Understanding determinants of ethical leadership

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ABSTRACT

The issue of ethical leadership have received significant interest in recent years due to plethora of ethical scandals in organizations. Thus, this paper aims to explore for better understand the determinants of ethical leadership. Even though many researchers attempt to explore and determine the antecedents and factors of ethical leadership, yet the determinants of ethical leadership is less convincing since the results evidenced to be mixed. Together with less intention given in Malaysia to explore the determinants, hence this paper could provide a conceptual framework that would help future research endeavour.

Introduction

The alarming number of fraud and corruption cases committed has put ethical leader behaviour in the priority list of organizations (Waldman et al., 2006). In spite of the recent high profile scandals that involved organizations' leaders, evidenced from the empirical research suggested that the leaders are not as concerned about ethics as perhaps they should be (Khalid, in press). Importantly, survey on 180 executives disclosed that only 13 percent of the big-company top executives thought of having strong ethical values is the most important leadership needed by CEOs (Stango, 2005). Harshman and Harshman (2008) argued that unclear understanding of the nature and conditions of ethical behaviour in organizations lead to reckless growing practices of blatant corporate corruption. The majority of business scandals due to lacked of leadership roles that focuses on moral core to influence their choice (Bragues, 2008).

Nevertheless, ethical leadership is expected to develop positive outcome on employees' attitudes and ethical behavior (Aronson, 2001) through stimulating role in ethical climate at work (Dickson et al., 2001). Prior research on ethical leader behaviour demonstrated positive relationships on followers' attitudes and behaviours (De Hoogh & Den Hartog, 2008). On the contrary, the follower perspective on the ethical leadership antecedents that influenced the positive/ negative leader-follower relationships are less emphasized and far less researched. Arjoon (2007) supported that crises in business is crises of leadership and ethics. According to Brown et al. (2005), leaders behaviours are paramount concern of all corporations and highlights the importance of ethical leadership. Research shows that integrity; power sharing; and fairness effect leaders' influence (Dailey & Kirk, 1992). However, evidence were insufficiently developed to better understand how leadership situations choose to influence others through ethical behaviours while others choose less ethical behaviours.

Employees perceived that leaders are their idol (Bass & Steidlmeier, 1999; Weaver et al., 2005). The factors need to be supported with the alignment of individual preferences towards their leaders (Kalshoven et al., 2011) of role clarification and agreeableness with power sharing (Avolio & Gardner, 2005) and fairness (Aronson, 2001) together with virtuous character of leaders (Anderson et al., 2008). Dickson et al. (2001) added that leaders' behaviours influenced ethical climate at workplace. Conversely, De Hoogh and Den Hartog (2008) evidenced that leaders are perceived to be ethical when they are highly socially responsible for every action taken by them. Reemphasized by Kalshoven et al. (2012) that ethical leader should imbue integrity in their self in order to be said as an ethical person through consistence of words and act and keep promises. Kalshoven and Boon (2012) mentioned that employees relied on leader's fairness in the relationship of the interaction between ethical leadership with HRM and employee helping. Integrity alone could not classify leader to be ethical without the factor of power sharing and fairness in the leader-follower relationships (Ones et al., 2005; Sacket & Wanek, 1996; Turner et al., 2002). Thus, this study aims to explore the determinants of ethical leadership.

Ethical Leadership

Leadership is not a person or a position but it is a complex and moral relationship between people founded on trust, obligation, commitment, emotion and shared vision of good (Ciulla, 1998). Kalshoven and Boon (2012) defined ethical leaders as a person which are consistent, caring and fair, and feel responsible for every action done by them. While ethical leadership is accepted factor that positively influenced attitudes and (ethical) conduct of employees, business unit or organizational performance employees (Aronson, 2001; Kalshoven et al., 2011). Brown et al. (2005) added that ethical leadership is a 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.

The ethical leadership constructs use a moral values framework for aligning leader behaviours with respect to achieving desired outcomes of followers (Khalid et al., 2011). The literature of ethical leadership has rooted from shares elements of motivating followers, leaders' character and integrity, and encouraging and empowering people (Aronson, 2001; Brown et al., 2005; Sama & Shoaf, 2008; Zhu et al., 2004). Aronson (2001) proposal on ethical leadership comprises of idealized influence, inspirational motivation and individualized consideration and lesser extent of modes of influence of moral principles before their own personal concerns. These factors are primarily are self interested, caring of personal power and manipulative for personal goal attainment (Carroll, 2001).

Zhu et al. (2004) mentioned that empowerment or power sharing is crucial to prescribe outcomes of organizational commitment and trust in leadership. Organizational commitment and trust are developed from perception of fairness by the follower (Brown et al., 2005). Palanski and Yammarino (2007) argued that integrity in some way overlapped with ethical leadership but Brown et al. (2005) constructively emphasized on integrity element as ethical leadership determinant. This is supported by Aronson (2001) and Kanungo (2001) that evidenced effect of leader's virtuous action in ethical leadership.

Prior research has shown that power sharing (Avolio & Gardner, 2005), perceived of fairness (Aronson, 2001) and integrity virtuous character (Anderson et al., 2008) have greater impact in encouraging participation in ethical decision making. Power sharing allows for better check and balance to mitigate self interest and manipulative of interest (Avolio & Gardner, 2005; Zhu et al., 2004). Fairness balances the moral decision (Aronson, 2001; Kalshoven & Boon, 2012). While integrity sets the boundaries of leaders' character in upholding moral characters that developed ethically organizational culture (Anderson et al., 2008; Arjoon, 2007).

Studies by Brown et al. (2005) found that followers are willing to put extra effort into their job with leader with moral behaviour. Similarly, study on 172 intermediate managerial level employees revealed that that fairness, power sharing and integrity have positively affected ethical leadership (Ponnu, 2009). Kalshoven et al. (2012) however found that power sharing and fairness are important factors in ethical leaders-followers relationship behaviours. The reported that employees perceived that supports, cares and fair treatment are more likely to develop satisfaction and trust. Anderson et al. (2008) agreed that ethical leadership helps leaders in treating their subordinates in fairly manner, open and more supportive for more positive outcomes. Similarly, a qualitative investigation by Trevino et al. (2003) revealed that having an ethical role model is an important antecedent of ethical leadership. Interviews done by Weaver et al. (2005) found that individuals who had been influenced by an ethical behaviour such as caring, honesty, fairness agreed that having an ethical role model was an important antecedent of ethical leadership.

Integrity

Resick et al. (2006) defined integrity as is one of the components that characterize ethical leadership. While Astin and Astin (2001) and Northouse (2001) described integrity as all things that precedes all else. They argued that leaders with integrity inspire confidence of others and as a critical factor in commitment building of the team. Leaders with integrity can be trusted and modelling the way to ensure consistency and congruency (DePree, 1992). Moreover, integrity often considered too be an important aspect of leadership in general (Bass & Steidlmeier, 1999).

Integrity is a prerequisite to personal success and for developing leadership skills. Current research and literature suggested the needs for leaders and organizations to demonstrate integrity capability and capacity (Parry & Proctor-Thomas, 2002; Petrick & Quinn, 2001). The culture of integrity that imbedded into organization system impacts the actions and policies of the leadership team and the quality of the corporate governance system (Khalid et al., 2011).

Study done by Honeycutt et al. (2001) found that the attribute of behavioural integrity

Is a fundamental standard in the performance of organizations' leaders. According to Davis and Rothstein (2006) ethical leadership is positively correlated with personal integrity. They also found that personal integrity as the main quality for affective leadership and best managerial performance. This also consistent with Parry and Proctor-Thomas (2002) that revealed ethics orientation and integrity were relevant parts of leadership. Aronson (2001) also evidenced the strong positively relationship between integrity and leadership. Meanwhile Fernandez and Hogan (2002) found that most effective manager values were strongly associated with perceived integrity. Hader (2007) suggested that better work level involved sense of integrity between subordinate and the leader. Their findings drew attention to leadership as a relational activity that included shared values.

Anderson et al. (2008) commented that moral integrity is a relevant component in directors and leader's performance. This statement has been supported by Davis and Rothstein (2006) that argued perception of the integrity and efficiency of a leader was important evidence of the director or leader's performance. Besides, study by Waldman et al. (2006), had proven that there were a positive relationship between ethical values and suggested he practices of a director characterize the integrity of the directors and leaders. Eddy and VanDerLinden (2006) also found that perception of integrity was related to a high degree of congruence between a director or leader's words and actions. Davis and Rothstein (2006) continue the research and found that there was a strong, positive relationship between perceptions of integrity and the behavioural integrity of managers and employee attitudes such as work satisfaction, organizational commitment, and satisfaction in general. There were findings that suggested a positive correlation between integrity and ethical leadership (Adobor, 2006; Knights & O'Leary, 2006). Brown et al. (2005) claimed that behaviour, integrity and ethical standards are positively related to the capacity of influence in ethical leadership. Subsequently, Resick et al. (2006) suggested that character, integrity, altruism, collective motivation, and energy are typically components of ethical leadership.

Power Sharing

De Hoogh and Den Hartog (2008) describe power sharing as a behavioural component of ethical leadership. Zhu et al. (2004) implied that power sharing will enable subordinates to have authority and less dependent on their leaders. However, ethical leaders still responsible of the use of power and oversee the process of influencing employees towards achieving organization objectives (De Hoogh & Den Hartog, 2008).

Harshman and Harshman (2008) found that ethical leadership asist employees in decision making through listening to their ideas and concern about their well being. Brown et al. (2005) added that ethical leaders provide follower with voice than been supervise with ethical conduct demonstration and promotion. Power sharing is important in influencing the quality of followers' decisions, especially when the leader is not physically present in given situations.

Study by Anderson et al. (2008) proven that ethical leaders is an important source of ethical guidance for employees. Conversely, leaders are responsible to make employees aware of organizations' expectations. Clear expectations will allow employees to reciprocate with expected contributions and perceived appreciation through organization support system (Khalid et al., 2011). This approach will hold employee responsible and accountable for their decisions. In addition, Waldman et al. (2006) found that employees' perceived power shared by leaders as a responsible behaviour and ethically acted. More involvement by employees in decision making, the ethically perception towards their leader as ethical leader is increased. Leader who ethically shared power with employees will provide employees with sense of belonging that allow for competency gathering and independency (Resick et al., 2006). It enhances employees' self efficacy enhancement and organizational commitment (Kanungo, 2001).

Yuki (2006) indicated that power sharing gives followers the opportunity to develop skills and competency to align with organization objectives. Prior research has shown that organizational commitment is greater for employees whose leaders encourage their participation in decision making (Davis & Rothstein, 2006; Kalshoven & Boon, 2012; Ones et al., 2005).

Fairness

Fairness is also seen as important form of ethical leader's behaviour. Leaders can be labelled as ethical when they make principled and fair choices, trustworthy and honest, do not practice favouritism, and take responsibility for their own actions (Brown et al. 2005; Trevino et al., 2003). Bass and Steidlmeier (1999) and Brown et al. (2005) characterized ethical leaders as honest, caring and principled individuals who make fair and balanced decision. They also evidenced that fairness is one of important antecedents of ethical leadership. Adobor (2006), and Palanski and Yammarino (2007) agreed that ethical leaders not only practice what they preach but they are proactive role models for ethical conduct.

From an applied management point of view, ethical leaders will treat employees fairly and in an unbiased and impartial manner in order to guide their ethical leadership behaviour (Ponnu, 2009). This has been supported by the empirical evidence that have been conducted where employees perception of being treated fairly affect both their job attitudes, such as satisfaction and commitment, and organizational outcomes (Carroll, 2001; Dailey & Kirk, 1992; Kalshoven & Boon, 2012; Ponnu, 2009; Sacket & Wanek, 1996). It is expected that ethical leader will treat employees fairly and in an unbiased and impartial manner using both distributive and procedural justice to guide their leadership behaviours. Empirical evidence from the organizational behaviours literature also shows that employees' perception of being treated fairly affect both their job attitudes, such as satisfaction and commitment, and organizational outcomes (Honeycutt et al., 2001; Khalid, in press; Resick et al., 2006).

Kalshoven et al. (2011) mentioned that leaders who treat their employees fairly also elicit organizational citizenship behaviour. Supported by the social exchange perspective that suggested employees may reciprocate fair treatment (Eddy & VanDerLinden, 2006). However, social learning theory suggested that employees are likely to copy behaviour of their leader (Sama & Shoaf, 2008). Thus if the leader treats them fairly and respectfully, they become more likely to treat others in such a manner. Social learning perspective shows that fairness and concern for others should be associated with model attractiveness where they will attract observer attention and enhance observer's desire to emulate modelled behaviour (Anderson et al., 2008). Kalshoven and Boon (2012) argued that fair, consistent and caring treatment enhance employees effectiveness because such treatment will make employees more willing to carry out tasks set out by the leader. Positive reciprocity says that employees will work more effectively when their ethical leaders treat them in this way (DePree, 1992).

Conclusion

Despite of its theoretical and practical significance, empirical research on the ethical determinants of leadership is less convincing because the results were mixed due to limitation of generalization. Though studies have been done to examine the individual and group antecedents of ethical leadership behaviours and the consequences of such ethical behaviours at the organizational level (e.g: Adobor, 2006; De Hoogh & Den Hartog, 2008; Ponnu, 2009; Resick et al., 2006), factors effecting ethical leadership have not been thoroughly explored, especially in the Asian context.

The issue of ethical leadership have received significant interest in recent years due to plethora of ethical scandals in organizations. Hence, understanding the implications of the ethical leadership provides organization with opportunities to build trust, gain cooperation, commitment and thus, it can create long term wealth and sustainable competitive advantage.

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