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ETHICAL LEADER BEHAVIOR AND LEADER-MEMBER EXCHANGE AS PREDICTORS OF NORMATIVE AND WORK RELATED SUBORDINATE BEHAVIORS

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ABSTRACT

This 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.

Keywords: *Ethical Leadership, LMX, Ethics-related subordinate outcomes, job-related subordinate work outcomes*

Introduction

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). 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. The present study attempts to understand ethical leadership and its impact on subordinate outcomes (behaviors). 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 need to be used to understand the issues of ethical leadership in the workplace. The present study, therefore, uses an experimental design to explore the impact of LMX and ethical leadership on subordinates' outcomes (behaviors & perceptions).

This research juxtaposes the concept of ethical leadership with exchange based relationship between the leader and the member referred to as leader- member- exchange (LMX). Before we

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proceed it is important to explicate the two leader related issues, viz. ethical leadership & LMX clearly. The LMX theory proposes that leaders form differential relationships with different subordinates in a workgroup (Graen & Cashman, 1975; Liden & Graen, 1980), which results 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 et.al's (2005) work is conceptualized as the leader's behavior in general and is expected to be consistent across subordinates. In this sense our conceptualization of ethical leadership corresponds with the average leadership behavior 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. To begin, and to the best of our knowledge, no research has explored the relative impact of one on one relationship (LMX) and ethical leadership on subordinate outcomes. Second, we have conceptualized subordinate outcomes as belonging to either of the two categories pragmatic/generic work related behaviors (outcomes), (eg. extra effort of the subordinates, effectiveness of the subordinate and satisfaction with the leader) and idealistic ethics related outcomes like (leader's honesty, willingness to report problems, affective trust, idealized influence). We argue theoretically that though LMX is a strong determinant of pragmatic work related behavior (outcomes), ethical leadership is more likely to predict idealistic ethics related outcomes.

Theoretical Bases and Hypothesis Development

Conceptualizing Ethical Leadership and LMX

In its earliest conceptualizations, ethical leadership was closely related to charismatic or transformational leadership. According to Burns (1978) transforming 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 (Kelman, 1958) have suggested that the compliance based influence style associated with transactional leadership behavior 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 & Avolio, 1992), and if they use power inappropriately (House & Aditya, 1997; Mc Clelland, 1975). Scholars now differentiate between socialized (ethical) and personalized (unethical) charismatic leaders (Howell & Avolio, 1992) and authentic and pseudo-transformational leaders (Bass & Steidlmeier, 1999), suggesting that transformational (charismatic) and ethical leadership are not necessarily one and the same. Whereas some researchers found that ethical leadership is a combination of both transformational and transactional leaders. Trevino et al. (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.

We are governed by Brown et al.'s (2005) conceptualization of ethical leader who 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 behavioral 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 behavior, which is perceived to be the same by all the subordinates working with the leader. Secondly 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. 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 & Liden, 1986). The LMX theory contends that leaders develop different quality of work relationships with different subordinates (Graen & Scandura, 1987; Scandura & Graen, 1984). High LMX members enjoy high exchange quality relationships as characterized by liking, loyalty, professional respect, and contributory behaviors (Dienesch & Liden, 1986; Liden & Maslyn, 1998). The exchange relationship is limited to the job and tasks at hand, as Graen and Uhl-Bien (1995, pp. 237-238) 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 behavior. 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 & 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, whereas ethical leadership is normative/ idealistic and a behavioral attribute of the leader LMX is practical leadership, which is based on exchanges between a leader and a particular subordinate. Consequently the two are likely to predict different subordinate related outcomes differently.

Ethics Related Outcomes

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

Leader's 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 & Steidlmeier, 1999). Howell and Avolio (1992) found that honesty was only one of 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

Willingness to Report Problems

Reporting problems can be considered as whistle-blowing behavior which is generally not required and can be considered helpful to the organization. It also 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, Siegel, Daly, Tyler, & Martin, 1997; Mayer et al., 1995). Such behavior is likely to occur when there is empathy and support from the supervisor and a supervisor who is ethical is likely to be supportive of and empathetic to ethical issues. Research has shown that such supportive behavior 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 et al., 1975; 497). Interpersonal trust has cognitive and affective foundations (Lewis & Wiegert, 1985). Trust is cognition based in that “we choose whom we will trust in which respects and under what circumstances, and we base the choice on what we take to be ‘good reasons’, constituting evidence of trustworthiness” (Lewis & Wiegert, 1985: 970). The amount of knowledge necessary for the trust is somewhere between total knowledge and total ignorance (Simmel, 1964). Given, total knowledge there is no need to trust, and total ignorance, there is no basis upon which to rationally trust. 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 is having affective foundation, consisting of the emotional bonds between individuals (Lewis & Wiegert, 1985). People make emotional investments in trust relationships, express genuine care and concern for the welfare of the partners, believe in the intrinsic virtue of such relationships, and believe that such sentiments are reciprocated (Pennings & Woiceshyn, 1987; Rempel et al., 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 trusts are 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, 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 they gain the respect of the subordinate (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 in behavior (behavioral). 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.

Work Related Outcomes

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

Leader's Effectiveness

Leader effectiveness refers to a leader's performance in influencing and guiding the activities of his or her unit toward achievement of its goals (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 who increase personal outcomes to 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: Perceived Effectiveness of the leader is predicted by LMX

Satisfaction with the Leader

Satisfaction is 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 & Maslyn (1998) had studied two aspects of satisfaction (with work and supervision), both these aspects too relate 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: Satisfaction with the leader is predicted by LMX.

Subordinates' Extra Effort

According to Mowday, Porter & Steers (1982) commitment is defined as the 'relative strength of an individual's identification with and involvement in a particular organization' (p. 226). 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: Subordinates' extra effort is predicted by LMX

Methodology

Participants

Eighty one students from different post graduate programs 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 a 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. Thus, we employed four versions of the vignette, each representing a particular experimental treatment. That is, 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

The manipulation of experimental variables was done through a one-page vignette consisting of three paragraphs. In our research, the use of vignettes had several benefits such as the standardization of the stimulus materials and the capability to manipulate and compare specific experimental conditions.

The manipulation of experimental variables was done through a one-page vignette consisting of two paragraphs. In our research, the use of vignettes had several benefits such as the standardization of the stimulus materials and the capability to manipulate and compare specific experimental conditions. This was particularly useful in understanding the role of ethical leadership in predicting subordinate outcomes.

Ethical leadership description was based on Brown et al. (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 & (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 & discusses business ethics and values with the employees (Doesn't care about the employees and never talks about business ethics or values with employees).

Immediately followed by ethical leadership was a description of LMX. 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, & Pierce, 1998). Thus, through vignettes, we can manipulate supervisor-subordinate relationships 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 & Kapoor, 1987; Ansari, Tandon, & Lakhtakia, 1987; Fu & Yukl, 2000).

Since LMX is conceptualized as pragmatic on-the-job relations, leader-member exchange (LMX: Low—High) vignettes employed the perceived contribution currency based on the recent literature (Bhal & Ansari, 2000; Dienesch & Liden, 1986; Liden & Maslyn, 1998).. We created the high LMX scenario by describing the quality of leader-member relationship as positive on perceived contribution, whereas we created the low LMX scenario by depicting the relationship as negative. 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 descriptions) that goes beyond what is specified in your job description.

Each scenario was followed by scales on ethical leadership and LMX to check for experimental manipulation

Dependent Measures

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

Leaders Honesty

The ELS was given along a 5 point response format (1=strongly disagree to 5=strongly agree). We used two items to measure leader 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 our supervisor without fear of having the comments held against them” and “workers in this work group would be comfortable delivering bad news to our supervisor”. Items were given along a 5 point response format (1= Strongly disagree to 5=Strongly agree).

Interpersonal Trust (Affect and Cognitive)

We used McAllister’s (1995) 7-point scale to measure the affect and cognition based trust levels in this study. The scale consists 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 the MLQ (Bass & Avolio, 2004) to measure the idealized influence—(behavioral). The scale consists of 4 items assessing the idealized influence behavior on a 5-point scale ranging from 1 (“not at all”) to 5 (“frequently if not always”).

Leader’s Effectiveness

We used the MLQ (Bass & Avolio, 2004) to measure leader’s effectiveness. The scale consists of 4 items, assessing the leader’s effectiveness on a 5-point scale ranging from 1 (“not at all”) to 5 (“frequently if not always”).

Satisfaction with the Leader

We used the MLQ (Bass & Avolio, 2004) to measure employee’s satisfaction. The scale consists of 2 items, assessing the employees satisfaction with the leader described in the scenario on a 5-point scale ranging from 1 (“not at all”) to 5 (“frequently if not always”).

Subordinates’ Extra Effort

We used the MLQ (Bas & Avolio, 2004) to measure employees extra effort. The scale consists of 3 items, assessing the employees extra effort on a 5-point scale ranging from 1 (“not at all”)

to 5 (“frequently if not always”).

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

Table 1: Means, sds, Reliability Coefficients and Inter -Correlations among Study Variables.

	Mean	sd	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. LMX	--	--										
2. Ethical Leadership	--	--	.142									
3. Leader Honesty	3.240	1.36	-.058	.675**	(.88)							
4. Reporting Problem	2.790	1.22	.234*	.586**	.427**	(.79)						
5. Affective Trust	2.660	1.10	.361**	.630**	.493**	.669**	(.89)					
6. Cognitive Trust	3.087	1.05	.223*	.716**	.590**	.594**	.746**	(.88)				
7. Idealized Influence	2.776	1.27	.763***	.177	.637***	.437***	.581***	.694***	(.90)			
8. Leader Effectiveness	3.234	1.07	.579**	.292**	.277*	.342**	.431**	.499	.615**	(.85)		
9. Satisfaction with the Leader	2.881	1.29	.516**	.443**	.317**	.328**	.541**	.538**	.714**	.810**	(.80)	
10. Extra Effort	2.848	1.28	.571**	.260*	.191	.285*	.512**	.464**	.535**	.783**	.809**	(.93)

Table 1 shows that reliabilities of all the variables ranged from .79 to .93 and are acceptable for research purposes (Hair, Anderson, Tatham, & Black, 1998).

Results

Check on Experimental Manipulations

As mentioned earlier, each scenario was followed by a set of ten items on ethical leadership scale (Brown et al., 2005) and five items of perceived contribution from the LMX scale (Bhal & Ansari, 1996), to check the validity of experimental manipulations. Both the ethical leadership and LMX scales showed high reliability coefficients of .98 & .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 a dependent variable. The analysis readily indicated that regardless of ethical leadership the strong main effect of LMX condition was apparent ($p > .000$) for the perceived contribution manipulation check items: LMX [$F(1, 77) = 247.767$].

Participants in high LMX condition reported their better relationship with the immediate supervisor in terms of perceived contribution ($M = 5.46$; $SD = .88$), than those in the 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 ($p > .000$) for the ethical leadership manipulation check items [$F(1, 77) = 653.544$]. Participants in ethical leadership condition reported higher ethicality of the leader ($M = 4.42$; $SD = .479$), than those in the unethical leadership condition, ($M = 1.4$; $SD = .55$). The results indicated that the experimental

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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) including ethical leadership and LMX (manipulated through the scenarios) as the independent variables and leader honesty, willingness to report problems, affective trust, cognitive trust, idealized influence, leader effectiveness, satisfaction with the leader and subordinates' extra effort, as dependent variables. When appropriate, this MANOVA was followed-up by univariate ANOVAs. Results from the MANOVA indicated an effect for LMX (Wilks's Lambda = .455, $F(8, 61) = 9.147, p < .000$), an effect for ethical leadership (Wilks's Lambda = .180, $F(8, 61) = 34.7, p < .000$), and an effect for ethical leadership X LMX interaction (Wilks's Lambda = .727, $F(8, 61) = 2.859, p < .01$).

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 leaders honesty, willingness to report problems, affective trust, cognitive trust, leaders effectiveness, satisfaction with the leader and subordinates' 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 Table 2 that regardless of LMX, the main effect of ethical leadership was significant for leader's honesty, reporting problems, affective trust and cognitive trust. A look at the means shows that leader's honesty, reporting problems, affective trust, and cognitive trust were more predicted by ethical leadership. Table 2 shows that respondents rated higher on all the dependent variables for ethical leadership situation as compared to unethical one.

Thus, our hypotheses 1a to 1d which stated that ethics related outcomes are more predicted by ethical leadership finds support from the data.

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

DV's	LMX				Total		F- ratios	
	Low LMX		High LMX		Ethical Leader	Unethical leader	LMX Effect	Ethical Leader Effect
	Ethical Leader	Unethical Leader	Ethical leader	Unethical Leader				
Leaders Honesty	4.5278	2.1842	3.8571	2.4762	4.192	2.330	.718	69.441***
	3.356		3.166					
Reporting Problems	3.1389	1.9000	3.8182	2.2619	3.478	2.080	5.774	41.612***
	2.519		3.040					
Affective trust	2.8556	1.7000	3.8000	2.2500	3.327	1.975	17.855***	58.520***
	2.277		3.025					
Cognitive Trust	3.7315	2.0417	3.9242	2.6333	3.827	2.337	5.997	86.585***
	2.886		3.278					
Idealized Influence	3.618	1.625	3.88	2.05	3.763	1.837	3.432	105.913***
	2.54		2.988					
Leaders Effectiveness	3.1094	2.1375	3.8750	3.7250	3.492	2.931	39.399***	8.955**
	2.623		3.8					
Satisfaction with the leader	2.8889	1.5500	3.9091	3.0750	3.399	2.312	33.698***	24.562***
	2.219		3.492					
Extra Effort	2.4118	1.8167	3.8095	3.2632	3.110	2.539	36.094***	5.813
	2.114		3.536					

The main effect for LMX was significant for leader's effectiveness, satisfaction with the leader and subordinates' 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).

Ethical leadership predicted all the dependent variables (except subordinates' extra effort). Though, leaders' 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.

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. The result establishes the supremacy of ethical behavior of the leader in influencing subordinate outcomes. Thus, it seems that the ethical behavior of the leader has far reaching effects not only on normative/moral outcomes but also pragmatic on-the job behavior of the subordinates.

Interestingly, though extra effort by the subordinates was predicted by LMX only, perceived effectiveness and satisfaction with the leader were predicted by ethical leadership, though F ratios show that LMX was a better predictor. Perceived effectiveness is predominantly a cognitive reaction where data is interpreted and logic is used for decision making. The results show that the subordinates perceive the effectiveness of the leader not only in terms of goal achievement but they also consider the process (ethical or otherwise) that the leaders might employ in achieving those goals. Thus the rational cognitive process of evaluating effectiveness considers the ethicality of the leader to be 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 not influenced 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 for all else ethical leader behavior is as important (if not more) as LMX. The fact that LMX predicts subordinates' extra effort can be understood in an exchange framework which posits that positive exchanges are reciprocated with positive behaviors by the subordinates (Murry, Sivasubramanian, & Jacques, 2001).

Another interesting result shows that affective trust for the leader is predicted both by ethical leadership as well as leader-member exchange. Trust has affective foundations that develop because of emotional bonds between individuals (Lewis & Wiegert, 1985). This kind of 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 & Woiceshyn, 1987; Rempel et al., 1985). This implies that the emotional ties between individuals can provide the basis for trust. Thus, those having close relationship with the leader on the job are likely to develop feelings of positive affect which might lead to affective trust. Interestingly, cognitive trust does not get predicted by leader-member exchange. Empirical evidence from the social-psychological literature on trust in close relationships supports this distinction between the two forms of trust. Johnson-

George and Swap (1982) identified, and distinguished between, two dimensions of trust which they called “reliableness” and “emotional trust.” Similarly, Rempel and colleagues (1985) distinguished between “dependability” and “faith” (emotional security) as unique forms of trust. Thus, though cognitive trust uses data and logic affective trust is likely to develop through close interpersonal relationships.

Practical Implications

The results of the study have practical relevance too. To begin with, the myth that ethical leader behavior only impacts idealistic (moralistic) behavior (reactions) of employees does not find support from the data, the fact that this behavior has the capacity to influence work related behavior of the subordinates shows the functional relevance of ethical leader behavior. 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 our 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, & Sanches, 1991), or virtual reality package (Pierce & Aguinis, 1997). However, videotapes and live enactments carry their own limitations because those methodologies 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 leader behavior on subordinate outcomes. In the present study, we used one of several available methods, and we encourage future researchers to use additional procedures.

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