attitudes will be stronger when situations are ambiguous, uncertain, and complex (Salancik & Pfeffer, 1978). This implies that in more structured and predictable social contexts, individuals are likely to place greater trust in their personal judgment and previous experiences of interaction, thereby reducing their reliance on external social cues for behavioral guidance. Conversely, individuals are more likely to look to social cues for direction and reassurance in conditions characterized by ambiguity and uncertainty. In the team settings, empirical evidence indicates that team leaders exert a more pronounced influence on members' behaviors in situations of high task uncertainty (Yang, Huang, et al., 2018), as well as in environments characterized by low power distance within the team (Yang, Qian, et al., 2018).

Ethical leadership

Ethical leadership is defined 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" (Brown et al., 2005, p. 120). It includes two specific dimensions: the moral person and the moral manager (Brown & Treviño, 2006). In its "moral person" dimension, the ethical leader is seen as an open, fair, and trustworthy individual who behaves ethically in his/her personal and professional lives and cares about others in decision-making (Brown & Mitchell, 2010). By embodying the role of a "moral person," an ethical leader acts as a role model for followers to emulate, encouraging followers to adopt similar ethical behaviors in their interactions with coworkers (Babalola et al., 2018; Mayer et al., 2012). The "moral manager" dimension pertains to the leader's proactive efforts to influence followers' ethical and unethical conduct. By acting as a "moral manager," the ethical leader sets ethical norms and standards within the team and uses rewards to reinforce normatively appropriate behaviors and punishments to reduce unethical, deviant behaviors (Jordan et al., 2013). Being distinct from other moral leadership styles (e.g., authentic leadership and servant leadership), ethical leadership focuses on establishing ethical behavioral norms and ensuring that followers adhere to those norms (Lemoine et al., 2019).

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Ethical leadership and team conflict

Team conflict is a fundamental team process (Jehn, 1995; Simons & Peterson, 2000). The conflict typology framework distinguishes task conflict from relationship conflict (Jehn, 1995). Task conflict refers to the perception of disagreement regarding ideas, opinions, or perspectives about tasks, and relationship conflict refers to perceived incompatibility between interests, values, beliefs, or personalities unrelated to tasks (Jehn, 1995). We followed previous research (e.g., Jehn et al., 2010; Langfred, 2007) to focus on task and relationship conflict and excluded process conflict because of considerable conceptual overlap between task and process conflict.

Drawing on the principles of social information processing theory (Salancik & Pfeffer, 1978), we posit that ethical team leaders, by virtue of their influential positions, generate salient social cues that guide team members' behaviors when interacting with each other. These cues stem from the leader's dual role as both a moral role model and a moral manager. As moral role models, ethical leaders showcase behavior and decision-making processes that align with ethical standards, offering team members a distinct and observable template for ethical conduct in their interactions (Brown et al., 2005; Brown & Treviño, 2006). Specifically, ethical leaders view positive interpersonal behaviors, such as open communication, respectful treatment of others, the appreciation of others' ideas, as normatively appropriate and behave accordingly (Babalola et al., 2018). Regular exposure to such ethical behaviors reinforces the perception that those conducts are not only desirable but also expected within the team. Consequently, team members often look to their leaders' ethical behaviors as cues for their own behaviors, fostering an environment of openness, respect, and attentiveness towards each other (Keem et al., 2023; Mayer et al., 2012). This approach enables them to express different ideas or values skillfully without resorting to personal attacks or inducing interpersonal tensions.

Furthermore, as moral managers who enforce ethical norms with rewards and punishments (Brown et al., 2005; Mayer et al., 2012), ethical leadership may motivate team members to respect and adhere to those established norms (Hannah et al., 2014; Mayer et al., 2012). With its strong emphasis and reinforcement on norms and standards, ethical leadership nurtures a uniform norm that sets expectations regarding individual actions and the outcomes of these actions. As a result, team members comply with moral principles similar to those of their leader's, despite the differences they might have. Team members would therefore experience fewer disagreements and disputes about personal beliefs, values, or specific tasks, which effectively curtails the engagement in both relationship and task conflicts.

Social information process theory further posits that the strength of the effects of social context on individuals' behaviors or attitudes will be stronger when situations are ambiguous, uncertain, and complex (Salancik & Pfeffer, 1978). In the team setting, while team members often look to the formal leader for behavioral cues and guidance, they do so more or less depending on contextual elements (e.g., Kalshoven et al., 2013; Oedzes et al., 2019). We propose that team power disparity, a key feature of a team's overall informal hierarchy that offers a potent remedy for uncertainty and disorder (Hogg, 2000; Magee & Galinsky, 2008), may moderate the effects of the formal leader's ethical leadership on team conflicts.

The moderating role of team power disparity

Team power disparity refers to differences in the proportion of power held among team members (Greer & van Kleef, 2010; Harrison & Klein, 2007; Tarakci et al., 2015), which captures the concentration or inequality of power distribution within the team. Maximum power disparity

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corresponds to where one team member occupies the top of the power continuum while all others are at the bottom. Minimum power disparity describes the situation where all team members occupy the same position on the power continuum. A moderate level of power disparity reflects a situation where power is somewhat unevenly distributed, yet not overwhelmingly centralized in the team. Drawing on social information processing theory (Salancik & Pfeffer, 1978), which emphasizes the heightened impact of social context in uncertain situations, we propose that power disparity among team members reflects the degree of uncertainty and ambiguity in communication and decision-making processes, contextualizing the importance of team leaders' ethical leadership in guiding team members through the complexities of team dynamics.

Specifically, high levels of power disparity provide teams with clarity concerning agreed-upon norms about how members relate to one another, offering guidance for coordinating social interactions and joint task execution (Anderson & Brown, 2010; de Kwaadsteniet & van Dijk, 2010; Halevy et al., 2011; Magee & Galinsky, 2008). These shared informal norms, readily accepted by team members, provide team members cues in social interactions, reducing the need to look up to the team leader for social cues to behave appropriately. In this sense, team power disparity provides clarity and structure for tacit coordination and communication (de Kwaadsteniet & van Dijk, 2010). Under such situations, the role of ethical leadership in mitigating conflict may be less profound. In contrast, when team power disparity is low, members lack clear cues about who yields influence over whom, what unwritten rules and principles should be followed, and how decisions are made (de Kwaadsteniet & van Dijk, 2010). To navigate the uncertainty and ambiguity presented in the work environment, team members are more likely to rely on their formal team leaders' exemplary ethical behaviors and ethical norms as a guide for interpersonal coordination and task completion. Moreover, members with equal positions are more likely to voice their viewpoints and opinions with each other. This dynamic leads to an environment in which disputes and tensions are more likely to emerge, creating a sense of unpredictability regarding the progression and resolution of those potential tensions. As such, ethical leadership is critically needed to guide team members to resolve differences in ideas and interests, communicate with respect and care, and work collaboratively. Therefore, in such situations, ethical leadership serves to provide critical behavioral guidance, thereby reducing conflicts remaining in the team. Taking the above rationale together, we hypothesize the following:

Hypothesis 1a. Power disparity moderates the relationship between ethical leadership and task conflict. This negative relationship is more pronounced when power disparity is lower rather than higher.

Hypothesis 1b. Power disparity moderates the relationship between ethical leadership and relationship conflict. This negative relationship is more pronounced when power disparity is lower rather than higher.

Team performance as the downstream consequence

We further extend the relationship between ethical leadership and team conflict by examining performance as the downstream consequence. Team performance refers to the extent to which a team fulfills its mission and reaches its goals (Zellmer-Bruhn & Gibson, 2006). Research has repeatedly shown that team conflict is a critical factor in predicting team performance

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(e.g., Bradley et al., 2013; de Wit et al., 2012), as they can potentially enhance or inhibit the achievement of team goals. Previous research has suggested that well-performed teams are those that can make use of task conflict to integrate divergent, even conflicting ideas and explore new solutions to emerging problems (Gilson & Shalley, 2004) on the one hand and reduce interpersonal incompatibilities and maintain cohesion on the other hand (de Wit et al., 2012; Jehn, 1995, 1997).

However, the empirical results regarding the relationship between task conflict on team performance are somewhat mixed. In their meta-analysis, de Wit et al. (2012) found that task conflict can have a positive, negative, or no effect at all on team performance, depending on contextual factors. One crucial factor limiting the positive effect of task conflict is that it often co-occurs with relationship conflict. When intertwined with relationship conflict, task conflict becomes detrimental to team performance (Simons & Peterson, 2000).

In contrast, when task and relationship conflicts decouple, task conflict tends to be attributed to the substance instead of the person, thus becoming less threatening and frustrating. Under this situation, task conflict can promote team performance by focusing team members' attention on otherwise overlooked information (Amason, 1996) and stimulating exploration and innovative thinking (Deutsch, 1973; de Dreu, 2006). Indeed, some research has found that team performance benefits from task conflict when team members do not respond in a hostile, aggressive manner (Bradley et al., 2013; Thiel et al., 2019; Yang & Mossholder, 2004). The above reasoning presents the rationale to assume a positive net effect of task conflict on team performance when eliminating the effect of relationship conflict.

In Hypothesis 1a, we have proposed that power disparity moderates the relationship between ethical leadership and task conflict. Following our above reasoning, task conflict was expected to have a positive effect on team performance while controlling for relationship conflict. Taken together, we hypothesize the following:

> **Hypothesis 2a.** When controlling for relationship conflict, task conflict mediates the two-way interaction between ethical leadership and power disparity on team performance. Ethical leadership has a stronger negative indirect effect on team performance by reducing task conflict when power disparity is low instead of high.

Unlike task conflict, meta-analytic studies show that relationship conflict is mostly dysfunctional for team performance (de Dreu & Weingart, 2003; de Wit et al., 2012). Relationship conflict poses threats to the ego, increases team members' anxiety (Dijkstra et al., 2005), and provokes aggressive behaviors (Baumeister et al., 1990). As a result, members engage in less collaborative problem solving, which hurts team performance (de Dreu & van Vianen, 2001). Thus, higher relationship conflict in teams would decrease team performance. Our above reasoning suggests that relationship conflict has a negative effect on team performance while controlling for task conflict. Taken together with Hypothesis 1b, we hypothesize the following:

> **Hypothesis 2b.** When controlling for task conflict, relationship conflict mediates the two-way interaction between ethical leadership and power disparity on team performance. Ethical leadership has a stronger positive indirect effect on team performance by reducing relationship conflict when power disparity is lower instead of higher.

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METHOD

Participants and procedure

We collected data from a diverse sample of work teams in China, relying on MBA students' business networks. We approached teams based on the criteria that they consist of three or more members and that their members have frequent interactions to achieve common goals (Oedzes et al., 2019). A total of 132 teams and 521 individual members were approached for participation in our study. We first contacted the teams' formal leaders to collect the contact information of all team members. We then sent out a three-wave time-lagged multi-source online survey via Sojump, a platform like Qualtrics in China, with approximately 3 weeks apart between each wave. Team members completed measures of ethical leadership, perceived power in the team, demographic information at Time 1, and reported measures of team task and relationship conflict at Time 2. At Time 3, team leaders rated team performance.

Of the 117 work teams that had returned their three-wave responses, we excluded 27 teams with less than three members. The final sample had 90 work teams consisting of 330 members and 90 leaders, yielding a response rate of 63% for individual team members and 68% for teams. The average within-team participation rate was 66% (min = 27%; max = 100%; median = 56%). Members' average age was 30.18 years (SD = 5.22), and 48.18% were female. Of the team members, 81.51% had a bachelor's degree or higher. The average age was 33.45 years (SD = 4.23) for the team leaders. Of the team leaders, 34.44% were female, and all had a bachelor's degree or higher. The sampled teams came from organizations operating in different industries, such as finance (27.8%), manufacturing (21.1%), information technology (IT) and Internet (21.1%), other sectors (14.4%), trade (7.8%), real estate (5.6%), and services (2.2%).

Measures

The scales used in the study were translated from English into Chinese and then back-translated into English following Brislin's (1980) procedure. Unless otherwise indicated, all measures used a 7-point Likert scale (1 = *strongly disagree* to 7 = *strongly agree*).

Ethical leadership

Formal team leaders' ethical leadership was rated by team members using 10 items from Brown et al. (2005). A sample item is "[my team leader ...] sets an example of how to do things the right way in terms of ethics." The Cronbach's alpha of this scale was .96, and the statistical results supported the aggregation of ethical leadership to the team level, ICC [1] = .28, $p < .001$; ICC [2] = .58; mean $r_{wg(j)} = .95$.

Power disparity

Power disparity describes the vertical differences in concentration of power among team members, referred to as "disparity diversity" (Harrison & Klein, 2007). In order to capture the personal sense of power of each member, we present a 6-cm (2.4-in.) line in the online survey and

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ask participants to indicate their position in their team's power hierarchy by clicking on the appropriate point along the line ranging from 0 to 100 (Lammers et al., 2011). Following Harrison and Klein (2007), power disparity was then operationalized as the division of the within-team standard deviation of power by the group mean of power.

Task conflict

Task conflict was assessed using four items from Jehn's (1995) scale and then aggregated to the team level (ICC [1] = .25, $p < .001$; ICC (2) = .54; mean $r_{wg(j)} = .84$). A sample item is "Team members frequently disagree about the content of our team's work." The Cronbach's alpha of this measure was .90.

Relationship conflict

Relationship conflict was assessed using four items adapted from the scale developed by Jehn (1995) and then aggregated to the team level (ICC [1] = .23, $p < .001$; ICC [2] = .52; mean $r_{wg(j)} = .82$,). A sample item is "Personality clashes are evident in this team." The variable was reliably measured (Cronbach's alpha = .95).

Team performance

Team leaders rated team performance using the scale developed by (Zellmer-Bruhn & Gibson, 2006). A sample item is "This team accomplishes its objectives." The reliability of this scale was good (Cronbach's alpha = .91).

Control variables

Given that we gathered data from a diverse sample of teams, we considered a number of control variables to account for the influence of industry or task characteristics on intrateam conflicts and performance. Because past research suggests that the overall level of task interdependence might be associated with team processes and performance (Somech et al., 2009; Wageman, 1995), we involved teams' task interdependence as a control variable when testing the hypotheses. Task interdependence refers to the extent to which an individual team member needs information, materials, and support from other team members to be able to carry out his or her tasks (van der Vegt et al., 2001) and was measured in the team member questionnaire using five items (van der Vegt & Janssen, 2003). The Cronbach's alpha of this scale was .71, and the statistical indexes supported the aggregation of the variable to the team level (ICC [1] = .09, $p < .05$; ICC [2] = .25, mean $r_{wg(j)} = .86$). Moreover, we conducted a multivariate analysis of variance (MANOVA) to check whether teams from different industries varied in team task conflict, team relationship conflict, and team performance. Results indicated that there was no significant industry effect, F (18, 249) = .78, $p = .73$. It is also worth noting that our results held while including the industry dummies as the covariates.

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Following the suggestions of Bernerth and Aguinis (2016), we also included controls known to be theoretically related to team conflict and performance, such as team size, average team tenure, gender diversity, and age diversity. Specifically, team size was considered because the level and type of conflict a team experiences can vary based on the number of team members (Amason & Sapienza, 1997). We controlled for average team tenure, as it reflects the experience of members working together, which could influence how ethical leadership shapes group dynamics and the overall level of collective performance (Mayer et al., 2009). Finally, previous studies have suggested that demographic heterogeneity could be an essential factor for engendering task and relationship conflict within a group (Li & Hambrick, 2005). Accordingly, we controlled for gender and age diversity. Gender diversity was measured with Blau's (1977) index, and age diversity was operationalized as the standard deviations of team members' age.

RESULTS

Confirmatory factor analyses

We conducted confirmatory factor analyses (CFAs) to check the convergent and discriminant validity of team member self-reported measures, including ethical leadership, task and relationship conflict, using Mplus 8.3 (Muthén & Muthén, 1998–2017). The hypothesized model with the three constructs indicated by their respective items achieved a good fit (χ^2 [132] = 590.65, $p < .001$; CFI = .92, TLI = .91, RMSEA = .10, SRMR = .04) and better fit than a series of alternative models in which two or more constructs were collapsed onto a single latent factor ($p < .001$ for all tests; see Table 1). These results indicated that our three employee self-reported measures represented theoretically and empirically distinguishable constructs.

Descriptive statistics and correlations

Table 2 displays the descriptive statistics and correlations for all the study variables. As shown in Table 2, ethical leadership was negatively correlated with task conflict ($r = -.30$, $p < .01$) and relationship conflict ($r = -.30$, $p < .01$) but not significantly correlated with team performance ($r = .04$, *ns*). Relationship conflict was positively correlated with task conflict ($r = .82$, $p < .001$).[1] Task conflict was positively correlated with team performance ($r = .22$, $p < .05$). Relationship conflict was not significantly correlated with team performance ($r = .00$, *ns*). None

TABLE 1 Model fit results for confirmatory factor analyses.

Model	χ^2	df	$\Delta\chi^2(\Delta df)$	CFI	TLI	RESEA	SRMR
1. Hypothesized three-factor model	590.65	132		.92	.91	.10	.04
2. Two-factor model[a]	790.77	134	$\Delta\chi^2(2) = 200.12$***	.89	.88	.12	.04
3. One-factor model	3,248.35	135	$\Delta\chi^2(3) = 2{,}657.70$***	.48	.41	.26	.25

Note: $N = 330$. All alternative models were compared with hypothesized three-factor model. All $\Delta\chi^2$'s are significant at $p < .001$.
[a]Team task and relationship conflict were combined into one factor.
***$p < .001$.

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TABLE 2 Means, standard deviations, and correlations.

Variables	M	SD	1	2	3	4	5	6	7	8	9	10	11
1. Team size	6.62	3.09											
2. Average team tenure (in months)	32.68	21.47	.03										
3. Gender diversity	0.26	0.22	.03	−.16									
4. Age diversity	3.42	2.36	−.07	−.05	.04								
5. Average power within the team	40.02	15.73	.05	.05	.05	.03							
6. Task interdependence	5.68	0.49	.21*	.21*	−.06	.18†	.18†	(.71)					
7. Ethical leadership	4.00	0.45	.01	−.19†	.04	−.20†	.12	.26*	(.95)				
8. Power disparity within the team	0.64	0.38	.03	.01	.14	.01	−.52**	−.04	.17	--			
9. Task conflict	3.36	0.76	.02	−.02	−.02	−.05	−.17	−.09	−.30**	−.05	(.90)		
10. Relationship conflict	2.73	0.84	.00	.04	.04	−.04	−.17	−.16	−.30**	.03	.82**,[a]	(.95)	
11. Team performance	5.74	0.81	−.01	−.16	−.16	.07	−.10	.01	.04	.01	.22*	.00	(.91)

Note: $N = 90$. Cronbach's alpha coefficients are on the diagonal in parentheses.

[a]Although the correlation is above .70, it is commensurate to the average numbers reported in meta-analysis papers because task conflict and relationship conflict share some common variances (e.g., .18–.84 in de Dreu & Weingart, 2003; −.69–.93 in de Wit et al., 2012).

†$p < .1$.

*$p < .05$, and **$p < .01$.

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of the potential controls exhibited a significant relationship with an outcome variable in our model. We, therefore, excluded them in our report of results (Becker, 2005). We note that the pattern and interpretation of the results remained virtually unchanged when including all control variables.

Test of hypotheses

Because all study variables were conceptualized and operationalized at the team level and results indicated that their team-level variances were substantial and significant, we modeled the hypothesized relationships among the study variables at the team level. We used Mplus 8.3 (Muthén & Muthén, 1998–2017) to perform our analyses. All predictors were standardized to reduce collinearity.

Hypothesis 1a predicted power disparity to moderate the relationship between ethical leadership and team task conflict. As shown in Table 3, we observed a significant interaction effect between ethical leadership and power disparity on team task conflict ($b = .25$, $SE = .12$, $p < .05$). Figure 2 depicts the pattern of this interaction. Simple slope analyses revealed that ethical leadership did not significantly relate to team task conflict when team power disparity is

TABLE 3 Unstandardized coefficients of the moderated mediation effects.

	Team task conflict		Team relationship conflict		Team performance	
Predictor	***b***	***SE***	***b***	***SE***	***b***	***SE***
Ethical leadership	−.11	.12	−.13	.12	.07	.12
Power disparity	−.05	.07	.02	.08		
Ethical leadership × Power disparity	.25*	.12	.28*	.11		
Task conflict					.70***	.18
Relationship conflict					−.48**	.15
Ethical leadership → team task conflict → team performance						
Power disparity	**Conditional indirect effect**		**LLCI**		**ULCI**	
High (M + 1 SD)	.10		−.137		.384	
Low (M − 1 SD)	−.25		−.522		−.091	
Ethical leadership → team relationship conflict → team performance						
Power disparity	**Conditional indirect effect**		**LLCI**		**ULCI**	
High (M + 1 SD)	−.07		−.312		.079	
Low (M − 1 SD)	.20		.055		.441	

Note: $N = 89$. Because there was one team in which only one member provided data on personal sense of power, which leads to the missing value on power disparity. We thus excluded this case in our report of results. Notably, the pattern of results was essentially the same when we handled this case using multiple imputations.

Abbreviations: LLCI, lower level of 95% bootstrapped confidence interval; ULCI, upper level of 95% bootstrapped confidence interval.

$^{\dagger}p < .1$.

*$p < .05$, **$p < .01$, and ***$p < .001$.

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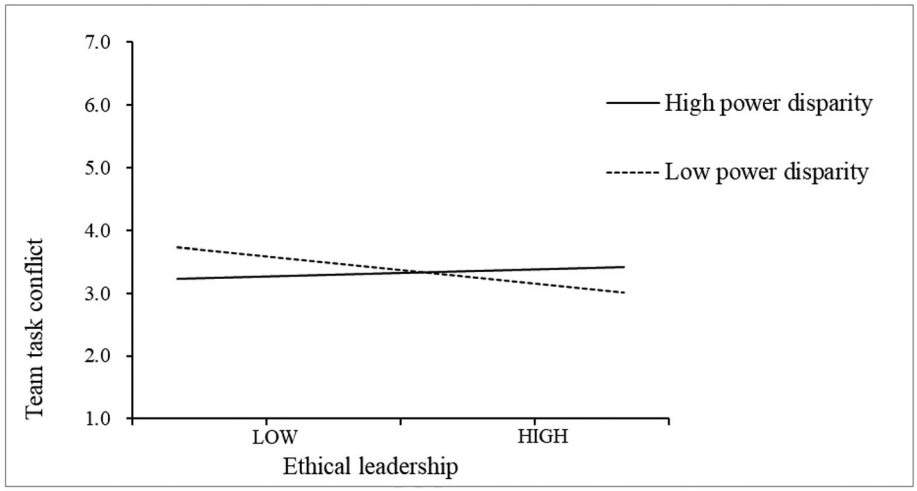

FIGURE 2 The interaction of ethical leadership and power disparity on team task conflict.

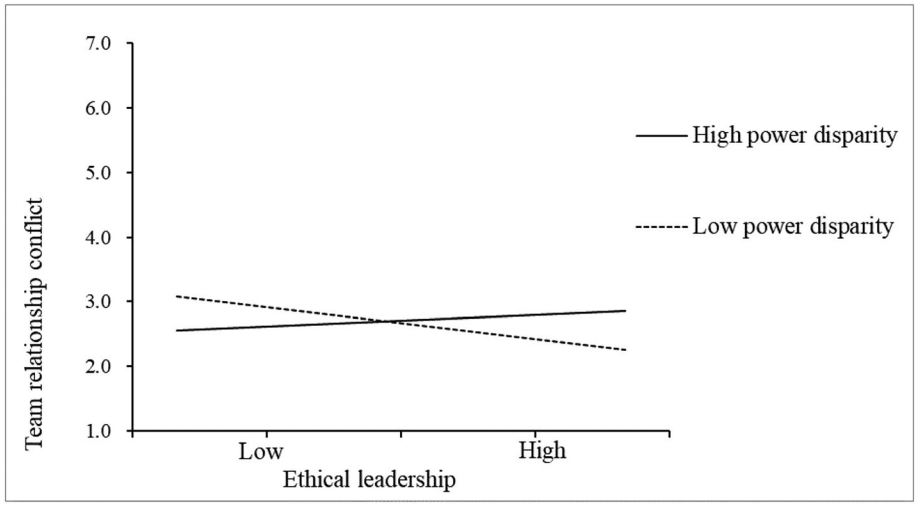

FIGURE 3 The interaction of ethical leadership and power disparity on team relationship conflict.

relatively strong ($b = .14$, $SE = .20$, $p = .48$). However, with relatively low power disparity within the team, the negative relationship between ethical leadership and team task conflict was significant (-1 SD: $b = -.36$, $SE = .13$, $p < .01$). These results thus lend support to Hypothesis 1a.

Hypothesis 1b predicted power disparity also to moderate the relationship between ethical leadership and team relationship conflict. Again, we found a significant interaction effect between ethical leadership and power disparity on team relationship conflict ($b = .28$, $SE = .11$, $p < .05$). We depicted the pattern of this interaction in Figure 3, which shows that ethical leadership was not significantly related to team relationship conflict when power disparity within the team was relatively strong ($b = .15$, $SE = .18$, $p = .40$). In contrast, the negative relationship between ethical leadership and team relationship conflict was significant when power disparity

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within the team was relatively weak ($b = -.41$, $SE = .14$, $p < .01$). These results thus lend support to Hypothesis 1b.

Hypothesis 2a suggested that team task conflict mediates the interaction effect between ethical leadership and team power disparity on team performance. Consistent with our prediction, task conflict was found to be positively related to team performance ($b = .70$, $p < .001$) after controlling for the effect of relationship conflict. As predicted, we found a significant and negative indirect effect of ethical leadership on team performance when power disparity was lower (indirect relationship at $-1SD = -.25$; 95% confidence interval = $-.522$ to $-.091$). In contrast, the indirect relationship was not significantly different from zero when power disparity was higher (indirect relationship at $+1SD = .10$; 95% confidence interval = $-.137$ to .384). Thus, Hypothesis 2a was supported.

Finally, Hypothesis 2b suggested that team relationship conflict mediates the interaction effect between ethical leadership and team power disparity on team performance. In line with our expectations, relationship conflict was significantly and negatively related to team performance ($b = -.48$, $p < .01$) after controlling for the effect of task conflict. As predicted, we found a significant and positive indirect relationship between ethical leadership and team performance via relationship conflict when power disparity was lower (indirect relationship at $-1SD = .20$; 95% confidence interval = .055 to .441). However, this indirect relationship was nonsignificant (rather than significantly positive) when power disparity was higher (indirect relationship at $+1SD = -.07$; 95% confidence interval = $-.312$ to .079). Thus, Hypothesis 2b was supported.

DISCUSSION

Previous studies have often associated ethical leadership with positive team performance. However, our research proposes that ethical leadership can have unexpected, paradoxical effects on team interpersonal dynamics and consequently on team performance. Drawing on social information processing theory, we spotlight two mechanisms—team task and relationship conflicts—that elucidate these paradoxical effects. Furthermore, we identify informal power structure within the team as a vital contextual factor conditioning the effects of the formal leader's ethical leadership on team dynamics and performance. A three-wave field study of 90 work teams in China corroborated our hypotheses. Results showed that while ethical leadership promotes team performance by diminishing relationship conflict, it adversely affects performance by suppressing task conflict. These indirect effects are more profound in teams with a more equal power distribution.

Theoretical implications

The results of the current study make several theoretical contributions to the ethical leadership literature. First, our results challenge the prevailing positive view surrounding ethical leadership, providing a more nuanced understanding of its impact on team conflict processes and performance. Past research has indicated that ethical leadership can mitigate dysfunctional relationship conflicts within the group (Mayer et al., 2012) and promote group performance (Peng & Lin, 2017; Walumbwa et al., 2012), but they have largely ignored the potential downsides of ethical leadership at the group level. With its stringent focus on conformity to norms

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and standards, ethical leadership may inadvertently suppress active disagreements or confrontational disputes about the content of the tasks being performed (e.g., Keem et al., 2023). Part of our results supports the positive connotation of ethical leadership by showing that it can effectively promote team performance by reducing relationship conflict. However, our results extend previous research by showing that ethical leadership can paradoxically hinder performance through the suppression of task conflict that is beneficial for team performance when disentangled from relationship conflict. Our investigation into the paradoxical effects of ethical leadership contributes to emerging research on its potential drawbacks (den Hartog, 2015; Kalshoven et al., 2016; Lin et al., 2016; Stouten et al., 2013) and cautions against an uncritical embrace of its perceived benefits. More broadly, it aligns with a burgeoning area of leadership literature that delves into the potential pitfalls or unintended consequences of what is typically viewed as positive leadership (e.g., Cheong et al., 2016; Qin et al., 2020; Vergauwe et al., 2018).

Second, our research examines relationship and task conflicts as central mechanisms that explain the influence of ethical leadership on team performance. In doing so, this work bridges burgeoning yet fragmented studies on team-level ethical leadership. While previous research has identified task and relationship conflicts as consequences of ethical leadership (e.g., Mayer et al., 2012; Mo et al., 2012) and critical antecedents of team performance (e.g., de Dreu & Weingart, 2003; de Wit et al., 2012), and others have highlighted the predictive capacity of ethical leadership on group performance (Walumbwa et al., 2012), a holistic view was missing. Analyzing these findings in isolation can give a positive illusion, potentially portraying ethical leadership as a flawless approach that mitigates all conflicts and boosts team performance. In contrast, our findings reveal a double-edged influence: ethical leadership positively impacts team performance by reducing relationship conflicts but can also inadvertently suppress beneficial task conflicts. This nuanced approach enriches our understanding of how ethical leadership operates at the team level.

Third, we provide a fresh perspective on the application of social information processing theory in the context of ethical leadership, especially at the team level. Although social learning theory and social exchange theory have been extensively applied to explain the effects of ethical leadership at different levels of analysis, research has called for the use of novel theoretical lens to advance our understanding of ethical leadership (Lemoine et al., 2019). Drawing on social information processing theory, our research emphasizes the critical role that formal team leaders play in establishing and enforcing norms, clarifying how social information provided by the team leader's ethical behaviors influences team processes and outcomes. On the one hand, the clarity of behavioral expectations provided by ethical leadership can foster cohesion and reduce relationship conflicts. On the other hand, an over-reliance on these norms can hinder the team's ability to fully embrace deviation and divergence, motivating team members to avoid engaging in active disputes and disagreements that may potentially benefit team performance.

Finally, our findings advance our understanding of the boundary conditions of ethical leadership by showing how team power disparity moderates the effects of ethical leadership on team conflicts and performance. Drawing on social information processing theory, previous research has highlighted the role of uncertainty in strengthening the effects of other leadership styles (e.g., Yang, Huang, et al., 2018; Yang, Qian, et al., 2018). Our research extends this line of literature by suggesting team power disparity, an essential team characteristic, can contextualize the effects of ethical leadership on team conflicts and performance. Team power disparity entails unwritten rules and norms in interactions with others, which creates a structured, well-ordered environment that allows members to develop relatively uniform expectations about appropriate behaviors (Halevy et al., 2011; Magee & Galinsky, 2008; Tiedens et al., 2007).

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Such dynamics intrinsic to power disparity can, to a certain degree, reduce the uncertainty in interpersonal interactions, rendering the role of ethical leadership in providing behavioral cues less salient. However, in teams characterized by low power disparity, the dynamics of interaction among team members are inherently more complex, often leading to heightened levels of uncertainty. Under such circumstances, the role of ethical leadership becomes critically important. Ethical leaders, by demonstrating consistent moral behavior and articulating clear ethical standards, providing much-needed guidance and behavioral norms (Brown et al., 2005).

Practical implications

Our results offer several managerial implications. First, our results imply that fulfilling the social expectations for ethical leadership and achieving high team performance are not mutually exclusive. In pursuit of business ethics, managers can demonstrate ethical leadership by holding high ethical standards, modeling ethical conduct, and rewarding ethical acts. These behaviors are virtuous and can promote team performance by reducing relationship conflicts. Importantly, our work highlights one reason why the benefits of ethical leadership should be advocated with caution—it may have unexpected, negative effects on team performance. Our results suggest that it is crucial for managers to be aware of the potential downsides of ethical leadership on team performance while employing it to achieve beneficial team outcomes. On the one hand, managers are advised to practice their ethical leadership towards the reduction of interpersonal tension associated with relationship conflict by, for example, demonstrating how to disagree with respect and being sincere. To reduce the costs and enhance the benefits of ethical leadership, on the other hand, team leaders should take actions to actively facilitate functional task-related disputes by, for example, encouraging sharing of conflicting, even confrontational opinions and downplay rule compliance in the process of discussion.

Besides, our findings also reveal that formal leaders' ethical leadership seems more effective in managing intrateam conflicts when informal power distribution shows patterns of egalitarian structures. Team leaders thus should pay particular attention to teams' degree of hierarchy and be more careful when practicing ethical leadership to teams characterized by high power disparity. Because such teams have established an informal code of conduct regarding desired behaviors, ethical leadership has less room to wield its influence on interpersonal interactions. In contrast, when teams maintain relatively flat structures and egalitarian cultures, the uncertainty presented in group interactions motivates team members to use formal leaders' ethical leadership as behavioral guidance. As a result, those team may encounter less task and relationship conflicts. In such cases, organizations should train leaders to foster task conflict without promoting relationship conflicts among team members, which can prevent premature consensus and mitigate potential negative impacts of ethical leadership on team performance.

Limitations and future research directions

Our study has several limitations commonly found in research of ethical leadership. For example, while mitigating common method variance bias through a multi-wave design, our survey remains correlational and does not rule out reverse causality, such as leaders adopting ethical leadership in response to team conflicts or poor performance. Future research should employ longitudinal or experimental methods to establish clearer causal links. Besides, our analysis did

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not account for other leadership styles, such as transformational leadership, a limitation given its known effects on team dynamics (Mayer et al., 2012; Walumbwa et al., 2012). This oversight highlights the imperative for future research to differentiate the unique impacts of ethical leadership on team conflicts and performance. In addition, our results, derived from a Chinese context, may not fully translate to other cultural settings, suggesting a need for cross-cultural validation of our model. Lastly, in line with previous studies (e.g., Jehn et al., 2010; Langfred, 2007; Shaw et al., 2011), we focused on task and relationship conflicts, omitting process conflict due to concerns about the conceptual and operational overlap between task and process conflicts. This decision aligns with the finding that many conflict scales struggle to distinguish process conflict from task conflict (Behfar et al., 2011). However, subsequent research could employ Behfar et al.'s (2011) two-factor process conflict scale to ascertain whether process conflict plays a similar or distinct mediating role in the relationship between ethical leadership and team performance.

In addition, our study also paves the way for several promising avenues of future research, beyond addressing the limitations mentioned above. First, consistent with previous research (e.g., Bunderson et al., 2016), we operationalized power disparity as the aggregated size of differences in each group member's personal sense of power. In doing so, we tapped into power disparity as a group-level phenomenon that reflects the distribution of individual power levels. However, this method cannot pinpoint where the informal leader really lies and how influence cascades from this leader to those who essentially act as followers. Social network approach provides a more accurate depiction of the relational intricacies that ultimately define informal power hierarchy within a group (Bunderson et al., 2016; D'Innocenzo et al., 2016). Therefore, it would be beneficial for future studies to utilize social network analysis to investigate how informal hierarchical structures and formal leadership practices conjointly influence team processes and outcomes. In scenarios where informal and formal leaders' ethical behaviors either converge or diverge, the social network approach facilitates a more nuanced analysis of how their behaviors affect team dynamics and performance. This aspect presents a compelling area for further exploration.

Second, exploring additional mechanisms represents another avenue for scholars to build on our research. Although our research focused on the mediating role of task and relationship conflict, ethical leaders might also influence ethical conflict (Brown et al., 2022), thereby shaping group dynamics and performance. Ethical conflict "... exists when members of a group disagree about the issue of what is considered right or wrong" (Brown et al., 2022, p. 1130). Ethical leaders promote open discussions about ethical dilemmas (Brown et al., 2005), which might inadvertently increase the occurrence of ethical conflict. Conversely, through the establishment of clear ethical norms and standards, such leaders might effectively diminish the onset of moral disagreements. It is necessary for future research to determine the net effect of ethical leadership on ethical conflict. Moreover, we also encourage future research to consider how moral value (in)congruence between leaders and their team members may influence ethical conflict in teams (Brown et al., 2022).

Moreover, identifying other moderating variables associated with ethical leadership can enhance our understanding of the circumstances under which the double-edged sword effects of ethical leaders are more likely to unfold. In particular, leaders should consider the ethical context in which they practice ethical behaviors towards followers. For example, future research could investigate ethical culture and climate (Arnaud & Schminke, 2012; Kaptein, 2008; Verdorfer et al., 2015) or ethical value fit (Egorov et al., 2020) as potential moderators in the ethical leadership-team performance relationship. More broadly, future research may consider

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to explore boundary conditions that further qualifies the moderating effect of power disparity. For example, in teams with a pronounced hierarchy, the influence of an ethical leader on intrateam conflict is strongest if the ethical leader can sway the informal leader or share a strong bond with her/him. In contrast, if the ethical leader cannot impact the informal leader or maintain a weak relationship, ethical leadership of the formal team leader on intrateam conflict may diminish. It will be a valuable future scholarly endeavor to further explore the intricate interplay between ethical leadership, team power disparity, and the dynamics between formal and informal leaders by using a dyadic rating approach (Bunderson et al., 2016; Everett & Krackhardt, 2012).

CONCLUSION

Ethical leadership, with its dedication to establishing and upholding ethical norms, can enhance team performance by mitigating relationship conflicts. However, its emphasis on strict norm adherence can inadvertently dampen team performance by suppressing task conflicts. Our findings validate the double-edged effects of ethical leadership: while it boots team performance by reducing relationship conflict, it concurrently diminishes it by curtailing task conflicts. Importantly, we identify team power disparity as a key moderator influencing the relationship between ethical leadership and both types of team conflicts. The indirect effect of ethical leadership on team performance, mediated by team conflicts, is particularly pronounced when team power disparity is low. Collectively, this research provides a comprehensive insight into the multifaceted impact of ethical leadership on team conflicts and performance.

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CONFLICT OF INTEREST STATEMENT

All authors declare that they have no conflict of financial or competing interest.

DATA AVAILABILITY STATEMENT

Data are available on request from the authors.

ETHICS STATEMENT

All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards. The research ethics committee of School of Management, Zhejiang University, had approved the protocol of this study.

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ENDNOTE

[1] Notably, the correlation between the two measures for task conflict and relationship conflict was .82 ($p < .001$), meaning that the percentage of overlapping variances is 67.24% and the percentage of unique variances is 32.76%. These numbers suggest that the two measures are both conceptually distinct and theoretically relevant dimensions of the higher order concept conflict. Because both task conflict and relationship conflict involve perceived incompatibilities or differences among group members, and because task conflict can easily escalate to relationship conflict, it is not uncommon to observe a strong correlation between the two (de Wit et al., 2012; Simons & Peterson, 2000). In order to check whether the two types of conflict represent distinct constructs, we performed an additional CFA for task conflict and relationship conflict in which a two-factor model was directly compared with a one-factor model. The results indicated that the two-factor model provided a significantly better fit than the one-factor model ($\Delta\chi^2$ [1] = 199.42, $p < .001$), supporting the distinctiveness of the two measures.

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