Engaging Employees through Ethical Leadership

Nida Kamal* Hina Samdani† Amna Yameen‡

Abstract This research explores how ethical behavior of leaders influence employee engagement by enhancing the moral intensity of the employees. It also explores the impact that transparency of policies that a leader applies and decisions that he takes can have on the organizational citizenship of the employees. Two conceptual models are used to explore the constructs in light of social learning and social exchange theory. Data from 205 faculty members, working in higher education sector of Islamabad and Rawalpindi, was collected through structured questionnaires. Results revealed a considerable positive relation exists among ethical leadership and the organizational citizenship behavior of employees in an organization when mediated by moral intensity. Subsequently, significance is analyzed in ethical leadership and moral intensity when transparency moderated the relationship. The study contributes to the understanding of how perception of faculty members regarding their leaders’ ethical behavior can have an effect on the implementation of policies. It also explains the role of transparency of the ethical conduct in enhancing faculty’s performance and leading to the benefit of higher education institutions.

Key Words: Ethical Leadership, Organizational Citizenship Behavior, Moral Intensity, Transparency

Introduction

In the socio economic growth and development of any country, higher education sector is believed to have an important position. The sustainability of the economy and its uplift is majorly based on the Higher education institutions. Due to this, higher educational institutions are challenged with preparing individuals to contribute to the development of the society at large (Yadav, 2004). These outcomes are a product of instructional processes, which are mainly set in place by the leaders of the academia. However, it is imperative to observe how individuals

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in the academia affect the moral consciousness of peers and subordinates and also their engagement in the organization.

Leaders’ role and ethical behavior in educational institutions settings is now being extensively debated in the contemporary world. The debate on academic leaders’ ethical conduct has come under the limelight due to scandals of ethical wrongdoing in organizations. Leaders are now being held accountable for their actions as it directly impacts the company’s bottom line (Caroll, 2004; Trevino & Brown, 2006; Manz, Anand, Joshi & Manz, 2008; Revell, 2003; Mehta, 2003).

With greater attention being given to academic leaders and their role in shaping employees’ actions, employees have also become more prudent towards the processes being adopted by their leaders. Employees in the education sector look up to their leaders for defining their own actions. Employees judge the morality of their leaders based on leaders’ just treatment and provision of autonomy to employees in decision-making. When employees identify their leaders to be ethical, they are able put trust in their systems and even consign to taking extra initiatives to benefit the organizational goals. Thus, main agenda of the study is to investigate whether ethical leadership impacts engagement of employees and organizational citizenship behavior.

**Literature Review**

**Ethical Leadership**

When leaders are held accountable in organizations for their decision-making plays in defining an organization’s success and its ethical culture. Existing literature on ethical leadership tends to explore ethical leadership from various dimensions (Bass & Steidlmeier, 1999; Brown & Trevino, 2006). A study considered important in research on ethical leadership is ‘traits’ framework. This study attempts to deconstruct leadership by explaining the various traits that can help determine morality of a leader. Most dominant amongst these traits are sincerity, reliability and dependability traits of leaders (De Hoogh & Den Hartog, 2008).

Researchers have dedicated their efforts in conceptualizing ethical leaders in relationship to their work environment. This transactional relationship of leaders with their environment is thought to have a direct impact on employees’ satisfaction, their higher performance and their commitment towards their organizations. (Trevino, Butterfield & Mcabe, 1998; Weaver & Trevino, 2001; Valsania, Leon, Alonso & Cantisano, 2012).

Building on earlier studies conducted on ethical leadership, Trevino (1998, 2001) described ethical leaders as individuals who demonstrated some specific characteristics. Prominent among these were honesty, trustworthiness, fairness, and empathy for the society. Further research done on ethical leadership by
Trevino et al. (2000, 2003), has stated it to be a product of two main aspects that include being a moral person and being a moral manager at the workplace.

Besides Trevino (2003), Brown (2013) brought to surface three aspects of ethical leaders. These were: setting an example of ethical conduct, just treatment of employees, and strong prudence towards internal moral consciousness.

**Dimensions of Ethical Leadership**

*Fairness, Shared Power, Role Modeling:* In studies conducted on ethical leadership, fairness has been considered as an important construct (De Hoogh & Den Hartog, 2008; Brown, Trevino & Harrison, 2005; Trevino, Brown & Hartman, 2003). For this paper, we have built on the concept of fairness put forward by Stouten, Dijke and Cremer (2012). According to Stouten, Dijke and Cremer (2012) fairness can be sub divided into dimensions of procedural, distributive, and interpersonal fairness. De Hoogh and Den Hartog (2008) established that those leaders perceived by colleagues to be behaviorally ethical, provide their subordinates with autonomy and mechanisms for giving input in organizational matters. This particular dimension of ethical leadership was termed as “power sharing.” When leaders function as role models they help give direction to their employees’ decision making. Employees consider leaders as effective role models when leaders demonstrate the transparency of their actions through written edicts, documents and observable actions (Latham & Pinder, 2005).

*Engagement:* Engagement has been defined by Kahn (1990) as individuals who are committed to do more at the workplace apart from their routine work and leave their own self while attaining a certain role and performing in at their workplace. Various other studies have extended the work of Kahn (1990) by proposing aspects that can be used to further define employee engagement (May, Zhu & Avolio, 2004; Maslach, Schaufeli & Leiter, 2001).

*Organizational Citizenship Behavior:* Organ, Podsakoff and MacKenzie (2006) and Borman (2004) have described OCB as individual behavior that is not restricted to job description, is not solely driven by organizational rewards, and when collectively put drives the effective performance of the organization. Examples of such actions may include idea and information sharing, formal and informal collaboration with peers, and voluntarily doing extra work (Jim, Shing, Lin, Yasmeen & Khan, 2013). Five dimensions of OCB have been suggested by Williams and Anderson (1991). These were further classified into two streams of OCB: OCBI and OCBO. Kumar and Renugadevi (2013) explained OCBI as OCB aspect that focused on the individual employee behavior whereas, OCBO focused on the organizational aspect.
Mediator:

**Moral Intensity:** Most studies have conceptualized moral intensity using two main sub dimensions. These are: the social consensus and the magnitude of consequences (Butterfield, Trevino & Weaver, 2000; May & Pauli, 2003; Singhapakdi, Vitell & Kraft, 1996; Bhal, 2011; Feng, 2013).

Moderator:

**Transparency:** Leaders perceived to be ethical by their employees have greater transparency in their actions and decisions (Brown, Trevino & Harrison, 2005). Clearly communicating policies and rules, and establishing just reward systems in the organization can help leaders create transparency in their decisions (Brown, Trevino & Harrison, 2005).

**Ethical Leadership and Social Learning and Social Exchange Theory:** This research study undertakes the basis of social learning theory and the social exchange theory. Bandura (1977) highlighted that social learning theory states that individuals acquire knowledge by emulating the actions and mannerisms that are compelling to them. Thus, social learning posits that, employees will identify those leaders as ethical who establish have high visibility of their moral values.

Social Exchange Theory posits that only those relationships are created and sustained in the organization that lead to maximization of rewards and minimization of costs for the parties involved (Blau, 1964; Mitchell, 2005; Gouldner, 1960). Many researchers have established that reciprocity is the central idea behind social exchange theory (Cropanzano, Goldman & Folger, 2005). It is this idea of reciprocity that encourages employees to commit to their leaders and their organization, when they believe that they are being treated with empathy and fairness. (Mayer, Kuenzi, Greenbaum, Bardes & Salvador., 2009).

![Figure 1: Ethical Leadership](image-url)
Hypotheses

Hypothesis 1:
1a: Fairness positively influences OCB.
1b: Shared power has a positive impact on the OCB.
1c: Role modeling has a significant positive impact on the OCB.

Hypothesis 2:
2a: The moral intensity of the employees is significantly influenced by the fairness in a positive manner.
2b: The moral intensity of the employees is significantly influenced by the shared power in a positive manner.
2c: The moral intensity of the employees is significantly influenced by the role modeling in a positive manner.

Hypothesis 3:
Moral Intensity has a positive relationship with the OCB.

Hypothesis 4:
4a: The relationship between fairness and OCB is significantly mediated by Moral intensity.
4b: The relationship between shared power and OCB is significantly mediated by Moral intensity.
4c: The relationship between role modeling and OCB is significantly mediated by Moral intensity.

Hypothesis 5:
5a: The association among fairness and moral intensity of the employee is positively moderated by Transparency.
5b: The association among shared power and moral intensity of the employee is positively moderated by Transparency.
5c: The association among role modeling and moral intensity of the employee is positively moderated by Transparency.

Methodology

Construct Measurement

In this study a structured questionnaire has been employed for data collection and the questionnaire has been formulated by adapting structured questions from the earlier studies of various researchers. In order to quantify fairness, seventeen items
have been adapted from the work done by Jason. A. Colquitt (2001). In this regard the reliability coefficient that is Cronbach α for the given item was found to be .80. For measuring shared power six items have been adapted from the work of Dee Hog and Den Hartog (2008) and the Cronbach α value is established to be .88. Adding more, role modelling has been tapped by incorporating seven items with a Cronbach's α of .76 from the work of Brown et al., (2005). Transparency has been measured by adapting items from the work of Jason. A. Colquitt (2001) with .93 Cronbach α. Scale suggested by Lee and Allen (2002) that measures OCB from the perspective of organization has been employed to measure employee engagement. The items have a Cronbach’s α of .84. Furthermore, the questionnaire has been designed using five-point Likert’s scale.

The studies of Singhapakdi, Rao and Vitell (1996) and Frey (2000) have been employed to adapt six items of moral intensity with a Cronbach α of about .82. The given items to measure moral intensity were rated from 1( strongly disagree) to 5 ( strongly agree) by means of a 5-point Likert scale.

**Data Collection**

Faculty members working in the private as well as semi-private sector universities of the twin cities i.e. Rawalpindi and Islamabad were selected as the desired population and the sampling technique employed to gather data was convenience sampling. For manual filing, the questionnaire was distributed among the required respondents and the total response rate was found to be 70.6%, since out of the total number of 288 distributed questionnaires, 205 were returned and analyzed.

**Data Analysis**

For reliability of each construct Cronbach alpha technique was employed to measure internal consistency and the items having value of Cronbach alpha lesser than .7 were deleted, since a value greater than .7 signifies that all the items of a given construct have high internal consistency (Nunnally, 1978). Accordingly, the constructs of the study had high internal consistency with a Cronbach alpha of greater than .8 for all the items. Factor loading was done to assess convergent validity of the constructs and was considered significant for loading over 0.5. Furthermore, to empirically test the data, correlation as well as regression analysis were employed. To test hypothesis and to identify multicollinearity, correlation of coefficient was measured and in order to measure mediating and moderating effects of variables, regression analysis was carried out by using four steps identified by Baron and Kenny (1986) by means of SPSS 20 and MS- Excel 2010. Adding more, in order to verify the moderating as well as mediating results of the study ModGraph by Jose (2008) were also used.
Results

The Table I gives details about the descriptive statistics by highlighting the mean, standard deviation and coefficient of correlation of the different variables of the given study.

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>S</th>
<th>Construct</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>F</th>
<th>PS</th>
<th>RM</th>
<th>MI</th>
<th>OCB</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fairness</td>
<td>205</td>
<td>2.975</td>
<td>.571</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Shared power</td>
<td>205</td>
<td>3.831</td>
<td>.737</td>
<td>.337*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Role modeling</td>
<td>205</td>
<td>3.456</td>
<td>.576</td>
<td>.358*</td>
<td>.483**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Transparency</td>
<td>205</td>
<td>3.796</td>
<td>.770</td>
<td>.463*</td>
<td>.488**</td>
<td>.561**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Moral intensity</td>
<td>205</td>
<td>2.591</td>
<td>.412</td>
<td>.460*</td>
<td>.420**</td>
<td>.549**</td>
<td>.492**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>OCB</td>
<td>205</td>
<td>3.104</td>
<td>.321</td>
<td>.313*</td>
<td>.389**</td>
<td>.333**</td>
<td>.356**</td>
<td>.427**</td>
<td>1</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.01 level (2-tailed).

Table 2. Test Statistics of Hypotheses 4: Mediating Role of Moral Intensity

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>IV</th>
<th>DV</th>
<th>R²</th>
<th>F-Stat</th>
<th>B</th>
<th>Beta</th>
<th>t-stat</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4a</td>
<td>F</td>
<td>OCB</td>
<td>.306</td>
<td>44.44*</td>
<td>.214</td>
<td>.381</td>
<td>5.242</td>
<td>.000*</td>
</tr>
<tr>
<td></td>
<td>MI</td>
<td></td>
<td></td>
<td></td>
<td>.183</td>
<td>.234</td>
<td>3.225</td>
<td>.001*</td>
</tr>
<tr>
<td>H4b</td>
<td>SP</td>
<td>OCB</td>
<td>.408</td>
<td>69.643*</td>
<td>.241</td>
<td>.493</td>
<td>8.220</td>
<td>.000*</td>
</tr>
<tr>
<td></td>
<td>MI</td>
<td></td>
<td></td>
<td></td>
<td>.225</td>
<td>.374</td>
<td>6.320</td>
<td>.000*</td>
</tr>
<tr>
<td>H4c</td>
<td>RM</td>
<td>OCB</td>
<td>.367</td>
<td>49.648*</td>
<td>.358</td>
<td>.397</td>
<td>5.163</td>
<td>.000*</td>
</tr>
<tr>
<td></td>
<td>MI</td>
<td></td>
<td></td>
<td></td>
<td>.180</td>
<td>.230</td>
<td>2.989</td>
<td>.000*</td>
</tr>
</tbody>
</table>

*Significance, p < .01

H4a: Δ R² = .036; *Significance, p < .01
H4b: Δ R² = .268; *Significance, p < .01
H4c: Δ R² = .066; *Significance, p < .01
Table 2 meaningfully points out that there is a significant positive influence of fairness, shared power as well as role modeling on organizational citizenship behavior (H1). Furthermore, a positive influence of fairness, shared power, and role modeling has also been found to be significant on the moral intensity of the faculty members (H2). Results further verify, the association among the moral intensity and organizational citizenship behavior of an employee, significantly (H3).

The Beta values of the study further specify that the relation between fairness and OCB is partially mediated through moral intensity as in the resultant value of Beta there was a decrease from 0.519 to 0.318 however, the p-value less than .01 was still significant. Similarly the Beta values signify a partial mediation of moral intensity among shared power and OCB since there is a decrease in value from 0.587 to 0.493 and with a p-value of less than .01 level of significance. The decrease in the Beta value from 0.667 to 0.397 with a significance (p-value) less than .01 level of significance reinforced partial mediation of moral intensity among the relationship of role modeling and OCB. Sobel z-value in ModGraph (Jose, 2008) has been further employed to verify the results of mediation and the findings are presented in the table as follows.

### Table 3. Mediation Analysis and Results

<table>
<thead>
<tr>
<th></th>
<th>Total Effect</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Indirect/Tot Ratio</th>
<th>Sobel z value</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairness</td>
<td>.107</td>
<td>.103</td>
<td>.005</td>
<td>.046</td>
<td>3.802</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>Shared power</td>
<td>.443</td>
<td>.351</td>
<td>.092</td>
<td>.207</td>
<td>8.171</td>
<td>&lt;0.00001</td>
</tr>
<tr>
<td>Role modeling</td>
<td>.432</td>
<td>.386</td>
<td>.046</td>
<td>.100</td>
<td>7.994</td>
<td>&lt;0.00017</td>
</tr>
</tbody>
</table>

### Table 4. To Study the Moderating Role of Transparency between the Relationships of Fairness, Shared Power and Role Modeling with Moral Intensity.

<table>
<thead>
<tr>
<th>Steps</th>
<th>IV</th>
<th>DV</th>
<th>R²</th>
<th>F-Stat</th>
<th>B</th>
<th>Beta</th>
<th>t-stat</th>
<th>P-value</th>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H5a:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>F</td>
<td>MI</td>
<td>.218</td>
<td>27.94*</td>
<td>.653</td>
<td>.464</td>
<td>7.442</td>
<td>.000*</td>
</tr>
<tr>
<td>2</td>
<td>F</td>
<td>T</td>
<td>.089</td>
<td>19.92*</td>
<td>.331</td>
<td>.299</td>
<td>4.464</td>
<td>.000*</td>
</tr>
<tr>
<td>3</td>
<td>T</td>
<td>MI</td>
<td>.048</td>
<td>9.310*</td>
<td>.158</td>
<td>.219</td>
<td>3.051</td>
<td>.003*</td>
</tr>
<tr>
<td>4</td>
<td>F*T</td>
<td>MI</td>
<td>.237</td>
<td>20.711*</td>
<td>.206</td>
<td>.784</td>
<td>2.260</td>
<td>.025**</td>
</tr>
</tbody>
</table>

| H5b:  |      |      |      |         |        |        |        |         |
|       |      |      |      |         |        |        |        |         |

Vol. III, No. III (Summer 2018) 307
Nida Kamal, Hina Samdani and Amna Yameen

The table above reflects transparency as partial moderator of the direct relationship between fairness, role modeling, shared power and moral intensity with a $\Delta R^2$ value of 0.019, 0.028 and 0.018 respectively. Furthermore, the moderation results were further verified using the graphical illustration, produced in Mod Graph (Jose, 2008) and for fairness, role modeling and shared power a similar pattern was observed by the three plots.

**Discussion**

The analysis conducted supports the findings proposed by Brown et al., (2005), showing there is a significant and positive association among ethical leadership as well as organizational citizenship behavior of employees. These outcomes propose that the ethical leadership is vital for ethical leaders as it leads towards ensuring the development of ethical standing for a leader (Brown & Trevino, 2006). Furthermore, the leader and follower relation is impacted by justice, empowerment, reciprocity and trust and this given association is grounded in social exchange theory proposed by Blau (1964) and Gouldner (1960). Perception of the employees that their leaders to be fair, unbiased and empowering then the given behavior of ethical leaders will be successful in inculcating such feelings among the employees where they feel obligated to go far ahead of the role entitled to them as part of their job descriptions (Dirks & Ferrin, 2002; Podsakoff, et al., 2000).
Results further verify the association among the ethical leadership as well as OCB is significantly mediated by moral intensity and a significant role is played in improving all of the dimensions given for ethical leadership. Adding more, shared power has the largest impact on the given mediation relationship. This supports that when individuals can articulate their autonomous decisions along with the provision of a work environment where they can express their ideas then in such circumstances individuals are in a position to handle morally intense situations in a far better way. Thus, the moral intensity of the individuals in an organization will be enhanced when ethical behavior is displayed by leaders which ultimately will increase the OCB of the individuals in a much productive manner (Feng, 2013).

In the last model of the study transparency was empirically tested for moderation on the given relation of ethical leadership along with moral intensity. The outcomes of the study advocate that there is a partial moderation of transparency on fairness, shared power and role modeling as well. Trevino et al., (2003), have also advocated the influence transparency has in fostering the repute of leaders categorized to be ethical. In their work Trevino et al., (2003) reinforced that it is crucial for an ethical leader to project his/her ethical behavior. This is important as otherwise individuals in the organization will not be in a condition to nurture a stance about the ethical conduct of the leader. The outcomes of the research sustain the same that if the transparency of the ethical leader is questioned then the impact of given dimensions of ethical leadership is least on moral intensity. Whereas, in scenarios assuming the behavior of an ethical leader is significantly transparent, there is a substantial improvement in the moral intensity of the individuals with regard to fairness, role modeling and shared power.

**Research Implications**

This study plays a vital role in expanding nomological network of leadership particularly from the perspective of ethical leadership and puts a step forward by adding towards the need of exploring the behavioral dimensions of ethical leadership as well (Brown & Mitchell, 2010; Jordan, Brown, Trevino & Finkelstein, 2013). The study can be employed to develop training programs for leaders with a focus on behaviors like role modeling and power sharing. Additionally, the implications of this study can be extended by incorporating coaching programs for the leaders within an organization, highlighting the behavior of ethical leaders in sensitizing moral intensity of the individuals in the organization. The effects of such programs will be far reaching because when employees perceive their leaders to be ethical when leaders engage themselves in behaviors like power sharing and role modeling. In such scenarios employees will also endorse an approval for their leaders and organization and ultimately will end up in extending much commitment and support to their organization as well.
Recommendation for Future Studies

Since this research considers the impact of homogeneous respondents only, the future research may explore the association of ethical leadership with engagement of an employee by studying effects employees have at various different levels in the organization. Secondly, the study under consideration takes into account the ethical leadership and its impact on moral intensity. However, future studies may incorporate various other factors in order to observe engagement of employees towards their organization. This may include factors like gender or stage of an employee from the perspective of cognitive development. Future studies may extend the given research on public sector universities since the given research focuses primarily on private sector institutes.
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