

ETHICAL LEADERSHIP: A STUDY OF DIMENSIONS, OUTCOMES AND PREDICTORS

By

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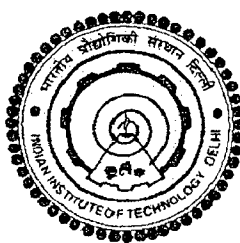
Department of Management Studies

Submitted

In fulfillment of the requirements of the degree of

DOCTOR OF PHILOSOPHY

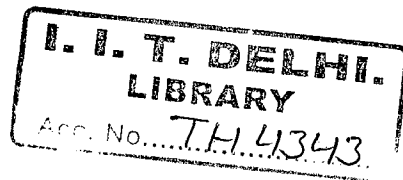
to the



INDIAN INSTITUTE OF TECHNOLOGY, DELHI

MAY 2012

Management ethics; Leadership theory

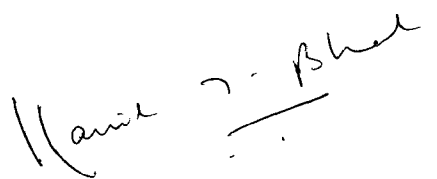


CERTIFICATE

The thesis entitled “**Ethical Leadership: A Study Of Dimensions, Outcomes And Predictors**”, being submitted by **Ms Anubha Dadhich** to the Indian Institute of Technology Delhi, for the award of the degree of **Doctor of Philosophy** (Ph.D.), is record of *bona fide* research work carried out by her. She has worked under my supervision, and has fulfilled the requirements for the submission of this thesis, which has attained the standard required for a Ph.D. degree of the Institute. The results presented in this thesis have not been submitted elsewhere for the award of any degree or diploma.

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ACKNOWLEDGEMENTS

I sincerely acknowledge the guidance of my research supervisor Prof. (Dr) Kanika T. Bhal, Department of Management Studies (DMS), in carrying out this research project which is now culminating in the form of a Doctoral dissertation. I am particularly thankful to her for her personal involvement in my research, valuable time which she spared for me and the flexibility & independence she gave me.

I am indebted to the student research committee, which was assigned the task of supervision formulation and implementation of plan for this research project. My special thanks are due to Prof. Vinayshil Gautam, Prof.Sushil and Prof. Amulya Khurana. I am thankful to Prof. S.K. Jain (Head of the Department, Management Studies Department), Prof. S.S Yadav, Prof.P.K. Jain, Prof. K.C. Iyer and all the faculty members of the, Department of Management Studies for their valuable suggestions and encouragement from time to time. I am also thankful to all faculty members of DMS for their support. I also take the opportunity to express my feelings of gratitude to all my teachers past and present.

A special mention goes to Shri S.D. Dadhich (Scienist “G”, DEITY) and Dr.Omkar Rai (Development Commissioner, SEZ –IT/ ITES) for their immense support and guidance in making this research work possible.

I will be failing in my duty if I do not put my earnest feelings of thankfulness to the executives of the various software organizations, covered in the present study, who spared time from their busy schedule and agreed to share the needed information to bring the research in the present form.

My special thanks are extended to my fellow research scholars Alok Dixit, K.K.Tripathi, Anandan and John Thomas for their help and support from time to time.

I also appreciate the help and cooperation extended to me by the office staff of DMS.

Last but not the least, I would like to express my gratitude to my family members for their encouragement, support and blessings at all times. My parents (Late.Mr. K. D. Dadhich & Mrs. Kiran Dadhich), my in-laws (Mr.P.M.Sharma & Pushpa Sharma). My husband Satvik and my little angel Chitvan deserve a special mention here for their loving support, cooperation, adjustments, tolerance and for sharing my anxieties in trying times.

This thesis is dedicated to my father late. Mr. K. D. Dadhich.

May 2012

New Delhi



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ABSTRACT

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 various ethical scandals that have come out in open (Colvin, 2003; Mehta, 2003; Revell, 2003). According to KPMG fraud report, ineffective control system and diminishing ethical values are key contributors to the rise in incidence of fraud (KPMG, 2010).

Researchers (e.g., Sengupta, 2010) have studied the impact of spiritual self-on job related outcomes, such as satisfaction, effectiveness and success in career as a manager.

Traditionally, ethical leadership has been closely linked with charismatic or transformational leadership. According to Burns (1978), transforming leaders provide inspiration by helping the followers' align their value system with their own moral principles. Further, Bass and Avolio (1993) described four dimensions of transformational leadership- inspirational motivation, idealized influence, individualized consideration, and intellectual stimulation. Of these, idealized influence dimension has been defined as having an ethical component. Idealized influence implies that transformational leaders become "role models for the followers to emulate" (Avolio, 1999, p. 43).

We are governed by Brown et al.,'s (2005) conceptualization of ethical leader, who has a combination of transactional and transformational styles of leadership. Brown et al., (2005) have used observational learning (Bandura, 1986) as the bases to develop their conceptualization of ethical leadership. The fact that the leader is expected to behave as a role model, implies that the behavior is normative and idealistic, which corresponds to the prevalent ethical norms. It makes the conceptualization, idealistic/normative in nature. This

also implies that it is not enough for a leader to be ethical as a person; he/she has to ensure that followers too, are ethical. Thus, we treat ethical leadership as consisting of two dimensions--ethical person and ethical manager.

From a functional perspective, ethical leadership could be considered useful, if it is able to predict outcomes (employees' attitudes and behavior), at least as well as (if not better than) existing leadership conceptualization. For this purpose, we used leader-member exchange (LMX) theory as a competing theory of leadership for predicting employee outcomes.

According to LMX, a leader develops differential relationship with different subordinates. Thus, subordinates have different quality of exchange relationship with their leader. Leaders' form low/high quality exchange relationships for fulfilling contractual obligations. Since LMX is shown to predict a range of employee outcomes, it may be useful to study LMX along with ethical leadership as predictor of subordinate outcomes. This would help us in assessing the relative strength of the two in predicting outcomes.

Some of the outcomes taken in this research (through 3 studies) are leaders' honesty, affective and cognitive trust, idealized influence, perceived effectiveness, extra effort, interactional justice, whistle blowing, commitment and organizational citizenship behavior, satisfaction with the leader and job satisfaction.

Since ethical leadership has ethical person and ethical manager dimensions, two personality variables (locus of control and Machiavellianism), and one situational factor (organizational codes) are taken as antecedents of ethical leadership.

Research Objectives

The present research studies the concept of ethical leadership, both from normative and functional perspectives. The present research has the following three broad objectives:

- 1) To study the relative impact of leader-member exchange (LMX), and ethical leadership (EL) on employees attitudes and behavior.
- 2) To study the predictors of ethical person and ethical manager dimensions of ethical leadership.
- 3) To study the consequences of ethical person and ethical manager dimensions of ethical leadership.

These objectives were achieved through three studies. The first two studies were experimental and the third one was survey based. A brief description of the studies follows:

The first experimental study examined, in a 2 X 2 between-participants factorial design, the effects of leader-member exchange and ethical leader behavior on different ethics related (leaders honesty, willingness to report problems, affective trust and cognitive trust, idealized influence-behavioral), and work related (leaders effectiveness, satisfaction with the leader and extra effort) outcomes. Whereas, the first focus on accomplishment of the task and meeting the job requirements, the second set is more idealistic in nature. Eighty-one students from different post graduate programs of a top engineering institute in India voluntarily participated in the study. The analysis indicated that not only ethics related behaviors, but work related behaviors of the subordinates too were predicted by ethical leader behavior, which shows the functional significance of ethical leader behavior.

The second experimental study explores the impact of ethical leadership and leader-member exchange (LMX) on whistle blowing. Additionally, the study also explores the moderating role of the moral intensity [studied as magnitude of consequences (MOC)] of the issue on this relationship. The study report results of three experimental studies conducted on the post graduate students of a premier technology institute in India. Ethical leadership, LMX, and moral intensity are manipulated through scenarios. Study one (n = 81) manipulates ethical leadership (ethical/unethical) and quality of LMX (low and high) as independent variables; study two (n = 80) manipulates ethical leadership and moral intensity (high and low MOC), and study three (n = 87) manipulates LMX and MOCs to assess their individual and joint effects on whistle blowing. Results show that not only do ethical leadership and LMX predict whistle blowing, but these relationships get moderated by the moral intensity of the issue as well.

The third study was an organization based survey aimed to assess the predictors and outcomes of ethical person and ethical manager. Locus of control and Machiavellianism were taken as personality variables, whereas organizational codes were taken as organizational variables as predictors of two dimensions of ethical leadership-ethical person and ethical manager. Outcomes of ethical person were assessed as interactional justice, commitment, satisfaction with leader, job satisfaction and whistle blowing. Whereas, outcomes of ethical manager were assessed as commitment, job satisfaction, whistle blowing and organizational citizenship behavior. The results indicate that personality factor of LoC predicts the ethicality of a person, internals are more ethical. Much in line with the hypotheses, organizational codes (positively) and organizational MACH (negatively), predicts the ethical manager aspect of ethical leadership. This implies that for the manifestation of ethical manager,

organizational variables are important. So far as the consequences are concerned, results showed that ethical person dimension of ethical leadership predicted several outcomes like interactional justice, satisfaction with the leader and whistle blowing establishing the superiority of ethical person in predicting employees' perception.

The results of the study have practical relevance too. Development of ethical leaders through role modeling and other techniques may help the organization in its overall achievement of goals. The conceptualization of ethical leader behavior may also be used to develop and enhance ethical behavior of leaders in an organization. The training component becomes significant considering the fact that ethical/moral person needs to show additional behaviors to be an ethical leader, which may be taught through planned development programs.

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