Ethical Leadership: Not Everyone Responds Equally

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ABSTRACT

Theoretical frameworks associated with ethical leadership have not fully considered the nature of the leader–follower exchange, and, in addition, few studies have considered the impact of follower individual differences in reactions to ethical leadership. Our research extends the customary social exchange perspective of transactional and relational resources by accounting for the ideological resources (i.e., value-oriented principles) that can also imbue the leader–subordinate relationship. Second, differences in equity sensitivity are hypothesized to moderate the influence of ethical leadership on employee attachment to the organization. We predicted that the impact of ethical leadership on organizational commitment, job satisfaction, and organizational identification is greater for individuals with a more benevolent orientation. In Study 1 ($N = 223$), equity sensitivity moderated the influence of ethical leadership on organizational commitment and organizational identification. In Study 2 ($N = 244$), an interactive effect was found for the outcomes of organizational commitment and job satisfaction. We consider the theoretical implications of how and why ethical leadership influences follower attitudes and beliefs.

Interest in ethical leadership dates at least to the days of Greek philosophers, yet the social scientific study of the phenomena is still an emerging discipline. Proponents of ethical leadership not only expound its moral features but also point out that ethical leadership can positively affect employee performance and organizational outcomes (cf. Mayer, Aquino, Greenbaum, & Kunezi, 2012; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009). Managers have considerable influence in shaping the normative climate within an organization, and by exhibiting ethical leadership they impact the feelings and behaviors of employees (Brown & Trevino, 2006). There are, however, unresolved issues, including the composition of the leader–follower relationship and whether individual difference variables affect the influence of ethical leadership on employee outcomes (Brown & Mitchell, 2010; Brown & Trevino, 2006).

Ethical leaders display normatively appropriate conduct and proactively encourage ethical conduct in their followers (Brown, Trevino, & Harrison, 2005). Ethical leadership can reduce the unethical behavior and interpersonal conflict of followers (Mayer et al., 2012) while positively influencing job dedication (Brown et al., 2005) and an ethical work climate (Neubert et al., 2009). Even considering these findings, historically there has been little attention examining factors that influence how and when ethical leadership impacts follower outcomes (Avey, Palanski, & Walumbwa, 2011). Highlighting the importance of the follower, Saks and Ashforth (2000) note that "one of the most important findings related to understanding work behavior is that individuals react differently to similar circumstances" (p. 43), yet leadership research has historically ignored follower attributes as contributing factors that influence leadership outcomes (Uhl-Bien, Riggio, Lowe, & Carsten, 2014). The interactional person–situation precept is an underpinning for the current study that examines the influence of ethical leadership on follower commitment outcomes by considering the individual attribute of equity sensitivity. Equity sensitivity is a personal orientation that reflects differential proclivities and reactions to the perceived degree of fairness in situations (Huseman, Hatfield, & Miles, 1987). Ethical leadership is characterized as "doing the right thing" by acting in a fair and just manner, whereas the attribute of equity sensitivity suggests that not all individuals have the same degree of concern for equitable treatment. Moreover, this concern relates not only to one's own outcomes but can extend to the outcomes of others.

The purpose of this research is to provide deeper understanding of how and why ethical leadership influences the feelings and beliefs of subordinates. Our contribution is

twofold. First, we conceptually reexamine the leader-subordinate relationship through the multidimensional resource framework of the psychological contract. A central premise of this framework is that employer–employee exchanges encompass different types of currencies (i.e., tangible and intangible resources) (Thompson & Bunderson, 2003). Social exchange theory, which describes the employer–employee relationship in terms of resource (or currency) exchanges, is a principal theoretical foundation for ethical leadership. Traditionally, employer–employee exchanges have been evaluated in terms of transactional and relational currencies, while little attention has been paid to ideological currency (Vantilborgh et al., 2014), which concerns obligations to a cause or principle (Thompson & Bunderson, 2003). Ethical leadership is, in part, fundamentally ideological (i.e., principled); thus, our understanding is truncated without also considering ideological resources in the leader–follower relationship. Second, we conducted two empirical studies to assess and cross-validate the proposition that employee equity sensitivity moderates reactions to ethical leadership. Variations in employee equity sensitivity are likely to produce different reactions to the presence of the exchange currencies, especially the ideological-based employer inducements that expand focus beyond one's own self.

To evaluate whether ethical leadership is more or less influential based one's level of equity sensitivity, we assessed the outcomes of employee organizational commitment, job satisfaction, and organizational identification. These outcomes reflect varied types of attachment to the employing organization. In all, our multistudy research contributes to a richer conceptual understanding of ethical leadership and, second, provides evidence that employees may respond differently to the presence of ethical leadership due to their own predispositions.

Theoretical development

Psychological contract theory assumes that the employee–organization linkage is fundamentally a resource exchange relationship (Rousseau, 1995; Shore, Tetrick, Lynch, & Barksdale, 2006). The psychological contract is an employee's beliefs concerning the obligations of the employer to the employee as well as the obligations of the employee to the employer. The employee and employer are interdependent, and based on perceived resources provided by the employer (e.g., support, job responsibilities, and need fulfillment), the employee will exchange resources in return (e.g., work effort, loyalty, attitudes). Relationships develop as one party makes a contribution (i.e., provides resources)

to the other with the expectation that the other party will provide resources in return at some future time. Generally, favorable treatment begets positive resource returns from an employee, while unfavorable treatment results in less favorable resource returns from an employee.

The resource exchange between employer and employee encompasses three types of currencies: transactional, relational, (L. M. Shore et al., 2006) and ideological (Thompson & Bunderson, 2003). Transactional exchanges are normally impersonal, short-term, and characterized by a contractual orientation with specified obligations. Relational exchanges entail interpersonal, socioemotional elements and are characterized by mutual trust, commitment, and a long-term orientation. Ideological exchange relationships are based on the perception that an organization is committed "to pursue a valued cause or principle (not limited to self-interest)" (Thompson & Bunderson, 2003, p. 574). With ideological-based psychological contracts, employees are expected to contribute to the cause or principle whether through a small or large role, or whether directly or indirectly (Bal & Vink, 2011; Thompson & Bunderson, 2003).

Transactional and social exchanges have been studied extensively. Fulfillment of the contract by the organization results in higher levels of mutual trust and employees feeling valued (Rousseau, 1995), and employees reciprocate the receipt of transactional and relational resources in the forms of work performance, commitment, and organizational citizenship behaviors (Bal & Vink, 2011; L. M. Shore et al., 2006). A more nuanced examination of the exchange is provided by Lambert, Edwards, and Cable (2003). Their research revealed that employee satisfaction increased when employers provided resources consistent with perceived obligations. However, the effect of excess inducements (i.e., employers overfulfilling the contract) depended on whether the resources were perceived as facilitating or inhibiting the needs of employees. Excess resources in the forms of pay or socioemotional resources that gratified esteem or approval needs were viewed positively, yet excess resources that created additional demands, such as challenging work, were viewed negatively. Comparatively less research has been conducted on ideological contracts, although recent investigations support the uniqueness of this dimension (Bal & Vink, 2011; Vantilborgh et al., 2014). Ideological contract fulfillment explains additional variance in employee reciprocations to the organization, such as in-role task performance, flexibility, and ideological contributions (Bal & Vink, 2011). Findings also show that overfulfillment of ideological-based contracts positively affects work effort

(Vantilborgh et al., 2014). This finding is consistent with the implication that excess resources favorable for the self-image are viewed positively.

Ethical leadership and employee outcomes

Using this three-part exchange framework, we can further understand the nature of the relationship between ethical leadership and employee commitment. Ethical leadership is defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision making" (Brown et al., 2005, p. 120). An ethical leader is characterized as being both a moral person and a moral manager (Brown & Trevino, 2006). The moral person aspect concerns exhibiting normatively appropriate personal characteristics such as being trustworthy, caring about others, and acting fairly. The moral manager component concerns professional conduct. Ethical leaders exhibit proactive efforts to encourage the ethical behavior of employees through two-way communication, reinforcement, and accountability mechanisms. Research on ethical leadership has focused on the tradition of economic and socioemotional resources, particularly emphasizing the relational aspects. We argue that ethical leadership incorporates a third type of resource exchange: ideological-based currency. It is expected that employees will reciprocate the economic, socioemotional, and ideological resources provided from ethical leadership through attachment toward their employer (i.e., commitment, job satisfaction, and organizational identification).

First, ethical leaders administer rewards and punishments as reinforcement mechanisms (Brown et al., 2005), and research demonstrates that employees view accountability via contingent rewards as an integral aspect of ethical leadership (Toor & Ofori, 2009). This largely represents a transactional exchange. Second, ethical leaders care for their employees and strive to be fair, honest, and trustworthy (Brown & Trevino, 2006). Employees are likely to form relational attachments as the consideration behaviors of ethical leaders increase feelings of security and safety (Neubert et al., 2009). Ethical leaders are also attentive to the interpersonal aspects of their authority and can positively influence employees feeling valued, feeling respected, and developing trusting relationships (Hansen, Alge, Brown, Jackson, & Dunford, 2013). This type of consideration is consistent with socioemotional resources of relational exchanges.

Third, ideologically based exchange concerns "helping to advance cherished ideals" (Blau, 1964, p. 239). Ideological psychological contracts encompass commitments to value-oriented principles (Thompson & Bunderson, 2003), such as the company mission, protecting the environment, or other intangible principles (e.g., Christian tenants, just treatment) (Scheel & Mohr, 2012). Transactional and relational exchanges are limited to a focal employee, yet ideological exchanges expand the scope of treatment to other individuals or parties. Ethical leadership is distinguished by a concern for others and "the way" results are achieved, rather than solely the outcome (Brown et al., 2005; Gini, 2004). As an ideological currency, ethical leadership reflects intangible principles for managers and followers. Fair and principled decision making that attempts to avoid harm to others reflects ideological currency in which the leader demonstrates commitment to value-based principles, and in addition, the ethical leader encourages employees to act accordingly. Many employees have a desire for meaningful work that embodies a sense of concern for others beyond one's own self-interest, and this desire can be met, in part, by one's employing organization (Evans & Davis, 2014). This study found that employees are likely to have positive feelings toward and identify with organizations perceived as demonstrating responsibility toward various organizational constituents. Ethical leaders highlight that work can be virtuous and have a positive impact on others, thereby increasing the significance of one's work. Piccolo, Greenbaum, Hartog, and Folger (2010) indicate that ethical leaders underscore "the purpose, morality and ethicality of work" (p. 262). Based on the transactional, relational, and ideological literature just discussed, ethical leadership is likely to increase attachment to one's employing organization. We therefore hypothesize that:

Hypothesis 1: Ethical leadership will have a positive relationship with followers' organizational commitment.

Hypothesis 2: Ethical leadership will have a positive relationship with followers' job satisfaction.

Hypothesis 3: Ethical leadership will have a positive relationship with followers' organizational identification.

Equity sensitivity and reactions to ethical leadership

The equity sensitivity construct reflects differences in personal tolerances for fair treatment. Equity sensitivity is a predisposition to "react in consistent but individually different ways to both perceived equity and inequity"

(Huseman et al., 1987, p. 223). Equity sensitivity is commonly conceptualized as a continuous variable, with those persons having higher degrees portrayed as feeling more "benevolent" and those with lower levels described as feeling more "entitled" (Allen, Evans, & White, 2011; Sauley & Bedeian, 2000). Persons with a benevolent orientation are described as givers by nature (Miles, Hatfield, & Huseman, 1989) who are more accepting of situations in which they are personally underrewarded (King, Miles, & Day, 1993). That is, benevolents are more focused on their contributions (or inputs) to work and are comfortable giving more than they receive. On the other hand, persons with an entitled orientation are more focused on their own self-interest through maximizing their receipt of outcomes. Entitleds are not generally concerned with reciprocating social exchanges (King et al., 1993) and may even be inclined to take advantage of more benevolent workers (Grant, 2013). The final group, "equity sensitives," falls toward the middle of the continuum, as such individuals are generally most satisfied in situations in which their outcome/input ratio is in equilibrium with others with whom they compare themselves. These persons fit the original conceptualization of equity theory (Adams, 1965), seeking balance in what they give and receive.

To understand the role of equity sensitivity, we consider the exchange currencies of the leader–subordinate relationship. We have argued that ethical leaders provide transactional, relational, and ideological resources through their authority, interpersonal interactions, and behavioral expectations. Yet employees are not likely to equally value these resources. Persons with lower degrees of equity sensitivity seem likely to place less value on relational and ideological resources compared to those with a more benevolent orientation. For example, a study of leader responsiveness to employee requests and follower job satisfaction (Shore, Sy, & Strauss, 2006) found that job satisfaction levels for entitleds dropped significantly compared to benevolents in conditions of low leader responsiveness. In other words, entitleds seem focused principally on whether their own extrinsic interests were being met by their bosses. Ethical leaders provide relational resources meeting social and esteem needs. An entitled orientation, however, emphasizes the value of extrinsic tangible rewards (e.g., pay, benefits) over intrinsic rewards (Kickul & Lester, 2001; Miles, Hatfield, & Huseman, 1994). Conversely, persons with a more benevolent orientation place greater value on the intrinsic aspects of work (e.g., meaningful work and challenging work, a feeling or achievement, personal worth).

We have also reasoned that ethical leaders provide ideological rewards that can satisfy personal needs for virtuous work that benefits the interests of others. The relative importance of these ideological rewards can be seen in the conceptualizations of differences in equity sensitivity. Huseman's seminal work emphasized that the benevolent orientation was rooted, in part, in empathic concerns and altruism (Huseman et al., 1987). Benevolence is consistent with other-oriented personal values, which are associated with individuals placing less significance on personal outcomes and being less attracted to personal gains (Korsgaard, Meglino, & Lester, 1996). Accordingly, different levels of equity sensitivity reflect not only beliefs about outcomes for the self but, in addition, degrees of concern about the interests of others.

Organizations seen as virtuous or honorable are likely to be attractive employers and generate feelings of attachment. For instance, in a study examining employee reactions to perceived corporate citizenship (i.e., individual perceptions of an organization being financially, legally, ethically and philanthropically responsible), findings demonstrated that the positive influence of perceived corporate citizenship on organizational identification was moderated by the one's degree of concern and compassion toward others (Evans, Davis, & Frink, 2011). Moreover, individuals with values emphasizing concern for others were more likely to view corporate citizenship activities as a personal job responsibility. Employees working for ethical managers will experience not only ethical leadership but will also be expected to incorporate ethics into their own work roles. The ideological resource inducements of ethical leaders are thus likely to be especially attractive to persons with a more giving-oriented disposition (i.e., benevolents) as compared to those with more ego-oriented character (i.e., entitleds). In sum, entitled individuals seem primarily concerned with gaining extrinsic outcomes, while persons with a benevolent proclivity are seemingly more concerned with the intrinsic aspects of work. Ethical leaders do indeed provide tangible rewards such as pay that are largely transactional; however, the relational and ideological currencies are defining elements of ethical leadership. Benevolent-oriented individuals are likely to be more attached to their employing organizations when they work in a context that corresponds to their personal preference for fairness and giving. For these reasons, we propose the following interaction hypotheses:

Hypothesis 4: Equity sensitivity will interact with ethical leadership such that ethical leadership will have a greater positive influence on followers' organizational commitment for individuals with a benevolent orientation than for individuals with an entitled orientation.

Hypothesis 5: Equity sensitivity will interact with ethical leadership such that ethical leadership will have a greater positive influence on followers' job satisfaction for individuals with a benevolent orientation than for individuals with an entitled orientation.

Hypothesis 6: Equity sensitivity will interact with ethical leadership such that ethical leadership will have a greater positive influence on followers' organizational identification for individuals with a benevolent orientation than for individuals with an entitled orientation.

Study 1

Procedure and participants

Working adults enrolled as graduate students at a university located in the southeastern United States were solicited to take part in an online survey. Constructs, unless otherwise noted, were measured with a 5-point Likert-type scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). Participation was voluntary and responses were confidential. Participants received nominal extra credit for taking part in the study. Two hundred and twenty-three surveys were completed, which equates to a 78.8% response rate. The subjects were mostly male (55.2%, one nonresponse), and classified themselves as having either a management/supervisorial (24.7%) or nonmanagement (75.3%) job. Subjects averaged 8.3 years of work experience ($SD = 6.0$) with a median age of 27.2 years ($SD = 6.3$). The majority of subjects identified as Caucasian (84.3%), followed by Black (5.4%) and then Asian (3.6%).

Measurements

Personality

The traits of conscientiousness and agreeableness were control variables. These traits are correlated with commitment levels toward one's employer (Zimmerman, 2008). These traits were each measured using a 10-item

scale (Goldberg et al., 2006). Sample items for agreeableness include "have a good word for everyone" and "suspect hidden motives in others." "Shirk my duties" and "pay attention to details" are two items for conscientiousness. Cronbach alpha values were satisfactory for agreeableness (α = .80) and conscientiousness (α = .82).

Tenure

Length of employment was also a control variable because research indicates that tenure is positively associated with organizational commitment (Meyer, Becker, & Vandenberghe, 2004) and organizational identification (Mael & Ashforth, 1992). Subjects averaged 3.11 years ($SD = 3.53$) with their current employer.

Ethical leadership

We used the 10-item scale developed by Brown et al. (2005) that assesses employee perceptions concerning their supervisors. Cronbach alpha equaled .94. Sample items include "sets an example of how to do things the right way in terms of ethics" and "makes fair and balanced decisions." Participants rated their level agreement with how well the statements described their current supervisor.

Equity sensitivity

Equity sensitivity (α = .82) was measured with the instrument developed by Huseman et al. (1985). This instrument is comprised of five statements in which a subject allocates "points" to alternative choices regarding each statement. The respondent must allocate a total of 10 points between these two choices that best reflects his or her beliefs. An example statement is "I would be more concerned about: (a) what I received from the organization, or (b) what I contributed to the organization." Responses to the benevolence items are summed and create a continuum with scores ranging from 0 to 50. Originally treated as a categorical variable, equity sensitivity is now commonly operationalized as a continuous variable that reflects individuals as possessing different viewpoints along a continuum, rather than forcing them into categories (Allen, Evans, & White, 2011; Sauley & Bedeian, 2000).

Job satisfaction

This attitude was measured with a three-item scale developed by Cammann, Fichman, Jenkins, and Klesh (1983) that reflects a person's overall job satisfaction. "In general, I like working here" is a sample item. Cronbach alpha equaled .87.

Organizational commitment

Commitment (α = .93) toward one's employer was measured with a nine-item scale (Mowday, Steers, & Porter, 1979). Sample items include "I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful" and "I really care about the fate of this organization."

Organizational identification

Organizational identification (α = .89) was assessed with the six-item scale developed by Mael and Ashforth (1992). "When I talk about this organization, I usually say 'we' rather than 'they'" is a sample item.

Analysis and results

Table 1 reports the means, standard deviations, correlations, and Cronbach's alpha internal consistency reliability estimates. Cross-sectional survey research may produce method bias; therefore, we assessed this possibility by allowing each set of items to load on their latent constructs while also loading onto a latent common methods factor (Podsakoff, Mackenzie, Lee, & Podsakoff, 2003). None of the items loading on the common methods factor were significant, whereas 48 of 53 of the estimated items loading on their theoretical constructs remained significant. It appears common method bias was not a significant concern. Due to the correlations among the dependent variables, the measurement model was also evaluated. Fit statistics for the

measurement model are modest, χ^2 = 2303.1 (ratio of minimum discrepancy to degrees of freedom [CMIN/DF] = 1.77, comparative fit index [CFI] = .85, Tucker–Lewis index [TLI] = 84, root mean square error of approximation [RMSEA] = .059 with a confidence interval ranging from .055 to .063) (Browne & Cudeck, 1993; Hu & Bentler, 1999; Ullman, 2001). To assess convergence, we conducted a confirmatory factor analysis (CFA) based on the procedure advocated by Anderson and Gerbing (1988). All item loadings were significant at the $p < .01$ level, and each indicator's estimated coefficient was greater than twice its standard error. Discriminant validity was assessed by performing a chi-squared difference test for one pair of factors at a time by running the measurement model twice: once constrained to unity, and once unconstrained (Bagozzi & Phillips, 1982). The unconstrained model had a significantly lower chi-squared statistic in each case.

The hypotheses were tested by conducting three hierarchical regression analyses. The control variables conscientiousness, agreeableness, and tenure were entered in the first step, the independent variable of ethical leadership and the moderator variable of equity sensitivity were entered in the second step, and the cross-product interaction term was entered in the third step. Predictor variables were centered prior to conducting the regression analysis (Cohen, Cohen, West, & Aiken, 2003). The regression results are reported in Table 2.

Hypotheses 1, 2, and 3 propose a positive association between ethical leadership and the three dependent

Table 1. Means, standard deviations, correlations, and Cronbach alpha values for Study 1 (N = 223).

		Mean	SD	1	2	3	4	5	6	7	8
1	Tenure	3.11	3.53	—							
2	Agreeableness	3.99	.47	−.14*	(.80)						
3	Conscientiousness	4.01	.50	.06	.35**	(.82)					
4	Ethical leadership	3.99	.81	−.20**	.24**	.15*	(.94)				
5	Equity sensitivity	26.56	5.68	.01	.30**	.04	.10	(.75)			
6	Organizational commitment	3.70	.81	−.14*	.27**	.14*	.64**	.16*	(.93)		
7	Job satisfaction	3.92	.91	.12	.19*	.16*	.58**	.19*	.77**	(.87)	
8	Organizational identification	3.80	.79	−.08	.12	.09	.44**	.15	.70**	.59**	(.89)

*Correlation significant at $p < .05$ level. **Correlation significant at $p < .01$ level.

Table 2. Regression analysis for Study 1.

	Hypotheses 1 and 4: organizational commitment			Hypotheses 2 and 5: job satisfaction			Hypotheses 3 and 6: organizational identification		
	Step 1 β	Step 2 β	Step 3 β	Step 1 β	Step 2 β	Step 3 β	Step 1 β	Step 2 β	Step 3 β
Tenure	−.12[†]	−.02	−.02	−.11[†]	−.02	−.02	−.08	−.01	.00
Agreeableness	.22**	.09	.11[†]	.14[†]	−.01	−.01	.09	−.03	.04
Conscientiousness	.09	.04	.05	.10	.06	.06	.07	.03	−.01
Ethical leadership		.60**	.59**		.55**	.55**		.43**	.42**
Equity sensitivity		.07	.07		.13*	.13*		.11[†]	.11[†]
Ethical leadership × Equity sensitivity			.12*			.01			.16*
R^2	.09	.42	.44	.05	.35	.35	.02	.20	.23
ΔR^2	.09**	.33**	.02*	.05**	.30**	.00	.02	.18**	.03*
F	7.34**	31.79**	27.85**	4.13**	23.69**	19.67**	1.68	11.06**	10.52**
df	(3,219)	(5,217)	(6,216)	(3,219)	(5,217)	(6,216)	(3,219)	(5,217)	(6,216)

[†]$p < .10$, *$p < .05$, **$p < .01$.

variables. Results support the hypotheses, as ethical leadership was positively related to organizational commitment ($\beta = .60$, $p < .01$), job satisfaction ($\beta = .55$, $p < .01$) and organizational identification ($\beta = .43$, $p < .01$). Findings also supported the predicted interactive effect of ethical leadership and equity sensitivity on organizational commitment (Hypothesis 4; $\beta = .12$, $p < .05$), as evidenced by the incremental variance explained in step 3 ($\Delta R^2 = .02$, $p < .05$). The predicted interaction with job satisfaction in Hypothesis 5 was not significant ($\beta = .01$, $p = .81$). The predicted interactive effect of ethical leadership and equity sensitivity on organizational identification (Hypothesis 6) was significant ($\beta = .16$, $p < .05$), as was the incremental variance explained in step 3 ($\Delta R^2 = .03$, $p < .05$).

To better understand the form of the interactive effects, we followed recommendations to plot the results and conduct slope analysis to examine the dependent variable outcomes at different levels of equity sensitivity (Cohen et al., 2003). In Figure 1, organizational commitment is graphed on ethical leadership at three levels of equity sensitivity. The slope of the regression line for those persons with higher levels of equity sensitivity (i.e., having a more benevolent orientation; +1SD) was positive and significant, $t(216) = 7.35$, $p < .01$. The slope of the regression line for those persons at the mean level of equity sensitivity (i.e., those favoring toward balance when comparing with others) was positive and significant, $t(216) = 10.82$, $p < .01$. The slope of the regression line for those with a lower degree of equity sensitivity (i.e., having a more entitled orientation; −1SD) was positive and statistically significant, $t(216) = 5.91$, $p < .01$. The highest level of organizational commitment was for those persons with a higher level of benevolence and who perceived their

managers to exhibit high levels of ethical leadership. Conversely, those persons having a more benevolent orientation exhibited the lowest levels of organizational commitment in conditions of low ethical leadership.

Figure 2 shows the dependent variable of organizational identification graphed on ethical leadership at three levels of equity sensitivity. The simple slope at +1SD was significant, $t(216) = 5.02$, $p < .01$, as was the slope at −1SD, $t(216) = 2.79$, $p < .01$. The simple slope at the mean value of equity sensitivity was also significant, $t(216) = 6.48$, $p < .01$. The highest level of organizational identification was for persons with a more benevolent orientation who perceived the supervisor as exhibiting higher levels of ethical leadership. The lowest level of organizational identification was for those persons with a benevolent orientation who evaluated their managers as exhibiting low levels of ethical leadership.

Study 2

Procedure and participants

In the second study, we employed an experimental design in which subjects were randomly assigned to one of three possible ethical leadership conditions. Three levels of ethical leadership (ethical leadership high, ethical leadership low, and ethical leadership neutral) were simulated through the use of vignettes that detail the actions of a hypothetical leader (see appendix). Following recommended procedures (Hughes & Huby, 2004), these vignettes were developed and then tested in a separate independent pilot study. The scenarios were written and reviewed by two researchers familiar with the ethical leadership literature. The
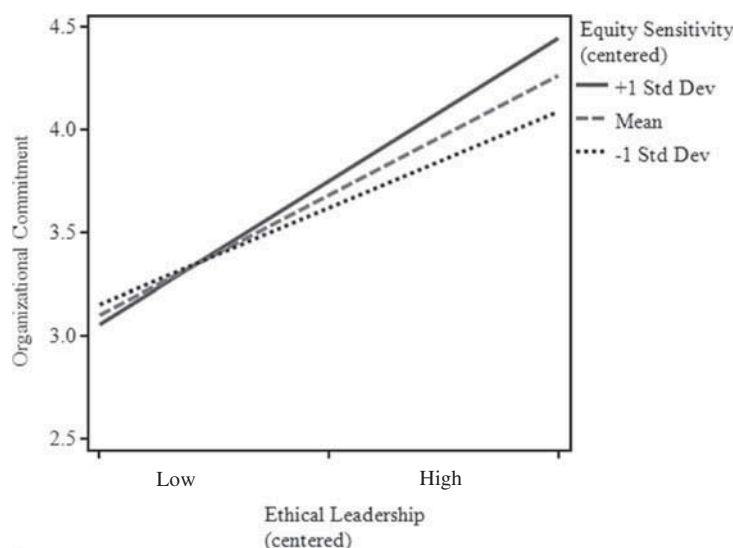

Figure 1. Organizational commitment regressed on interaction term in Study 1.
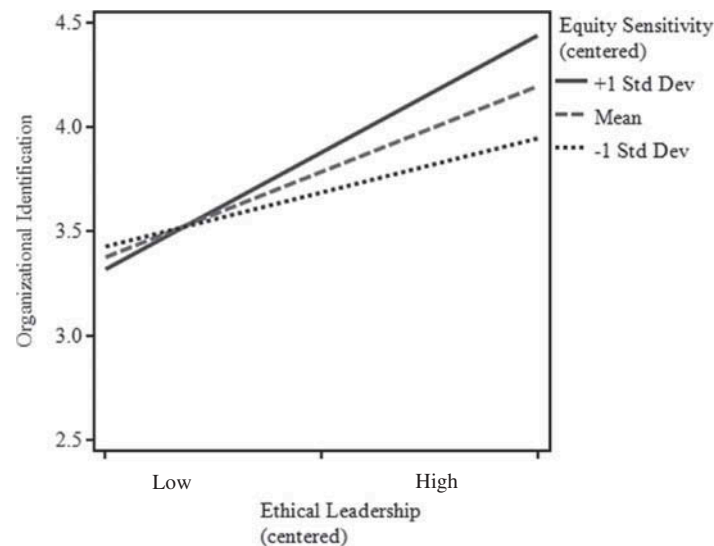
Figure 2. Organizational identification regressed on interaction term in Study 1.
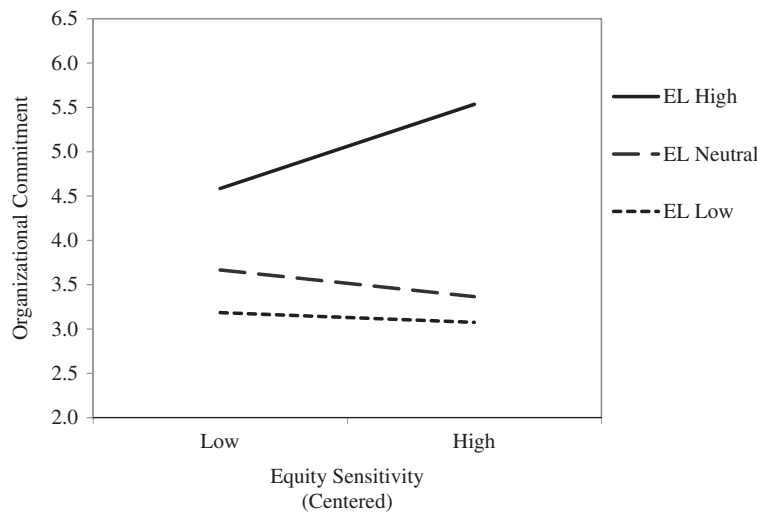

Figure 3. Organizational commitment regressed on interaction term in Study 2.

actions of the hypothetical leader reflect the construct definition and operationalization for ethical leadership developed by Brown et al. (2005). A manipulation check was conducted with upper level undergraduate students ($N = 159$, male = 56%, business majors = 81%). Subjects were randomly assigned to one of the three conditions. Subjects read the assigned scenario and then indicated whether the hypothetical leader exhibited high, neutral, or low ethical leadership. One-way analysis of variance (ANOVA) results revealed a significant difference between conditions for ethical leadership ($F(2,156) = 355.60$, $p < .001$). A post hoc analysis comparing the mean was conducted using the Tukey honestly significant difference (HSD) and Bonferroni comparisons. All comparisons were significant ($p < .001$), indicating that the high ethical

leadership condition was significantly higher than the neutral condition, which was significantly higher than the low condition.

Working adults were recruited for Study 2 ($N = 244$). Subjects were recruited by undergraduate students enrolled in business courses in two Southeastern universities in the United States. Students were given nominal course credit for soliciting subjects for the data collection process. Students were informed about ethical concerns and data collection methods related to research. Each student was provided with an e-mail invitation that they distributed to one or two adults whom they personally knew and who worked full-time. The working adults who received the recruitment e-mail were prompted to click a link that took them to an online survey. Due to the nature of this recruitment procedure, we are unable to calculate a

response rate. Student recruitment data collection methods are becoming more common, and recent reviews support the validity of the technique (Hochwarter, 2013; Wheeler, Shanine, Leon, & Whitman, 2014). Subjects were mostly male (51.2%), and classified themselves as managerial/supervisorial (48.3%) or nonmanagement (51.6%) job (one nonresponse). Subjects averaged 20.1 years of work experience (SD = 12.5) with a median age of 42.2 years (one nonresponse) (SD = 12.4). The majority of subjects identified as Caucasian (74.1%), followed by Black (13.8%) and then Asian (6.5%).

Measurements

Three conditions of ethical leadership were manipulated through the use of the vignettes and thus ethical leadership is a categorical variable. The other variables were measured with the instruments used in Study 1. A 7-point Likert-type scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*) was used in Study 2 as compared to a 5-point scale in Study 1. Participants were instructed to respond to the outcome variables from the perspective of the hypothetical employee depicted in the vignettes (e.g., "All in all, Jordan is satisfied with this job").

Analysis and results

Table 3 reports the descriptive statistics for the variables in Study 2. The possibility of common method variance was again assessed using the same analysis technique (Podsakoff et al., 2003) as in Study 1. The risk of common method bias appears minimal, since none of the items loading on the common methods factor were significant whereas all of estimated items loading on their latent theoretical constructs remained significant.

Testing of the hypotheses was conducted using hierarchical regression analysis. As ethical leadership is a categorical variable, dummy codes were created for the ethical leadership high and low situations. Ethical leadership neutral, the reference group, is represented

implicitly (Cohen et al., 2003). The control variables were entered in the first step, the independent variables of ethical leadership and the moderator variable of equity sensitivity were entered in the second step, and the cross-product terms were entered in the third step. Predictor variables were centered prior to conducting the regression analysis (Cohen et al., 2003). Regression results are reported in Table 4.

Hypothesis 1 was supported, as ethical leadership high had a positive relationship with organizational commitment (β = .58, p < .01) and ethical leadership low had a negative relationship with organizational commitment (β = −.14, p < .05). Hypothesis 2 was supported, as ethical leadership high had a positive relationship with job satisfaction (β = .54, p < .01) and ethical leadership low had negative relationship with job satisfaction (β = −.23, p < .01). Hypothesis 3 was also supported, as ethical leadership was also positively related to organizational identification (β = .35, p < .01), although ethical leadership low was not significantly related to organizational identification.

Findings also supported the predicted interactive effect of ethical leadership and equity sensitivity on organizational commitment (Hypothesis 4), as the ethical leadership high × equity sensitivity interaction was significant (β = .17, p < .01), as was the incremental variance in step 3 (ΔR^2 = .02, p < .05). The predicted interactive effect of ethical leadership and equity sensitivity on job satisfaction (Hypothesis 5) was also significant. The ethical leadership high × equity sensitivity interactive effect was significant (β = .18, p < .01), as was the incremental variance (ΔR^2 = .02, p < .05). Hypothesis 6 was not supported. The interaction of ethical leadership high × equity sensitivity was weakly related to organizational identification (β = .14, p < .10), yet the incremental variance explained was not significant. The interaction effect of ethical leadership low × equity sensitivity was not significantly related to any of the outcome variables.

We examined the significant interactive effects found in Study 2 by again conducting slope analysis (Cohen et al., 2003). In Figure 3, organizational

Table 3. Means, standard deviations, correlations, and Cronbach alpha values for Study 2 (N = 244).

|		Mean	SD	1	2	3	4	5	6	7	8	9
1	Tenure	8.61	8.13	–								
2	Agreeableness	5.56	.81	−.13*	(.81)							
3	Conscientiousness	5.76	.79	.05	.26**	(.82)						
4	Ethical leadership high condition (a)	—	—	—	—	—	—					
5	Ethical leadership low condition (a)	—	—	—	—	—	—	—				
6	Equity sensitivity	29.96	6.84	.15	.39**	.21**	.02	−.03	(.79)			
7	Organizational commitment	3.90	1.26	−.01	−.07	.02	.66**	−.43**	.01	(.94)		
8	Job satisfaction	4.03	1.47	−.04	−.10	−.01	.66**	−.50**	−.02	.85**	(.86)	
9	Organizational identification	4.29	1.06	.02	−.03	.05	.39**	−.26**	−.01	.69**	.57**	(.87)

Note. (a) Dummy coded for the manipulation of ethical leadership condition.
*Correlation significant at p < .05 level. **Correlation significant at p < .01 level.

Table 4. Regression analysis for Study 2.

	Hypotheses 1 and 4: organizational commitment			Hypotheses 2 and 5: job satisfaction			Hypotheses 3 and 6: organizational identification		
	Step 1 β	Step 2 β	Step 3 β	Step 1 β	Step 2 β	Step 3 β	Step 1 β	Step 2 β	Step 3 β
Tenure	−.01	−.02	−.02	−.02	−.03	−.03	.03	.02	.02
Agreeableness	−.08	−.03	−.03	−.10	−.05	−.04	−.05	−.01	.00
Conscientiousness	.03	.00	.00	.02	−.02	−.02	.07	.05	.05
EL high		.58**	.59**		.54**	.54**		.35**	.35**
EL low		−.14*	−.14*		−.23**	−.23**		−.01	−.01
Equity sensitivity		.01	−.12		−.01	−.14		−.03	−.14
EL high × Equity sensitivity			.17**			.18**			.14†
EL low × Equity sensitivity			.05			.05			.06
R^2	.01	.45	.47	.01	.48	.50	.01	.16	.17
ΔR^2	.01	.44**	.02*	.01	.47**	.02*	.01	.15**	.01
F	.49	32.05**	25.52**	.84	36.26**	28.90**	.43	7.71**	6.20**
df	(3,240)	(6,237)	(8,235)	(3,240)	(6,237)	(8,235)	(3,240)	(6,237)	(8,235)

Note. EL high = ethical leadership high condition; EL low = ethical leadership low condition.
†$p < .10$, *$p < .05$, **$p < .01$.
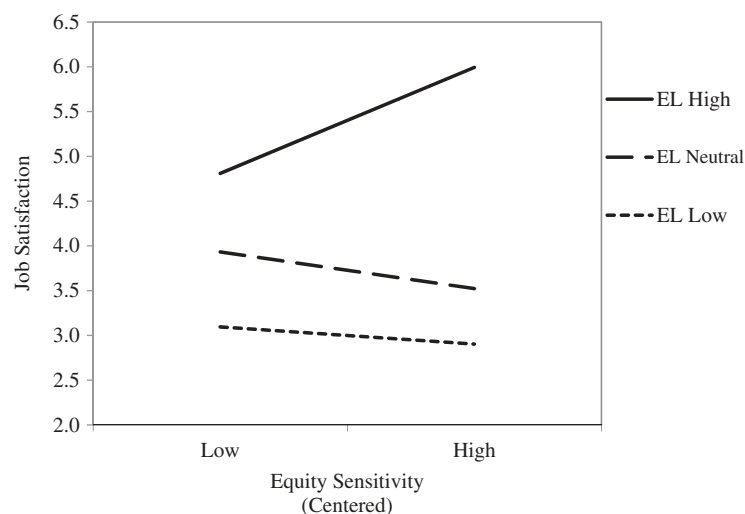
Figure 4. Job satisfaction regressed on interaction term in Study 2.

commitment is graphed on equity sensitivity at the three levels of ethical leadership. The slope of the ethical leadership high condition was positive and significant, $t(237) = 2.20$, $p < .05$. The highest level of organizational commitment was in conditions of high ethical leadership and high levels of equity sensitivity. Figure 4 depicts job satisfaction graphed on equity sensitivity at the three manipulated levels of ethical leadership. The slope of the regression line for ethical leadership high was positive and significant, $t(237) = 2.06$, $p < .05$. The highest level of job satisfaction was in conditions of high ethical leadership and high levels of equity sensitivity.

Discussion

The study of ethical leadership is still in a nascent stage, and researchers have been urged to consider expanded theoretical foundations and to expand the nomological

network to more fully account for follower outcomes (Brown & Mitchell, 2010; Hansen et al., 2013; Mayer et al., 2012). To this end, we offer further explanation of the leader–follower relationship. Our research extends the customary social exchange perspective of transactional and relational resources by also accounting for the ideological resources that imbue the ethical leader–subordinate relationship. Drawing upon the resource currencies of the psychological contract framework (e.g., transactional, relational and ideological resources), it is posited that ethical leaders present each of these resources to their followers. Not only do ethical leaders exhibit concern for employees and others (a socioemotional relational currency), but they also hold others accountable (a transactional currency), and furthermore, they provide a virtuous, less ego-centric work environment for employees (ideological currency). Findings from both Study 1 and Study 2 are consistent with the assumption that employees

value these resources and, in exchange, are more committed to their organizations, are more satisfied with their jobs, and identify more strongly with their employing organization.

The current findings also highlight that the person–situation paradigm should be considered when accounting for the influence of ethical leadership. The positive association of ethical leadership with the employee commitment outcomes was moderated by the personal trait of equity sensitivity. The hypothesized positive influence of the interactive effect was evident in Study 1 for the outcomes of organizational commitment and organizational identification. In Study 2, the interaction of high conditions of ethical leadership and equity sensitivity positively impacted organizational commitment and job satisfaction. The highest (and lowest) levels of organizational commitment in both Study 1 and Study 2 were found in persons having a more benevolent orientation and who were exposed to managers exhibiting higher (or lower) levels of ethics. Across both studies, favorable attachment outcomes were generally reported for persons having a more benevolent orientation and who perceived a supervisor as exemplifying higher levels of ethical leadership. These outcomes are consistent with the assertion that ideological currencies of ethical leadership are particularly appealing to those with more benevolent orientations that evaluate not only their own outcomes but that also have empathetic concern for others. Overall, the findings imply that not everyone responds in the same manner to the presence of ethical leadership—implications we weigh further in the following section.

Future directions

Future researchers may wish to further consider ethical leadership through the person–situation interaction lens, as there are likely other personality variables that would amplify or attenuate the influence of ethical leadership. Individuals differ in their moral identity, which concerns the degree to which moral traits (e.g., honesty, compassion, hard work) are central to one's self-concept (Aquino & Reed, 2002), and differ in their moral capacities (i.e., moral maturation and moral conation), which affect the ability to process and act upon ethical information (Hannah, Avolio, & May, 2011). Persons with higher degrees of moral identity or moral maturation may be particularly attuned to ethical leadership characteristics, which may influence a follower's level of organizational identification. Individuals with higher levels of moral conation may recognize the purposeful implications of ethical

leadership, which may then impact work-related attitudes. It would also be informative to consider an employee's perception of their employer's overall business viability. Having a sound strategy and being financially responsible influence employee workplace feelings and behaviors (Evans & Davis, 2014); it would be interesting to examine the interaction of ethical leadership and equity sensitivity in conditions of favorable and unfavorable organizational health. Review of the interaction analyses reveals some findings worthy of future research considerations. For instance, in Study 2, persons with a more benevolent orientation had lower but not significantly different levels of organizational commitment (and job satisfaction) in conditions of neutral or low ethical leadership. If benevolents are "givers," then conceivably there are circumstances in which such persons are more forgiving, or perhaps at least more tolerant, of leaders lacking ethical characteristics.

Prior research reveals that ethical leadership can reduce unethical behavior in followers (Mayer et al., 2012). Social learning theory explains that followers emulate and model ethical leaders in the workplace (Brown & Trevino, 2006). This suggests that although equity sensitivity is a dispositional variable, ethical leaders could induce those with an entitled orientation to change their workplace behaviors to reflect more benevolence. Person–situation research studying the behavioral modification effects of ethical leadership would be worthwhile.

The measurement of ethical leadership is also an important consideration. The Brown et al. (2005) conceptualization and operationalization is widely used, yet it has been criticized for its lack of specific ethical criteria (Eisenbeiss, 2012). Another limitation is that the ideological and relational items overlap (e.g., showing concern for others) in the established instrument. For future researchers to clearly delineate ideologically infused psychological contracts it becomes necessary to more clearly specify the content, and uniqueness, of this feature. For instance, Eisenbeiss (2012) analyzed Western and Eastern moral philosophy and present four commonly shared normatively rooted reference points: a human orientation, a justice orientation, a responsibility (sustainability) orientation, and a moderation orientation. Ethical leadership is fundamentally relational as it entails making decisions in regard to others (Gini, 2004), yet (environmental) responsibility and moderation are not currently reflected in most organizational studies (Eisenbeiss, 2012). Developing a more robust scale would provide a more explicit base of value-oriented principles—that is, the ideological currencies of ethical leadership.

Limitations

Our research does have limitations. In particular, survey research is often criticized for being prone to common method variance in which the predictors and outcomes are taken from a single source. Significant associations could be attributed to response bias, especially in single studies. Self-reports are, however, an appropriate measure for employee perceptions and internal feelings and beliefs (Spector, 2006). We followed techniques to address method variance statistically and procedurally. Results of the latent method factor test were nonsignificant. The use of experimental vignettes in Study 2, in which the conditions of ethical leadership were manipulated, also attenuates some concerns for common method bias and, in addition, strengthens causality inferences. Future researchers could further benefit from using temporal separation methods in which responses are not taken at a single point in time. The "snowballing" data collection method utilized in Study 2 has also been criticized, particularly in assertions that a sample of convenience is nonrepresentative. Meta-analytic results, though, have revealed comparable effect sizes in student-recruited samples versus traditional data-collection techniques (Wheeler et al., 2014). Our study also followed the recommendation by Hochwarter (2013) to use snowballing as part of a multistudy project that can strengthen statistical and generalizability inferences as compared to a single study.

Practical implications

Ethics is often an espoused virtue in business, though the pressures faced by organizational leaders can result in ethical behavior being eschewed in lieu of a circumscribed focus on deadlines and the financial bottom line. Yet the results of these studies certainly have pragmatic implications for ethical leadership in organizations. Organizational commitment, job satisfaction, and organizational identification are all linked to higher levels of job performance and going beyond expectations; in addition, lower levels are associated with negative outcomes such as absenteeism and turnover (Harrison, Newman, & Roth, 2006; Riketta & Van Dick, 2004). The willingness of workers to go above and beyond what is expected and exhibit these sorts of extrarole behavior is certainly something that many managers hope to elicit from their subordinates. In fact, companies with more satisfied workers have been shown to also have higher levels of organizational performance (Ostroff, 1992). Turnover and absenteeism have significant costs, including lost productivity, recruiting, and training costs. For these reasons, managers and organizations should take care to insure that they select, promote, and develop ethical leaders.

Final comments

Our conceptual framework and multistudy research design provides further insights into and understanding of the theoretical nature of ethical leadership and additionally provide empirical findings supportive of examining outcomes of ethical leadership through the person–situation paradigm with respect to employee equity sensitivity differences. Future studies may wish to build from these contributions by considering additional individual characteristics likely to affect follower reactions.

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Appendix

Ethical leadership high condition

Jordan is an employee at Acme Company ("Acme"). Acme manufactures various types of consumer goods that are widely available in most retail stores. Jordan has recently been thinking about Acme and specifically about how supervisors behave and interact with employees.

Jordan's immediate supervisor, Taylor, appears to exhibit ethical behaviors both professionally and personally. Jordan believes that Taylor is honest, fair, and considerate of others. Taylor makes decisions based on "what is the right thing to do" and, in addition, seems to have the best interests of employees in mind. Taylor also leads by example, role modeling the right way, the ethical way, to do things at work and also in one's personal life. Jordan believes that Taylor can be trusted.

As a supervisor, Taylor acts proactively to influence the ethical behaviors of employees. Taylor makes use of two-way communications and the reward system (rewards and discipline) to reinforce and hold employees accountable for ethical actions. Jordan remembers Taylor listening to what employees have to say and making fair and balanced decisions. Taylor also discusses

business ethics and values with employees and clearly defines success not just by results but also by the way results are obtained. Jordan knows that employees who violate ethical standards will be fairly disciplined.

Ethical leadership low condition

Jordan is an employee at Acme Company ("Acme"). Acme manufactures various types of consumer goods that are widely available in most retail stores. Jordan has recently been thinking about Acme and specifically about how supervisors behave and interact with employees.

Jordan's immediate supervisor, Taylor, appears to exhibit unethical behaviors both professionally and personally. Jordan believes that Taylor is dishonest, unfair, and not concerned with others. Taylor rarely seems to make decisions based on "what is the right thing to do" and, in addition, does not act based on the best interests of employees. Taylor sets an unprincipled example, role modeling the "wrong" way, the unethical way, to do things at work and also in one's personal life. Jordan believes that Taylor cannot be trusted.

As a supervisor, Taylor acts passively to influence the ethical behaviors of employees. Taylor does not use two-way communications and does not use the reward system (rewards and discipline) to reinforce and hold employees accountable for ethical actions. Jordan cannot remember Taylor listening to what employees have to say, and thus decisions often seem unfair and biased. Taylor never discusses business ethics and values with employees and clearly is concerned only with results and not with the way results are obtained. Jordan knows that employees who violate ethical standards will not be properly disciplined.

Ethical leadership neutral condition

Jordan is an employee at Acme Company ("Acme"). Acme manufactures various types of consumer goods that are widely available in most retail stores. Jordan has recently been thinking about Acme and specifically about how supervisors behave and interact with employees.

Jordan's immediate supervisor is Taylor. Taylor appears detached toward ethical behaviors both professionally and personally. Jordan does not feel strongly positively or negatively as to whether Taylor is honest, fair or concerned with others. Taylor sometimes seems to make decisions based on "what is the right thing to do" but at other times it is unclear. Taylor is unpredictable when making decisions concerning the best interests of employees. Taylor is not a strong role model example of either the "right way" or the "wrong way" to do things in regard to ethics at work or in one's personal life. Jordan is not sure whether Taylor can or cannot be trusted.

As a supervisor, Taylor does not consistently seek to influence the ethical behaviors of employees. It is difficult to know the extent to which Taylor uses two-way communications and the reward system (rewards and discipline) to reinforce and hold employees accountable for ethical actions. Jordan remembers some instances of Taylor listening to what employees have to say and making decisions that seemed fair and balanced. Taylor does not appear to make explicit attempts to be unethical. Taylor, at times, discusses business ethics and values with employees and, at times, seems concerned not only with results but also by the way results are obtained. However, Jordan is not sure whether employees who violate ethical standards will be properly disciplined.