

**Who Displays Ethical Leadership and Why Does it Matter?  
An Examination of Antecedents and Consequences  
of Ethical Leadership**

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**WHO DISPLAYS ETHICAL LEADERSHIP AND WHY DOES IT MATTER? AN  
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LEADERSHIP**

**ABSTRACT**

Drawing on social learning and moral identity theories, this research examines antecedents and consequences of ethical leadership. Additionally, this research empirically examines the distinctiveness of the ethical leadership construct when compared to related leadership constructs such as idealized influence, interpersonal justice, and informational justice. Consistent with the theoretically-derived hypotheses, results from two studies of work units ( $N$ 's = 115 and 195 units, respectively) provide general support for our theoretical model. In Study 1, there was a positive relationship between leader moral identity symbolization and internalization (approaching significance) and ethical leadership, and a negative relationship between ethical leadership and unit unethical behavior and relationship conflict. In Study 2, both leader moral identity symbolization and internalization were positively related to ethical leadership, and after controlling for idealized influence, interpersonal justice, and informational justice, ethical leadership was negatively related to unit outcomes. In both studies, ethical leadership partially mediated the effects of leader moral identity.

A perennial question asked by managers, employees, business students, and the general public is “What effect does leadership have on the behavior of followers?” By now, management scholars know there are definitive answers to this question, but those answers largely depend on the follower behaviors and leadership variables being considered. Two follower behaviors that have been shown to be influenced by leadership are ethical behavior and interpersonal conflict (Brown & Treviño, 2006a; Ehrhart, 2004). Importantly, both follower behaviors have been linked directly to bottom-line performance (Detert, Treviño, Burris, & Andiappen, 2007; LePine, Piccolo, Jackson, Mathieu, & Saul, 2008). This paper examines whether a new leadership construct called *ethical leadership* (Brown, Treviño, & Harrison, 2005) may be particularly well suited to explaining unethical behavior and interpersonal conflict in work units.

Brown et al. (2005) recently provided a new conceptualization of ethical leadership. They highlight three key building blocks of ethical leaders: being an ethical example, treating people fairly, and actively managing morality. The first two of these building blocks are reflected in the *moral person* component of ethical leadership, wherein ethical leaders have desirable characteristics such as being fair and trustworthy. The last building block is captured by the *moral manager* component whereby ethical leaders encourage normative behavior and discourage unethical behavior on the part of their subordinates using transactional efforts such as communicating about ethics and punishing unethical behavior (see Brown & Treviño, 2006a for a review). The conceptual basis for treating ethical leadership as a distinct leadership construct has been presented previously (Brown et al., 2005), but to date few empirical studies have directly examined the unique effect of ethical leadership above and beyond related leadership constructs. Furthermore, few studies have examined the relationship between ethical leadership and ethical outcomes because the construct is relatively new (see Brown et al., 2005; Detert et al., 2007; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Piccolo, Greenbaum, den Hartog, & Folger, 2010; Walumbwa, Mayer, Wang, Wang, Workman, & Christensen, in press;

Walumbwa & Schaubroeck, 2009, for exceptions). Finally, we are aware of few studies examining antecedents of ethical leadership. Our research addresses all of these gaps in the management literature by examining *why* ethical leadership matters, *who* engages in ethical leadership, and *whether* ethical leadership represents a distinct aspect of leadership that is not captured by other leadership constructs.

In the present research, we examine *antecedents* of ethical leadership by testing whether one source of motivation for leaders to exhibit ethical behaviors arises from a self-defining knowledge structure that several writers (e.g., Aquino & Reed, 2002; Blasi, 1983, 2004; Damon & Hart, 1992; Lapsley & Narvaez, 2004) refer to as *moral identity*. Our theoretical model posits that moral identity motivates leaders to act in ways that demonstrate some responsiveness to the needs and interests of others, an orientation that many philosophers (e.g., Kant, 1948) and psychologists (e.g., Eisenberg, 2000; Gilligan, 1982) consider a defining characteristic of moral behavior. We also explore *consequences* of ethical leadership at the work-unit level by drawing on social learning theory (Bandura, 1977, 1986). We focus on unit-level outcomes because group members exposed to similar cues in the environment regarding norms for appropriate behavior tend to behave in a fairly homogenous manner (e.g., Salancik & Pfeffer, 1978). The specific outcomes we examine include *unethical behavior* (i.e., behavior that is morally unacceptable to the larger community; Jones, 1991) and *relationship conflict* (i.e., interpersonal strife associated with differences in personalities or matters unrelated to the job; Jehn, 1995).

## **THEORETICAL BACKGROUND**

### **Moral Identity and Ethical Leadership**

In this paper, we adopt a *social-cognitive* conception of moral identity to explain the relationship between moral identity and ethical leadership. Moral identity is defined as a self-schema organized around a set of moral trait associations (e.g., honest, caring, compassionate) (Aquino & Reed, 2002). Theorists (e.g., Aquino and Reed, 2002; Blasi, 1980, 2004; Lapsley and

Lasky, 2001) have argued that people differ in the degree to which moral identity is experienced as being central to their overall self-definition. From a social cognitive perspective, this difference implies that the moral self-schema is more cognitively accessible for some people than others. According to Lapsley and Lasky (2001: 347), a person who has a moral identity is “one for whom moral schemas are chronically available, readily primed, and easily activated for information processing.” Similarly, Aquino and Reed (2002) suggest that moral identity has higher *self-importance* for some people than others, meaning that this particular knowledge structure is central to a person’s overall self-conception, making it more readily available for processing information and regulating conduct. Schema-based conceptions of moral identity have been used to explain various aspects of moral functioning in non-organizational domains (Aquino & Freeman, 2009; Aquino & Reed, 2002; Lapsley & Lasky, 2001; Lapsley & Narvez, 2004; Reed & Aquino, 2003), but only recently has moral identity been introduced into the management literature (e.g., Detert, Treviño, & Sweitzer, 2008; Reynolds & Ceranic, 2007).

Emerging empirical evidence supports the schema-based conceptualization of moral identity (Aquino, Freeman, Reed, Lim, & Felps, 2009; Aquino & Reed, 2002; Aquino, Reed, Thau, & Freeman, 2007; Olsen, Eid, & Johnsen, 2006; Reed & Aquino, 2003; Reynolds & Ceranic, 2007; Reed, Aquino, & Levy, 2007; Skarlicki, Van Jaarsveld, & Walker, 2008), but to understand why moral identity should be related to ethical leadership it is important to note that these studies also show that the centrality of this identity to the self predicts various forms of moral behavior (see Shao, Aquino, & Freeman, 2008 for a review). For example, studies show that moral identity is positively related to prosocial behaviors like charitable giving (Aquino & Reed, 2002; Reed et al., 2007) and negatively related to unethical behaviors like lying (Aquino et al., 2009; Reynolds and Ceranic, 2007).

Aquino and Reed (2002) proposed that moral identity influences moral behavior by acting as a self-regulatory mechanism rooted in people’s internalized notions of right and wrong.

The motivational power of moral identity arises from peoples' desire for self-consistency (Blasi, 1983, 2004). In other words, people whose moral identity is self-important should be motivated to act in ways that are consistent with their understanding of what it means to be a moral person (i.e., to demonstrate some responsiveness to the needs and interests of others) because acting otherwise can produce dissonance and self-condemnation (Aquino et al., 2009; Aquino & Reed, 2002). If moral identity does indeed function as a self-regulatory mechanism that motivates moral action, then the expected relationship between moral identity and ethical leadership is fairly straightforward: Leaders whose moral identity has high self-importance should act in ways that are consistent with common understandings of what it means to be a moral person, which in turn should result in their being perceived as ethical leaders.

Aquino and Reed's (2002) conception of moral identity has two dimensions, one of which captures its public aspect, which they call *symbolization*, and the other its private expression, which they call *internalization*. These dimensions correspond to theories of the self that posit that self-awareness can be characterized by an external and active self as a social object that impacts others and an internal introspective awareness of one's inner thoughts and feelings (Fenigstein, 1975). Individuals high in moral identity symbolization demonstrate their possession of moral traits through moral actions (Aquino & Reed, 2002). We expect moral identity symbolization to be positively related to ethical leadership because these leaders are more likely to demonstrate morally positive behaviors, which manifest as ethical leadership. It is important for leaders high in moral identity symbolization to behave outwardly in ways that are consistent with how they view themselves—and thus they are more likely to engage in ethical behaviors directed towards their employees. Prior research demonstrates positive relationships with symbolization and religiosity, volunteerism, charitable giving, and willingness to aid out-groups (Aquino & Reed, 2002; Reed & Aquino, 2003; Reynolds & Ceranic, 2007). Thus, we predict a positive relationship between leader moral identity symbolization and ethical leadership.

Moral identity internalization represents moral traits that are imbedded in one's self concept. Those high in moral identity internalization are likely to avoid behaviors that are seen as immoral, which would challenge their self concept. Leaders that are high in moral identity internalization are more likely to pay attention to, correct, and punish unethical behaviors. They are also more likely to define success not just by results, but by the way they are accomplished. To do otherwise would make those high in moral identity internalization feel inauthentic. Research on moral identity internalization has linked it to moral reasoning, volunteering, satisfaction from volunteering, and donating cans of food to the needy (Aquino & Reed, 2002; Reynolds & Ceranic, 2007). We therefore expect a positive relationship between leader moral identity internalization and ethical leadership.

*Hypothesis 1a:* Leader moral identity symbolization will be positively related to ethical leadership.

*Hypothesis 1b:* Leader moral identity internalization will be positively related to ethical leadership.

### **Ethical Leadership and Unit-level Outcomes**

In addition to examining *who* is likely to be perceived as an ethical leader, we also examine the relationship between ethical leadership and two unit-level outcomes—unethical behavior and relationship conflict—to better understand *why* ethical leadership matters.

***Ethical leadership and unethical behavior.*** Consistent with Brown et al. (2005), we draw on social learning theory (Bandura, 1977, 1986) to explain the effects of ethical leadership. Social learning theory posits that individuals learn appropriate behaviors through a role-modeling process by observing the behaviors of others (Bandura, 1977, 1986). In choosing models for appropriate behavior, individuals are likely to pay attention to and emulate behaviors from credible and attractive role models. Given their position in the organization, supervisors are often deemed legitimate models for normative behavior. In addition to direct observation,

employees are influenced by their supervisor because he/she has the power to dole out both punishments and rewards. Thus, because ethical leaders reward ethical behavior and discipline unethical behavior, they influence their employees to engage in desired behavior. Finally, in addition to being influenced directly by modeling leader's behavior and one's own rewards and punishments, social learning theory highlights the role of vicarious learning—the idea that individuals learn what is expected of them and the norms for behaving appropriately not only through their own experience, but also by observing others (Bandura, 1977, 1986). Thus, within a work group context, social learning can occur either directly or vicariously through the experiences of fellow group members. When leaders behave in an ethical manner, communicate the importance of ethics, and use punishment and reward systems to encourage ethical behavior, group norms for acceptable behavior are formed and employees in the work unit will be less likely to engage in unethical behavior.

*Hypothesis 2:* Ethical leadership will be negatively related to unit unethical behavior.

***Ethical leadership and relationship conflict.*** We expect ethical leadership to influence interpersonal dynamics in work groups. By definition, ethical leaders exhibit normatively appropriate conduct through their actions and interpersonal relationships with employees in the work unit (Brown et al., 2005). They also stress the importance of two-way communication such that they are concerned not only with expressing their own opinions, but highlighting the importance of listening and getting along with others (Brown et al., 2005). In addition, ethical leaders exhibit social responsiveness and caring by communicating to employees that their best interests are the leader's primary concern (Brown et al., 2005). Based on social learning principles, the behaviors displayed by ethical leaders can “trickle down” to employees (Mayer et al., 2009) encouraging those who witness them to behave similarly towards their coworkers. Ethical leaders help develop norms in the group in terms of how to treat others that ultimately should influence group relations. Researchers have found that when employees observed

displays of virtuous interpersonal behavior in their work group such as sharing, loyalty, advocacy, or caring, it can result in higher levels of liking, commitment, participation, trust, and collaboration (Koys, 2001; Walz & Niehoff, 2000). Thus, by working under an ethical leader, it is conceivable that employees can become more willing to allow coworkers to express their opinions, avoid personal attacks on coworkers, and demonstrate respect and consideration for coworkers' needs. By role modeling the positive interpersonal behavior displayed by ethical leaders, it is possible that employees are more likely to constructively rather than destructively manage the interpersonal tensions that inevitably arise in their interactions with fellow unit members. Emulating the positive interpersonal behavior of ethical leaders, employees can reduce tension and friction associated with relationship conflict, which can strengthen their interpersonal relationships (Bateman & Porath, 2003).

*Hypothesis 3:* Ethical leadership will be negatively related to unit relationship conflict.

To this point we have hypothesized that leader moral identity is positively related to ethical leadership and ethical leadership is negatively related to unit-level unethical behavior and relationship conflict. In an effort to complete our theoretical model, we predict that the relationship between leader moral identity and the unit outcomes is mediated by ethical leadership. We suggest that the effects of a leader's identity should only be related to employees' behavior through its effect on leader's *behavior*. In other words, leader moral identity alone is not expected to relate to employees' behavior but rather the manifestation of that identity, in the form of ethical leader behaviors, is expected to explain the link. Indeed, leaders with a high moral identity strive for self-consistency and feel inauthentic unless they "walk the talk" by engaging in ethical leadership behaviors (e.g., modeling ethical behaviors, using rewards and punishment systems to discourage unethical behavior), and these leader behaviors influence employees' conduct through social learning processes. Employees are likely to witness the

behaviors of ethical leaders and try to model their leaders by not engaging in wrongdoing and avoiding interpersonal conflict with unit employees.

Although we expect the effects of leader moral identity on unit employees' behavior to be realized through leader behavior, it is possible that other types of leader behavior could help explain the moral identity to employees' behavior link. For example, it is possible that leader moral identity might influence how leaders choose to structure interactions among employees, which could be an alternative behavioral mechanism through which moral identity influences unit-level outcomes. Another possibility is that the effects of leader moral identity on employees' behavior are a function of some level of value congruence between leaders and employees. Indeed, prior work has linked socialized charismatic leadership to interpersonal and organizational deviance at the unit level through value congruence (Brown & Treviño, 2006b). Leaders and employees may have similar values regarding the importance of being ethical at work. This similarity in values could then drive employees' behavior. Thus, we predict that ethical leadership should mediate the leader moral identity to employees' unit behavior relationship, but we believe that it is most defensible to predict partial mediation because of the possibility of other mechanisms that could also explain this relationship.

*Hypothesis 4:* Ethical leadership partially mediates the relationship between leader moral identity and unit unethical behavior and unit relationship conflict.

## **STUDY 1**

### **METHOD**

#### **Participants and Procedure**

We recruited participants from 254 units in a variety of organizations in the southeastern United States. Industry types included technology, government, insurance, financial, legal, retail, manufacturing, and medical organizations. Business administration students of a large southeastern university contacted each organization. Students hand delivered one survey packet

to participating departments within the organizations. The packets included five employee surveys and one supervisor survey. Each packet included clear instructions regarding who should fill out the surveys and included self-addressed stamped envelopes for the participants to send their completed surveys back to the researchers. Further, the instructions indicated that the five employees agreeing to participate must be the subordinates of the supervisor who also agreed to participate in the study. The respondents were told that their responses would be confidential.

The surveys began with an introductory letter from the researchers, followed by instructions on how to complete the surveys. Subordinate participants responded to a series of questions regarding their department managers' ethical leadership. Manager participants responded to questions regarding their moral identity, and to questions regarding their departments' unethical behavior and relationship conflict. The questionnaires administered to subordinates and the managers ended with demographic questions (e.g., age, ethnicity).

We received data from a total of 137 departments (out of 254) for a total response rate of 54%. Eighty-five departments returned five employee surveys, 18 returned four, 15 returned three, 17 provided data from only two employees and two of the departments provided data from one employee. Previous research suggests three responses is a sufficient number to aggregate to the department level (Colquitt, Noe, & Jackson, 2002; Mayer et al., 2009; Richardson & Vandenberg, 2005; Schneider, White, & Paul, 1998; Tracey & Tews, 2005). Thus, we only included departments with three or more employee respondents, leaving a total of 118 departments with usable employee data. We also collected data from 134 department managers. The employee and manager responses were matched, leaving a total of 115 departments with matched data. Thus, these 115 departments (including a total of 542 employees and 115 managers) were used to test the study's hypotheses.

Regarding demographics, fifty-four percent of the employee respondents were female, and the average age of the participants was 28 years ( $SD = 10.5$ ). The employee participants had

an average organizational tenure of 3.1 years ( $SD = 4.1$ ), and an average department tenure of 2.5 years ( $SD = 2.2$ ). Fifty-six percent of the employee respondents were employed full-time (44% part-time). In terms of ethnicity, 8.6% were African American, 3.2% Asian American, 61.6% Caucasian, 20.2% Hispanic, 1.9% Native American, 1.9% Biracial, and 2.6% marked “other.”

Thirty-nine percent of the manager respondents were female with an average age of 35 years ( $SD = 10.9$ ). The manager respondents had an average organizational tenure of 7.4 years ( $SD = 6.9$ ), and an average department tenure of 5.1 years ( $SD = 5.0$ ). Eighty-nine percent of the manager respondents were employed full-time (11% part-time). In terms of ethnicity, 3.1% were African American, 6.9% Asian American, 71% Caucasian, 15.2% Hispanic, 1.5% Native American, and 2.6% marked “other.”

## **Measures**

All items are provided in the Appendix. All ratings were made on a 5-point scale (1 = *strongly disagree*; 5 = *strongly agree*).

***Moral identity.*** We measured moral identity using Aquino and Reed’s (2002) 10-item scale.

***Ethical leadership.*** We measured ethical leadership using Brown et al.’s (2005) 10-item scale.

Consistent with recent examinations of ethical leadership (Detert et al., 2007; Mayer et al., 2009), we aggregated the employees’ responses to the ethical leadership measure to obtain a measure of workgroup ethical leadership. We assessed the degree of agreement for the ethical leadership measure by calculating the  $r_{wg}$  statistic (George & James, 1993). A value of 1.00 would reflect perfect agreement. The mean  $r_{wg}$  statistic for ethical leadership was 0.93. In addition, the ICC(1) value was .34. This suggests there is strong agreement within workgroups regarding ethical leadership, and it is appropriate to aggregate individual responses to the group level (Bliese, 2000).

**Unethical behavior.** Department managers rated their department's unethical behavior using Akaah's (1996) 17-item unethical behavior scale.

**Relationship conflict.** Department managers rated the amount of relationship conflict within their departments using four relationship conflict items (Jehn, 1995).

## RESULTS AND DISCUSSION

### Descriptive Statistics

The means, standard deviations, and intercorrelations among the key variables are presented in Table 1.

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Insert Table 1 about here  
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### Hypotheses Tests

**Measurement model.** We used structural equation modeling with LISREL 8.8 (Jöreskog & Sörbom, 2006) to test our hypotheses. Prior to testing the hypothesized structural model, we tested to see if the measurement model had good fit (Anderson & Gerbing, 1988). We tested a measurement model that had five latent factors (i.e., leader moral identity symbolization, leader moral identity internalization, ethical leadership, unit unethical behavior, unit relationship conflict) and 25 indicators (five items each for leader moral identity symbolization and internalization, five parcels for ethical leadership, six parcels for unit unethical behavior, and four items for unit relationship conflict). We used parcels to maintain a favorable indicator-to-sample size ratio (e.g., Bagozzi & Edwards, 1998; Bagozzi & Heatherton, 1994). The ten items that measured ethical leadership were randomly combined to form five parcels consisting of two items each. The 17 items that measured unit unethical behavior were randomly combined to form six parcels consisting of three items for five of the parcels and two items for the last parcel. The measurement model had an acceptable fit ( $\chi^2 = 472.01$ ,  $df = 265$ ,  $p \leq .001$ ;  $\chi^2/df = 1.78$ ; RMSEA = .08; CFI = .94) (Arbuckle, 1997; Bollen, 1989; Browne & Cudeck, 1993), and all of the

indicators had statistically significant ( $p \leq 0.01$ ) loadings on their intended constructs with an average factor loading of .81. We also conducted a series of confirmatory factor analyses to determine the distinctiveness of the study variables, and the measurement model had a better fit than the alternative models (Schumacker & Lomax, 1996).

**Hypothesized model.** Having confirmed that the measurement model had adequate fit, we tested our proposed structural model. Results of the structural analysis of the proposed model provides an acceptable fit to the data ( $\chi^2 = 480.98$ ,  $df = 266$ ,  $p \leq .001$ ;  $\chi^2/df = 1.81$ ; RMSEA = .08; CFI = .94) (Arbuckle, 1997; Bollen, 1989; Browne & Cudeck, 1993; Hox, 2002). We compared this partially mediated model with a fully mediated model ( $\chi^2 = 539.01$ ,  $df = 270$ ,  $p \leq .001$ ;  $\chi^2/df = 2.00$ ; RMSEA = .09; CFI = .93) (James, Mulaik, & Brett, 2006). The partially mediated model does provide an improvement in fit over the fully mediated model (chi-square difference test:  $\Delta \chi^2 = 58.03$ ,  $df = 4$ ,  $p \leq .001$ ). The partially mediated model is therefore the better fitting model for examining these particular data.

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Insert Figure 1 about here  
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Hypotheses 1a and 1b predicted that leader moral identity symbolization (1a) and internalization (1b) are positively related to ethical leadership. Support was found for Hypothesis 1a, and Hypothesis 1b was approaching a level of significance ( $b = .22$ ,  $p \leq .10$ ). In support of Hypothesis 2, the path coefficient between ethical leadership and unit unethical behavior ( $b = -.20$ ,  $p \leq .05$ ) was negative and significant. The path coefficient between ethical leadership and relationship conflict (H3) ( $b = -.17$ ,  $p \leq .10$ ) was negative and approaching significance. Additionally, the partially mediated model suggests that there is a negative direct relationship between leader moral identity internalization and unethical behavior ( $b = -.78$ ,  $p \leq .001$ ) and relationship conflict ( $b = -.59$ ,  $p \leq .001$ ), but not a direct relationship between leader moral identity symbolization and the outcomes ( $b = -.08$ ,  $ns$ ;  $b = -.09$ ,  $ns$ ).

Hypothesis 4 predicted that ethical leadership partially mediates the relationship between leader moral identity and unit unethical behavior and relationship conflict. To test for mediation, we followed recommendations provided by James et al. (2006). First, a statistically significant relationship must exist between the predictor and the mediator. Second, a statistically significant relationship must exist between the mediator and the outcome. Finally, a goodness-of-fit test is conducted to determine whether the relationship between the predictor and the outcome occurs through the mediator.

To test the goodness-of fit of ethical leadership as the mediator between moral identity symbolization and the outcomes, we followed recommendations outlined by MacKinnon, Lockwood, Hoffman, and Sheets (2002) and calculated the product of coefficients by using LISREL's (Jöreskog & Sörbom, 2006) effect decomposition statistics. Statistically significant indirect effects imply that the relationships between the antecedents and the outcome variables occur through the mediator. The indirect effects were significant for the relationship between moral identity symbolization and unit unethical behavior ( $b = -.09, p \leq .05$ ), but not for unit relationship conflict ( $b = -.07, ns$ ). The indirect effects were not significant for the relationship between moral identity internalization and unethical behavior ( $b \leq -.04, ns$ ) and unit relationship conflict ( $b = -.04, ns$ ). Thus, in partial support of Hypothesis 4, the product of coefficient results provide support for ethical leadership mediating the relationship between moral identity symbolization and unethical behavior, but not for moral identity symbolization and relationship conflict, nor for moral identity internalization and the outcomes.

## STUDY 2

Elements of ethical leadership share some conceptual overlap with other leadership constructs such as idealized influence and interactional justice (Brown & Treviño, 2006a); yet, there are also notable differences between these constructs. Perhaps the best way to compare the measures of these leadership styles is to consider the “building blocks” of ethical leadership:

being an ethical example, treating people fairly, and actively managing morality. The ethical example aspect of ethical leadership has conceptual and operational overlap with idealized influence. The treating people fairly aspect of ethical leadership (e.g., listening to employees, being fair and balanced, having the best interests of employees in mind) clearly overlaps with interactional justice.

The similarities and differences between these constructs are further reflected by their definitions. 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: 120). Idealized influence is perhaps the most closely related to ethical leadership and is the extent to which a leader behaves in admirable ways that lead followers to identify with the leader (House, 1977). Interactional justice is defined as perceptions of the interpersonal treatment one receives as procedures are being carried out (Bies & Moag, 1986). Interactional justice consists of interpersonal justice, which refers to perceptions of whether people are treated in a respectful and socially sensitive manner by authorities or third-parties who are responsible for executing procedures and determining outcomes, and informational justice, which refers to perceptions of the explanations given to people that provide information about why certain procedures were used or why outcomes were distributed in a particular way (Colquitt, 2001; Greenberg, 1993). As demonstrated by the definitions, there are similarities and differences between ethical leadership and idealized influence and interactional justice.

The “building block” of ethical leadership that is most unique to the ethical leadership construct is what Brown et al. (2005) and Treviño, Hartman, and Brown (2000) refer to as “moral manager.” The moral manager component of ethical leadership refers to transactional efforts of leaders to influence their subordinates to refrain from unethical and interpersonally harmful behavior. These behaviors include actions such as disciplining employees who violate

ethical standards, defining success not just by the results but also the way they are obtained, setting an example of how to do things the right way in terms of ethics, asking ‘what is the right thing to do?’ when making decisions, and discussing business ethics or values with employees. Because ethical leadership is a broad construct, some of the items overlap with existing leadership measures (e.g., idealized influence and interactional justice). However, the moral manager items are not captured by related constructs, such as idealized influence and interactional justice, and thus represent the “building block” that is most unique to the ethical leadership construct.

Although we provide arguments for the distinctiveness of ethical leadership when compared to related constructs, a primary focus of our research is to examine whether there is empirical support for the distinctiveness of this construct (the primary focus of Study 2). To test this, in Study 2 we assessed idealized influence (Avolio & Bass, 2004) and interactional justice (Bies & Moag, 1986; Colquitt, 2001) and control for these constructs in testing our model.

## **METHOD**

### **Procedure and Participants**

We used the same procedure from Study 1 for Study 2. We received data from a total of 203 departments (out of 383) for a total response rate of 53.0%. One hundred thirty-two departments returned five employee surveys, 40 returned four, 23 returned three, and eight provided data from only one or two employees. As in Study 1, we only included departments with three or more employee respondents (Colquitt et al., 2002; Richardson & Vandenberg, 2005; Schneider et al., 1998; Tracey & Taws, 2005) leaving a total of 195 departments with usable employee data. We also had 195 manager surveys to match the 195 departments. Thus, these 195 departments (including a total of 891 employees and 195 managers) were used to test the study’s hypotheses.

Regarding demographics, fifty-four percent of the employee respondents were female, and the average age of the participants was 30 years ( $SD = 11.8$ ). The employee participants had an average organizational tenure of 3.9 years ( $SD = 5.3$ ), and an average department tenure of 3.0 years ( $SD = 4.1$ ). Sixty-three percent of the employee respondents were employed full-time (37% part-time). In terms of ethnicity, 11.3% were African American, 4.2% Asian American, 57.8% Caucasian, 22.1% Hispanic, 2.2% Native American, 0.9% Biracial, and 1.4% marked “other.”

Forty-three percent of the manager respondents were female, with an average age of 38 years ( $SD = 12.2$ ). The manager respondents had an average organizational tenure of 8.3 years ( $SD = 7.5$ ), and an average department tenure of 5.9 years ( $SD = 6.4$ ). Ninety-five percent of the manager respondents were employed full-time. In terms of ethnicity, 7.6% were African American, 1.5% Asian American, 76% Caucasian, 12.7% Hispanic, 1.5% Native American, 0.5% Biracial, and 0.5% marked “other.”

## **Measures**

We used the same response format as in Study 1.

***Moral identity.*** Managers rated their own moral identity using the same measure as Study 1 (Aquino & Reed, 2002).

***Ethical leadership.*** Employees rated ethical leadership using the same measure as Study 1 (Brown et al., 2005). Consistent with Study 1, we aggregated employee responses to the ethical leadership measure to obtain a measure of workgroup ethical leadership. The mean  $r_{wg}$  statistic for ethical leadership was .96, which suggests that there is an acceptable level of agreement to aggregate to the group level (George & James, 1993). In addition, the ICC(1) value was .25. This statistic also suggests there is strong agreement within workgroups regarding ethical leadership, and it is appropriate to aggregate individual responses to the group level (Bliese, 2000).

***Idealized influence.*** Employees rated their managers’ idealized influence using the four-item Avolio and Bass (2004) idealized influence scale. We aggregated employee responses to the

idealized influence measure and the  $r_{wg}$  statistic (.91) and the ICC(1) value (.26) justified aggregation.

***Interpersonal justice.*** Employees rated interpersonal justice using Colquitt's (2001) four-item interpersonal justice scale. We aggregated employee responses to the interpersonal justice measure and the  $r_{wg}$  statistic (.92) and the ICC(1) value (.26) justified aggregation.

***Informational justice.*** Employees rated informational justice using Colquitt's (2001) five-item informational justice scale. We aggregated employee responses to the informational justice measure and the  $r_{wg}$  statistic (.85) and the ICC(1) value (.26) justified aggregation.

***Unethical behavior.*** Department managers rated their department's unethical behavior using the same measure as Study 1 (Akaah, 1996).

***Relationship conflict.*** Department managers rated the amount of relationship conflict within their departments by using the same measure as Study 1 (Jehn, 1995).

## RESULTS AND DISCUSSION

### Descriptive Statistics

The means, standard deviations, and intercorrelations among the key variables are presented in Table 2.

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Insert Table 2 about here  
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### Hypotheses Tests

***Measurement model.*** We used structural equation modeling with LISREL 8.8 (Jöreskog & Sörbom, 2002) to test our hypotheses. Prior to testing the hypothesized structural model, we tested to see if the measurement model had good fit (Anderson & Gerbing, 1988). We tested a measurement model that had eight latent factors (i.e., leader moral identity symbolization, leader moral identity internalization, ethical leadership, idealized influence, interpersonal justice,

informational justice, unit unethical behavior, unit relationship conflict) and 41 indicators (five items each for leader moral identity symbolization and internalization, 10 items for ethical leadership, four items for idealized influence, four items for interpersonal justice, five items for informational justice, four parcels for unit unethical behavior, and four items for unit relationship conflict). We randomly combined the 17 items that measured unit unethical behavior to form three parcels consisting of four items, and one parcel consisting of five items. As shown in Table 3, the measurement model had an acceptable fit (Arbuckle, 1997; Bollen, 1989; Browne & Cudeck, 1993), and all of the indicators had statistically significant ( $p \leq 0.01$ ) loadings on their intended constructs with an average loading of .82. In addition to examining the measurement model, we conducted a series of confirmatory factor analyses to determine the distinctiveness of ethical leadership when compared to the alternative leadership constructs (viz., idealized influence, interpersonal justice, and informational justice). The CFA results shown in Table 4 provide evidence for the distinctiveness of ethical leadership from the other leadership constructs (based on chi-squared difference tests) (Schumacker & Lomax, 1996).

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Insert Table 3 about here  
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We were also interested in determining whether the five items that we identified as representing the moral manager component of ethical leadership (see Appendix) were indeed distinct from the other, more redundant ethical leadership items. As shown in the Appendix, the italicized ethical leadership items represent moral manager, which captures the transactional component of ethical leadership. From a conceptual standpoint, the other items are arguably redundant with other ethical leadership constructs (i.e., idealized influence and interactional justice). Thus, we examined a nine-factor measurement model that separated the moral manager items from the more conceptually redundant ethical leadership items ( $\chi^2 = 1274.54$ ,  $df = 743$ ,  $p \leq$

.001;  $\chi^2/df = 1.72$ ; RMSEA = .06; CFI = .97). We compared this nine-factor model with the eight-factor model that combines all 10 items representing the original ethical leadership measure (shown above as the measurement model). A chi-squared difference test suggests that the nine-factor model provides a better fit than the eight-factor model ( $\Delta \chi^2 = 202.61$ ,  $df = 8$ ,  $p \leq .001$ ). These results suggest that there may be some value in examining the moral manager component alone without the more redundant ethical leadership items. We also examined the rwg (.96) and ICC(1) (.24) statistics for the items representing the moral manager component of ethical leadership. The results suggest that aggregation to the group level is acceptable.

**Hypothesized model.** Having confirmed that the measurement model had adequate fit, we tested our proposed structural model. Results of the structural analysis of the proposed model provided an acceptable fit to the data ( $\chi^2 = 1621.11$ ,  $df = 755$ ,  $p \leq .001$ ;  $\chi^2/df = 2.15$ ; RMSEA = .08; CFI = .96) (Arbuckle, 1997; Bollen, 1989; Browne & Cudeck, 1993; Hox, 2002). The partially mediated model had a better fit than the fully mediated model ( $\chi^2 = 1647.89$ ,  $df = 759$ ,  $p \leq .001$ ;  $\chi^2/df = 2.17$ ; RMSEA = .08; CFI = .96;  $\Delta \chi^2 = 26.78$ ,  $df = 4$ ,  $p \leq .001$ ).

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Insert Figure 2 about here  
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Hypotheses 1a and 1b predicted that leader moral identity symbolization (1a) and internalization (1b) are positively related to ethical leadership. We found support for Hypothesis 1a ( $b = .18$ ,  $p \leq .01$ ) and Hypothesis 1b ( $b = .19$ ,  $p \leq .01$ ). In support of Hypotheses 2 and 3, the path coefficients between ethical leadership and unit unethical behavior ( $b = -.35$ ,  $p \leq .001$ ) and relationship conflict ( $b = -.36$ ,  $p \leq .001$ ) were negative and significant while controlling for leader idealized influence, interpersonal justice, and informational justice.

Additionally, the partially mediated model does suggest that there are statistically significant direct relationships between moral identity internalization and unit unethical behavior

( $b = -.24, p \leq .01$ ) and relationship conflict ( $b = -.30, p \leq .001$ ), but not between moral identity symbolization and the outcomes ( $b = .04, ns$ ;  $b = .04, ns$ ). Unexpectedly, leader idealized influence had a direct positive relationship with unethical behavior ( $b = .30, p \leq .05$ ) and relationship conflict ( $b = .34, p \leq .01$ ). Interpersonal justice had a direct relationship with unethical behavior and relationship conflict ( $b = -.32, p \leq .01$ ;  $b = -.38, p \leq .05$ ), but informational justice did not ( $b = .13, ns, b = .24, ns$ ).

Hypothesis 4 predicted that ethical leadership partially mediates the relationship between leader moral identity and unit unethical behavior and relationship conflict. Consistent with Study 1, we tested for mediation by following recommendations of James et al. (2006). We used LISREL's effect decomposition statistics to test the goodness-of-fit of ethical leadership as the mediator between moral identity symbolization and the outcomes and moral identity internalization and the outcomes. The indirect effects for the relationships between moral identity internalization and unethical behavior ( $b = -.07, p \leq .05$ ) and relationship conflict ( $b = -.07, p \leq .05$ ) were statistically significant, and the indirect effects for the relationships between moral identity symbolization and the outcomes were approaching significance ( $b = .06, p \leq .10$ ;  $b = -.06, p \leq .10$ ). Thus, the effect decomposition statistics provide general support that the relationship between the antecedents and the outcomes occur through the mediator.

***Additional analyses.*** We conducted additional analyses by dropping ethical leadership as the mediator of our theoretically-derived model and replacing it with the moral manager component of ethical leadership. As previously discussed, the moral manager component of ethical leadership is considered the most unique aspect of ethical leadership because from a conceptual standpoint, it does not appear to overlap too heavily with similar leadership constructs. To further examine the substitutability of ethical leadership with other leadership constructs, we also examined models that included idealized influence, interpersonal justice, and informational justice as the primary mediators. We examined each of these models with and

without the other leadership variables serving as controls (see Table 4). Both sets of results are summarized in Table 4 (with and without controls). Below we compare the results that do not include control variables.

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Insert Table 4 about here  
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As demonstrated in Table 4, the path coefficients between moral identity symbolization and moral identity internalization and moral manager ( $b = .21, p \leq .05$ ;  $b = .12, ns$ ) were somewhat different than those found when ethical leadership was the mediator ( $b = .15, p \leq .10$ ;  $b = .17, p \leq .05$ ). When idealized influence served as the primary mediator, the path coefficients were similar to those found for moral manager ( $b = .21, p \leq .05$ ;  $b = .09, ns$ ). The path coefficient between moral identity symbolization and interpersonal justice was not statistically significant when interpersonal justice served as the primary mediator ( $b = .09, ns$ ), but the path coefficient between moral identity internalization and interpersonal justice was statistically significant ( $b = .21, p \leq .05$ ). Finally, the relationships between moral identity symbolization and moral identity internalization and informational justice approached a level of significance when it served as the primary mediator ( $b = .16, p \leq .10$ ;  $b = .15, p \leq .10$ ).

The substitution of each leadership mediator for another leadership mediator produced similar results when the outcome variables were examined. When ethical leadership served as the primary mediator, it had a statistically significant relationship with unethical behavior ( $b = -.23, p \leq .01$ ) and relationship conflict ( $b = -.17, p \leq .05$ ). The results were similar when moral manager ( $b = -.21, p \leq .01$ ;  $b = -.15, p \leq .05$ ) and interpersonal justice served as the primary mediators ( $b = -.26, p \leq .01$ ;  $b = -.21, p \leq .01$ ). When idealized influence served as the primary mediator, its relationship with unethical behavior ( $b = -.14, p \leq .10$ ) and relationship conflict ( $b = -.07, ns$ ) was somewhat weaker than those reported for the other leadership mediators. Finally,

when informational justice served as the primary mediator, its relationship with unethical behavior ( $b = -.20, p \leq .05$ ) was similar to the other mediators; however its relationship with relationship conflict ( $b = -.12, ns$ ) was weaker than the other mediators. These results provide evidence that moral manager, interpersonal justice, and to some extent, informational justice may be substitutable for ethical leadership, at least in terms of their relationships with these particular outcomes. However, idealized influence appears to produce weaker effects in terms of its relationship with unethical behavior and relationship conflict. Similar findings were also found when control variables were included in each of the models (see Table 4).

## **GENERAL DISCUSSION**

### **Theoretical Implications**

Our research has several theoretical implications for the study of leadership, ethical behavior, and the role of identity in organizations. Our findings showed that the two dimensions of moral identity proposed by Aquino and Reed (2002) were positively related to ethical leadership. These results fill a gap in the ethical leadership literature by examining an antecedent of ethical leadership that has been implicated in a number of past studies as a predictor of morally relevant behavior. As a result, our data support the notion that moral identity can act as a source of motivation for leaders to behave in a manner consistent with a self-schema organized around a set of traits (e.g., honest, caring, compassionate, hard-working) associated with a moral prototype. Our findings extend previous research on moral identity (e.g., Aquino & Reed, 2002; Aquino et al., 2007; Reed & Aquino, 2003; Reed et al., 2007) into the organizational domain and demonstrate its value as a robust predictor of ethical outcomes. One interesting caveat worth noting is that the symbolizing behaviors measured by Aquino and Reed's (2002) moral identity scale do not refer specifically to actions within the organization. Thus, it appears that the tendency for people to express their moral identity outside the organization may also predict

whether they do so within the organization. If so, we can infer that moral identity is a self-defining schema whose influence cuts across multiple social domains.

We expected both dimensions of moral identity to be positively related to ethical leadership. Although we found support for our hypotheses, the effects of symbolization were only related to the unit outcomes through ethical leadership, whereas internalization also demonstrated a direct negative relationship with the unit outcomes. The different relationships between the two dimensions of moral identity and the outcomes we measured are consistent with previous empirical findings using Aquino and Reed's (2002) instrument. A review of these studies demonstrates that internalization and symbolization do not always have the same strength of relationship to morally-relevant outcomes. For example, studies show that both the symbolization and internalization dimensions were significantly related to *self-reported* volunteering for community service (Aquino & Reed, 2002; Reynolds & Ceranic, 2007), charitable giving (Reynolds & Ceranic, 2007), and the preference to donate time rather than money to charitable causes (Reed et al., 2007). However, only the internalization dimension has been shown to significantly predict actual prosocial *behavior* such as donating food to the needy (Aquino & Reed, 2002) or money to a needy outgroup (Reed & Aquino, 2003). Reynolds and Ceranic (2007) also found that the internalization dimension had more robust moderating effects than symbolization on the relationship between ethical judgments (i.e., formalism vs. consequentialism) and various forms of ethical and unethical behavior (e.g., donations, cheating, lying). Taken together, these findings suggest that internalization may be a more reliable predictor than symbolization of actual behaviors and also of behaviors that are unethical. Aquino and Reed (2002) also suggested that another important difference between internalization and symbolization is that the latter more directly taps a general sensitivity of the self as a social object, meaning that it is likely to be a stronger predictor of acts that have a public component. Since ethical leadership was reported by subordinates in our study, these subordinates based their

ratings on behaviors that their managers publicly displayed. Thus, it is not surprising that they are more strongly predicted by symbolization than internalization.

Moreover, if internalization is a more reliable predictor of both positive and negative behaviors than symbolization, as the extant research suggests, this might explain why we found the former to be directly related to unit-level relationship conflict and unethical behavior. It may be that leaders' internalization predicts other types of behaviors that are not captured by our ethical leadership measure, but that could potentially influence unit outcomes. For example, studies using the internalization subscale have shown that it predicts behaviors like lying during negotiation and cooperation in a social dilemma (Aquino et al., 2009). It has also been shown to predict the willingness to rationalize harmful behavior (Aquino et al., 2007; Detert et al. 2007), which in turn can make it easier for people to exhibit such behaviors. It is possible that these types of behaviors are not always visible to subordinates even though they may in fact have consequences for unit performance. Indeed, it may be that leaders high in internalization perform many "hidden" acts of cooperativeness, generosity, and self-sacrifice, or they may refrain from actions that would disrupt group harmony and cooperation. These actions may not be witnessed by subordinates but they may nevertheless be critical for creating a unit culture that is ethical and free from disruptive conflict. Future research should investigate this possibility by testing whether internalization, but not symbolization, is indeed more strongly related to actions that are less publicly observable.

Another possible explanation for why leaders who are high rather than low in internalization reported less unethical behavior and relationship conflict may be that they process social information differently, such that the former are more likely to attend to and recall examples of ethical behavior by followers or positive relational dynamics than the latter. Because our measures of unit outcomes were provided by leaders, this second explanation suggests that the internalization dimension of moral identity might explain differences in how people interpret

their social environments. Some evidence for this possibility is provided by Reed et al.'s (2007) study which showed that internalization, but not symbolization, was positively related to people's perception that donating time rather than money to a charitable cause represented a more caring, moral, socially responsible, and heartfelt act. One way to interpret this finding is that people high on internalization may assign different meaning, weight or moral value to the same act than those who are low in internalization. Testing this possibility is beyond the scope of our study and our data do not permit us to capture cognitive processes that might account for our results. We present this explanation to acknowledge the possibility that differences in information processing may partly account for variance in unit perceptions by leaders as a function of internalization.

Our findings regarding moral identity also contribute more generally to the leadership literature. There is a growing movement within the leadership domain to empirically examine the intersection of leadership and identity (van Knippenberg, van Knippenberg, De Cremer, & Hogg, 2004). This research has been fruitful in understanding how aspects of followers' identities serve as boundary conditions of leadership effects, as well as how leaders can directly influence followers' self-concepts. However, few studies have examined how leader identity shapes the leader's behavior and how this influences follower outcomes. Our research demonstrates the theoretical and practical utility of taking a leader-centered perspective for studying the role of identity on group processes.

Another implication relates to the viability of the conceptual distinctiveness of the ethical leadership construct. An initial step in addressing the utility of a new construct is whether it is related to important outcomes. The results of our research allow us to reconcile inconsistent results from previous studies of ethical leadership. Mayer et al. (2009) found that ethical leadership was negatively related to unit-level organizational deviance, and Walumbwa and Schaubroeck (2009) found support for the relationship between ethical leadership and voice.

However, Detert et al. (2007) found a non-significant relationship between ethical leadership and store-level counterproductivity (operationalized as the amount of food loss that compares actual food costs with expected food costs). Our results are consistent with Mayer et al. (2009) and Walumbwa and Schaubroeck (2009), but not with Detert et al. (2007). A potential explanation for these discrepant results is the context of the Detert et al. study. Detert et al. suggest that because of the low-pay and low-skill nature of the organization they sampled, and the relatively unambiguous ethical issues that employees in this restaurant environment face, it is not surprising that ethical leadership failed to be significantly related to counterproductivity. The present research responds to their call for “future research across organizational contexts,” by exploring the effects of ethical leadership in units from a variety of organizations in different industries (Detert et al., 2007).

In addition to examining the direct relationship between ethical leadership and the outcomes, to be more confident in the conceptual distinctiveness of the ethical leadership construct we controlled for related leadership constructs (i.e., idealized influence, interpersonal justice, informational justice) in Study 2. We found that even after controlling for these related leadership constructs, ethical leadership was negatively related to the unit outcomes. An interesting finding is that although the other leadership constructs had significant negative correlations with the two outcomes, the effects for interpersonal justice were negative and significant, the effects for informational justice were non-significant, and idealized influence had a positive relationship in the model. The positive relationship for idealized influence and the non-significant relationship for informational justice may be a statistical artifact due to high multicollinearity. These findings provide general support for the uniqueness and utility of the ethical leadership construct.

We also conducted a series of CFAs that provide support for the distinctiveness of ethical leadership. It should be noted that although the correlations between the leadership constructs are

high, our data are aggregated to the group level and aggregating tends to increase the magnitude of correlations between constructs (Kozlowski & Klein, 2000). For example, the individual-level correlations between ethical leadership and interpersonal justice ( $r = .62$ ), informational justice ( $r = .68$ ) and idealized influence ( $r = .78$ ) are still high but are lower than the group-level correlations. In addition, when considering the correlation between the “moral manager” measure and interpersonal justice ( $r = .70$ ) the correlation is reduced and for informational justice ( $r = .76$ ) remains the same. Finally, although these correlations are high, this is not an issue that is unique to the ethical leadership literature. For example, Piccolo and Colquitt (2006) found an individual-level correlation between LMX and transformational leadership of .70. Similarly, Judge and Piccolo (2004) found a meta-analytic corrected correlation of .80 between transformational leadership and contingent reward. The high correlations in the present research are likely due to the fact that idealized influence and interactional justice may represent part (but not the whole) of ethical leadership, as we conceptually and empirically highlighted the part of ethical leadership that is distinct. Thus, although the correlations are high, they are similar in magnitude to extant leadership research.

The significant negative relationship between ethical leadership and relationship conflict suggests that ethical leader behaviors may not only influence subordinates to act ethically, but are also likely to influence more general social norms about how to relate to one another in supportive, respectful, and fair ways. Our findings are consistent with the notion that virtuous behaviors exhibited by ethical leaders can have a spillover effect in the workplace, which in our study appears to translate into lower levels of relationship conflict. Cameron and his colleagues (Cameron, Bright, & Caza, 2004) have argued that witnessing virtuous behavior by organizational members can unlock the human predisposition toward behavior in ways that benefit others. Arguably, the ethical leadership behaviors described by Brown et al. (2005) and measured in our study can be conceptualized within the larger construct space of virtuous

employee behaviors that contribute to individual flourishing, the ennoblement of human beings, and the provision of transcendent meaning and resilience in the face of challenges (Cameron et al., 2004). If one accepts this assumption, then our study provides evidence for the positive influence that virtuous leader behavior can have on subordinates such that they are less likely to be mired in interpersonal strife.

Although not a primary contribution of our research, a complementary thread of our contribution relates to the results with the moral manager measure. Given the novelty of the ethical leadership construct, it was critical to break down ethical leadership to its “building blocks” to conceptually, operationally, and empirically determine how it is distinct from related leadership constructs. We found empirical support for the distinctiveness of the five-item moral manager measure. We think these results are important because it affords greater flexibility to scholars interested in studying ethical leadership as there is support for using either the 10-item ethical leadership measure or the five-item moral manager component of ethical leadership depending on the specific research question.

### **Practical Managerial Implications**

There are a number of practical implications of this research. First, ethical leadership matters. When a leader models desired ethical behavior and uses rewards and punishments to help ensure appropriate behavior on the part of subordinates, employees are less likely to engage in unethical behavior and less likely to have relationship conflict with coworkers. Given the important role of leaders, it is worthwhile for organizations to utilize human resource practices to increase the level of ethical leadership. This can be accomplished by using selection methods that assess a managerial candidate’s integrity or moral development. Alternatively, providing managers with ethics training on the types of behaviors that ethical leaders engage in would prove useful in ensuring that employees get a consistent message in terms of norms for appropriate behavior. One caution is that we only examined a subset of unethical behaviors so it

will be important for future work to examine the effects of ethical leadership on a variety of unethical behaviors before providing definitive practical suggestions for management.

Our research also suggests that finding ways to reinforce or activate leaders' moral identities might be one way to promote ethical behaviors in organizations. One way of activating moral identity might be through the use of cues in the social environment, like posters, slogans, or material symbols that make moral constructs and concerns salient (Aquino & Freeman, 2009; Aquino, et al., 2009). Furthermore, it seems likely that being moral is central to many people's self-definitions (Aquino & Reed, 2002; Blasi, 1984) because most people want to view themselves as generally good (Taylor & Brown, 1988). People should therefore be motivated to uphold their moral identities in order to avoid feeling inauthentic (Skitka, 2002). Thus, leaders with high moral identities are expected to consistently demonstrate behaviors that are congruent with their moral identities, including demonstrating ethical leadership. To do otherwise would cause leaders with high moral identities to feel a sense of discomfort and self-condemnation (Aquino & Reed, 2002). Practically, this is important because leaders with high moral identities may be more likely to resist competing pressures (e.g., doing whatever it takes to maintain the bottom-line) that would easily cause some leaders to stop demonstrating ethical behaviors and punishing unethical ones. In other words, leaders with high moral identities are expected to reliably display ethical leadership behaviors that are consistent with their self-definitions, rather than give into pressures that would cause them to feel high levels of discomfort (e.g., unethical behaviors). In line with arguments provided above, this may be another practical reason for selecting leaders who are committed to moral goals, which according to some writers (e.g., Colby & Damon, 1993) is one indicator that moral identity is central to their self-definition.

### **Strengths, Limitations, and Future Directions**

The present study has a number of strengths. First, we examine the effects of ethical leadership on important organizational (i.e., unethical behavior) and interpersonal (i.e.,

relationship conflict) group-level outcomes. Second, we examine ethical leadership effects while controlling for related leadership constructs. Third, we address a gap in the ethical leadership literature by examining leader moral identity as an antecedent of ethical leadership. Fourth, we examine a process through which leader moral identity influences employee unethical behavior and conflict. Fifth, we test our theoretical model using data collected in two large-scale unit-level field studies using parsimonious structural equation models with data collected from multiple sources from different organizations in a variety of industries. Sixth, given the difficulty in measuring unethical behavior using self-reports because of social desirability, we opted to assess unethical behavior and relationship conflict data at the unit level using manager reports.

Despite these strengths, there are several limitations of this research. One limitation is that although we draw on social learning theory to link ethical leadership to the outcomes, we did not actually assess any role modeling variables. Although including such variables may have made our theoretical model cumbersome, we see the importance in examining the underlying processes that are responsible for the effects of ethical leadership. Yet another limitation is that we only focus on negative outcomes in this research (i.e., unethical behavior, conflict). However, work by Mayer et al. (2009), Walumbwa and Schaubroeck (2009), and Piccolo et al. (2010) suggest that ethical leadership is related to positive behaviors such as organizational citizenship behavior and voice. In future work, it is important to expand the nomological network of potential dependent variables by considering positive outcomes of ethical leadership such as cooperation and performance (see Walumbwa et al., in press, for an exception). Further, we assessed unit unethical behavior using supervisor ratings. Although prior work has found a high correlation between employee and supervisor reports of unit deviance (Mayer et al., 2009), it is unclear how a supervisor may handle the situation in which only one or two employees engaged in wrongdoing. Future research may benefit from qualitative data on how supervisors make assessments of the unit's behavior.

Another limitation is that although leader moral identity symbolization was only related to the unit outcomes through ethical leadership, internalization also exhibited a direct relationship with the unit outcomes. Although we speculated about some potential additional processes explaining this direct relationship, we only assessed ethical leadership in this research. Future research examining additional mechanisms by which leader moral identity internalization influences subordinate behaviors would be useful. In addition, we did not control for variables such as homophily and time together in the unit and suggest future research does so. Finally, it should be noted that one explanation for the direct relationships between leader moral identity and unit outcomes is that both sets of measures were filled out by supervisors thus potentially increasing the likelihood of same-source bias.

## **Conclusions**

For moral and practical reasons, organizations are interested in decreasing the level of unethical behavior and relationship conflict that occurs. The present research suggests that leaders can play a pivotal role in reducing such negative outcomes. Leaders set the ethical tone of the organization and are instrumental in encouraging ethical behavior and reducing interpersonal conflict from their subordinates. However, more importantly, our work indicates that not only do leaders have to be moral individuals, they have to go one step further and actively model ethical behaviors and use reward and punishment systems to influence followers' behaviors. Thus, companies that can hire and/or train ethical leaders are more likely to create an ethical and interpersonally harmonious work environment.

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## APPENDIX

### Study Measures

#### Moral Identity

Listed here are some characteristics you might use to describe a person:

*Caring, Compassionate, Fair, Friendly, Generous, Helpful, Hardworking, Honest, and Kind.*

The person with these characteristics could be you or someone else. For a moment, visualize in your mind the kind of person who has these characteristics. Imagine how that person would think, feel, and act. When you have a clear image of what this person would be like, answer the following questions.

#### Moral Identity Symbolization ( $\alpha = .83$ ; $\alpha = .84$ )

1. I often wear clothes that identify me as having these characteristics.
2. The types of things I do in my spare time (e.g., hobbies) clearly identify me as having these characteristics.
3. The kinds of books and magazines that I read identify me as having these characteristics.
4. The fact that I have these characteristics is communicated to others by my membership in certain organizations.
5. I am actively involved in activities that communicate to others that I have these characteristics.

#### Moral Identity Internalization ( $\alpha = .87$ ; $\alpha = .78$ )

6. It would make me feel good to be a person who has these characteristics.
7. Being someone who has these characteristics is an important part of who I am.
8. I would be ashamed to be a person who had these characteristics (R).
9. Having these characteristics is not really important to me (R).
10. I strongly desire to have these characteristics.

**Ethical Leadership** ( $\alpha = .96$ ,  $\alpha = .96$ ) (Note: The “moral manager” items are italicized).

My department manager...

1. Listens to what department employees have to say.
2. *Disciplines employees who violate ethical standards.*
3. Conducts his/her personal life in an ethical manner.
4. Has the best interests of employees in mind.
5. Makes fair and balanced decisions.
6. Can be trusted.

7. *Discusses business ethics or values with employees.*
8. *Sets an example of how to do things the right way in terms of ethics.*
9. *Defines success not just by results but also the way they are obtained.*
10. *Asks “what is the right thing to do?” when making decisions.*

**Idealized influence** ( $\alpha = .95$ )

Please see the publisher ([www.mindgarden.com](http://www.mindgarden.com)) for the items to this measure.

**Interactional Justice** ( $\alpha = .96$ )

The following items refer to how your department manager treats department employees. To what extent...

**Interpersonal Justice** ( $\alpha = .95$ )

1. Has he/she treated employees in a polite manner?
2. Has he/she treated employees with dignity?
3. Has he/she treated employees with respect?
4. Has he/she refrained from improper remarks or comments?

**Informational Justice** ( $\alpha = .94$ )

5. Has he/she been candid in communications with employees?
6. Has he/she explained the procedures used to make job decisions thoroughly?
7. Were his/her explanations regarding the procedures used to make job decisions reasonable?
8. Has he/she communicated details in a timely fashion?
9. Has he/she seemed to tailor his/her communications to individuals' specific needs?

**Unethical Behavior** ( $\alpha = .96, \alpha = .95$ )

To what extent do department employees...

1. Use company services for personal use?
2. Do personal business on company time?
3. Pilfer company materials and supplies?
4. Take extra personal time (lunch hour, breaks, personal departure)?
5. Conceal one's errors?
6. Pass blame for errors to an innocent coworker?
7. Claim credit for someone else's work?
8. Give gifts/favors in exchange for preferential treatment?
9. Accept gifts/favors in exchange for preferential treatment?
10. Falsify time/quality/quantity reports?

11. Call in sick to take a day off?
12. Authorize a subordinate to violate company rules?
13. Pad an expense account up to 10%?
14. Pad an expense account more than 10%?
15. Take longer than necessary to do a job?
16. Divulge confidential information?
17. Not report others' violations of company policies and rules?

**Relationship Conflict ( $\alpha = .94$ )**

1. There is a lot of friction among employees in my department.
2. There are a lot of personality conflicts in my department.
3. There is a lot of tension among employees in my department.
4. There is a lot of emotional conflict among department employees.

**TABLE 1**  
**Descriptive Statistics<sup>a</sup>**

Variable	Mean	s.d.	1	2	3	4	5	6
1. Leader Moral Identity Symbolization	3.50	.76	(.83)					
2. Leader Moral Identity Internalization	4.10	.80	.17 <sup>†</sup>	(.87)				
3. Ethical Leadership	3.82	.50	.37 <sup>***</sup>	.12	(.96)			
4. Moral Manager	3.78	.49	.34 <sup>***</sup>	.11	.95	(.90)		
5. Unit Unethical Behavior	2.02	.84	-.12	-.41 <sup>***</sup>	-.24 <sup>*</sup>	-.27 <sup>**</sup>	(.96)	
6. Unit Relationship Conflict	2.23	1.01	-.12	-.37 <sup>***</sup>	-.19 <sup>*</sup>	-.23 <sup>*</sup>	.65 <sup>***</sup>	(.94)

<sup>a</sup>  $N = 115$  groups, <sup>†</sup>  $p \leq .10$ , \*  $p \leq .05$ , \*\*  $p \leq .01$ , \*\*\*  $p \leq .001$ .

**TABLE 2**

**Study 2 Descriptive Statistics<sup>a</sup>**

<b>Variable</b>	<b>Mean</b>	<b>s.d.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
1. Leader Moral Identity Symbolization	3.66	.66	(.84)								
2. Leader Moral Identity Internalization	4.26	.68	.08	(.78)							
3. Ethical Leadership	3.73	.49	.17*	.18*	(.96)						
4. Moral Manager	3.69	.52	.21*	.15*	.97***	(.94)					
5. Leader Idealized Influence	3.59	.56	.21**	.08	.86***	.86***	(.95)				
6. Interpersonal Justice	3.92	.61	.14†	.22**	.74***	.70***	.67***	(.95)			
7. Informational Justice	3.72	.60	.18*	.19*	.78***	.76***	.73***	.83***	(.94)		
8. Unit Unethical Behavior	1.88	.77	-.02	-.37***	-.25***	-.21***	-.15*	-.25**	-.21**	(.95)	
9. Unit Relationship Conflict	2.26	.96	-.03	-.40***	-.22**	-.19**	-.09	-.27**	-.18**	.48***	(.94)

<sup>a</sup>  $N = 195$  groups, †  $p \leq .10$ , \*  $p \leq .05$ , \*\*  $p \leq .01$ , \*\*\*  $p \leq .001$ .

**TABLE 3****Study 2 Results of Confirmatory Factor Analyses**

Ethical Leadership Compared to Related Leadership Constructs						
Model	$\chi^2$	<i>df</i>	$\Delta\chi^2$	$\Delta df$	CFI	SRMR
Measurement model	1477.15*	751	--	--	.97	.07
EL and II combined	1686.36*	758	209.21*	7	.96	.08
EL and IPJ combined	2166.46*	758	689.31*	7	.95	.10
EL and IFJ combined	2031.38*	758	554.23*	7	.96	.10
EL, II, IPJ, and IFJ combined	3047.02*	769	1569.87*	18	.93	.13

*Notes.* EL = ethical leadership; II = idealized influence; IPJ = interpersonal justice; IFJ = informational justice; CFI = comparative fit index; SRMR = standardized root mean square residual; \*  $p < .001$ .

**TABLE 4**

**Study 2 LISREL Model Estimates with Alternative Mediators**

Mediator and Description of Path	<i>b</i>	$\chi^2$	<i>df</i>	$\chi^2/df$	RMSEA	CFI
<i>Ethical Leadership</i>		855.69***	341	2.51	.09	.94
MIS to EL	.15 <sup>†</sup>					
MII to EL	.17*					
MIS to UB	.09					
MIS to RC	.10					
MII to UB	-.30***					
MII to RC	-.37***					
EL to UB	-.23**					
EL to RC	-.17*					
<i>Moral Manager</i>		486.44***	221	2.20	.08	.94
MIS to MM	.21*					
MII to MM	.12					
MIS to UB	.10					
MIS to RC	.10					
MII to UB	-.32***					
MII to RC	-.39***					
MM to UB	-.21*					
MM to RC	-.15*					
<i>Idealized Influence</i>		524.41***	200	2.62	.10	.92
MIS to II	.21*					
MII to II	.09					
MIS to UB	.08					
MIS to RC	.09					
MII to UB	-.33***					
MII to RC	-.40***					
II to UB	-.14 <sup>†</sup>					
II to RC	-.07					
<i>Interpersonal Justice</i>		483.54***	200	2.42	.09	.93
MIS to IPJ	.09					
MII to IPJ	.21*					
MIS to UB	.07					
MIS to RC	.09					
MII to UB	-.28**					
MII to RC	-.36***					
IPJ to UB	-.26**					
IPJ to RC	-.21**					

*Note.* *N* = 195. Mediators are italicized. EL = ethical leadership, II = idealized influence, IPJ = interpersonal justice, MII = moral identity internalization, MIS = moral identity symbolization, MM = moral manager, RC = relationship conflict, UB = unethical behavior. <sup>†</sup>*p* ≤ .10, \**p* ≤ .05, \*\**p* ≤ .01, \*\*\**p* ≤ .001.

**TABLE 4 (continued)**

**Study 2 LISREL Model Estimates with Alternative Mediators**

Mediator and Description of Path	<i>b</i>	$\chi^2$	<i>df</i>	$\chi^2/df$	RMSEA	CFI
<i>Informational Justice</i>		513.95***	221	2.33	.09	.93
MIS to IFJ	.16 <sup>†</sup>					
MII to IFJ	.15 <sup>†</sup>					
MIS to UB	.09					
MIS to RC	.09					
MII to UB	-.31***					
MII to RC	-.39***					
IFJ to UB	-.20*					
IFJ to RC	-.12					
<i>Ethical Leadership with Controls</i>		1621.11***	755	2.15	.08	.96
MIS to EL	.18**					
MII to EL	.19**					
MIS to UB	.04					
MIS to RC	.04					
MII to UB	-.24**					
MII to RC	-.30***					
EL to UB	-.35***					
EL to RC	-.36***					
II to UB	.30*					
II to RC	.34**					
IPJ to UB	-.32**					
IPJ to RC	-.38*					
IFJ to UB	.13					
IFJ to RC	.24					

*Note.* *N* = 195. Mediators are italicized. EL = ethical leadership, IFJ = informational justice, II = idealized influence, IPJ = interpersonal justice, MII = moral identity internalization, MIS = moral identity symbolization, RC = relationship conflict, UB = unethical behavior. <sup>†</sup>*p* ≤ .10, \**p* ≤ .05, \*\**p* ≤ .01, \*\*\**p* ≤ .001.

**TABLE 4 (continued)**

**Study 2 LISREL Model Estimates with Alternative Mediators**

Mediator and Description of Path	<i>b</i>	$\chi^2$	<i>df</i>	$\chi^2/df$	RMSEA	CFI
<i>Moral Manager with Controls</i>		1121.83***	570	1.97	.07	.95
MIS to MM	.24**					
MII to MM	.13					
MIS to UB	.06					
MIS to RC	.06					
MII to UB	-.26**					
MII to RC	-.32***					
MM to UB	-.28***					
MM to RC	-.30***					
II to UB	.27*					
II to RC	.31**					
IPJ to UB	-.37*					
IPJ to RC	-.43**					
IFJ to UB	.14					
IFJ to RC	.25					
<i>Idealized Influence with Controls</i>		1612.01***	755	2.14	.08	.96
MIS to II	.23**					
MII to II	.10					
MIS to UB	.04					
MIS to RC	.03					
MII to UB	-.22**					
MII to RC	-.28***					
II to UB	.28***					
II to RC	.33***					
EL to UB	-.36**					
EL to RC	-.39**					
IPJ to UB	-.29*					
IPJ to RC	-.34*					
IFJ to UB	.16					
IFJ to RC	.27 <sup>†</sup>					

*Note.* *N* = 195. Mediators are italicized. EL = ethical leadership, IFJ = informational justice, II = idealized influence, IPJ = interpersonal justice, MII = moral identity internalization, MIS = moral identity symbolization, MM = moral manager, RC = relationship conflict, UB = unethical behavior. <sup>†</sup>*p* ≤ .10, \**p* ≤ .05, \*\**p* ≤ .01, \*\*\**p* ≤ .001.

**TABLE 4 (continued)**

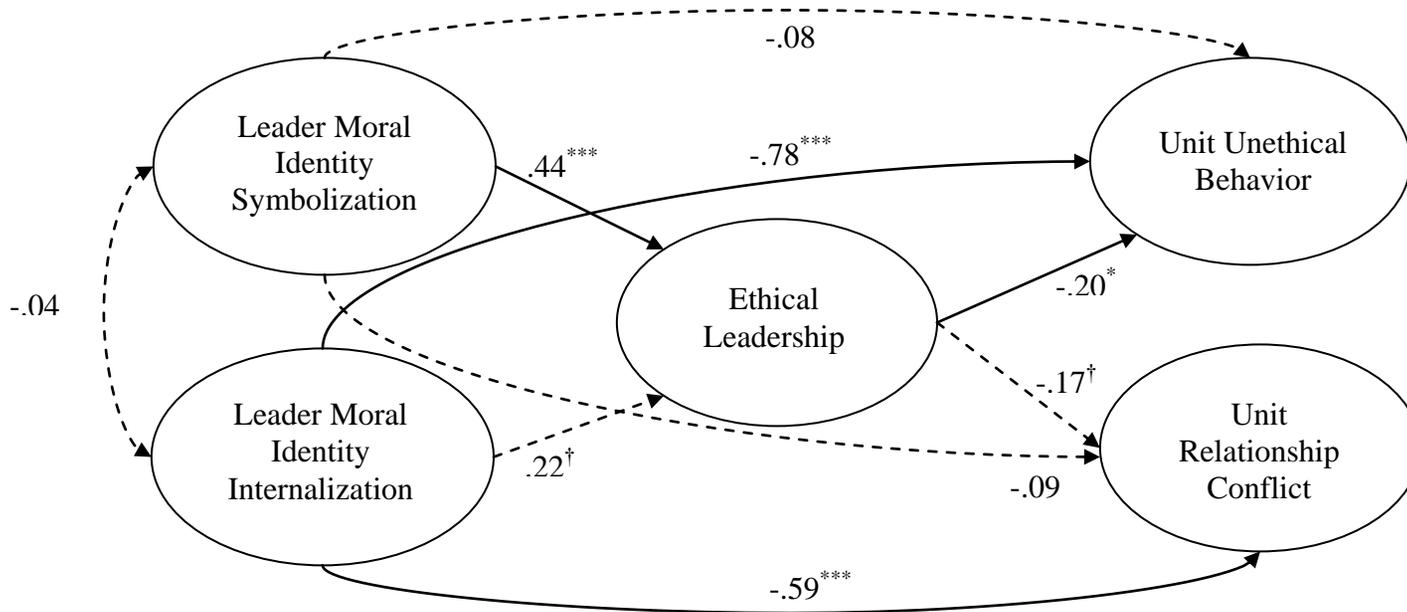
**Study 2 LISREL Model Estimates with Alternative Mediators**

Mediator and Description of Path	<i>b</i>	$\chi^2$	<i>df</i>	$\chi^2/df$	RMSEA	CFI
<i>Interpersonal Justice with Controls</i>		1601.69***	755	2.12	.08	.96
MIS to IPJ	.11					
MII to IPJ	.24**					
MIS to UB	.04					
MIS to RC	.04					
MII to UB	-.24**					
MII to RC	-.30***					
IPJ to UB	-.29***					
IPJ to RC	-.32***					
EL to UB	-.52*					
EL to RC	-.55*					
II to UB	.43*					
II to RC	.47*					
IFJ to UB	.15					
IFJ to RC	.24*					
<i>Informational Justice with Controls</i>		1619.38***	755	2.14	.08	.96
MIS to IFJ	.18*					
MII to IFJ	.18*					
MIS to UB	.04					
MIS to RC	.03					
MII to UB	-.24**					
MII to RC	-.30***					
IFJ to UB	.12					
IFJ to RC	.21**					
EL to UB	-.49*					
EL to RC	-.50*					
II to UB	.43*					
II to RC	.47*					
IPJ to UB	-.28*					
IPJ to RC	-.32**					

*Note.* *N* = 195. Mediators are italicized. EL = ethical leadership, IFJ = informational justice, II = idealized influence, IPJ = interpersonal justice, MII = moral identity internalization, MIS = moral identity symbolization, RC = relationship conflict, UB = unethical behavior. †*p* ≤ .10, \**p* ≤ .05, \*\**p* ≤ .01, \*\*\**p* ≤ .001.

**FIGURE 1**

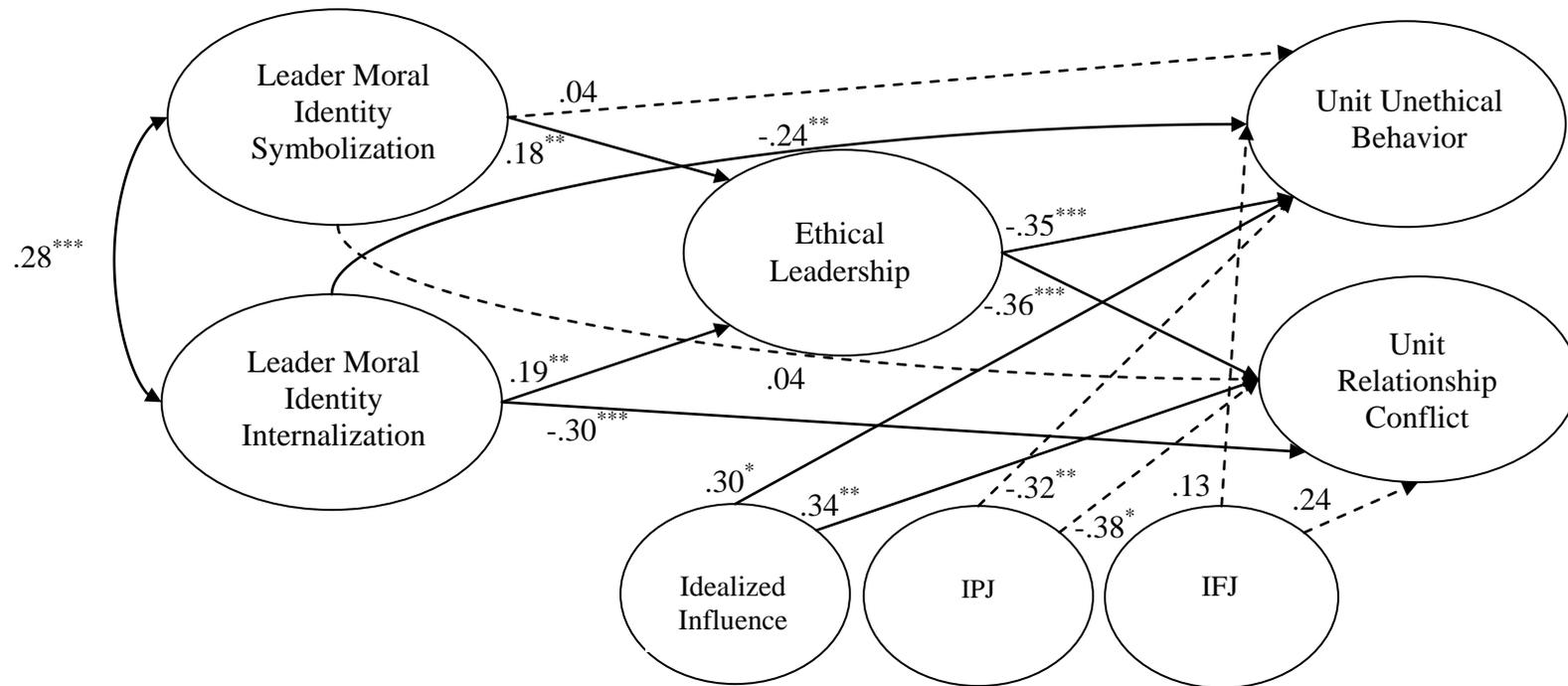
**Study 1: Partially Mediated Structural Equation Model Results**



*Note.* Standardized path coefficients provided. Non-significant lines are dashed. † $p \leq .10$ , \* $p \leq .05$ , \*\* $p \leq .01$ , \*\*\* $p \leq .001$ .

**FIGURE 2**

**Study 2: Partially Mediated Structural Equation Model Results**



*Note.* Standardized path coefficients provided. Non-significant results are dashed.  $*p \leq .05$ ,  $**p \leq .01$ ,  $***p \leq .001$ . IPJ refers to interpersonal justice and IFJ refers to informational justice.

## **Bios**

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