

My Boss is Morally Disengaged: The Role of Ethical Leadership in Explaining the Interactive Effect of Supervisor and Employee Moral Disengagement on Employee Behaviors

Julena M. Bonner · Rebecca L. Greenbaum ·
David M. Mayer

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Abstract The popular press is often fraught with high-profile illustrations of leader unethical conduct within corporations. Leader unethical conduct is undesirable for many reasons, but in terms of managing subordinates, it is particularly problematic because leaders directly influence the ethics of their followers. Yet, we know relatively little about why leaders fail to apply ethical leadership practices. We argue that some leaders cognitively remove the personal sanctions associated with misconduct, which provides them with the “freedom” to ignore ethical shortcomings. Drawing on moral disengagement theory (Bandura 1986, 1999), we examine the relationship between supervisor moral disengagement and employee perceptions of ethical leadership. We then examine the moderating role of employee moral disengagement, such that the negative relationship between supervisor moral disengagement and employee perceptions of ethical leadership is stronger when employee moral disengagement is low versus high. Finally, we examine ethical leadership as a conditional mediator (based on employee moral disengagement) that explains that relationship between supervisor moral disengagement and employee job performance and organizational citizenship behavior (OCB). Results from a multi-source field survey provide general support for our theoretical model.

Keywords Ethical leadership · Moral disengagement · Performance · Organizational citizenship behavior (OCB)

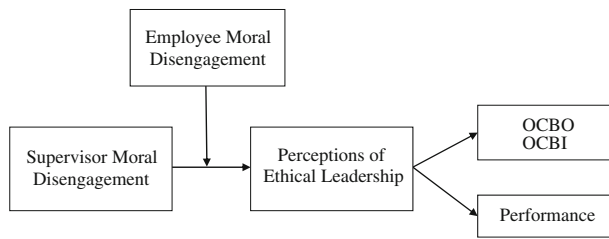
J. M. Bonner (✉) · R. L. Greenbaum
Oklahoma State University, Stillwater, OK, USA
e-mail: julena.bonner@okstate.edu

D. M. Mayer
University of Michigan, Ann Arbor, USA

The business section of the newspaper regularly provides examples of unethical leadership in organizations. In addition to the high-profile corruption displayed by leaders such as Ken Lay (Enron) and Dennis Kozlowski (Tyco), there is also a considerable amount of unethical and abusive behavior demonstrated by less well-known and less powerful leaders within organizations (Tepper 2007). The behavioral ethics literature suggests that leaders influence the ethics of their employees (Brown and Treviño 2006; Brown et al. 2005; Schminke et al. 2005). Given the strong influence leaders can have on employees and other organizational stakeholders, it is important to understand why some leaders engage in egregious conduct.

Fortunately, the social psychology literature has a growing body of research on moral disengagement that may be useful in understanding why some leaders engage in misconduct (Bandura 1986, 1991, 1999; Detert et al. 2008; Moore et al. 2012). Theoretical work on moral disengagement suggests that people are usually capable of regulating their ethical behavior; yet, the self-regulation process fails when people morally disengage from their actions. Individuals are able to behave unethically without feeling guilty because they cognitively remove the personal sanctions that are normally associated with “bad” behavior.

Leaders within organizations have considerable leverage to influence their followers’ perceptions of ethical standards and subsequent behaviors. Leader moral disengagement, in particular, may play an important role in influencing followers. In this study, we seek to further explore the “moral” effect that leaders have on followers by specifically examining perceptions of ethical leadership as a mediator of the interactive relationship between supervisor moral disengagement and employee moral



Note. OCBO = Organizational citizenship behavior-organization, OCBI = Organizational citizenship behavior-individual

Fig. 1 Theoretical Model

disengagement onto employee behaviors (e.g., job performance, organizational citizenship behavior (OCB)).¹

The primary purpose of this research is to understand why leaders may fail to be perceived as ethical leaders and the effects of such perceptions on employees' conduct. Although the extant literature demonstrates that perceptions of ethical leadership are related to important employee and organizational outcomes (Avey et al. 2011; Avey et al. 2012; De Hoogh and Den Hartog 2008; Hansen et al. 2012; Kacmar et al. 2012; Mayer et al. 2013; Piccolo et al. 2010; Rubin et al. 2010; Toor and Ofori 2009; Walumbwa et al. 2011; Walumbwa et al. 2012), our knowledge of why leaders may be perceived as higher or lower in ethical leadership remains limited.

We argue that supervisor moral disengagement may serve as an important predictor of followers' perceptions of ethical leadership. Additionally, in order to more fully understand the impact of supervisor moral disengagement, we examine the moderating role of employee moral disengagement. We argue that employees who are lower (versus higher) in moral disengagement are less likely to perceive their morally disengaged supervisors as being ethical leaders (see Fig. 1). Furthermore, both supervisor and employee moral disengagement need to be low in order for perceptions of ethical leadership to explain important employee outcomes (e.g., job performance and OCB). Practically, we find our research important for identifying contextual factors that influence employee perceptions of ethical leadership and subsequent employee behaviors. More specifically, organizations may gain a better understanding of ethics-related conditions and processes that subsequently influence employee job performance and OCB.

Our research has a number of intended contributions. First, we extend ethical leadership theory by identifying understudied antecedents of employees' perceptions of ethical leadership, namely the interactive effect of

supervisor and employee moral disengagement. Second, we highlight the importance of *both* leader and employee characteristics in understanding perceptions of ethical leadership. To date, moral disengagement theory has been primarily studied within the social psychology literature (for an exception, see Moore et al. 2012). We offer a third contribution by applying moral disengagement theory (Bandura 1986, 1999) to the behavioral ethics and organizational behavior literatures—a valuable theory that can provide important insights regarding organizational (un)ethical behavior. We test our moderated-mediation model using multi-source data from a variety of organizations.

Conceptual Model and Hypotheses Development

Moral Disengagement Theory

According to moral disengagement theory (Bandura 1986, 1991, 1999), people have set moral standards, which, if violated, will lead to personal discomfort and/or self-condemnation. However, people can avoid discomfort and self-condemnation by disassociating from the negative consequences of their behaviors. Moral disengagement theory provides a framework for understanding the processes by which people can comfortably rationalize their unethical and unjust behaviors. In general, people refrain from acting in ways that violate personal moral standards because of the discomfort it typically causes (Bandura et al. 1996). When people's moral standards are different than their behaviors, they experience psychological discomfort that is captured by cognitive dissonance (Festinger 1957). The experience of cognitive dissonance normally results in the use of dissonance-reduction strategies (Elliot and Devine 1994). Moral disengagement can be used as a dissonance-reduction strategy by rationalizing unethical or unjust behaviors.

Bandura (1986, 1991, 1999) identified eight mechanisms that embody moral disengagement: moral justification, euphemistic labeling, advantageous comparison, displacement of responsibility, diffusion of responsibility, distorting consequences, dehumanization, and attribution of blame. These mechanisms can be categorized into three groups: (1) relabeling unethical or unjust behavior, (2) distancing and distorting the harmful effects of unethical or unjust behavior, and (3) reducing identification with victims (Bandura et al. 1996; Detert et al. 2008).

Relabeling unethical or unjust behavior includes moral justification, euphemistic labeling, and advantageous comparison. These three mechanisms allow one to reframe the unethical behavior by making it appear morally acceptable. Moral justification occurs when individuals convince themselves that the unethical behavior actually

¹ The behavioral ethics literature uses the terms “moral” and “ethical” interchangeably (Tenbrunsel and Smith-Crowe 2008; Treviño et al. 2006), just as we do throughout our manuscript.

serves as a means to a moral end (Aquino et al. 2007). For instance, one might selectively withhold negative information about a company's product or service in order to protect the company's public image (Moore 2008). Additionally, euphemistic labeling exists when people use neutral language, rather than morally charged language, to make the act seem less harmful. A boss may ask a subordinate to "just sign my name" on a document rather than "just forge my name." By using softer, less "morally heavy" language, the boss and subordinate feel more at ease with the request. Advantageous comparison occurs when an unethical act is compared with an even more harmful act, thereby making the less unethical act appear relatively minor and acceptable. Taking a ream of copy paper from the office is trifling when compared to embezzling money from the organization. In sum, the "relabeling" moral disengagement mechanisms reduce the moral implications of the unethical acts (Bandura 1986), thus making individuals feel more comfortable engaging in such behaviors.

The second group of moral disengagement mechanisms allows people to distance themselves from, and distort, the harmful effects of unethical or unjust behaviors. First, displacement of responsibility occurs when people believe that someone else is responsible for the harmful consequences (Bandura 1986, 1999). The Milgram (1974) experiments demonstrate obedience to authority, such that study participants were willing to administer harmful shocks to another person simply based on an authority figure's instructions. Study participants most likely attributed the harmful consequences to the authority figure's request rather than their own behavior. In organizational settings, unquestioning obedience to authority has also been linked to unethical behavior and failure to report unethical conduct (Treviño et al. 1999). Second, diffusion of responsibility exists when people believe the harm associated with an unethical act is attributed to many people; thus, keeping any one person from feeling personally responsible. Bandura (1986) noted that "Where everyone is responsible no one is really responsible" (p. 380). Third, people distort the consequences of their unethical behavior by ignoring or minimizing the expectant harm and instead emphasizing the benefits of the behavior (Bandura 1986). Overall, these moral disengagement mechanisms serve to minimize one's own role related to unethical behavior.

The final group of moral disengagement mechanisms allows people to reduce their identification with victims of unethical acts. Dehumanization occurs when people ignore the victims' human characteristics, making victims seem unworthy of basic human considerations (Moore et al. 2012). Indeed, Bandura et al. (1975) found that people are more likely to punish "dehumanized" victims rather than "humanized" victims. Finally, attribution of blame occurs

when people directly blame the victim. For example, stating that victims "deserve what they get" or "it's their own fault," makes it seem more acceptable to harm the victims (Treviño and Nelson 2011). Hence, these moral disengagement mechanisms reduce a perpetrator's discomfort in administering unethical behavior because the victim appears more deserving of the potential harm.

Extant behavioral ethics literature clearly demonstrates a connection between moral disengagement and unethical behavior (Bandura et al. 1996; Beu and Buckley 2004; Detert et al. 2008; Moore 2008; Moore et al. 2012; Shu et al. 2011). Shu et al. (2011) demonstrate that unethical behavior can also trigger moral disengagement, such that "...bad behavior motivates moral leniency and leads to the strategic forgetting of moral rules" (p. 344). Hence, the back-and-forth interplay between moral disengagement and unethical behavior can lead to a downward spiraling effect whereby moral disengagement produces higher levels of unethical behavior and vice versa (Bandura 1986; Shu et al. 2011). Thus, a morally disengaged leader is less likely to proactively demonstrate ethical behavior to his/her followers, which is a key component of ethical leadership.

Importantly, moral disengagement can also be examined as an individual difference variable, as in a personality trait rather than a state (Aquino et al. 2007; Paciello et al. 2008). For the purposes of our research, we examine both supervisor and employee moral disengagement as individual traits. Bandura's work argues for a trait approach to moral disengagement, and research has shown that individuals vary in their propensity to morally disengage (Bandura et al. 1996; Moore et al. 2012). Accordingly, we find the examination of moral disengagement as a trait appropriate for explaining our theoretical model. As such, we do not hypothesize a direct relationship between supervisor and employee moral disengagement, whereby the employee models the leader's moral disengagement. Rather, our examination of moral disengagement as a trait provides insights regarding the interactive effect of supervisor and employee moral disengagement onto employee perceptions of ethical leadership and subsequent employee outcomes.

Ethical Leadership

Ethical leadership, as defined by Brown et al. (2005, p. 120), is "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." According to the Executive Ethical Leadership Reputation Matrix (Treviño et al. 2000; Treviño and Nelson 2011), there are two components of ethical leadership—the moral manager and moral person. The moral person component of ethical leadership illustrates

how the leader is likely to behave, whereas the moral manager component encompasses the leader's transactional efforts to strongly convey expectations of ethical conduct among subordinates (Treviño and Nelson 2011). A moral manager highlights the importance of ethics by communicating strong ethical messages and by rewarding and punishing subordinate's behavior in accordance with ethical standards (Brown et al. 2005).

For an employee to perceive ethical leadership, leaders are expected to conduct their personal lives in an ethical manner, to be trustworthy, and to treat employees fairly (i.e., moral person). The ethical leader as a "moral manager" also reinforces ethical conduct by making decisions with ethics in mind and considering not just end results, but the way results are achieved. In an effort to directly influence subordinates' ethical behavior, supervisors also set an example of how to behave ethically, emphasize moral outcomes, and communicate important ethical standards (Bandura 1977; Brown et al. 2005; Gini 1997; May et al. 2003). Furthermore, social learning theory predicts that people learn what is expected of them by observing the behaviors of influential others, such as leaders (Bandura 1977).

Morally disengaged supervisors are likely to provide role-modeling cues that support loose standards and unethical behavior because they do not see these practices as being particularly wrong. Therefore, a morally disengaged supervisor would not be perceived as an ethical leader because the supervisor's language and actions would not be consistent with ethical leadership practices. The morally disengaged supervisor is protected from the emotional discomfort and self-condemnation that accompanies ethical failures. Accordingly, these supervisors are unlikely to see the direct benefit of engaging in ethical leadership practices. Morally disengaged supervisors do not actively think of the destruction that could occur in the absence of ethical leadership; thus, they are unlikely to take proactive steps to promote ethics by rewarding and punishing behavior according to ethical standards, discussing business ethics with employees, and making decisions with ethics in mind (Brown et al. 2005; Treviño and Nelson 2011). In this vein, we predict

Hypothesis 1 Supervisor moral disengagement will be negatively related to perceptions of ethical leadership

Employee Moral Disengagement

Past research suggests that individual differences can influence how people interpret and respond to others' immoral tendencies (e.g., Greenbaum et al. 2013; Skarlicki and Rupp 2010). Employee moral disengagement, in particular, may serve as a condition that influences the strength of the relationship between supervisor moral

disengagement and perceptions of ethical leadership. Aquino et al. (2007) used a powerful example to illustrate individual differences in moral disengagement: "During the infamous My Lai massacre in Vietnam, two American helicopter crewmen refused to join their fellow soldiers in the killing of unarmed civilians. Instead, they attempted to airlift victims of the slaughter to safety" (p. 386). The moral disengagement literature specifically investigates the likelihood of war activating moral disengagement; however, these soldiers did not morally disengage in spite of their leaders, peers, and circumstances. Thus, employees who are low in moral disengagement are less likely to perceive a morally disengaged supervisor as being high in ethical leadership.

The individual low in moral disengagement is more likely to experience psychological discomfort, or dissonance, when observing the unethical behavior of others (Bandura 1999). Employees who are low in moral disengagement still pay attention to the ethicality of business behavior. They are more likely to feel guilty about, and to impose sanctions on, their own and others' unethical behaviors (Bandura 1986, 1991, 1999). Unlike those high in moral disengagement, these individuals still believe that unethical behavior is wrong. Employees low in moral disengagement have not morally "checked out;" thus, they are more conscious of the immoral acts of others. Hence, the employee low in moral disengagement is more attentive to a supervisor's moral disengagement. These employees are more likely to notice when the morally disengaged supervisor justifies unethical conduct, attributes blame to the victim of unethical conduct, and minimizes the harm associated with unethical behavior. In addition to noticing the supervisor's morally disengaged actions, the employee low in moral disengagement is more likely to perceive such a supervisor as being low in ethical leadership. The employee has not morally disengaged and thus is more likely to conclude that the morally disengaged supervisor does not demonstrate normatively appropriate conduct to followers, as would occur if the supervisor was ethical.

Conversely, when both the supervisor and employee are low in moral disengagement, meaning that neither party has morally disengaged, the employee is likely to perceive the supervisor as being highly ethical. Both the supervisor and employee have congruent expectations in terms of keeping morality in check. Accordingly, the employee low in moral disengagement will be more likely to perceive the supervisor low in moral disengagement as being someone who embodies ethical leadership practices.

The employee high in moral disengagement is less likely to perceive the supervisor, whether he or she is morally disengaged or not, as being high in ethical leadership. The employee high in moral disengagement has removed personal sanctions that normally serve to regulate ethical

behavior and feels less guilty when exposed to unethical behaviors (Bandura 1999). In turn, employees high in moral disengagement are less inclined to notice and care about the supervisor's morally disengaged actions. Morally disengaged employees are also less likely to believe that the morally disengaged supervisor's behavior is wrong, even when compared to a supervisor low in moral disengagement. Overall, these employees are less concerned with the supervisor's level of moral disengagement.

In a related vein, the employee high in moral disengagement may not appreciate the ethics message conveyed by the supervisor low in moral disengagement. In fact, the employee high in moral disengagement may view the supervisor low in moral disengagement as being morally superior or judgmental (Greenbaum et al. *in press*). The employee may perceive the supervisor as being a goody-good and may therefore discount or ignore the supervisor's ethical conduct. Therefore, to the employee high in moral disengagement, the supervisor's moral disengagement may have little influence on perceptions of ethical leadership. We specifically predict that employee moral disengagement will affect whether employees view the morally disengaged supervisor as being higher or lower on ethical leadership. We hypothesize

Hypothesis 2 Employee moral disengagement will moderate the negative relationship between supervisor moral disengagement and perceptions of ethical leadership such that the relationship will be more strongly negative when employee moral disengagement is low as opposed to high.

Ethical Leadership and Employee Behaviors

The benefits of ethical leadership have been examined in past research (Ahmed and Muchiri *in press*; Brown et al. 2005; Brown and Treviño 2006; Kalshoven and Boon 2012; Mayer et al. 2009; Walumbwa et al. 2012). Ethical leaders provide role-modeling cues suggesting that prosocial behaviors, such as organizational citizenship behaviors (OCB: extra-role behaviors, outside the scope of one's formal role requirements) directed at others and the organization, are appropriate and encouraged. Brown and Treviño (2006) describe an ethical leader as one who exhibits traits such as honesty and trustworthiness. Additionally, fairness has been specifically identified as an important component of ethical leadership (De Hoogh and Den Hartog 2008). Social learning theory (Bandura 1977) posits that people learn by observing the behavior of respectable others. As such, ethical leaders are likely to signal to employees, through role modeling, that similar moral behaviors are desirable. Therefore, employees will notice that ethical leaders tend to treat the organization with respect, honesty, and fairness. Subsequently, employees,

too, will find it appropriate to engage in citizenship behaviors directed at the organization (OCBO) and other people (OCBI). Organ's (1988, 1990) original OCB dimensions included altruism, courtesy, conscientiousness, civic virtue, sportsmanship, peacekeeping, and cheerleading. These dimensions have an inherently moral quality emphasizing respect, kindness, and fairness. Hence, employees are expected to role model their ethical leader's behavior by demonstrating moral behavior in the form of OCBs directed at the organization (OCBO) and the individual (OCBI).

It should be noted that our theoretical model examines both OCBO and OCBI to illustrate that ethical leadership may influence followers to display positive behaviors toward both the organization and other people. Although some leaders may be good citizens toward other employees (high OCBI), but may not be very good citizens toward the organization (low OCBO), we expect ethical leaders, in particular, to strongly support, via extra role behavior, both the organization and individuals. Thus, the ethical leader's OCBOs and OCBI should signal to followers that such behaviors are expected and appreciated within the organization.

Similarly, ethical leadership is expected to have a positive relationship with employee job performance (De Hoogh and Den Hartog 2008; Piccolo et al. 2010; Walumbwa et al. 2011; Walumbwa et al. 2012). Social exchange theory (Blau 1964) explains that people often feel the desire to reciprocate others' favorable behavior with similarly favorable behavior toward that person. The supportive nature of ethical leaders may encourage followers to reciprocate with behaviors that are beneficial to the organization and supervisor, perhaps by increasing job performance. Indeed, Piccolo et al. (2010) demonstrated that ethical leaders encourage effort on the part of employees, which leads to higher task performance. Walumbwa et al. (2012) also found that ethical leaders, as fair leaders, inspire followers to reciprocate the leader's behavior thereby increasing in-role performance. Therefore, we propose that ethical leadership is positively related to employee performance.

Hypothesis 3 Ethical leadership is positively related to employee (a) OCBO, (b) OCBI, and (c) performance.

Moderated Mediation

The previous theoretical relationships presented suggest that perceptions of ethical leadership may serve as a conditional mechanism through which supervisor moral disengagement is related to OCBO, OCBI, and performance. Low employee moral disengagement strengthens the negative relationship between supervisor moral disengagement and perceptions of ethical leadership. Yet, high employee

moral disengagement may lead the employee to discount or ignore the supervisor's level of moral disengagement and its effect on the leader's ethical conduct, making it so the employee has weaker perceptions of ethical leadership. Hence, a pattern of moderated mediation may exist whereby employee moral disengagement affects the strength of the indirect effect of supervisor moral disengagement on employee (a) OCBO, (b) OCBI, and (c) job performance, through perceptions of ethical leadership. We specifically predict that because employees low in moral disengagement are only likely to perceive high ethical leadership when the leader is also low in moral disengagement, these combined conditions (low supervisor and low employee moral disengagement) must be met for an employee's perception of ethical leadership to explain employees' higher levels of OCBO, OCBI, and performance. In other words, we expect the indirect effect to be stronger under the condition of low employee moral disengagement. Thus, to complete our theoretical model, we predict moderated mediation as follows.

Hypothesis 4 Ethical leadership mediates the relationship between the interactive effect of supervisor moral disengagement and employee moral disengagement onto employee (a) OCBO, (b) OCBI, and (c) performance, such that the indirect effect is stronger when employee moral disengagement is low versus high.

Method

Sample and Procedure

To test our theoretical model, we collected multi-source field data from employee-supervisor dyads in a variety of organizations including manufacturing, architecture, construction, marketing, hospitality, education, finance, technology, and transportation. Business students from a Midwestern university were given extra credit to recruit a working adult (working 20 or more hours per week) to participate in our study. Working professionals filled out a survey and had a supervisor fill out another survey. This data collection approach has been successfully used in past research (Grant and Mayer 2009; Mawritz et al. 2012; Mayer et al. 2012; Morgeson and Humphrey 2006).

Students recruited 466 working adults to participate. We received responses from 202 focal employees, for a response rate of 43 %, and 192 responses from supervisors, for a response rate of 42 %. The final sample contained 172 matched dyads with complete information. The age of the focal employees ranged from 18 to 64 years with an average of 30 years ($SD = 11.84$) and an average organizational tenure of 5.50 years ($SD = 7.31$). Focal employees were

49 % male and 79 % Caucasian, 8 % African American, 3 % Asian American, 4 % Native American, 2 % Hispanic, and 4 % other. Over half of the employees were employed full-time, 55.9 %, and 16.3 % reported working in a supervisory capacity. The supervisor participants were 59.3 % male and 85 % Caucasian, 6 % African American, 1 % Asian American, 2 % Native American, 2 % Hispanic, and 3 % other. The age of supervisors ranged from 20 to 73 years with an average of 42 years ($SD = 11.43$) and an average organizational tenure of 11.66 years ($SD = 9.13$).

Measures

The focal employee survey contained measures of his/her moral disengagement, supervisory ethical leadership, and demographics. The supervisor survey contained measures of his/her moral disengagement and rating of the focal employee's OCB and job performance. Unless otherwise noted, all scales were rated using a 7-point Likert-type scale (1 = *strongly disagree* to 7 = *strongly agree*).

Moral Disengagement

Both supervisors and employees rated their own level of moral disengagement using the measure created by Moore et al. (2012). Sample items include "Taking something without the owner's permission at work is ok as long as you're just borrowing it," and "People shouldn't be held accountable for doing questionable things at work when they were just doing what an authority figure told them to do" ($\alpha = .88$; $\alpha = .93$).

Ethical Leadership

Employees reported their perceptions of ethical leadership using Brown et al. (2005) measure. Sample items include "My supervisor defines success not just by results but also the way the results are obtained," and "My supervisor asks 'what is the right thing to do?' when making decisions" ($\alpha = .95$).

Organizational Citizenship Behavior

We used Lee and Allen's (2002) measure of OCBO and OCBI, both of which are eight-item measures. Sample items include "This employee attends functions that are not required but that help the organizational image" (OCBO), and "This employee willingly gives his/her time to help others who have work-related problems" (OCBI) ($\alpha = .93$; $\alpha = .92$).

Performance

Supervisors rated the focal employees' job performance using a six-item measure (Alper et al. 2000). Sample items include "This employee meets or exceeds his/her

Table 1 Descriptive statistics, Reliability estimates, and Study variable intercorrelations

Variables	Mean	SD	1	2	3	4	5	6
1. Supervisor moral disengagement	1.82	1.03	.88					
2. Employee moral disengagement	2.22	1.31	.34**	.93				
3. Perceptions of ethical leadership	5.50	1.13	-.20**	-.29**	.95			
4. OCBO	5.57	1.10	-.22**	-.24**	.40**	.93		
5. OCBI	5.76	1.01	-.19*	-.21**	.32**	.65**	.92	
6. Performance	6.12	1.15	-.23**	-.21**	.36**	.65**	.66**	.95

N = 172. Cronbach’s alphas are shown in the diagonal

OCBO Organizational citizenship behavior-organization, OCBI Organizational citizenship behavior-individual

* Correlation is significant at $p < 0.05$ level (2-tailed)

** Correlation is significant at $p < 0.01$ level (2-tailed)

Table 2 Regression results for organizational citizenship behaviors

Mediator variable model	Ethical leadership		
	B	SE	t
Constant	6.86	0.31	21.85
SMD	-0.46	0.16	-2.97**
EMD	-0.46	0.11	-4.03**
SMD × EMD	0.11	0.04	2.59*

Dependent variable model	OCBO			OCBI		
	B	SE	t	B	SE	t
Constant	4.33	0.58	7.43**	4.75	0.56	8.54**
Perceptions of ethical Leadership	0.33	0.07	4.52**	0.25	0.07	3.56**
Supervisor moral disengagement	-0.21	0.15	-1.36	-0.10	0.14	-0.71
Employee moral disengagement	-0.14	0.11	-1.26	-0.07	0.11	-0.69
SMD × EMD	0.03	0.04	0.63	-0.00	0.04	-0.01

Conditional indirect effect at $M \pm 1 SD$	Indirect effect	SE	Z	Indirect effect	SE	Z
Employee moral disengagement						
-1 SD (0.92)	-0.12	0.05	-2.40*	-0.09	0.04	-2.20*
M (2.23)	-0.07	0.03	-2.05*	-0.05	0.03	-1.91
+1 SD (3.53)	-0.02	0.03	-0.75	-0.02	0.02	-0.73

. N = 172

Unstandardized regression coefficients are reported

SMD Supervisor moral disengagement, EMD Employee moral disengagement, OCBO Organizational citizenship behavior-organization, OCBI Organizational citizenship behavior-individual

* $p \leq .05$ level (2-tailed), ** $p \leq .01$ level (2-tailed)

productivity requirements,” and “This employee is concerned about the quality of his/her work” ($\alpha = .95$).

Results

The means, standard deviations, reliabilities, and intercorrelations among the study variables are provided in Table 1.

To test the complete moderated-mediation model, we used a method outlined by Preacher et al. (2007). Using a moderated-mediation macro created by Preacher et al., we ran the full model in SPSS and obtained mediator variable and dependent variable models. In the mediator variable model, the mediator (perceptions of ethical leadership) was regressed onto the independent variable (supervisor moral disengagement), moderator (employee moral

Table 3 Regression Results for employee performance

Mediator variable model	Ethical leadership		
	<i>B</i>	<i>SE</i>	<i>T</i>
Constant	6.86	0.31	21.85**
SMD	-0.46	0.16	-2.97**
EMD	-0.46	0.11	-4.03**
SMD × EMD	0.11	0.04	2.59*
Dependent variable model	Performance		
	<i>B</i>	<i>SE</i>	<i>T</i>
Constant	4.98	0.62	8.06**
Perceptions of ethical Leadership	0.31	0.08	4.01**
Supervisor moral disengagement	-0.24	0.16	-1.47
Employee moral disengagement	-0.11	0.12	-0.94
SMD × EMD	0.02	0.04	0.54
Conditional indirect effect at $M \pm 1 SD$	Indirect effect	<i>SE</i>	<i>Z</i>
Employee moral disengagement			
-1 <i>SD</i> (0.92)	-0.11	0.05	-2.30*
<i>M</i> (2.23)	-0.07	0.03	-1.98
+1 <i>SD</i> (3.53)	-0.02	0.03	-0.74

$N = 172$

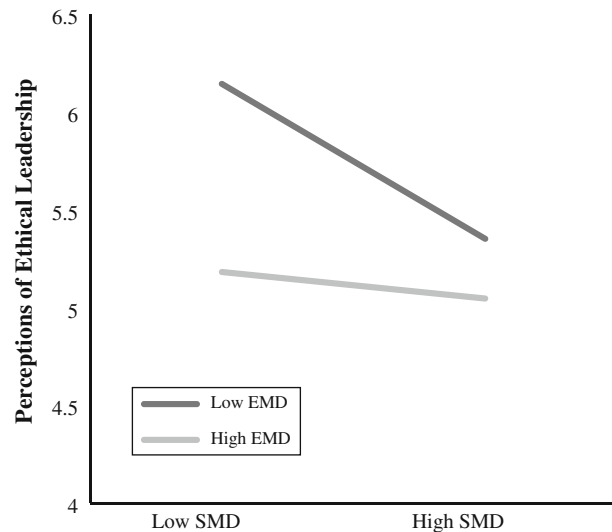
Unstandardized regression coefficients are reported

SMD Supervisor moral disengagement, EMD Employee moral disengagement

* $p \leq .05$ level (2-tailed), ** $p \leq .01$ level (2-tailed)

disengagement), and the interaction of the independent variable and the moderator (supervisor and employee moral disengagement). In the dependent variable models, the dependent variables (employee OCBO, employee OCBI, and employee performance) were regressed onto the independent variable (supervisor moral disengagement), mediator (perceptions of ethical leadership), moderator (employee moral disengagement), and the interaction of the independent variable and the moderator (supervisor and employee moral disengagement). We ran the dependent variable model three separate times, once for OCBO, OCBI, and job performance. The results of these analyses are reported in Tables 2 and 3.

In support of Hypothesis 1, supervisor moral disengagement is negatively related to employees' perceptions of ethical leadership ($B = -0.46$, $p \leq .01$). Hypothesis 2 predicted that employee moral disengagement will moderate the relationship between supervisor moral disengagement and perceptions of ethical leadership such that the relationship is stronger when employee moral disengagement is low versus high. We found support for Hypothesis 2 ($B = 0.11$, $p \leq .05$).



Note. SMD = Supervisor moral disengagement, EMD = Employee moral disengagement

Fig. 2 Relationship between Supervisor Moral Disengagement and Ethical Leadership as Moderated by Employee Moral Disengagement

In addition, we conducted a simple slope analysis and found that the slope of perceptions of ethical leadership on supervisor moral disengagement with low employee moral disengagement ($B = -0.36$, $t = -2.87$, $p \leq .01$) was negative and statistically significant (see Fig. 2). However, the slope of perceptions of ethical leadership onto supervisor moral disengagement with high employee moral disengagement ($B = -0.07$, $t = -0.77$, ns) was not statistically significant. The plotted interaction thus confirms our prediction that the relationship between supervisor moral disengagement and perceptions of ethical leadership has a stronger negative relationship when employee moral disengagement is low versus high, lending support to Hypothesis 2.

Hypothesis 3 predicted that perceptions of ethical leadership will be positively related to employee (a) OCBO, (b) OCBI, and (c) performance. We found support that perceptions of ethical leadership positively relate to employee OCBO ($B = 0.33$, $p \leq .01$) and OCBI ($B = 0.25$, $p \leq .01$). In addition, we also found support for the positive relationship between perceptions of ethical leadership and employee performance ($B = 0.31$, $p \leq .01$). These results provide support for Hypothesis 3.

Hypothesis 4 predicted that perceptions of ethical leadership will mediate the interactive effect of supervisor moral disengagement and employee moral disengagement onto employee (a) OCBO, (b) OCBI, and (c) performance, such that perceptions of ethical leadership serve as a stronger indirect effect when employee moral disengagement is low versus high. We tested this hypothesis by

examining the conditional indirect effect of supervisor moral disengagement onto OCBO, OCBI, and performance through perceptions of ethical leadership at three levels of employee moral disengagement (see Tables 2, 3). The conditional indirect effects reveal that perceptions of ethical leadership only serve as a statistically significant mediator when employee moral disengagement is low (i.e., one standard deviation below the mean), and the indirect effect becomes progressively weaker and in most cases non-significant at higher levels of employee moral disengagement (i.e., one standard deviation above the mean). This provides support for Hypothesis 4.

Discussion

Theoretical Implications

The unfortunately frequent nature of organizational unethical conduct makes it important to understand why supervisors and employees may engage in such conduct. Ethical leadership can be beneficial to organizations by reducing unethical behavior (Brown and Treviño 2006; Brown et al. 2005). Thus, an important reason for our research was to investigate factors that influence ethical leadership. We specifically set out to further understand why supervisors may not be perceived as ethical leaders and the subsequent effects on employees. Our theoretical model and results provide evidence of the important role of supervisor moral disengagement in predicting perceptions of ethical leadership. We demonstrate that supervisors who are high in moral disengagement do not fit the profile of ethical leaders.

Interestingly, we also contribute to the literature by demonstrating that an employee's level of moral disengagement influences his/her evaluation of the morally disengaged supervisor as an ethical leader. To our knowledge, we are one of the first to demonstrate that employees low in moral disengagement are likely to view their morally disengaged supervisors more harshly by providing lower ratings of ethical leadership. Conversely, employees high in moral disengagement express less variability in their reactions to a supervisor's level of moral disengagement, perhaps because they care less about a leader's moral disengagement and its effect on the leader's subsequent behaviors.

Our research provides evidence of the potentially dysfunctional nature of not only supervisor moral disengagement but also employee moral disengagement. An examination of the plotted interaction between supervisor and employee moral disengagement on ethical leadership demonstrates that employees high in moral disengagement do not view their supervisors differently in terms of ethical

leadership, regardless of the supervisor's level of moral disengagement. It could be that morally disengaged employees are not influenced by leaders who actually try to consider the ethicality of their actions. Perhaps morally disengaged employees are cynical about all leaders, leaving them to view multiple types of supervisors as lower in ethical leadership.

Importantly, our moderated-mediation model demonstrates that perceptions of ethical leadership explain the relationship between supervisor moral disengagement and employee outcomes only when employee moral disengagement is low (versus high). Indeed an examination of our plotted interaction reveals that employees are more likely to perceive their leaders as ethical when the supervisor and employee are both low in moral disengagement. This implies that perceptions of ethical leadership explain high levels of employee (a) OCBO, (b) OCBI, and (c) performance only when *both* supervisor and employee moral disengagement are low. Conversely, the explanatory role of perceptions of ethical leadership becomes weaker and not statistically significant when the employee's level of moral disengagement becomes higher. The positive influence of perceptions of ethical leadership on important employee outcomes may be dependent on the condition that supervisors and employees, alike, still experience discomfort and condemnation in response to ethical challenges. Morally "engaged" supervisors and employees have not removed necessary sanctions associated with their own and others' unethical conduct, making them more likely to perhaps walk the talk. Employees low in moral disengagement will pick up on their supervisor's authenticity and ethicality and will therefore perceive high ethical leadership, resulting in the role modeling and reciprocation of desirable outcomes.

Based on our moderated-mediation results, it seems that perceptions of ethical leadership may fully mediate the antecedent-to-outcome relationship shown in our theoretical model, as contingent on employee moral disengagement. Such a fully mediated effect implies that supervisor moral disengagement affects important employee behaviors (viz., OCB, performance) only when moral disengagement generates perceptions regarding the leader's ethical "actions." Ethical leadership, as a more visible demonstration of leadership practices, may serve as a behavioral indicator, or a representation of role modeling that emanates from the leader's moral disengagement (or lack thereof). This implies that a leader's moral personality (whether ethical or unethical) needs to translate into specific ethical leadership practices before those practices generate favorable or unfavorable employee outcomes. Mayer et al. (2012) drew similar conclusions based on their findings that ethical leadership explained the relationship between leader moral identity and employee relationship

conflict and unethical behavior; a leader's personality needs to produce specific leader behaviors to spawn a role-modeling effect that produces similar employee behaviors.

Practical Implications

Practically, organizations may want to consider that a mismatch between supervisor and employee moral disengagement could produce unfavorable organizational outcomes, such as reduced job performance and OCB. Employees who are low in moral disengagement still pay attention to the ethicality of their own and others' behaviors. They are more likely to feel guilty about, and to impose sanctions on, their own unethical behaviors, as well as those of their supervisors. In turn, the employee may deem a morally disengaged supervisor as a low ethical leader and thus may be less inclined to produce high job performance and OCB. Furthermore, the mismatch between low employee moral disengagement and high supervisor moral disengagement may prove to be particularly problematic, as it may also lead to bad feelings between the employee and supervisor. The dissonance created by this mismatch may influence negative feelings between the "morally engaged" employee and the "morally disengaged" supervisor, thereby disturbing more than just OCB and performance.

Our research is also practically important because it lends credence to the need for ethics training in business schools, as well as in all levels of the organization. Business students and organizational employees can be trained to recognize moral disengagement. Many people may be unaware of the multiple ways of morally disengaging, such as blindly obeying authority figures, using euphemistic language, moral justification, advantageous comparison, diffusion of responsibility, distorting consequences, dehumanization, and attribution of blame (Bandura 1986, 1991). As employees learn to recognize such mechanisms, they may be better equipped to preserve their moral standards and to avoid the slippery slope of moral disengagement. This is especially important because to realize the full benefits of ethical leadership, both supervisors and employees need to remain morally "engaged" rather than "disengaged."

Limitations and Future Directions

Our research is not without limitations. First, our data are cross sectional; therefore, we cannot draw causal conclusions. However, our theoretical arguments lend support to the proposed direction of our theoretical model. Additionally, common method variance could be a concern (Campbell and Fiske 1959) because employee moral disengagement and perceptions of ethical leadership were rated by the same

source at the same point in time. Yet, Chan (2009) argues it is inaccurate to assume that all self-report data are plagued by common method variance. In fact, extant research has found trivial effects, or no effects, of common method variance in self-report data (Chan 2009). We should also note that common method variance is less of a concern when statistically significant interactions are present (Evans 1985). Importantly, a strength of our research is that we do account for common method variance by having supervisors and employees rate their own moral disengagement. We also had the supervisor rate the focal employees' OCBs and job performance. Such multi-source data are desirable for limiting same-source bias concerns (Podsakoff et al. 2003).

Future research should investigate other conditions that discourage ethical leadership. A bottom-line mentality exists when people, or organizations, consider bottom-line outcomes to be more important than anything else, including upholding ethical standards (Greenbaum et al. 2012). It could be that supervisors who operate in bottom-line mentality climates are less likely to demonstrate ethical leadership. In such climates, leaders may not be rewarded for having high ethical standards. Furthermore, employees who work in very stressful environments may not have the cognitive and emotional resources to effectively communicate ethical leadership. Emotional exhaustion occurs when employees no longer have the requisite resources to perform well on the job (Hobfoll 1989). Hence, emotionally exhausted supervisors may not have the needed psychological resources to attend to the demanding nature of being an ethical leader.

Future research would also benefit from examining contexts that render ethical leadership ineffective in producing desirable employee outcomes. Perhaps an ethical leader, who is also a perfectionist, creates standards that are simply too high for some employees. Employees may find the demanding and meticulous nature of such a leader to be too much, which could reduce employee motivation on the job. An employee who is under a lot of stress may also view an ethical leader's standards as being an additional source of unwanted tension. These employees may prefer a leader with looser standards because a less ethical leader might be okay with cutting corners to make the job easier. Additionally, the tension caused by a mismatch between employee and supervisor moral disengagement may affect more than performance. Relational and task conflict may increase due to such an effect. Furthermore, a mismatch between employee-supervisor moral disengagement could lower the psychological safety of the work group, thereby undermining other important team outcomes. Future research would benefit from investigating other outcomes that occur because of the mismatch between employee-supervisor moral disengagement.

Conclusion

Given the significance of (a) promoting ethical leadership and (b) maintaining high employee organizational citizenship behaviors and job performance, it is important to understand predictors and moderators of such behaviors. Our findings illustrate problems associated with high supervisor moral disengagement, as it is negatively related to perceptions of ethical leadership, especially when employee moral disengagement is low. In order for organizations to reap the benefits of ethical leadership by having high employee job performance and OCB, it appears that low supervisor and employee moral disengagement may be necessary. Morally “engaged” supervisors and employees still recognize the danger of unethical behavior and thus are more likely to display, and care about, ethical leadership.

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