

ANTECEDENTS AND CONSEQUENCES OF EMPLOYEE-SUPERVISOR AGREEMENT ON ETHICAL LEADERSHIP

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INTRODUCTION

Recent scandals at companies such as Enron and Siemens provide examples of unethical behavior in today's business world and illustrate the need for practitioners and researchers to examine ethical leadership in organizations. Therefore, in recent years, scholars have begun to emphasize the importance of ethical leadership and its outcomes. Brown, Treviño, and Harrison (2005) introduced and defined ethical leadership 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" (p. 120). Thus far, research has shown that ethical leadership is positively related to prosocial behavior, follower satisfaction, commitment and motivation and negatively related to counterproductive behavior (e.g., Brown & Treviño 2006; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009).

Although the burgeoning literature on ethical leadership shows much promise, there are some limitations of the extant literature. First, to date research has only examined the antecedents and consequences of *employees'* perceptions of ethical leadership. Second, given that supervisors likely have more favorable self-ratings of ethical leadership than employees, it is instructive to understand antecedents and consequences of employee-supervisor (dis)agreement regarding the supervisor's ethical leadership. The present research addresses these two limitations

THEORY AND HYPOTHESES

Social Learning Theory and Ethical Leadership

Brown and colleagues (Brown et al., 2005; Brown & Treviño, 2006), used social learning theory (Bandura, 1977, 1986) to explain the consequences of ethical leadership. A social learning perspective on ethical leadership posits that leaders influence followers via modeling processes. Employees can learn appropriate behavior by observing modeled behavior from others,

especially from their leaders who occupy positions of power and status relative to their followers. In addition, ethical leaders use punishment and reward system to encourage ethical behavior and to discourage unethical behavior among their followers.

ANTECEDENTS OF EMPLOYEE-SUPERVISOR AGREEMENT

Although research in the burgeoning field of ethical leadership has demonstrated a number of important outcomes of ethical leadership, to date no attention has been given to the level of congruence between employee perceptions of ethical leadership and supervisors' self-ratings of ethical leadership. Given that extant research suggests that supervisor and employee perceptions of ethics are likely to diverge (Alicke, 1993; Morgan, 1993), it appears prudent to explore the factors that minimize or exaggerate the differences between employee and supervisor ratings of ethical leadership. Below we draw on social learning theory (Bandura, 1977, 1986) to make predictions about potential antecedents of employee-supervisor (dis)agreement.

Supervisor Better Than Average Beliefs and Employee-Supervisor Agreement on Ethical Leadership

Research suggests that many people have unrealistically positive views of themselves in terms of the skills and attributes that they actually possess (Taylor & Brown, 1988). These self-enhancing tendencies (Greenwald, 1980) are thought to occur because of individuals' needs to protect their self-esteem and feel good about themselves. Research has found that compared to negative information, positive information about ourselves is more easily remembered, seen as more important, and more frequently attributed to our own efforts (see Fiske & Taylor, 1991 for a review). In this way, individuals' bad qualities, behaviors and performances are screened out of their autobiographies, leaving behind overly positive self-perceptions.

Self-enhancing biases take many forms. One type that researchers have focused on is in the area of social comparison—specifically when people favorably compare themselves to others, typically the “average” person. These better than average (BTA) beliefs are well documented (Alicke & Govorun, 2005; Taylor & Brown, 1988). For example, individuals associate positive personality traits with themselves more than they do with the average person (Alicke, 1985). These BTA beliefs have consequences. For example, people who believe they are better than average are less likely to heed the advice from others (Gino & Moore, 2007).

Hypothesis 1: Supervisors' BTA beliefs for ethical leadership are negatively related to supervisor-employee agreement on ethical leadership ratings.

Supervisor Cynicism and Employee-Supervisor Agreement on Ethical Leadership

Leaders who have a cynical view about human nature assume the worst in others. They believe that other people are generally selfish, dishonest, and unprincipled (Wrightsmann, 1991). We propose that a leader's cynical view of human nature strongly influences leader behavior in such a way that it promotes employee-supervisor agreement on ethical leadership.

A cynical view of human nature will manifest itself in the leaders' own behavior, inclining them to engage in dishonest, unprincipled, and uncaring behavior. These negative behaviors will be salient for both leaders and followers. Overall, a cynical view of human nature

serves as a clarifying mechanism bringing leaders' and followers' perceptions of ethical leadership into agreement. More specifically, we expect that as leaders' cynical views of human nature increase, both supervisors' self-rated ethical leadership and employee-rated ethical leadership should decrease but bring about greater agreement.

Hypothesis 2: Supervisors' cynical views of human nature are positively related to employee-supervisor agreement on ethical leadership.

Frequency of Interaction and Employee-Supervisor Agreement on Ethical Leadership

From a social learning perspective, effective role modeling requires attention to be focused on the model and modeled behavior (Wood & Bandura, 1989). In most organizations, employees will have more frequent interactions (and therefore the most opportunity to observe), their immediate supervisor. Research on ethical leadership demonstrates that supervisory-level leaders play a very important linking role between top management and their direct reports and are very influential in promoting ethically positive behaviors to their employees (Mayer et al., 2009). However, even for supervisors, the degree of interaction with their subordinates is likely to vary across work groups and organizations.

We expect that frequency of interaction is positively related to employee-supervisor agreement on ethical leadership. Leaders that interact with their subordinates less frequently, have fewer opportunities to engage in important behaviors associated with ethical leadership such as modeling behavior, communicating standards, and demonstrating care and concern for their employees. When leaders have less frequent interactions with their employees, their opportunity to demonstrate ethical leadership is diminished.

Hypothesis 3: Frequency of interaction between supervisors and employees is positively related to employee-supervisor agreement on ethical leadership.

CONSEQUENCES OF EMPLOYEE-SUPERVISOR AGREEMENT

In addition to examining antecedents of employee-supervisor agreement on ethical leadership, we also are interested in examining consequences of (dis)agreement. In this study we examine employee deviance in the work group as our outcome of interest.

We first focus on two types of agreement. Employees and supervisors could both agree that the supervisor is high in ethical leadership or they could agree that the leader is low in ethical leadership. When employees and supervisors both provide high ratings of ethical leadership, the behaviors that supervisors think they are modeling as well as the use of reward and punishment systems are indeed being witnessed by employees. Consistent with social learning theory (Bandura, 1977, 1986), employees observe the ethical behaviors of their supervisor and the behaviors they reward and punish and thus are less likely to engage in acts of deviance. In contrast, when supervisors and employees agree that the supervisor is low on ethical leadership, the supervisor's weaker focus on being ethical is witnessed and absorbed by their employees. When supervisors report demonstrating lower levels of ethical leadership and employees are aware of this lack of focus on ethics, it sends a message that unethical behavior is more tolerable (or less important) in the work unit. When supervisors and employees agree that the supervisor is low on ethical leadership, we expect higher levels of deviance.

Hypothesis 4: Employee-supervisor agreement at lower levels of employee and supervisor ratings of ethical leadership will result in more organizational deviance than agreement at higher levels.

Along with our congruence (or agreement) hypothesis, there is also theoretical support for making a prediction regarding incongruence (or disagreement). One form of disagreement is when employees rate the leader lower in ethical leadership than the leader rates himself or herself. In this situation, the leader thinks s/he is displaying ethical leadership but employees are not seeing such behaviors. This is clearly problematic because if employees do not witness behaviors associated with ethical leadership such as talking about the importance of ethics and using rewards and punishments then they do not have the positive role model they need to guide their behavior. In contrast, when an employee rates his or her supervisor higher in ethical leadership than the supervisor rates him or herself, we do not expect the disagreement to have as large an effect on the employee behavior because employees still perceive an ethical leader.

Hypothesis 5: Employee-supervisor *disagreement* when employee ratings of ethical leadership are lower than supervisor self-ratings of ethical leadership will exert a stronger influence on employee organizational deviance than *disagreement* when employee ratings are higher than supervisor ratings.

METHOD

Sample and Procedure

We collected data from 343 units from different organizations in the southeast U.S. including technology, government, insurance, financial, food service, retail, manufacturing, and medical organizations. A contact person was identified by the researchers within each organization. The contact person was asked to hand-deliver survey packets to five employees and the supervisor in the department. Respondents were assured confidentiality of their responses. We included a postage paid envelope in the packet to return the survey.

We received data from 1525 employees and 334 supervisors from 334 departments.

The employee survey contained measures of supervisor ethical leadership, group deviance, supervisor interaction and demographic questions. The supervisor survey contained self-ratings of ethical leadership, cynicism, BTA beliefs, and demographic questions.

Measures

Employee survey measures included ethical leadership (Brown et al., 2005, $\alpha=.97$), frequency of interaction ($\alpha=.93$), and organizational deviance (Bennett & Robinson, 2000). Supervisor survey measures included ethical leadership (Brown et al., 2005, $\alpha=.90$), BTA beliefs (2007), and human cynicism (Wrightsmann, 1991, $\alpha=.87$).

RESULTS

Hypotheses 1-3 focused on antecedents of employee-supervisor agreement on ethical leadership. In order to test these hypotheses, we followed a modified approach recommended by

Edwards (1995) for studying congruence as a dependent variable. First, we used multiple ordinary least squares (OLS) regression analyses in which supervisor self-ratings and employee ratings of ethical leadership are the dependent variables. We regressed both supervisor- and employee-rated ethical leadership on BTA beliefs, cynical philosophy of human nature, and frequency of interaction. Next, we plotted the regression lines for supervisor- and employee-rated ethical leadership from the previous steps (using unstandardized regression coefficients) on the same set of axes. Ratings of ethical leadership were on the y-axis, and values for each of our three predictors were on the x-axis—BTA beliefs, cynical philosophy of human nature, and frequency of interaction.

Finally, we examine the pattern of congruence between the lines. For the agreement hypotheses (Hypotheses 2 and 3), agreement occurs when: (a) supervisor self-rated ethical leadership is significantly closer to employee-rated ethical leadership values as cynicism (Hypothesis 2) and frequency of interaction (Hypothesis 3) increases; or (b) employee-rated ethical leadership is significantly closer to supervisor self-rated ethical leadership as cynicism (Hypothesis 2) and frequency of interaction (Hypothesis 3) increases; or (c) when both a and b occur. For the disagreement hypothesis (Hypothesis 1), the opposite is true—disagreement occurs when supervisor-rated and/or employee-rated ethical leadership significantly diverge from each other as BTA beliefs increase.

For Hypothesis 1, the results indicate that as BTA beliefs increase, employee-supervisor agreement on ethical leadership decreases. More specifically, better than average beliefs were positively related to supervisor self-rated ethical leadership but unrelated to employee ratings of ethical leadership moving supervisors and employees further apart as BTA beliefs increased. Thus, hypothesis 1 was supported.

In terms of Hypothesis 2, as cynical philosophy of human nature increased, both supervisor- and employee-rated ethical leadership decreased. Even though both declined, the effect on supervisor self-ratings of ethical leadership was greater, such that as cynicism increased, supervisor and employee ratings grew closer together, but some level of disagreement remained. Thus, Hypothesis 2 was partially supported.

Hypothesis 3 stated that frequency of interaction would be positively related to employee-supervisor agreement on ethical leadership. Figure 3 indicates that as frequency of interaction increases, employee-supervisor agreement on ethical leadership increases. Frequency of interaction was positively related to both employee and supervisor rated ethical leadership. However, it was more strongly related to employee ratings of ethical leadership, such that frequency of interaction was associated with employee-supervisor agreement and Hypothesis 3 was supported.

Hypothesis 4 predicted that congruence at higher levels of employee ratings and supervisor self-ratings of ethical leadership would exert a stronger influence on organizational deviance than congruence at lower levels. Determining whether fit at higher levels exerts a stronger influence than fit at lower levels involves exploring what happens to the surface along a line that reflects equal values for X and Y (the $X = Y$ line). In Figure 4, this is the line that extends from the nearest corner to the furthest corner of the X, Y plane. It reflects the line along which employee ratings and the supervisor self-ratings of ethical leadership are equal and, therefore, congruent. Hypothesis 4 predicts that the shape of the surface along this $X = Y$ line will decrease moving from the nearest corner of the surface (congruence, but at low levels of X and Y) to the furthest corner (congruence, but at high levels of X and Y). That is, a declining surface along the $X = Y$ line indicates that congruence at high levels of the value result in a

decreased organizational deviance than congruence at low levels. Consistent with Hypothesis 4, results indicate that the slope (represented by $b_1 + b_2$) is significant and negative ($-2.73, p < .01$). When both the supervisor and the employees agree that the supervisor is high on ethical leadership, there are lower levels of organizational deviance reported. On the other hand, when both the supervisor and employees agree that the supervisor is lower on ethical leadership, there are higher levels of deviance reported.

Hypothesis 5 reflected our prediction that incongruence resulting from lower employee ratings of ethical leadership than supervisor self-ratings of ethical leadership will exert a stronger effect on organizational deviance than incongruence resulting from supervisor self-ratings of ethical leadership being lower than employee ratings of ethical leadership. For this analysis, we shift our focus from the $X = Y$ line to the $X = -Y$ line, which extends from the left-most corner of the “floor” to the right-most corner. Hypothesis 5 predicts that the slope of the surface will be steeper on the right side of the surface if employee ratings of ethical leadership exert a stronger effect. That is, the negative impact of misfit on organizational deviance will be more marked (i.e., a steeper slope) on the right side of the graph.

Following Edwards (2001), the shape of the surface along this line can be tested by setting X equal to $-Y$ in the full polynomial regression equation above and solving for X and X^2 . This reveals that the slope of the surface along the $X = -Y$ line at the point $X = Y = 0$ is represented by $b_1 - b_2$ and the curvature of the surface along the $X = -Y$ line is represented by the quantity $b_3 - b_4 + b_5$. Again, these linear combinations of coefficients can be calculated from the polynomial regression equations reported in Table 3 and can be used to test the significance of the shape of the surfaces (see Edwards, 2001). The slope ($-1.19, ns$) and curvature ($-.18, ns$) were in the direction we predicted, but not significant. Therefore, we did not find support for Hypothesis 5.

DISCUSSION

The purpose of this study was to examine antecedents and consequences of (dis)agreement between employee and supervisor perceptions of the supervisor’s ethical leadership. This is an important question because prior research has not examined supervisor’s self-ratings of ethical leadership and prior work demonstrates that leaders (and humans in general), tend to have more favorable views of their own ethics (Morgan, 1993). The results of our research are in line with social learning theory (1977, 1986). Specifically, supervisor’s BTA beliefs, cynicism, and the frequency of interaction between employees and supervisors were associated with (dis)agreement about the supervisor’s ethical leadership. In addition, in terms of the consequences of employee-supervisor agreement on ethical leadership, employees engaged in less deviance when employees and supervisors agreed the supervisor was higher on ethical leadership, and engaged in more deviance when supervisors thought they were higher on ethical leadership than how employees rated them. These findings help expand on the burgeoning ethical leadership literature.

REFERENCES AVAILABLE FROM THE AUTHORS