

The Effect of Ethical Leadership on Follower Moral Identity: The Mediating Role of Psychological Empowerment

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ABSTRACT

In this study, we examined psychological empowerment as an underlying influence mechanism through which ethical leadership affects followers’ moral identity. Based on the data collected from 335 organizational employees across over 13 various industries, we found that psychological empowerment, in terms of competence, impact, meaning, and self-determination, mediated the effect of ethical leadership on followers’ moral identity. These findings are discussed in terms of their theoretical contributions, practical implications, and future research recommendations.

Ethical leadership has been discussed recently by numerous scholars in the field of organizational behavior and management with respect to its impact on individual, group and organizational outcomes (e.g., Brown, & Trevino, 2006; Brown, Trevino, & Harrison, 2005; Koh & Boo, 2001; Lucas, 2000; Petrick & Quinn, 2001; Trevino, Brown, & Hartman, 2003). While there have been studies that have examined the individual and situational determinants of ethical leadership behaviors and the consequences of such ethical behavior at the organizational level (Holmes, Langford, Welch, & Welch, 2002; Honeycutt, Glassman, Zugelder, & Karande, 2001), how ethical leadership influences followers’ moral development has not been thoroughly empirically explored. We believe that it is of great importance to examine the role of leadership in affecting follower moral development since employees spend a large amount of time on working with their leader. Leadership could be an important social influence source.

The main purpose of this study is to address the following two questions. First, whether ethical leadership behavior helps to develop follower moral development, or follower moral identity in

this study. The second purpose is to examine whether psychological empowerment mediates the relationship between ethical leadership behavior and follower moral identity. In other words, we are interested whether psychological empowerment is an intermediate influence variable between the relationship of ethical leadership and follower moral identity.

Ethical Leadership Behaviors

Leaders are obligated to set a moral example for organizational members and to determine those organizational activities that may be detrimental to the values of society in general (Aronson, 2001). Leaders exhibit ethical behaviors when they are doing what is morally right, just, and good, and when they help to elevate followers' moral awareness and moral self-actualization. Indeed, ethical leadership encompasses more than the fostering of ethical behaviors. For example, Butcher (1997) pointed out that, "ethical business leadership requires not only investing in the small trees and experimental hybrids that won't yield a thing that in this quarter or the next, but also caring for the soil that allows us to produce such a harvest in the first place" (pp. 5-6). Thus, ethical leaders must create the right conditions and organizational culture (i.e., an "organizational soil") to foster the moral development of followers.

Moral Identity

Thomas (1997) pointed out that there are different components to one's overall self concept. The moral perspective of self is about the basic answer to these questions: Am I a good and moral person or am I a bad or immoral person? What kind of moral principle and values do I hold? How resolutely will I stand up for these moral principles and values? Moral identity represents the degree to which a person identifies him/herself as a moral person. Moral identity determines when and why individuals behave in an ethical way and serve in the best interest of the collective, such as the organization, community, or society. It is the convergence of moral ideals with one's personal identity or the extent to which commitment to moral values is infused into a person's self-concept (Colby & Damon, 1993; Nasir & Kirkshner, 2003).

Aquino and Reed (2002) argued that moral identity is a parameter of social identity and represents one's self-conception organized around a set of moral traits. Therefore, moral identity is linked to specific moral traits and may be a distinct mental image of how a moral person is likely to think, feel, and behave (Kihlstrom & Klein, 1994). Similarly, Erickson (1964) argued that being authentic to oneself in how one thinks and behaves is another aspect of identity and means that a person will work toward making his or her moral decisions consistent with his/her moral identity. This argument implies that an individual with a strong moral identity will strive to maintain a higher level of consistency and balance between his/her moral self identity and his/her moral decision (Aquino & Reed, 2002; Bergman, 2002; Blasi, 1980, 1983, 1993).

According to Bandura (1991), individuals with a high moral identity are characterized by high moral self-regulation. This means they are able to recognize their own moral objectives and social expectations, by processing pre-existing moral conceptions and affective states. With high moral self-regulation, followers are able to extract, weigh, and integrate morally relevant information in confronting moral dilemmas before deciding upon a course of action.

Individuals with high moral identity are characterized with positive moral perspectives, such as moral capacity, moral efficacy, and moral courage. With higher moral capacities, followers are able to understand moral issues in a deeper and broader way. With higher moral efficacy, followers are more likely to be confident in their ability to utilize their existing moral capacities to deal with moral challenges. Followers with higher moral courage are also likely to be able to stand up when faced with moral challenges and not yield to external pressures or manipulations to remain consistent with their moral values and principles.

To sum up, it is indicated that followers high on moral identity are likely to: 1) commit to moral ideals or principles, 2) behave consistently with their moral ideals or principles, 3) be willing to take risks for being loyal to their moral values, 4) inspire others to think and behave ethically, and 5) place the collective interests above their personal ego and interests (Bergman, 2002; Colby & Damon, 1992). Indeed, Bergman (2002) pointed out that, “the best answer to the question, ‘why be moral’ may thus be, because that it is who I am, or because I can do no other and remain (or become) the person I am committed to being” (p. 123).

The Effect of Ethical leadership on Follower Moral Identity

We rely on social learning theory (Bandura, 1977, 1986) to explain the effect of ethical leadership on follower moral identity. Social learning theory (Bandura, 1977, 1986) is based on the idea that individuals learn by paying attention to and emulating the attitudes, values and behaviors of attractive and credible role models. Social learning theory sheds light on why some individual characteristics of the leader and situational influences are related to followers’ perceptions of ethical leadership behavior. It also helps explain the underlying influence mechanism through which ethical leadership affects follower moral perspectives. According to social learning theory, ethical leaders could morally transform their followers and they will be considered credible role models. According to social cognitive theory, followers could look to leaders for ethical guidance (Kohlberg, 1969; Trevino, 1986). Ethical leaders are likely sources of guidance because their attractiveness and credibility as role models draw attention to their modeled behavior.

It is expected that ethical leaders will treat their employees fairly and in an unbiased and impartial manner, i.e., using both distributive and procedural justice to guide their leadership behaviors. Followers’ perceptions of being treated fairly should affect both their job attitudes, such as satisfaction and commitment, and organizational outcomes (Dailey & Kirk, 1992; Koh & Boo, 2001). Tansky, Gallagher and Wetzel (1997) also indicated that perceptions of justice and equity influence employees’ attitudes about their organizations. For example, a strong set of personal ethical standards (e.g., the virtues of honesty and fairness) should stimulate a higher level of trust and loyalty in an organization.

Ethical leaders set high standards for moral and ethical conduct, and for moral emulation. Ethical leaders have strong moral values and goals, which lead to behaviors and decisions to promote ethical policies, procedures, and processes within their organizations. Ethical leaders appear as high ethical role models or moral exemplars to encourage followers to establish their own internal set of moral principles and ideals, which helps establish a basis for follower moral

identity, and ultimately moral action (Avolio, 2005). Ethical leaders also use rewards and punishments to influence followers' ethical behavior. Research shows that reinforcement plays an important role in modeling effectiveness because observers pay close attention to those who control important resources, rewards, and punishments. Finally, social learning theory assumes that much learning occurs vicariously. Vicarious learning should be particularly important for learning about ethical and unethical behavior in organizational contexts. Therefore, followers can learn about what is acceptable or unacceptable by paying attention to how other organizational members are rewarded or disciplined and regulate their own behavior as a result.

Ethical leaders will also motivate their followers to challenge long-term assumptions and the dominant logic of the leader when it is time to change direction, and challenge followers' moral thoughts and to recognize their moral values, beliefs, and mindsets, and subsequently develop the belief that they are moral people, which help establish their moral identity.

Ethical leaders also focus on coaching and mentoring followers to be prepared to assume greater moral responsibility, and ultimately develop followers into moral exemplars through moral socialization (Hoffman, 1988). Thus, followers are more likely to maintain higher moral principles and believe they are moral people (i.e., strengthening their moral identity). By offering constructive and positive moral feedback to their followers, ethical leaders help improve followers' sense of understanding their own and others' moral perspectives, which contributes to developing a higher level of moral perspective and interpersonal ability (Eisenberg, 2000; Hoffman, 1988). Under the influence of ethical leaders, followers are more likely to be able to transcend their own ego, self-interests and needs, as they are guided by a self-determined moral identity.

The underlying mechanisms through which ethical leadership affects follower moral identity can be further explained by using Bandura's (1986, 1997) social cognitive theory. We suggest that ethical leaders influence followers' moral, emotional, affective, and cognitive development through modeling (e.g., "leading by example") of positive values, psychological states, behaviors and self-development (Bandura, 1991; Bass & Riggio, 2006; Burns, 1978; Luthans & Avolio, 2003). According to Bandura's social cognitive theory, a leader's symbolic modeling could influence followers' moral judgments by portraying what is acceptable and suitable moral behavior in an organization. In addition, Bandura (1991) further proposed familial and social transmission models for morality, which means that moral values, standards, and behavioral patterns are transmitted via family and social networks, among which leadership could be an important source of social influence. In this regard, followers pay attention to and emulate the attitudes, emotions, values, and behaviors of leaders because they consider these leaders exemplary role models (Bandura, 1986; Brown, Trevino, & Harrison, 2005; Burns, 1978).

Leaders' modeling of moral behaviors proactively influences followers' moral self-development by fostering followers' moral self-discovery, including enhancing moral self-awareness and moral self-knowledge. This means that followers will have greater self-knowledge about their moral values, identities, emotions, motives, all goals as key aspects of their levels of self-awareness. This would lead them to be more likely to exhibit higher moral values, beliefs, emotions, motives and goals. Ultimately, we would expect followers to internalize the leader's moral values and objectives as their own (Gardner et al., 2005; Hoffmann, 1977), suggesting that ethical leadership could have a positive effect on follower moral identity.

Hypothesis 1: Ethical leadership has a positive effect on follower moral identity

Mediating Effect of Follower Psychological Empowerment

Psychological empowerment is another important construct that can potentially lead to positive organizational and individual level outcomes. There are several perspectives on empowerment, such as relational, social-structural, and psychological (Liden, Sparrowe, & Wayne, 1997). Conger and Kanungo (1988) identified four broad antecedent conditions of the psychological state of empowerment, namely organizational factors, supervision, reward system, and job characteristics. Supervision or the influence of a leader was described as one of the ways in which followers could receive information regarding their personal efficacy (Bandura, 1986) which, in turn, could serve to remove any powerlessness they may have been experiencing.

Based on Thomas and Velthouse (1990), Spreitzer (1995) defined empowerment as “increased intrinsic task motivation manifested in a set of four cognitions reflecting an individual's orientation to his or her work role: meaning, competence, self-determination and impact. (p.1443)” Meaning refers to when employees experience their jobs as having value or importance (Fulford & Enz, 1995; May, Gilson, & Harter, 2004). When the mission of the organization or goals of the activities they are engaged in are congruent with their own value system, employees feel that their work is important and care deeply about what they do (Quinn & Spreitzer, 1997; Spreitzer, 1995; Thomas & Tymon, 1994; Thomas & Velthouse, 1990). Competence (or self-efficacy) is the knowledge that the individual has the skill necessary to successfully perform the task in a specific context (Bandura, 1986; Conger & Kanungo, 1988; Fulford & Enz, 1995; Thomas & Tymon, 1994). Self-determination (or choice) refers to the sense of freedom or discretion one has to perform the work in the way that one chooses (Fulford & Enz, 1995; Thomas & Velthouse, 1990). Self-determination reflects autonomy in making decisions about work methods, procedures, pace and effort (Spreitzer, 1995; Spreitzer et al., 1997). Impact refers to the degree to which an individual feels that his/her work makes a difference in achieving the overall purpose of the task (Thomas & Tymon, 1994; Thomas & Velthouse, 1990) and the extent the individual believes that he or she can influence organizational outcomes in a positive way (Spreitzer, 1995).

Ethical leaders are expected to be more likely to consider each employees' developmental needs and to place them in positions where they can experience work role fit and a sense of meaning in their jobs (May, Gilson, & Harter, 2005). Such leaders are also likely to treat their employees with respect, rather than treating them simply as a means to an end (i.e., organizational productivity). This respect for human dignity should result in employees experiencing a strong sense of meaning at work since their own goals are consistent with the organizations' goals.

Ethical leaders' consideration of their employees' developmental needs and benevolence should cause them to place employees in situations that facilitate their growth and confidence in their job-related skills. Such leaders are likely to seek out training opportunities for their employees and to support them in making tough ethical decisions on the job. Training, including experiencing successes and observing others' successes, has a positive impact on an individual's

self-efficacy (Bandura, 1986). Thus, employees of ethical leaders should have higher feelings of competence in their positions.

Because ethical leaders wish to protect the basic human rights of dignity and autonomy, they are more likely to structure jobs so that employees have discretion in decision-making over dimensions of their jobs as well as more broad participation within decision-making structure of their organization. Such autonomy in the workplace fosters feelings of self-determination in employees and links back to the trust formed between ethical leaders and their followers.

Ethical leaders are more likely to provide opportunities to understand the impact that an employee has in his/her position and in the organization overall, such as participation in decision making and work design. Such leaders encourage the full engagement of the self at work (May et al., 2004) because this helps lift the human spirit to realize a person's dreams in the workplace and make contributions that one alone could not make. In sum, ethical leadership behaviors that protect individual employee rights (particularly the most basic human rights of respect, dignity, and autonomy) are likely to result in employees have greater feelings of empowerment.

Hypothesis 2: Ethical leadership has a positive effect on follower psychological empowerment.

Hypothesis 3: Follower psychological empowerment mediates the effect of ethical leadership on follower moral identity.

Methodology. Participants and Procedures

We collected data from a wide variety of firms across the USA. An internet-based survey was issued through a research company that solicited 1100 U.S. participants who were in a variety of managerial positions. Among these, 350 (190 men, 145 women) participated, with a response rate of 31.8%. These participants rated their direct supervisors' leadership using an ethical leadership scale and their own self-reported moral identity. The average age was 47.7 years (SD=11.15) and most (63%) had a four-year college degree or higher. Furthermore, participants were from more than 13 different industries, including retail/wholesale (22%), banking (13%), information technology (14%), and manufacturing (12%).

Measures

Ethical Leadership. Ethical leadership was measured the ten items of the Ethical Leadership Scale (ELS) developed by Brown, Trevino, and Harrison (2005). Respondents indicated whether they agreed with the statements on a 5-point scale ranging from 1 (Highly unlikely) to 5 (Highly likely). A sample item of ethical leadership (Cronbach alpha = .95) was: "My leader conducts his/her personal life in an ethical manner."

Moral Identity. This moral identity was measured by a newly-created five-item scale. It is found that this scale is both reliable and valid (Zhu, 2006). Respondents indicated whether they agreed with the statements on a 5-point scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). Sample item: "I view being an ethical person as an important part of who I am." Cronbach alpha of this scale in this study was .91.

Psychological Empowerment. We used a 12-item scale to measure self-reported psychological empowerment (Spreitzer, 1995). Items were anchored by a 5-point scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). Sample items for each of the four subscales include the following: “I am confident about my ability to do my job” (competence), “The work I do is very important to me” (meaning), “I can decide on my own how to go about doing my work” (self-determination), and “My impact on what happens in my department is large” (impact). All 12 items were aggregated into a psychological empowerment composite score (Cronbach alpha = .93).

Results. The descriptive statistics and correlations for all study variables are shown in Table 1. Notably, ethical leadership had a significant positive relationship with follower psychological empowerment ($r = .42, p < .01$) and follower moral identity $r = .30, p < .01$). In addition, follower psychological empowerment was positively related to follower moral identity ($r = .67, p < .01$).

Table 1: Descriptive and Correlations of Variables

	Mean	SD	1	2	3	4	5	6	7
1. Your Age (years)	47.73	11.15							
2. Gender (dummy)	.43	.50	-.23**						
3. Education (dummy)	.63	.48	-.02	-.15**					
4. Managerial level (dummy)	.40	.49	.15**	-.19**	.03				
5. Income level (dummy)	.26	.44	.13*	-.15**	.25**	.24**			
6. Follower psychological empowerment	4.23	.66	.26**	.01	-.13*	.25**	.05		
7. Ethical leadership scale	3.86	1.06	.08	-.08	-.01	.16**	.01	.42**	
8. Follower moral identity	4.46	.63	.35**	-.01	-.10	.10	.05	.67**	.30**

Note:

n = 350.

** Correlation is significant at the .01 level (2-tailed).

* Correlation is significant at the .05 level (2-tailed).

Dummy variables: Gender (1=Female, 0=Male); Education (1= Degree and above, 0= Others); Income (1=100, 000 or above; 0= below 100, 000); Managerial level (1= upper middle and top, 0= middle and lower level).

Hypotheses Testing. Hypothesis 1 predicted that ethical leadership (IV) would have a positive effect on follower moral identity (DV). As shown in Table 2, all control variables, age, gender, education, the managerial level of participants, income level, were included in the regression analyses. Model 2 shows that ethical leadership was significantly related to follower moral identity ($\beta = .28, p < .01$), providing support for Hypothesis 1. Hypothesis 2 predicted that ethical leadership would have a positive effect on follower psychological empowerment. As

shown in Model 1 in Table 2, ethical leadership was significantly related to psychological empowerment ($\beta = .38, p < .01$), supporting Hypothesis 2.

Table 2: Mediation Tests

	Model 1	Model 2	Model 3	Model 4
	Follower Psychological Empowerment	Follower Moral Identity	Follower Moral Identity	Follower Moral Identity
Age	.23**	.35**	.20**	.20**
Gender	.11*	.08	.02	.03
Education	-.10*	.06	-.02	-.02
Managerial level (self)	.18**	.02	-.09	-.09
Income level	.01	.02	.02	.02
Ethical leadership scale	.38**	.28**		.04
Follower psychological empowerment			.64**	.63**
R^2	.28	.21	.50	.50
Adjusted R^2	.26	.20	.49	.49

n = 350, Standardized regression coefficients are shown.

* $p < .05$ (2-tailed).

** $p < .01$ (2-tailed).

We tested our mediation hypotheses following the four-step procedure recommended by Baron and Kenny (1986). Hypothesis 3 suggested that psychological empowerment would mediate the relationship between ethical leadership and follower moral identity. Model 3 in Table 2 shows that psychological empowerment was significantly related to moral identity ($\beta = .64, p < .01$). As shown in Model 4 (Table 2), after psychological empowerment was added into the regression model, the initially significant relationship between ethical leadership and follower moral identity ($\beta = .04, p > .05$) was non-significant. Thus, follower psychological empowerment fully mediated the effect of ethical leadership on follower moral identity. Thus, hypothesis 3 was supported. The above analyses indicated that all of the three proposed hypotheses were supported in this study.

Discussion. In this study, we tested a theoretical model that attempts to explain how ethical leader behavior influences follower moral identity via psychological empowerment. We found that follower psychological empowerment (i.e., meaning, self-determination, competence, and impact) mediated the relationship between ethical leader behavior and follower moral identity. The central contribution of this work is a model that integrates and extends three established frameworks in the management, moral psychology, and leadership literature (Avolio, 1999; Bass, 1985; Blasi, 1982; Hogg, 2003; Shamir et al., 1993; Spreitzer, 1995). While, there has been an underlying assumption about the role of ethical leadership in identification processes, in this study we found how ethical leadership styles could facilitate and promote follower moral identity. Moreover, we conclude that in order to improve followers' moral identity, leaders should be able to promote followers' psychological empowerment.

This study has made several theoretical contributions to ethical leadership research. Specifically, this paper borrows a perspective from psychological empowerment, which encourages and strengthens our understanding of the influence dynamics of ethical leadership on followers' moral perspectives. One of the primary contributions and implications of this study for both researchers and managers is to reinforce the value of ethical leadership.

Furthermore, we have begun to explore what has been referred to as the 'black box' of how ethical leadership influences followers' moral identity by demonstrating that feelings of psychological empowerment mediate the relationship between ethical leadership and followers' identification processes. Though it has been argued that ethical leadership affects followers' moral identity, this is one of the first empirical studies that have examined the underlying processes through which ethical leadership affects follower moral identity, extending research on ethical leadership.

There are several practical implications of this paper. First, by creating a greater sense of psychological empowerment, ethical leaders could have a more positive effect on levels of follower moral identity. To promote greater feelings of psychological empowerment, leaders should clearly articulate a moral vision that inspires followers to take greater moral responsibility for their work at all organizational levels. Moral goal clarification and a clear specification of moral tasks, roles and rewards may also facilitate feelings of empowerment among employees, and then enhance follower moral identity. Understanding employee needs, creating a supportive atmosphere and engaging in confidence-building practices would also likely contribute to greater feeling of psychological empowerment (Conger, 1989; Quinn & Spreitzer, 1997).

It should be noted, nonetheless, that our tested theoretical model is potentially limited by other factors we have not discussed here. For example, personal attributes (e.g., ethnic), personality (big five personality dimensions), values, and referent groups (e.g., peer group influence) are all factors that need to be considered when examining the impact of ethical leadership behavior on follower moral identity. Ford and Richardson (1994) and Loe, Ferrell, and Mansfield (2000) provided comprehensive reviews of the business ethics literature that may be helpful for advancing future theory building and research on ethical leadership. Future studies may wish to examine the impact of some of these factors on the relationship between moral leadership behavior and follower moral identity.

While we have focused on the impact of ethical leadership on individual outcomes (i.e., follower moral identity), future research may also want to investigate the interaction between leaders' ethical behavior and authenticity with respect to group or organizational level outcomes (e.g., financial performance - sales, profitability, etc.) or firm reputation.

To conclude, this study provides researchers investigating ethical leadership, psychological empowerment, and follower moral identity with a preliminary map of how these constructs are related, and of the important challenges and responsibilities that are associated with ethical leadership. To be ethical leaders, leaders must transcend their self-interest and focus on what is good for their group or organization. Ethical leaders value each employee and respect their right to be treated with dignity rather than just as a means to an organizational end. Such leaders involve employees in organizational decision-making to celebrate their right to autonomy. The

ethical leader in any organization listens to stakeholders and is truthful and transparent with them with regard to their moral evaluations. We believe that such an ethical leader will succeed and gain the respect of everyone, while growing such employees into more effective followers and potentially leaders providing a more solid basis for sustainable, veritable organizational performance.

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