Ethical Leader Behaviour and Leader-Member Exchange as Predictors of Subordinate Behaviours

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The role of leader or leadership in management has occupied the attention of both theorists and practitioners alike. Of late, its role has also been considered significant in ethical issues given the exposure of various ethical scandals. Research on ethical leadership, despite its importance, is limited. Part of the problem may lie in the difficulties associated with studying ethical leadership in a field setting. This study, therefore, uses an experimental design to explore the impact of ethical leadership on subordinates’ outcomes (behaviours and perceptions).

This concept of ethical leadership is juxtaposed with exchange-based relationship between the leader and the member (leader-member-exchange or LMX). LMX focuses on one-to-one exchange-based relationship between a leader and a subordinate. However, ethical leadership based on Brown et.al’s (2005) work is conceptualized as the leader’s ethical-moral behaviour in general.

This study explores the relative impact of ethical leader behaviour and LMX on subordinate outcomes which are distinguished in terms of ethics-related (leaders honesty, willingness to report problems, affective trust, and cognitive trust) and work-related (leaders effectiveness, satisfaction with the leader, and extra effort) outcomes. The study makes several contributions to the existing leadership literature. To begin with, and to the best of our knowledge, no research has explored the relative impact of one-on-one relationship with the leader (LMX) and ethical leaders’ behaviour on subordinate outcomes. Second, subordinate outcomes have been conceptualized as belonging to either of the two categories — pragmatic/generic job-related behaviours (outcomes), (e.g., extra effort of the subordinate, effectiveness of the subordinate, and satisfaction with the leader) or idealistic ethics-related outcomes like (leader’s honesty, willingness to report problems, affective trust, idealized behaviour, and idealized attribute). It is argued that theoretically, though LMX is a strong determinant of pragmatic job-related behaviour (outcomes), ethical leadership is more likely to predict idealistic ethics-related outcomes.

The hypotheses are tested through an experimental study. The overall design of the experiment was a 2 (Ethical Leadership: Ethical, Unethical) X 2 (LMX: Low; High) between-participants factorial, employing four versions of scenarios. All the dependent variables were measured through standard scales and they showed high reliability coefficients. ANOVA tests indicated that not only ethics-related behaviours but work-related behaviours of the subordinates too were predicted by ethical leader behaviour which shows the functional significance of ethical leader behaviour. The results are discussed for their theoretical and practical implications while mentioning the limitations of the study.
The role of leader or leadership in management has occupied the attention of both theorists and practitioners alike. Of late, it has also been considered significant in ethical issues given the various ethical scandals that have come out in open (Colvin, 2003; Mehta, 2003; Revell, 2003). Researchers (e.g., Brown, Trevino and Harrison, 2005) have attempted to address this issue by exploring the concept of ethical leadership and its impact on the conduct of employees. However, research on ethical leadership, despite its importance, is limited. Part of the problem may lie in the difficulties associated with studying ethical leadership in a field setting. To overcome it, alternative mechanisms are needed to understand the issues of ethical leadership in the workplace. This study uses an experimental design to explore the impact of leader-member exchange (LMX) and ethical leadership on subordinates’ outcomes (behaviours and perceptions).

The concept of ethical leadership is juxtaposed with exchange-based relationship between the leader and the member while assessing the impact of leadership on subordinates’ perception. Before we proceed, it is important to explicate the two leader-related issues, viz., ethical leadership and LMX, clearly. The LMX theory proposes that leaders form differential relationships with different subordinates in a workgroup (Graen and Cashman, 1975; Liden and Graen, 1980), which result in a differentiated work group. This differentiated work group comprises of subordinates with high and low quality of LMX depending upon the nature of exchanges between the two. Thus, LMX focuses on one-to-one exchange-based relationship between a leader and a subordinate. However, ethical leadership based on Brown, Trevino and Harrison (2005) includes normatively accepted behaviours of the leader, and is expected to be consistent across subordinates. In this sense, our conceptualization of ethical leadership corresponds with the average leadership behaviour theories.

This study, consequently, explores the relative impact of ethical leadership and LMX on subordinates’ outcomes and makes several contributions to the existing leadership literature. Firstly, To the best of our knowledge, no research has explored the relative impact of one-on-one exchange-based relationship (LMX) and ethical leadership on subordinate outcomes. Secondly, we have conceptualized subordinate outcomes as belonging to either of the two categories—pragmatic/generic job-related behaviours (outcomes), (e.g., extra effort of the subordinate, effectiveness of the subordinate, and satisfaction with the leader) or normative (ethics-related) outcomes (e.g., leader’s honesty, willingness to report problems, affective trust, idealized behaviour, and idealized attribute). We argue theoretically that though LMX is a strong determinant of pragmatic job-related behaviour (outcomes), ethical leadership is more likely to predict normative outcomes. Thirdly, we test the proposed hypotheses in the Indian context. It should, however, be noted that we are not advocating that the proposed relationships hold true for the Indian context only and are not likely to be replicated in other countries. Therefore, we discuss the results in general as also in the context of Indian culture.

THEORETICAL BASES AND HYPOTHESES DEVELOPMENT

Conceptualizing Ethical Leadership and LMX

In its earliest conceptualizations, ethical leadership was closely related to charismatic or transformational leadership. According to Burns (1978), transformational leaders inspire followers by aligning their own and their followers’ value systems toward important moral principles. Further, Bass and Avolio (1993) described four dimensions of transformational leadership—inspirational motivation, idealized influence, individualized consideration, and intellectual stimulation. Of these, the idealized influence dimension has been defined as having an ethical component. Idealized influence implies that transformational leaders become “role models for followers to emulate.” Some (e.g., Kelman, 1958) have suggested that the compliance-based influence style associated with transactional leadership behaviour is unethical. Kanungo and Mendonca (1996) noted that “the near destruction of the followers’ self esteem for the benefit of the leader makes the transactional influence process highly offensive to the dignity of people; therefore, it cannot be considered to be an ethical component. Idealized influence implies that transformational leaders become “role models for followers to emulate.” Some (e.g., Kelman, 1958) have suggested that the compliance-based influence style associated with transactional leadership behaviour is unethical. Kanungo and Mendonca (1996) noted that “the near destruction of the followers’ self esteem for the benefit of the leader makes the transactional influence process highly offensive to the dignity of people; therefore, it cannot be considered to be an ethical social influence process.” However, some have suggested that transformational and charismatic leaders can be unethical (Bass, 1985) if they are motivated by selfishness rather than altruism (Bass, 1998; Howell, 1998; Howell and Avolio, 1992), and if they use power inappropriately (House and Aditya, 1997; Mc Clelland, 1975). Scholars now differentiate between socialized (ethical) and personalized (unethical) charismatic leaders (Howell and...
Avolio, 1992) and authentic and pseudo-transformational leaders (Bass and Steidlmeier, 1999), suggesting that transformational (charismatic) and ethical leadership are not necessarily one and the same. On the other hand, some researchers found that ethical leadership is a combination of both transformational and transactional leaders. Trevino, Brown and Hartman (2003) found that ethical leaders use transactional type influence processes such as standard setting, performance appraisal, and rewards and punishments to hold followers accountable for ethical conduct, along with transformational leadership styles. Researchers believe that it is not necessary to have all components common in both transformational and transactional leadership.

Brown, Trevino and Harrison’s (2005) conceptualization of ethical leader has a combination of transactional and transformational styles of leadership. The fact that ethical leadership uses both transactional and transformational elements tends to make ethical leadership a behavioural attribute of the leader. It is not governed or influenced by the individual subordinate’s relationship or interaction with the leader. It is, thus, an average leader behaviour, which is perceived to be the same by all the subordinates working with the leader. Secondly, Brown, Trevino and Harrison (2005) used observational learning (Bandura, 1986) as the basis to develop their conceptualization of ethical leadership. The fact that the leader is expected to behave as a role model, implies that the behaviour is normative and idealistic which corresponds to the prevalent ethical norms. This makes the conceptualization idealistic/normative in nature.

Leader-member exchange (LMX), on the other hand, has been defined as the quality of exchange relationship between the supervisor and each of his or her subordinates (Dienesch and Liden, 1986). The LMX theory contends that leaders develop different quality of work relationships with different subordinates (Graen and Scandura, 1987; Scandura and Graen, 1984). High LMX members enjoy high exchange quality relationships as characterized by liking, loyalty, professional respect, and contributory behaviours (Dienesch and Liden, 1986; Liden and Maslyn, 1998). The exchange relationship is limited to the job and tasks at hand, as Graen and Uhl-Bien (1995) commented: “Development of LMX is based on the characteristics of the working relationship as opposed to a personal or friendship relationship, and this trust, respect, and mutual obligation refer specifically to individual’s assessments of each other in terms of their professional capabilities and behaviour. This is different from the liking-based dimensions of interpersonal attraction and bonding.” Further, the development of varying quality of interaction in a leader-member dyad has been understood in terms of role development (Graen, 1976; Graen and Scandura, 1987). The leader assesses the competencies and motivation of the subordinates through role-making episodes and offers different inducements to high quality subordinates for collaborating on unstructured tasks. How a subordinate defines the role then determines the quality of interaction in a leader-member dyad. Thus, LMX is an exchange-based relationship that is characterized by pragmatic day-to-day interactions with the leader which are focused on getting the job or work done.

LMX, Ethical Leadership and Subordinate Outcomes

Thus, ethical leadership is normative/idealistic and a behavioural attribute of the leader whereas LMX is practical leadership, based on exchanges between a leader and a particular subordinate. Consequently, the two are likely to predict different subordinate-related outcomes differently.

Normative Outcomes

As mentioned earlier, ethical leadership, by definition, has certain ideal/normative aspects to it. We identify some of the subordinate reactions that have moral/normative components and see them as being predicted by ethical leadership.

Perceived leaders’ honesty. If leaders behave in ethical manner, then, it becomes more likely that they will be honest with all subordinates in the organization. Honesty and integrity are seen as important components of a transformational leader’s idealized influence (Avolio, 1999; Bass and Steidlmeier, 1999). Howell and Avolio (1992) found that honesty was only one of the many characteristics that differentiated ethical and unethical charismatic leaders. Consequently, followers of ethical leaders are likely to perceive them as honest.

H1a: Perception of leader’s honesty is predicted by ethical leadership behaviour

Willingness to report problems. Reporting problems can be considered as a whistle-blowing behaviour which is not mandatory on the part of employees but is consid-
ered helpful to the organization. Certain situational givens facilitate whistle-blowing by subordinates in workplace. Research has shown that there is a relationship between ethical judgment and the subsequent decision to blow the whistle; the relationship, however, is impacted by the situation (Finn and Lampe, 1992). Individuals are more likely to report within the organization that has a principle-based environment (Chung, Monroe and Thorne, 2004). An ethical leader is able to create a principle-based environment which facilitates whistle-blowing. Besides, reporting problems carries the risks of negative outcomes such as reprisal, but employees should be more likely to accept such a risk if they have confidence in the ethicality and trustworthiness of the management (Brockner, et al., 1997; Mayer, Davis and Schoorman, 1995). Research has also shown that such supportive behaviour of the leader encourages subordinates to report problems (Graham, 1986). Hence, we propose the following hypothesis:

H1b: Willingness to report problems (whistle blowing) is predicted by ethical leadership

Interpersonal trust (affective and cognitive). Trust enables people to take risks: “Where there is trust, there is the feeling that others will not take advantage of me.” (Porter, Lawler and Hackman, 1975). Interpersonal trust has cognitive and affective foundations (Lewis and Wiegert, 1985). Trust is cognition-based in that “we choose whom we will trust in what respect and under what circumstances, and we base the choice on what we take to be ‘good reasons,’ constituting evidence of trustworthiness.” (Lewis and Wiegert, 1985). The amount of knowledge necessary for trust is somewhere between total knowledge and total ignorance (Simmel, 1964). When people have total knowledge and information, they do not require any from others and there is no scope for trust. In cases of total ignorance, there is little data to base your trust on. Essentially, trust is required in cases of imperfect knowledge. Available knowledge and “good reasons” serve as foundations for trust decisions, the platform from which people make leaps of faith, like those involved in trusting (Luhmann, 1979; Simmel, 1964). Another type of trust has affective foundation, consisting of emotional bonds between individuals (Lewis and Wiegert, 1985). People make emotional investments in trust relationships, express genuine care and concern for the welfare of their partners, believe in the intrinsic virtue of such relationships, and expect that such sentiments are reciprocated (Pennings and Woiceshyn, 1987; Rempel, Holmes and Zanna, 1985). Since trust is somewhere between knowledge and no-knowledge, the credibility of the source becomes very significant. Since ethical leaders develop confidence in the subordinates; they are likely to evoke trust.

H1c: Affective and cognitive trust is predicted by ethical leadership

Idealized influence. Idealized influence was construed as charisma exercised by transformational leader (Bass, 1990). Ethical leaders are seen as those who promote ethical policies and procedures in the organization and stand for what they promise. They provide vision and a sense of mission and instill pride in the subordinates and in return gain their respect (Bass, 1990). Ethical leaders are viewed in an idealized way, and as such, these leaders wield much power and influence over their followers. Ethical leaders thus have the power to influence the subordinates, their emotions (affective) as well as their behaviour (behavioural). Subordinates want to identify with the leaders and their mission. They develop strong feelings about such leaders in whom they invest much trust and confidence. These leaders arouse and inspire others with whom they work with a vision of what can be accomplished through extra-personal effort. In light of this, we propose our next hypothesis:

H1d: Ethical leaders will exercise Idealized influence on the subordinates

Pragmatic Outcomes

As mentioned earlier, LMX is an exchange-based relationship which focuses on give-and-take on the job. While ethics-related outcomes have moral/normative aspects, work-related outcomes have notions of getting the job done, efficiently and effectively..

Leadership effectiveness. Leadership effectiveness refers to a leader’s performance in influencing and guiding the activities of his or her unit toward achievement of its goals (see Judge et al., 2002). According to the path-goal theory of leadership (House, 1971), effective leaders motivate their employees by clarifying the paths by which employees can attain their goals, and increase personal outcomes of employees when these goals have been achieved. Employees who receive these personal outcomes are likely to be the ones who have high quality exchange relationship with their leaders. Leader-
member exchange is characterized by high quality interactions of the subordinate with the leader where the leader provides extensive guidance to the subordinate. Consequently, we propose our next hypothesis:

\[ H2a: \text{Perceived effectiveness of the leader is predicted by LMX} \]

**Satisfaction with the leader.** Satisfaction is the extent to which employees like their work and the degree to which they have a positive affective orientation towards the organization (Vroom, 1964) implying that dissatisfied employees will have a negative affective orientation towards work. Liden and Maslyn (1998) studied two aspects of satisfaction (with work and supervision): both these aspects also related to a feeling of worthwhile experience on the job. When the subordinates have constructive interactions on the job with the leader, they are likely to have a feeling of worthwhile experience. Hence, we hypothesize:

\[ H2b: \text{Satisfaction with the leader is predicted by LMX} \]

**Employees’ extra effort.** According to Mowday, Porter and Steers (1982), commitment is defined as the ‘relative strength of an individual’s identification with and involvement in a particular organization’. In particular, commitment is characterized by three factors: a strong belief in and an acceptance of the organization’s goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership in the organization. Thus, willingness to put in extra effort is a component of employees’ commitment to the organization. In an exchange framework, an employee puts in extra effort when the leader is perceived to put in effort. High LMX subordinates put in extra effort because their leaders contribute to their jobs. Consequently, we propose:

\[ H2c: \text{Employees’ extra effort is predicted by LMX} \]

**METHODOLOGY**

**Participants**

Eighty-one students from different post-graduate programmes of a top engineering institute in India voluntarily participated in the study. Of these, 65 (80.2%) were males and 16 (19.8%) were females. The average age of the participants was 26.29 years with an sd of 4.732.

**Experimental Design and Procedure**

The overall design of the experiment was a 2 (Ethical Leadership: Ethical, Unethical) X 2 (LMX: Low; High) between-participants factorial. We employed four versions of the vignette, each representing a particular experimental treatment, i.e., we crossed two levels of LMX by two levels of ethical leadership. We asked the subjects to read a one-page vignette and then to indicate their reactions and perceptions (see dependent measures). Data were collected in the Spring and Fall of 2007. The experimental materials were administered to the students in classroom-like situations.

**Experimental Manipulations**

Manipulation of experimental variables was done through a one-page vignette consisting of two paragraphs. Vignettes may not reflect the dynamism of supervisor-subordinate relationships as accurately as videotapes or live enactments do. However, vignettes do allow researchers to remove potential confound and extraneous sources of variance that other methods may introduce (Aguinis, Simonsen and Pierce, 1998). Thus, through vignettes, we can manipulate supervisor-subordinate relationships and ethical leadership with greater precision and a high degree of experimental control. In addition, previous researchers have successfully manipulated supervisor-subordinate relationships through vignettes (e.g., Ansari and Kapoor, 1987; Ansari, Tandon, and Lakhtakia, 1987; Fu and Yukl, 2000). In our research, the use of vignettes had several benefits such as standardization of the stimulus materials and the capability to manipulate and compare specific experimental conditions.

Ethical leadership description was based on Brown, Trevino and Harrison’s, (2005) conceptualization of ethical leadership consisting of ten items. The scenario for ethical leader read as follows (phrases in parentheses indicated unethical leadership):

You are working with a leader X. X is a person who can (not) be trusted, (does not make) makes fair and balanced decisions and (does not conduct) conducts personal life in an ethical manner. X defines success not just by result but also by emphasizing on the process (X defines success only in terms of results without any concern for how the results are achieved). X also takes (does not
take) opinion of others before making any decision. X listens (does not listen) to the employees and disciplines (does not discipline) those who violate ethical standards. X sets an example of how to do things the right way in terms of ethics. X has the best interest of employees in mind and discusses business ethics and values with the employees (Doesn’t care about the employees and never talks about business ethics or values with employees).

Since LMX is conceptualized as on-the-job relations, leader-member exchange (LMX: Low—High) vignettes employed the perceived contribution currency based on the recent literature (Bhal and Ansari, 2000; Diensche and Liden, 1986; Liden and Maslyn, 1998). We created high and low LMX scenarios by depicting the quality of leader-member relationship as positive and negative respectively. The scenario for the high LMX read as follows (phrases in parentheses indicated low LMX):

You’ve been working under your present boss X for about two years. You (do not) like your boss and (do not) enjoy working with him. He (does not) provides you with enough (any) clarity on what you are supposed to do and how you are supposed to do it, he contributes to your job both in terms of high quality solutions and enough time (he does not contribute at all to your job either in terms of high quality solutions or enough time). You can (not) count on him to defend you in times of crises and in return, you work for your boss (only to the extent that is specified in your job description) that goes beyond what is specified in your job description.

To check the validity of the scenarios, each scenario was followed by scales on ethical leadership and LMX to check for experimental manipulation. Ethical leadership was assessed through the ten-item scale by Brown, Trevino and Harrison, (2005). The scale included items like ‘conducts his/her personnel life in an ethical manner,’ ‘makes fair and balanced decisions, ‘can be trusted,’ ‘discusses business ethics or values with employees’ which were measured on a five-point scale (where 1 = Strongly disagree and 5 = Strongly agree). Manipulation check for LMX was done through the five items of perceived contribution from the Bhal and Ansari (1996) scale. The items, worded as questions, were as follows:

‘How much responsibility does he take for the jobs that are to be done jointly by you and him?’ ‘How much is his contribution to the quality of solutions on the jobs that are to be done together by you and him?’ ‘How efficient is his contribution on the jobs for which the two of you work together?’ ‘How useful is his effort on the jobs that are to be done together by you and him?’ and ‘How much initiative does he take in solving the problems that are to be done together by you and him?’ The items were assessed on a seven-point scale (where 1 = Not at all, 7 = Very much).

**Dependent Measures**

The ethics-related and work-related outcomes of the subordinates were measured through standard scales. All the items were modified to fit the experimental condition. Their descriptions follow:

**Leader’s honesty.** ELS was given along a five-point response format (1 = Strongly disagree to 5 = Strongly agree). We used two items to measure leader’s honesty (‘does not tell the truth’ and ‘is dishonest,’ both reverse coded) given on the same 1-5 response format.

**Willingness to report problems.** A two-item measure of employees was used to assess the willingness to report problems — “employees in this work group would feel that they can discuss problems with their supervisor without fear of having the comments held against them” and “workers in this work group would be comfortable delivering bad news to their supervisor.” Items were given along a five-point response format (1 = Strongly disagree to 5 = Strongly agree).

**Interpersonal trust (affect and cognitive).** We used McAllister’s (1995) seven-point scale to measure the affect-and cognitive-based trust levels in this study. The scale consisted of 11 items, 6 assessing level of cognition-based trust, and 5 assessing affect-based trust. Respondents indicated, on a scale ranging from 1 (strongly disagree) to 7 (strongly agree), their agreement with various statements about the leader described in the scenario.

**Idealized influence.** We used MLQ (Bass and Avolio, 2004) to measure the idealized influence—behavioural. The scale consisted of 4 items assessing the idealized influence behaviour on a five-point scale ranging from 1 (“not at all”) to 5 (“frequently if not always”).

**ETHICAL LEADER BEHAVIOUR AND LEADER-MEMBER EXCHANGE**
**Leader’s effectiveness.** We used MLQ (Bass and Avolio, 2004) to measure leader’s effectiveness. The scale consisted of 4 items, assessing the leader’s effectiveness on a five-point scale ranging from 1 (“not at all”) to 5 (“frequently if not always”).

**Satisfaction with the leader.** We used MLQ (Bass and Avolio, 2004) to measure employee’s satisfaction. The scale consisted of two items, assessing the employees satisfaction with the leader described in the scenario on a five-point scale ranging from 1 (“not at all”) to 5 (“frequently if not always”).

**Employees’ extra effort.** We used MLQ (Bass and Avolio, 2004) to measure employees’ extra effort. The scale consisted of three items, assessing the employees’ extra effort on a five-point scale ranging from 1 (“not at all”) to 5 (“frequently if not always”).

Table 1 contains the means, sd, reliability, and inter-correlations among study variables. Ethical leadership and LMX were the independent variables manipulated through the scenarios.

Table 1 shows that reliabilities of all the variables range from 0.79 to 0.93 and are acceptable for research purposes (Hair, et. al., 1998).

**RESULTS**

**Check on Experimental Manipulations**

As mentioned earlier, each scenario was followed by a set of ten items on ethical leadership scale (Brown, Trevino and Harris, 2005) and five items of perceived contribution from the LMX scale (Bhal and Ansari, 1996), to check the validity of experimental manipulations. Both the ethical leadership and LMX scales showed high reliability coefficients of 0.98 & 0.97 respectively.

We examined the internal validity of the experimental manipulation by means of a two-way ANOVA. In each analysis, the two experimental variables were treated as independent variables and manipulation check items as dependent variables. The analysis readily indicated that regardless of ethical leadership, the strong main effect of LMX condition was apparent (p > 0.000) for the perceived contribution manipulation check items: LMX [F (1, 77) = 247.767].

Participants in high LMX condition reported a better relationship with the immediate supervisor in terms of perceived contribution (M = 5.46; SD = 0.88) compared to those with low LMX, (M = 2.08; SD = 1.06). The results indicated that the experimental manipulation of LMX was successful.

Next, we tested the effect of ethical leadership. The analysis readily indicated that regardless of LMX, the strong main effect of ethical leadership condition was apparent (p > 0.000) for the ethical leadership manipulation check items [F (1, 77) = 653.544]. Participants in ethical leadership condition reported a higher ethicality of the leader (M = 4.42; SD = 0.479) than those in the unethical leadership condition, (M = 1.4; SD = 0.55). The results indicated that the experimental manipulations of both ethical leadership and LMX were successful thereby providing strong support for the internal validity of this experiment.

**Hypothesis Testing**

We tested our hypotheses by implementing a two-factor multivariate analysis of variance (MANOVA) includ-
ing ethical leadership and LMX (manipulated through the scenarios) as independent variables and leader honesty, willingness to report problems, affective trust, cognitive trust, idealized influence, extra effort, leader effectiveness, and satisfaction with the leader as dependent variables. When appropriate, this MANOVA was followed by univariate ANOVAs. Results from MANOVA indicated an effect for LMX (Wilks’s Lambda = 0.455, $F(8, 61) = 9.147, p < 0.000$), an effect for ethical leadership (Wilks’s Lambda = 0.180, $F(8, 61) = 34.7, p < 0.000$), and an effect for ethical leadership X LMX interaction (Wilks’s Lambda = 0.727, $F(8, 61) = 2.859, p < 0.01$).

Given the statistically significant results from the MANOVA, we proceeded to test our hypotheses by conducting follow-up univariate ANOVAs, including ethical leadership and LMX as independent variables and leader’s honesty, willingness to report problems, affective trust, cognitive trust, leader’s effectiveness, satisfaction with the leader, and extra effort as dependent variables. Table 2 presents means, standard deviation, and F-ratios for each dependent variable as a function of LMX and ethical leadership. It can be seen in the Table that the main effect of ethical leadership attempt was significant for leader’s honesty, reporting problems, affective trust, and cognitive trust. Regardless of the LMX attempt, ethical leadership made a significant difference in these reactions of the subordinates. Thus, our hypotheses 1a to 1d which stated that ethics-related outcomes are predicted more by ethical leadership finds support from the data.

The main effect for LMX was significant for leader’s effectiveness, satisfaction with the leader, and extra effort. Regardless of the ethical leadership attempt, LMX made a significant difference in these dependent variables, thus supporting our hypotheses 2a to 2c. Table 2 shows that respondents in high LMX situation score higher on these outcomes (as compared to those in low LMX situation). Interestingly, perceived effectiveness of the leader and satisfaction with the leader were also predicted by ethical leadership.

Ethical leadership predicted all the dependent variables (except extra effort). Though leader’s effectiveness and satisfaction with the leader are predicted by LMX, the results show that they are predicted by ethical leadership also. Similarly, affective trust (ethics-related outcome) which is predicted by ethical leadership is also predicted by LMX. Interestingly, only affective trust has been predicted both by ethical leadership and LMX; cognitive trust was significantly predicted by ethical leadership only.

Table 2: ANOVA Results: Means and F Values of Dependent Variables of Ethical Leadership and LMX

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Low LMX Ethical Leader</th>
<th>Low LMX Unethical Leader</th>
<th>High LMX Ethical Leader</th>
<th>High LMX Unethical Leader</th>
<th>Total Ethical Leader</th>
<th>Total Unethical Leader</th>
<th>LMX Effect</th>
<th>Ethical Effect</th>
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<tr>
<td>Leaders’ honesty</td>
<td>4.5278</td>
<td>2.1842</td>
<td>3.8571</td>
<td>2.4762</td>
<td>4.192</td>
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<td></td>
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<td>Reporting problems</td>
<td>3.1389</td>
<td>1.9000</td>
<td>3.8182</td>
<td>2.2619</td>
<td>3.478</td>
<td>2.080</td>
<td>5.774</td>
<td>41.612***</td>
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<td></td>
<td>2.519</td>
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<tr>
<td>Affective trust</td>
<td>2.8556</td>
<td>1.7000</td>
<td>3.8000</td>
<td>2.2500</td>
<td>3.327</td>
<td>1.975</td>
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<td>Cognitive trust</td>
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<td>3.9242</td>
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<td>2.337</td>
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<td>Idealized influence</td>
<td>3.618</td>
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<td>3.88</td>
<td>2.05</td>
<td>3.763</td>
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<td>Satisfaction with the leader</td>
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<tr>
<td>Extra effort</td>
<td>2.4118</td>
<td>1.8167</td>
<td>3.8095</td>
<td>3.2632</td>
<td>3.110</td>
<td>2.539</td>
<td>36.094***</td>
<td>5.813</td>
</tr>
<tr>
<td></td>
<td>2.114</td>
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ETHICAL LEADER BEHAVIOUR AND LEADER-MEMBER EXCHANGE
DISCUSSION AND CONCLUSION

Overall, the results of the experimental study support our hypotheses. However, there are some interesting trends that need some discussion. First of all, results show that ethical leadership impacts almost all the subordinate outcomes. This result establishes the supremacy of ethical behaviour of the leader in influencing subordinate outcomes. It seems that the ethical behaviour of the leader has far-reaching effects not only on normative/moral outcomes but also on pragmatic on-the-job behaviours of the subordinates.

We had predicted (through our hypotheses) differential impact of LMX and ethical leadership on different subordinate outcomes. However, our results show that ethical leadership predicts almost all the subordinate outcomes save one—extra effort. Perceived effectiveness and satisfaction with the leader were hypothesized to be predicted by exchange-based relationship; however, our results show that they also get significantly predicted by ethical leader behaviour. This is a result that needs to be understood. Perceived effectiveness is predominantly a cognitive reaction where data is interpreted and logic is used for decision making. The result that ethical leader behaviour is important in predicting perceived effectiveness of the leader points to the fact that subordinates also consider the mechanisms (ethical means) that the leaders use for accomplishing their goals on the job. Thus, the rational cognitive process of evaluating effectiveness considers the ethicality of the leader important. Satisfaction with the leader, however, has a strong affective or emotional content. Our results again show that even the emotional component of satisfaction with the leader takes into account the ethicality of the leader. Results imply that both the cognitive appraisal of the leader as well as the feelings for the leader are influenced not only by on-the-job interactions with the leader but also by the idealized ethical conduct. It seems that only the willingness of the employees to put in extra effort is governed by exchange-based relationship. In an exchange framework, positive exchanges are reciprocated with positive behaviours by the subordinates (Murry, Sivasubramanian and Jacques, 2001). However, for all the other outcomes, ethical leader behaviour is as important (if not more) as LMX.

Another interesting result shows that affective trust for the leader is predicted both by ethical leadership as well as leader-member exchange. Affective foundation develops because of emotional bonds between individuals (Lewis and Wieger, 1985) which form the basis of trust. Such trust involves making emotional investments in relationships, expressing care and concern, and having an intrinsic belief in relationships. Individuals in affective trusting relationship believe that these sentiments are reciprocated (Pennings and Woczesyn, 1987; Rempel, Holmes and Zanna, 1985). This implies that the emotional ties between individuals can provide the basis for trust. Consequently, those having close relationship with the leader on the job are likely to develop feelings of positive affect which might lead to affective trust. Moreover, past research has shown that leaders have high trust on high LMX subordinates (e.g., Sparrowe and Liden, 2005); also, we expected that subordinates would have high cognitive trust in their leaders in an exchange framework. Results, however, do not support this hypothesis. Since LMX is an exchange-based relationship, it is probably perceived as contractual, leaving little scope for it to be related to cognitive trust. More research needs to be done to identify the specific dynamics of LMX and cognitive trust.

Practical Implications

The results of the study have practical relevance too. To begin with, the myth that ethical leader behaviour only impacts idealistic (moralistic) behaviour (reactions) of employees does not find support from the data. The fact that this behaviour has the capacity to influence work-related behaviour of the subordinates shows the functional relevance of ethical leader behaviour. Organizations would do well to recognize this and use it in the identification, appraisal, and development of leaders. Development of such leaders through role modeling and other techniques may help the organization in its overall achievement of goals.

Limitations

The implications of the study must be considered in light of its limitations. One limitation of this study is the use of vignettes to manipulate LMX and goals of the influence attempt. However, as we mentioned in the method section, we do not consider the use of vignettes a severe threat to present conclusions. As part of our manipulation check, the participants indicated that they understood the leader-member relations exactly as described in the vignette. Nevertheless, future researchers should
investigate the replication of the present results via other methodologies such as videotapes (Streeck, 1993), photographs (Fernandez-Dols, Wallbot and Sanches, 1991), or virtual reality package (Pierce and Aguinis, 1997). However, videotapes and live enactments carry their own limitations as they can result in the researchers’ inability to remove potential systematic confounds and extraneous sources of variance. Because of their limitations, videotape and other more realistic methodologies have been criticized (Burgoon, 1991). Nevertheless, we believe that researchers need multiple methodologies to ascertain more confidently the effects of LMX and ethical leadership on subordinate reactions/responses. In the present study, we used one of the several available methods, and we encourage future researchers to use additional procedures.

REFERENCES


Colvin, G (2003). “Corporate Crooks are Not Created Equal,” Fortune, 27, 64.


