

Encouraging employees to report unethical conduct internally: It takes a village

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ARTICLE INFO

Article history:

Received 2 November 2010

Accepted 7 January 2013

Available online 16 February 2013

Accepted by Douglas Brown

Keywords:

Ethics

Whistle-blowing

Leadership

Coworkers

ABSTRACT

Via three studies of varying methodologies designed to complement and build upon each other, we examine how supervisory ethical leadership is associated with employees' reporting unethical conduct within the organization (i.e., internal whistle-blowing). We also examine whether the positive effect of supervisory ethical leadership is enhanced by another important social influence: coworkers' ethical behavior. As predicted, we found that employees' internal whistle-blowing depends on an ethical tone being set by complementary social influence sources at multiple organizational levels (both supervisory and coworker levels), leading us to conclude that "it takes a village" to support internal whistle-blowing. Also, this interactive effect was found to be mediated by a fear of retaliation in two studies but not by perceptions of futility. We conclude by identifying theoretical and practical implications of our research.

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Introduction

High-profile corporate scandals have received considerable media attention in recent years. Employee transgressions have had devastating effects on companies' performance and reputations. Management should have a keen interest in avoiding such outcomes by encouraging employees to report unethical conduct internally so it can be addressed quickly and be prevented from growing into a larger crisis. If management is to avoid appearing in the next scandalous headline, then it is important to understand the factors that increase the likelihood that employees will report such behavior internally. Internal whistle-blowing has been defined as reporting work-related practices that are perceived to be illegal, immoral, or illegitimate to organizational authorities (cf. Mesmer-Magnus & Viswesvaran, 2005; Near & Miceli, 1985). Whistle-blowing research has found that employees are generally reluctant to report such transgressions because they fear retaliation for reporting or believe such efforts will be futile (cf. Mesmer-Magnus & Viswesvaran, 2005).

Given the perceived uncertainty and risks associated with reporting unethical conduct internally, we posit that employees will look to their social environment to determine whether to speak up or remain silent. We focus on two key influential actors in employees' social environment, their supervisor and

coworkers. We propose that supervisory ethical leadership will be positively related to reporting unethical conduct internally but that this relationship should be stronger when coworkers are perceived to be more ethical. This interaction prediction is consistent with *social information processing theory* (Salancik & Pfeffer, 1978) that highlights how individuals look to others in their environment to determine appropriate and acceptable behavior especially when uncertainty is high. Additionally, in line with theory and research on whistle-blowing (Miceli, Near, & Dworkin, 2008), we predict that the interactive effect of ethical leadership and coworker ethical behavior on reporting unethical conduct internally is mediated by employees' fear of retaliation and perceptions of futility. Thus, we posit that *multiple interacting social influences* affect employees' willingness to report unethical conduct internally; and therefore, "it takes a village" to get employees to internally report misconduct.

The paper proceeds as follows. We first review theory and literature leading us to predict a positive relationship between supervisory ethical leadership and employees' reporting unethical conduct internally and that this direct relationship will depend on the perceived ethical behavior of one's coworkers. Next, we provide rationales for why fear of retaliation and perceptions of futility should mediate this interactive effect. Finally, we empirically test these hypothesized relationships via two field studies and a laboratory study. We thereby use Chatman and Flynn's (2005) advised "full-cycle micro-organizational behavior approach" to examine the relationship between multiple social influences and internal whistle-blowing.

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Ethical leadership and employees' internal reporting of unethical conduct

Supervisors work closely with employees and provide them coaching, mentoring, feedback, support, monitoring, rewards, and discipline (e.g., Becker, Billings, Eveleth, & Gilbert, 1996; Brandes, Dharwadkar, & Wheatley, 2004; Meglino, Ravlin, & Adkins, 1989). In addition, many large organizations with ethics programs rely on supervisors as likely recipients of reporting unethical conduct. Unless employees are uncomfortable doing so (perhaps because the supervisor is involved in the unethical conduct), employees are generally advised to use their chain of command to report ethical problems. In addition, a 2000 KPMG survey of private and public sector employees found that most employees actually prefer the idea of reporting unethical conduct to their supervisor. However, this same survey found that many employees do not feel encouraged to do so (cf. Grimsley, 2000; Miceli et al., 2008; Ridge, 2000).

Brown, Treviño, and Harrison's (2005) description of ethical leaders suggests that a supervisor who is perceived to be stronger on ethical leadership will be more encouraging of such reporting behavior. This work, based on social learning theory (Bandura, 1977, 1986), suggests that supervisors who are seen as strong ethical leaders will serve as ethical role models for employees. Given their formal authority, employees are likely to see supervisors as credible models of normatively appropriate behavior (Brown et al., 2005). Employees observe the behaviors of their supervisors and emulate them. With ethical leaders, employees are more likely to become aware that these leaders report problems up the chain to their superiors, thus modeling this normatively appropriate behavior.

In addition to direct role modeling of behavior, ethical leaders influence behavior by setting standards and holding their direct reports accountable. Accountability systems may influence employees directly or, as social learning theory suggests (Bandura, 1986), may vicariously influence employees through observation of how coworkers are treated (Brown et al., 2005; Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Treviño, Hartman, & Brown, 2000). Ethical leaders are more likely to set expectations for reporting and support employees who do this. In summary, therefore, employees should be more likely to report unethical conduct if their supervisor is stronger on ethical leadership because such a supervisor would be more likely to role model ethical conduct, expect reporting, and support reporting when it occurs. Thus, we predict:

Hypothesis 1. There will be a positive relationship between supervisory ethical leadership and employees' reporting of unethical conduct internally.

Is the relationship between supervisory ethical leadership and employees' internal reporting of unethical conduct dependent on coworkers' ethical behavior?

Although ethical leaders have been found to positively influence a variety of types of speaking up behavior (see Brown et al., 2005; Walumbwa & Schaubroeck, 2009), we propose that other actors in the social environment can enhance or suppress this effect. Employees find themselves in a complex environment where they look to multiple actors for cues. Coworkers should be particularly important because they are close to employees, are likely to be aware of unethical conduct (which is typically covert), and are available to help interpret leadership messages (Salancik & Pfeffer, 1978).

Consistent with our thinking, several studies demonstrate that employees indeed look to their coworkers for cues about appropriate and inappropriate behavior, including reporting. For example, Weaver, Treviño, and Agle (2005) found, in their qualitative interview-based study, that when asked who their ethical role models

were, employees generally named those with whom they had worked closely, both supervisors and coworkers. Thus, employees are likely to look to coworkers for ethical guidance and support. Interestingly, little attention has been paid to the fundamental influence of coworkers on employees' work experience in general (see Chiaburu & Harrison, 2009 for a meta-analysis). We believe that the reporting context presents a perfect opportunity to demonstrate the importance of coworker influence. We expect employees to look to the behavior and support of both supervisors and coworkers when faced with uncertainty about whether to engage in this risky behavior. Most importantly, we expect that coworker ethical behavior will enhance the effects of supervisory ethical leadership on reporting unethical conduct internally.

Social information processing theory (Salancik & Pfeffer, 1978) supports the idea that, when faced with uncertainty about norms for appropriate and acceptable conduct, employees will search for cues in their social environment. Thus, as employees interact with coworkers, they are likely to seek cues about appropriate behavior (Brass, Butterfield, & Skaggs, 1998). Research in social psychology has shown that the actions of others in one's environment have powerful effects on individuals' behaviors. For example, norm-focus theory has demonstrated that social norms can lead people to engage in less antisocial behavior because it heightens individuals' awareness of norms (Cialdini, 2003; Cialdini, Reno, & Kallgren, 1990; Schultz, Nolan, Cialdini, Goldstein, & Griskevicius, 2007).

Although we are aware of no empirical research directly testing the impact of coworker ethical behavior on reporting unethical conduct, research has found that perceptions of peer cheating behavior influences college students' reporting. When perceptions of peer cheating are low (i.e., peers are more ethical), students are significantly more likely to report a peer (McCabe, Treviño, & Butterfield, 2001). In addition, managers' perceptions of what their peers do better predicts unethical managerial behavior than managers' own values and beliefs or those of top management (Zey-Ferrell & Ferrell, 1982; Zey-Ferrell, Weaver, & Ferrell, 1979). Finally, experimental research demonstrates that peers influence unethical behavioral intentions and behaviors (Gino, Ayal, & Ariely, 2009; James & Kavanaugh, 1996).

However, because social contexts are complex and incorporate multiple influences simultaneously, it is essential to consider coworker influences within the leadership context in which they occur. Coworkers can send informal messages that are either consistent or inconsistent with the leader's ethical expectations. It is easy to see what happens when both send consistent messages. When supervisory ethical leadership and coworker ethical behavior are both high, a consistent message is sent to employees that when one witnesses impropriety, it should be reported to appropriate personnel. Thus, reporting should be highest when both sources of social influence send a consistent message supporting ethical behavior. In contrast, when supervisory ethical leadership and coworker ethical behavior are both low, the level of reporting should be lowest because multiple social actors are communicating that being ethical is less important.

But, consider what happens when the messages coming from these social actors is inconsistent. When supervisory ethical leadership is high but coworker ethical behavior is low, or supervisory ethical leadership is low but coworker ethical behavior is high, the inconsistent message leads to likely inaction because of the perceived risks of reporting unethical conduct internally and the likelihood that the employee will default to silence. Kish-Gephart, Detert, Trevino, and Edmondson (2009) argued that silence is the employee default in organizations because of the risks employees perceive and the fear they automatically feel even when considering exercising routine voice. These feelings have roots in human evolution that prepared human beings to protect themselves around those with higher status and to be concerned about

remaining an accepted member of the social group. Speaking up about misconduct in organizations is seen as a particularly risky act, making the inclination to remain silent quite strong. Therefore, cues from any influential social actor suggesting that reporting would not be well received may be enough to leave employees in the default silent mode. By contrast, the resolve to speak up will likely strengthen amongst employees who, in addition to feeling supported by a strong ethical leader, perceive their coworkers as ethical and supportive of reporting. Thus, if either important social actor does not seem receptive to reporting behavior (i.e., the supervisor is low on ethical leadership or coworkers are low on ethicality), employees will be more likely to default to silence and will be less likely to engage in internal whistle-blowing.

Hypothesis 2. The positive relationship between supervisory ethical leadership and employees' reporting of unethical conduct internally will be stronger when employees perceive coworker ethical behavior to be high.

The mediating role of fear of retaliation and perceptions of futility

Beyond understanding this proposed interactive effect on reporting, it is important to consider potential mediating processes. Management scholars have identified employees' fears of retaliation and perceptions of futility as key reasons for why they often choose *not* to tell organizational authorities about the concerns they have (cf. Kish-Gephart et al., 2009; Morrison & Milliken, 2000; Shapiro & DeCelles, 2005). Thus, we propose both fear of retaliation and perceptions of futility as the mediators of interest.

First, we know from the whistleblowing literature that employees perceive personal risk and, in particular, fear of retaliation, associated with reporting unethical conduct (Miceli et al., 2008). This risk is real, not imagined, as whistle-blowers are often penalized either informally or formally for speaking up about unethical conduct (Mesmer-Magnus & Viswesvaran, 2005). Retaliation can come from either supervisors who prefer to bury bad news or coworkers who see reporting as a lack of loyalty to the group, especially if a member of the group engaged in the unethical conduct. We posit that when ethical leadership is supported by coworker ethical behavior, employees will be less likely to fear being perceived as a "snitch" or "tattletale" and hence less likely to fear being retaliated against by anyone as a consequence of their reporting misconduct (cf. Miceli et al., 2008). However, because formal or informal sanctions can come from supervisors or coworkers, if employees perceive that either their supervisor or peers are less ethical they will be less likely to report unethical conduct internally. Thus, when ethical leadership or coworker ethical behavior is low, fear of retaliation will remain and will more likely lead to silence.

Hypothesis 3a. The relationship between the interaction of supervisory ethical leadership \times coworker ethical behavior and employees' reporting of unethical conduct internally (predicted by Hypothesis 2) will be mediated by a fear of retaliation.

With regard to futility, employees who anticipate a supportive response to their expressed views have more optimism about their ability to effect organizational change which, in turn, increases their likelihood of speaking up about issues concerning them (cf. Ashford, Rothbard, Piderit, & Dutton, 1998). Thus, similarly, employees who perceive high levels of ethical leadership and coworker ethical behavior should expect a supportive response to their reports of unethical conduct, hence view these reports as *not* futile and therefore worthwhile reporting. Under such circumstances, the leader is more likely to take action and coworkers are more

likely to provide support for such action. In contrast, when ethical leadership or coworker ethical behavior is low, expected action in response to the problem is less likely (hence reporting is likely to be deemed unable to effect change, or be futile) and, as a result, the employee is less likely to report. Even if a supervisor is viewed as an ethical leader, if an employee's coworkers are thought to be unethical then the employee may believe that his/her coworkers will not put any pressure on their boss to do anything about the wrongdoing and thus it is futile to report. Also, an employee may believe that if a boss senses that his employees will be upset if he acts on reported unethical behavior then this could lead the employee to be less likely to report because the attempt would be futile. Finally, given that one's supervisor is likely to play a role in addressing the unethical conduct, even if coworkers are thought to be ethical, if one's supervisor is not perceived to be an ethical leader then it is likely that the employee will believe an attempt to report will be futile.

Hypothesis 3b. The relationship between the interaction of supervisory ethical leadership \times coworker ethical behavior and employees' reporting of unethical conduct internally (predicted by Hypothesis 2) will be mediated by futility.

Overview of the present research

To test our hypotheses we conduct two field studies and one lab experiment. Study 1 is a field study that examines the relationship between supervisory ethical leadership and reporting unethical conduct internally (Hypothesis 1) and whether that association is strengthened when coworker ethical behavior is high (Hypothesis 2). Study 2 builds on the results of Study 1 by testing the interactive effects of supervisory ethical leadership and coworker ethical behavior on actual reporting behavior in the field, and testing for the mediating role of fear of retaliation (Hypothesis 3a). Lastly, to rule out alternative causal explanations for our results in Studies 1 and 2, Study 3 examines our full theoretical model in a laboratory experiment in which we manipulate supervisory ethical leadership and coworker ethical behavior, and examine its interactive effects on reporting unethical conduct internally through both the fear of retaliation and perceptions of futility (Hypothesis 3b).

Study 1

In Study 1 we test Hypotheses 1 and 2 that the positive relationship between supervisory ethical leadership and internal whistle-blowing intentions is strengthened when perceived coworker ethical behavior is high. Study 1 highlights the role of *multiple social actors* working together as determinants of reporting unethical conduct internally. Prior research (see Mesmer-Magnus & Viswesvaran, 2005; Miceli et al., 2008) has generally omitted employees' assessments of important social influences such as ethical leadership and the ethical behavior of coworkers. Our concern about these omissions is guided by theories suggesting that employees' ethical actions are strongly influenced by the extent to which they are led by ethical leaders who demonstrate and promote normatively appropriate conduct (Brown et al., 2005), and the extent to which employees see coworkers behaving in norm-consistent or deviating ways (cf. Chiaburu & Harrison, 2009; Robinson & O'Leary-Kelly, 1998).

Study 1: Method

Procedure

We recruited participants from a for-profit, multinational company headquartered in the United States. Participants were

newly-hired employees who were responsible for selling food to current and new customers throughout their assigned sales delivery area. This was a relevant context for examining the effects of both ethical leadership and coworker ethical behavior given that employees spend a large proportion of their time during their training program with these groups. For example, newly-hired employees went on “ride alongs” with both their supervisor and coworkers so that they could shadow their colleagues. Furthermore, supervisors and coworkers were encouraged to provide these employees advice on how to perform the job effectively, and sales tactics that were successful. As part of participants’ training program, the company distributed an online survey link to 208 employees in their fifth week on the job. We received 197 responses, for a response rate of 95%. The average age was 37 years and 93% were male. Employees were 87% Caucasian, 4.5% African American, 4% Hispanic and 4.5% Other.

Measures

We assessed all measures using a 1 (strongly disagree) to 7 (strongly agree) response format.

Supervisory ethical leadership

Participants completed the 10-item *ethical leadership* scale developed by Brown et al. (2005). The response scale ranged from 1 (strongly disagree) to 7 (strongly agree). Sample items include “My supervisor disciplines employees who violate ethical standards,” and “My supervisor discusses business ethics or values with employees” ($\alpha = .93$).

Coworker ethical behavior

We assessed *coworker ethical behavior* with three items developed for this study using a scale ranging from 1 (strongly disagree) to 7 (strongly agree). The items include, “My coworkers support me in following my company’s standards of ethical behavior,” “My coworkers carefully consider ethical issues when making work-related decisions,” and “Overall, my coworkers set a good example of ethical business behavior” ($\alpha = .92$).

Reporting unethical conduct internally

Each employee filled out a two-item measure about the likelihood s/he would report unethical conduct internally if s/he observed this in the organization. Items include “If I personally observed conduct that violated our company’s standards of ethical business conduct I would report it,” and “If I witnessed an employee violate our company’s code of conduct I would report it” ($\alpha = .95$).

Control variables

We controlled for employees’ gender since a substantial proportion of our sample was male and gender has been linked to whistle-blowing in prior research (Mesmer-Magnus & Viswesvaran, 2005).

Confirmatory factor analyses

To ensure that supervisory ethical leadership, coworker ethical behavior, and intentions to report unethical conduct internally were distinct constructs, we conducted a series of CFAs. We first ran a CFA with all 15 items loading on a single factor. The results of this one-factor CFA revealed poor fit ($\chi^2 = 866.260$, $df = 90$, $p < .001$; CFI = .85; RMSEA = .19; SRMR = .12). We then ran a two-factor model with the 13 items used to assess supervisory ethical leadership and coworker ethical behavior in one factor and the two items related to intentions to report unethical behavior loading on a second factor. The results of this two-factor CFA also revealed poor fit ($\chi^2 = 554.97$, $df = 89$, $p < .001$; CFI = .91; RMSEA = .16; SRMR = .09). Lastly, we ran the proposed three-factor model that included the

10 items assessing supervisory ethical leadership loading on one factor, the three items assessing coworker ethical behavior loading on a second factor, and the two items related to intentions to report unethical behavior on a third factor. The results of this three-factor CFA revealed good fit ($\chi^2 = 224.01$, $df = 87$, $p < .001$; CFI = .97; RMSEA = .08; SRMR = .06). A chi-square difference test demonstrated that the three-factor model had significantly better fit than the one-factor ($\chi^2_{\text{difference}} = 642.25$, $df = 3$, $p < .001$) and two-factor ($\chi^2_{\text{difference}} = 330.96$, $df = 2$, $p < .001$) models. Thus, we retained supervisory ethical leadership, coworker ethical behavior, and reporting unethical conduct internally as distinct constructs in testing the study hypotheses.

Study 1: Results

The means, standard deviations, reliabilities, and correlations among the study variables are provided in Table 1. Both ethical leadership and coworker ethical behavior had strong positive correlations with our dependent variable, providing preliminary evidence that both variables contribute to employees’ reporting behavior.

To examine the study hypotheses, we conducted a series of hierarchical regression analyses. In line with suggestions from Aiken and West (1991), we mean-centered the two main effects variables and calculated the interaction term using these mean-centered variables, and plotted the interactions with high values at one standard deviation above the mean and low values at one standard deviation below the mean. In the first model, we included gender (the control variable). In the second model, we included the main effects for supervisory ethical leadership and coworker ethical behavior. In the final model (i.e., the fully-specified model), we added the interaction between supervisory ethical leadership and coworker ethical behavior.

Table 2 reports the results. As shown in column three, consistent with Hypotheses 1 and 2, there was a significant main effect for supervisory ethical leadership ($\beta = .24$, $SE = .09$, $p \leq .01$) and a significant interaction between supervisory ethical leadership and coworker ethical behavior on reporting unethical conduct internally ($\beta = .13$, $SE = .06$, $p < .05$, $\Delta R^2 = .02$; see Fig. 1). Simple slopes analyses demonstrated that ethical leadership has a strong positive association with the likelihood of reporting unethical conduct internally at high levels of coworker ethical behavior ($\beta = .38$, $p \leq .01$), but at low levels of coworker ethical behavior, the simple slope was not significantly positive ($\beta = .12$, $p > .05$). As seen in Fig. 1, employees were more likely to report unethical conduct internally when they perceived their supervisor to have high levels of ethical leadership, and this tendency was stronger when employees perceived coworker ethical behavior to be high.

Study 1: Discussion

Study 1 provides additional support for the effect of supervisory ethical leadership on reporting (Hypothesis 1). More importantly, it supports our prediction (Hypothesis 2) that the effect of supervisory ethical leadership on employees’ internal reporting of unethical conduct is in part dependent on the ethical behavior of other key social actors—namely, coworkers. Such support is important given the uncertainty that employees typically feel when faced with the quandary of whether to report unethical conduct internally, and the tendency for people under uncertainty to rely on the social context for guidance (Festinger, 1957; Salancik & Pfeffer, 1978). However, the outcome variable in Study 1 is intentions to report and, as we discuss next, it is important to study actual reporting behavior.

Table 1

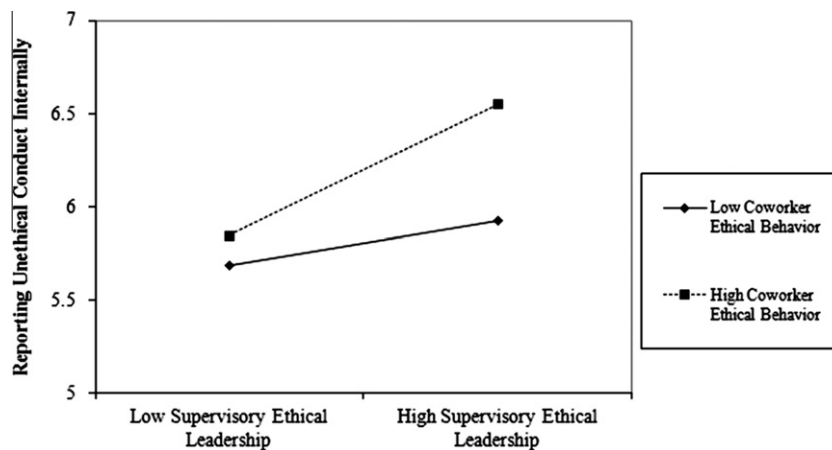
Study 1 means, standard deviations, and correlations.

Variables (raters)	<i>M</i>	<i>SD</i>	1	2	3	4
1. Gender	.93	.25	–			
2. Supervisory ethical leadership	6.42	.60	–.03	(.93)		
3. Coworker ethical behavior	6.09	.93	–.08	.57**	(.92)	
4. Reporting unethical conduct internally	6.30	.98	–.08	.28**	.30**	(.95)

Notes. Internal consistency values (Cronbach's alphas) appear across the diagonal in parentheses.

* $p < .05$.** $p < .01$.**Table 2**Study 1 regressions for supervisory ethical leadership \times coworker ethical behavior interaction on reporting unethical conduct internally (supervisor-rated).

	Step 1				Step 2				Step 3			
	<i>B</i>	<i>SE</i>	β	<i>T</i>	<i>B</i>	<i>SE</i>	β	<i>T</i>	<i>B</i>	<i>SE</i>	β	<i>T</i>
<i>Step 1: Controls</i>												
Gender	–.33	.28	–.09	–1.17	–.25	.27	–.06	–.92	–.30	.27	–.08	–1.14
<i>Step 2: Social actors</i>												
Supervisory ethical leadership					.16	.08	.17	2.00*	.24	.09	.24	2.70**
Coworker ethical behavior					.20	.08	.20	2.44*	.19	.08	.20	2.42**
<i>Step 3: Interaction</i>												
Supervisory ethical leadership \times coworker ethical behavior									.13	.06	.18	2.29*

Notes. In the first step, the control variables were entered yielding no significant effects. In the second step, the addition of supervisory ethical leadership and coworker ethical behavior significantly increased the variance explained. In the third step, the addition of the partial product term produced a ΔR^2 of .02, $p < .05$.* $p < .05$.** $p < .01$.**Fig. 1.** Interaction between supervisory ethical leadership and coworker ethical behavior on employee's intentions to report unethical conduct internally (Study 1).

Study 2

In Study 2, we studied actual reporting behavior in a field study. This study builds on prior work in several ways. Because Mesmer-Magnus and Viswesvaran's meta-analysis (2005) found that a measure of general "supervisor support" was positively related to reporting intentions ($r = .28$) but negatively related to actual reporting ($r = -.12$), it is critical to examine whether ethical leadership and coworker ethical behavior interact to relate to actual reporting. Mesmer-Magnus and Viswesvaran (2005) speculated that the weak negative relationship between "supervisor support" and actual reporting exists because employees may want to protect their generally supportive supervisor. If this is true, it provides all the more reason to examine the impact of ethical leadership more specifically (rather than general supervisor support) and of multiple social actors (rather than solely supervisors) on the risky behavior of reporting unethical behavior internally. In addition, we included a measure of fear of retaliation to test Hypothesis 3a

aimed at exploring an underlying mechanism accounting for the interaction between supervisory ethical leadership and coworker ethical behavior.

Study 2: Method

Participants

Our sample consisted of 33,756 employees from 16 manufacturing and technology development firms. In testing the hypotheses, we only included participants who answered "Yes" to the following question: "During the past year, have you personally observed conduct that violated your company's standards of ethical business conduct?" Of the entire sample of 33,756 employees, a total of 6554 employees (or 19%) answered "yes" to this question.

Of those 6554 employees, respondents were 65% male and 35% female. The majority of respondents were between the ages of

31–45 (36%) or 46–64 (48%). Respondents were 81% White, 6% African American, 5% Hispanic, 4% Other, and 3% Asian. Thirty-nine percent of the respondents had tenure with the organization of over 10 years, and 93% had worked at the organization for over 1 year. Seventeen percent were union members. Forty-three percent held at least a bachelor's degree, and 17% had a graduate degree. Sixty-nine percent were not members of management, 15% were first-line supervisors, 12% were middle managers, and three percent were senior managers.

Procedure

Data for this study were collected as a part of a large-scale data collection conducted by a non-profit, non-partisan research and survey organization. It should be noted that although some of the authors of this manuscript played an advisory role in developing the survey, the choice of survey items was driven by practical company needs and interests and the desire to keep the survey brief and comparable to prior versions of the survey. Thus, although previously-established measures were generally not used in this study, the items used to assess the key constructs mirror very closely many established measures (a point we discuss more fully below in describing the measures). Surveys were mailed to employees participating in the study and then were mailed back to the sponsoring organization. A small number of respondents completed an online version of the survey and submitted their responses to the sponsoring organization or provided their responses in a phone survey. All respondents were assured of the anonymity of their responses.

Measures

Supervisory ethical leadership

We assessed *supervisory ethical leadership* with three items. The items include, "Overall, my supervisor sets a good example of ethical business behavior," "My supervisor talks about the importance of ethics and doing the right thing in the work we do," and "I trust that my supervisor will keep his/her promises and commitments." These three items closely align with three items from Brown et al.'s (2005) ethical leadership measure (e.g., "sets an example of how to do things the right way in terms of ethics," "discusses business ethics or values with employees," and "can be trusted"). These three items had high factor loadings in all seven samples reported in Brown et al., and the items represented an adequate level of breadth to assess the construct. The scale ranged from 1 (strongly disagree) to 5 (strongly agree) ($\alpha = .84$).

Coworker ethical behavior

We assessed *coworker ethical behavior* with the same three items used in Study 1 using a scale that ranged from 1 (strongly disagree) to 5 (strongly agree) ($\alpha = .82$).

Fear of retaliation

We measured fear of retaliation using two items developed for this study based on prior work on whistle-blowing. The two items include "If I report my ethics concerns, I will be seen as a troublemaker by management," and "If I report my ethics concerns, I will be seen as a snitch by my coworkers." The scale ranged from 1 (strongly disagree) to 5 (strongly agree) ($\alpha = .69$).

Reporting unethical conduct internally

We included only those participants who reported personally witnessing conduct that violated their company's standards of ethical business conduct. To assess whether they reported unethical conduct internally, participants were asked the following question, to which they answered yes or no: "Did you report your observation of misconduct to management or to another appropriate

person?" The use of a single-item, dichotomous measure of reporting unethical conduct is common in the field (Mesmer-Magnus & Viswesvaran, 2005).

Control variables

As we did in Study 1, we controlled for *gender* (0 = female, 1 = male).

Confirmatory factor analyses

To ensure that supervisory ethical leadership and coworker ethical behavior were distinct constructs, we conducted a series of CFAs. Because we assessed reporting unethical conduct internally with a single item it was not included in the CFA. We first ran a CFA with all six items loading on a single factor. The results of this one-factor CFA revealed a poor fit ($\chi^2 = 3546.27$, $df = 9$, $p < .001$; CFI = .83; RMSEA = .28; SRMR = .12). We then ran our proposed two-factor model with the three items used to assess supervisory ethical leadership in one factor and the three coworker ethical behavior items loading on a second factor. The results of this two-factor CFA revealed a superior fit ($\chi^2 = 508.84$, $df = 8$, $p < .001$; CFI = .98; RMSEA = .11; SRMR = .05). A chi-square difference test demonstrated that the two-factor model had significantly better fit than the one-factor ($\chi^2_{\text{difference}} = 3037.43$, $df = 1$, $p < .001$). Thus, we retained these two measures as distinct constructs in testing the study hypotheses.

Study 2: Results

The means, standard deviations, reliabilities, and intercorrelations among the study variables are provided in Table 3.

To examine the study hypotheses, we conducted a series of logistic regression and linear regression analyses. We began by mean-centering the two main effects variables and calculated the interaction term using these mean-centered variables (Aiken & West, 1991). For Hypothesis 1, we conducted a logistic regression since our dependent variable was a dichotomous outcome: participants either reported unethical behavior internally or not. After entering the control variable, we entered main effect variables for supervisory ethical leadership and coworker ethical behavior in the initial step, and the interaction term in the second step of the logistic regression (Model 2a). Table 4 shows the results. Consistent with Hypothesis 1, we found a positive relationship between supervisory ethical leadership and reporting unethical behavior internally ($\beta = .28$, $SE = .04$, $p < .001$). Consistent with Hypothesis 2, we found a significant interaction between supervisory ethical leadership and coworker ethical behavior on reporting unethical behavior internally (Model 2a: logistic regression, $\beta = .22$, $SE = .03$, $p < .001$).

Hypothesis 3a predicted that fear of retaliation would mediate the interactive effect of ethical leadership and coworker ethical behavior on reporting unethical behavior internally. We first examined whether coworker ethical behavior moderated the relationship between ethical leadership and fear of retaliation. After entering the control variables, supervisory ethical leadership and coworker ethical behavior in the initial step (Model 1a), we entered the interaction term in the second step of the linear regression for fear of retaliation (Model 1b). The interaction term between ethical leadership and coworker ethical behavior had a significant negative effect on fear of retaliation (Model 1b: $\beta = -.10$, $SE = .01$, $p < .001$). We subsequently examined whether the fear of retaliation had a direct effect on reporting internally using logistic regression. As predicted, fear of retaliation had a negative significant effect on reporting internally (Model 2b: logistic regression, $\beta = -.29$, $SE = .04$, $p < .001$). Next, we examined whether fear of retaliation mediated the interactive effect of ethical leadership

Table 3
Study 2 means, standard deviations, and correlations.

Variable	M	SD	1	2	3	4
1. Gender	.35	.48	–			
2. Supervisory ethical leadership	3.44	1.07	.04*	(.84)		
3. Coworker ethical behavior	3.56	.83	–.01	.51*	(.82)	
4. Reporting unethical conduct internally	.51	.50	.08*	.18*	.16*	–

* Correlation is significant at the .01 level (2-tailed). Reliabilities are along the diagonal.

Table 4
Study 2 linear and logistic regressions for ethical leadership × coworker ethical behavior interaction and the mediating role of fear of retaliation on reporting unethical conduct internally.

Variables	Model 1a: Fear of retaliation (linear regression)		Model 1b: Fear of retaliation (linear regression)		Model 2a: Reporting internally (logistic regression)		Model 2b: Reporting internally (logistic regression)	
	B	SE	B	SE	B	SE	B	SE
Gender	.09**	.03	.10**	.03	.34**	.07	.37**	.07
Supervisory ethical leadership	–.30**	.01	–.31**	.01	.28**	.04	.20**	.04
Coworker ethical behavior	–.41**	.01	–.44**	.02	.31**	.04	.18**	.04
Supervisory ethical leadership × coworker ethical behavior			–.10**	.01	.22**	.03	.19**	.03
Fear of retaliation							–.29**	.04
F/χ^2	870.54		683.00		305.78		375.42	
F/χ^2 for Step	870.54		79.27**		62.91**		69.64**	
R^2 /Total Cox & Snell R^2	.34		.36		.06		.08	
ΔR^2 / Δ Total Cox & Snell R^2	.34		.01**		.01**		.01**	

In Model 1, we display the results of the final two steps of the hierarchical regression analysis for the mediator model (fear of retaliation). In Model 1a, we include the control variable (gender), supervisory ethical leadership and coworker ethical behavior. In Model 1b, we include the same variables as Model 1a, along with the interaction between supervisory ethical leadership, and coworker ethical behavior, producing a ΔR^2 of .01, $p < .001$. In Model 2, we display the results of the final two steps of the hierarchical regression analysis for the dependent variable model (reporting unethical conduct internally). In Model 2a, we include the control variable (gender), supervisory ethical leadership, coworker ethical behavior, and the interaction between supervisory ethical leadership, and coworker ethical behavior. In Model 2b, we include the same variables as Model 2a, along with the fear of retaliation. We report the appropriate statistics for each step of the analyses.

* $p \leq .05$.
** $p \leq .01$.

and coworker ethical behavior on reporting unethical conduct internally. Given the limitations of the causal steps approach (for a review, see Hayes, 2009; MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002), we conducted follow-up analyses using 1000 bootstrap samples following the procedures recommended by Preacher, Rucker, and Hayes (2007). By using the bootstrapping procedure, we generated 95% bias corrected and accelerated confidence intervals. We found that the indirect effect of supervisory ethical leadership through fear of retaliation is significant for reporting unethical conduct internally among employees who experienced high coworker ethical behavior ($\beta = .07, p < .001, 95\% \text{ CI } [.05, .08]$), and those who experienced low coworker ethical behavior ($\beta = .13, p < .001, 95\% \text{ CI } [.11, .16]$).

Fig. 2 illustrates that coworker ethical behavior moderates the relationship between ethical leadership and reporting unethical behavior internally such that the relationship between supervisory ethical leadership and reporting unethical conduct internally is stronger when coworker ethical behavior high. Simple slopes analyses reveal that ethical leadership has a strong positive association with reporting unethical conduct internally at high levels of coworker ethical behavior, ($\beta = .28, p < .001$), but at low levels of coworker ethical behavior, the simple slope is not as strongly positive ($\beta = .05, p = .04$). Moreover, Fig. 3 shows the interactive effect of supervisory ethical leadership and coworker ethical behavior on the fear of retaliation (the mediator); when participants experience both high ethical leadership and high coworker ethical behavior,

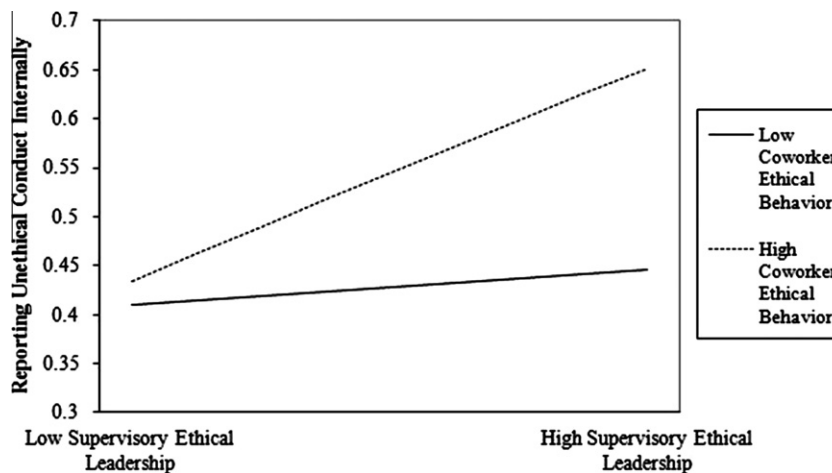


Fig. 2. Interaction between supervisory ethical leadership and coworker ethical behavior on reporting unethical conduct internally (Study 2).

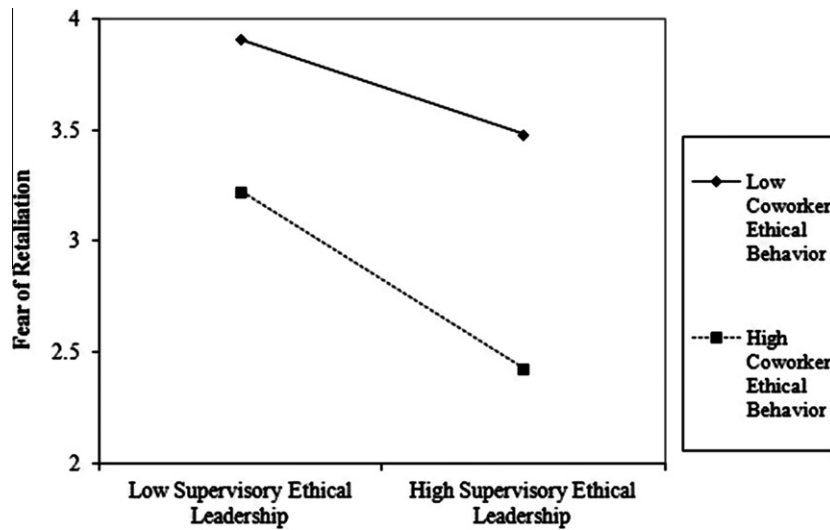


Fig. 3. Interaction between supervisory ethical leadership and coworker ethical behavior on fear of retaliation (Study 2).

they experience less fear of retaliation for reporting unethical conduct internally. Simple slopes analyses demonstrate that ethical leadership has a strong negative association with fear of retaliation at high levels of coworker ethical behavior, ($\beta = -.16, p < .001$), but at low levels of coworker ethical behavior, the simple slope is not significantly negative ($\beta = -.01, p > .05$). Taken together, our results show that ethical leadership and coworker ethical behavior interact to influence employees' fear of retaliation, which in turn affects reporting unethical behavior internally.

Study 2: Discussion

Consistent with the results from Study 1, Study 2 results revealed that the positive relationship between supervisory ethical leadership and reporting unethical conduct internally is moderated by other social actors—namely, one's coworkers. Important contributions of Study 2 include collecting data from employees who say that they witnessed misconduct in their organizations and measuring actual internal reporting. In addition, we found support for fear of retaliation as a mediator of this interactive effect.

Study 3

Studies 1 and 2 provide support for our prediction that the positive relationship between supervisory ethical leadership and employees' internal reporting of unethical conduct is in part dependent on one's coworkers. Despite the strengths of using a field method in Studies 1 and 2, we are unable to establish strong causal interpretations of our hypotheses. To address this limitation, we designed and implemented an experimental method in Study 3 to demonstrate that the interaction between supervisory ethical leadership and coworker ethical behavior causes the reporting of unethical behavior. Furthermore, as we did in Study 2, we measured *actual* reporting behavior. Lastly, to explore the underlying mechanisms for the hypothesized interaction, we assess whether the interactive effect of supervisory ethical leadership and coworker ethical behavior on reporting unethical conduct internally is mediated by fear of retaliation and perceptions of futility. Thus, we improve on the first two studies by manipulating the levels of supervisory ethical leadership and coworker ethical behavior, by using an objective measure of reporting unethical conduct internally, and by assessing multiple potential mediators.

Study 3: Method

Participants and design

We recruited one hundred and sixteen working adults from a paid subject pool at a large Midwestern university in the US for participation in a study about working in virtual teams. Participants were 57% female, the mean age was 20.5 years old, and 86.2% had some college education. We used a between-subjects design and included experimental manipulations of both ethical leadership (high and neutral) and coworker ethical behavior (high and low).

After explaining to participants that we wanted to learn about the effectiveness of virtual teams, participants were informed that they were assigned to a virtual team of six people, and the other five members were located off-site. As employees of a fictional food company *SweetStuff*, their task was to determine whether their company should enter a new business market using the Porter's Five Forces framework (Porter, 1979). To increase participants' incentive, they were notified that the top performing team would earn \$300 (or \$50 per team member). Participants were informed that they could use an instant message chat room on the right of their screen to contact the other five team members to communicate with their teammates during the task (see Fig. 4). However, in reality the other five virtual team members were fictional chat accounts controlled by the experimenter. Finally, participants were instructed not to use any resources besides their prior knowledge and the information provided, and thus, they were not permitted to use the internet to complete the task.

At the beginning of the task, participants completed a leadership assessment questionnaire to determine whether they would be the leader of their team. To enhance the realism of the team, after finishing the leadership assessment, they engaged in a word completion assessment as they were informed the experimenter had to tally the results from their other team members to determine who would be the leader of their team. Approximately 3 min later, participants were individually informed that they were assigned to the role of a team member (rather than leader) based on the scores of the leadership assessment, and would be responsible for writing up a section on whether their company should enter the market based on the intensity of competitive rivalry. They were also told they would soon receive an instant message from the team member who was assigned the role of leader. In our

debriefing we found that no participants reported being suspicious of any aspects of the experiment.

Experimental manipulations

Supervisory ethical leadership manipulation

As participants began writing up their section for their team, they received an instant message from the supposed leader of their virtual team. We created the message that participants received based on Brown et al.'s (2005) conceptualization and measure of ethical leadership. In the *high* ethical leadership condition, participants received the following message from their leader:

"Hi, I have been assigned the role of leader. I look forward to seeing the results of your work. I'm counting on you to do things the right way, to follow instructions, and not to resort to short cuts. I value doing things the right way because it is important that the competition be fair. I'll look forward to getting together with you after the task to hear your suggestions for how to improve the process because I've been asked to provide feedback about it. I hope that the team does well but mostly I hope that this will be a useful learning experience for you. You may communicate with your team members (but not with me) during the exercise via instant messaging. If any problems arise I hope you will share them with me after the time is up and we'll discuss them then. OK, I am now leaving the instant messaging chat (no need to reply to me)."

In the *neutral* ethical leadership condition, participants received a message that focused on bottom-line achievement only with an absence of attention to ethics. This is consistent with Treviño and colleagues' early qualitative work on ethical leadership (Treviño et al., 2000; Treviño, Brown, & Hartman, 2003). Leaders who are silent on ethical issues are not necessarily unethical; they may just be considered to be ethical neutral or silent leaders.

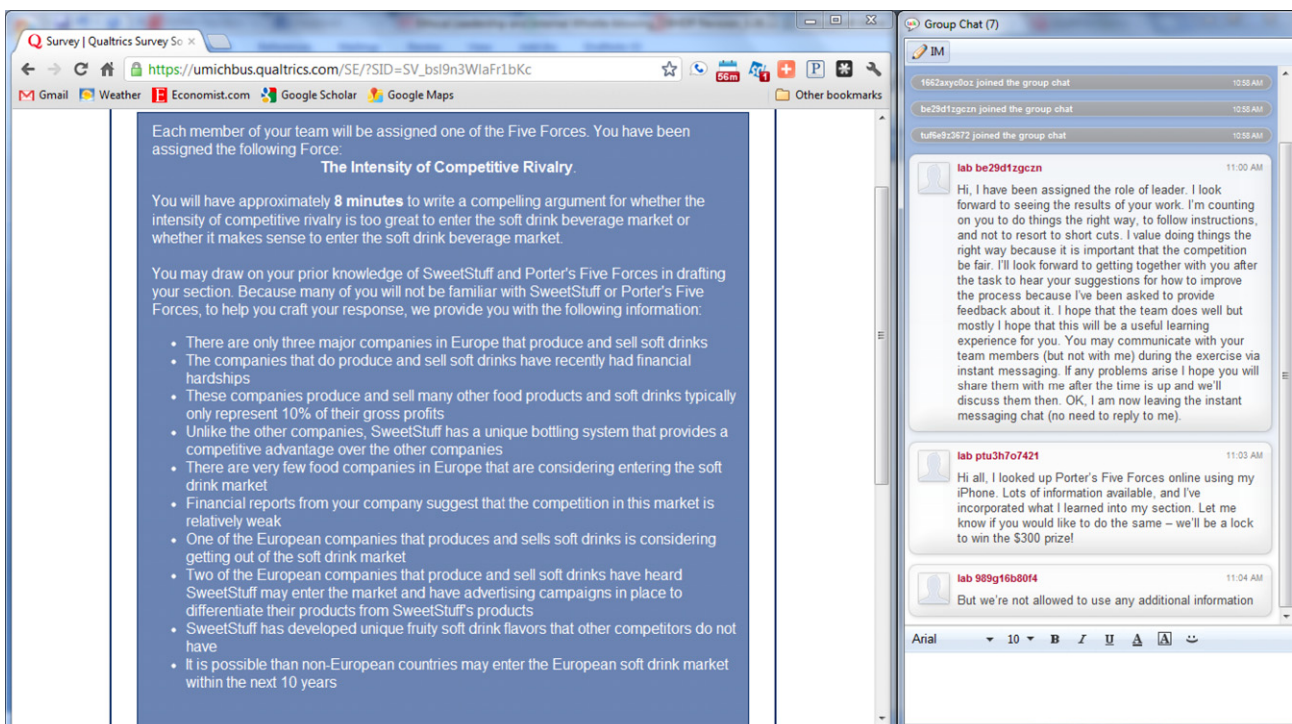
"Hi, I have been assigned the role of leader. I look forward to seeing the winning results of your work so that we can get the \$300. I'm counting on you to get results and to be a winning team. Remember, we want to win! I'm hoping that the team finds a way to win and that we can celebrate together after the task. The goal is to have the best project possible and we should do whatever it takes to accomplish this task. Just like in the business world, producing results is what matters and I want you to do such a good job that we win the money. You may communicate with your team members (but not with me) during the exercise via instant messaging. If any problems arise just share them with your fellow team members. OK, I am now leaving the instant messaging chat (no need to reply to me)."

After receiving the ethical leadership manipulation, the leader exited the chat room, and participants continued working on the Porter's Five Forces task.

Coworker ethical behavior manipulation

Approximately halfway through the task, we initiated the coworker ethical behavior manipulation. In each condition, participants received an instant message from a virtual team member stating, "Hi all, I looked up Porter's Five Forces online using my iPhone. Lots of information available, and I've incorporated what I learned into my section. Let me know if you would like to do the same – we'll be a lock to win the \$300 prize!" We used this instant message to represent an instance of unethical behavior because participants were strictly instructed that they were not permitted to use the internet to help complete the assignment, and doing so represented a clear violation of ethical standards in the task.

In the high coworker ethical behavior condition, participants received instant messages from the other three team members saying, "But we're not allowed to use any additional information," "I don't think it's right to use your iPhone given the rules said not to use the internet," and "We should follow the instructions we



This is a sample screenshot of what participants saw in the High Ethical Leadership, High Coworker Ethical Behavior condition.

Fig. 4. Sample screenshot of the computer screen.

were given.” In the low coworker ethical behavior condition, instant messages were sent from the other three team member accounts saying, “Great idea,” “That’s so creative, we’re totally going to win the money,” and, “I wish I had thought of that. We are in great shape to win 50 bucks each.”

We chose these manipulations for coworker ethical behavior for numerous reasons. First, the messages came from multiple team members, which correspond with our conceptualization of coworker ethical behavior as emanating from multiple members who are at the same level as the employee. Moreover, in each condition, the cues about appropriate behavior are clearly delineated; in the high condition, teammates suggest that using the internet is a violation of the rules, should not be done, and instructions should be followed. In contrast, in the low coworker ethical behavior condition, teammates suggest that the use of the internet is normatively permissible since it is likely to help them win the task and is actually a creative way to win, despite participants knowing that all team members were told that they should not use the internet. Lastly, we created and sent instant messages in the form provided because pilot testing indicated that short messages with imperfect language and time elapsing between messages are more likely to be perceived as credible by participants.

At the end of the session, participants completed a series of questions corresponding to our manipulation checks (supervisory ethical leadership and coworker ethical behavior), mediators (fear of retaliation and perceptions of futility) and the dependent variable (reporting unethical behavior internally), along with other questions related to their experience of working in a virtual team in this task.

Measures

Dependent variable: Reporting unethical behavior internally

To objectively measure reporting unethical behavior internally, we created a dichotomous binary variable from participants’ response to an open-ended question at the end of the task asking, “Please describe below what it was like to work on this task. Did any issues come up working with others? This is information that the experimenter will see.” If participants mentioned that a member of their team used the internet, then responses were coded as a 1; if not, then responses were coded as a zero. The experimenter, as an internal member of the university but an external member of the team, represented an internal member of the organization to which the participant belonged.

Mediator: Fear of retaliation

We assessed fear of retaliation using a similar measure to Study 2. The items included “I fear being seen as a snitch if I mention anything about who broke the rules,” and “I feared retaliation if I mentioned anything about the person who broke the rules.” The scale ranged from 1 (strongly disagree) to 7 (strongly agree) ($\alpha = .71$).

Mediator: Perceptions of futility

We assessed perceptions of futility using the following three items: “I assumed that if I reported that a team member broke the rules that nothing would be done about it,” “I figured even if I said something about the team member’s use of the internet nothing would have happened,” and “I decided if I spoke up about the team member breaking the rules that the appropriate actions would not be taken.” The scale ranged from 1 (strongly disagree) to 7 (strongly agree) ($\alpha = .97$).

Manipulation check 1: Ethical leadership

Participants indicated the extent to which the leader of their team exhibited characteristics consistent with ethical leadership using an adapted six-item measure of Brown et al.’s (2005) ethical

leadership scale (e.g., My leader: “Expected team members to follow instructions,” “Valued having a fair competition,” “Looked forward to hearing team members’ suggestions for how to improve the process,” “Wanted team members to share any problems that arose after the task was complete,” and “Encouraged the team to be ethical while working on the project”). Furthermore, we also included a six-item measure of neutral ethical leadership (e.g., My leader: “Believed the team should do whatever it takes to successfully complete this task,” “Looked forward to seeing the team win,” “Counted on the team to win the competition,” “Emphasized that the goal is to have the best project possible,” “Stated that just as in business, producing results is what matters,” and “Really wanted to win the money.”).

Manipulation check 2: Coworker ethical behavior

Participants assessed the ethical behavior of their coworkers by indicating the extent to which their teammates followed ethical standards and set a good example for ethical conduct (e.g., My team members: “Tried to uphold the guidelines for completing the project,” “Wanted to make sure that everyone followed instructions,” and “Were ethical”).

Control variables

Study 3 is an experiment with random assignment so we did not need to control for gender. However, given the times we collected data (in the morning, afternoon, and evening), some conditions were more or less likely to include participants who worked part- vs. full-time and/or have higher vs. lower levels of education (indeed, work status and education level are negatively correlated). Thus, we controlled for these two variables in our analyses.

Study 3: Results

Table 5 provides the means, standard deviations and correlations between the study variables. An investigation of the means shows that, on average, 46.6% of participants reported unethical behavior internally. This percentage is similar to the percentage who reported in Study 2. Although supervisory ethical leadership and coworker ethical behavior were each positively correlated with reporting unethical behavior internally, neither was statistically significant. Furthermore, fear of retaliation had a significant positive correlation with reporting unethical behavior internally, which offers initial support for it mediating the relationship between the interactive effects of ethical leadership and coworker ethical behavior on reporting unethical conduct internally. In contrast, perceptions of futility did not have a significant correlation with reporting behavior.

We conducted an ANOVA to verify that the participants responded to the experimental conditions as expected. As anticipated, the manipulation for supervisory ethical leadership was successful as participants in the high ethical leadership condition ($M = 5.64$, $SD = 1.08$) rated their leader on ethical leadership significantly higher than those in the neutral condition ($M = 3.91$, $SD = 1.46$), $F(1, 114) = 48.76$, $p < .01$. Similarly, our manipulation for neutral ethical leadership was effective as those in the neutral condition rated their leader higher on the neutral leader manipulation check ($M = 5.83$, $SD = 1.27$) than those in the high ethical leadership condition ($M = 3.89$, $SD = 1.36$), $F(1, 113) = 60.92$, $p < .01$. Also, we used an ANOVA to test the validity of our coworker ethical behavior manipulation. Participants in the high coworker ethical behavior condition ($M = 5.54$, $SD = .78$) rated their teammates higher in coworker ethical behavior than those in the low coworker ethical behavior condition ($M = 1.96$, $SD = 1.00$), $F(1, 113) = 454.67$, $p < .01$. Therefore, our results suggest that our manipulations for

Table 5
Study 3 means, standard deviations, and correlations.

Variables (raters)	M	SD	1	2	3	4	5	6	7
1. Full-time status	.13	.34	–						
2. Education	.21	.41	–.26**	–					
3. Supervisory ethical leadership	.41	.49	.25**	–.03	–				
4. Coworker ethical behavior	.47	.47	–.05	–.06	.01	–			
5. Fear of retaliation	3.05	1.33	–.05	–.04	–.06	–.38**	(.71)		
6. Perceptions of futility	3.74	1.67	–.10	.06	–.08	–.10	.23**	(.97)	
7. Reporting unethical conduct internally	.47	.50	–.22*	.04	.04	.08	–.06	–.02	–

Notes. Internal consistency values (Cronbach's alphas) appear across the diagonal in parentheses. Full-time, ethical leadership, coworker ethical behavior and reporting internally are binary variables.

* $p < .05$.
** $p < .01$.

Table 6
Study 3 linear and logistic regressions for ethical leadership × coworker ethical behavior interaction and the mediating role of fear of retaliation and perceptions of futility on reporting unethical conduct internally.

Variables	Model 1a: Fear of retaliation (linear regression)		Model 1b: Fear of retaliation (linear regression)		Model 2a: Reporting internally (logistic regression)		Model 2b: Reporting internally (logistic regression)	
	B	SE	B	SE	B	SE	B	SE
Full-time status	–.26	.37	–.25*	.36	–1.64*	.74	–1.69*	.73
Education	–.07	.09	–.06	.12	–.04	.15	–.07	.15
Supervisory ethical leadership	–.01	.12	–.02	.12	.18	.21	.19	.21
Coworker ethical behavior	–.56**	.12	–.58**	.12	.19	.20	–.01	.23
Supervisory ethical leadership × coworker ethical behavior			–.27*	.12	.41*	.21	.31	.21
Fear of retaliation							–.36*	.18
Perceptions of futility							.13	.14
F/χ^2	5.79		5.930		10.63		16.08	
F/χ^2 for Step	5.79		5.57*		4.12		5.45*	
R^2 /Total Cox & Snell R^2	.18		.22		.09		.12	
$\Delta R^2/\Delta$ Total Cox & Snell R^2	.15		.04*		.03*		.03*	

In Model 1, we display the results of the final two steps of the hierarchical regression analysis for the mediator model (fear of retaliation). In Model 1a, we include the control variables (Full-Time Status, Education), supervisory ethical leadership and coworker ethical behavior. In Model 1b, we include the same variables as Model 1a, along with the interaction between supervisory ethical leadership and coworker ethical behavior, producing a ΔR^2 of .04, $p < .05$. In Model 2, we display the results of the final two steps of the hierarchical regression analysis for the dependent variable model (reporting unethical conduct internally). In Model 2a, we include the control variables (Full-Time Status, Education), supervisory ethical leadership, coworker ethical behavior, and the interaction between supervisory ethical leadership and coworker ethical behavior. In Model 2b, we include the same variables as Model 2a, along with the fear of retaliation and perceptions of futility. We report the appropriate statistics for each step of the analyses.

* $p \leq .05$.
** $p \leq .01$.

supervisory ethical leadership and coworker ethical behavior were effective.

Similar to the procedures we used in Study 2, we conducted a series of logistic regression and linear regression analyses to test our hypotheses. To begin, we mean-centered the two binary main effects variables and calculated the interaction between supervisory ethical leadership and coworker ethical behavior using these mean-centered variables (Aiken & West, 1991). After entering the control variables and main effect binary variables for ethical leadership and coworker ethical behavior in the initial step, we entered the interaction term in the second step of the logistic regression (Model 2a). Table 6 shows the results. We did not observe a positive relationship between supervisory ethical leadership and reporting unethical conduct internally ($\beta = .18$, $SE = .21$, $p > .05$). Thus, we did not find support for Hypothesis 1. For Hypothesis 2, we found a significant interaction between supervisory ethical leadership and coworker ethical behavior on reporting unethical conduct internally (Model 2a: logistic regression, $\beta = .41$, $SE = .21$, $p < .05$), providing support for Hypothesis 2.

Hypothesis 3a predicted that fear of retaliation would mediate the interactive effect of ethical leadership and coworker ethical behavior on reporting unethical conduct internally, and Hypothesis 3b predicted that futility would mediate the same interactive effect. To test for the mediating role of the fear of retaliation, we entered the control variables and main effect binary variables for

ethical leadership and coworker ethical behavior in the initial step (Model 1a), and in the second step, we entered the interaction term (Model 1b). The interaction term between ethical leadership and coworker ethical behavior has a significant negative effect on fear of retaliation (Model 1b: $\beta = -.27$, $SE = .12$, $p < .05$). We then examined whether the fear of retaliation had a direct effect on reporting internally using logistic regression. We found a negative significant effect on reporting internally (Model 2b: logistic regression, $\beta = -.36$, $SE = .18$, $p < .05$). Next, we examined whether fear of retaliation mediated the interactive effect of ethical leadership and coworker ethical behavior on reporting unethical conduct internally. Because we have two mediators (i.e., fear of retaliation and perceptions of futility), we included both in our analyses since Preacher and Hayes (2008, p. 886–887) advocate, “When multiple mediators are entertained, it is often more convenient, precise, and parsimonious to include all of them in the same model.” We conducted the analyses using 1000 bootstrap samples to generate 95% bias corrected and accelerated confidence intervals. We found that the indirect effect of supervisory ethical leadership through fear of retaliation is significant for reporting unethical conduct internally among employees who experienced high coworker ethical behavior ($\beta = .12$, $p < .05$, 95% CI [.003, .37]), but not for those who experienced low coworker ethical behavior ($\beta = -.09$, $p > .05$, 95% CI [–.30, .03]), providing support for Hypothesis 3a. On the other hand, we did not find that perceptions of futility mediated

the interactive effects of supervisory ethical leadership and coworker ethical behavior as it was non-significant at both high ($\beta = -.01, p > .05, 95\% \text{ CI } [-.16, .06]$) and low levels ($\beta = -.02, p > .05, 95\% \text{ CI } [-.18, .04]$) of coworker ethical behavior. Thus, we find support for the mediating role of the fear of retaliation (Hypothesis 3a), but not perceptions of futility (Hypothesis 3b).

Fig. 5 illustrates that coworker ethical behavior moderates the relationship between supervisory ethical leadership and reporting unethical conduct internally such that participants in the high ethical leadership condition reported unethical conduct internally more when coworker ethical behavior is also high. The simple slopes reveal that supervisory ethical leadership is more strongly related with reporting unethical conduct internally when coworker ethical behavior is high ($\beta = 1.17, SE = .60, p < .05$), but at low levels of coworker ethical behavior, the relationship is not significant ($\beta = -.44, SE = .56, p > .05$). In addition, Fig. 6 depicts the moderating effect of coworker ethical behavior on the relationship between supervisory ethical leadership and fear of retaliation (the mediating variable); when participants experience both high ethical leadership and high coworker ethical behavior, they experience less fear of retaliation for reporting unethical conduct internally and are thus more likely to report. Therefore, our results demonstrate that supervisory ethical leadership and coworker ethical behavior interact to influence employees' fear of retaliation, which in turn affects reporting unethical conduct internally.

General discussion

We designed this research to examine whether the positive relationship between supervisory ethical leadership and reporting unethical conduct internally is enhanced by other social influences in employees' environment—namely, one's coworkers. Our three studies (two in the field and one in the laboratory) provide consistent support for the interaction between supervisory ethical leadership and coworker ethical behavior on internal whistle-blowing. As such, our findings are consistent with our hypotheses derived from social information processing theory and theory and research on whistle-blowing and silence in organizations more generally.

These findings suggest that encouraging internal whistle-blowing does “take a village” as supervisory ethical leaders' influence on reporting is enhanced if ethical behavior is also displayed by coworkers. Further, in Studies 2 and 3, we found that

this interactive effect is explained by a fear of retaliation—employees/participants were less likely to fear retaliation when both their supervisor and coworkers were deemed ethical and this resulted in increased internal whistle-blowing.

Contributions and implications for future research

The major goal of this research was to understand how interacting social influences in the work environment affect reporting unethical conduct internally. The findings have a number of important implications. We predicted and found support for the notion that although supervisory ethical leadership is clearly important, its effects can be enhanced—or diminished—by coworker ethical behavior. Furthermore, we found support for an important mediator—fear of retaliation—in explaining the interactive effects of ethical leadership and coworker ethical behavior on reporting internally. This finding is consistent with earlier work on whistle-blowing as it indicates that employees are less likely to blow the whistle if they believe significant others in their work environment may retaliate against them. On the other hand, we did not find support for perceptions of futility as a mediator. This may be because leaders influence perceptions of futility more than coworkers do. Leaders have more formal power in the organization and access to those who can implement actions related to the report.

In addition to the direct effect of supervisory ethical leadership, we found the magnitude of the effect of supervisory ethical leadership is dependent on the role of one's coworkers. Consistent with social information processing theory, when employees are faced with uncertainty, they look to the social environment for cues about what behavior is desirable and acceptable (Festinger, 1957; Salancik & Pfeffer, 1978). Employee behavior is most likely to be strongly affected when social cues are consistent across key social actors. Further, employees are less likely to default to silent mode if they feel supported by the most significant influences in their social environment (Kish-Gephart et al., 2009), supervisors and coworkers. We found that the relationship between supervisory ethical leadership and reporting unethical conduct internally was stronger when coworker ethical behavior was high. Given the mediating effect of fear of retaliation, we suspect the form of this interaction is indicative of the high perceived (and actual) costs of reporting unethical behavior to management. When coworker ethical behavior supports the messages sent by an ethical leader,

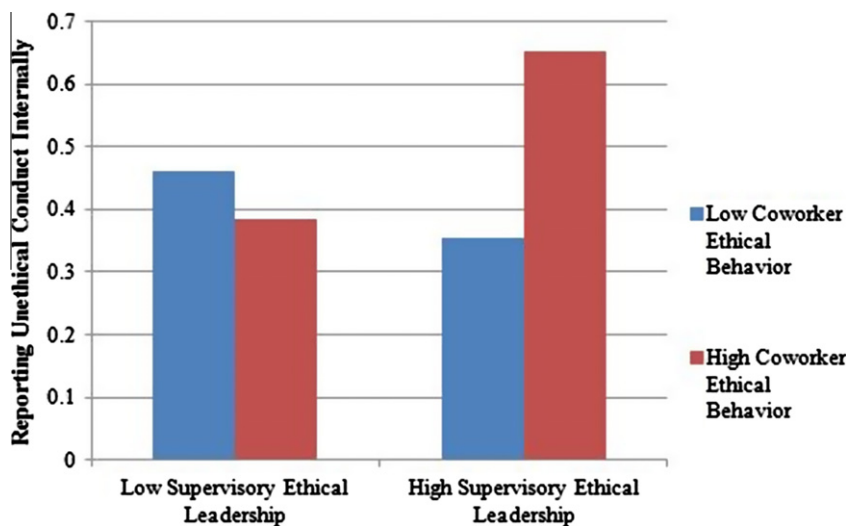


Fig. 5. Interaction between supervisory ethical leadership and coworker ethical behavior on reporting unethical conduct internally (Study 3).

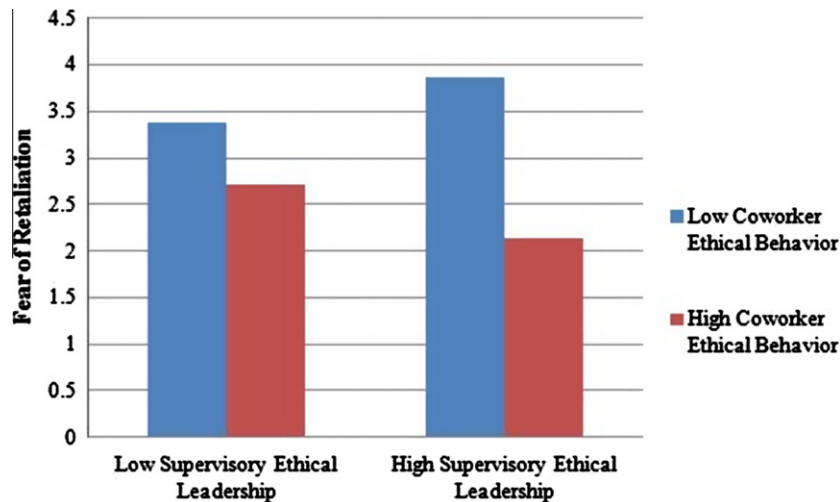


Fig. 6. Interaction between supervisory ethical leadership and coworker ethical behavior on fear of retaliation (Study 3).

employees likely feel less perceived risk and are more likely to report unethical behavior.

These findings are important because they suggest that in the future, social influences on internal whistle-blowing should be studied together. Because the influences of a supervisor will be strengthened or weakened depending on the influence of coworkers, studying these influences simultaneously will provide a clearer picture of how social influences are associated with ethics-related outcomes.

By examining ethical leadership effects, we also extend prior work summarized in Mesmer-Magnus and Viswesvaran's (2005) meta-analysis on "supervisor support" which includes more general measures of leadership. Our focus on ethical leadership is an improvement over prior work that has used general measures of supervisor support because ethical leadership is conceptually closer to the predicted outcome.

Practical managerial implications

The findings from this research have implications for how managers can create—and maintain—ethical environments by supporting ethical leadership and by encouraging ethical behavior among coworkers. One important implication for management is to focus on the ethical messages that are sent from *multiple* social actors in the organization. As indicated by the findings in these studies, employees' perceptions of not only supervisory ethical leadership but also coworker ethical behavior combine to influence the extent to which they will be willing to engage in potentially risky action that is helpful to the organization. Indeed, although ethical leaders want employees to report unethical conduct because it is simply the right thing to do, their efforts can fail if these employees do not believe their coworkers are ethical. Thus, employees must receive clear messages from leaders and from peers that reporting unethical conduct will be supported. This in turn suggests that "it takes a village," not merely an ethical leader, to encourage employees to report unethical conduct. As such, the results emphasize the need for multiple social actors in the immediate work environment to synchronize their "voices" to convey the same supportive ethical message.

Ethics training programs are popular in organizations and, if consistent with other aspects of the organizational culture, can send the message to employees that ethical behavior is valued (Ritter, 2006; Treviño & Nelson, 2007; Weber, 2007). Many organizations provide the same training to all employees, regardless of role. However, our research suggests that ethics

training may need to differ for different groups or, at the least, basic training needs to be supplemented for different groups. For example, leaders need to learn what it means to be an "ethical leader," and employees need to understand that they play an important role in supporting each other's ethical behavior. Ethical decision-making is often thought of as a lonely process that is carried out inside one's own head. However, this research suggests that the weighty decision to report unethical conduct may not result simply from individual decision making. Rather, social processes play an important role as well.

Finally, many organizations survey their employees about ethics-related issues. This research suggests that, rather than looking at responses to questions about ethical leadership and coworker ethical behavior separately, ethics officers should look for indications of consistency and inconsistency across levels. Doing so will also encourage organizations to recognize that consistencies and inconsistencies in social cues can have an important effect on ethical outcomes.

Strengths and limitations

For many reasons outlined by Miceli et al. (2008) and Mesmer-Magnus and Viswesvaran (2005), the study of whistle-blowing is particularly challenging. We studied a particular form of whistle-blowing, the reporting of unethical conduct internally to leaders or other organizational authorities. By combining methods across multiple studies, we have attempted to overcome some of the challenges and concerns that have affected research in this arena. Thus, the limitations of one study, hopefully, are compensated for by the strengths of another. In Study 1 we examined the supervisory ethical leadership and coworker ethical behavior interaction on intentions to report unethical conduct internally using a sample of delivery workers. In Study 2, we built on Study 1 by using a large sample of employees in different organizations who witnessed behavior that violated their company's code of ethical conduct and assessed actual internal whistle-blowing as opposed to intentions and measured fear of retaliation as a mediator. Finally, in Study 3, we conducted a laboratory study in an effort to make causal claims about the influences of supervisory ethical leadership and coworker ethical behavior on actual reporting of unethical conduct and to assess multiple potential mediating mechanisms that explain their interactive effect. Thus, across three studies using different methodologies, we found a consistent set of relationships and uncovered a mechanism underlying the predicted interaction.

Despite the strengths of this research, there are several limitations. One limitation is the common method bias in the field studies. We attempted to overcome common methods bias in our field studies by collecting experimental data in Study 3. In addition, given that interaction effects are less susceptible to common method bias (Evans, 1985) this is less of a problem in Studies 1 and 2.

Also, our results provide support for the role of fear of retaliation as a mediating mechanism through which supervisory ethical leadership and coworker ethical behavior impact reporting unethical conduct. We did not find support for futility as a mediator. This may be because of the time-limited nature of our laboratory study. Participants did not have an extended future with the other social actors meaning that they may have been less concerned than they would normally be about whether action would be taken on their report. Although we explicitly tested for the role of multiple mediators, there may be additional psychological processes through which supervisor and coworker actions impact reporting unethical conduct. For example, ethical actions by supervisors and coworkers may foster reporting behavior through the development of collective norms and values and psychological safety (Edmondson, 1999). Given the nature of our lab study involving virtual teams, these collective norms and values and psychological safety likely played a weaker role in participants' decisions to report unethical conduct since participants did not have a prior history of interaction with their teammates. Moreover, the ethicality of supervisors and coworkers may have made employees more attuned to unethical conduct. We encourage researchers to explore additional psychological processes through which ethical actions by supervisors and coworkers have an influence on employee actions in future research.

Finally, to our knowledge, this study represents the first attempt to examine the interactive effect of multiple levels of social influence on the reporting of unethical conduct internally. Our results demonstrated a main effect of supervisory ethical leadership in our two field studies, but not in our lab experiment. It is possible that our lab study augmented the influence of coworkers as participants received multiple messages from teammates, but only received one message from their leader at the beginning of the task. It is striking that we still found support for the positive interactive effects between ethical leadership and coworker ethical behavior in the lab study despite the less explicit role of ethical leadership in this study. Moreover, the main effect of supervisory ethical leadership explained substantial variance in reporting unethical conduct internally in two of the three studies. Although the variance explained for the interaction terms in the three studies was relatively small, we note the importance of the outcomes of interest. For example, explaining even a small amount of variance in reporting behavior is practically important because, if unreported, such behavior (e.g., sexual harassment, discrimination, falsifying financials, theft, and fraud) can have significant social, financial, and reputational costs. Finally, although the interaction effect sizes were small, they are consistent in size with much of the research on moderator effects in the organizational sciences (Aguinis, Beaty, Boik, & Pierce, 2005).

Future research directions

The results of this research provide some initial support for the importance of supervisory ethical leadership as well as the importance of the ethical behavior of coworkers. However, many questions still remain. An especially fruitful area for future research is to examine the theoretical mechanisms by which ethical leadership is associated with reporting unethical conduct internally. In this research we drew from social information processing theory (Salancik & Pfeffer, 1978) and theory and research on whistle-

blowing to make predictions about the interaction between ethical leadership and coworker ethical behavior on reporting unethical conduct internally. We chose to focus on the two most commonly studied explanations for why employees do not blow the whistle—fear of retaliation and feelings of futility. Although we found support for fear of retaliation, we did not find support for perceptions of futility. In future work scholars could explore other mechanisms such as perceived social support, psychological safety, perceived similarity, impression management, and/or motivation.

These findings also have implications for research on silence in organizations more generally. Kish-Gephart and colleagues (Kish-Gephart et al., 2009) argue that, because of a pervasive and deep-seated fear of speaking up to authorities, “habituated” silence is the “default” in a wide range of situations where employees have the opportunity to speak up. These include routine situations that seem quite benign compared to the more ethically charged situations of concern in our studies. Past research on voice in organizations has pointed to the importance of creating a psychologically safe environment for speaking up and, particularly, to the key role of supervisors in providing that environment (e.g., Edmondson, 1999). Indeed, recent research has demonstrated a positive relationship between supervisory ethical leadership and employee voice (Walumbwa & Schaubroeck, 2009). Our research suggests that researchers should consider the importance of the simultaneous social cues sent by multiple social actors, including coworkers if voice is to be more likely even in these more routine situations.

Conclusions

Ongoing corporate scandals continue to bring attention to unethical behavior in organizations. The results of the present research suggest that the influence of supervisory ethical leadership on reporting unethical conduct internally is enhanced when coworkers are ethical and support each other in doing the right thing. Thus, organizations that wish to avoid such scandals should focus on developing ethical leadership and developing employee support for ethics. In doing so, they will likely better ensure that any unethical behavior is reported internally, where it might be curtailed and corrected before metastasizing into larger, institution-threatening crises.

Acknowledgement

For assistance with data collection, we thank Lillian Chen, Anna Jacob, Anna Lein-Zielinski, Michael Payne, Lexie Silverman, and the LEAD Research Group.

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