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Ethical Leadership: A Multifoci Social Exchange Perspective

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In this conceptual paper, I advocate a multifoci social exchange perspective on ethical leadership for the first time. I propose that social exchange relationships form between ethical leaders at organizational and supervisory levels and that these relationships, especially under certain circumstances (person and contextual factors), impact a broad range of important subordinate attitudinal and behavioral outcomes, including many that are unrelated to ethics but highly beneficial for organizations. Summarizing these propositions into a single conceptual model, I present a comprehensive multifoci social exchange model of ethical leadership and briefly discuss the theoretical and potential practical implications of this model.

Keywords: Ethical Leadership, Social Exchange, Leader-Member Exchange, Job Attitudes, and Performance

JEL Classification: D23

I. Introduction

Management research has closely examined the role that leaders at all organizational levels play in influencing subordinate conduct related to the achievement of key organizational goals (House and Javidan, 2004; Yukl, 2006). And, given a corporate world increasingly characterized by scandal and bankruptcy (often resulting in cataclysmic consequences for the organizations involved), one leadership construct in particular that has gained the attention of researchers and practitioners is *ethical leadership*. Ethical leadership is defined in the management literature as the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making (see Brown, Trevino, and Harrison, 2005). Ethical leaders are good role-models- they are honest and principled leaders who seek to do the right thing and who conduct their personal lives in an ethical manner. They tend to make fair and balanced decisions and to approach work from a 'means' rather than just an 'ends' perspective (see Brown and Trevino, 2006). They set, communicate, and enforce clear ethical standards among those they lead, and are supportive and caring leaders that listen to, and are trusted by, their subordinates (Brown and Trevino, 2006).

Ethical leaders tend to be good role models that motivate subordinates to follow their example (Brown and Trevino, 2006). Initial empirical work on ethical leadership has confirmed direct links between supervisor and top-management ethical leadership and several ethics-related and non-ethics-related subordinate outcomes, including the observation of ethical conduct, deviance behavior, role conflict, and ethical reporting and pro-social behaviors (Mayer, Trevino, Schminke, Shapiro, and Harned, in press, and Mayer, Greenbaum, Aquino, and Kuenzi, in press;

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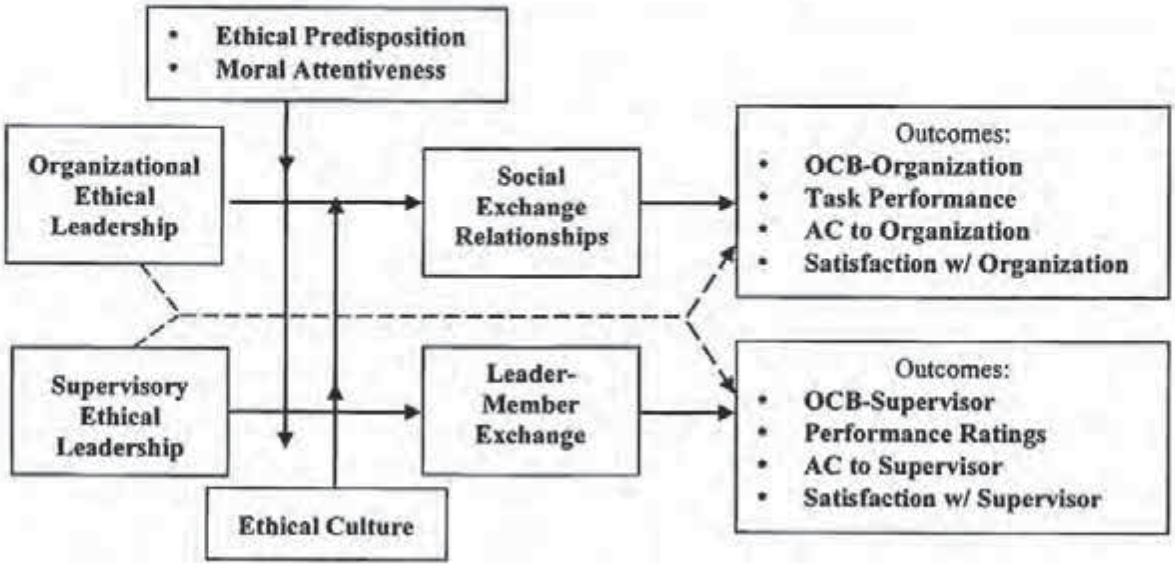
Mayer et al., 2009.) All of these outcomes represent intuitive consequences of ethical leadership. However, ethical leadership scholars (Brown and Trevino, 2006; Brown, Trevino, and Harrison, 2005; Mayer et al., in press) suggest that another, though perhaps less obvious, side to ethical leadership exists, constituting the outcomes of ethical leadership that result by way of the *social exchange relationships* ethical leaders form with their subordinates. These relationship-derived outcomes of ethical leadership have never before been studied in the context of ethical leadership, yet exchange relationships have been shown in other contexts to be powerful predictors of subordinate behaviors (Bauer and Green, 1996; Gerstner and Day, 1997; Shore, Tetrick, and Lynch, 2006). Extant research has been limited to the examination of primarily direct and ethics-related outcomes of ethical leadership theoretically resulting from role-modeling processes—it has not considered the theoretically wider-ranging outcomes of ethical leadership that might result indirectly by way of social exchange mediator variables (Brown and Trevino, 2006). Such a perspective would also be in line with previous theorizing regarding trust-based approaches to understanding leader-subordinate exchange relationship development (see Whitener, Brodt, Korsgaard, and Werner, 1998), and would potentially shed light about the little-understood network of social exchange antecedents (see Gerstner and Day, 1997). The first purpose of this conceptual paper is therefore to consider these potential relationship mediators and their outcomes (including social exchange relationships, trust in leadership, and perceived support), at both the group and organization level, with the goal of shedding light on *how* ethical leadership functions.

As noted by multiple theorists (see Brown and Trevino, 2006; Mayer et al., 2009), research that allows for the identification of special circumstances or boundary conditions that designate *when* ethical leaders are more or less effective is also needed. In addition to aiding our understanding with regard to when ethical leaders are likely to be more or less effective, such research would also respond to numerous calls to examine the minimally understood process of exchange relationship development in general (see Bauer and Green; 1996; Dienesch and Liden, 1986; Gerstner and Day, 1997). In response to these gaps in the management literature, the second purpose of this paper is therefore to propose some specific contextual factors and subordinate individual difference factors as potential moderators of the relationship formation process between ethical leaders and their subordinates.

Figure 1: Summary Model



II. Ethical Leadership and Social Exchange

To-date, theorists have suggested that several theories may be useful in seeking to understand how ethical leaders influence their subordinates' attitudes and behaviors. Learning theories such as social learning theory (Bandura, 1977, 1986) and social information processing theory (Salancik and Pfeffer, 1978), suggest that subordinates learn acceptable behavior via their role models (Brown and Mitchell, 2010; Salancik and Pfeffer, 1978) and that they emulate credible role models (Bandurra, 1977, 1986). Most empirical research on ethical leadership to date has relied on one or both of these learning theories (Brown and Mitchell, 2010), to identify several direct and intuitive outcomes of ethical leadership (i.e. observation of ethical conduct, deviance behavior, role conflict, and ethical reporting and pro-social behaviors—see Mayer, Trevino, Schminke, Shapiro, and Harned, in press, and Mayer, Greenbaum, Aquino, and Kuenzi, in press; Mayer et al., 2009). In this paper, I consider some of the social-learning theory-based direct outcomes of ethical leadership that have been proposed by theorists (see Brown and Trevino, 2006 subordinate citizenship behaviors, satisfaction, commitment, and performance).

In addition to learning theories, however, theorists have also proposed that social exchange theory (Blau, 1964) is likely capable of providing insight regarding how ethical leaders influence organizational outcomes. Social exchange theory suggests that employees reciprocate leaders' behavior towards them with their own matched behaviors on a pro quo (mutual reciprocity) basis as part of a social exchange relationship development process (Brown and Mitchell, 2010; Blau, 1964). Social exchange relationships between leaders and their subordinates develop from interactions between these parties and are motivated by the mutual benefits derived from the exchanges (Brown and Trevino, 2006; Blau, 1964). Early on in leader-subordinate relationships, basic economic exchanges characterized by low trust and somewhat tight control over obligations are common, but over time, and as a result of positive experiences resulting from mutual risk-taking (Mayer et al., 1995; Brower, Schoorman, and Tan, 2000), social exchange relationships can eventually develop, characterized by high levels of trust, lower levels of control, and long-term obligations.

Social exchange relationships are highly pertinent to discussions of ethical leadership, since social exchanges require a significant amount of trust on the part of exchanging parties, and because ethical leaders, almost by definition, are trusted (Brown and Trevino, 2006; Brown et al., 2005; Mayer et al., 2009). Within social exchange and LMX literatures, the processes that occur between leaders and subordinates are known to be processes characterized by, if not primarily governed by, the degree of trust the leader has in the subordinate (Dansereau, Graen, and Haga, 1975; Bauer and Green, 1996; Whitener, Brodt, Korsgaard, and Werner, 1998). In fact, from it's inception, high quality LMX (the relationship between subordinate and direct supervisor- discussed more thoroughly in the next section of this paper) was thought to be characterized by mutual trust and support between leader and subordinate (Liden and Graen, 1980) and research continues to focus on trust-related aspects of LMX (i.e. Scandura and Pellegrini, 2008). Similarly, social exchange research, which has focused primarily on the relationship between employee and company (rather than supervisor), has frequently discussed trust as a proxy or indicator of social exchange (see Aryee, Budhwar, and Zhen, 2002; Colquitt, Scott, and LePine, 2007).

Trust-based LMX and social exchange research has served as a precursor to the more recent "relational leadership theory" (Brower, Schoorman, and Tan, 2000) approach, which maintains that social exchange relationships best develop when both parties to the relationship

feel that the other is worthy of his or her ongoing and expanding trust (Brower et al., 2000; Dirks and Ferrin, 2001) as measured by mutual perceptions of each others' benevolence, integrity, and ability (Mayer, Schoorman, and Davis, 1995; Brower et al., 2000). As such, subordinates who perceive their leader to be a strong *ethical* leader will be more likely to perceive this leader to be a trustworthy leader and therefore be more likely to continue in the exchange relationship development process with that leader. In other words, given that ethical leaders, by definition, are honest and principled leaders who seek to do the right thing and hold fast to high moral standards, it is likely that a subordinate who perceives his or her leader to be a strong ethical leader will also perceive this leader to be trustworthy; and this perception of trustworthiness, according to relational leadership theory, will act as a catalyst to the development of strong social exchange relationships between leaders and subordinates (Brower et al., 2000).

Empirical research has demonstrated that strong social exchange relationships between leaders and their subordinates result in numerous positive subordinate attitudinal and behavioral outcomes (i.e. Shore et al., 2006). For example, research has shown that high levels of affective commitment (AC) (which refers to the emotional connection employees feel with their organization) are associated with strong social exchange relationships and that when employees believe their employer is signifying a social exchange relationship with them, they are more likely to feel content or satisfied with their organization (see Rhoades and Eisenberger, 2002) and to engage in behavior that is in line with organizational goals (Shore et al., 2006; Eisenberger et al., 1990; Eisenberger et al., 1986; Wayne et al., 1997). Research suggests that these relation-ships exist because both in-role task performance and extra-role citizenship behaviors comprise meaningful ways for employees to 'give back' to their organization, and, when employees feel part of a strong relationship with their organization, they are more likely to feel satisfied with their organization and to want to help the organization with its goals (Shore et al., 2006; Eisenberger et al., 1990; Shore andWayne, 1993; Wayne, Shore, Bommer, and Tetrick, 2002; Wayne et al., 1997).

It is apparent that ethical leadership can lead to social exchange relationship development and empirical research has already established that such relationships tend to lead to subordinate affective commitment, satisfaction, and performance. However, and as discussed earlier, ethical leadership theorists have also generally hypothesized a direct and positive relationship between ethical leadership and several subordinate attitudes and behaviors including subordinate citizenship behaviors, satisfaction, commitment, and performance. Consequently, existing theory on ethical leadership suggests that subordinate attitudes and behavior will be influenced in two ways—1) directly through role modeling and 2) indirectly through social exchange relationships.

In order to effectively examine both indirect and direct effects of ethical leadership, I put forward a partial mediation model and first suggest *direct* relationships between ethical leadership and subordinate attitudinal and behavioral outcomes. Then, I suggest *indirect* relationships between ethical leadership and these outcomes as they operate through the mechanism of social exchange relationships. In making these propositions, I first focus specifically on organizational ethical leadership (ethical leaders emanating from the organization's top management) and suggest that, in line with prior multi-level/multi-loci research (see Liao and Rupp; Masterson et al., 2000; Mayer et al., in press; Mayer et al., 2008), ethical leadership at the organization or top-management level, will result in subordinate attitudes and behaviors pertaining to and/or directed at the organization as a whole. I specifically propose as follows:

Proposition 1a: Organizational ethical leadership is positively related to employee affective commitment to the organization, employee citizenship behaviors directed at the organization, employee satisfaction with the organization, employee task performance.
Proposition 1b: Social exchange relationships will partially mediate the relationship between organizational ethical leadership and employee affective commitment to the organization, employee citizenship behaviors directed at the organization, employee satisfaction with the organization, and employee task performance.

III. Ethical Leadership and Leader-Member Exchange (LMX)

As noted by Lavelle, Rupp, and Brockner (2007), an emerging trend within the social exchange literature is the idea that employees are able to discern the difference between organizational, supervisory, and coworker influences, therefore directing distinct attitudes and behaviors toward each. In other words, subordinates can simultaneously have separate and simultaneous social exchange relationships with the organization overall (i.e. top management/CEO) and with specific individuals within the organization (e.g., supervisors and coworkers) and therefore have completely different sets attitudes and behaviors directed towards each (see Lavelle et al., 2007; Cropanzano and Mitchell, 2005; Masterson, Lewis, Goldman, and Taylor, 2000; Wayne, Shore, and Liden, 1997). As such, ethical leadership at all organizational levels theoretically impacts employee behavioral and attitudinal outcomes (Brown et al., 2005). Therefore, in addition to examining ethical leadership emanating from the organizational level and the social exchange relationships employees have with their organizations, another purpose of this paper is to consider subordinate attitudinal and behavioral outcomes of supervisor-level ethical leadership and the relationships (called leader-member exchange or "LMX" relationships) between supervisors and their subordinates.

Leader-member exchange or "LMX" theory (originating with vertical-dyad-linkage (VDL) theory—see Dansereau, Graen, and Haga, 1975) pertains to the leadership of a group (Yukl, 2006; Shore et al., 2006) and "LMX" refers to the quality of the relationship between a supervisor and each of his or her subordinates individually. LMX relationships are based on mutual trust, liking, loyalty and respect (Bauer and Green, 1996). Although considered a 'leadership' theory, LMX theory differs from most leadership theories because of its relationship-based perspective. As such, many researchers go so far as to consider LMX a "social exchange" construct because its theoretical intent is to measure the quality of a dyadic exchange relationship between a supervisor and a subordinate (Blau, 1964; Bernerth, Armenakis, Field, Giles, and Walker, 2007; Dansereau, Graen, and Haga, 1975; Graen and Scandura, 1987).

LMX relationships theoretically develop and operate in nearly the same way that social exchange relationships do, such that successful LMX relationships develop first from basic economic exchanges characterized by little trust, to advanced social exchange relationships characterized by trust (Gerstner and Day, 1997). Therefore, for purposes of the model presented in this paper, LMX is considered to be a social exchange relationship between supervisor and subordinate parallel to the relationship that exists between organizations and employees as discussed in the previous section, except that the relationship referent for LMX is the supervisor rather than the overall organization or organizational leadership.

As established previously by reference to relational leadership theory (Brower et al., 2000), strong ethical leaders are likely to develop social exchange relationships between leaders and subordinates because strong ethical leaders exemplify the requisite trustworthiness in the eyes of

their subordinates. This results in trust and risk-taking by both supervisor and subordinate, and acts as a catalyst for the social exchange relationship development process (Brown and Trevino, 2006; Brown et al., 2005). As such, high quality LMX is characterized by mutual trust and support between leader and subordinate (Liden and Graen, 1980). Therefore, as it is with organizational ethical leadership, whereas ethical leaders continually depict trustworthiness and adherence to high moral and ethical standards, supervisory ethical leadership is likely to be positively related to LMX.

LMX has already been meta-analytically linked to numerous subordinate outcomes (Gerstner and Day, 1997). For example, LMX is negatively related to subordinate turnover (Graen, Liden, and Hoel, 1982), and positively related to leader delegation (Bauer and Green, 1996) and subordinate satisfaction (Scandura and Graen, 1984), promotion (Wakabayashi, Graen, Graen, and Graen, 1988), performance and performance ratings by the leader/supervisor (Graen et al., 1982; Liden and Graen, 1980; Scandura and Graen, 1984; Bauer and Green, 1996)), and citizenship behaviors (Wayne and Green. 1993). For purposes of the model presented in this paper and based upon known outcomes of LMX per meta-analytic research (Gerstner and Day, 1997), I suggest four LMX outcomes: performance ratings, satisfaction with supervisor, citizenship behaviors directed towards the supervisor, and supervisory commitment (see Gerstner and Day, 1997; Bauer and Green, 1996). [It is important to note that these proposed outcomes parallel those of the social exchange relationship outcomes proposed in the prior section, with two main exceptions: First, I suggest performance ratings as an outcome of LMX rather than actual performance since supervisor-subordinate relationships have been more convincingly linked to these subjective ratings (Gerstner and Day, 1997 and especially Wayne et al., 1997). Second, I propose commitment and citizenship behaviors directed to the supervisor rather than to the organization in a multifoci manner (see Wayne et al., 1997; Liao and Rupp, 2005).]

As discussed earlier, theorists have previously suggested, in an omnibus fashion, that subordinates directly respond to ethical leaders with positive and productive attitudes and behaviors (including commitment, satisfaction, citizenship behaviors, performance etc.) because such leaders are considered attractive and credible role models (Bandura, 1977, 1986; Brown and Trevino, 2006; Trevino, 1986). However, parallel to how ethical leadership functions at the organizational level, ethical leaders also develop exchange relationships with subordinates and influence them by way of these relationships—indirectly. Therefore, as with the organizational level, pertaining to the group or supervisory level, I suggest that ethical supervisors will positively influence subordinate attitudinal and behavioral outcomes both directly and indirectly by proposing both direct and indirect effects by extending Brown and Trevino's (2006) prediction that social exchange relationships (LMX relationships in this case) will partially mediate the relationship between ethical leadership and the above-discussed supervisor-directed subordinate attitudinal and behavioral outcomes:

Proposition 2a: Supervisory ethical leadership is positively related to subordinate affective commitment to the supervisor, citizenship behaviors directed at the supervisor, subordinate satisfaction with supervision, and subordinate task performance.

Proposition 2b: Leader-member exchange relationships will partially mediate the relationship between supervisory ethical leadership and subordinate supervisor-directed affective commitment, subordinate citizenship behaviors directed at the supervisor, subordinate satisfaction with supervision, and supervisor ratings of subordinate performance.

IV. Social Exchange Relationship Development

In order to examine when ethical leadership is more or less likely to be effective, it is necessary to consider the circumstances under which social exchange relationships are more or less likely to form. These 'circumstances' consist of both person (i.e. disposition) and situation (i.e. culture) factors. Although many potential moderators likely exist, for purposes of the model presented in this paper, I suggest that the following three variables will moderate the social exchange relationship development process as it pertains to ethical leaders and their subordinates: *moral attentiveness* (individual difference), *ethical predisposition* (individual difference), and *culture/sub-culture*).

Beyond knowing that individual competence is important, little is known about how or why exchange relationships develop in some situations and not in others (see Gerstner and Day, 1997). Some researchers have suggested that antecedents to and moderators of exchange relationship development processes (called 'propensity to relate' variables in relational leadership theory—see Brower et al., 2000) might include such constructs as attitudes, stressors, positive affectivity, capability, demographic similarity, liking, value congruence, influence tactics, personality, and contextual characteristics like culture/climate (Day and Crain, 1992; Dienesch and Liden, 1986; Duchon, Green, and Taber, 1986; Gerstner and Day, 1997; House and Aditya, 1997). However, only a few of these (personality, stressors, competence, relational demography, liking, and values congruence) have been examined empirically, and most of this research has focused on competence or capability (Gerstner and Day, 1997). In addition, given a historical lack of exchange measures with an organization-level referent (see Shore et al., 2006) nearly all extant research has focused specifically on LMX rather than on social exchange relationships in general, and, most studies have produced mixed results (i.e. Bauer and Green, 1996; Green, Anderson, and Shivers, 1996; Liden, Wayne, and Stilwell, 1993). For purposes of this paper, therefore, I use trust and relational leadership theories, along with the perspectives discussed thus far, to propose specific contextual and individual difference (person) factors as moderators of the exchange relationship development process with the goal of identifying when ethical leadership is most likely to impact both LMX and social exchange relationship development.

A. Person Factors as Moderators

As mentioned earlier, relational leadership theory, rooted in trust and social exchange (LMX) theories (Mayer et al., 1995; Blau, 1964; Shore et al., 2006; Brower et al., 2000), emphasizes the importance of mutual and continual trustworthiness perceptions in the relationship development process between leaders and subordinates (Brower, Schoorman, and Tan, 2000). Relational leadership theory uses the most prominent and meta-analytically-supported (Colquitt et al., 2007) definition of trustworthiness in the management literature which defines trustworthiness as the trustee's perception of the trustor's integrity, benevolence, and ability (Mayer et al., 1995), where benevolence is defined as the extent to which a trustee is believed to want to do good for the trustor; integrity is defined as the extent to which a trustee is believed to adhere to sound principles; and, ability is defined as the group of skills, competencies, and characteristics that enable a party to have influence.

Given the centrality of trustworthiness perceptions to the relationship development process between leader and subordinate according to relational leadership theory, any consideration of

individual differences as potential moderators of the relationship development process must be characterized by the logical linkages that exist between those individual differences and the three, above-defined components of trustworthiness (integrity, benevolence, and ability). Although many individual difference variables could be proposed (i.e. those pertaining to ethics and ethical behavior), below I specifically propose two examples that are likely to moderate the exchange relationship development process between ethical leaders and their subordinates: 1) moral attentiveness, and 2) ethical predisposition.

A.1. Moral Attentiveness

As an individual difference, moral attentiveness is defined in the literature as the extent to which an individual chronically perceives and considers morality and moral elements in his or her experiences (Reynolds, 2008). Moral attentiveness therefore captures the idea that individuals differ in the degree to which they are alert to information pertaining to the moral domain. Research has established that some people are more morally attentive than others or more likely than others to consider the moral or ethical aspects of the situations they find themselves in (Reynolds, 2008).

By definition, ethical leaders engage in behaviors visible to and communicate with their subordinates (Brown, Trevino, and Harrison, 2005). However, even strong ethical leaders aren't solely engaged in activities and communications related to ethics and ethical behavior. Subordinates are presented with a mixture of influences from these leaders—some of which pertain to ethics and some of which do not. As such, different subordinates may, as a result, tend to 'hear' or notice certain things while 'screening out' other things, and, an employee, for example, who is predisposed to moral attentiveness, or who chronically perceives and considers morality and moral elements in his or her experiences will likely pay close attention to the words, actions, and character traits of his or her leader that pertain to this domain.

Therefore, I suggest that subordinate moral attentiveness will moderate the relationship development process between ethical leaders and subordinates. Specifically, I suggest that employees who are high on moral attentiveness will be likely to trust ethical leaders because of the increased likelihood that these employees will notice that their leader is ethical or has good integrity, and hence, is trustworthy. I suggest that, based on relational leadership theory as discussed above, from this increased employee perception of trustworthiness there will come an increased likelihood that a trusting exchange relationship will form between the leader and the subordinate (Brown and Trevino, 2006; Brown et al., 2005). Consequently, and from a multi-level perspective consistent with earlier propositions, I specifically propose as follows:

Proposition 3a: Subordinate moral attentiveness will moderate the relationship between organizational ethical leadership and the development of social exchange relationships between organizational leaders and subordinates such that the relationship between organizational ethical leadership and social exchange relationships will be stronger when subordinates are high on moral attentiveness.

Proposition 3b: Subordinate moral attentiveness will moderate the relationship between supervisory ethical leadership and the development of LMX relationships between supervisors and subordinates such that the relationship between supervisory ethical leadership and LMX relationships will be stronger when subordinates are high on moral attentiveness.

A.2. Ethical Predisposition

Ethical predisposition refers to the cognitive frameworks individuals use for making decisions that involve moral issues (Brady and Wheeler, 1996). Strong ethically pre-disposed 'formalists' tend to make decisions based on sets of rules or standards while strong ethically predisposed 'utilitarians' tend to make decisions based on perceived potential outcomes (Brady and Wheeler, 1996). Though somewhat simplistic, the formalist/utilitarian classification has proven quite useful in the study of ethical decision making (Kohlberg, 1984; Reynolds, 2006). For example, prior empirical research has demonstrated that formalists are sensitive to issues of procedural justice while utilitarians are sensitive to distributive justice (Schminke, 1997) and that strong formalists demonstrate greater capacity for moral awareness (the ability to detect issues that involve moral or ethical issues) than weak formalists (Reynolds, 2006).

By definition (see Brown et al. 2005), ethical leaders: 1) define success not just by results but also by the way that they are obtained, 2) when making decisions, ask 'what is the right thing to do?', 3) set an example of how to do things the right way in terms of ethics, and 4) discipline employees who violate ethical standards. I suggest that *all* of these ethical leader activities or behaviors are notably biased towards a formalist or rule-based orientation based on the definitions provided in the preceding paragraph. That is, formalist subordinates (who make decisions from a rule-based perspective) are likely to view an ethical leader as someone who makes decisions correctly, given such a leader's tendency, like the ethical formalist, to use principles and standards in making decisions. Therefore, since I suggest that ethical leaders are more likely to be perceived as trustworthy in the eyes of the strong formalist subordinate, and, according to relational leadership theory, such trustworthiness perceptions are key for the development of exchange relationships, I suggest that the subordinate individual difference of ethical predisposition will moderate the relationship between subordinate ethical leadership and social exchange relationship development as follows:

> *Proposition 4a: Subordinate ethical predisposition will moderate the relationship between organizational ethical leadership and the development of social exchange relationships between organizational leaders and subordinates such that the relationship between organizational ethical leadership and social exchange relationship quality will be stronger when subordinates are strong ethical formalists.*
>
> *Proposition 4b: Subordinate ethical predisposition will moderate the relationship between supervisory ethical leadership and the development of LMX relationships between supervisors and subordinates such that the relationship between supervisory ethical leadership and LMX relationship quality will be stronger when are strong ethical formalists.*

B. Contextual Factors as Moderators

The preceding discussions centered on a few (of many potential) 'person' factors as conditions that potentially impact the development of social exchange relationships between ethical leaders and their subordinates. In this section, I discuss a single (of many potential) 'contextual' or situational factor that may also play a role—culture. In general, culture can be defined as the values and norms shared by members of a group (Schein, 1990). An organization's ethical culture is defined as those aspects of organization or group's culture that stimulate ethical conduct (Trevino and Weaver, 2003). These values and norms define acceptable modes of behavior

(Schein, 1990) and researchers have demonstrated that they impact both employee ethical behavior (Aquino, 1998; Nwachukwu and Vittell, 1997) as well as employee behavior that is indirectly related to ethics, such as organizational commitment (Trevino, Butterfield, and McCabe, 1998; Cullen and Victor, 1993).

The empirical examination of culture usually requires that a number of organizational cultures be compared for differences. As such, either several separate and distinct organizations can be examined, or, alternatively, a large organization that is comprised of several distinct and separate sub-entities can be examined, thereby allowing for the comparing of sub-cultures within that organization. For purposes of this conceptual paper, I suggest that, in general, culture will moderate the relationship between ethical leadership and social exchange relationships (at the organization and group levels) because of how culture functions in this context—independent of whether the culture referred to is an overall organizational culture or a distinct sub-culture within an organization.

First, since culture is often conceptualized as 'schemata' or subjective but organized ways of perceiving and responding to sets of stimuli (see Erdogan, Liden, and Kraimer, 2006)), culture guides employee information search and interpretation (Harris, 1994). That is, employees give more attention to things that incorporate their shared values and norms. Second, since culture acts as a social control mechanism, and deviations from cultural norms are soon noticed and corrected by leaders and/or other employees, culture has the power to regulate other influences such as leadership (see Erdogan et al., 2006; Sorensen, 2002).

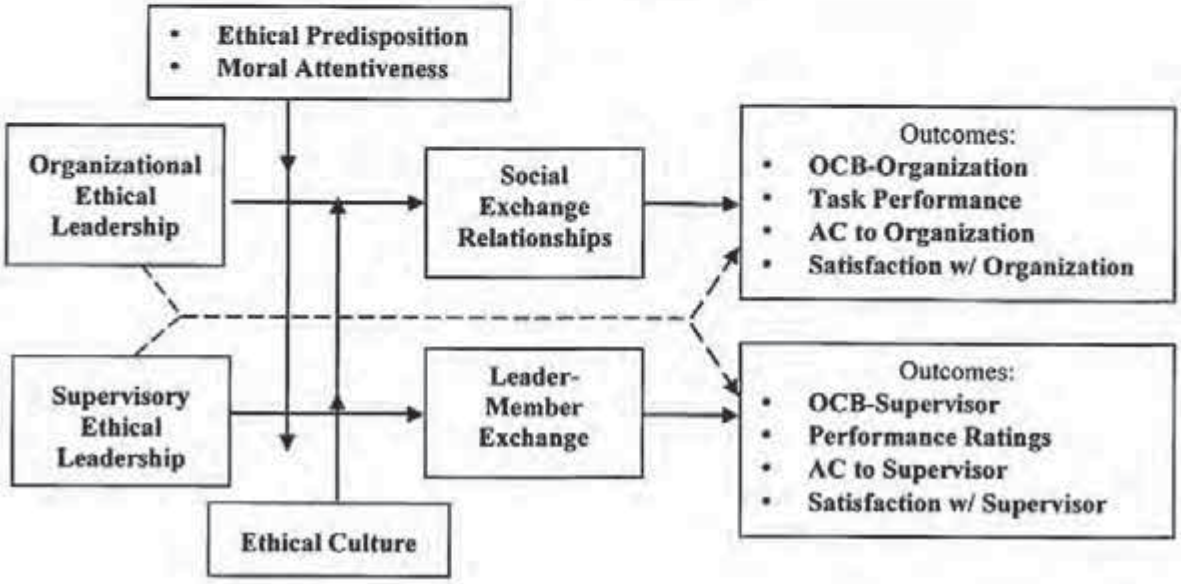
Keeping in mind the definition and descriptions of ethical leadership as discussed in prior sections, I suggest that when the existing culture among a group of employees is an "ethical" one, such a culture will tend to facilitate the development of social exchange relationships between ethical leaders and their subordinates because subordinates will: 1) be more likely to focus on and interpret information coming from leaders if that information is 'in sync' with the organization or group's shared "ethical" values and norms (see Harris, 1994), and 2) be more likely to quickly notice and respond to leader behaviors that are not in harmony with existing, shared "ethical" values and norms and take corrective action accordingly. As such, I suggest that strong ethical leaders will appear as more trustworthy to subordinates because, based on Mayer et al.'s (1995) three-factor conceptualization of trustworthiness as discussed earlier, such leaders will be both more noticeable in terms of their integrity and seem more 'in touch,' or to have higher ability, to employees in groups with higher aggregate measures of 'ethical' culture. I suggest, in accordance with relational leadership theory (as discussed earlier), that these perceptions of trustworthiness will catalyze the social exchange relationship development process between ethical leaders and their subordinates (Brower et al., 2000).

Therefore, following the pattern of previous propositions, I suggest that this phenomena will occur between employees and ethical leaders at all levels of the organization as they form social exchange relationships (granted, as discussed above, the examination of organization-level culture will require a sample of many organizations or distinct sub-cultures within a large organization such as an organization comprised of diverse operations located in different areas of the country or world):

> *Proposition 5a: Organization-level ethical culture will moderate the relationship between organizational ethical leadership and the development of social exchange relationships between top management and subordinates such that the relationship between organizational ethical leadership and social exchange relationship quality will be stronger in organizations characterized by strong ethical culture.*

Proposition 5b: Department or group-level ethical culture will moderate the relationship between supervisory ethical leadership and the development of LMX relationships between top management and subordinates such that the relationship between supervisory ethical leadership and LMX quality will be stronger in departments or groups characterized by strong ethical culture.

Figure 1: Summary Model



V. Discussion

This conceptual paper highlights the fact that research on ethical leadership in organizations has focused almost exclusively on subordinate ethical behavior as a direct result of emulative striving; and, although useful, this research ignores the most important mechanism through which ethical leaders are likely able to influence subordinates: social exchange relationships. The model presented in this paper suggests that multifoci social exchange relationships form between ethical leaders at both organizational and supervisory organizational levels and that these relationships are more or less likely to form depending on certain circumstances (contextual and person factors). The model presented also suggests, perhaps more importantly, that exchange relationships between ethical leaders and their subordinates both directly and indirectly (via social exchange) impact a broad range of important subordinate attitudinal and behavioral outcomes-including attitudes and behaviors unrelated to ethics but nonetheless beneficial for organizations.

A. Theoretical Implications

At least two main theoretical implications can be distilled from the conceptual model presented in this paper. First, that ethical leadership likely operates not just by way of social learning (i.e. employee imitation of ethical leaders who are their role models) but via the trusting relationships that ethical leaders naturally form with their subordinates. The model presented in

this paper proposes that ethical leaders as trust-building, relationship-building agents in organizations, not just leaders who especially influence subordinate ethical behavior.

Whereas decades of research in organizational behavior has already established the fact that strong trusting relationships result in good things in organizations, this paper's model suggests that there is likely more than "meets the eye" when it comes to the potential influence of ethical leadership in organizations. This is especially so whereas the multifoci model presented in this study only pertained to the impact of organizational and supervisory ethical leadership on their employees and subordinates (in line with previous multifoci models (see Wayne et al., 1997; Liao and Rupp, 2005). Ongoing research on exchange relationships other than those demarcated within this paper's model (e.g. member-member exchange or MMX (Graen, Hui, and Taylor, 2006), leader-leader exchange or LLX (Tangirala and Green, 2007), SER or social exchange relationships (Jackson and Hansen, unpublished manuscript), and exchange crossover (Green, Bull Schaefer, MacDermid, and Weiss, in press)) strongly suggests that ethical leadership may in reality foster the development of trusting social exchange within a variety of interpersonal relationships existing within an organization or that influence organizational outcomes. Future theoretical and empirical research is necessary to fully examine these potential extensions to the limited model presented in this paper.

Second, and related to the question of 'when' that the model presented in this paper sought out to answer, it's highly likely that not all subordinates react to strong ethical leaders in the same way. As the multiple propositions pertaining to likely moderators suggests, subordinate individual differences likely play an important role in determining whether or not a working relationship is likely to form with a strong ethical leader. These moderators or boundary conditions have, among other things, the potential to clarify the limits of an ethical leader's influence within an organization.

B. Practical Implications

Once evidenced via empirical research, potential practical implications might eventually mirror the theoretical implications discussed in the above paragraphs in that they will center on the questions of how and when. With regard to "how," ethical leaders may not only positively influence the ethical behavior of their subordinates- they may also positively influence a number of subordinate attitudes and behaviors important for organizational performance. With regard to "when," differences in subordinate ethical predisposition and moral attentiveness are likely moderators of the social exchange development process that occurs between ethical leaders and their subordinates. As such, these differences are capable of delineating boundary conditions pertaining to ethical leadership and the ability of ethical leaders to form trusting relationships with subordinates. Such boundary conditions might therefore allow future selection and promotion committees to rate potential employees and promotees based upon their ability to form trusting relationships with strong ethical leaders.

Whereas ethical leadership is likely to impact a broad range of subordinate attitudes and behaviors critical to organizational performance, leaders should carefully consider ways to be or become more ethical in the manner that "ethical leaders" do according to the definition of ethical leadership adopted for the formation of the model presented in this study (Brown, Trevino, and Harrison, 2005). For example, a productive dialog might be started by asking questions- what ways leaders demonstrate of normatively appropriate conduct through their personal actions and interpersonal relationships? How can they promote such conduct to followers through two-way

communication, reinforcement, and decision-making? How can they increasingly become honest and principled leaders who seek to do the right thing and who conduct their personal lives in an ethical manner? Although additional research could benefit our understanding, leaders can strive to be more "ethical" by working towards a more ethical culture within their organizations. This can be achieved by setting, communicating and enforcing clear ethical standards, conducting periodic ethics audits and sharing feedback with organizational members in ways that stimulate discussion and the formation of new goals. Leaders can also conduct ethics training sessions, help devise clear codes of ethical conduct, and institute programs for rewarding ethical conduct within their organizations.

C. Conclusion

In this conceptual paper, offer a unique conceptual model effectually suggesting that ethical leaders are more influential in organizations than currently understood. This is accomplished via the proposition that social exchange relationships are likely to form between subordinates and strong ethical leaders at both organizational and supervisory organizational levels, and that these relationships, if strong, positively impact a broad range of important subordinate attitudinal and behavioral outcomes-including attitudes and behaviors unrelated to ethics but nonetheless highly beneficial for organizational performance.

The propositions put forward by the model presented in this paper are likely to be practical beginning points for more in-depth empirical investigation in that they are supported by an integration of social learning, social information processing, social exchange, and relational leadership theories- all theories commonly thought by researchers to be behind how ethical leaders are able to influence organizational outcomes (Brown and Mitchell, 2010). The model presented in this paper is also unique in that it suggests that social exchange relationships are more or less likely to form depending on contextual and person factors. These boundary conditions, if more clearly identified via empirical research, have the potential of clarifying what ethical leaders are and are not capable of accomplishing and with whom (which subordinates). In sum, this paper presents the first multifoci perspective on ethical leadership and proposes that ethical leaders influence a broad range of subordinate attitudes and behaviors to a degree not previously understood.

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