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Gordon Institute of Business Science
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Ethical Leadership across Cultural Value Orientations

by

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Submitted in partial fulfilment of the requirements for the degree

of Doctor of Business Administration

at the Gordon Institute of Business Science,

University of Pretoria

24 May 2017

Supervisor

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Declaration

I, Danna Booyens Strydom declare that the thesis, which I hereby submit for the degree of Doctor of Business Administration at the University of Pretoria, is my own work and has not previously been submitted by me for a degree at this or any other tertiary institution.

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ABSTRACT

Over the past few decades many serious ethical problems have been reported in both business and public organisations. In response there has been increasing scholarly research interest in the construct of ethical leadership. At the same time, a growing body of scholarly knowledge dealing with cross-cultural leadership suggests that cultural factors influence the relationship between leadership and outcomes. This has highlighted a need to understand the relation between individual culture orientations and leadership. Moreover, since ethical leadership is a relatively new construct, the effect of culture on ethical leadership specifically has to date received little attention. This study undertakes to address this gap by evaluating the effect of cultural value orientations at the individual level of analysis on the relationship between ethical leadership at the middle management level and selected employee behavioural outcomes. A cross-sectional survey study is done using a multinational emerging market data sample embodying cultural diversity. Social cognitive theory is used to elucidate how cultural orientations of individuals change the social learning process through which ethical leadership influences employee outcomes. Structural equation modelling is used to test hypotheses derived from theory, including moderation of relationships by cultural value orientations. The research findings contribute an empirically validated theoretical explanation of how the cultural value orientations of individualism-collectivism and power distance, measured at the individual level of analysis, influence the relationship between ethical leadership and employee outcomes such as organisational citizenship behaviour, ethical climate, and performance. The findings of the study advance our understanding of the effect of cultural value orientations on the relationship between ethical leadership and employee outcomes and should prove useful for multinational enterprises wishing to create an ethical climate and instil effective ethical leadership practices across different nationalities and cultural groups. The study empirically confirms that ethical leadership does not only relate positively to the ethical climate of an organisation but also relates positively to actual employee performance. Further research is recommended to determine the causal direction of such relationships.

KEYWORDS

Ethical leadership, culture value orientations, power distance orientation, individualism-collectivism, organisation citizenship behaviour, ethical climate, employee performance

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to my supervisor Professor John Verster for firstly accepting me on the program and his detailed feedback and guidance as supervisor. He always seemed to challenge me further. It has been a privilege to have been supervised by him.

Special thanks also go to Professor Helena Barnard for her guidance, enthusiastic support and encouragement.

I thank Professor Gert Huysamen for his feedback on my methodology and analysis, Jennifer Charlton for her editing assistance, Miss Kerry Chipp and Professor Danie Petzer for their AMOS advice and Professor James Gaskin for his correspondence and AMOS plugins.

Thank you also goes to Adriaan Buys from iFeedback for administering the survey.

I thank the CEO of the host company for his confidence and courage in allowing the research to take place in his enterprise and the HR Director for his assistance with the logistics of the survey.

Lastly, I thank my family. Janet for putting up with all the time I spent working on my research and her ongoing support and encouragement. Lindsay and Stephanie for believing in me and their support and encouragement. To my late parents thank you for all the opportunities that you provided and for encouraging me to pursue knowledge from a very early age.

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CHAPTER 1. INTRODUCTION TO RESEARCH PROBLEM

1.1 INTRODUCTION

Over the past few decades many serious ethical issues have been reported in both business and public organisations (Brown, 2007; Yukl, 2013). Among international businesses there was the Volkswagen emission scandal that substantially reduced the value of the enterprise and continued to tarnish the reputation of the company even after key leaders had left the company. Martin Winterkorn, who took over as CEO in 2007, and his mentor Ferdinand Piëch achieved success through autocratic leadership that set aggressive goals that often included bullying employees and involved senior executives in even minor decisions, (Lynch, Bird, & Cutro, 2016). Lynch et. al. (2016) reasoned that three factors known by some as a "dangerous triad" were present simultaneously. These are Pressure, Opportunity and Rationalisation. The pressure from the top was intense. There was an opportunity to cheat and it was rationalised that this was acceptable because such behaviour was previously condoned. In this instance the lack of ethical leadership by senior leaders who did not penalise the previous cheating, signalled to employees that such behaviour was acceptable and that VW's 25-page Code of Conduct was irrelevant in pursuit of leadership's single-minded goal to succeed at any cost (Lynch et. al., 2016). Although this is a clear example of poor or lack of ethical leadership, was the influence of ethical leadership (or lack thereof) positively or negatively impacted by the underlying individually held cultural value orientation of the employees? For example, did the apparent acceptance of hierarchy in terms of pervasive autocratic leadership encourage employees to ignore the Code of Conduct guidelines? This was an incident that occurred in a foreign subsidiary where the local culture is based on complying with rules rather than using principles to govern behaviour. That is there is a difference between the basis of conduct in the home and host countries. The Volkswagen example highlights the risk of leadership not fully appreciating the potential impact of cultural differences in foreign subsidiaries of multinational enterprises. Several prominent banks were implicated in scandals related to

fixing of Libor rates and collusion with currency trading. Shareholder value was destroyed when the relevant banks settled criminal charges with the authorities by paying massive fines.

There is also rampant corruption in certain emerging economies. South Africa is a notable example and a Brazilian president was impeached for corruption. This negative perception and reputation adversely impacts the ability of emerging markets to attract FDI and credit from more developed markets where standards of business ethics may be different. In the case of South Africa political appointments seen to be motivated by corruption resulted in a currency devaluation and credit rating downgrades from agencies such as Fitch and Standard and Poor. The consequence of which was the destruction of vast amounts of value from assets. Shortcomings in ethical leadership may thus have significant downstream consequences. Ethical leadership is not just a topic of esoteric academic interest. It has important and far-reaching real-word consequences.

The many news stories of corrupt and fraudulent leaders moved Ciulla (1998, p. 5) - more than two decades ago - to introduce her book on the ethics of leadership with the statement “We live in a world where leaders are often morally disappointing”. Sadly, the observation is still relevant today although the resulting increased media attention as well as government regulation has increased the pressure on firms and their leaders to behave ethically, to the extent that ethical behaviour is now seen as critical to leaders’ credibility and their ability to meaningfully influence followers at all levels in the organisation (Den Hartog & Belschak, 2012). These issues have raised important questions about how leaders influence ethical conduct in organisations. In response to these and other questions there has been increasing scholarly research interest related to the construct of ethical leadership as evident from a succession of review articles by Brown and Mitchell (2010), Brown and Trevino (2006a), Den Hartog (2015) and Eisenbeiss and Giessner (2012). With regard to ethical leadership, an important distinction is made in the literature between studies that focus on ethical behaviour of leaders and those in which the focus is on the theory, construct or

processes of ethical leadership. The interest here is in the social scientific construct of ethical leadership that primarily deals with the processes of ethical leadership. Ethical behaviour of leaders is interpreted relative to the philosophies of ethics and our perspective on the nature of ethics is such that ethics is understood as both situational and normative, not absolute or universal.

In reviewing, what has been learned about effective leadership, Yukl (2012) established a hierarchical taxonomy with four meta-categories, namely, task-oriented, relations-oriented, change-oriented, and external, as well as 15 specific component behaviours. Discussing potential extensions to this taxonomy, he noted that leadership can be used in ethical or unethical ways, but that less trusted leaders tend to have less influence. He recognised that leader values and integrity did not get much attention in early research on effective leadership, but that interest in these factors has increased in recent years. The author suggested that more studies were needed to understand how leader values affect behaviours. Ethical leadership is grounded on leaders displaying and reinforcing behaviour based on what are deemed appropriate values. Therefore, ethical leadership could be a form of effective leadership, influencing more than just ethical behaviour.

Ethical leadership is postulated to have a positive impact on employee outcomes such as follower ethical decision making and prosocial behaviour (Brown & Trevino, 2006a). Brown, Trevino and Harrison (2005) proposed social learning theory as a theoretical basis for understanding ethical leadership and its antecedents and outcomes. Social learning theory aims to explain how some individual characteristics of the leader relate to the followers' perception of a leader as an ethical leader. This has been the basis for various studies investigating the relationship between ethical leadership and employee outcomes (Bedi, Alpaslan, & Green, 2015). Social learning theory can also be used to explain the impact of followers' situational or contextual influences on the relationship between ethical leadership and employee outcomes but this aspect of ethical leadership has so far received limited research attention (Stouten, van Dijke, & De Cremer, 2012).

Ethical leadership could thus be expected to influence employee behaviour, but to what extent will this be influenced by cultural orientation of employees? The focus of this study is on what effect such contextual influences may have on the relationship between ethical leadership and employee outcomes.

The present chapter provides a background to the research problem by positioning ethical leadership against a backdrop of an increasing stakeholder mindset in terms of governance as well as a growing awareness to considering the influence of follower cultural orientations. The broad aims of the study are defined, the scope delineated and the relevance of the study discussed. The chapter concludes with an overview of the thesis.

1.2 BACKGROUND

Stakeholder theory (Freeman, Harrison, Wicks, Parmar, & De Colle, 2011) provides a meta-theory context to support the practical relevance of ethical leadership. A broader understanding of the ethical responsibility of business leaders, as contemplated in terms of stakeholder theory, has evolved since Milton Friedman's very narrow perspective of business leadership responsibility some 40 years ago, when he criticised General Motors' study of its performance in the areas of public safety and pollution (Mulligan, 1986). Since then free-market capitalism has been subject to increasing criticism from an ethical perspective. A central topic that has emerged from stakeholder theory is the separation thesis, as put forward by Freeman (1994, p. 412): "The discourse of business and the discourse of ethics can be separated so that sentences like 'X is a business decision' have no moral content, and 'X is a moral decision' have no business content". The proponents of stakeholder theory argue that the separation thesis is actually a separation fallacy and that the separation thesis highlights the fundamental connection between ethics and business captured in enterprise strategy. The implication of rejecting the separation thesis is that almost any business decision has some ethical content and involves a degree of ethical leadership.

Ethical leadership, however, goes further than just making ethical business decisions. In their qualitative study of ethical leadership Trevino, Brown, and Hartman (2003) found that two key characteristics were expected from leaders seen to practise ethical leadership. The first was that leaders need to act as moral persons. This means they should be honest, trustworthy and fair. They should be known to behave ethically in their personal lives and be principled decision makers who care about people and strive for the greater good of society. The second was that leaders need to be moral managers. This means that managers should make a conscious effort to influence followers' ethical and unethical behaviour. They should do this by communicating clear ethical standards, acting as a role model for ethical behaviour and use rewards and punishment to hold their followers accountable to the ethical standards they have communicated.

Behaving as a moral person and moral manager with considerate and fair treatment of employees and holding employees accountable for ethical conduct is expected to positively influence broader follower behaviour such as prosocial or citizenship behaviour, through feelings of personal obligation, encouraging or motivating followers to perform beyond minimum expectations (Brown & Trevino, 2006a). Yukl (2012) suggested that ethical leadership may go further than just influencing pro-social behaviour and postulated that ethical leadership may contribute to both effective leadership and improved performance.

Holding employees accountable for ethical conduct is expected to influence the ethical climate in the organisation. Theoretical work by Dickson, Smith, Grojean, and Ehrhart (2001) postulated a positive relationship between ethical leadership and ethical climate. This positive relationship between ethical leadership and ethical climate was empirically confirmed by Neubert et al. (2009) in a study of 250 people recruited through an internet-based survey service. In discussing limitations of their study, they went on to suggest that future studies should look for more diverse samples to confirm their finding and investigate whether the influence of ethical leadership generalises to other cultures. Mayer et al. (2010) also confirmed the relationship between ethical leadership and ethical climate in

a sample of 300 units from a variety of organisations in the southeastern United States. Martin & Cullen (2006) in their meta-analytic review of ethical climate theory suggested that ethical climate theory could benefit from additional studies of antecedents to ethical climate as well as contextual effects. Research that examines the impact of individual cultural orientations on the relationship between ethical leadership and ethical climate in an organisation will further add contextual understanding to the scholarship on ethical climate. Ethical climate is more commonly included as a mediator in studies, but exactly for that reason it was included as a criterion variable in this study because it influences other behaviour. Creating a positive ethical climate is desirable for organisations because to is, for example, negatively related to counterproductive work behaviour. Understanding how ethical leadership contributes to an ethical climate and how this relationship might be affected by employee cultural values will be of benefit to organisations.

Globalisation of markets and increasing connectedness of countries due to travel, improved communication and logistic systems has contributed to the globalisation of corporations. Although globalisation opens many opportunities for business it also creates new challenges. One challenge arises from the differences in cultural values in different parts of the world. The different cultural values across countries were not taken into account in theories of the organisation relating to motivation and leadership. Business research has been criticized in that although business has internationalised, business school thinking is still very parochial and dominated by American oriented theories (Boyacigiller & Adler, 1991). The realization that there is a strong Western tradition hegemony in business and organisational science has given rise to a postcolonial field of inquiry that aims to bring a new perspective to international management theory (Ozkazanz-Pan, 2008). This has led to considerable interest in how cross-cultural differences impact leadership (Jung & Avolio, 1999, p. 208). However actual progress in addressing this has been slow. In his article contemplating the then state of leadership theory building, Avolio (2007, p. 26) argued that leadership research had reached a point where to move to the next level, researchers needed amongst other things, to consider the interaction

between leaders and followers. He specifically referred to culture as a relevant context suggesting that individualists and collectivists are likely to respond differently to leadership actions.

In terms of broader leadership literature Schermerhorn and Bond (1997) provided theoretical propositions of how members of collectivist cultures react to leadership, and specifically where high power distance is also present. The cultural dimension of power distance is defined as the extent to which people accept that power in institutions and organisations is distributed unequally (Hofstede, 2001). Schermerhorn and Bond called for empirical research to understand the implications of culture dimensions on leadership dynamics. The aim of such research would be to enable managers to be taught how to incorporate this into their leadership practices (Schermerhorn & Bond, 1997, p. 191). Although some researchers have taken up this call for research there is still a dearth of research relating ethical leadership to the influence of follower culture orientation.

1.3 THE RESEARCH PROBLEM

In a review of ethical leadership scholarship, Brown and Trevino (2006a) suggested context, including culture, as a potential source of moderation of the relationships between ethical leadership and the employee behaviours mentioned above. In a subsequent review of the state of ethical leadership research Brown and Mitchell (2010, p. 604) suggested that culture seems to be an interesting context variable to bring into the analysis of ethical leadership, because cultures influence how people react to leadership and this seems highly relevant to global organisations. Eisenbeiss (2012, p. 805) also recognized the need to complement the present leader-centric perspective with research on how follower behaviour and interaction between leaders and followers can affect the impact of ethical leadership. The author specifically called for cross-cultural study of the relationship between ethical leadership and employee outcomes.

Studies of other leadership constructs such as transformational leadership have found cultural dimensions to moderate the relationships between leadership and outcome variables (Kirkman, Chen, Farh, & Lowe, 2009; Walumbwa & Lawler, 2003; Walumbwa, Lawler, & Avolio, 2007). Cultural dimensions may thus also influence the relationship between ethical leadership and employee outcome variables. To date research on ethical leadership with culture as a predictor or moderator variable has received little attention. A meta-analytic review of ethical leadership outcomes and moderators by Bedi et al. (2015) did not report cultural moderator studies other than comparing single country studies with each other. Considering this dearth of research and calls for culture and context related research mentioned above, a study that investigates the effect of culture on the relationships between ethical leadership and employee outcomes is an opportunity to contribute to the scholarship regarding ethical leadership.

Balancing different stakeholder interests as discussed above places new demands on leadership and ethical leadership becomes more important in the increasingly complex environment of business. Research that contributes to the understanding of the relationships between ethical leadership and employee behaviours should help to promote understanding, explanation, and prediction of the effects of ethical leadership. Additionally, the globalisation trend and emerging prominence of multinational firms makes it relevant to understand how these relationships might be influenced by the diverse cultural orientations of followers in various host countries.

1.4 RESEARCH AIMS

The broad aim in this research is to address the real-world question of the efficacy of ethical leadership in multinational organisations that operate across diverse cultural environments. At a scholarly level, there is a growing body of knowledge dealing with cross-cultural leadership as reviewed by Dickson, Castano, Magomaeva, and Den Hartog (2012), Dickson, Den Hartog, and Mitchelson (2003) and Gelfand, Erez, and Aycan (2007). This scholarship has shown that leadership can be perceived differently through different cultural lenses.

Since ethical leadership is a relatively new construct, the relationship between culture and ethical leadership specifically has to date received little attention. Wang, Lu, and Liu (2017) found that collectivistic orientation positively moderated the relationship between ethical leadership and interactional justice. Brown and Mitchell (2010) and Den Hartog (2015) suggested context, including culture, as a potential source of moderation of the relationship between ethical leadership and employee outcomes. There is a need to understand the influence of culture on ethical leadership both from a theoretical perspective, as mentioned above, and from a practical global business perspective in the real world, to understand how ethical leadership might be perceived across different cultural contexts. The more specific aim of the research is to advance the existing body of scholarly knowledge on ethical leadership by examining hypotheses that relate to the effect of individual cultural value orientations on the relationship between ethical leadership and employee behaviour outcomes. Cultural value orientations are individually held cultural values and beliefs and are expected to play an important role in how employees react to aspects of their work (Kirkman, Lowe, & Gibson, 2006).

1.5 SCOPE OF THE RESEARCH

To make the scope of the study manageable, three behavioural outcomes are selected for focus in this research. These are ethical climate, organisational citizenship behaviour (OCB) and employee task performance. OCB draws on Chester Barnard's concept of the "willingness to cooperate" (Barnard, 1938) and has been defined by Organ (1988, p. 4) as:

> individual behaviour that is discretionary, not directly or explicitly recognised by the formal reward system, and that in the aggregate promotes the effective functioning of the organisation. By discretionary, we mean that the behaviour is not an enforceable requirement of the role or the job description, that is, the clearly specifiable terms of the person's employment contract with the organisation; the behaviour is rather a

matter of personal choice, such that its omission is not generally understood as punishable.

These three outcomes are chosen for study because all three have been postulated to be positively influenced by ethical leadership (Piccolo, Greenbaum, Den Hartog, & Folger, 2010). Creating an ethical climate is central to ethical leadership and OCB and performance are associated with effective leadership. Although there has been some empirical testing of these relationships, the data samples used were typically localised to a developed country or region. Confirming these relationships with a data sample spanning different cultures including emerging economies should improve the generalisation of the relationships and contribute to ethical leadership scholarship.

To study the impact that culture might have on the relationships between ethical leadership and the selected employee outcomes, the focus in the research is on the individual level of analysis. The two cultural value orientations of idiocentrism-allocentrism and power distance orientation were selected as culture variables for study. Triandis, Leung, Villareal, and Clack (1985) proposed that the unipolar dimensions of individualism-collectivism at the individual level of analysis should be called idiocentrism and allocentrism. For the purpose of this research the more commonly used terms, individualist orientation and collectivist orientation will be used. More specifically the vertical and horizontal operationalisation of individualism-collectivism (Singelis, Triandis, Bhawuk, & Gelfand, 1995) will be used in this research as discussed more fully in section 2.7.

The term power distance orientation is used to indicate the individual-level construct and distinguish between power distance at the country and individual level of analysis (Kirkman et al., 2009). The two selected cultural dimensions were chosen from the more comprehensive list of cultural dimensions (Hofstede, 2011; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Hampden-Turner & Trompenaars, 1993) because they have previously been shown to moderate the relationship between other leadership constructs, that bear some conceptual similarities to ethical leadership, and employee outcomes. These two dimensions

are also well established as cultural dimensions through an extensive collection of research (Dickson et al., 2012) and are also expected to represent differences between emerging and developed markets, making them particularly relevant to explore how ethical leadership might be perceived differently in different contexts.

The research will focus on employee perceptions of ethical leadership exhibited by their immediate manager at the middle management leadership level. Middle management is typically understood as departmental or functional management levels below policy-making executive management. Middle managers at the level envisaged should have the scope and opportunity to impact the organisation below them and influence the ethical climate in their respective areas of leadership responsibility.

1.6 RELEVANCE OF THE STUDY

Considering the increasing relevance of ethical leadership, as suggested above, it is important, from both practical and scholarly perspectives, to understand whether and how ethical leadership influences employee behaviour and how such potential influence in turn may be affected by different contextual factors, such as culture orientation of the followers. Research on the relationship between culture and ethical leadership should further advance our understanding of ethical leadership and to a limited extent, leadership in general.

This is particularly relevant in the context of a globalised world and the growing prominence of multinational businesses, many of them originating from emerging market countries. These multinational enterprises desire to establish a common ethical climate throughout the organisation despite different underlying cultural value orientations of employees. Multinational enterprises derive strength from their diversity and to get the most benefit from this need to provide guidance to leaders on how to make leadership effective in the context of this cultural diversity. Understanding how follower cultural orientations might affect the impact of ethical leadership would enhance training programs to develop ethical leadership in organisations.

Leadership research and specifically ethical leadership in Africa has been significantly underrepresented in the literature. This study contributes towards addressing this shortcoming by using a culturally diverse sample from a multinational enterprise operating in several African countries. In this way the study aims to address the concerns raised by Eisenbeiss (2012, p. 791) who criticised the current ethical leadership research as having too much of an "empirical-descriptive focus on Western-based perspective".

1.7 SUMMARY AND ORGANISATION OF CHAPTERS

In summary this study aims to answer the managerial leadership problem of how the individually held employee cultural value orientations, vertical and horizontal individualism-collectivism and power distance, impact the strength of ethical leadership influence specifically on the three employee behaviours of OCB, task performance and ethical climate.

This study of ethical leadership across cultural value orientations is organised into six chapters. Chapter 1 has provided a background to the problem, covering the topic of why interest in ethical leadership is now more relevant than ever. Emphasising that ethical leadership is not just a topic of academic interest. It has important real-word consequences and highly publicised actual examples abound of deficient ethical leadership resulting in significant destruction of either shareholder value in business examples or of the population paying the price in government examples.

Chapter 2 reviews the literature on ethical leadership showing how it has developed from being a dimension of other leadership constructs to maturing into a separate leadership construct. Literature relevant to the mechanisms through which ethical leadership influences follower behaviour is considered from the point of view of understanding how this could be influenced by the followers' cultural orientation. The chapter then reviews relevant literature related to dimensions of culture and the level of analysis at which cultural influences

operate and are measured. Social cognitive theory is invoked to explain how cultural value orientation characteristics act as agentic influences to impact the underlying social learning process through which ethical leadership influences employee behaviour. A set of hypotheses is formulated to be submitted to empirical evaluation in answer to the research question.

Chapter 3 outlines the research design and method, justifying the choices made in terms of relevant methodological principles and assumptions. It elucidates the methodological approach that underpins the study and how this fits with the research purpose and phenomenon under investigation. The units of analysis are defined having due regard to the research question and objectives and the sampling method and resultant sample characteristics are discussed. Operationalisation of the constructs using established measurement scales is explained. The research procedure and data collection are discussed and the process of data analysis is set out. This includes reasons for using structural equation modelling (SEM) and how a two-phased approach is used with a measurement model first to validate the measuring scales, followed by structural models to test the hypotheses.

In Chapter 4 the analysis of the survey data and the results of the hypothesis testing are reported. The chapter covers the confirmatory factor analysis on the measurement model and how this confirms construct validity for each of the measuring scales. The hypothesised relationships presented in Chapter 2 are modelled in a succession of structural models to empirically test the hypotheses in a final retained model with adequate goodness-of-fit.

In Chapter 5 the findings of the study are discussed in relation to the literature reviewed in Chapter 2 and the theoretical implications of results are considered. The study is concluded in Chapter 6 with a summary of contributions, practical management implications, consideration of research limitations and recommendations for future research.

CHAPTER 2. LITERATURE REVIEW

2.1 INTRODUCTION

The review starts with a focus on ethical leadership to understand the development and definition of the theoretical construct. It proceeds to a consideration of underlying theories that purport to describe the means through which ethical leadership influences follower behaviour. Social learning theory and social exchange theory have been proposed as theoretical explanations of how ethical leadership influences behaviour. Social identity processes may also be at play and hence are also given due consideration. The third focus is on dimensions of work-related values that may be influenced by culture. The notion of culture itself, as a context for the development of work related values is examined with a view to clarification as the term is used and understood differently in different disciplines, notably anthropology, social psychology, biology and the arts. Social cognitive theory is explored to explain how the cultural value orientations of followers might impact the social learning processes through which ethical leadership influences employee outcomes.

2.2 ETHICAL LEADERSHIP

A large body of literature has been written on ethics and leadership from a normative or philosophical perspective, suggesting what leaders should do or ought to do, but a more descriptive and predictive empirical social scientific approach to ethics and leadership is relatively new and only started emerging over the past few decades. The following sections review the development of ethical leadership in the literature from an ethical dimension of leadership up to the social scientific construct of ethical leadership which is a key focus in this research.

2.2.1 The Ethical Dimension of Leadership

Initial research sought to define ethical leadership from a normative perspective on business ethics. The normative perspective is rooted in philosophy and is concerned with describing how individuals should behave in the workplace (Ciulla, 1995). Individuals use principles or rules to resolve ethical conflicts and these principles or rules represent their moral philosophies. These rules and principles are acquired through socialisation by family members, social groups, religion, and formal education. This could be where culture starts to become an influence in the development because through social interactions the various social norms are experienced by an individual and the experiences shape the learning process. Kohlberg (1969) suggested that people progress through stages in the development of moral reasoning and different people may make different decisions when confronted with similar ethical situations because they are at different stages in their cognitive moral development. Not everyone progresses at the same pace and to the same level of moral reasoning. The development depends on the extent to which the individual's reasoning is challenged by complex ethical situations and also on the level of guidance that he or she may experience. In the workplace leaders can be a source of guidance because most employees tend to look at significant others for ethical guidance (Trevino, 1986). The level of moral reasoning attained by a manager will influence the extent to which the manager is likely to be seen as a role model. Hence the level of moral reasoning developed by a manager is expected to impact his or her ability to practice ethical leadership and influence follower behaviour. Personal traits such as integrity and trustworthiness have been considered important to leadership effectiveness and survey research has borne this out (Kirkpatrick & Locke, 1991; Kouzes & Posner, 1993; Posner & Schmidt, 1992).

Up to the turn of the century, the study of the ethical dimension of leadership was embedded primarily within well-established leadership theories and specifically the transformational and charismatic leadership theoretical traditions. The ethical dimension forms a small component of leadership that falls within the nexus of inspiring, stimulating and visionary leader behaviours that make up the composite

constructs of transformational and charismatic leadership (Bass & Steidlmeier, 1999). Burns (1978) differentiated between transactional and transformational leadership and argued that transformational leaders inspire followers by aligning value systems with moral principles. In doing so the leaders raise the moral consciousness of followers (Bass & Bass, 2008, p. 201). Bass and Avolio (1993) identified four dimensions of transformational leadership based on the understanding that transformational leaders inspire followers by aligning value systems with important moral principles. The dimensions of transformational leadership they described are referred to as: inspirational motivation, idealised influence, individualised consideration and intellectual stimulation. Bass and Avolio (1993) defined idealised influence as having an ethical component. The transformational leader acts as a role model for followers to emulate. This could potentially include serving as an ethical role model, however, it became clear that the influencing behaviour was not always morally and ethically acceptable. Some leaders were altruistically motivated and developed high levels of moral reasoning, while others were self-serving and did not display similar high levels of moral behaviour. This recognition brought about a differentiation between socialised, considered ethical, and personalised, considered unethical, charismatic leaders (Howell & Avolio, 1992) and between authentic and pseudo-transformational leaders (Bass & Steidlmeier, 1999). Thus, although transformational and charismatic leadership both contain an ethical component, the differentiation mentioned above means that transformational and charismatic leadership are not necessarily aligned with ethical leadership in that the influencing or leader behaviour may not always be morally and ethically acceptable.

In response to the above realisation that forms of influential leadership could be very different depending on the leader's moral orientation, Aronson (2001) formulated a model of ethical leadership based on directive leadership, transactional leadership, and transformational leadership and postulated how the level of moral development of the leader changed the model of leadership. The model was based on the application of ethical theories to leadership theories. Transformational leadership appears to be most closely connected to deontology,

while transactional leadership would seem to be more related to teleological ethics, and directive leadership to ethical egoism. The author mentioned in the discussion that it would be useful to test hypotheses concerning the relationship between transformational leadership and deontological ethical values as well as between transactional leadership and teleological values. He also postulated that other useful research areas would include examining the effect of ethical leaders on followers and the relationships between the various models of ethical leadership and performance, efficiency, and satisfaction of organisational members. It appears that his suggestions for further research have not been taken up and this line of ethical leadership research did not progress further. This research will pursue one of the suggestions to investigate the relationship between ethical leadership and performance.

2.2.2 The emergence of the social scientific Ethical Leadership construct

One of the first studies that aimed to define ethical leadership from a descriptive perspective was by Trevino, Hartman, and Brown (2000). Their qualitative research identified that ethical leaders represented two key characteristics: a moral person, and a moral manager. Moral persons consistently behave morally in their personal and professional lives. People have confidence in them that they will hear and act on their concerns. As a moral manager, the leader uses the position of leadership to promote ethical conduct at work. Moral managers are seen as role models and make ethical conduct a priority by setting and communicating ethical standards. They consistently use rewards and punishment to reinforce the set ethical standards. Trevino et al. (2000) argued that leaders need to be both strong moral persons and moral managers to be ethical leaders. Strong moral managers but weak moral persons would be seen as hypocrites. On the other hand, a weak moral manager but strong moral person will be an ethically neutral leader in that they behave appropriately but do not influence other's behaviour.

Building on the above initial work Trevino et al. (2003) conducted qualitative exploratory research, using structured interviews, to understand what the term

ethical leadership meant to groups of senior executives and ethics/compliance officers in a variety of industries. The study produced evidence that a number of personal characteristics were related to ethical leadership. Notably that ethical leaders were seen as fair and principled in addition to being honest and trustworthy. They were seen as approachable and demonstrated a concern for other people. This provided empirical evidence to support the normative ideas about the ethical dimension of leadership.

With a view to concept clarification, Brown and Trevino (2006a) in a conceptual analysis compared authentic leadership (Walumbwa , Avolio, Gardner, Wernsing, & Peterson, 2008), spiritual leadership (Fry, 2003) and transformational leadership (Burns, 1978) to ethical leadership. The authors performed a comparison of similarities and differences between the leadership constructs and concluded that although all of these constructs address the moral potential of leadership in some way and there is conceptual overlap, ethical leadership was distinct from the related leadership constructs. They found that all the leadership constructs are altruistically motivated and demonstrate a caring concern for people; that employees are likely to admire such leaders and identify with their vision; and that apart from ethical leadership, none of the leadership constructs focuses on proactive influence of ethical or unethical conduct of followers.

Brown et al. (2005) reasoned that although ethical leadership is related to other leadership constructs, as discussed above, none of those were broad enough to fully include all of the components considered essential to a definition of the ethical leadership construct. Considering this “deficiency bias” Brown et al. (2005, p. 119) formulated a definition of 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”. They proposed ethical leadership as a theoretical construct on the basis of prior theoretical work by amongst others Bass and Avolio (1993); Bass and Steidlmeier (1999); Howell and Avolio (1992); and Trevino et al. (2003). This definition of ethical leadership has been widely cited by authors signalling their accepted (Bavik, Tang, Shao

and Lam 2017; Brown & Trevino, 2006a; Den Hartog & Belschak, 2012; Kalshoven, Den Hartog and De Hoogh, 2011; Kim and Brymer, 2011; Mayer et al., 2010; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Mihelic, Lipicnik, & Tekavcic, 2010; Schaubroeck,et al., 2012).

Eisenbeiss (2012, p. 791) criticised the current ethical leadership research's "empirical-descriptive focus on Western-based perspective" as well as what she termed "conceptual vagueness" in the Brown et al. (2005) definition by not clarifying what "normatively appropriate behaviour" represents. She argued that by not specifying the norms there are no reference points to judge behaviour against. Instead Eisenbeiss (2012) identified four central principles of ethical leadership, from an interdisciplinary analysis of Western and Eastern ethics philosophies. The four central ethical principles that she identified are: humane orientation, justice orientation, responsibility and sustainability orientation, and moderation orientation (Eisenbeiss S. A., 2012, p. 795). Brown and colleagues recognised that appropriate behaviour can vary across organisational or societal cultures and intentionally left the phrasing vague to accommodate this envisaged variability. The very nature of ethics is such that one cannot prescribe appropriate behaviour for all situations because the appropriateness of behaviour will depend on circumstances and perspective. Hence ethical appropriateness is inherently normative and the use of normatively appropriate behaviour in the definition is therefore deemed acceptable. The "Western-based perspective" criticism is mitigated by Brown and colleagues' recognition that normatively appropriate behaviour can vary across cultures. The criticism is considered more applicable to the Western bias in published empirical research than to the theoretical grounding of ethical leadership and hence does not impact the adequacy of the definition. She did not however propose a new definition of ethical leadership.

I believe the Brown et al. (2005) definition of ethical leadership is attractive as a parsimonious definition and is an appropriate definition to use in this research because it captures the essence of the ethical leadership construct by including the dual roles of moral person and moral manager as well as interpersonal relationships that governs the treatment of followers. The unidimensional nature

is also attractive from a model complexity perspective as argued by van Knippenberg & Sitkin (2013) in their criticism of charismatic-transformational leadership. The multi-dimensional proposals from Kalshoven et al. (2011) and Eisenbeiss (2012) do not specify how the different dimensons combine to form ethical leadership. Also it is difficult to envisage how each dimension has a distinct influence on moderating mechanisms.

Brown et al. (2005) also proposed social learning theory (Bandura, 1977) as a theoretical basis for understanding ethical leadership. According to social learning theory ethical leaders influence the behaviour of followers through role modelling. This is consistent with arguments about ethics and leadership by Gini (1998) who also noted the importance of role modelling by a leader and the idealised influence dimension of transformational leadership (Avolio, Bass, & Jung, 1999). It has been argued that the construct of ethical leadership incorporates elements of both transactional (reward and punishment) and transformational (idealised influence) leadership. However, with the added clarification of normatively appropriate behaviour it rules out personalised charismatic and pseudo-transformational leadership. This is considered a strength of ethical leadership in that it utilises underlying social learning (Bandura, 1986) as well as social exchange (Blau, 1964) mechanisms (Brown & Trevino, 2006a).

2.2.3 Social learning theory and ethical leadership

Brown et al. (2005) proposed a social learning perspective (Bandura, 1977, 1986) to explain how ethical leadership influences the ethical conduct of followers via role modelling. Brown and colleagues argued that a social learning perspective is consistent with previous arguments about ethics and leadership from several authors who considered role modelling as essential leader behaviour (Bass, 1985; House, 1977; Kouzes & Posner, 1987). Social learning theory (Bandura, 1977, 1986) postulates that virtually anything that can be learned via direct experience can also be learned via vicarious experience by observing the behaviour of others and the consequences of their actions.

The social learning process includes three major elements (Wood & Bandura, 1989, p. 363). First, the appropriate skill or behaviour is modelled to convey the basic competencies. Effective modelling teaches people general rules for dealing with different situations rather than specific responses and the impact that modelling has is greatly increased by the observer's perceived similarity to the model. Second, individuals need guidance to perfect the acquired skill. Feedback helps to correct mistakes or inadequacies. Third, people must experience sufficient success. This can be achieved through reward of appropriate behaviour. Through this process employees can learn what types of behaviour are acceptable or unacceptable by observing how people are rewarded or disciplined as a consequence of their behaviour. The employee's immediate manager is a likely role model by virtue of their close proximity and level of interaction as well as status in the organisation and power to affect the behaviour and outcomes of others (Brown et al., 2005).

Ethical leadership fulfils all three of the above requirements. First in terms of role models, Weaver, Trevino, and Agle (2005) conducted a qualitative study and expanded on the theoretical concept of leaders as ethical role models by identifying a set of characteristics of ethical role models:

> Ethical role models are ethical, caring and personable individuals who value relationships and treat people fairly. They hold themselves and others accountable to high ethical standards and put those above self or company interests. They are also transparent about their own failures and accept the failures of others, turning those into learning experiences when possible. Finally, they are humble, hard working and will sacrifice themselves for others' welfare (p. 328).

Acting as role models is an important way in which ethical leadership influences the beliefs and behaviours of followers. Vicarious experience is an important mechanism through which ethical leadership influences followers' behaviour, according to social learning theory (Bandura, 1986). By observing others' behaviour, and the consequences thereof, followers adopt behaviours that are perceived to lead to desirable outcomes. Brown et al. (2005) showed how

followers imitated the favourable behaviour of the leaders and adopted the leaders' emphasis on integrity, trust, and shared values by incorporating these into their own identity.

Additionally, in terms of the second requirement for guiding behaviour, Den Hartog and Belschak (2012) found that ethical leaders use communication to amplify certain values and identities and suggested linkages between expected behaviours from their followers and the leaders' vision of a better future. The explicit communication of expected behaviour and reinforcement of appropriate behaviour through communication is crucial to ethical leadership as a social learning process. Followers who experience strong ethical leadership are more prone to identify with the values of the leader and demonstration of moral responsibility and are likely to emulate this and act responsibly themselves by taking initiative to implement improvements.

Leaders displaying ethical leadership also behave as moral leaders who reward appropriate behaviour and punish inappropriate behaviour, thus meeting the third requirement for social learning to occur. Followers who emulate the desired behaviour are seen to achieve success by being rewarded for the appropriate behaviour.

Ethical leaders gain their followers' attention by making the ethics message stand out from all the other communication, thereby drawing attention to the importance of appropriate behaviour (Trevino et al., 2003). This attentional process is a crucial component of the social learning process as people are unlikely to be influenced by observed behaviours if they do not remember them. Attention must be focused on the model and the modelled behaviour for role modelling to be effective (Wood & Bandura, 1989). Model attractiveness in turn is essential to gain observer attention. To be seen as ethical role models by their followers, leaders must be attractive and credible role models. Many individuals look outside themselves to other individuals for ethical guidance and will model the behaviour of attractive and credible role models (Trevino, 1986). Power and status are two characteristics that make role models attractive and more likely to be emulated

(Bandura, 1986). Leaders typically possess authority because they occupy a position of status relative to their followers. To be attractive, however, they also need to engage in ongoing behaviour that is considered normatively appropriate such as demonstrating care and concern and treating others fairly (Brown et al., 2005). To be credible, leaders need to be trustworthy and practice what they preach (Bandura, 1986, p. 344). As employees identify with the role model similar values and attitudes will be internalised. For the social learning process to occur the follower must see the leader as an ethical role model and decide to emulate the leader's behaviour (Trevino et al., 2000). Hence, from a social learning perspective, ethical leadership relies on credible and attractive role models who gain their followers' attention and in turn influence the followers effectively.

Voluntarily compliance and support that creates the perception of leader effectiveness is closely associated with legitimacy that arises from fair treatment of followers. With ethical leadership displaying considerate and fair treatment of employees, the employees are also likely to have a social exchange (Blau, 1964) relationship with ethical leaders (Bedi et al. 2015, p. 3). Followers are likely to reciprocate fair and caring treatment with positive behaviours. The higher the quality of the exchange relationship with their manager the stronger the prosocial obligation is likely to be. Ethical leadership produces feelings of trust and fairness in followers. This contributes to an organisational environment in which followers are more likely to reciprocate with beneficial behaviour toward the organisation (Brown et al., 2005).

Ethical leaders make sure that they focus attention on ethics by frequently communicating about ethics and making the message clear. In this regard ethical leadership overlaps with idealised influence associated with transformational leadership. This sets clear standards for others to follow but ethical leadership also use punishment and rewards to influence followers' behaviour. Reinforcement plays an important role in modelling effectiveness, because people see what is rewarded and punished and learn from this to regulate their own behaviour. This mimic the use of rewards and punishment as per transactional leadership (Brown & Trevino, 2006a). Thus, ethical leadership

includes aspects of both transformational and transactional leadership which is considered a strength of ethical leadership.

From the above it appears that ethical leadership meets the requirements for social learning to occur and that social learning is the dominant process through which ethical leadership influences follower behaviour. Some individual characteristics of the leaders and situational influences determine the followers' perception of the leader as a role model and in turn influence the effectiveness of the leader's ethical leadership. The key characteristics are credibility and being trustworthy by practicing what they preach. Also, the demonstration of care and concern and treatment of others fairly are attractive to followers, creating positive attention and emulation. How these characteristics and the social learning process influences specific employee outcomes are discussed in the following sections.

2.2.4 Levels of analysis

Leadership research has been criticized for not always explicitly dealing with levels of analysis and in some instances not using the appropriate level of measuring instrument for the theoretical construct (Yammarino, Dionne, Chun, & Dansereau, 2005). Ethical leadership potentially operates at all four levels of analysis identified by Yammarino et al. (2005), namely individual, dyad, group, and collective.

Immediate supervisory level leaders work more closely with subordinates and therefore are more likely to be ethical role models who can influence employee attitudes and behaviour more directly as role models (Grojean, Resick, Dickson, & Smith, 2004). Weaver et al. (2005) found that ethical role models were more commonly somebody who worked closely and frequently with the respondents rather than distant executives. Employees are therefore more likely to model their behaviour on that of their immediate manager and there is more likely a strong exchange between the employee and direct supervisory leader.

Social learning and social exchange interaction are expected to be most pronounced where employees work and interact in close association with their direct supervisory manager. This points to the need for this research to focus on followers and their direct supervisory leaders, rather than leaders at a distance. Suggesting that the individual follower level of analysis may be most appropriate for this study that investigates the relationship between leadership constructs and follower behaviour. Importantly, the ethical leadership scale was designed to measure the perception of ethical leadership in supervisor-direct report relationships (Brown et al., 2005, p. 131) also positioning it for individual follower level of analysis.

2.2.5 Ethical leadership measurement instrument

Brown et al. (2005) developed the ethical leadership scale (ELS). They demonstrated that ethical leadership predicted important outcomes, such as satisfaction with the leader, perceived leader effectiveness, and followers' willingness to report problems to management. These outcomes went beyond the effects of idealised influence, the closest leadership construct. They therefore provided empirical support for the discriminant validity of ethical leadership as distinct from related leadership constructs. The ELS has since been used by amongst others Den Hartog and Belschak (2012), Mayer et al. (2009), Mayer et al. (2010) and Schaubroeck et al. (2012) to study the predicted effect of ethical leadership on various follower behaviours, thus signalling a degree of acceptance of the construct in the literature and of the measurement scale being validated on different data samples.

Kalshoven et al. (2011) reasoned that although ethical leadership is often seen as a multi-dimensional construct, it is usually measured by the ELS which is designed as a uni-dimensional measure and confirmed as such by factor analysis. They proposed that measuring multiple ethical behaviours is more appropriate to uncover the different mechanisms through which ethical leadership acts. To this end they developed the Ethical Leadership at Work questionnaire (ELW) and validated it on a sample of 294 from different industries in the

Netherlands. The seven ethical leader behaviours, represented in the ELW were significantly related to the uni-dimensional ELS measure. The authors observed that as a short measure the ELS forms an excellent alternative to the ELW measure (Kalshoven et al., 2011, p. 65). This could be interpreted as the ELW not offering significant improvement over the ELS in predictive capability as a measure of ethical leadership. The additional survey items thus add complexity without additional fidelity.

Yukl, Mahsad, Hassan, and Prussia (2013) proposed, what they considered an improved measure, for ethical leadership which they called the Ethical Leadership Questionnaire (ELQ). The ELQ authors believed that the new measure would address some of the limitations of the ELS. According to Yukl et al. (2013, p. 39) a limitation of the ELS is that some aspects of ethical leadership, such as "honest communication, behaviour consistent with espoused values, fair allocation of assignments and rewards", were not explicitly included. The authors also argued that two of the ELS items are more representative of consideration than of ethical leadership. The authors did not empirically compare the ELS with the ELQ thus comparisons can only be made heuristically. Although the items in the ELQ are differently worded from the items in the ELS, many of them are very similar hence the two measures are expected to have considerable overlap. The additional items broadened the construct slightly but this is not considered a significant enhancement. With an existing base of research that used the ELS it was considered more appropriate to use the ELS than the new ELQ for this research in order to have a study with findings that could be compared with prior research. Yukl and colleagues used a sample of 192 graduate students to validate the measurement. Validity of the ELS has been established over numerous and more diverse samples.

Langlois, Lapointe, Valois, and de Leeuw (2014) developed and validated another ethical leadership measure also called the Ethical Leadership Questionnaire, despite referencing Yukl et al. (2013) in their article. They used a three-dimensional model originally advocated by Starratt (1991) with the three dimensions of justice, critique, and care. This seems to be a diverging research

stream based on the application of the three interdependent ethics to identify ethical competency among leaders to support their development through professional training rather than to predict the effects of ethical leadership.

The availability of measuring instruments for ethical leadership (Brown et al., 2005; Kalshoven et al., 2011; Yukl et al., 2013) makes it possible to empirically test predictions of the relationship between ethical leadership and various employee outcome variables to advance the theory related to ethical leadership. This prompted a significant number of research studies including ethical leadership to the extent that Bedi (2015) reported a meta-analytic review of 100 studies of ethical leadership.

2.3 ETHICAL LEADERSHIP AND EMPLOYEE OUTCOMES

Numerous studies examining the relationship between ethical leadership and employee outcomes have been published in the academic literature (Eisenbeiss & Giessner, 2012). A comprehensive meta-analytic review of ethical leadership outcomes and moderators was published by Bedi et al. (2015) and provides an extensive reference on the subject. The scope of this literature review will be confined to the three outcomes of interest in this study, OCB, ethical climate, and task performance.

2.3.1 Ethical Leadership and Organisational Citizenship Behaviour (OCB)

OCB was previously defined as discretionary behaviour that is not directly recognised by the formal reward system, but still contributes to the effective functioning of the organisation (Organ, 1988, p. 4). Organisational citizenship behaviour of employees is an outcome that has become very important in business. As businesses face dynamic and unforeseen contingencies that require employees to work beyond the employment contract, employees' extra-role behaviour becomes more significant (Bhal, 2006).

Studies have demonstrated positive relationships between supportive leadership styles and OCB measured at the individual level of analysis (LePine, Erez, & Johnson, 2002; Podsakoff, MacKenzie, Paine, & Bacharach, 2000). Since ethical leadership is also a supportive leadership style, ethical leadership may exhibit a similar relationship. Mayer et al., (2009) worked at the group level of analysis and found a positive relationship between top management and supervisory ethical leadership and group-level OCB. Piccolo et al., (2010) found a positive relationship between ethical leadership and OCB that was mediated by effort. Kalshoven et al. (2011) found that ethical leadership positively predicted variance in employee OCB at the individual level. Their study used a sample of 243 leaders from the Netherlands. Kalshoven et al. (2011) also developed an extended multi-dimensional scale for ethical leadership and found that the power sharing and fairness dimensions of ethical leadership related positively to OCB, but that the other dimension did not relate statistically significantly to OCB. They suggested that the context in which the leader operated was potentially more important than leader behaviour itself and that future research should include context variables in ethical leadership studies.

Eisenbeiss (2012) reasoned that when a leader demonstrates ethical leadership behaviour, followers are likely to develop beliefs that the leader is reliable and concerned about their well-being. Consequently, followers are likely to develop increased trust in the leader. The higher level of trust in the leader will in turn positively influence follower OCB (Eisenbeiss S. A., 2012). Per social learning theory (Bandura, 1977), the followers may want to emulate their trustworthy and credible role model by treating colleagues fairly and supporting each other by engaging in OCB.

Resick, Hargis, Shao, and Dust (2013) found that the relationship between ethical leadership and OCB was mediated by moral equity judgements of OCB. In contrast Khokar and Zia-ur-Rehman (2017) did not find a significant relationship between ethical leadership and OCB, thus emphasising the need and benefit of replication by confirming results under different circumstances and within different contexts.

The three key building blocks of ethical leadership, namely, integrity, considerate and fair treatment of employees, and holding employees accountable for ethical conduct (Brown & Trevino, 2006a), are expected to positively influence broader follower behaviour, such as prosocial or citizenship behaviour through feelings of personal obligation, encouraging or motivating followers to perform beyond minimum expectations (Brown & Trevino, 2006a, p. 607). From a social learning perspective (Bandura, 1977), ethical leaders that behave altruistically and are concerned about others act as role models and followers are likely to copy such behaviour and show OCB. By demonstrating concern for others ethical leaders emphasise the importance of group members' welfare, providing the communication and interaction that Ehrhart and Naumann (2004) argued develops group norms. This in turn stimulates employees to help each other.

The moral person behaviour of an ethical leader creates credibility with followers and hence meets the attractive role model requirement for a social learning process to occur. Ethical leaders also use transactional elements through social exchange to influence subordinates. By rewarding caring and fair treatment of others as desired behaviour, ethical leaders may guide employees towards behaviour which may include OCB.

Although the relationship between ethical leadership and OCB has previously been established, it was at different levels of analysis and is again formulated as a separate hypothesis for the purpose of replicating this relationship in a new context as well as a basis for subsequent hypotheses that postulate how this relationship might be influenced by cultural value orientations. Therefor the following hypothesis is proposed:

Hypothesis 1: Ethical leadership and Organisational Citizenship Behaviour (OCB) are positively related.

2.3.2 Ethical Leadership and Ethical Climate

Ethical climate theory can be considered a subset of organisational climate literature (Schneider, 1975). Two related frameworks that represent the ethical context in organisations have emerged in the literature: the ethical climate (Victor & Cullen 1987, 1988); and the ethical culture (Trevino 1990; Trevino, Butterfield & McCabe 1998). Trevino et al. (1998, p. 474) noted that the two constructs "are tapping somewhat different, but strongly related aspects of the ethical context". Ethical climate represents beliefs about what is acceptable behaviour in an organisation and in turn influences ethical decision making and ethical conduct (Martin & Cullen, 2006, p. 177). Ethical culture represents the subcategory of the organisation's culture that includes the formal and informal systems that influence an individual's ethical behaviour (Trevino and Weaver, 2003). Ethical leadership seems to be more closely related to ethical climate through the social learning mechanism and the ethical leader acting as a role model. Ethical leaders shape the ethical climate in an organisation by formulating procedures and policies that specify acceptable behaviour and ethical leadership reinforce ethical behaviour and discourage unethical behaviour through reward and punishment. This is how ethical leaders help shape what becomes *normatively appropriate behaviour*. Therefore, the focus in this study is on the relationship between ethical leadership and ethical climate rather than the ethical culture although the two terms appear to be used interchangeably in the literature leading to some confusion.

Ethical climate is of interest because it is the perception of what constitutes appropriate behaviour and influences both decision-making and subsequent behaviour in response to ethical dilemmas (Martin & Cullen, 2006, p. 177). It becomes the psychological mechanism through which the organisation manages ethical issues. Various consequences of ethical climate have an impact on the ultimate performance of the organisation.

The term ethical work climate was conceptualised by Victor and Cullen (1987) as a multidimensional construct that describes the ethical dimension of organisational climate. Ethical work climate consists of the "prevailing

perceptions of typical organisational practices and procedures that have ethical content" (Victor & Cullen, 1988, p. 101). The authors proposed a two-dimensional framework of ethical climate types based upon three types of ethical standards listed by Kohlberg (1981): individual self-interest, benevolence, and principle on the one axis and three loci of analysis individual, local, and cosmopolitan on the other axis. This results in nine ethical climate types. The three ethical standards correspond to philosophy's three major classes of ethical theory: egoism, utilitarianism, and deontology (Cullen, Victor, & Stephens, 1989). Victor and Cullen developed the ethical climate questionnaire (ECQ) to empirically test the existence of these nine ethical climate types, but found that the data only supported five factors, which they labelled caring, law and code, rules, instrumental, and independence (Victor and Cullen, 1988). The five climate types are also most frequently found by other researchers (Martin & Cullen, 2006, p. 178). In a caring ethical climate, decisions are based on an overarching concern for the well-being of others. Ethical leadership is expected to be positively related to caring ethical climates. The law and code ethical climate is based on adherence to external codes, such as the law, for decision making. Ethical leadership is expected to be positively related to law and code climates. In a rules climate decision making is guided by a strong and pervasive set of rules and standards set by the organisation. Ethical leadership is expected to be positively related to rules climates. In an instrumental ethical climate decision-making is driven from an egoistic perspective. Decisions are made to serve the organisation's interests or provide personal benefits. Ethical leadership is expected to be negatively related to instrumental ethical climates. In an independence ethical climate people act on their personal moral convictions. Ethical leadership is not expected to be significantly related to independence ethical climates.

Although ethical climate is, by definition, a macro-level construct, ethical climate can be conceptualised at the individual level as well as at the group or organisational level (Martin & Cullen, 2006, p. 188). The perception of ethical climate is relevant to individual ethical decision-making at the micro-level (Wyld & Jones, 1997). Hence, in the current study the focus will be on the individual's

perception of the ethical climate existing in his or her organisation, which is consistent with the study of organisational climate at the micro level (Victor & Cullen, 1988; Wyld & Jones, 1997).

Theoretical work by Dickson, Smith, Grojean, and Ehrhart (2001) highlighted the positive relationship between ethical leadership and ethical climate. Leaders create the climate in the organisation by enacting practices, policies and procedures that encourage desired behaviour. Research suggests that leaders serve as interpretive filters of organisational policies for their group members (Kozlowski & Doherty, 1989). Leaders can impact employees' perceptions by how they present and emphasise policies and practices.

Mayer et al. (2009) examined how ethical leadership flows down the organisation from top management to supervisory level and found that ethical leadership relates negatively to deviant and positively to OCB behaviours. In their recommendations for future research directions, the authors recommend examining the relationship between ethical leadership and ethical climate because, although there has been a lot of work on ethical climate, there is a dearth of research investigating how leader behaviour influences ethical climate (Mayer et al., 2009, p. 11).

Mayer et al. (2010) took up the recommendation in previous work (Mayer et al., 2009), extended the earlier work of Dickson et al. (2001) and found empirical support for the positive relationship between ethical leadership and ethical climate at the unit level of leadership. Their study used the ELS (Brown et al., 2005) to measure ethical leadership and their own six-item global ethical climate scale to measure ethical climate. This is a narrower measure of ethical climate and does not include all the dimensions as conceived by Victor and Cullen (1987, 1988).

Neubert, et al. (2009) confirmed a positive relationship between ethical leadership and ethical climate at the individual level from a sample of 250 full time employed candidates that were recruited through an internet-based survey

company. As a measure of ethical leadership, the authors used the ELS (Brown et al., 2005) and for ethical climate they used the scale developed by Trevino et al. (1998). This scale actually measures ethical culture rather than ethical climate as mentioned earlier and demonstrates the confusion about the two constructs in the literature, leaving scope to empirically confirm the relationship between ethical leadership and ethical climate.

Shin (2012) examined the relationship between CEO ethical leadership and ethical climate in a study of 223 Korean firms and a sample of 6021 employees. Ethical leadership was measured using the ELS (Brown et al., 2005) with CEOs doing self-ratings. Ethical climate was measured using three items from the ECQ (Victor & Cullen, 1988) law and code dimension and two items from the rules dimension. Shin's measure of ethical climate only included the compliance slice of the scale. Shin (2012) confirmed a positive relationship between ethical leadership and ethical climate at the firm level of leadership. However, the CEO self-rating of the ethical climate could potentially have been influenced by socially desirable responses.

Ethical climate has been shown to be an important antecedent and mediator of employee ethical or deviant behaviour as reported by Simha and Cullen (2012) in their critique of the ethical climate theory literature. Hence, understanding the relationship between ethical leadership and ethical climate is important. There appears to be theoretical justification and some empirical support for a positive relationship between ethical leadership and ethical climate as postulated by Bedi et al. (2015). However, with limited empirical studies that have examined this relationship and inconsistent measurement of ethical climate (Simha and Cullen, 2012), the relationship is in need of further study.

Leaders displaying ethical leadership enforce practices, policies, and procedures that uphold ethical conduct. They regularly communicate with subordinates what is acceptable and unacceptable and reward and punish employees accordingly. Social learning theory (Bandura, 1977) suggests that individuals pay attention to and emulate the behaviour of credible and attractive role models. This direct

observation of a role model, in addition to the influence of the supervisor, signals to employees that doing the right thing is expected, encouraged, and valued by the organisation. By role modelling and rewarding appropriate behaviour, leaders displaying ethical leadership help create an ethical climate, hence the following hypothesis is proposed:

Hypothesis 2: Ethical leadership is positively related to ethical climate.

It could be argued that this is a weak hypothesis as corroboration can be confidently expected while falsification would come as a great surprise. The hypothesis is postulated as a precursor to subsequent hypotheses that are expected to address how culture influences this hypothesised relationship. It is also recognised that the preceding statements argue for a causal relationship but the hypothesis is restricted to firstly establishing the empirical relationship between ethical leadership and ethical climate without making any causality claims.

2.3.3 Ethical Leadership and employee task performance

It has been suggested by Yukl (2012) that ethical leadership may contribute to effective leadership as well as to improved performance. Based on social exchange theory Bedi et al. (2015, p. 5) posited that ethical leadership positively influences job performance. Social exchange mechanisms are also expected to play a role in influencing subordinate performance through the lenses of trust and reciprocity (Blau, 1964; Mo & Shi, 2017). Exchanges at work between two parties occur when one party develops a sense of obligation to reciprocate the positive or negative actions of the other party (Blau, 1964). Exchanges can vary from low-quality economic exchanges based on employment contracts to high-quality social exchanges based on trust and respect (Hassan, Mahsud, Yukl, & Prussia, 2013) The latter may lead to stronger commitment and improved performance from the subordinate (Gerstner & Day, 1997). The nature of the obligation depends on the quality of the social exchange between the two parties. Ethical leadership is expected to stimulate high quality exchange oriented relationships

between a manager and employees because employees develop trust in leaders that behave ethically and transparently. Managers displaying ethical leadership also provide support and other tangible and intangible benefits to employees and engage in behaviours that are beneficial for the employees, who are then more likely to feel obligated to reciprocate through stronger organisational commitment and job performance (Bedi et al., 2015, p. 4). Consequently, ethical leadership can be expected to predict a positive effect on employee job performance.

Zhu, May and Avolio (2004) argued that ethical leaders' caring behaviour and consideration of employees' developmental needs should facilitate growth and confidence in employees' job-related skills, thereby enhancing their efficacy beliefs. Observational or vicarious learning by employees is expected to further enhance their self-efficacy. Bandura (1999) presents similar arguments and suggests that social factors such as leadership, especially when such leaders are credible and demonstrate moral conduct, play a critical role in developing and strengthening efficacy beliefs. Self-efficacy is enhanced through affective arousal and enactive mastery, two key mechanisms in social learning theory (Bandura, 1977). Eden and Aviram (1993) provided some empirical support for these arguments by demonstrating that credible sources of feedback, as one would expect from ethical leadership, can improve self-efficacy. Ethical leadership creates a caring environment that wants to see employees perform well and reach their potential (Brown et al., 2005). Such a caring environment is likely also to create a psychologically safe environment for employees to get direct feedback regarding their enactive mastery thereby helping employees to feel more confident in their abilities and leading to increased self-efficacy. Higher self-efficacy provides employees with the necessary self-belief to drive higher performance.

Piccolo et al. (2010) built on the original job characteristics model to develop a model of work design that examined the relationships between ethical leadership, task significance, job autonomy, effort and job performance. Empirical results confirmed a relationship between ethical leadership and subordinate's job performance which is fully mediated by task significance and effort. Kim and

Brymer (2011) also used a job characteristic approach and demonstrated empirically that ethical leadership was positively related to firm competitive performance via several mediators including turnover intention, extra effort,organisational commitment and manager job satisfaction. Walumbwa, Morrison, and Christensen (2012) empirically confirmed that ethical leadership is positively related to workgroup performance. The study sample consisted of 80 groups of nurses who worked at a single medical centre in the United States. Group performance was measured by supervisors providing ratings of group performance as a whole. Wang, Feng, and Lawton (2017) followed Eisenbeiss's (2012) mutlidimensional conceptualisation of ethical leadership and found that employees' perception of fairness influence in-role behavior of employees by creating positive collective identity.

The above suggests that ethical leadership has the potential to contribute to effective leadership in terms of driving employee and group performance. Effective leadership that drives performance, being one of the core leadership functions, makes the relationship between ethical leadership and employee task performance worthy of further attention. A positive relationship between ethical leadership and performance implies that ethical leadership is not just important from a governance perspective but is actually a real-world business imperative to drive performance. The limited empirical evidence supporting the relationship between ethical leadership and performance positions this as an important open question in the scholarship surrounding ethical leadership.

Managers who demonstrate ethical leadership are expected to boost employee self-efficacy through vicarious experience by modelling behaviour, verbal persuasion, affective arousal and enactive mastery all through social learning. Additionally, ethical leadership is expected to stimulate high quality exchange oriented relationships between managers and employees as per social exchange theory. As part of this high-quality exchange relationship, reports of managers who exhibit ethical leadership in turn are more likely to feel obligated to reciprocate through stronger organisational commitment and job performance. Higher self-efficacy provides employees with the necessary self-belief to drive

higher performance. Hence there is theoretical support for a positive relationship between ethical leadership and employee task performance at the individual level of analysis, suggesting the following hypothesis:

Hypothesis 3: Ethical leadership is positively related to employee task performance.

The reasoning above might be interpreted as indirectly implying a causal relationship but Hypothesis 3 is restricted to the empirical relationship between ethical leadership and employee task performance without suggesting causality.

2.4 THE CONTEXT OF CULTURE

Context, including culture, has been postulated as a potential source of moderators. With reference to transformational and charismatic leadership, Yukl (1999) suggested that leadership research needs to focus on potential moderators, such as follower characteristics, to improve the understanding of normative models of leadership. Ethical leadership shares some overlap with transformational and charismatic leadership so there may also be boundary or moderating factors that can influence the relationships between ethical leadership and employee behaviour outcomes. Culture seems to be an interesting context variable to bring into the analysis, as suggested by Brown and Mitchell (2010, p. 604). The authors suggest that national cultures and sub-cultures are likely to impact how people think and react to ethical leadership. They suggest that how culture differences between leaders and followers might influence employees' perception of ethical leadership has not been adequately explored in research. They further commented that this seems highly relevant to global organisations. So far their call to include culture in the study of ethical leadership has not been taken up by researchers. This study aims to address this gap in the literature.

Resick, Hanges, Dickson, and Mitchelson (2006) aimed to build on the work of Brown et al. (2005) by taking an alternative approach and focusing broadly on

the psychological processes involved with ethical leadership rather than the social learning view of ethical leadership adopted by Brown et al (2005). Resick et al. (2006) presented a perspective that focuses on leader cognitions and actions and suggested that ethical leadership is demonstrated via multiple levels of psychological processes. Based on a comprehensive review of literature they identified six key attributes that appear to characterise ethical leadership, including: character and integrity, ethical awareness, community/people orientation, motivating, encouraging and empowering, and managing ethical accountability. They further suggested that cognitive components consisting of leaders' values and knowledge exist as the core of ethical leadership and influence the way leaders behave and use their social power. The leaders' values and knowledge are characterised by their character and integrity, ethical awareness, and community/people orientation. The way they behave and exercise their social power is characterised by their ability to motivate, encourage and empower, and manage ethical accountability. Resick et al. (2006) performed their study at the societal or national culture level of analysis and used data from the Global Leadership and Organisational Effectiveness (GLOBE) project to analyse the degree to which four aspects of ethical leadership were endorsed as important for effective leadership across cultures. The GLOBE project did not develop scales to measure ethical leadership, so they derived a measure using the attribute and behavioural descriptive items identified above, mapped to GLOBE items. The GLOBE attributes and behaviours did not match up with the ethical awareness or accountability components so these were not included in the study. The findings from the study indicated that four components characterising ethical leadership, namely, character/integrity, altruism, collective motivation, and encouragement are universally supported and viewed as characteristics and behaviours that contribute to effective leadership across cultures. Cultures were however found to differ in the degree of endorsement for each dimension. This suggests that the dimensions of ethical leadership included in the study represent a variform universal, which exists when a principle is viewed similarly around the world, yet cultural subtleties lead to differences in the enactment of that principle across cultures (Dickson et al., 2012, p. 487). Although this study was conducted using an archival data set that was not

originally designed to address ethical leadership and the measure of ethical leadership was therefore a post hoc construction, it provides a useful starting point for examining beliefs about ethical leadership across cultures. It also provides evidence to suggest that deeper investigation of the impact of culture on ethical leadership is warranted, with a view to understanding context and boundary values of the variform universal.

The limited research investigating the impact of culture on ethical leadership and the effect of ethical leadership prompted Eisenbeiss (2012) to call for further research on how culture might influence ethical leadership. Brown et al. (2005) recognized that appropriate behaviour can vary across organizational or societal cultures as confirmed by Resick, et al. (2011) who found some variation in ethical leadership across cultures but convergence regarding the importance of leader character. Therefore, there is a gap in the literature to make a contribution to the cross-cultural understanding of ethical leadership.

2.4.1 Defining culture

Within the context of organisational science, Hoftstede (1980, p. 260) defined culture as “the collective programming of the mind which distinguishes the members of one human group from another”. Hampden-Turner and Trompenaars (1993) in their definition of culture suggested that members of a given culture will share common history and therefore hold common attitudes. Project GLOBE defined culture as “shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age generations” (House, et al., 1999). Triandis (1994, p. 1) described culture as the “human-made part of the environment”. What these definitions have in common is the reference to a set of values adopted by the group of people that define the way of life for that particular group. Cultural values translate into norms, beliefs, and morals and are reflected in the laws and practices of the society (Dickson et al., 2012). In order to understand and measure culture and interpret its influence on behaviour there needs to be a framework which can be used to describe culture.

Kluckhohn and Strodtbeck (1961) presented the cultural orientations framework from a cultural anthropology perspective. They complemented the previous anthropological study of culture by studying variance within cultures. After years of rigorous content analysis of studies from around the world they identified six cultural dimensions in terms of which different cultures may be studied, contrasted and understood: nature of humans, relationships among people, relation to broad environment, activity, time, and space. Their work heavily influenced the work of subsequent scholars who studied cultural dimensions.

Hoftstede (1980), from an organisational psychologist perspective, proposed a framework for classifying national cultures based on work-related values. In his empirical research, using ecological factor analysis, he initially identified four bi-directional national culture dimensions, termed, individualism-collectivism (IND-COL), power distance (PD), uncertainty avoidance (UA) and masculinity-femininity (MAS-FEM). A fifth dimension, Confucian dynamism (CD) or long/short-term orientation was added at a later stage (Hofstede, 2001) and a sixth dimension, indulgence versus restraint was added more recently (Hofstede, 2011).

Schwartz and Bilsky (1990) developed an a priori theory regarding the dynamics of cultural value differences across nations. They argued and confirmed that cultural value dimensions would reflect core solutions that emerge as cultures attempt to cope with societal problems. These cultural value dimensions were based on a circumplex of seven basic value types. Subsequent work by Schwartz, et al. (2012) expanded on this and developed the theory to define 19 values on a continuum based on compatible and conflicting motivations, expressions of self-protection versus growth, and personal versus social focus. Values varied across cultures and to interpret these variances Schwartz and Bilsky used knowledge about each culture, specifically the individualism-collectivism dimension reported by (Hofstede, 1980), but the variation was not consistent enough to be used to measure the influence of culture. The values

framework is not considered an appropriate alternative to cultural dimensions as a means of studying the effect of culture on leadership influence.

Trompenaars and Hampden-Turner (1997) also used a dimension-based approach in their attempts to describe culture. They investigated culture by categorising ways in which a group of people solve problems. Considering three types of problems (relationship with others, time, and the environment), they conceptually defined seven fundamental dimensions of culture: universalism versus particularism; individualism versus collectivism; neutral versus affective; diffuse versus specific; achievement versus ascription; attitude to time; and attitude to environment. Their dimensions are really conceptually defined categories in that the first five of Trompenaars and Hampden-Turner's categories were based on patterns postulated by Parsons and Shils (1951) and the two attitude categories are based on value orientations postulated by Kluckhohn and Strodtbeck (1961). The empirical analysis was more of a confirmatory factor analysis than an exploratory factor analysis and the factors exhibited significant intercorrelations. Hofstede's dimensions were empirically derived, using ecological factor analysis. A dimension-based approach to describe culture appears to be the way to go with both Hofstede and Trompenaars and Hampden-Turner adopting this approach. The dimension of individualism-collectivism was common to both frameworks suggesting that this is a crucial cultural dimension.

Project GLOBE also used a dimension-based approach. Project GLOBE's description of 64 cultures was based on a set of nine dimensions, construed as component variables of culture, in the tradition of Hofstede and organisational psychology: performance orientation, future orientation, assertiveness, power distance, humane orientation, institutional collectivism, uncertainty avoidance, and gender egalitarianism (House, Hanges, Javidan, Dorfman, & Gupta, 2004). Several of these conventions had their conceptual origins in the work of Hofstede (1980). They also incorporated the work of Trompenaars and Hampden-Turner (1997) who suggested that various leadership styles would be received differently in different parts of the world and the work of Kluckhohn and Strodtbeck (1961) who emphasised the importance of values in the formation of culture.

Taras, Steel, and Kirkman (2011) concluded that after 30 years of research into the effect of culture, it is clear that culture has a profound impact on preference for leadership styles and management systems. With-in country variation limits the approach of using national culture measures and national cultures change over time (Taras et al., 2011). Kirkman et al. (2006) reviewed 180 studies published in business and psychology journals to consolidate what is empirically verifiable about Hofstede's cultural values framework. They identified a methodological trend that research studies that test specifically for cultural value mediation (showing that cultural values explain country effects) are analytically superior to those that test only for country or cultural value effects. They found that many studies had a relatively small effect size which led them to conclude that it is not so much whether culture matters, because it clearly does, but rather when culture matters most. They suggested that examining a contingency view of the impact of cultural values would be a fruitful area for future research. Taras, Steel, and Kirkman (2012) performed a meta-analysis and produced an updated set of national cultural scores along the dimensions of Hofstede's cultural framework. The results are based on a larger and more representative sample than that used in Hofstede's original study and they addressed cultural change over time by offering separate sets of indices for different decades. There appears to be convergence on using dimensions to define and measure culture but different opinions persist about at what level of analysis to measure culture.

2.4.2 Culture and levels of analysis

There is a growing volume of literature dealing with leadership in a cross-cultural context (Dickson et al., 2003; Dickson et al., 2012) that could form a theoretical basis for studying the influence of culture. The dimensions of culture can, however, be measured at different levels of analysis, that is, at national level, at societal level, organisation level, and at individual level. A criticism of national and societal cultural value dimensions is that there may be significant in-group variation. Bandura (2002) argues that substantial heterogeneity exists among individuals in societies and that using nations as proxies for culture and then

ascribing psychosocial attributes to the nations and all its members leads to misattributing of effects.

Hofstede (1980) and Schwartz (1994) argued that country-level value structures differ from those at individual level. Triandis (1995) suggested that individual values specify modes of behaviour that are considered socially acceptable and that serve as normative regulatory guides for individuals. Thus, individual values specify how one is influenced and influences and therefore how leadership may be perceived and evaluated.

A review of cross-cultural management literature by Kirkman et al. (2006) indicated that cultural value orientations, or individually held cultural values and beliefs, play an important role in how employees react to aspects of their work. Walumbwa et al. (2007) argued that individual differences play a critical role in the way individuals respond to different leadership styles. Kirkman et al. (2009) argued that individually held cultural value orientations should be taken into account when considering reactions to leadership and that interactions between leaders and subordinates may vary from culture to culture. Therefore, performance management and reward systems may be contingent on cultural variables to accommodate the individually held cultural variables (Kanungo & Jaeger, 1990).

Recent reviews of cross-cultural organisational behaviour literature (Dickson et al., 2012; Gelfand et al., 2007; Kirkman et al., 2006; Tsui, Nifadkar, & Ou, 2007) indicate that the level at which cultural influences operate, that is at the individual or country level, remained an open research question in many substantive areas at that time. There was, however, evidence that within country individual level variation in cultural values could be larger than country level cultural differences. Gelfand et al. (2007, p. 492) also cite numerous studies that found that within-country variance accounts for more variance in leadership preferences than cross-country variance. This suggests that cultural differences can meaningfully affect leadership processes at the individual level of analysis, and possibly to a greater extent than at the country level. The debate about the difference between

measuring country level structures and those at individual level was largely resolved by Fischer and Poortinga (2012) who demonstrated that dimensional structures at the two levels show substantial overlap and that there is a degree of isomorphism between individual and country level cultural structures. This makes sense because country level cultural values are reflections of aggregated individually held beliefs and values. Individually held cultural values and beliefs are referred to as cultural value orientations (Kirkman et al. 2006) and this terminology is adopted for present purposes. Hence, it seems that studying cultural values at the individual level of analysis, that is cultural value orientations, would be most appropriate for research on the mediating or moderating effects of cultural values on relationships between ethical leadership and behaviours.

There may also be culture specific to the organisation. From the organisational culture literature, it seems that organisational culture is relevant in terms of employee-organisation fit and strategy-culture fit and although organisational culture exists, it mostly influences the outer layers of rituals, symbols, artefacts, and espoused values (Schein, 1996). Including organisational culture dimensions was considered beyond the scope of the present study and will be controlled for by using a single multinational organisation for the study.

2.4.3 The effect of culture

Several authors have demonstrated the moderating effect of cultural dimensions on the relationship between various leadership constructs and employee outcomes (Kirkman et al., 2009; Walumbwa & Lawler, 2003; Walumbwa et al., 2007). Jung and Avolio (1999) illustrated that leadership can be perceived differently and result in different effects on performance depending on the cultural orientation of followers. This suggests that the effect of ethical leadership on employee outcomes may also be moderated by cultural value orientations.

Walumbwa et al., (2007) examined the moderating effect of individualism and collectivism on transformational and transactional leadership, building on earlier work that examined the moderating effect of collectivism on the relationship

between transformational leadership and perceptions of organisational withdrawal behaviour (Walumbwa & Lawler, 2003). Considering that there is some overlap in the influencing effect of transformational and ethical leadership, it is proposed that the individualism-collectivism (idiocentric-allocentric) orientation of the follower will most likely influence the relationship between ethical leadership and employee behaviour outcomes.

Euwema, Wendt, and van Emmerik (2007) investigated the effects of societal culture dimensions of power distance and individualism-collectivism on group organisational citizenship behaviour as well as the moderating role of these cultural dimensions on the relationships between directive and supportive leadership and group organisational citizenship behaviour. The authors found that culture dimensions of individualism-collectivism moderated the relationship between supportive leadership and group organisational citizenship behaviour as well as that between directive leadership and group organisational citizenship behaviour. Although this study was done at the group level of analysis it suggests that there may be merit in studying the moderating effect of the cultural dimensions of individualism-collectivism and power distance on the relationship between ethical leadership and employee outcomes at an individual level of analysis because groups reflect individually held cultural value orientations.

Researchers participating in the GLOBE project reported that ratings of transformational leadership were associated with organisational-level collectivism (Gelfand, Bhawuk, Nishi, & Bechtold, 2004). Kirkman et al. (2009) found that power distance orientation moderated the cross-level relationship between transformational leadership and procedural justice and ultimately organisational citizenship behaviour. Since there is some overlap between transformational leadership and ethical leadership this suggests that there may be merit in studying the moderating effect of the cultural value orientations of power distance and individualism-collectivism on the relationship between ethical leadership and employee outcomes at an individual level of analysis.

Social cognitive theory (Bandura, 2002) provides a theoretical basis for explaining the influence of a follower's cultural value orientation on the social learning mechanism. Social cognitive theory (Bandura, 1999) builds on the social learning model as a way to conceptualise and integrate the situation/disposition distinction. Social cognitive theory postulates that people are agentic operators impacting the course of their life rather than just mere onlooking hosts of brain mechanisms orchestrated by environmental events. Instead of explaining human behaviour in terms of unidirectional causation, social cognitive theory explains psychosocial functioning in terms of triadic reciprocal causation (Bandura, 1986). Internal personal factors, behavioural patterns, and environmental events all interact as determinants and influence one another bidirectionally. Social cognitive theory distinguishes between three types of environmental structures namely: the imposed environment, selected environment, and constructed environment. The imposed physical environment is thrust upon people. They have little control over its presence but the environment is only a potentiality and people can select which part of the potential environment becomes the actual experienced environment. The choice of associates and activities constitutes the selected environment. The construction of environments affects the nature of reciprocal interplay between personal, behavioural and environmental factors (Bandura, 1999).

In social cognitive theory one of the central self-regulating mechanisms that governs motivation and performance works through people's beliefs in their personal efficacy (Wood & Bandura, 1989, p. 364). People's perceived self-efficacy concerns their belief in their capabilities to mobilise the motivation, cognitive resources and courses of action necessary to exercise control over their lives. To be successful and accomplish desired goals requires the necessary skills as well as resilient self-belief in one's capabilities to exercise control over events. Efficacy beliefs can be instilled in a person through four principal ways (Wood & Bandura, 1989). *Mastery experience* is the most effective way and is built through successes. Proficient role models develop self-belief through *modelling* (the social learning process) by demonstrating to observers effective strategies for managing different situations. *Social persuasion* can also increase

people's beliefs that they possess the capacities to achieve goals. People also take account of their *psychological states* when they assess their capabilities. By enhancing their physical status and capability they modify their self-beliefs. The direct personal agentic influence referred to in social cognitive theory primarily depends on a person's level of personal efficacy.

As an agent, a person intentionally influences his or her functioning and life circumstance. Social cognitive theory distinguishes three modes of agency: direct personal agency, proxy agency that relies on others to act on one's behalf, and collective agency exercised through a group (Bandura, 2002). Normal functioning requires a blend of these different modes of agency and the relative emphasis of the different modes may vary cross-culturally. The expanded conception of human agency makes social cognitive theory well suited to elucidate human personal development, adaptation, and change in different cultural contexts. Modelling is considered a universalised human capacity but cultural orientations change how it is used. There is commonality in basic agentic mechanisms of operation, but diversity in people's cultural values change the relative patterning of the inherent capacities. Cultural values and beliefs act as psychosocial systems through which experiences are filtered (Bandura, 2002). Hence modelling (as per social learning theory) is a universalised human process of learning and influencing behaviour but how it is used varies under different cultural value orientations. The cross-cultural commonality of agentic capacity is thus rooted in beliefs of personal and collective efficacy to produce desired outcomes by one's actions. The cultivated identities, values, and belief structures determine the agentic capabilities that form the psychosocial systems through which experiences are filtered (Bandura, 2002, p. 273).

Personal efficacy is important because a strong sense of personal efficacy is vital for success regardless of whether actions will be achieved individually or by group members as a collective effort. Firm group loyalty creates strong personal obligations to do one's part toward group goals. Group loyalty and strong collective efficacy can be attributed to a strong social identity with the particular group.

People tend to associate themselves with various social categories according to social identity theory (Ashforth & Mael, 1989). Social identification appears to derive from the long-established concepts of group identification (Tolman, 1943) and the literature on group identification suggests four key principles associated with identification (Ashforth & Mael, 1989, p. 22):

a. Identification is seen as a perceptual cognitive construct that is not necessarily associated with specific behaviours. That is an individual does not have to do anything specifically to be associated with a group, but only needs to perceive him- or herself as psychologically linked with the fate of the group;
b. Social identification is seen as personally sharing in the success and failures of the group;
c. An individual may define herself in terms of the group yet can disagree with prevailing values; and
d. Identification with a group is similar to identification with a role model.

Through identification individuals perceive themselves in terms of the characteristics they share with the organisation and this promotes positive responses towards the organisation workgroup (van Knippenberg, van Knippenberg, De Cremer, & Hogg, 2004). Individuals with high levels of identification tend to expend more effort on behalf of the organisation so one would expect higher levels of prosocial behaviour and more motivation to achieve their performance goals on behalf of the organisation. Hence, social identity theory explains a higher propensity towards collective efficacy among certain individuals and hence more emphasis on collective agency as an influencing determinant in terms of social cognitive theory.

The social information processing perspective provides a perspective from which to interpret behavioural patterns and environmental events in terms of social cognitive theory. The social information processing approach (Salancik & Pfeffer, 1978) stems from the fundamental premise that individuals, as adaptive organisms, adapt attitudes, behaviour, and beliefs to the social context and to the

reality of their own past and present behaviour and situation. Individuals develop attitudes as a function of the information available to them at the time they form the attitudes. The social environment provides cues which individuals use to construct and interpret events and it also provides information about what a person's attitudes and opinions should be (Salancik & Pfeffer, 1978). Social context is likely to make some information about an individual's own past activities salient. It also provides norms and expectations which constrain the process of rationalising those past activities (Salancik & Pfeffer, 1978). The social context provides sense making through guides to socially acceptable beliefs and acceptable reasons for action. It also focuses an individual's attention on specific information that provides expectations in terms of individual behaviour and logical consequences of such behaviour (Salancik & Pfeffer, 1978). A person's immediate environment is an important source of information and provides cues which individuals use to interpret events. The social information processing perspective thus provides another lens, shaped by cultural value orientations, through which individuals interpret events. If the prevailing context differs from that which ethical leadership is trying to establish, social information processing can be expected to come into effect.

In the following sections, social cognitive theory is considered in relation to the social learning mechanisms that drive the relationships between ethical leadership and employee outcomes. The aim is to seek to explain the effect of each of the focal cultural value orientations on the previously hypothesised relationships between ethical leadership and employee outcomes.

2.5 INDIVIDUALISM-COLLECTIVISM AND ETHICAL LEADERSHIP

As noted, Hofstede (1980) conceptualised and identified four cultural dimensions on the basis of empirical research at the level of national culture. He subsequently added a fifth, long-term orientation and more recently a sixth, indulgence vs restraint. Hoftstede (1980) conceptualised individualism-collectivism, one of the original dimensions, as a cultural continuum, however, Schwartz (1994) suggested that the two polar opposites should be construed as independent

constructs, which can both exist in individuals in varying degrees as well as in societies. Subsequent research challenged the bi-polarity. Triandis et al. (1985) then attempted to operationalise the dimensions as unipolar and conceptually independent, under new names, at the individual level of analysis. Triandis and colleagues proposed that the unipolar dimensions at the individual level of analysis should be called idiocentrism and allocentrism. This terminology recognises that there could be idiocentrics within collectivist cultures and allocentrics within individualistic cultures.

Triandis (1995) argued that the four defining attributes of idiocentrism and allocentrism are:

a) the definition of self which emphasises personal or collective aspects;
b) personal goals that have priority over group goals or vice versa;
c) the emphasis on exchange rather than communal relationships; and
d) the importance of attitudes and norms as determinants of social behaviour.

People with idiocentric culture orientation place personal goals and perhaps those of their immediate families ahead of goals of broader social groups. Idiocentrics thus view the individual as the most basic unit of social perception and give priority to individual over group goals (Triandis, 1995). Idiocentrics place greater value on independence, autonomy and personal achievement than the importance of their roles in groups (Markus & Kitayama, 1991).

On the other hand, for allocentrics, identities are to a large extent derived from the groups to which they belong, that is group-level goals, values, norms and needs take precedence over those of the individual (Hoftstede, 1980; Triandis, 1995). Hence, allocentrics emphasise the importance of the group or organisation interests at the expense of individual goals and achievement motivation is socially oriented (Triandis, 1995). Individuals in collectivistic cultures subordinate their own self-interests and work towards group goals (Hoftstede, 1980).

In earlier literature (Hoftstede, 1980; Wagner, 1995) individualism and collectivism were conceived as polar opposites on a continuous single cultural dimension. Triandis (1995) also argued that the individualism-collectivism dimension is too broad and offered an alternative view that individualism and collectivism are separate constructs that differ from each other but may overlap, similar to what Schwartz (1994) postulated. Based on the idea that individualism and collectivism may be different constructs sharing something in common, Triandis and Gelfand (1998) suggested that the crossing of individualism and collectivism with hierarchy produces four distinct dimensions for individuals: horizontal collectivism (HC), vertical collectivism (VC), horizontal individualism (HI), and vertical individualism (VI). Vertical collectivism includes perceiving the self as a part of the collective and accepting inequalities within the collective whereas horizontal collectivism also includes perceiving the self as part of the collective, but viewing members as equal. Vertical individualism considers the individual as autonomous and accepts levels of inequality. Horizontal individualism considers the individual as autonomous but there is an emphasis on equality.

Shavitt, Lalwani, Zhang, and Torelli (2006, p. 339) confirmed a distinct impact of the vertical and horizontal dimensions of individualism-collectivism especially for the understanding of personal values. The authors consequently argue in favour of the distinction between vertical and horizontal forms of individualism and collectivism when studying cultural value orientations. As noted by Shavitt et al. (2006, p. 327) at the individual level the four classifications are properly termed horizontal and vertical allocentrism/idiocentrism but following these authors, the same HI, VI, HC and VC terminology will be used in this study to maintain consistency with most of the literature.

Table 1, reproduced from Shavitt et al. (2006, p. 327), summarises the characteristics of the four cultural dimensions as articulated in the literature by numerous authors. This provides a useful framework for identifying and interpreting social cognitive theory's agentic influence of employee cultural value

orientation on the social learning mechanisms through which ethical leadership influences employee behaviours.

Table 1

Motives Characterising Horizontal and Vertical Individualism and Collectivism

	Horizontal (Self at the Same level as Others)	Vertical (Self in a Hierarchy to Others)
Individualism (independent self)	Being distinct and separate from others Being self-directed, self-reliant Modesty, not conspicuousness Expressing uniqueness	Improving individual status via competition Seeking achievement, power, prestige Standing out Display of success, status
Collectivism (interdependent self)	Maintaining benevolent relationships Common goals with others Social appropriateness Sociability Cooperation	Maintaining and protecting in-group status Deference to authorities and to in-groups Conformity Harmony

Source: "The Horizontal/Vertical Distinction in Cross-Cultural Consumer Research," by S. Shavitt, A. Lalwani, J. Zhang, and C. J. Torelli, 2006, *Journal of Consumer Psychology*, 16(4), p. 327. Copyright 2006, Lawrence Erlbaum Associates, Inc

The effect of each of the four employee cultural value orientation constructs of horizontal and vertical individualism/collectivism on the relationships between ethical leadership and employee outcomes, previously hypothesised, will now be considered with reference to the cultural value orientation framework presented in Table 1.

The numbering convention used for hypotheses is such that hypotheses dealing with the individualism-collectivism cultural dimension, that is HI, HC, VI, VC and the relationship between ethical leadership and OCB are numbered 4a, 4b, 4c, 4d. Hypotheses dealing with the relationship between ethical leadership and ethical climate are respectively numbered 5a, 5b, 5c, 5d.

2.5.1 Horizontal-Individualism (HI)

HI is a cultural orientation where an autonomous or an independent self is postulated, but the individual feels similar in status with others (Singelis et al., 1995, p. 245). In this cultural orientation people are highly self-reliant and want to be unique and distinct from groups, but they believe in equality and are not motivated to be distinguished or to attain high status (Triandis & Gelfand, 1998,

p. 119). The strong sense of self-reliance and drive to express their own uniqueness is expected to reflect as high levels of self-efficacy in HI oriented individuals. With reference to social cognitive theory, the relatively high perceived personal-efficacy of HI orientated individuals creates a lower propensity to replicate credible role model behaviour because this is not necessarily seen as desirable behaviour by the HI oriented individual (Wood and Bandura, 1989, p. 364). Therefore, the social learning mechanism is expected to be weaker for HI oriented individuals.

HI and the relationship between ethical leadership and OCB: Although people with HI cultural value orientation subscribe to a framework of everyone being equal, their social identity is typically low (Shavitt et al., 2006) and consequently they are expected to have relatively low levels of collective efficacy suggesting a lower propensity to engage in OCB. Fair and considered treatment associated with ethical leadership will be appreciated by HI oriented individuals, but the sense of reciprocity arising from the social exchange relationship will more likely be mirrored in prosocial behaviour towards the ethical leader rather than colleagues and the broader organisation. This is because in terms of social cognitive theory, the agentic influence on the underlying social learning process is driven by the higher weighting towards direct personal agency and lower weighting towards collective or proxy agency as well as the lower social identity associated with the HI cultural value orientation. This means that the social exchange mechanism that strengthens the social learning process driving the relationship between ethical leadership and employee OCB will be weaker for HI oriented individuals, suggesting the following hypothesis:

Hypothesis 4a: Horizontal-Individualism (HI) negatively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB).

This predicts that the positive correlation between perceived ethical leadership and employee organizational citizenship behaviour will be lower for employees

with high horizontal-individualism orientation than for employees with low horizontal-individualism orientation.

HI and the relationship between ethical leadership and ethical climate: As discussed above, the strong self-efficacy associated with HI oriented employees is expected to result in a high tendency for HI oriented employees to follow credible leaders that exhibit desirable characteristics. Since ethical leadership has been established as being desirable behaviour and leaders displaying ethical leadership are seen as credible, the social learning effect for behaviour perceived as representing an ethical climate is expected to be strongly replicated by individuals with HI orientation. The low social identity of HI oriented individuals and consequent bias away from collective efficacy towards higher personal efficacy is expected to play out as a weaker social exchange relationship but is not expected to significantly come into effect on the relationship between ethical leadership and ethical climate. Hence the positive relationship between ethical leadership and ethical climate is expected to strengthen, suggesting the following hypothesis:

Hypothesis 5a: Horizontal-individualism (HI) will positively moderate the relationship between ethical leadership and ethical climate.

This predicts that the positive correlation between perceived ethical leadership and ethical climate will be higher for employees with high horizontal-individualism orientation than for employees with low horizontal-individualism orientation.

2.5.2 Horizontal-Collectivism (HC)

HC is characterised as a cultural pattern in which the individual sees the self as an aspect of a group and the same as the self of others (Singelis et al., 1995, p. 244). The self is merged with the group members and all the group members are seen as very similar to each other. In the HC cultural orientation, the self is interdependent and equality is the essence of this cultural value. The emphasis on common goals with others and interdependence means that HC individuals

have a willingness and desire to cooperate (Kim, Dansereau, Kim, & Kim, 2004, p. 83). There is a strong desire to maintain benevolent relationships with others and act socially appropriately (Shavitt et al., 2006).

HC oriented individuals are therefor expected to have strong social identities with specific groups and their work group is a particularly likely one (Singelis et al., 1995). Individuals with high organizational identification tend to be greater contributors to their workgroup (van Knippenberg, van Knippenberg, De Cremer, & Hogg, 2004).The strong sense of common goals with the rest of the group and desire to maintain benevolent relationships as well as feelings towards social identity are expected to be reflected in strong collective efficacy in HC individuals. It is however inappropriate to equate self-efficacy with individualism (Bandura, 2002, p. 276). HC oriented individuals may still have significant self-efficacy, but they just have a stronger bias towards collective efficacy and a willingness to participate in collective agency. HC oriented individuals are expected to respond favourably to managers displaying ethical leadership. The manager's appropriate ethical behavior as well as fair and considerate treatment of followers make them attractive role models for HC individuals (Ashforth & Mael, 1989). Therefore, HC oriented individuals are expected to replicate the modelled ethical leadership behaviour through amplified social learning processes. The HC individual's collective efficacy bias and feeling of social identity towards the group influences them such that behaviour is to the benefit of the group.

HC and the relationship between ethical leadership and OCB: Bavik et al., (2017) as well as Gerpott, van Quaquebeke, Schlamp, and Voelpel (2017) reasoned that the effect of ethical leadership is mediated by follower moral identity. Horizontal-collectivists' orientation towards social identity with the group suggests that they are likely to develop relatively stronger moral identities in response to ethical leadership and this will be even more pronounced when the leader is perceived as prototypically with the group according to the social identity model of leadership effectiveness (Gerpott et al. 2017; Giessner, Van Knippenberg, & Sleebos, 2009). Ullrich, Christ, and Van Dick (2009) found that group identification was such a strong effect that it over shadowed fairness.

Meleady and Crisp (2017) argued that organizational identification is an important predictor of workplace behavior and found that organizational identification is positvely related to employee OCB. The bias towards collective efficacy and expected strong social identity with the group, associated with HC oriented individuals, is expected to create a strong social exchange relationship with an ethical leader representing a positive role model. This strong social exchange relationship is envisaged to further reinforce the HC oriented individual's feeling of obligation towards group prosocial behaviour. Strong affinity with the group and collective efficacy translates into HC individuals readily participating in collective agency through OCB towards other members of the group. The amplified feeling of prosocial obligation should strengthen the positive relationship between ethical leadership and employee OCB leading to the following hypothesis:

Hypothesis 4b: Horizontal-collectivism (HC) positively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB).

This predicts that the positive correlation between perceived ethical leadership and employee organizational citizenship behaviour will be higher for employees with high horizontal-collectivism orientation than for employees with low horizontal-collectivism orientation.

HC and the relationship between ethical leadership and ethical climate: The collective efficacy bias and feeling of social identify with the group means that HC oriented individuals are not inclined to behave differently from the group norms. The social information processing perspective (Salancik & Pfeffer, 1978) reinforces this and suggests that individuals make sense of their environment and influences by processing the information that they observe around them. This represents an environmental determinant that social cognitive theory suggests is one of the triadic reciprocal causation determinants (Wood & Bandura, 1989). Hence, if the behaviour that a manager is attempting to replicate through ethical leadership differs significantly from that which employees observe around them

on a regular basis, then the social information processing perspective suggests that this will act as an environmental determinant in terms of social cognitive theory and may weaken the social learning process that drives the positive relationship between ethical leadership and ethical climate, leading to the following hypothesis:

Hypothesis 5b: Horizontal-collectivism (HC) will negatively moderate the relationship between ethical leadership and ethical climate.

The prediction here is that the positive correlation between perceived ethical leadership and ethical climate will be lower for employees with high horizontal-collectivism orientation than for employees with low horizontal-collectivism orientation.

2.5.3 Vertical-Individualism (VI)

VI is characterised as a cultural pattern in which the self is postulated as autonomous and independent and the self is different from the self of others (Singelis et al., 1995, p. 245). Individuals view each other as different and inequality is the essence of this cultural value orientation. Competition is an important aspect of this cultural orientation because people want to become distinguished and acquire status to differentiate them from others (Kim et al., 2004, p. 85). VI oriented individuals further differentiate and distinguish themselves from others through public display of their success and status. In their pursuit of power and status VI individuals often demonstrate a disregard for social norms but are likely to engage in impression management and self-deceptive enhancement to project themselves more favourably and attractively to others (Shavitt et al., 2006). VI oriented individuals have strong personal efficacy and a low bias towards collective efficacy except where working as a group will benefit the VI individual and assist him or her in achieving personal objectives. VI individuals typically have a low level of social identity with the group except as above when it helps them to achieve personal goals. The overriding desire to be

competitive and advance themselves to achieve power and prestige means that the VI oriented individual can be expected to behave selfishly.

VI and the relationship between ethical leadership and OCB: Even if an ethical leader is perceived as a positive role model and through the social learning mechanism the VI individual replicates leader behaviour, it is unlikely that a strong social exchange relationship will be established and consequently a strong feeling of obligation to help group members is not expected. However, if the individual perceives that by demonstrating OCB this will be viewed favourably by the manager and could lead to better performance reviews or promotion, as is likely when the manager displays ethical leadership, this could strengthen the positive relationship between ethical leadership and employee OCB. Based on the VI oriented individual's focus on personal objectives and desire to be competitive we expect the agentic influences of relatively low social identity with the group and low collective efficacy to weaken the social learning process but more importantly result in less of a social exchange obligation that is expected to negatively affect the social learning process. Hence the following hypothesis is proposed:

Hypothesis 4c: Vertical-individualism (VI) negatively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB).

The prediction is that the positive correlation between perceived ethical leadership and employee organizational citizenship behaviour will be lower for employees with high vertical-individualism orientation than for employees with low vertical-individualism orientation.

VI and the relationship between ethical leadership and ethical climate: The inherent self-centred tendency of VI oriented individuals and the overriding desire to be competitive and advance themselves to achieve power and prestige suggests that even if an ethical leader is perceived as a credible positive role model there might not be such a strong social learning process and motivation to

replicate leader behaviour. This is further supported by relatively low social identity as well as a low expected social exchange obligation. The VI individual might rather be tempted to take advantage of opportunities to not fully comply with ethical expectations in order to gain a competitive advantage. Instead they are likely to use impression management behaviour to create the illusion of appropriate behaviour to avoid penalisation or punishment. This in turn should dampen the positive relationship between ethical leadership and ethical climate leading to the following hypothesis:

Hypothesis 5c: Vertical-individualism (VI) will negatively moderate the relationship between ethical leadership and ethical climate.

This predicts that the positive correlation between perceived ethical leadership and ethical climate will be lower for employees with high vertical-individualism orientation than for employees with low vertical-individualism orientation.

2.5.4 Vertical-Collectivism (VC)

VC is characterised as a cultural pattern in which the individual views the self as an aspect of a group, but the members of the group differ from each other with some members having more status than others. The self is interdependent yet different from the self of others (Singelis et al., 1995, p. 244). Inequality is accepted in this cultural pattern and people do not see each other as the same. People emphasise the importance of status and hierarchy, thus inequality is the essence of the VC cultural value orientation (Triandis & Gelfand, 1998). Despite the acceptance of inequality, serving and sacrificing for the group is an important aspect of VI cultural orientation (Shavitt et al., 2006). Hence, on the one hand VC oriented people believe that individuals in the same group must be treated on a group membership basis, but on the other hand they stress the values of hierarchy (Singelis et al., 1995). In terms of hierarchy, rank and prestige are often determined by age, seniority, loyalty and contribution to the group, or some combination of these factors (Kim et al., 2004). VC oriented people believe that

individuals in the group should be treated differently on the basis of the above factors.

VC oriented individuals are expected to have a balanced blend of personal efficacy and collective efficacy. The acceptance of hierarchy implies that individuals are likely to hold aspirations to move up in status through loyalty and contributions to the group (Kim et al., 2004). However, to achieve this they must hold self-efficacy beliefs that they can in fact influence this since one of the central self-regulating mechanisms that governs motivation and performance, in social cognitive theory, works through people's beliefs in their personal efficacy (Wood & Bandura, 1989). The strong group orientation implies inherent collective efficacy as well as significant social identity with the group (Shavitt et al., 2006). Vertical-collectivists are expected to have a balanced blend of personal-efficacy and collective efficacy with personal-efficacy increasing as the individual rises in the hierarchy.

VC and the relationship between ethical leadership and OCB: Although VC oriented employees have a strong desire for harmony and a tendency to conform, individuals want to maintain and protect their in-group status. Their self-efficacy acts as an agentic influence that supports the social learning process through role modelling. Social identity with the group suggests that they are also likely to respond to the fair and considerate ethical leadership treatment with prosocial behaviour. However, despite the positive role model of an ethical leader, the social exchange obligation will not necessarily extend to prosocial behaviour towards all fellow employees, especially if their status is considered different, because VC oriented employees want to maintain their perceived advantage or even gain more of an advantage over other employees. This suggests that the relationship between ethical leadership and employee OCB will most likely be dampened, leading to the following hypothesis:

Hypothesis 4d: Vertical-collectivism (VC) negatively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB).

The prediction here is that the positive correlation between perceived ethical leadership and employee organizational citizenship behaviour will be lower for employees with high vertical-collectivism orientation than for employees with low vertical-collectivism orientation.

VC and the relationship between ethical leadership and ethical climate: The self-efficacy of VC oriented employees as well as the associated collective agency and strong social identity is expected to support the social learning process as an agentic influence. Therefore, VC individuals are expected to respond well to the role modelling influence of ethical leadership. VC oriented employees also have a strong desire for harmony within the group as well as a tendency to conform (Shavitt et al., 2006). Individuals want to maintain and protect their in-group status and hold leader figures in high regard. Schermerhorn & Bond (1997, p. 191) argued that in collectivist cultures with high power distance, described by Singelis et al. (1995, p. 269) as vertical collectivism, followers respect authority, have loyalty to the group and tend to conform to the wishes of a paternalistic leader. This together with the reasoning above, suggests that the relationship between ethical leadership and ethical climate will most likely be strengthened, leading to the following hypothesis:

Hypothesis 5d: Vertical-collectivism (VC) positively moderates the relationship between ethical leadership and ethical climate.

This predicts that the positive correlation between perceived ethical leadership and ethical climate will be higher for employees with high vertical-collectivism orientation than for employees with low vertical-collectivism orientation.

2.5.5 Individualism-collectivism and the relationship between ethical leadership and task performance

As discussed earlier, horizontal-collectivist oriented employees are expected to have higher levels of social identity towards their work group due to their

inherently strong group association and may thus be more committed to prosocial behavior towards the organization in response to ethical leadership (Jung & Avolio, 1999). Horizontal-collectivism oriented individuals are also more likely to respond to ethical leadership by feeling more identified with the organization than horizontal-individualism oriented employees who typically have lower group association feelings. Thus, strengthening both the social learning and social exchange mechanisms. Ethical leadership also emphasizes the importance of subordinating individual needs to group norms and goals (Brown et al., 2005). This suggests that horizontal-collectivism oriented individual employees, with a combination of self-efficacy and collective efficacy, are likely to respond more favourably to ethical leadership in terms of a motivational influence related to task performance than horizontal-individualism oriented individuals with lower collective efficacy. Horizontal-collectivism individuals are also more likely to utilize proxy agency to achieve performance goals - that is work together as a team - than horizontal-individualism individuals who tend to rely on direct personal agency. Hence, the relationship between perceived ethical leadership at a middle management leadership level and employee task performance could be expected to be more positive for horizontal-collectivism oriented employees than for horizontal-individualism oriented employees, suggesting the following two hypotheses:

Hypothesis 6a: The relationship between ethical leadership and employee task performance will be positively moderated by Horizontal-Collectivism (HC)

This predicts that the positive correlation between perceived ethical leadership and employee task performance will be higher for employees with high horizontal-collectivism orientation than for employees with low horizontal-collectivism orientation.

Hypothesis 6b: The relationship between ethical leadership and employee task performance will be negatively moderated by Horizontal-Individualism (HI).

This predicts that the positive correlation between perceived ethical leadership and employee task performance will be lower for employees with high horizontal-individualism orientation than for employees with low horizontal-individualism orientation.

2.6 POWER DISTANCE ORIENTATION AND ETHICAL LEADERSHIP

The cultural dimension of power distance is defined as the extent to which people accept that power in institutions and organisations is distributed unequally (Hofstede, 2001). The cultural dimension of power distance deals with the issue of how society deals with the fact that people are unequal. People are not equal both in their physical and intellectual capacities. In some societies these inequalities over time grow into inequalities in power and wealth. The wealth may be passed down generations and perpetuate the situation without relating to underlying physical and intellectual capacities (Hofstede, 1983). Power distance as a dimension is found in almost all existing cultural value frameworks (Kirkman et al., 2009). High power distance at the societal level is referred to as hierarchy and low power distance as egalitarianism (Schwartz, 1994).

The term power distance orientation is used to indicate the construct of power distance at the individual level of analysis and to distinguish it from power distance at the country level of analysis (Kirkman et al., 2009). Power distance orientation deals with individuals' beliefs about status, authority, and power in society and in organisations and is therefore expected to influence follower reactions to leadership at the individual level of analysis. Kirkman et al. (2009) found empirical support for the proposition that individuals possess different beliefs and values about hierarchy and status in the organisation and that such differences affect their cognitive and behavioural reactions to leaders. They used an individual level measure of power distance orientation in line with other researchers (Brockner et al., 2001; Earley & Erez, 1997; Loi, Lam & Chan, 2012).

Kirkman et al. (2009) found that power distance orientation had an interactive relationship with transformational leadership and followers' organisational

citizenship behaviour. This suggests that ethical leadership may also interact with power distance orientation of followers.

Power distance orientation has a theoretically more direct relationship with leadership reactions than other cultural values, because followers with a high power distance orientation expect and are more receptive to one-way top-down direction from leaders (Javidan, Dorfman, de Luque, & House, 2006). Employees with a higher power distance orientation treat differences in status seriously and are more responsive to organisational hierarchy (Loi et al., 2012). They may think that copying the behaviour of managers is inappropriate and tend not to request information from higher-ranking authority figures. High power distance orientated employees prefer less communication with managers and maintain greater social distance from managers (Farh, Hackett, & Liang, 2007). Low power distance orientation employees are egalitarian and are less likely to submit to authority. They perceive managers to be socially closer in terms of work experience and job responsibility and prefer frequent open communication with managers (Loi et al., 2012). High power distance orientation employees consider their managers to be more distant figures within the organisational hierarchy and are comfortable with a more autocratic management style (Bialas, 2009).

Psychological theories related to obedience (Migram, 1963) suggest that people almost blindly follow instructions given by a legitimate authoritative figure. Subsequent research however suggest that personal dispositions and situational determinants play a role in the obedience process (Blass, 1991). Thus, although high power distance-oriented individuals are expected to diligently follow instructions, ethical leadership is about influence. Ethical leadership sets clear expectation about what are acceptable and unacceptable behaviour, but these are not direct instructions. Through the social learning mechanism, the role model leader influences employee behaviour (Kirkman et al., 2009).

Due to the larger social distance between the leader and the employee with high power distance orientation, the social learning mechanism can be expected to be less effective than for employees with low power distance orientation. The

relationship between the manager and employees with high power distance orientation will not be interactive enough for effective modelling to occur. This means that the attentional requirement for social learning to occur might be absent. High power distance oriented employees may also not see the skills displayed by the ethical leader as appropriate to copy, thus missing another requirement for social learning to take place. Therefore, the modelling process is unlikely to build self-belief in followers. The high power distance oriented employee is also unlikely to benefit from social persuasion from their manager due to the employee's reluctance to form a close relationship with their manager. Employees with high power distance orientation are therefore less likely to view managers as credible role models and model their behaviour on that of their managers through observation and vicarious learning, as postulated by social learning theory. High power distance oriented employees are also expected to be more likely to form narrow work role definitions and are consequently less likely to engage in OCB (Morrison, 1994).

The social exchange process is based on the degree of emotional support and exchange of resources between a manager and his or her direct report (Sparrowe & Linden, 1997). The quality of this social exchange relationship between the manager and direct report depends on how they interact (Blau, 1964). The more frequently employees interact with their immediate manager the more likely that the relationship will be stronger. Employees with high power distance orientation are more likely to keep their distance and interact less frequently with their immediate managers. Therefore, the social exchange relationship between the manager demonstrating ethical leadership and the employee with high power distance orientation is expected to be weaker than for employees with low power distance orientation.

Both the social learning mechanism and the social exchange mechanism are expected to be weaker for employees with high power distance orientation than for those with low power distance orientation. Consequently, the employee with high power distance orientation will not experience the full impact of ethical leadership's fair and considerate treatment and hence the obligation to practise

prosocial behaviour towards other employees will be less and the following hypothesis is suggested:

Hypothesis 7: Power distance orientation negatively moderates the relationship between ethical leadership and employee organisational citizenship behaviour (OCB).

Here the prediction is that the positive correlation between perceived ethical leadership and employee organisational citizenship behaviour will be lower for employees with high power distance orientation than for employees with low power distance orientation.

The weaker social learning mechanism between the manager demonstrating ethical leadership and the employee with high power distance orientation as discussed above is also expected to result in less effective role modelling of ethical behaviour by the ethical leader, leading to the following hypothesis:

Hypothesis 8: Power distance orientation negatively moderates the relationship between ethical leadership and ethical climate.

This prediction is that the positive correlation between perceived ethical leadership and ethical climate will be lower for employees with high power distance orientation than for employees with low power distance orientation.

Employees with high power distance orientation can also be expected to have weaker identification with the organisation because they are unlikely to experience the trusting behaviour of ethical leadership to the same extent as employees with low power distance orientation due to their reluctance to have close relationships with their managers. High power distance oriented employees therefore miss out on this interpersonal treatment that would make employees with low power distance orientation feel valued and respected and develop high organisational identification. The literature on identification postulates that individuals with high organisational identification tend to be greater contributors

to their workgroup (van Knippenberg et al., 2004). This means that high power distance orientated employees' motivation to perform and contribute to their workgroup and the firm will be lower than for employees with low power distance orientation who are expected to have stronger organisational identification. The effect on ethical leadership due to lower organisational identification combined with weaker social exchange relationships and less effective social learning between ethical leaders and employees with high power distance orientation suggests the following hypothesis:

Hypothesis 9: Power distance orientation negatively moderates the relationship between ethical leadership and employee task performance.

The prediction here is that the positive correlation between perceived ethical leadership and employee task performance will be lower for employees with high power distance orientation than for employees with low power distance orientation.

2.7 CONCLUSIONS FROM REVIEW OF LITERATURE

Over the past decade, the concept of ethical leadership has evolved from a normative perspective to a social scientific construct with the Brown et al., (2005) definition the most widely accepted. The publication of the ethical leadership scale (ELS) by Brown et al. (2005) has encouraged numerous empirical studies looking at consequences and antecedents of ethical leadership. Some studies have started including mediating variables but the inclusion of moderator variables has been rare. Articles that have reviewed ethical leadership scholarship (Eisenbeiss, 2012; Brown & Mitchell, 2010) recognise that follower characteristics can affect the impact of ethical leadership and advocate that future studies should include context variables that might influence follower characteristics, such as culture.

A review of studies examining the effect of cultural value orientations on the relationships between leadership constructs related to ethical leadership and the

employee outcomes such as OCB, ethical climate and employee task performance suggests that cultural value orientations may also influence the relationship between ethical leadership and these employee behaviour outcomes. The cultural dimensions of power distance orientation and individualism-collectivism at the individual level of analysis are the most studied cultural orientations and both have been shown to have an influence on the impact of leadership. Cultural value orientations measured at the individual level of analysis appear to have the most significant influence on the effect of leadership. Social cognitive theory is invoked to explain how follower cultural value orientations act as agentic factors that impact the underlying social learning mechanism through which ethical leadership influences employee behaviour.

A set of research hypotheses has been formulated and these are to be submitted to empirical evaluation in answer to the primary research question, viz.:

What is the effect of employee cultural value orientations on the relationship between perceived ethical leadership and observed employee outcomes?

To clarify the dimensions of culture implied in the above question and that are to be included in the study, the following two sub questions arise:

- What is the effect of employee individualism (idiocentrism) versus collectivism (allocentrism) on the relationship between perceived ethical leadership and observed employee outcomes?
- What is the effect of employee power distance orientation on the relationship between perceived ethical leadership and observed employee outcomes?

The key relationships between ethical leadership and employee outcomes that are expected to be moderated by the two cultural value orientations of power distance and individualism-collectivism and that were formulated into hypotheses for empirical testing, are summarised below in Figure 1. The research design and the methodology to empirically test these hypotheses are discussed in the next chapter.

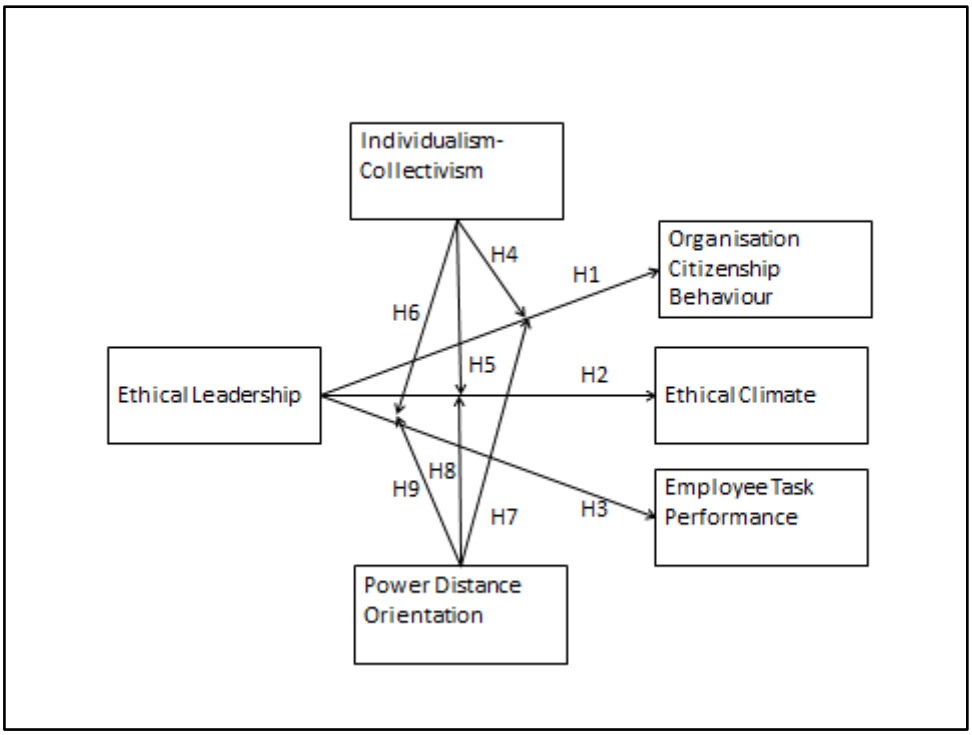

Figure 1. Conceptual research model derived from literature review

CHAPTER 3. METHOD

3.1 INTRODUCTION

The purpose of this chapter is to formulate the research design and explain the reasoning behind key decisions in the research design. The chapter starts with a positioning of the research within the appropriate methodological paradigm. It then goes on to justify the selection of the quantitative research paradigm and presents the research methods to empirically test the hypotheses presented in Chapter Two. The selection of the units of analysis and the target research population is explained. The approach taken to measure the variables representing the constructs in the hypotheses is described and the process of data analysis is discussed.

3.2 RESEARCH PARADIGM

Any research study must consider and be clear about the philosophy of science that underpins the study by considering the nature of the phenomenon to be studied - the ontology, and the appropriate methods for understanding it - the epistemology (Van de Ven, 2007, p. 14).

The research questions deal with dimensions of leadership and culture that are social constructions designed to represent our understanding of the real world. The variables in the research hypotheses are based on human perceptions. The empiricist theory of knowledge, which is one of the underlying theses of positivism, rejects personal insights, such as perceptions, as a source of scientific data (Babbie & Mouton, 2009, p. 27). Therefore, this study does not fit within the positivist tradition. Although the constructions are not directly observable, the research philosophy assumes that they do exist. This aligns with the philosophy of realism, which takes an objective ontology view (Van de Ven, 2007, p. 37) that a real world exists and its existence is independent of our attempts to understand it. As scholars we do have knowledge of the real world, but this knowledge might only be approximate, and the validity of our knowledge is a function of its fit to the

real world - which is unknowable (Van de Ven, 2007, p. 58). According to Rescher (2000) the very idea of social scientific inquiry is based upon the conception of a reality independent of attempts to understand it. That is a presumption of realism. More specifically, this research study fits within the critical realism philosophy that takes a subjective epistemology view. This perspective acknowledges the imperfection of our knowledge of reality and rejects the existence of axioms that claim epistemic knowledge of reality (Van de Ven, 2007, p. 61). In comparison, the existence of such axioms is one of the cornerstones of the positivist philosophy.

In line with the critical realism philosophy data are gathered independently of any value interpretations by the researcher and all the variables are perceptions of social phenomena. The data collection must thus be designed in such a way as to minimise the influence by the researcher that might impact on phrasing of questions or selection of data samples.

3.3 RESEARCH DESIGN

The research question is an empirical question (Babbie & Mouton, 2009, p. 76). This requires an empirical study with the purpose of empirically testing and validating postulated relationships, based on theoretical arguments in the relevant literature. The research approach thus follows a deductive logic of deducing hypotheses from existing theory in the literature, followed by structured empirical testing to reject or affirm the hypotheses (Babbie & Mouton, 2009).

Considering the two basic epistemologies that Van de Ven (2007, p. 147) describes as underlying the different approaches necessary to study “what” and “how” research questions, the research question for this study is a “what” type question. This type of research question requires an outcome-driven analysis in terms of a variance model design (Van de Ven, 2007). The logic of a variance research model entails examining predictor variables that statistically explain variations in some criterion variables. Given the need to test hypotheses, the research design is based on validation logic rather than the logic of exploration.

The research question deals with the effect that cultural variables might have on relationships between focal variables representing employee perceptions and business outcomes. This positions the research in the paradigm of quantitative research methodology (Babbie & Mouton, 2009, p. 15) because the research question implies a need to measure the effect on the relationships as well as the strength of the relationships. The quantitative research paradigm is compatible with the critical realism philosophy that treats the researcher as an independent outsider. Babbie and Mouton (2009, p. 49) describe three themes that form part of the quantitative paradigm and which need to be considered in the research design:

- The social constructs used as variables need to be measured through quantitative measurement by assigning numbers to the perceptions;
- The statistical analysis of the predictor and criterion variables forms a central role in the research paradigm; and
- Control for sources of error, either through experimental or statistical controls, is critical in the research process.

The research question aims to evaluate the relationships at a specific point in time rather than understanding their evolution over a period of time. The selected synchronic research design logic suggests a cross-sectional survey study to determine the nature of the relationships in the research questions and to evaluate the extent of moderation of such relationships by individual culture value orientations as proposed in the hypotheses. This is a similar research design to that used by other researchers who have performed studies to evaluate the relationship between ethical leadership and business outcomes (De Hoogh & Den Hartog, 2008; Kirkman, et al., 2009; Mayer et al., 2009). A survey research design makes it possible to do quantitative analysis on the data obtained to evaluate the relationships and potential mediation or moderation (Bedi et al., 2015). The cross-sectional design however comes with the limitation that causality can not be inferred from the relationship. Given the current state of scholarship about ethical leadership - in the concept evaluation / augmentation stage in terms of the Reichers and Schneider (1990) concept evolution framework

- a synchronic, or cross-sectional design is considered appropriate. Studying the evolution of the relationships over time through a longitudinal design might be appropriate in future research to understand the temporal development and causal direction of such relationships.

To generalise the results and detect the hypothesised moderation effect the sample must contain adequate variance in the cultural value orientations of respondents. This approach necessitates empirical data collection across different national cultural groups.

3.4 METHODS

The selected research design motivated above is a quantitative non-experimental study based on survey data. This choice is predicated on the logic of generalisation and logic of validation that underpin the research design. A non-experimental survey approach has been used by several other authors in the field (Kalshoven et al., 2011; Kirkman at al., 2009).

3.4.1 Units of analysis

Grojean et al. (2004) argued that immediate supervisors work closely with their reports and are thus likely to be seen as ethical role models who can influence employee attitudes and behaviour. Weaver et al. (2005) also found that ethical role models were more commonly persons who worked closely and frequently with the respondents, rather than executives at a distance. Employees are therefore more likely to model their behaviour on that of their immediate manager and there is more likely a strong exchange between the employee and direct supervisory leader.

The dimensions of culture can be measured at national, societal, organisation, and/or individual level. A criticism of national and societal cultural value dimensions is that there may be significant within- group variation. Fischer and Poortinga (2012) demonstrated that dimensional structures at the country and

individual levels show substantial overlap and that there is a high degree of isomorphism between individual and country cultural level structures. In the preceding paragraph, it was reasoned that the impact of ethical leadership is likely to be more pronounced at the individual level of analysis so it seems appropriate to look at the influence of individual level culture value orientations to maintain a consistent level of analysis.

The units of analysis for the study are individual employees. The focus of the study is on the response of individual employees to their immediate work unit heads at the middle management level of leadership. Middle management is typically understood as spanning Paterson decision-bands C, D and E. These are departmental, functional, regional, and operational managers below the level of executive management but above that of first-line supervisors. Middle managers at this level should have the scope and opportunity to impact the organisation below them and influence the ethical climate in their respective areas of responsibility. The units of response in this study are both individual employees and their managers who will rate the employees on OCB. The focal units are managers at the middle management level.

3.4.2 Population and sampling

To ensure that the sample provides adequate variance in cultural value orientations across individual respondents a sampling universe is selected to span a diverse variety of culture groups. A multinational enterprise that operates in several different countries meets this requirement. A diverse sample drawn from the universe of employees below middle management level in a large multinational of this nature is expected to satisfy the requirement of variance in the culture orientation variables under consideration and enable the generalisation of findings from the study. Including participants from different countries also extends the study beyond previously reported studies that have focused mostly on a single country or region and very seldom compared data from more than two countries.

A multinational enterprise in the leisure service industry is used as host organisation for the research as the issue of ethical leadership is considered to be highly relevant in a service industry. There is typically frequent interaction between employees and their managers in the leisure service industry and people have many opportunities to make decisions and demonstrate behaviour having been influenced by that of their superior. A leisure service industry host organisation is also expected to have a relatively short time frame for leadership impact, but not too short to nullify the impact of leadership, as could be the case in, for example, internet related industries, where people move frequently and companies change rapidly. On the other hand, too long a time frame, where there is almost no change and where processes are standardised, such as in manufacturing and mining would also not be desirable. The leisure service industry depends less on standardised processes and is more dynamic requiring frequent and close managerial leadership interaction.

Since the research design is non-experimental, assignment to the sample is not random or probabilistic. Instead saturation sampling is used to achieve maximum heterogeneity in the sample. All the employees at the selected organisation level from operations across all the countries in which the host organisation is represented are included in the sample frame. Although culture orientation is measured at the individual level, countries and regions are used as culture proxies to achieve cultural variance in the sample.

The host organisation is a multinational service enterprise in the leisure industry. At the time the enterprise was operating 108 facilities, in South Africa, Kenya, Mozambique, Nigeria, Tanzania, Zambia, Seychelles, and the United Arab Emirates. The home base in South Africa represents a large part of the employee population, but this does not present a problem in terms of the diversity of the sample, because South Africa is known for its own cultural diversity. This is attested to by the fact that the GLOBE study used dual samples from South Africa in recognition of this diversity (House et al., 1999). The (sub-Saharan) African footprint of the study sample represents emerging markets and brings a new

context to ethical leadership studies by enabling the testing of relationships previously established in Western-based developed markets.

Survey questionnaires were distributed to a sampling universe of 924 employees, comprising all those who reported to managers at the focal middle management level of leadership. Survey questionnaires were also sent to the middle managers themselves, asking them to rate their reporting employees' organisational citizenship behaviour. A comparative analysis study of response rates in academic studies found an average response rate of 55.6% but noticed a declining trend with the rate at 48.4% in 1995 (Baruch, Response rate inacademic studies - A comparative analysis, 1999). A later study that analysed organizational research studies published between 2000 and 2005 found an average response rate from individuals of 52.7% (Baruch & Holtom, 2008). Using Cohen's effect size table (Cohen, 1992, p. 158) a respondent sample of 686 is required to detect a small effect size for regression with six predictor variables (ethical leadership is the single predictor variable in this study plus five cultural value orientation moderators) at Power = .80 for α = .05. To detect a medium effect size at Power = .80 for α = .05 a response sample of only 97 is required. Best efforts were used to get as many respondents as possible but this was not completely under the researcher's control. It was not possible to increase the sampling universe without finding a larger host organisation, as all available middle managers in the selected host organisation were included in the study. In the events, a usable sample size of 357 responses from individual employees with matching manager rating of OCB behaviour of their reports as well as performance measures was achieved.

The dominant business language in the host enterprise is English and all the managers are required to be proficient in English. Hence using English language questionnaires is not expected to pose problems, despite national-cultural variation in the sample of respondents.

The research is conducted in a single enterprise to control for the effect of organisational corporate culture. The target enterprise is known to focus on

establishing a common corporate culture throughout all the facilities. It is expected that there would still be variation in the perception of ethical leadership across the organisation due to differences in leadership demonstrated by individuals at middle management despite the existence of a common organisational culture. Consequently, organisational culture was not included in the study.

To overcome potential concerns related to sensitivity of the data, suitable assurance was given that the data would be treated confidentially, not disclosing the identity of the company nor of the individuals participating in the study. The employees and their location would not be identified. Responses from the employee and the manager would be matched by the researcher through a blind identification code number.

Another completely separate service business that is expected to have similar characteristics to the host organisation is identified for a limited scale pilot study, with a sampling universe of N = 39. The aims of the pilot study are to identify un-envisaged practical problems with the survey tool and distribution mechanism, as well as to check on the reliability of the measuring instruments.

3.4.3 Measurement of variables

To meet the requirements of the quantitative research paradigm adopted for this study, all constructs featured in the hypotheses need to be measured quantitatively. The main variables of interest are latent constructs. These latent constructs are empirically operationalised through measurement scales comprising a set of indicators. Structured measurement scales with standardised response options on a 7-point Likert-type scale are used in the survey questionnaire. A standard 7-point response scale is used for all measurements. Sample variance is typically larger for a 7-point scale provided that the respondents are sophisticated enough to appropriately interpret a 7-point scale (Churchill & Peter, 1984; Preston & Colman, 2000). In this study it is important to get as much variance in the measures of cultural value orientation as possible.

The sample universe of middle level managers and employees reporting to them is considered sophisticated enough to appropriately interpret the 7-point scale.

Although a Likert-type rating scale is strictly ordinal, it can approximate interval scale measurement if the response scale is perceived as symmetrical, with equidistant scale points. This allows the corresponding variables to be used in multivariate analysis (Hair, Hult, Ringle, & Sarstedt, 2014, p. 9). Carifo and Perla (2008, p. 1152) argue strongly that data from Likert-type scales (as opposed to single Likert items) are interval and that it is perfectly appropriate to analyse such data using parametric techniques such as multiple regression. Norman (2010) also reasons that many studies have consistently shown that parametric statistics are robust when used with Likert-type scale data.

Apart from employee performance, all the study variables are measured using previously published measurement scales. The use of these previously used scales is expected to reduce potential problems of construct validity and measurement reliability in that the constructs have been previously validated by other researchers, albeit on other data sets. The validity of the measurement scales nonetheless still needs to be examined on the new data set for this study.

Ethical leadership: Of the three ethical leadership measurement scales discussed in Chapter 2, the ELW (Kalshoven at al., 2011) and the ELQ (Yukl et al., 2013) measures appear to have had limited use by other researchers. Studies that did use the ELQ only used a subset of the 15-item scale. Hassan, Wright and Yukl (2014, p. 337) used nine items from the ELQ measure and Potipiroon and Faerman (2016, p. 182) used 10 items. Both these studies were in the public service. The 10-item Ethical Leadership Scale (ELS) developed by Brown et al., (2005) has been widely used to provide perceptual ratings by employees of their manager's ethical leadership behaviour at an individual level of analysis (Brown et al., 2005; Kalshoven et al., 2011; Kim and Brymer, 2011; Loi et al., 2012; Mayer et al., 2010; Mayer et al., 2009; Neubert et al., 2009; Piccolo et al., 2010; Schaubroeck et al., 2012). Despite the criticism of the ELS by Kalshoven et al. (2011) and Yukl et al. (2013), the ELS measurement scale was selected for this

study because it is judged preferable because it is unidimensional as discussed in Chapter 2. It also remains one of the most widely-used and validated measures of ethical leadership (Bedi et al., 2015, p. 3) and is designed to be used at the individual level. The ELQ does not appear to add significantly to the measurement for the additional complexity. Using the same measurement scale as in other studies makes the results comparable. The full ELS scale was used in this study and a complete list of measurement scale-items for ethical leadership is shown in Appendix A.

Organisational Citizenship Behaviour: The increased research interest in OCB has led to a proliferation of similar constructs. This poses the risk of developing a stream of literature that may prove of little value to the field in the long run (Podsakoff et al., 2000). By not recognising the differences in these constructs, different people may attach conflicting conceptual connotations to the same construct.

The OCB measure by Podsakoff, MacKenzie, Moorman, and Fetter (1990) has demonstrated a high level of cross-cultural construct validity and reliability in a wide variety of culturally distinct countries (Lam, Hui, & Law, 1999). The measure was also used at an individual level of analysis by Kalshoven et al. (2011), Kirkman et al. (2009), Konovsky & Pugh (1994), and Wang, Law, Hackett, Wang, & Chen (2005). Therefore, in this study, the 24-item measure by Podsakoff et al. (1990) is used because it is the most commonly used measure in studies including ethical leadership. Supervisor ratings by the focal middle manager of participating employees are used in this study to measure OCB. The complete list of OCB measurement scale items is shown in Appendix B.

Ethical climate: Ethical climate research suffers from some inconsistencies in that authors have used very different measures of ethical climate (Simha & Cullen, 2012). The ECQ formulated by Victor and Cullen (1988) is the most commonly used instrument and has been demonstrated to be reliable and valid and has been used by other scholars in their research (Simha & Cullen, 2012). Some studies have used a very short six- or four-item scale to measure ethical

climate types. These inconsistencies in measuring ethical climate can lead to questions around whether what was studied actually represents the ethical climate construct proposed by Victor and Cullen (1988) and can further lead to difficulties in comparing results across studies.

Neubert, et al. (2009) used an ethical climate scale developed by Trevino et al. (1998) consisting of 10 items. This scale is a combination of two multidimensional constructs, ethical climate (Victor & Cullen, 1988) and ethical culture (Trevino, 1990). Trevino et al. (1998, p. 474) concluded that the ethical climate and ethical culture constructs tap different but related aspects of the ethical context. Cullen, Victor and Bronson (1993) updated and validated the original ECQ (Victor & Cullen, 1987, 1988) on further data sets.

The Cullen et al. (1993) scale is considered most appropriate for this study because it gives a broad measure that includes all the dimensions of ethical work climate and was developed to measure perceptions of ethical climates grounded in the theoretical bases of egoist, benevolent, and principled reasoning mapped against three loci of analysis. It is also the more commonly used measure making results more comparable with other research (Bedi et al. 2015). The original scale had 26 items that are descriptive statements originally designed to describe the various dimensions of ethical work climate as conceptualised by Victor and Cullen (1988). The authors added 10 additional items that were still undergoing validation at the time of publication. Most researchers that subsequently used the scale used the 26-item version and this study follows suit in order to contain the size of the survey to a manageable number of questions. Schminke, Ambrose, and Neubaum (2005, p. 141) reported that previous research had demonstrated that the factor structure of the ECQ varied across samples. To discern an a priori factor structure, they used the Social Sciences Citation Index to identify studies that utilised the ECQ. From the 31 studies found, they concluded that the five-factor model was the only stable factor structure. To complete this survey scale respondents are asked to act as observers reporting on organisational expectations, not their own personal beliefs or their evaluations of the climate.

The complete list of ethical climate measurement scale items is shown in Appendix C.

Employee task performance: The individual employee's latest performance score from the company performance management system was used as a measure of employee task performance. The same performance measuring system is used across the whole enterprise and results in a percentage score between 0 and 100. This score is used by the company to reward employees in terms of the company annual incentive scheme and to assign annual salary increases. The score is based on quantitative performance indicators related to the employee's area of responsibility. Since the employee respondents in the study all reported to the focal middle level managers in the organisation, the performance criteria included business unit profitability.

Idiocentrism and allocentrism: Singelis et al., (1995) argued that measuring vertical-collectivism, vertical-individualism, horizontal-collectivism and horizontal-individualism is more appropriate than measuring the more abstract constructs of individualism and collectivism, because these constructs are too broad for easy measurement and it is difficult to get satisfactory alphas. Cronbach (1990) refers to the bandwidth versus fidelity dilemma. Bandwidth refers to the amount of information and is a linear function of the number of different questions asked. Fidelity refers to the accuracy of the information, in terms of the consistency of the answers obtained. Bandwidth and fidelity are inversely related. Singelis et al., (1995) addressed this dilemma by making theoretical and measurement distinctions between vertical and horizontal individualism and collectivism. Singelis et al., (1995) found the measurement of these constructs to be preferable theoretically and empirically to the more general constructs of individualism and collectivism or the constituent elements of these constructs due to the bandwidth versus fidelity dilemma mentioned above. Triandis and Gelfand (1998) further expanded on the constructs of horizontal and vertical individualism and collectivism and concluded that the relative emphasis on horizontal and vertical social relationships was the most important attribute that distinguishes different kinds of individualism and collectivism. They also found the distinctions to be

relevant in different cultures. Li and Aksoy (2007) confirmed that the four-dimensional model of vertical and horizontal collectivism-individualism provided a better model fit to the data than a two-factor model. They also demonstrated measurement equivalence over different culture groups, but found that some of the scale items were troublesome when comparing squared multiple correlations of the items across culture groups.

Considering the above the vertical and horizontal individualism and collectivism scale of Singelis et al. (1995) is used in this study since this specifically targets the individual level of analysis and addresses the dilemma discussed above. The larger number of measurement scale items allows potentially troublesome items to be eliminated in the confirmatory factor analysis while still maintaining construct validity. This scale was also revalidated by Triandis and Gelfand (1998) and used by Walumbwa et al. (2007). The complete list of idiocentrism and allocentrism measurement scale items is shown in Appendix D.

Power distance orientation: The intention is to follow the same approach as adopted by previous individual level researchers (Brockner et al., 2001; Kirkman et al., 2009; Loi et al., 2009) and use the eight-item individual level measure originally formulated by Earley and Erez (1997) to measure power distance orientation. The measurement is rated by the employee based on his or her beliefs. This measurement scale demonstrated suitable reliability for data samples from the USA and PRC (Kirkman et al., 2009). The complete list of Power Distance measurement scale items is shown in Appendix E.

Control variables: The following demographic control variables are included in the data set for analysis:

- age – to test whether an effect is simply related to maturity of the individual;
- gender – to check whether there is a significant behavioural difference between male and female respondents,
- organisational tenure – to ascertain whether the behavioural effect is simply related to time in the business rather than leadership effect;

- time with manager – employees reporting to the manager for less than a year were filtered from the sample because it was assumed that the manager would not have had enough time for his or her leadership to have made an impact on the employee's behaviour.

3.4.4 Data collection

An internet-based survey tool was used for purposes of data collection across the host enterprise. The hosting of the survey and dissemination of the links to the survey site were administered by iFeedback. This online tool can deliver a completely customised survey, with business school branding, to create a very professional impression that could be expected to encourage a greater propensity to participate and complete the survey. Sending an email with a link to the survey site is a convenient way to get data from respondents that are spread across the world. This survey method was selected because:

- It is the most practical method to conduct a survey for geographically distributed respondents, especially in different countries;
- Respondents could complete the survey at a time convenient to them;
- Considering the targeted number of respondents and the number of questions, telephone or face-to-face surveys would have been prohibitively expensive.

All the managers selected to participate in the survey had email accounts and internet access. At the targeted level of leadership all the respondents in the host company were fluent in English, so there was no need for questionnaire translation. The survey site URL was assigned white site status by the corporate IT team to ensure easy access without firewall restrictions. Babbie & Mouton (Babbie & Mouton, 2009, p. 266) emphasise that clear instructions are important to get appropriate responses.

The link to the survey was distributed with an email message from the Human Resources Director outlining the scope of the study, explaining the confidentiality of the responses, emphasising the company's support of the study and

encouraging recipients to participate. Follow up emails were sent regularly to people who had not yet responded until the response rate flattened out, as recommended by Babbie & Mouton (2009, p. 266). The intended respondents were familiar with internet-based surveys as the company previously conducted surveys for various purposes.

3.4.5 Common method bias

Common method variance is variance attributable to the measurement method rather than the actual construct of interest and occurs when variables share the same method of measurement. So-called common method bias can be a potential problem because it is one of the main sources of measurement error and measurement error threatens the validity of the conclusions about the relationship between predictor and criterion variables (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Podsakoff, MacKenzie, & Podsakoff, 2012).

The use of self-report surveys appears to attract most of the concerns about common method variance (Spector & Brannick, 2010). To reduce common method bias, the three criterion variables in this study were obtained from three different sources. OCB was measured from supervisor ratings, that is, ratings by middle managers of their employee reports who were participants in the study. Ethical climate was obtained from employee ratings. The measurement of task performance was the company generated performance score for each individual employee. This was effectively an unobtrusive measure from the perspective of the research.

Table 2 shows which variables are obtained from which measurement source. Since the cross-sectional design in non-experimental and no causality can be inferred, the terminology of predictor-criterion variables is used instead of independent-dependent variables which implies causality. The predictor and moderator variables were obtained from employee ratings so the approach of measuring the different variables at separate times, as recommended by Podsakoff et al. (2012), was considered as an additional approach to reduce

common method bias. This was tested in a limited scale pilot survey and it was found that the number of useful responses was affected very adversely by this approach. To get a usable data case, all three measurements of criterion variables had to be available from the three separate sources. This complicated the data collection. In addition, each employee was expected to complete two surveys, which added another level of complexity. The result was a high proportion of cases with missing data. In light of the pilot study results a decision was taken to abandon the use of time-separated surveys in favour of a higher response rate on a single survey administration.

Table 2.

Rating Source of Variables

Variable	*Rating Source*
Criterion Variables	
Organisational Citizen Behaviour	Manager
Ethical Climate	Employee
Employee Task Performance	Company generated
Predictor Variables	
Ethical leadership	Employee
Moderator Variables	
Individualism–Collectivism (HI, HC, VI, VC)	Employee
Power Distance Orientation	Employee

A comprehensive technique for controlling method variance is the correlational marker technique, comprehensively reviewed by Williams, Hartman, and Cavazotte (2010). A marker variable should not be theoretically related to any of the substantive variables in the model and should capture one or more of the sources of bias that can occur in the measurement context (Williams et al., 2010, p. 507). Adding marker variables will further reduce power as well as potentially impact the identifiability of the measurement model. Therefore, this technique was not pursued in the study.

The potential impact of common method variance of measurement scales which are self-reported by the employee can also be evaluated post data collection by adding a common latent factor (CLF) to the measurement model as suggested by Podsakoff et al. (2003, p. 891) and Conway and Lance (2010, p. 330). This does not introduce any additional complexity into the data collection process. This factor captures any additional systematic variance common to the measures.

Siemsen, Roth, and Oliveira (2010, p. 471) explored the effects that common method variance could have on observed relationships. Using simulation, they showed that estimates of regression coefficients can be affected by the influence of method variance, but more variables in the regression reduced the effect of common method variance. The authors concluded that method variance was not likely to inflate results with more complex analyses. Conway and Lance (2010, p. 326) present a similar argument and refer to the misconception that relationships between self-reported variables are upwardly biased.

This study includes many observed variables. Therefore, based on the finding by Siemsen et al. (2010, p. 472), common method variance is not expected to inflate relationships. Bias need not always be upward, but the bigger concern is that non-existing relationships may appear purely as a result of common method variance. Considering the additional complexity in the analysis, introduced by marker variables as mentioned above, and the finding by Siemsen et al., (2010, p. 472) that for models with many observed variables the relationships are not expected to be inflated by common method variance, it was decided not to include marker variables in the survey. Using the CLF to test for common method variance in the measurement model phase of the structural equation modelling process was considered an adequate approach.

3.4.6 Social desirability influence

Socially desirable responding (SDR) is the tendency of individuals to respond favourably on questions related to social norms and standards (Zerbe & Paulhus, 1987, p. 250). The most common approach to socially desirable responding is to

treat it as contamination and control for it. Numerous techniques and measures to detect SDR have been proposed, but some authors have argued that the SDR component may be a valid aspect of the construct being measured (Paulhus, 1989, p. 23). SDR can only be considered as contamination if the construct that SDR represents in a theoretical context is unrelated to the construct of interest (Zerbe & Paulhus, 1987, p. 252).

Several of the better known SDR measures have low intercorrelations among the component dimensions but two primary factors have emerged from factor analysis of SDR instruments. The first, called impression management, suggests that respondents tailor their answers to create a positive social image and the second, called self-deception, refers to the unconscious tendency of respondents to see themselves in a favourable light (Paulhus, 1989, p. 21). Randall and Fernandes (1991, p. 805) reason that due to the sensitive nature of ethics research socially desirable responding may pose more of a threat to validity of measurement than in other areas of organisational behaviour research. Zerbe and Paulhus (1987, p. 252) state that researchers must examine the theoretical framework of the constructs of interest to determine whether SDR has a conceptual role in the construct or should be considered as contamination. They also report that ratings of others do not evoke SDR per se and that SDR is reduced under conditions of anonymity but it is also more difficult to detect under conditions of anonymity.

Considering the constructs of interest in this study, ethical leadership was measured as a perception rating by the follower. There did not appear to be a basis for either self-deception or impression management. This was also the case for OCB, which was rated by the manager. The individual cultural orientations could possibly have been susceptible to self-deception but the questions were neutral in that there was not a favourable position. Ethical climate could have been more susceptible but previous research has shown that as it was a rating of others, this was unlikely to evoke SDR per se (Zerbe & Paulhus, 1987, p. 252).

In the literature related to the constructs of interest, none of the studies reporting on ethical leadership included for the effect of SDR and only one (Trevino, Butterfield, & McCabe, 1998) -reporting on ethical climate- included for the effect of impression management. The authors also asked respondents to report observed others' behaviour rather than their own and emphasised anonymity. Controlling for impression management using the impression management measure of Paulhus (1989, p. 40), the researchers found that a small proportion (11%) of observed behaviour variance was explained by impression management but no significant proportion in the commitment regression. These issues were more related to the ethical culture construct questions rather than the ethical climate questions. The latter was the measure used in this study. It was therefore decided not to include measures of SDR in the survey.

3.5 DATA ANALYSIS PROCESS

3.5.1 Structural equation modelling as multivariate statistical analysis technique

It is considered that the research question would be most appropriately addressed through multivariate statistical analysis based on quantitative survey data. Structural equation modelling (SEM) has become one of the most widely used statistical tools in some domains of social science research and particularly in leadership studies. SEM combines different multivariate techniques such as factor analysis and regression analysis in a single approach. This is a particularly appropriate means of analysis in social science research (Babin & Svensson, 2012, p. 320).

Following Schumacker and Lomax (2004), SEM is selected as the method of analysis instead of multiple regression, for the following reasons:

- SEM enables the researcher to use multiple observed variables to measure complex constructs including multidimensional constructs such as OCB;

- SEM techniques explicitly take measurement error into account when statistically analysing data. This gives greater validity and reliability to observed latent construct scores estimated from measurement instruments. Factor scores take account of the item loadings on the construct as opposed to simple averaging in summated scales;
- SEM can analyse more advanced theoretical models with multiple predictor and criterion variables, including interaction and mediation, in a single model instead of separate multiple regressions;
- The graphical interface of the AMOS software used makes it easier to specify the model and since the model is visible there is lower likelihood of mistakes in the model specification.

The third point above is particularly relevant because the conceptual model for the study, Figure 1 presented in Chapter 2, includes three predictor–criterion variable relationships as well as two potential moderators of these relationships. Analysing such a model with first generation statistical analysis techniques, such as regression, would have been very complex. SEM can estimate all the effects in the model simultaneously (Lowry & Gaskin, 2014, p. 125). Different model configurations can be evaluated in SEM to find the most suitable fit, and moderation as well as mediation can be investigated simultaneously (Kline, 2011, p. 333).

3.5.2 Covariance based SEM versus partial least squares SEM

Having selected structural equation modelling (SEM) as analysis technique there is a further choice to make between covariance-based SEM (CB-SEM) and the variance-based partial least squares SEM (PLS-SEM) (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014). While CB-SEM is the more widely used method, PLS-SEM has recently received increased attention and the popularity of the method is related to its ability to handle data that violates assumptions required for other methods (Henseler, et al., 2014, p. 183). CB-SEM was selected over PLS-SEM for the following reasons, as outlined in Table 3, using criteria presented by Hair, Ringle, and Sarstedt (2011, p. 144).

In summary CB-SEM is more appropriate to test theory, as is the case in this study, and PLS-SEM is more appropriate for developing theory (Svensson, 2015, p. 448). The IBM SPSS Amos software program version 23 (Arbuckle, 2014) is selected to do the structural equation modelling. This is a relatively easy to use SEM program with a visual interface for graphical model specification. It provides a comprehensive set of tools and model goodness-of-fit indices as well as a variety of estimation techniques. AMOS is widely used for business research studies. The IBM SPSS version 23 software program is also used to calculate descriptive statistics and other functions not available in AMOS (Cunningham & Aldrich, 2012).

Table 3

Comparison of CB-SEM and PLS-SEM applicability to the study

Research Goal	CB-SEM is preferred for theory testing as in this study.
Measurement Model Specification	Constructs in this study are reflective. Thus CB-SEM is appropriate and allows the possibility of having error terms covary.
Structural Model	Although the model is complex, it is nonrecursive so it would be appropriate to select CB-SEM.
Data Characteristics	PLS-SEM is preferable for non-normally distributed data, but bootstrapping can be used with CB-SEM.
Sample size	Due to the large sample size (greater than N = 300) CB-SEM and PLS-SEM results should be similar.
Model Evaluation	Most of the journals that have published related leadership studies expect global goodness-of-fit indices to be reported so CB-SEM is preferred. This is not available in PLS-SEM

3.5.3 Staged process for structural equation modelling

A two-step approach that is based on analysing two conceptually distinct latent variable models, namely measurement models and structural models has become common practice (Schumacker & Lomax, 2004). The idea behind this two-step approach is to assess the fit of the latent variables to the observed variables (measurement model) independently of assessing the fit of the latent variables to the structural equation model (structural model). It may be meaningless to test the structural model unless the validity of the measurement model is first established because if the chosen indicators for a construct do not measure the construct reliably, testing the theoretical relationships based on those measurements is questionable (Schumacker & Lomax, 2004). A six-stage process for structural equation modelling, that expands the two-step approach, is described by Hair, Black, Babin and Anderson (2010, p. 654). This process is adopted for this study. The stages are:

Stage 1: Defining individual constructs. (See Section 4.4 where scales from prior research are discussed).
Stage 2: Developing the overall measurement model. The measurement scale indicators are linked to the latent constructs that the indicators are designed to measure.
Stage 3: Designing a study to produce empirical results. This was dealt with in the research design. SEM introduced additional requirements that sample size be adequate for the model size and complexity and there should not be missing values. Missing values complicate the estimation and should be dealt with before estimation (Hair et al., 2010, p. 662).
Stage 4: Assessing the measurement model validity. A confirmatory factor analysis is performed to test how well the observed measurement variables represent the latent constructs. The model establishes evidence of construct validity and acceptable levels of goodness-of-fit for the measurement model. The construct validity of the model must be assessed to estimate and correct for the influences of measurement errors that may constrain the estimates of theory testing in the structural model (Davcik, 2014, p. 61).

Stage 5: Specifying the structural model. This involves assigning relationships among constructs based on the proposed theoretical model as reflected in the hypotheses.

Stage 6: Assessing structural model validity. This stage aims to establish acceptable overall model goodness-of-fit and compares alternative or competing models. It is important to compare competitive models because two models may both have adequate goodness-of-fit but very different theoretical relationships. Hair et al. (2010, p. 676) describe a nested model approach that compares competing models based by the chi-square(χ^2) difference statistic ($\Delta\chi^2$).

Any structural model must be based on sound theoretical relationship rather than just goodness-of-fit optimising model generation (Martinez-Lopez, Gazquez-Abad, & Sousa, 2013, p. 124). The estimated parameters for the structural relationships provide the direct empirical evidence to support the hypothesised relationships.

3.5.4 Testing for moderation

Baron and Kenny (1986, p. 1174) clarified moderation by arguing that a moderator variable influences the direction and strength of the relationship between two variables. When the moderating variable is a continuous variable measured on an interval scale or ratio scale, the influence is typically modelled by creating a new interaction variable that is the product of the variable being moderated and the variable that is moderating (Little, Card, Bovaird, Preacher, & Crandall, 2007, p. 216). In the model both the moderator variable and the predictor variable should be modelled as main effects and the product included as an interaction term. Moderation is present when the interaction term is a significant predictor in the regression model.

The product terms are normally expected to be highly correlated with the first-order predictor variables from which they are derived. This results in collinearity among the predictor variables that can compromise the stability and interpretation of regression coefficients (Little et al., 2007, p. 217). Interaction terms are ideally

uncorrelated (orthogonal to) with their first-order effect terms to provide a clearly interpretable interaction term (Baron & Kenny, 1986). This is difficult to achieve with continuous variable interaction terms because of the inherent product nature of the term (Little et al., 2007, p. 217). Mean centering the variables, by transforming from raw-score scaling to deviation-score scaling, results in minimal correlation between the resulting product term and the first-order variables (Cronbach, 1987).

An alternative approach to measure moderating influence is available when the moderating variable is discrete. Multiple group means and covariance structure analysis can be used to examine the effects of discrete or categorical factors on the relationships between latent variables (Strasheim, 2014).

This study measures the cultural value orientations as continuous variables, because Singelis et al. (1995, p. 243) argue that culture value orientation is not purely one or the other and individuals can never be defined by a set of polar opposites. Rather, the defining attributes of culture value orientations are best thought of as a continuum and individual orientation may vary within a range. The continuous variables could have been converted to categorical variables by assigning groups based on the value but it would mean unnecessarily losing information if such a transformation were used. Consequently the continuous variable interaction approach is used in the analysis.

3.6 LIMITED SCALE PILOT STUDY

A limited scale pilot study, with a sampling universe of N = 39, was conducted on a separate unrelated service business that was expected to have similar characteristics to the host organisation. The pilot study did highlight some issues with the survey dissemination tool that were corrected in the final survey, but the number of responses (N = 18) in the pilot study were too few to draw conclusions on the reliability and validity of the measurement scales.

3.7 LIMITATIONS OF RESEARCH APPROACH

Although the research design enables an empirical test of the hypothesised relationships as well as interaction effects due to the moderator variables, the cross-sectional design does not allow any inference to be made about causality due to the absence of temporal precedence information (Van de Ven, 2007, p. 167).

CHAPTER 4. RESULTS

4.1 INTRODUCTION

The purpose of this chapter is to present the results from the empirical study and tests of the research hypotheses. The chapter begins by presenting the descriptive demographics of the study sample. Next the convergent validity of the measuring instruments is assessed through a series of confirmatory factor analyses. A comprehensive measurement model is then specified, incorporating all the constructs, to confirm construct validity for all the measuring instruments in a combined analysis. Finally, structural equation models are used to test the hypothesised relationships among the constructs.

4.2 SAMPLE DEMOGRAPHICS

From a sampling universe of 924 employees (who are all mangers themselves), 546 response were received from the employees and 687 responses from their managers who rated employee OCB. This is a response rate of 59.4% for employees and 74.3% for managers. Eliminating the cases where we did not have both the employee and the manager response, resulted in 449 cases. This is a response rate of 48.5%, which is deemed to be satisfactory. It was assumed, since no feedback was received in this regard, that respondents experienced no difficulties in understanding the English language questions. There were only a few responses from each of the countries other than South Africa because there was only a single facility in most of these countries. This did not make it feasible to do any multilevel modelling to take account of country effects into. The sample thus consists of individual employee / manager paired relationship.The demographics of the resultant available sample are illustrated in Figures 2 to 5 below. The demographics are similar to that of the sampling universe so no systematic bias appears involved and the sample is deemed to be representative. There is a near equal distribution in terms of gender. The majority of the sample had been employed by the company for more than eight years, which was to be

expected considering that many of the employees in the sample are managers themselves, reporting to middle level managers. The age distribution was near normal around an early forties median. The vast majority of the employees in the sample had reported to their manager for several years so the relationship with the manager should have been well established and the rating of leadership style could be expected to be meaningful.

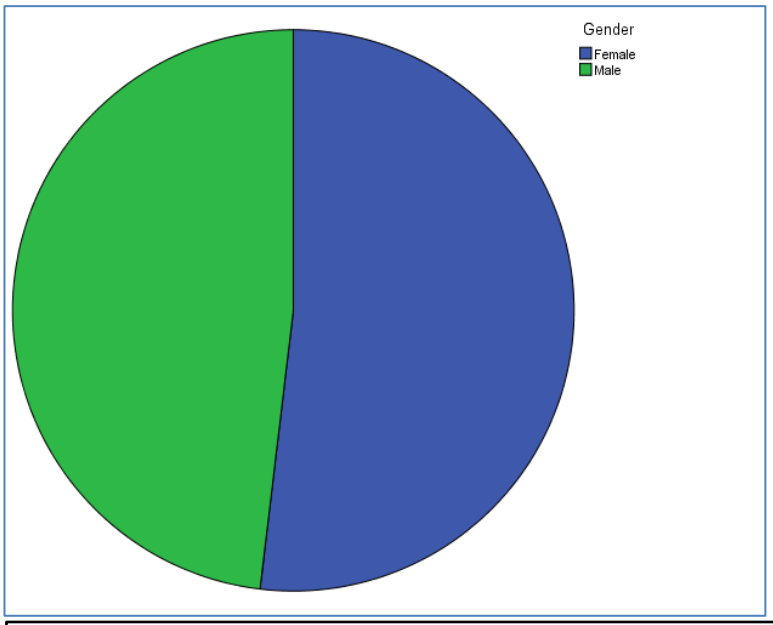

Figure 2. Gender distribution of employee sample

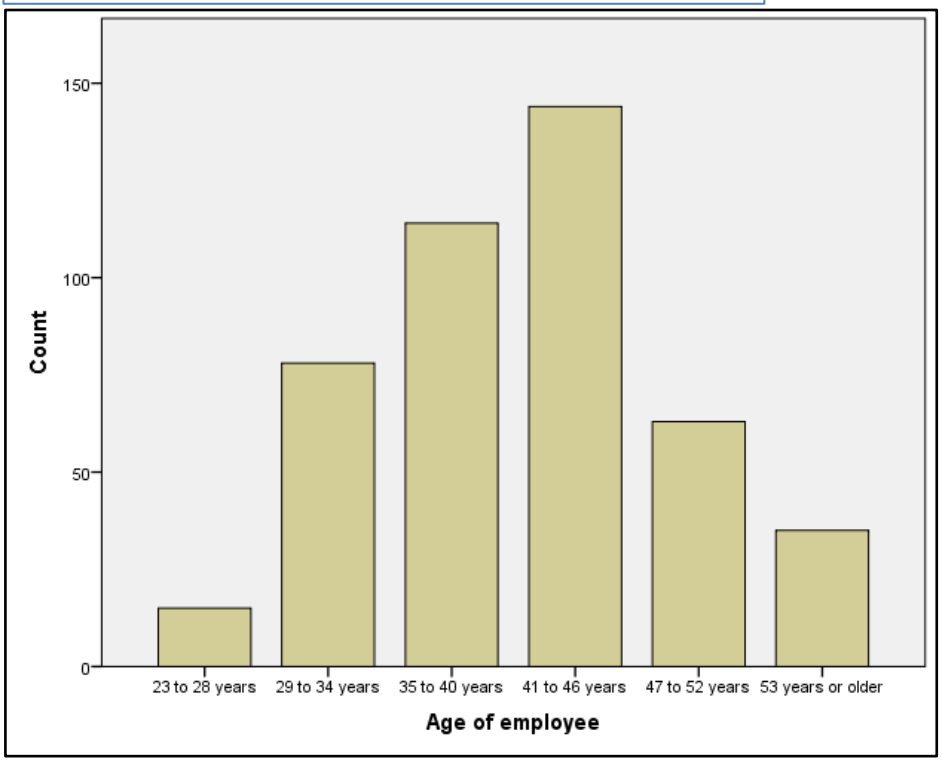

Figure 3. Age distribution of employee sample

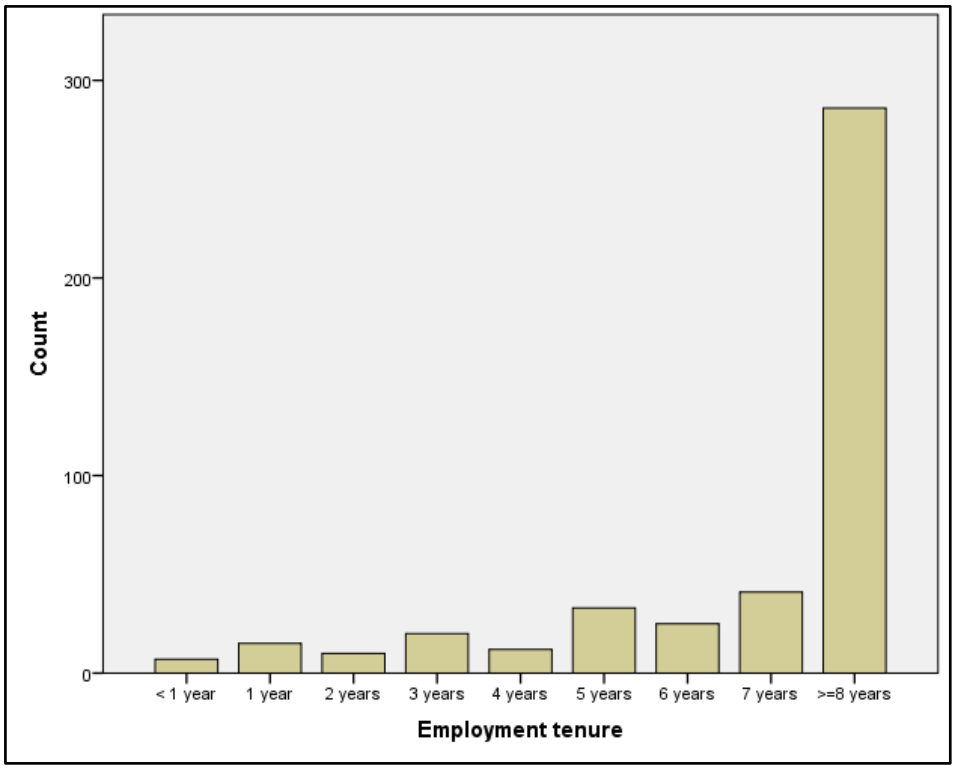

Figure 4. Distribution of employee tenure

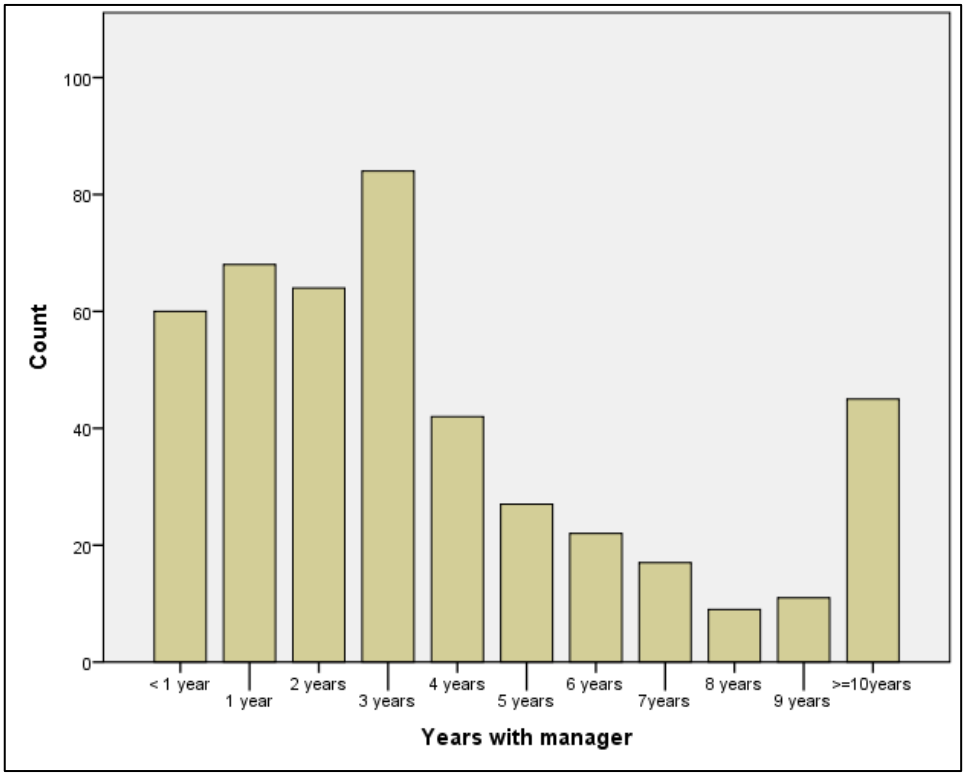

Figure 5. Distribution of time reporting to manager

4.3 DATA SCREENING

4.3.1 Missing values

The data set included data from three sources. OCB for each employee was rated by their manager. Performance was a rating number from the company appraisal system on a 0 to 100 percentage scale. Ethical leadership, ethical climate, and culture value orientations were all ratings by employees. Due to the three sources, it was reasonable to expect that there would be cases where one of the measurement sources did not provide data for a particular employee. This was taken into consideration in selecting the original sample size for the survey. Cases that had one of the sources missing were eliminated from the data set. This approach was taken because SEM needs to calculate missing values and thereby uses up degrees of freedom making it more difficult to have an identifiable model. Cases with tenure of less than one year or with reporting relationships of less than one year were also eliminated from the data set because there had not been enough time for the leadership style of the manager to have had an impact on the employee's behaviour. The web-based survey tools were constructed such that a respondent had to complete all the questions so there could be no missing values. This resulted in a reduced sample size of 357 cases with complete data records. This sample size is considered a large sample by Kline (2011) for purposes of structural equation modelling. But Cohen (1992) avers that a sample size of 686 is required to detect a small effect with Power = .80 at α = .05 and six predictor variables. Given this, the sample did not have sufficient power to detect a small effect but more than enough to detect a medium effect, which requires a sample size of just 97 for similar parameters.

4.3.2 Outliers

Hair et al. (2010, p. 67) suggest that for larger samples (more than 80 cases) values should be treated as outliers if they deviate by more than four standard deviations from the mean, but that the source of their uniqueness should also be considered in determining values as outliers. Hair et al (2010, p. 67) also recommend retaining data records where the outliers are responses that still fall

within the ordinary range of values of the variables to ensure generalisability to the entire population. Data points were checked for deviations of more than four standard deviations from the mean and a few were detected, but since these were individual measurement items the data records were retained in line with the recommendation above with the understanding that the factor scores for the cases once calculated, would be reviewed again for influential observations. The limited impact expected on score distributions due to elimination versus retention of a few outlier cases was not considered material and the items were thus all retained.

4.4 CONFIRMATORY FACTOR ANALYSIS

In the two-step method of structural equation modelling (Schumaker & Lomax 2004), the first step is to specify the measurement model as a confirmatory factor analysis (CFA) to confirm that the researcher's hypothesis about measurement is correct. Once an acceptable measurement model is established, the second step is to test a priori hypotheses in structural models. This two-step approach separates measurement issues from structural issues.

Since the measurement model contained some complex constructs, a similar two-step approach was used to specify the measurement model. In step one, item-level data were used to check reliability and loadings on scale constructs, while in step two, scale level data were used to check convergent and discriminant validity of scale (latent) constructs in the measurement model. In the initial step, separate CFA models were specified for each individual measurement scale to confirm adequate item loading on the constructs and convergent validity. Reliabilities were also calculated for each measurement scale. Model fit was not a priority in the initial step but rather ensuring good convergent validity of the scales before incorporation into the complete measurement model. All the constructs were then assessed together in a measurement model CFA to confirm all aspects of construct validity. Adequate goodness-of-fit is of critical importance for the measurement model.

4.4.1 Congeneric measurement model

To achieve a measurement model that could be considered to have construct validity and be consistent with good measurement practice, congeneric measurement models were specified as recommended by Hair et al. (2010, p. 698). The congeneric measurement model is constrained by the hypothesis that measurement items load only on a single factor construct and all error variance covariances are constrained to zero. This approach was adopted as congeneric measurement models are considered sufficiently constrained to represent good measurement properties (Carmines & McIver, 1981). The measurement scales used were all from previously published research and were not expected to have cross-loading indicators.

4.4.2 Ethical Climate CFA

All the variables that make up the Ethical Climate Questionnaire (Victor & Cullen, 1988) were assessed for item normality by reviewing the skewness and kurtosis statistics as indicated in Table 4. The table indicates that several of the observed variables exhibited non-normal distributions with extreme skewness and/or kurtosis (>|1|) although still below the skewness of 2.0 and kurtosis of 7.0 identified by Curran, West, and Finch (1996, p. 26) as levels of univariate skewness and kurtosis at which significant problems arise. It was therefore decided to use a normal theory estimation method such as Maximum Likelihood (ML) estimation but with nonparametric bootstrapping as recommended by Kline (2010, p. 177) for non-normally distributed samples. This approach assumes only that the population and sample distributions have the same shape. Nevitt and Hancock (2001) used computer simulation results to show that bootstrap estimates were less biased under conditions of non-normality for samples sizes of N > 200. Bootstrapping was therefore considered to be an appropriate approach for this study sample of N = 357.

Coefficient alpha is a commonly used measure of internal consistency reliability. It represents the proportion of a scale's total variance that appears attributable to a common source, that is, the latent construct being measured. Hair et al. (2010)

suggest that coefficient alpha may understate reliability under some circumstances so composite reliability (CR) was also assessed by computing the sum of squared factor loadings (L_i) for each construct and the sum of the error variances for a construct (e_i). The composite reliabilities were calculated using the formula (Hair et al., 2010, p. 710):

$$CR = \frac{(\sum_{i=1}^{n} Li)^2}{(\sum_{i=1}^{n} Li)^2 + (\sum_{i=1}^{n} ei)}$$

The generally acceptable lower limit indicating good reliability is 0.7 for both coefficient Alpha and composite reliability as recommended by Hair et al. (2010, p. 125).

Table 4

Assessment of Item Normality (Ethical Climate)

Label	Mean	SD	Skewness	Kurtosis	Minimum	Maximum
Car1	4.61	1.759	-.398	-.859	1	7
Car2	4.51	1.740	-.396	-.801	1	7
Car3	3.71	1.616	-.022	-.873	1	7
Car5	6.25	1.098	-1.969	4.505	1	7
Car6	4.81	1.580	-.380	-.641	1	7
Car7	5.96	1.193	-1.557	2.792	1	7
Ind1	3.53	1.763	.075	-1.145	1	7
Ind2	2.63	1.783	.853	-.417	1	7
Ind3	3.59	1.716	.027	-.984	1	7
Ind4	3.83	1.546	-.318	-.782	1	7
Inst1	3.82	1.902	-.088	-1.295	1	7
Inst2	3.89	1.701	-.243	-1.132	1	7
Inst3	3.14	1.780	.537	-.767	1	7
Inst4	4.24	1.905	-.291	-1.078	1	7
Inst5	4.13	1.502	-.161	-.520	1	7
Inst6	3.71	1.900	.140	-1.201	1	7
Inst7	5.16	1.442	-.885	.124	1	7
L&C1	6.06	1.196	-1.699	3.244	1	7
L&C2	5.41	1.420	-.998	.738	1	7
L&C3	5.99	1.234	-1.586	2.627	1	7
L&C4	5.64	1.541	-1.365	1.307	1	7
Rules1	6.38	1.089	-2.515	7.137	1	7
Rules2	6.40	.997	-2.479	7.779	1	7
Rules3	4.48	1.638	-.367	-.660	1	7
Rules4	5.01	1.668	-.685	-.434	1	7

Note: Std. error for skewness is 0.129, Std. error for kurtosis is 0.257

The IBM SPSS Amos software program version 23 (Arbuckle, 2014) was used to model all the items from the Ethical Climate Questionnaire (Victor & Cullen, 1988) as a reflective measurement as shown in Figure 6. Each item was allowed to load only onto the sub-scale factor that it was purported to measure.

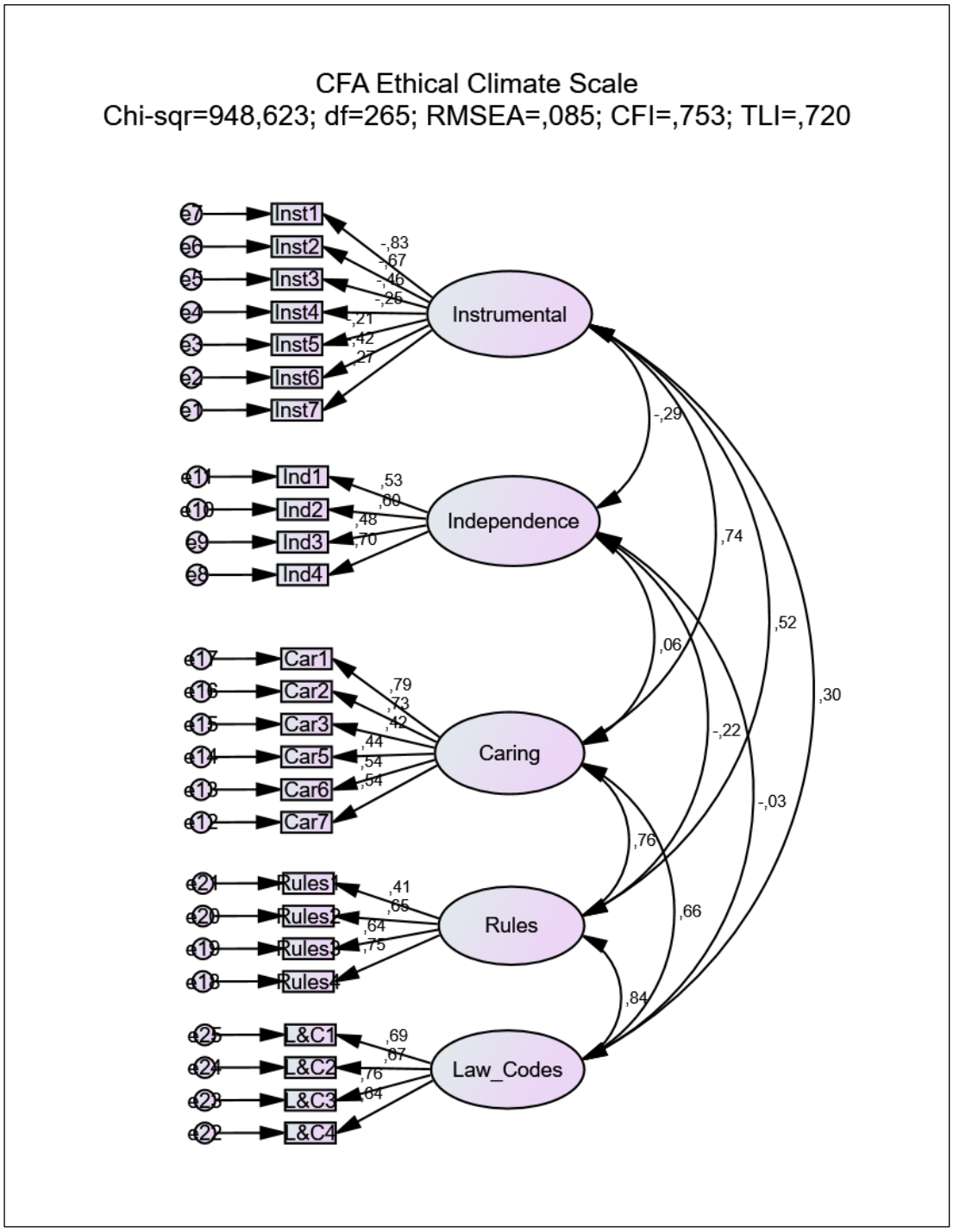

Figure 6. Initial CFA of Ethical Climate Scale

The goodness-of-fit indicators suggest that the model in Figure 6 does not provide a particularly good fit to the data. Items on the Instrumental sub-scale show mixed loadings with item Inst7 having an opposite sign to all the others. Item Inst7 was not intended to be reverse scored and mapped the Egoistic cosmopolitan dimension that refers to efficiency orientation. It appeared that there might have been some confused interpretation related to the cosmopolitan dimension in the question, so the item was eliminated. Inst4 and Inst5 had low loadings and were also removed. Removing these items improved the coefficient alpha reliability. By removing items from the scale, some content validity was sacrificed for higher reliability, because measurement reliability is a necessary but not sufficient condition for validity. Validity would be confirmed in the full measurement model.

Item 1 of Rules had a low loading (0.408) and eliminating it from the scale also improved the coefficient alpha reliability. Elimination of this item was not expected to have any significant impact on content validity because it was very similarly worded to Item 2 of rules and law. Caring had two items with loadings below the desired 0.5 but retaining them improved coefficient alpha reliability so they were retained. All the independence items had loadings close to 0.5 or above.

The re-specified Ethical Climate Scale CFA model with the mentioned items removed is illustrated in Figure 7 and shows improved model goodness-of-fit compared to the initial CFA model. The goodness-of-fit is still not good, but adequate for this stage of the model development, especially while retaining the congeneric measurement model constraint. The figure shows CFI and TLI as below the 0.9 threshold and RMSEA above 0.7. The standardised factor loadings for the re-specified ethical climate sub-scale CFA are presented below in Table 5. Most of the factor loadings are greater than 0.5 with a few slightly below 0.5 but all higher than 0.4. These are considered acceptable loadings for the measurement scale CFA.

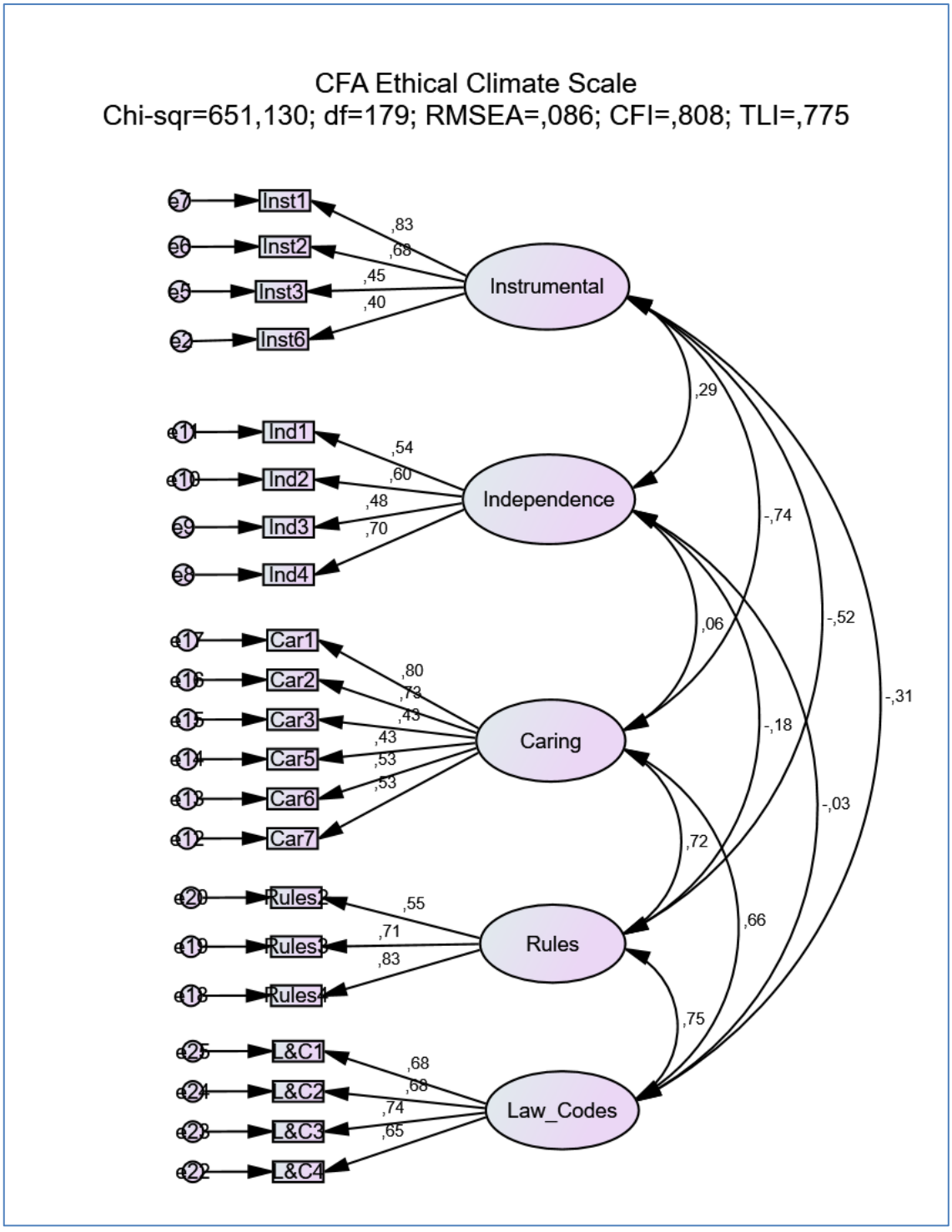

Figure 7. Re-specified CFA for Ethical Climate

Table 5

Standardised Factor Loadings (Ethical Climate CFA model)

		Parameter	Estimate	*p*
Inst6	<---	Instrumental	0.402	.025
Inst2	<---	Instrumental	0.681	.016
Inst1	<---	Instrumental	0.831	.007
Inst3	<---	Instrumental	0.447	.012
Ind4	<---	Independence	0.699	.016
Ind3	<---	Independence	0.483	.006
Ind2	<---	Independence	0.598	.005
Ind1	<---	Independence	0.535	.016
Car7	<---	Caring	0.533	.009
Car6	<---	Caring	0.529	.004
Car5	<---	Caring	0.434	.005
Car3	<---	Caring	0.426	.005
Car2	<---	Caring	0.733	.007
Car1	<---	Caring	0.797	.026
Rules4	<---	Rules	0.829	.019
Rules3	<---	Rules	0.714	.014
Rules2	<---	Rules	0.553	.009
L&C4	<---	Law_Codes	0.648	.005
L&C3	<---	Law_Codes	0.741	.018
L&C2	<---	Law_Codes	0.648	.019
L&C1	<---	Law_Codes	0.684	.012

To assess convergent validity and discriminant validity of the sub-scale factors the average variance explained (AVE) was compared with the squared correlation between factor pairs. Hair et al (2010, p. 710) recommend that for good discriminant validity the AVE for each factor should be greater than the squared correlations between it and all other sub-scale factors. Table 6 presents the AVE on the diagonal and the squared correlations above the diagonal. The sub-scales of ethical climate show adequate reliability for purposes of research. The significant correlations evident among the sub-scales indicate that discriminant validity is not high in all cases, but this is considered acceptable and to be expected as the sub-scales tap dimensions of the same construct. This is illustrated below with the two-level construct of ethical climate. Convergent validity is less than ideal because the average variance explained is less than 0.5 for some of the constructs. This could have been improved by eliminating more

items with low loadings but, as mentioned previously a trade-off was made to rather retain items that contributed to internal reliability and also maintain the content validity of the scale. By retaining more of the items on the published scale the research results are more comparable with other research using the same scale. It also avoids one of the practices to improve model fit that Hair et al. (2010, p. 671) caution against. They argue that reducing the number of indicators per construct may improve model fit and even improve the reliability, but it is likely to diminish the construct's theoretical domain validity and ultimately the content validity of the measurement.

Table 6

Ethical Climate Construct Validity

	Alpha	CR	Independence	Instrumental	Caring	Rules	Law_Codes
Independence	0.662	0.670	0.341	0.084	0.004	0.032	0.001
Instrumental	0.693	0.692	0.290	0.379	0.543	0.270	0.098
Caring	0.750	0.754	0.061	-0.737	0.351	0.514	0.438
Rules	0.712	0.746	-0.179	-0.520	0.717	0.501	0.558
Law_Codes	0.775	0.783	-0.025	-0.313	0.662	0.747	0.474

Note: AVE estimates are presented on the diagonal, correlation below and squared correlations above the diagonal

The significant correlations between some of the sub-scales imply that these do not exhibit good discriminant validity. This is to be expected, however, since they are intended to measure dimensions of the same higher level ethical climate construct. Moreover, as the ethical climate scale is based on a reflective measurement model rather than a formative model, significant multicollinearity is to be expected among the indicators. The latent construct is empirically defined to explain common variance among the different indicators (Diamantopoulos, Riefler, & Roth, 2008). Three of the sub-scales: caring, rules and law and codes are highly correlated with each other and Instrumental is strongly negatively correlated with these three sub-scales. Caring, rules and law and codes are positively valenced dimensions of the ethical climate construct, while instrumental is a negatively valenced dimension. Hence one would expect a low instrumental climate score where there is a strong ethical climate with emphasis on caring and compliance. The independence sub-scale is uncorrelated with the caring, rules,

and law and codes sub-scales and weakly correlated with the instrumental sub-scale. Hence a high independence score would suggest there is not a strong climate of caring and compliance because people use their own judgement as a guide to ethical decisions. These sub-scales represent dimensions of a higher level construct ethical climate as presented in the CFA in Figure 8.

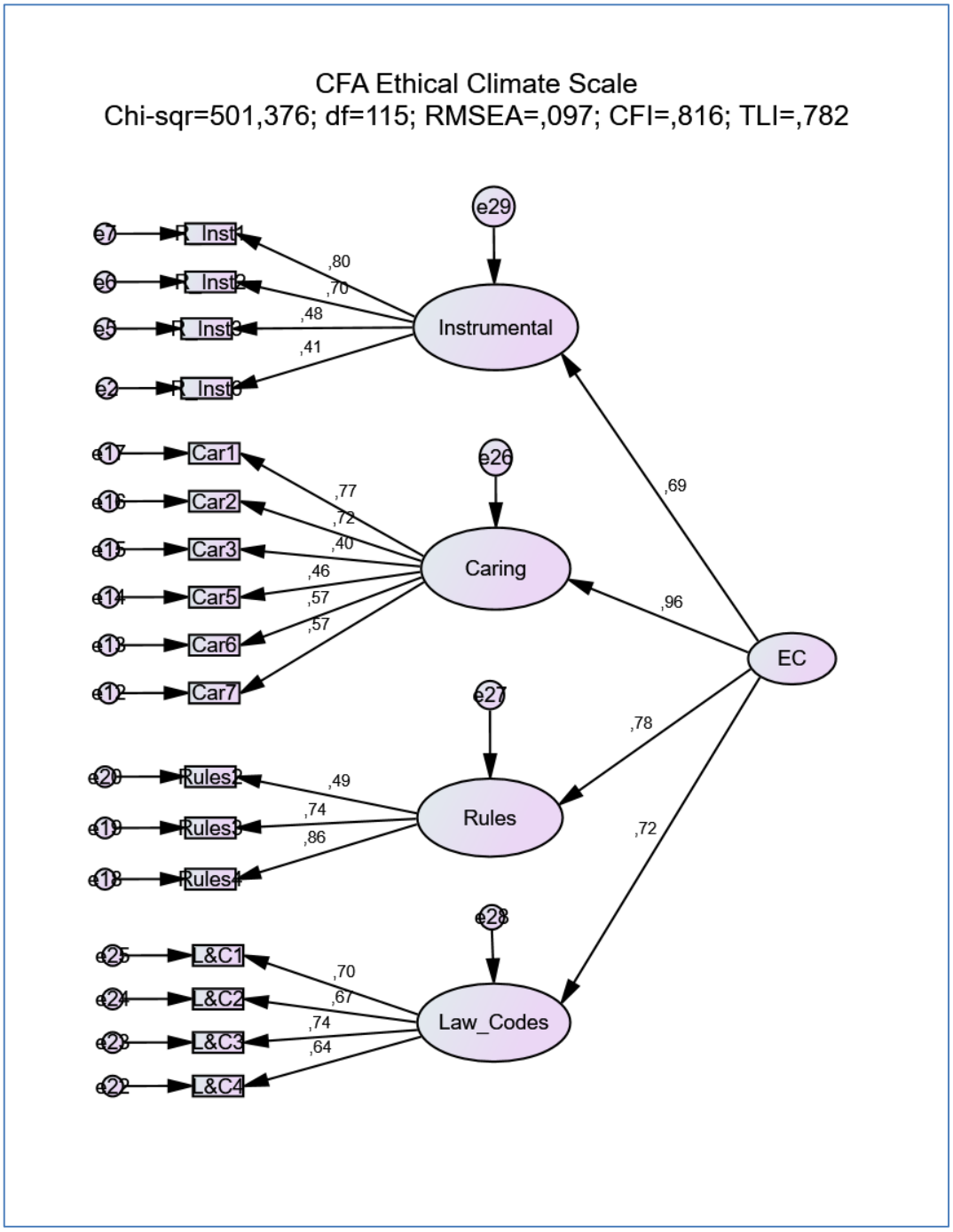

Figure 8. CFA model of ethical climate

To accommodate the negative relationship between instrumental and the other sub-scales the instrumental measurement items were reflected to allow all four sub-scales to load positively onto ethical climate. The independence dimension was not included in the model because it represents an individual oriented approach rather than a strong organisational ethical climate that is based on a common mindset of caring and a high level of compliance. The original theoretical rationale for including the independence dimension comes from the nine-dimension grid postulated by Victor & Cullen (1987). It represents the intersection of the principle (deontology) ethical criterion and the individual locus of analysis. Although it is a potential form of ethical climate, in which individuals make their own ethical decisions without guidance, the interest of this study was on how ethical leadership influences the perceived ethical climate that should supplant an independence climate. The independence sub-scale did also not significantly load on the ethical climate construct as was to be expected.

Table 7

Convergent Validity for Ethical Climate Scale

	No of items	AVE	Alpha	CR
Ethical Climate	17	0.631	0.862	0.871

With reference to Table 7 the ethical climate measurement exhibits good convergent validity with AVE > .5, coefficient alpha and CR > .7 and both are sufficiently high. The model fit as indicated by the fit indices is not particularly good because the rules and law and code items are closely related and the model suggested covariance links between some of the error terms that would improve the goodness-of-fit metrics. As mentioned previously the models were kept congeneric by not allowing error terms to covary. The goal with this CFA would be to establish construct validity as a preliminary step towards developing the overall measurement model with all the constructs. Overall model fit for the complete measurement model will be tested to confirm that the measurement model adequately fits the data before modelling the hypothesised relationships in the structural model.

4.4.3 Individualism-Collectivism CFA

Figure 9 shows the initial CFA for the complete scale of individualism-collectivism with the four sub-scales for horizontal individualism (HI), horizontal collectivism (HC), vertical individualism (VI) and vertical collectivism (VC) respectively (Singelis et al., 1995). Some items exhibit low factor loadings and the overall model goodness-of-fit is poor with CFI = 0.677 and TLI = 0.650, both well below the 0.9 threshold and RMSEA also greater than .7.

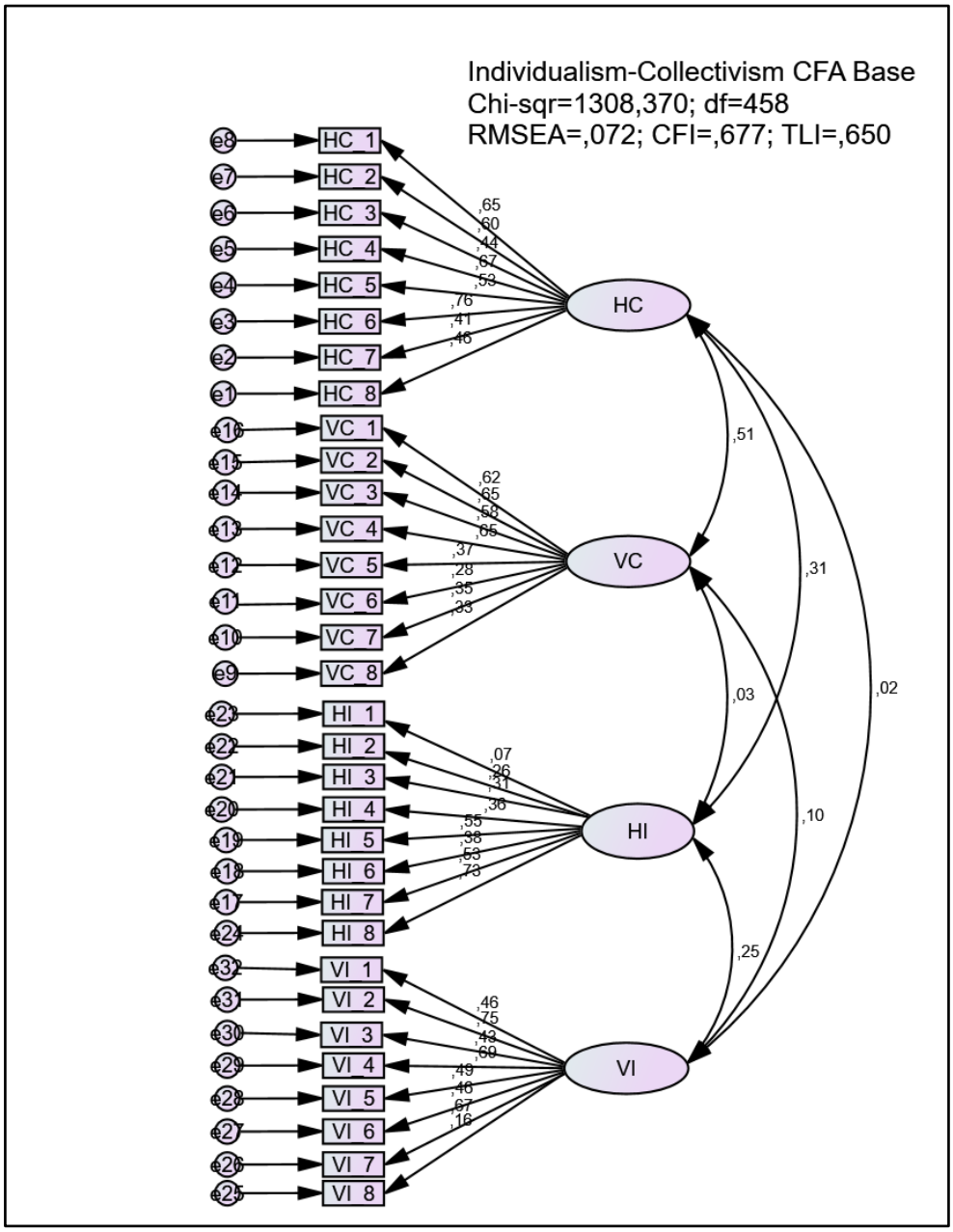

Figure 9. Individualism-Collectivism initial CFA

Item VC6 had a low loading (0.28) and looking at the item wording “I hate to disagree with others in my group” it seems likely that the item may have been interpreted inconsistently, possibly because “hate” is a strong term that some people might shy away from. Internal reliability of the sub-scale without item VC6 was also higher than with it, so it was decided to eliminate item VC6 from the scale. Items HI1 and VI8 had very low factor loadings and were both eliminated from the scales. Although VI1 and VI3 had relatively low factor loadings less than .5, they were just below .5 and they both contributed to higher internal reliability, hence were retained. Some of the HC items also had item factor loadings below .5 but they all contributed to higher internal reliability and being greater than .4, they were retained. After eliminating the low loading items from the HI sub-scale to improve reliability and discriminant validity, the reliability at .623, although above .6, was still less than the desired .7. In the original article describing the scale development (Singelis et al., 2010) HI had an alpha of .67 suggesting that the item wordings for the scale were not yet optimal.

The final individualism-collectivism CFA, after eliminating problematic items, is shown below in Figure 10. It has slightly improved model fit over the original model although at this stage the priority focus was to establish convergent and discriminant validity of the measurement scale rather than optimum model fit.

The standardised factor loadings for the final individualism-collectivism CFA model in Figure 10 are presented below in Table 8. Some of the item loadings are below .5 but all are significant and as per the previous discussion they were retained at this stage because they contributed to reliability and the intention was to preserve theoretical validity of the measurement scale as far as possible.

The AVE for the sub-scales, presented on the diagonal of Table 9, are below the desirable .5 due to the lower loading of some items but the reliabilities are adequate to support convergent validity. Discriminant validity is supported for the scales in that the squared correlation between any pair of sub-scales is not larger than the AVE for any sub-scale (Hair et al., 2010).

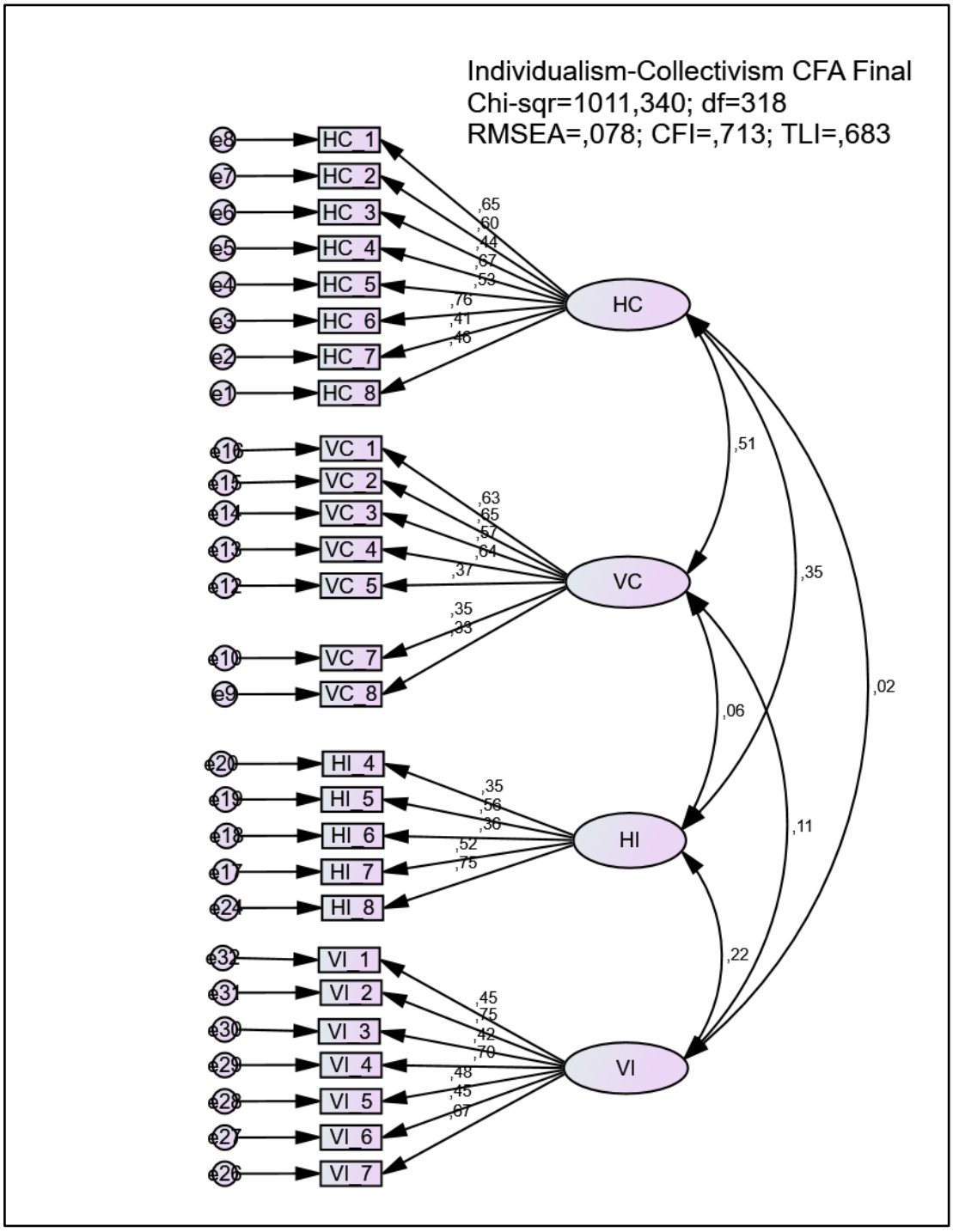

Figure 10. Individualism-Collectivism final CFA

Table 8

Standardised Regression Weights: Individualism-Collectivism

Parameter			β Estimate	P
HC_8	<---	HC	,457	,003
HC_7	<---	HC	,412	,003
HC_6	<---	HC	,755	,007
HC_5	<---	HC	,531	,004
HC_4	<---	HC	,673	,007
HC_3	<---	HC	,438	,003
HC_2	<---	HC	,600	,036
HC_1	<---	HC	,648	,028
VC_8	<---	VC	,329	,005
VC_7	<---	VC	,351	,005
VC_5	<---	VC	,368	,013
VC_4	<---	VC	,639	,005
VC_3	<---	VC	,574	,019
VC_2	<---	VC	,648	,007
VC_1	<---	VC	,634	,009
HI_8	<---	HI	,753	,020
HI_7	<---	HI	,521	,009
HI_6	<---	HI	,359	,009
HI_5	<---	HI	,562	,023
HI_4	<---	HI	,353	,007
VI_7	<---	VI	,667	,010
VI_6	<---	VI	,451	,015
VI_5	<---	VI	,483	,012
VI_4	<---	VI	,695	,011
VI_2	<---	VI	,751	,012
VI_3	<---	VI	,424	,005
VI_1	<---	VI	,455	,012

Table 9

Individualism-Collectivism Construct Validity

	Alpha	CR	VC	HC	HI	VI
Vertical Collectivism	0.706	0.712	**0.275**	0.262	0.003	0.012
Horizontal Collectivism	0.743	0.792	0.512	**0.332**	0.121	0.001
Horizontal Individualism	0.623	0.644	0.059	0.348	**0.282**	0.050
Vertical Iindividualism	0.768	0.767	0.109	0.023	0.223	**0.331**

Note: AVE estimates are presented on the diagonal, correlation below and squared correlations above the diagonal

4.4.4 Organisational Citizenship Behaviour CFA

Organisational Citizenship Behaviour (OCB) is a multi-dimensional construct and is modelled below in Figure 11 as a second-order CFA. The model has good fit with RMSEA < 0.8, TLI fractionally less than 0.95, CFI > 0.95 and significant and strong item factor loadings. Civic1 has a low loading but is retained for purposes of model identifiability to have at least three items per factor. This was reconsidered in the full measurement model where identifiability was less of an issue due to the more complex model. The alpha for civic increases to 0.914 if the low loading item civic2 is dropped.

The factors show good convergent validity with AVE > .5 for all the factors as indicated in Table 10 below. The alpha reliability and composite reliability for all the factors are greater than 0.7 except alpha for civic which is above 0.6 but below 0.7. The factors also exhibit good discriminant validity with the squares of the correlation between pairs of factors less than the AVE for each of the factors.

Table 10

Construct Validity for OCB Factors

	No of items	CR	Alpha	Sporty	Conscientious	Civic	Courtesy	Altruism
Sporty	5	0.889	0.885	**0.617**	0.301	0.235	0.468	0.258
Conscientious	5	0.921	0.919	0.549	**0.701**	0.471	0.491	0.483
Civic	3	0.778	0.627	0.485	-0.686	**0.583**	0.483	0.469
Courtesy	5	0.949	0.947	0.684	0.701	0.695	**0.788**	0.632
Altruism	5	0.926	0.923	0.508	0.695	0.685	0.795	**0.717**

Note: AVE estimates are presented on the diagonal, correlation below and squared correlations above the diagonal

Table 11 below indicates that the overall OCB measurement scale has good reliability with alpha and composite reliability greater than .7 and good convergent validity with AVE > .5.

Table 11

OCB Convergent Validity Measures

	No of items	AVE	Alpha	CR
Organisational Citizenship Behaviour	23	0.658	0.953	0.905

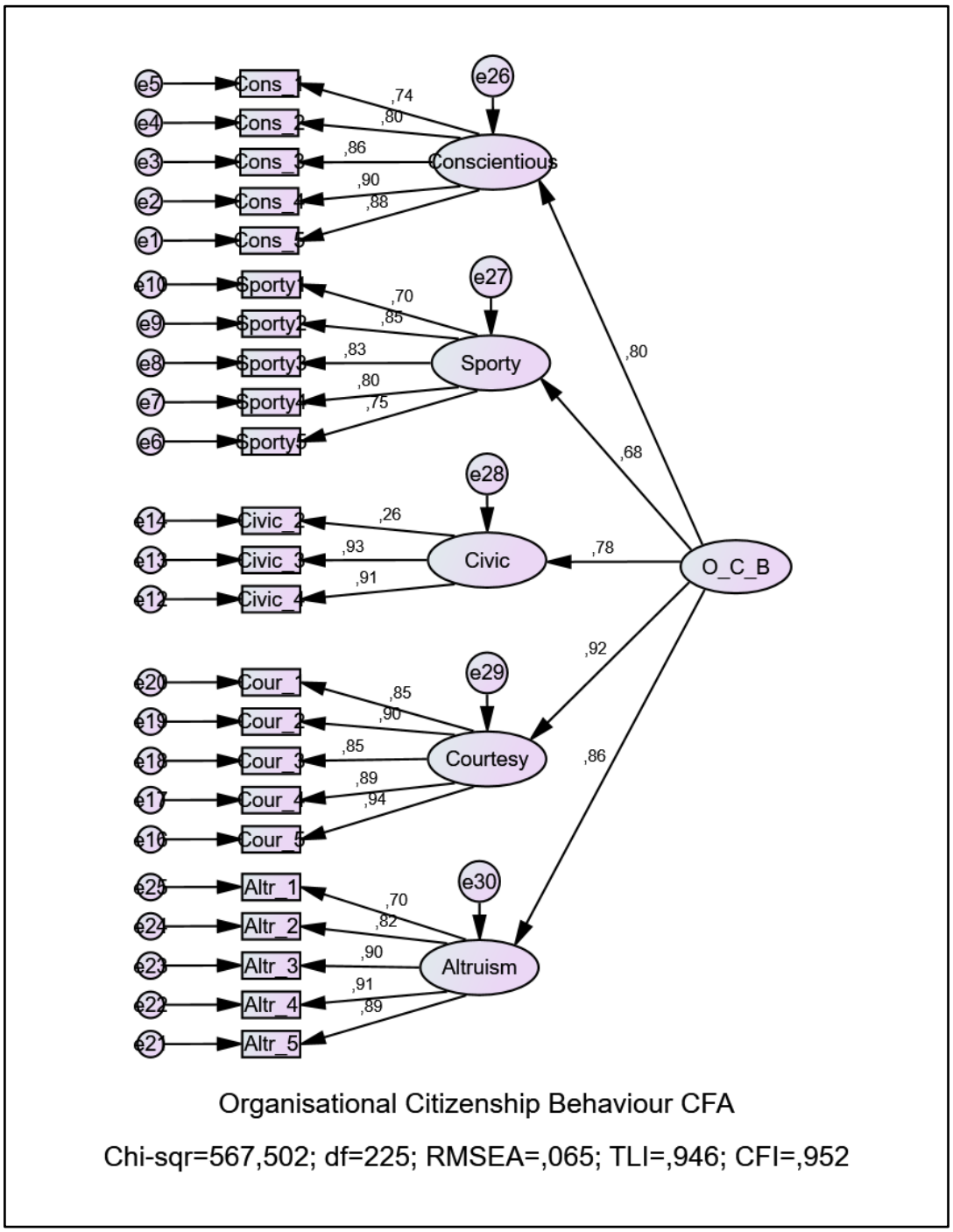

Figure 11. Organisational Citizenship Behaviour CFA

4.4.5 Ethical Leadership CFA

The ethical leadership measurement scale CFA illustrated below in Figure 12 has good fit with TLI = 0.944 and CFI = 0.956 both close to the 0.95 threshold. The scale shows good convergent validity with all the item factor loadings significant and greater than .5. The AVE for the scale is greater than .5. Reliability is good with alpha and composite reliability well above .7 as presented in Table 12.

Table 12

Ethical Leadership Convergent Validity Measures

	No of items	AVE	Alpha	CR
Ethical Leadership	10	0.661	0.950	0.951

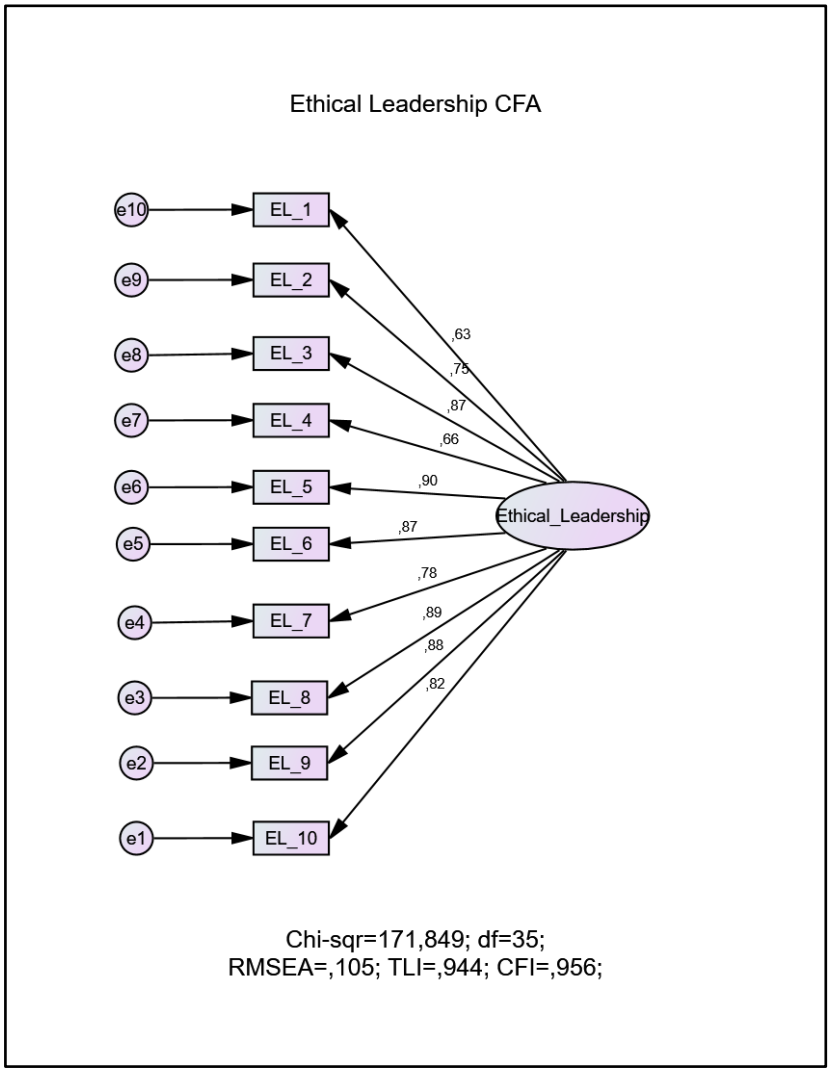

Figure 12. Ethical Leadership CFA

4.4.6 Power Distance Orientation CFA

The power distance measurement scale CFA is presented below in Figure 13 and has adequate goodness-of-fit with RMSEA = 0.087, TLI = 0.827 and CFI = 0.876. The item factor loadings are on the low side but all are significant and above 0.35. This translates into a low AVE, presented in Table 13 below, which is below 0.5 but reliability is adequate with alpha and composite reliability greater than 0.7 so convergent validity of the items making up the the scale is considered adequate.

Table 13

Power Distance Convergent Validity and Reliability Measures

	No of items	AVE	Alpha	CR
Power Distance	8	0.249	0.710	0.719

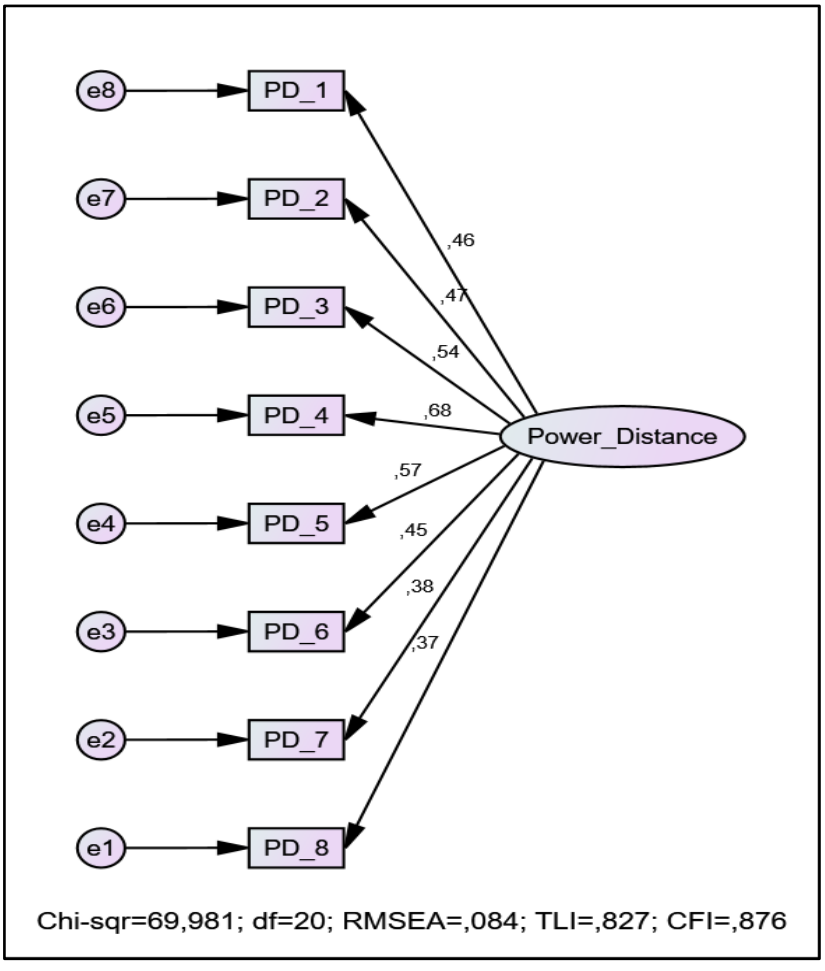

Figure 13. Power Distance CFA

4.5 MEASUREMENT MODEL CONFIRMATORY FACTOR ANALYSIS (CFA)

The final measurement model CFA containing all the constructs to be used for hypothesis testing is illustrated in Figure 14. It is a complex model so for readability the standardised factor loading coefficients are shown below in Table 14 and the standardised correlation coefficients between the constructs are presented in Table 18. Perform only has one item so loading is 1 for identifiability.

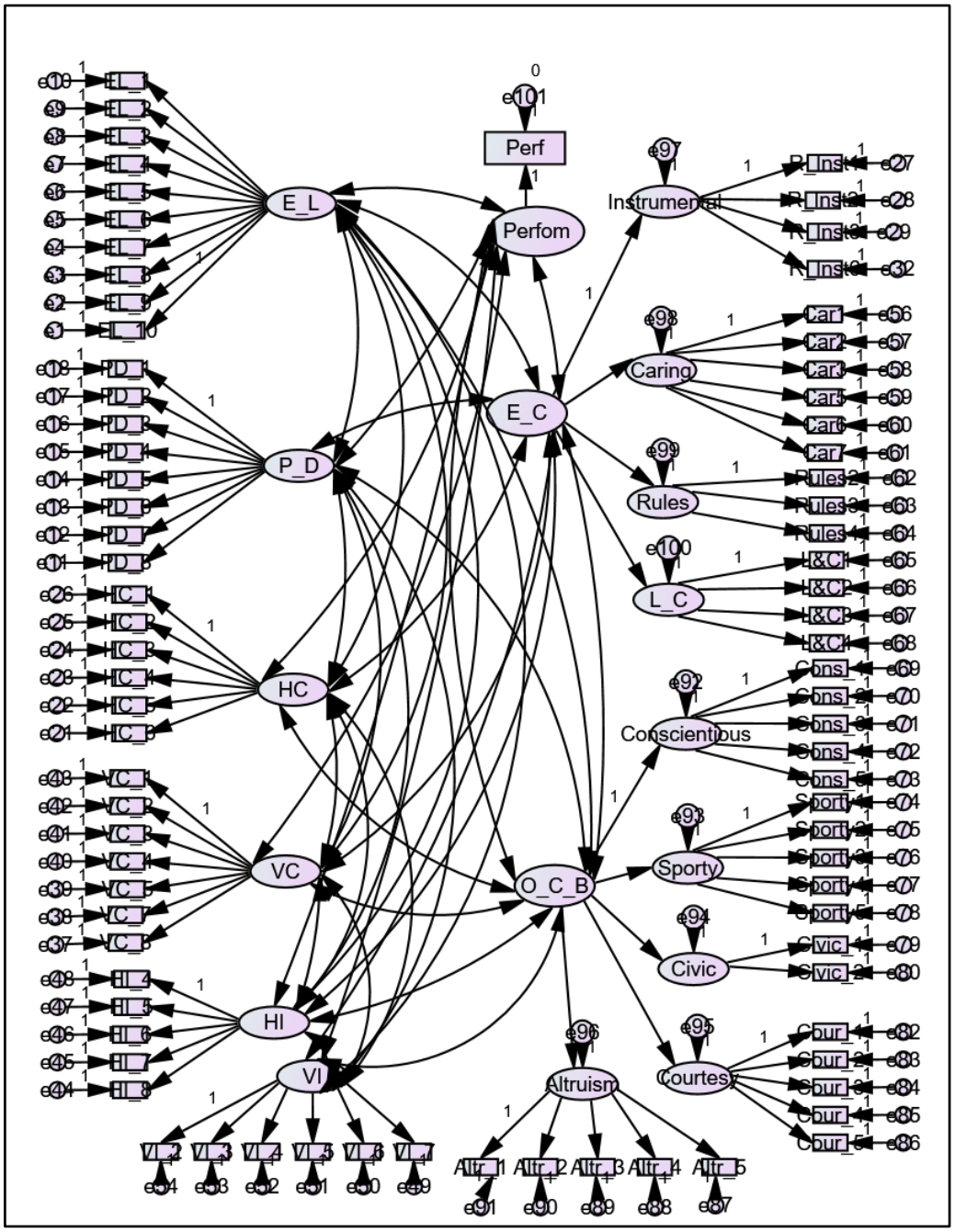

Figure 14. Measurement model CFA

Table 14 Measurement model standardised factor loadings

Parameter			Estimate
Conscientious	<---	O_C_B	,807
Sporty	<---	O_C_B	,682
Civic	<---	O_C_B	,788
Courtesy	<---	O_C_B	,907
Altruism	<---	O_C_B	,858
Instrumental	<---	E_C	,721
Caring	<---	E_C	,972
Rules	<---	E_C	,747
L_C	<---	E_C	,693
EL_10	<---	E_L	,822
EL_9	<---	E_L	,887
EL_8	<---	E_L	,891
EL_7	<---	E_L	,785
EL_6	<---	E_L	,871
EL_5	<---	E_L	,899
EL_4	<---	E_L	,660
EL_3	<---	E_L	,870
EL_2	<---	E_L	,759
EL_1	<---	E_L	,636
PD_8	<---	P_D	,375
PD_7	<---	P_D	,363
PD_6	<---	P_D	,460
PD_5	<---	P_D	,571
PD_4	<---	P_D	,666
PD_3	<---	P_D	,522
PD_2	<---	P_D	,481
PD_1	<---	P_D	,485
Civic_4	<---	Civic	,905
Civic_2	<---	Civic	,258
Civic_3	<---	Civic	,929

Parameter			Estimate
HC_6	<---	HC	,747
HC_5	<---	HC	,501
HC_4	<---	HC	,668
HC_3	<---	HC	,444
HC_2	<---	HC	,651
HC_1	<---	HC	,683
VC_8	<---	VC	,336
VC_7	<---	VC	,354
VC_5	<---	VC	,400
VC_4	<---	VC	,644
VC_3	<---	VC	,563
VC_2	<---	VC	,637
VC_1	<---	VC	,625
HI_8	<---	HI	,737
HI_7	<---	HI	,514
HI_6	<---	HI	,369
HI_5	<---	HI	,573
HI_4	<---	HI	,365
VI_7	<---	VI	,701
VI_6	<---	VI	,450
VI_5	<---	VI	,506
VI_4	<---	VI	,715
VI_3	<---	VI	,324
VI_2	<---	VI	,737
Cour_1	<---	Courtesy	,847
Cour_2	<---	Courtesy	,905
Cour_3	<---	Courtesy	,852
Cour_4	<---	Courtesy	,891
Cour_5	<---	Courtesy	,941

Parameter			Estimate
R_Inst1	<---	Instrumental	,788
R_Inst2	<---	Instrumental	,704
R_Inst3	<---	Instrumental	,489
R_Inst6	<---	Instrumental	,405
EC_20	<---	Caring	,779
EC_11	<---	Caring	,724
EC_15	<---	Caring	,418
EC_25	<---	Caring	,449
EC_18	<---	Caring	,548
EC_24	<---	Caring	,555
EC_14	<---	Rules	,483
EC_17	<---	Rules	,731
EC_22	<---	Rules	,872
EC_13	<---	L_C	,694
EC_23	<---	L_C	,669
EC_19	<---	L_C	,747
EC_12	<---	L_C	,642
Cons_1	<---	Conscientious	,744
Cons_2	<---	Conscientious	,797
Cons_3	<---	Conscientious	,855
Cons_4	<---	Conscientious	,901
Cons_5	<---	Conscientious	,879
Sporty1	<---	Sporty	,702
Sporty2	<---	Sporty	,846
Sporty3	<---	Sporty	,825
Sporty4	<---	Sporty	,799
Sporty5	<---	Sporty	,748
Altr_5	<---	Altruism	,888
Altr_4	<---	Altruism	,914
Altr_3	<---	Altruism	,901
Altr_2	<---	Altruism	,816
Altr_1	<---	Altruism	,696

4.5.1 Item Pruning

The observed variables- VI1, HC7, and HC8 were dropped from the final measurement model because their initial low factor loadings became problematic in the complete measurement model in terms of high standardised residuals. The model fit improved after their deletion. The absence of these variables did not adversely impact the reliability of the respective measurement scale.

4.5.2 Model Fit

A number of indices of goodness-of-fit for the model were calculated and are presented below in Table 15.

Table 15

Goodness of Fit Indices for Final Measurement Model

Goodness of Fit Test	Final Model
Absolute Fit Measures	
χ^2	5334.283
Degrees of freedom	3276
Bollen-Stine Bootstrap p	0.010
χ^2 / df	1.628
RMSEA	0.042
Incremental Fit Indices	
Comparative Fit Index	0.869
Tucker Lewis Index	0.864

The χ^2 was statistically significant, indicating an unacceptable fit of model to the data. The Bollen-Stine bootstrap p estimate, designed to take account of bias resulting from multivariate non-normal distributions, is also significant, at $p < .05$. The χ^2 statistic has however been shown to be sensitive to sample size, especially for samples greater than 300 (Hair et al., 2010). They therefore recommend using at least one absolute fit measure and one incremental fit index to decide between acceptable and unacceptable fit. They also recommend that the cut-off values used should be adjusted to take account of model complexity. More complex models with larger samples should

be subject to less strict evaluation. For models with more than 30 observed variables and samples of more than 250, the authors suggest RMSEA < 0.07 and CFI > 0.90 as acceptable fit. The final model RMSEA is well below the 0.07 cut-off. The CFI is however somewhat below the 0.90 cut-off, but the number of observed variables is well above the 30 used by Hair et al. (2010, p. 672) in their table of recommended guidelines. Kenny and McCoach (2003) showed that TLI and CFI fit indices deteriorated for perfectly specified models as the number of indicators per factor increased. Most of the factors in the measurement model have a relatively high number of indicators per factor so the TLI and CFI can be expected to be lower. The goodness-of-fit for the measurement model was therefore considered acceptable given the model characteristics and the various fit indices, but subject to further examination of residuals.

4.5.3 Residuals

Hair et al. (2010, p. 711) recommend that standardised residuals are useful in diagnosing problems with a measurement model because they do not depend on the actual measurement scale range. These values can be used to identify item pairs for which the measurement model does not accurately predict the observed covariance between the two items. The measurement model standardised residuals were examined for potentially problem pairs with values >|4| as suggested by Hair et al. (2010, p. 711). There were no item pairs with large residuals except for Rules2 and L&C1. These two items are closely related and it appears that not all respondents made the distinction between rules and laws and treated them similarly. Hence, overall the analysis of residuals supports an adequate model fit.

4.6 CONSTRUCT VALIDITY

4.6.1 Convergent validity

Convergent validity was established by reviewing the factor loadings for all the constructs as well as the reliability of the construct.

Factor loadings: High item loadings on a factor indicate that the items converge to reflect a common latent construct. One of the issues to consider in CFA is what level

of item loading on a factor is appropriate to retain the item. Both practical and statistical significance as well as the number of variables affect the interpretation of factor loadings. A factor loading is the correlation of the item and the factor and the squared loading is the percentage of item variance shared with the factor. Hence an item loading of 0.30 would mean 9% of the item's variance is explained by the factor. Using practical significance Hair et al. (2010, p. 117) suggest that factor loadings greater than ± 0.3 meet the minimum level required for interpretation of structure. Loadings greater than ±0.50 are considered practically significant and those exceeding ± 0.70 are most desired for construct validity. To assess statistical significance Hair et al (2010, p. 117) recommend employing the concept of statistical power. With the objective of obtaining a power level of 80%, and using a significance level $p < .05$, factor loadings greater than 0.3 are deemed significant for a sample size of greater than 350.

Retaining factor loadings lower than 0.5 results in the average variance explained (AVE) for the construct being less than the good rule of thumb of 0.5 as per Hair et al. (2010, p. 709). Ideally, standardised factor loadings should be higher than 0.7 to assure good construct validity.

A few items with factor loadings below 0.5 were retained because these items formed part of scales that have been used by other researchers and eliminating such items from the scale would run the risk of jeopardising content validity. Provided that the items contributed to increased reliability, had significant loadings, and did not cause problems with residuals or model fit, they were retained. Most of the items retained with lower factor loadings were from the individualism-collectivism scales and in their paper describing the development of the individualism-collectivism scales (Singelis et al.,1995), the authors retained items with loadings below 0.5 in their study, which used a sample of N = 267.

Reliability: Coefficient alpha is a commonly used measure of internal consistency reliability. Under the assumption of unidimensionality, it represents the proportion of a scale's total variance that is attributable to a common source, that is the latent construct being measured. Hair et al. (2010, p. 709) suggest that coefficient alpha may understate reliability under some circumstances so composite reliability (CR) was

also assessed by computing the squared sum of factor loadings (L_i) for each construct and the sum of the error variance terms for a construct (e_i). The generally accepted lower limit indicating good reliability is 0.7 for both coefficient alpha and composite reliability as recommended by Hair et al. (2010, p. 125). The coefficient alpha and composite reliability calculated for each construct are shown in Table 16 below.

The horizontal Individualism scale (HI) has an alpha less than 0.7, but it is above 0.6 which could be acceptable in exploratory research according to Hair et al. (2010, p. 125). In Singelis et al. (2010) the HI scale had an alpha of 0.67 which was also below 0.7. As mentioned in the method chapter, individualism scales have tended to suffer from low reliability. It appears that the wording of the HI scale is not yet optimal, but it was beyond the scope of this study to re-develop the scale. The lower reliability is noted as a limitation in the research study.

The instrumental and independence dimensions of the ethical climate scale both had alphas less than 0.7 but above 0.6. The reliability of independence is fairly close to 0.7. The instrumental dimension attempts to map two theoretical dimensions that may have contributed to the lower reliability. The instrumental dimension was not one of the focus dimensions for this study so the lower reliability was noted but no further action was taken.

Table 16

Reliabilities for Construct Scales

Construct	Number of items	Coefficient Alpha	Composite reliability
Ethical Leadership	10	0.950	0.951
Power Distance	8	0.710	0.719
OCB	23	0.953	0.906
Horizontal Collectivism	6	0.757	0.789
Vertical Collectivism	7	0.706	0.714
Horizontal Individualism	5	0.623	0.645
Vertical Individualism	6	0.747	0.752
Ethical Climate	17	0.862	0.868

Composite reliability is also greater than 0.7 for all except HI, and for all the scales the CR is larger than alpha, except OCB which is a two-level construct with a higher number of items than the other constructs. OCB was also rate by next level managers and this may have made a difference. Hence scale reliabilities are considered adequate.

4.6.2 Discriminant Validity

To assess discriminant validity, Hair et al (2010, p. 710) recommend comparing the AVE estimate for each member of every pair of constructs with the square of the correlation estimate between these two constructs. The variance explained estimates should be greater than the squared correlation estimates to support discriminant validity. These results are presented in Table 18.

Comparison of the AVE estimate with the square correlation estimates in Table 18 shows that discriminant validity was established for all the constructs with no violations of the above criteria. The model is therefore considered to have adequate support for discriminant validity.

4.6.3 Nomological validity

To evaluate nomological validity the correlations between the factors in the measurement model are examined to verify that all the significant correlations make theoretical sense (Hair et al., 2010, p. 710). Correlations are presented below the diagonal in Table 18 and significant correlations are indicated with * for $p < .05$ and ** for $p < .01$.

Interpretations of the significant correlations are presented in Table 17. As far as could be ascertained, theoretical propositions about the potential relationships between ethical leadership and the cultural orientations of followers have not yet been postulated in the literature and there does not seem to be a theoretical rationale for this. Recognising this limitation, the other correlations appear to support nomological validity of the measurement model.

Table 17

Nomological Validity Assessment

Construct	Construct	Correlation	Comment
OCB	Performance	0.320	Expect positive relationship
Ethical Climate	OCB	0.146	Expect positive relationship
Ethical Leadership	Ethical Climate	0.622	Expected relationship as per hypothesis
Ethical Leadership	Performance	0.222	Expected relationship as per hypothesis
Ethical Leadership	OCB	0.260	Expected relationship as per hypothesis
Ethical Leadership	Power Distance	0.247	
Ethical Leadership	Horizontal Collectivism	0.253	
	Horizontal Individualism	0.163	
Horizontal Individualism	Horizontal Collectivism	0.401	As mentioned by Singelis et al. (1995, p. 243) individuals cannot simply be defined by a set of polar opposites so one would expect some overlap of the factors.
Horizontal Collectivism	Vertical Collectivism	0.441	
Horizontal Individualism	Vertical Individualism	0.229	
Power Distance	Vertical Collectivism	0.320	Expect some overlap since the factors represent somewhat related constructs.
	Vertical Individualism	0.190	
Horizontal Collectivism	Ethical Climate	0.346	These cultural dimensions are expected to have a decreasing positive relationship with ethical climate since they represent increasing self-interest.
Vertical Collectivism		0.261	
Horizontal Individualism		0.245	

4.6.4 Common Method Variance

The research design aimed to reduce the impact of common method bias by using three separate sources to obtain the criterion variable measures. The employees however rated the perception of ethical climate as well as the predictor and moderator variables. There was thus a potential risk of common method variance. To evaluate the impact of potential common method variance of the measurement scales, self-reported by the employee, a first-order common latent factor (CLF) was added to the measurement model as illustrated in Figure 15. All the items rated by employees were allowed to load on their intended measurement factor as well as on the common latent factor (Podsakoff et al., 2003, p. 891). The items related to the OCB measurement scale were removed from the model since they were rated by the manager and therefore should not have contributed to common method variance. The slightly simpler model was expected to reduce the risk of identification problems of the model, a common potential problem mentioned by Podsakoff et al. (2003, p. 891).

Table 18

Discriminant Validity: Comparison of AVE and Squared Correlations

	Performance	OCB	Ethical Climate	Ethical Leadership	Power Distance	Horizontal Collectivism	Vertical Collectivism	Horizontal Individualism	Vertical Individualism
Performance	1.000	0.102	0.000	0.049	0.013	0.001	0.017	0.003	0.001
OCB	0.320**	0.659	0.021	0.068	0.010	0.001	0.005	0.009	0.000
Ethical Climate	-0.009	0.146*	0.626	0.387	0.091	0.120	0.068	0.060	0.020
Ethical Leadership	0.222**	0.260**	0.622**	0.661	0.061	0.064	0.019	0.027	0.019
Power Distance	0.115	0.099	0.302**	0.247*	0.249	0.000	0.102	0.005	0.036
Horizontal Collectivism	-0.036	0.024	0.346**	0.253**	0.016	0.390	0.194	0.161	0.006
Vertical Collectivism	-0.132	0.070	0.261**	0.138	0.320**	0.441**	0.275	0.004	0.015
Horizontal Individualism	0.053	0.093	0.245**	0.163*	0.074	0.401**	0.061	0.281	0.052
Vertical Individualism	-0.036	0.004	0.142	0.137	0.190*	0.074	0.123	0.229**	0.352

Note: AVE estimates are presented on the diagonal, Correlations are below the diagonal and squared correlations are above the diagonal
*p < .05; **p < .01 significance

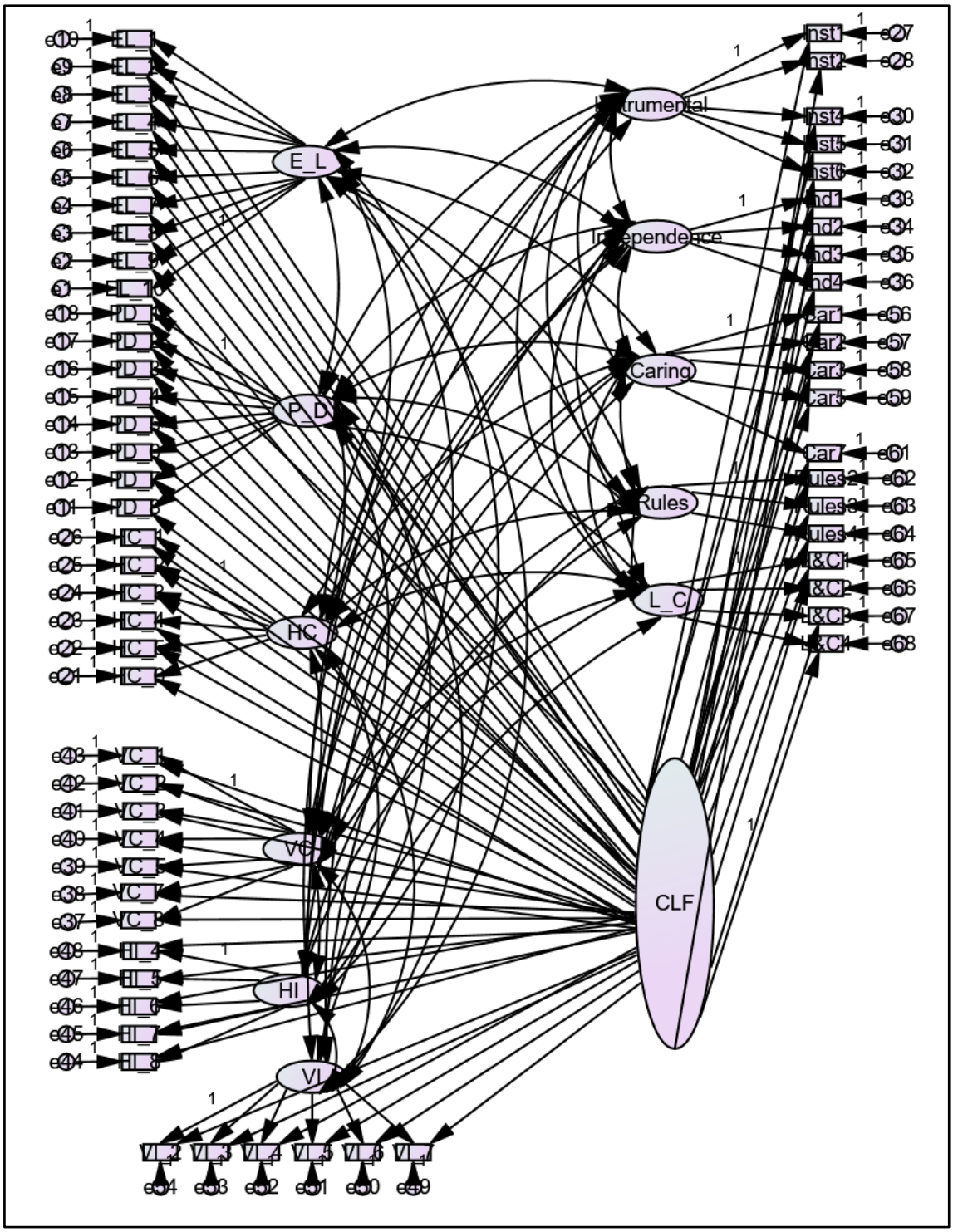

Figure 15. Measurement Model with Common Latent Factor

Only a few of the observed variables loaded statistically significantly on the common latent factor. Examining the specific measurement scale items that loaded significantly on the common latent factor, as listed in Table 19 below, indicated that the offending items were closely related to the other offending items

on the same scale. The three HC items all relate to co-worker relationships. The two HI items emphasise strong individual orientation. The five Rules and Law and Codes items all measure compliance. The three Caring items are not directly related but a common theme is present.

Table 19

Items that Loaded Significantly on the Common Latent Factor

Item	Description
HC1	The well-being of my co-workers is important to me
HC4	It is important to maintain harmony within my group
HC6	I feel good when I cooperate with others
HI4	I preferred to be direct and forthright when discussing with people
HI5	I am a unique individual
Car2	The most important concern is the good of all the people in the company.
Car5	It is expected that you will always do what is right for the customer and public.
Car7	In this company, each person is expected, above all, to work efficiently.
Rules2	Everyone is expected to follow company rules and procedures.
L&C1	People are expected to comply with the law and professional standards over and above other considerations.
L&C2	In this company, the law or ethical code of their profession is the major consideration.
L&C3	In this company, people are expected to strictly follow legal or professional standards.
L&C4	The first consideration is whether a decision violates any law.

This suggests that the loading on the common latent factor may be due to common variance among residuals of the affected scale items rather than due to a more systematic common method variance affecting all the measures. To evaluate this hypothesis, the relevant error residuals were allowed to correlate because they are associated with repeated measurement items that share a common method (Kline, 2011, p. 358). In the revised model with the selected error residuals correlated, the previously statistically significant loadings on the common latent factor became not significant, confirming that a systematic common method bias in the measurements was not a cause for concern and the common latent factor was not retained in the measurement model. Podsakoff et al. (1990, p. 133) mention that an important limitation of the common latent factor is that it captures all the systematic variance common to all of the measures and may not pick up source variance at all but instead may pick up systematic factor variance. Schmitt (1994) argued that it is difficult to separate the variance in a measure into separate trait, method, and random error components because such a partitioning requires clear theoretical understanding of what constitutes

both clear and method variance. It seems that the measurement items of the four affected constructs listed in Table 19 have some common variance associated with the particular measurement factor, yet there is not systematic common method bias among all the measurements.

4.7 DATA PREPARATION

4.7.1 Computing factor scores

The measurement model included all the item-level indicators, but retaining that level of detail in the structural model would make it very complex. In addition, it would be problematic to construct interaction terms using indicators at the item level, in order to test the hypothesised moderation at the level of latent constructs. To overcome this, the item-level indicators were collapsed into factor scores at the level of the main research constructs. Having specified a measurement model with adequate fit and established construct validity, factor scores per case in the sample were calculated using the AMOS program (Arbuckle, 1983) impute capability. This derives estimated factor scores that are weighted combinations of the item-level indicator scores per respondent. An alternative to empirically derived weights is to simply sum and average the scores for each case across the indicators. This unit weighting approach is simpler and less susceptible to sample-specific variation, but unit weights may not be optimal for a particular sample. This approach also foregoes one of the inherent capabilities of structural equation modelling, namely, to incorporate the measurement model and measurement error directly in the analysis (Kline, 2011).

4.7.2 Multicollinearity

The correlation among predictor variables is a key issue in interpreting regression results. Extreme collinearity can occur when two separate variables measure the same thing (Kline, 2011, p. 51). The ideal would be to have a number of predictor variables that are highly correlated with the criterion variable, but with low inter-correlations among the predictor variables. According to Hair et al. (2010, p. 201) multicollinearity can have substantive effects on the estimation of regression

coefficients and tests for their statistical significance. It can also reduce the overall R^2 that can be achieved.

To identify collinearity, the first step - according to Hair et al. (2010) - is to examine the correlation matrix for the predictor variables. For this exercise moderator variables are treated as predictor variables. Substantial collinearity is indicated by the presence of high correlations (greater than 0.9). The highest correlation found among the predictor variables is r = .441 between horizontal-collectivism and vertical-collectivism, which is well below the .9 threshold. Although Table 18 indicates no unacceptably high correlations, an absence of high correlations does not rule out multicollinearity because there may be combined effects from the predictor variables. To further investigate the presence of multicollinearity the regression function in SPSS was used to calculate the tolerance and variance inflation factors (VIF) for all predictor variables and these are presented in Table 20. All the values are well clear of the guidance thresholds of 0.1 for tolerance and 10 for VIF (Hair et al, 2010, p. 204; Kline, 2011, p. 53). This suggests that multicollinearity should not interfere with the output of structural models. The lower tolerance values for horizontal-collectivism and vertical-collectivism were expected since the factors were correlated as previously noted.

Table 20

Multicollinearity Statistics for predictor Variables

Construct	Tolerance	VIF
Ethical leadership	0.825	1.212
Power distance	0.695	1.438
Horizontal collectivism	0.459	2.181
Vertical collectivism	0.538	1.860
Horizontal individualism	0.647	1.546
Vertical individualism	0.861	1.161

4.7.3 Detecting Influential Observations

To test for influential observations that may have undue effects on estimators Mahalanobis and Cook's distance (Cook & Weisberg, 1980) was calculated using the predictor and moderator variables in the regression function in SPSS (Allen & Bennett, 2012, p. 194). The residual case-wise diagnostic report highlighted five problematic cases. These cases were removed from the data set and the test was rerun. No further cases were highlighted by the residual case-wise diagnostic. The scatter plots for Cook's distance are presented below for the regression of OCB in Figure 16 and ethical climate in Figure 17. Both graphs suggest that there is no need to be concerned about influential observations because there is no case with a Cook's distance near 1.

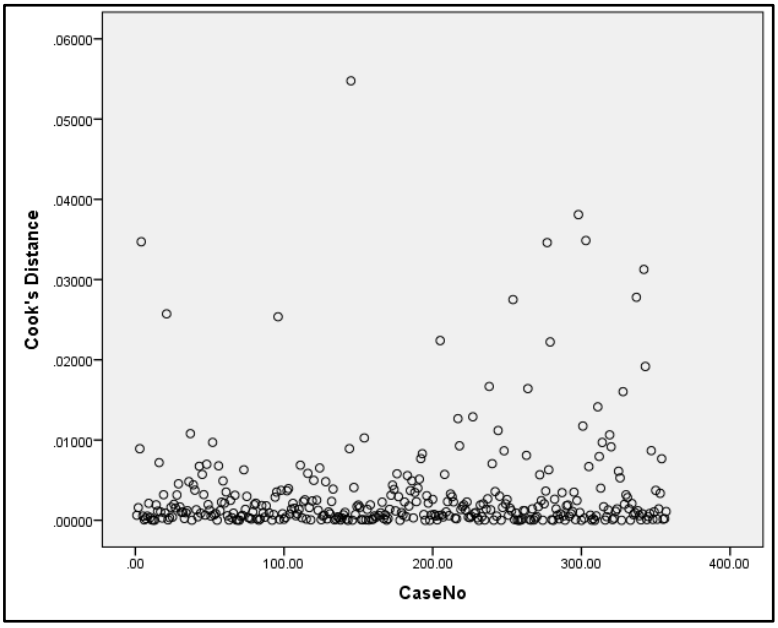

Figure 16. Cook's distance for regression on OCB as criterion variable

Figure 18 below shows the scatter plot of Mahalanobis D^2/df for all the predictor and moderator variables regressed on ethical climate. All the cases have $D^2/df<4$ which is the threshold level recommended by Hair et al. (2010, p. 67). The one case just below the threshold was examined to establish whether it was potentially an unengaged response. This was found not to be the case so no further influential cases were eliminated from the data set.

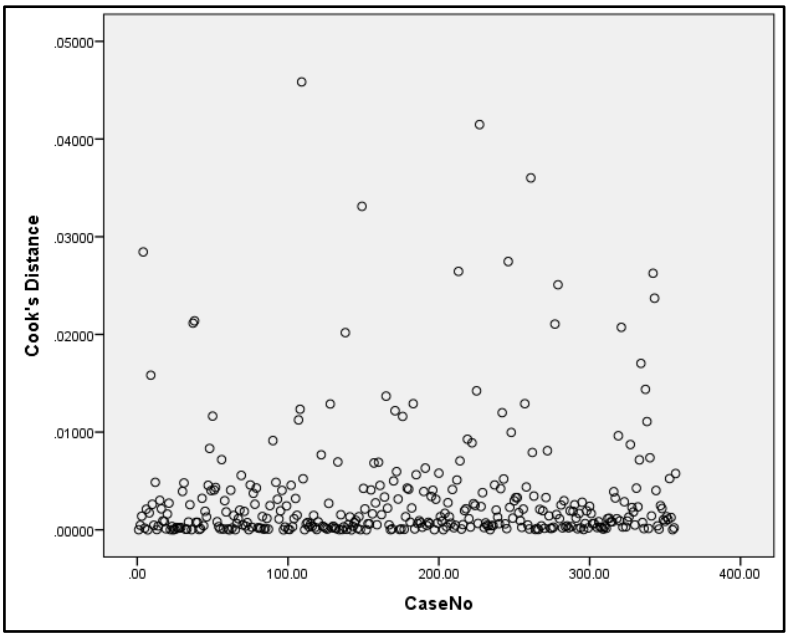

Figure 17. Cook's distance for regression on Ethical Climate criterion variable

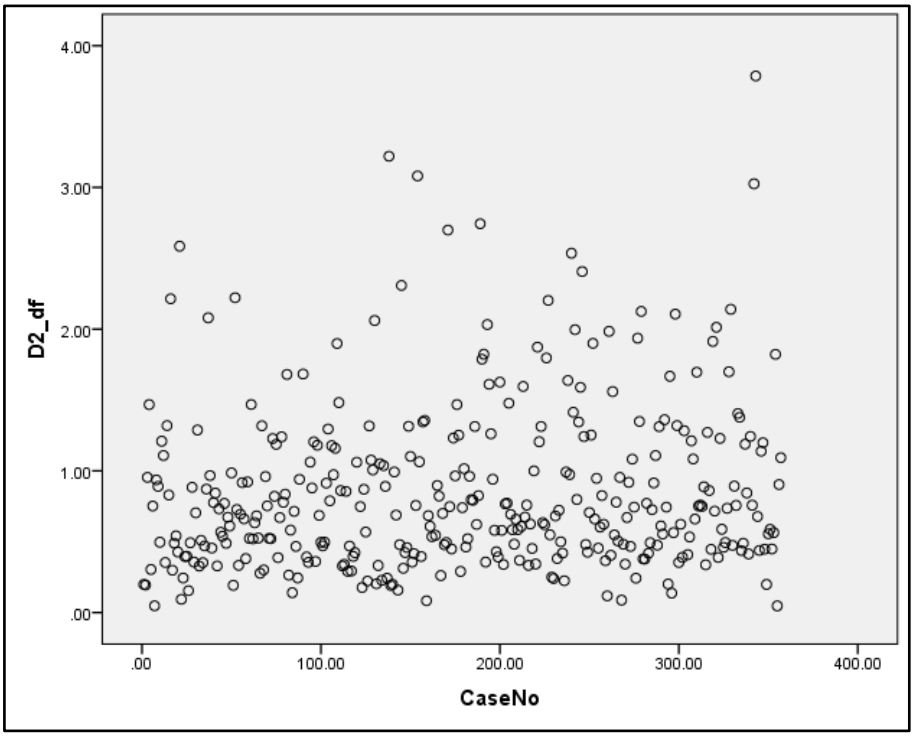

Figure 18. Mahalanobis D^2/df

4.7.4 Descriptive Statistics

The descriptive statistics for the imputed variables are presented in Table 21 below. Performance is measured on a 0-10 scale and not on a 7-point scale like the other variables. Hence the mean cannot be related to other means. Several

of the variables exhibit univariate non-normal distributions with negative skewness in terms of the *z*-statistic of skewness being greater than the critical value |2.58| (.01 significance level) (Hair et al. 2010, p. 73). Kurtosis does not appear to be a problem for any of the variables. However, a generally accepted rule of practice is that skewness and kurtosis values between -1.96 and +1.96 are considered acceptable for a univariate normal distribution. Hair et al. (2010, p. 77) also state that the impact of non-normality effectively diminishes for sample sizes greater than 200. In this study sample size is N = 352.

Table 21

Descriptive Statistics

	Mean	Std. Deviation	Skewness	Kurtosis
Performance	7.255	1.235	-.549	-.045
OCB	4.273	0.659	-.878	.396
Ethical Climate	5.851	1.003	-.586	.244
Ethical Leadership	5.633	1.404	-1.011	.417
Vertical Individualism	4.722	1.145	-.527	.186
Horizontal Individualism	2.863	0.338	-.686	-.108
Vertical Collectivism	5.598	1.004	-.211	-.073
Horizontal Collectivism	4.682	0.459	-.872	.503
Power Distance	2.819	0.744	.227	.329

Ethical leadership is negatively skewed. This has been found to be typical in other published research using the same Ethical Leadership Scale (ELS) (Brown et al., 2006). Table 22 below compares descriptive statistics for several studies that also used the ELS. All of these studies used a 5-point Likert-type scale. The average mean converted to a 7-point scale is 5.22 which is more aligned with that of the present study. Given that this research study used a sample of employees reporting to focal middle level managers from a single publicly listed company, one might have expected higher ratings than in a general population as managers should be held to higher expectations. The studies did not publish skewness or kurtosis but negative skewness can be inferred from the means.

The assumption to use countries and regions as culture proxies proved to be appropriate because the individual cultural values exhibit near normal distribution with good variance. This also justifies the decision to use continuous variable

moderation instead of categorical moderation as significant loss of information would have occurred if the single peak distributions were to be categorised.

Table 22

Comparison of Descriptive Statistics from ELS Scale Used in Other Studies

Authors	Mean	SD	Alpha	Sample
Brown, Trevino, Harris (2005)	3.37	0.92	0.94	87 MBA students
Brown, Trevino, Harris (2005)	3.46	0.85	0.93	123 undergraduate seniors in business
Brown, Trevino, Harris (2005)	3.88	0.6	0.90	285 direct reports of financial services firm
Kalshoven et al (2011)	3.45	0.67	0.90	226 emplyees in Netherlands snowball procedure
Mayer et al (2009)	3.72	0.51	0.95	904 employees from different organisations in South East US
Walumbwa et al(2011)	4.13	0.47	0.87	201 direct reports in pharmaceutical JV in China
Detert, Trevino, Burris & Andiappan (2007)	3.93	0.33	0.89	265 Food Co restaurants
Avey, Wernsing & Palanski (2012)	3.68	0.79	0.94	1319 adults from US university
Mayer et al (2012)	3.82	0.5	0.96	137 various industries in South Eastern US
Walumbwa & Schaubroeck (2009)	3.41	0.48	0.90	222 mangers in financial institution
Walumbwa, Morrison & Christensen (2012)	3.49	0.43	0.94	80 group managers of nurses
Mayer, Kuenzi & Greenbaum (2010)	3.80	0.55	0.97	300 units from organisations in South Eastern US
Neubert et al (2009)	3.57	0.93	0.94	250 from i.think inc working adult internet survey
Shin (2012)	3.86	0.31	0.89	223 Korean CEO self rated
Avey, Palanski & Walumbwa (2010)	4.31	0.98	0.94	191 working adults affiliated with large university

4.8 STRUCTURAL MODELS

The factor scores for the constructs, imputed from the measurement model, were used in a path analysis structural model to test the hypothesised relationships. Note that since the constructs in the structural models use a single imputed score as measurement variable for each construct, the constructs are represented by squares in the structural models instead of ovals representing latent constructs derived from several measurement items.

A nested model comparison approach was used to compare successive models with additional relationships added to each model, similar to a hierarchical multiple regression approach. The incremental R^2 for each criterion variable indicates the incremental portion of variance in the criterion variable explained by the added relationship. The different structural equation models can be compared based on the chi-squared (χ^2) difference statistic as recommended by Hair et al. (2010, p. 676). The χ^2 value from a baseline model (B) is subtracted from the compared lesser constrained model (A). The difference in degrees of freedom is similarly found as per the following equations from Hair et al. (2010, p. 676):

$$\Delta\chi^2 = \chi^2_{df(B)} - \chi^2_{df(A)}$$

$$\Delta df = df(B) - df(A)$$

The difference in the two χ^2 values is itself χ^2 distributed so given a χ^2 difference value ($\Delta\ \chi^2$) and the difference in degrees of freedom (Δdf) one can test for statistical significance of the difference (Hair et al., 2010, p. 676) by comparing $\Delta\chi^2$ values with the χ^2 distribution table values for the relevant degrees of freedom and the selected α (Tredoux & Durrhein, 2002, p. 366).

.

Model 1 below in Figure 19 relates the predictor variable ethical leadership (E-L) to the three criterion variables ethical climate (E_C), organisation citizenship behaviour (O_C_B) and performance (Perf) to test hypotheses 1 to 3. The control variables of employee age (Age), tenure with the company (Tenure), and period of reporting to manager (Rep_Man) were added to the model to account for the potential influences of these three control variables. The control variables were allowed to covary based on the following rationale. It is reasonable to expect a relationship between age and tenure because an employee must be older to have had a longer tenure. Similarly, age is expected to be related to the time spent reporting to a manager and the time spent reporting to a manager can be expected to be related to the tenure with the business. Model fit and other parameters are reported in Table 23 for Model 1 and subsequent models to facilitate comparison of the models.

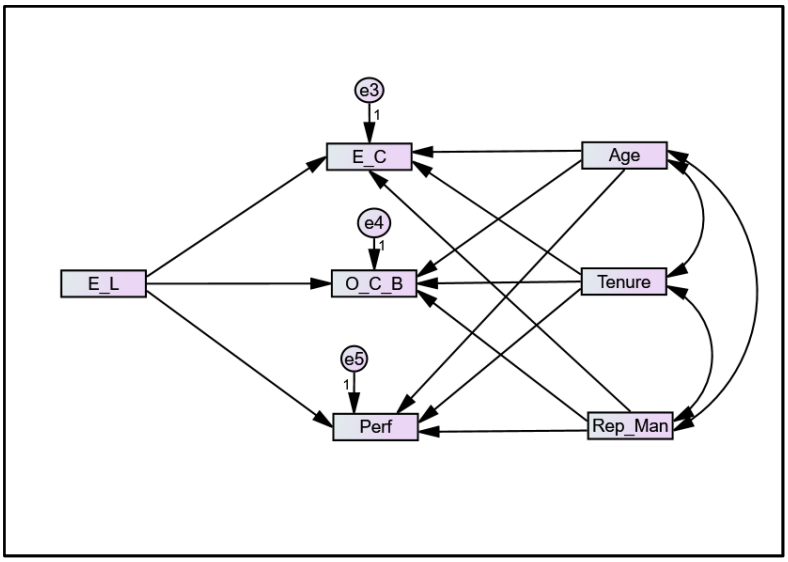

Figure 19. Structural Model 1 with hypothesised relationships and control variables

Model 1 does not have good fit. The χ^2 statistic is significant and both CFI and TLI are below 0.9. The modification indices available in the AMOS SEM program indicated that the model fit can be improved by not constraining the relationship between OCB and performance. OCB and performance also correlate with r =.32, $p < .01$ as per Table 18. Several authors have emphasised that model constraints should be relaxed only when there is a sound theoretical justification for doing so rather than letting data drive the model specification (Hair et al., 2010). Sun, Aryee and Law (2007) established a positive relationship between OCB and productivity and also that OCB mediated the relationship between high-performance human resources practices and performance indicators. Results from Model 1 in Table 23 confirmed statistically significant positive relationships between ethical leadership and both OCB and performance. Based on the results from Sun et al. (2007) it seems reasonable to expect that OCB might also mediate the relationship between ethical leadership and performance. A relationship between OCB and performance was added to Model 2 in Figure 20.

Table 23

Structural Model Fit Indices and Model Parameters

	Model 1	Model 2	Model 3	Model 4	Model 5
Model fit indices					
Chi sqr	44.852	12.913	29.28	67.824	78.158
df	6	5	21	56	53
p	0.000	0.024	0.107	0.134	0.014
CFI	0.885	0.974	0.990	0.991	0.978
TLI	0.598	0.893	0.968	0.977	0.956
RMSEA	0.136	0.070	0.034	0.025	0.037
Bollen-Stine Bootstrap	0.001	0.020	0.072	0.452	0.209
Model comparison					
Compared to		Model 1	Model 2	Model 2	Model 2
Delta Chi sqr		31.939	16.367	54.911	65.245
Delta df		1	16	51.000	48.000
Chi- sqr critical value		3.8415	26.2962	67.953	65.165
Cohen w		0.301	0.216	0.395	0.431
Criterion variable R^2					
Performance R^2	0.055	0.136	0.166	0.170	0.157
OCB R^2	0.088	0.088	0.117	0.153	0.147
Ethical Climate R^2	0.454	0.454	0.543	0.560	0.545

Table 24. *Model Standardised Regression Coefficients*

	Model 1	Model 2	Model 3	Model 4	Model 5
EC<--Age	-0.009	-0.009	0.019	0.019	0.012
EC<--Tenure	0.019	0.019	0.003	0.010	0.006
EC<--Rep_Man	0.024	0.024	-0.001	-0.015	-0.008
OCB<--Age	-0.041	-0.041	-0.037	-0.035	-0.040
OCB<--Tenure	-0.007	-0.007	-0.012	-0.022	-0.022
OCB<--Rep_Man	0.012	0.012	0.020	0.025	0.022
Perf<--Age	-0.007	0.005	0.007	0.005	0.005
Perf<--Tenure	0.025	0.027	0.039	0.045	0.034
Perf<--Rep_Man	0.071	0.068	0.070	0.057	0.075
Perf<--EL	**0.221****	**0.134****	**0.138****	**0.119***	**0.154****
OCB<--EL	**0.294****	**0.294****	**0.314****	**0.303****	**0.299****
EC<--EL	**0.673****	**0.673****	**0.556****	**0.529****	**0.565****
Perf<--OCB		**0.297****	**0.295****	**0.293****	**0.300****
EC<--PD			0.162**	0.149**	0.107
EC<--HC			0.161**	0.158**	
EC<--VC			0.075	0.089	0.177**
EC<--HI			0.094**	0.095**	0.162*
EC<--VI			-0.011	0.004	
OCB<--PD			-0.005	0.002	
OCB<--HC			-0.217**	-0.197**	-0.178*
OCB<--VC			0.121**	0.12	0.102
OCB<--HI			0.166**	0.171*	0.141*
OCB<--VI			-0.066	-0.082	
Perf<--PD			0.096	0.096	
Perf<--HC			0.012	0.021	
Perf<--VC			-0.179**	-0.176**	-0.146**
Perf<--HI			0.000	-0.004	
Perf<--VI			-0.052	-0.05	
EC<--ELxPD				**-0.135****	**-0.112****
EC<--ELxHC				-0.046	
EC<--ELxHI				0.041	0.03
EC<--ELxVC				**0.115***	**0.084***
EC<--ELxVI				0.052	
OCB<--ELxPD				-0.018	
OCB<--ELxHC				**0.220****	**0.200****
OCB<--ELxHI				**-0.158****	**-0.141****
OCB<--ELxVC				**-0.176****	**-0.167****
OCB<--ELxVI				0.039	
Perf<--ELxPD				-0.076	
Perf<--ELxHC				-0.015	
Perf<--ELxHI				-0.004	
Perf<--ELxVC				-0.07	
Perf<--ELxVI	(Note: * p < .05	** p <.01)		-0.037	

Applying the conditions for mediation, as per Little et al. (2007, p. 206) and Baron and Kenny (1986, p. 1176), to the results in Table 24 confirmed that OCB partially mediates the relationship between ethical leadership and performance:

- Ethical leadership is significantly related to OCB (β = .294, $p < .01$);
- OCB is significantly related to performance (β = .297, $p < .01$);
- The relationship of ethical leadership to performance diminishes when OCB is in the model (β decreases from .221, $p < .01$ to .134 $p < .01$).

Although the χ^2 is still significant for Model 2, the model fit improved with CFI = 0.974, above the 0.95 threshold, TLI = 0.893 still below the 0.95 threshold and RMSEA on the 0.07 threshold. The Bollen-Stine bootstrap estimate of $p = .020$ is still significant.

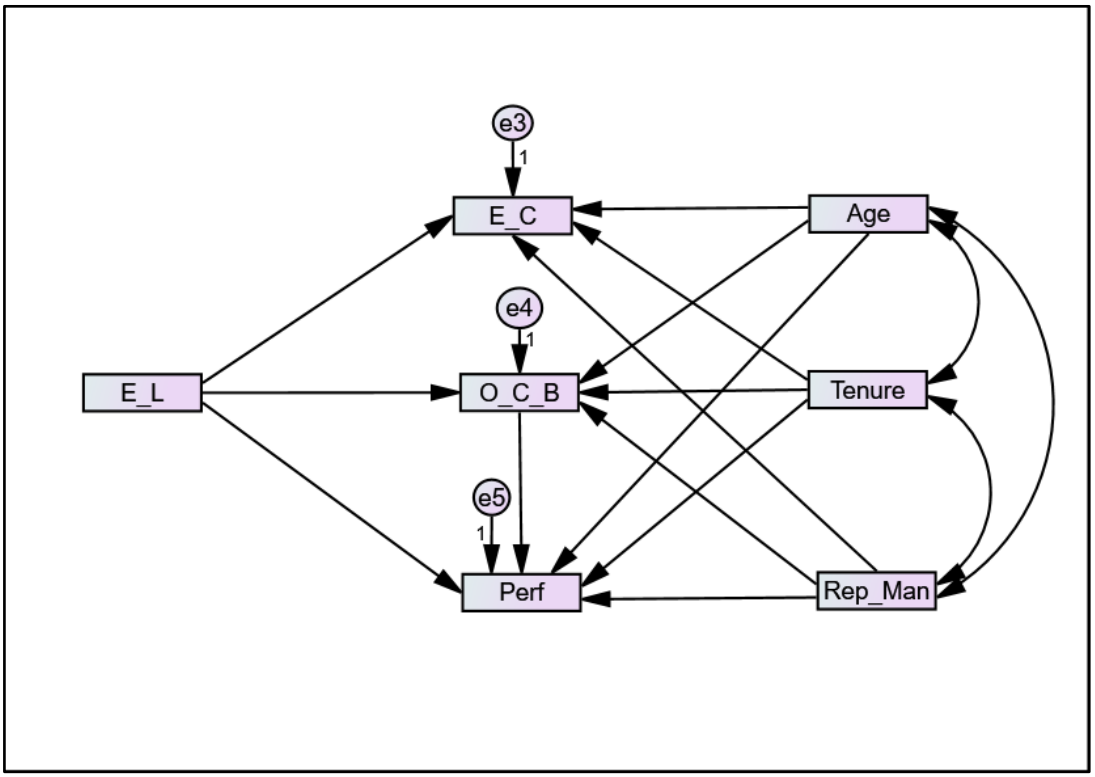

Figure 20. Structural Model 2 with OCB Mediating the Relationship between Ethical Leadership and Performance

In addition to the conditions for mediation applied above, Kline (2011, p. 220) recommends the Akaike Information Criterion (AIC) as a predictive fit index to compare alternative models. The model with the smallest AIC value is chosen as

the model with relatively better fit and fewer free parameters compared with competing models. The AIC is calculated using the following formula (Kline, 2011, p. 220):

$$AIC = \chi^2 + 2q$$

$$\text{and } df = p - q$$

Where q is the number of free model parameters, p is the number of observation and df is the model degrees of freedom. For Model 1 AIC = 88.852 and for Model 2 AIC = 58.913 hence, according to the AIC predictive fit index, Model 2 incorporating the mediation is the preferred model.

The two structural models can also be compared for statistical significance, as per the nested model approach (Hair et al., 2010, p. 676). The $\Delta\chi^2$ between Model 1 and Model 2 is 31.209 which is greater than the χ^2 statistic 3.8415 for a significant difference between the two models for a $\Delta df = 1$. Researchers using SEM do not seem to use an effect size to compare alternative models, but Cohen (1988) recommends w as an index of effect size when comparing χ^2 statistics and since alternative SEM models are compared using the χ^2 statistic the w index seems an appropriate effect size measure:

$$w = \sqrt{\frac{\chi^2}{N}}$$

where χ^2 is the $\Delta\chi^2$ and N = 352 the total sample size (Allen & Bennett, 2012, p. 230). Cohen (1992, p. 157) suggests that 0.3 be considered a medium effect and 0.5 be considered a large effect. For the change from Model 1 to Model 2, w = 0.104, which is considered a small effect. The inclusion of mediation in the model improved the model with a small but significant effect.

As a specific measure of mediation effect size, Preacher and Kelly (2011) advocated K^2, which is per their definition interpreted as the proportion of the maximum possible indirect effect that could have occurred. Wen and Fan (2015) argued that K^2 may not be an appropriate measure of effect size for mediation models because the measure lacks monotonicity due to mathematical difficulties in calculating the maximum possible indirect effect. Wen and Fan instead suggest that the traditional mediation effect size measure P_M, which is the ratio of the

indirect effect to the total effect, should be used with other measures such as R^2 to interpret the mediation effect. For Model 2, P_M = 0.39 which is in the medium range. Model 2 explains an additional 8.1% of the variance of performance based on an increase in R^2 from 0.055 to 0.136. This is a practically significant improvement in the predictability of the model.

The hypothesized positive relationship between ethical leadership and OCB (Hypothesis 1) was confirmed (β=.294, p < .001) (refer Table 24). Variations in ethical leadership explained 8.8% of the variance observed in OCB (refer Table 22). This is a small to medium effect size according to Cohen's f^2 = 0.096, being between the small and medium thresholds of .02 and .15 (Cohen, 1992, p. 157). The hypothesized positive relationship between ethical leadership and ethical climate (Hypothesis 2) was confirmed (β = .673, p < .001). Variations in ethical leadership explained 45.4% of the variance observed in ethical climate. This is a large effect size according to Cohen's f^2 = 0.83 and suggests that ethical leadership is most probably the strongest predictor of ethical climate. The hypothesised positive relationship between ethical leadership and performance (Hypothesis 3) was confirmed with a direct effect (β=.221, p <.001). Variations in ethical leadership explained 5.5% of the variance observed in performance. This is a small effect size according to Cohen's f^2 = 0.05. Once the mediation effect of OCB was added to the relationship, ethical leadership predicted 13.6% of the variance in performance, which is a medium effect size with Cohen's f^2 = 0.15.

In Model 3, presented in Figure 21, the moderator cultural variables were added to the model as exogenous variables. The model goodness-of-fit improved to a good fit with CFI and TLI greater than the 0.95 threshold, RMSEA at 0.034 is well below the 0.7 threshold and χ^2 is non-significant. The $\Delta\chi^2$ comparing Model 3 to Model 2, however, was not significant, indicating that Model 3 is not a statistically significantly better model than Model 2, considering the added complexity. The R^2 for all three of the criterion variables increased in Model 3 compared to Model 2 so Model 3 explained a higher percentage of the variance in each of the three criterion variables than did Model 2.

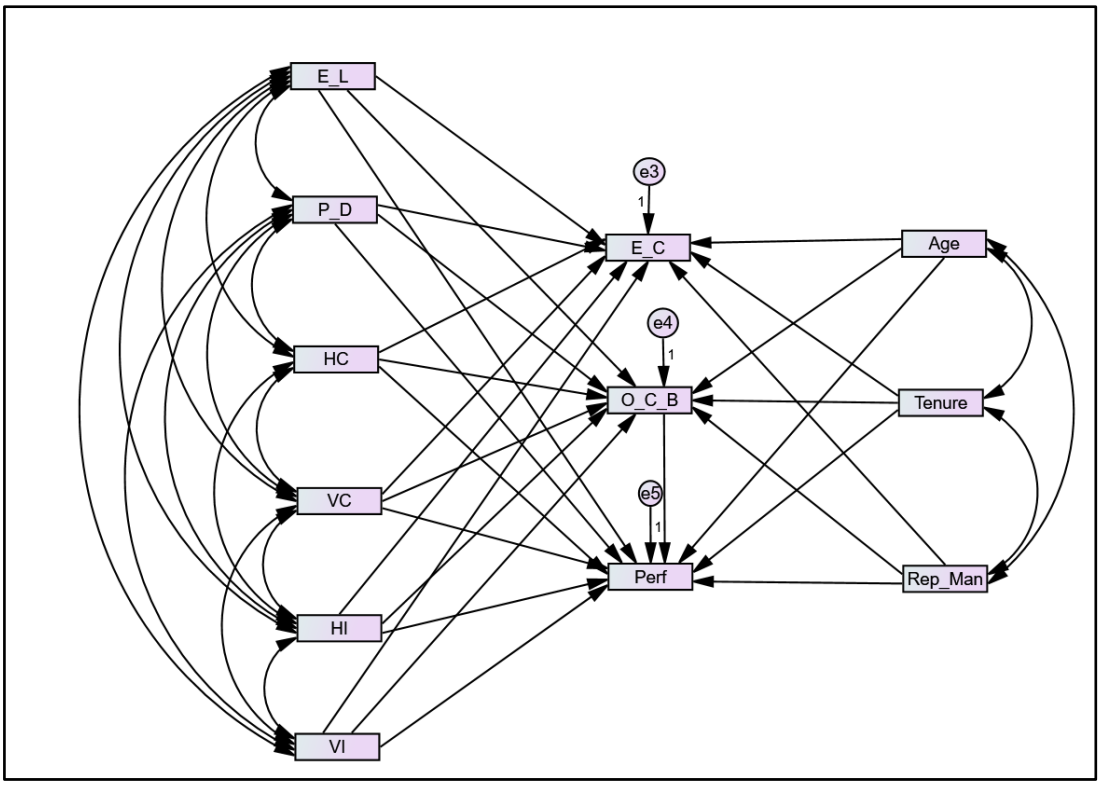

Figure 21. Structural Model 3 with moderators added

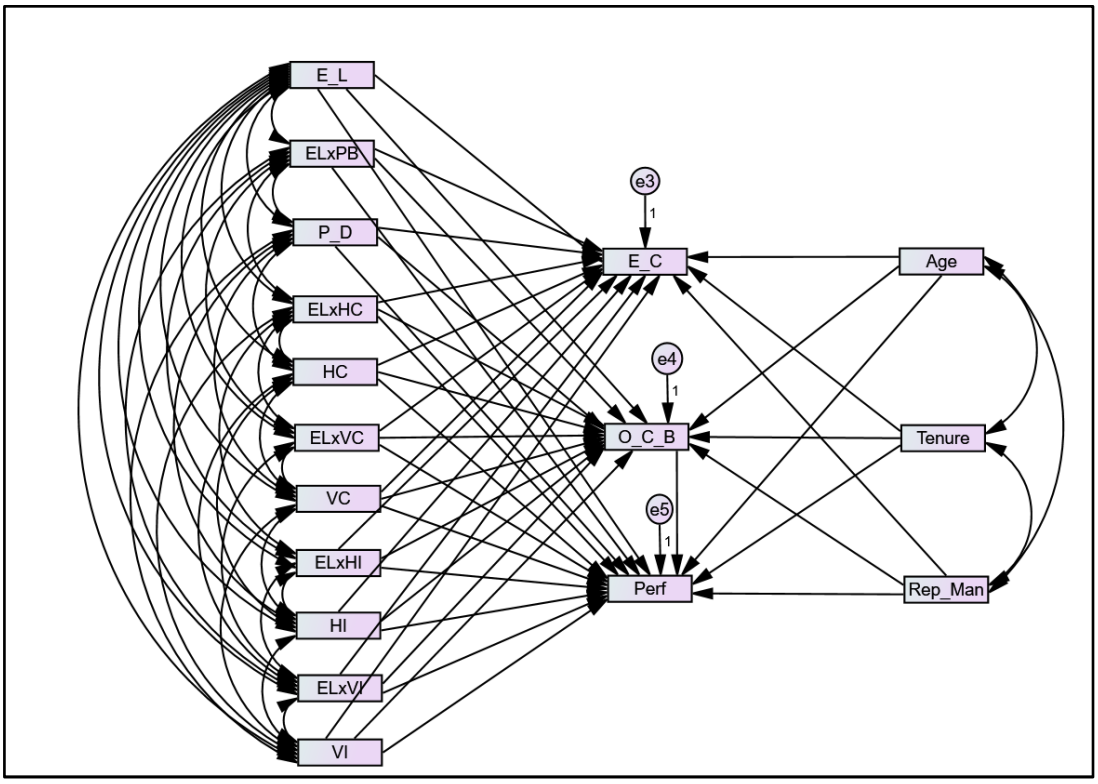

Figure 22. Structural Model 4 with interaction terms added

The interaction terms were added to Model 4 in Figure 22 to test the hypothesised moderation effects. The interaction terms are product terms formed from the first-order predictor and the moderator as described by Baron and Kenny (1986, p. 1174). According to these authors the moderator hypothesis is supported if the interaction path (Criterion Variable ← Predictor x Moderator) is significant. The main effects for the predictor and moderator may also be significant but these are not directly relevant conceptually to testing the moderator hypothesis (Baron and Kenny, 1986, p. 1174).

Table 25

Collinearity Statistics for Interaction Terms

Construct	Tolerance	VIF
Ethical Leadership	0.772	1.295
Power Distance	0.688	1.454
Horizontal Collectivism	0.437	2.288
Vertical Collectivism	0.531	1.881
Horizontal Individualism	0.644	1.552
Vertical Individualism	0.849	1.178
EL x PD	0.673	1.485
EL x HC	0.475	2.104
EL x VC	0.497	2.014
EL x HI	0.622	1.608
EL x VI	0.763	1.310

To reduce the impact of collinearity resulting from the product terms, the predictor and moderator variables were mean centered, as recommended by Little et al. (2007, p218) and described earlier in the research methodology chapter. The standardised score calculation function in the SPSS program was used to do this (Allen & Bennett, 2012, p. 24). To verify that collinearity was not an issue the regression function in SPSS was used to calculate the tolerance and variance inflation factors (VIF) for all predictor and moderator variables and interaction terms. The tolerance and VIF values are presented in Table 25. All the values are well clear of the guidance thresholds of 0.1 for tolerance and 10 for VIF (Hair et

al., 2010, p. 204; Kline, 2011, p. 53), confirming that the product interaction terms did not result in collinearity.

The goodness-of-fit for Model 4 is good with CFI = 0.991 and TLI = 0.977 both greater than the 0.95 threshold, RMSEA = 0.025 is well below the 0.7 threshold and χ^2 is non-significant (*p* = .134). Model 4 also explained a higher percentage of variance for each of the three criterion variables. The R^2 for Performance increased slightly from 0.166 in Model 3 to 0.170 in Model 4. The R^2 for OCB increased more dramatically from 0.117 to 0.153, while R^2 for ethical climate increased from 0.543 to 0.566. In terms of the moderator variables, not all of the hypothesised interaction terms were statistically significant for p < .05. The statistically significant (p < .05) interaction terms were:

- Ethical climate ← Ethical leadership x Power distance;
- Ethical climate ← Ethical leadership x Vertical collectivism;
- OCB ← Ethical leadership x Horizontal collectivism;
- OCB ← Ethical leadership x Horizontal individualism;
- OCB ← Ethical leadership x Vertical collectivism.

None of the moderator variables interacted significantly with the relationship between ethical leadership and performance which, as already noted, is mediated by OCB.

The $\Delta\chi^2$ comparing Model 4 to Model 2, however, was not statistically significant ($\Delta\chi^2$ = 54.911 was less than the χ^2 critical value of 67.953 for α = .05 and Δdf = 51) indicating that Model 4 was not a statistically significantly better model than Model 2, considering the added complexity. Several of the paths in Model 4 were not significant, as can be seen in Table 24. Most notably none of the paths including the interaction between ethical leadership and vertical individualism (ELxVI) was significant. The over complex model with several non-significant paths was considered to adversely impact the $\Delta\chi^2$ statistic because the non-significant paths were not expected to contribute proportionally to the degrees of freedom sacrificed. The model was thus simplified to be more parsimonious by removing the VI and ELxVI terms and the non-significant paths to performance in Model 5, as illustrated in Figure 23.

The model goodness-of-fit indices and other parameter estimates for Model 5 are presented in Table 22. The goodness-of-fit for Model 5 is good with CFI = 0.978 and TLI=0.956 both greater than the 0.95 threshold, RMSEA = 0.037 is well below the 0.7 threshold. The χ^2 is significant (p = .014) however the Bollen-Stine bootstrap estimate of p, that takes account of the non-normal distribution of variables, is .209 and thus non-significant, indicating an acceptable fit of the model to the data. Based on the goodness-of-fit indices, Model 5 is considered an acceptable model worth retaining. For Model 4 AIC = 259.824 and for Model 5 AIC = 212.158 hence the AIC predictive fit index also supports Model 5 as a preferred model to retain compared to Model 4. The AIC index can only be used to compare models of similar complexity so can not be used to compare Model 2 to Model 5.

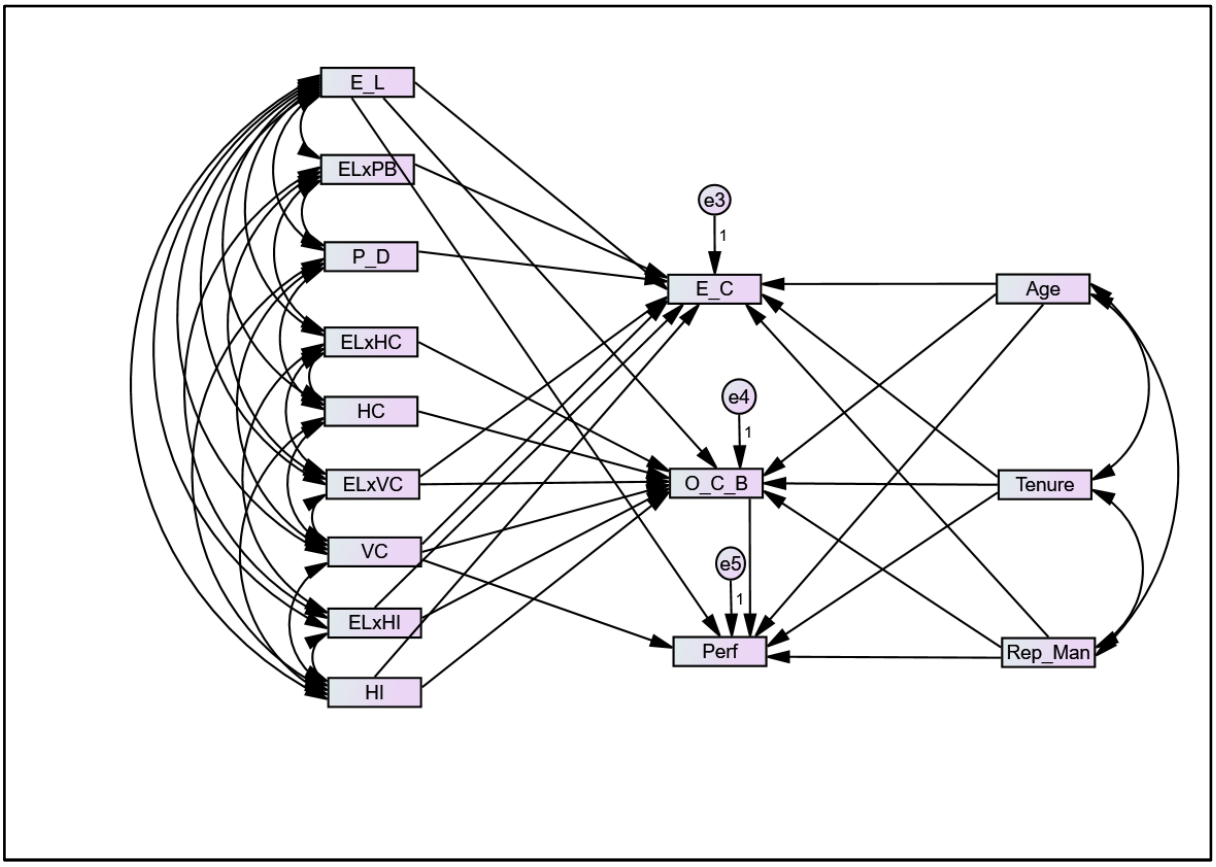

Figure 23. Structural Model 5 with non-significant paths removed to be more parsimonious

The $\Delta\chi^2$ comparing Model 5 to Model 2 was statistically significant ($\Delta\chi^2$= 65.245 was greater than the χ^2 critical value of 65.165 for α = .05 and Δdf = 48) indicating that Model 5 is a statistically significantly better model than Model 2, taking into account the added complexity. Cohen's measure of effect size *w* for the comparison between Model 5 and Model 2 is *w* = 0.431 which equates to a medium effect size.

The moderator hypotheses were tested as follows for significance of interaction terms. Standard regression coefficients as presented in Table 24.

Hypothesis 4a: The regression coefficient for the interaction term of ethical leadership and HI on OCB in Model 5 is statistically significant (β = -.141; p = .011). This confirms a negative moderation effect of horizontal-individualism on the relationship between ethical leadership and OCB.

Hypothesis 4b: The regression coefficient for the interaction term of ethical leadership and HC on OCB in model 5 is statistically significant (β = .200; *p* = .001). This confirms a positive moderation effect of horizontal-collectivism on the relationship between ethical leadership and OCB.

Hypothesis 4c: The regression coefficient for the interaction term of ethical leadership and VI on OCB in model 4 is not statistically significant (β = .0.039; *p* = .464).

Hypothesis 4d: The regression coefficient for the interaction term of ethical leadership and VC on OCB in Model 5 is statistically significant (β = -.167, *p* = .011). The significant interaction term confirms a negative moderation effect of vertical-collectivism on the relationship between ethical leadership and OCB.

Hypothesis 5a: The regression coefficient for the interaction term of ethical leadership and HI on ethical climate in model 4 is not statistically significant (β = .0.041; *p* = .361).

Hypothesis 5b: The regression coefficient for the interaction term of ethical leadership and HC on ethical climate in model 4 is not statistically significant (β = -.0.046; *p* = .354).

Hypothesis 5c: The regression coefficient for the interaction term of ethical leadership and VI on ethical climate in model 4 is not statistically significant (β = .0.052; *p* = .194).

Hypothesis 5d: The regression coefficient for the interaction term of ethical leadership and VC on ethical climate in model 5 is statistically significant (β = .0.084; *p* = .021). The significant interaction term confirms a positive moderation effect of vertical-collectivism on the relationship between ethical leadership and ethical climate.

Hypothesis 6a: The regression coefficient for the interaction term of ethical leadership and HI on performance in model 4 is not statistically significant (β = -.0.004; *p* = .944).

Hypothesis 6b: The regression coefficient for the interaction term of ethical leadership and HC on performance in model 4 is not statistically significant (β = -.0.015; *p* = .823).

Hypothesis 7: The regression coefficient for the interaction term of ethical leadership and power distance on OCB displays a negative sign that directionally supports H7 but is not statistically significant (β = -.018, *p* = .72).

Hypothesis 8: The regression coefficient for the interaction term of ethical leadership and power distance on ethical climate is statistically significant (β = -.135, *p* = .001). This confirms a negative moderation effect of power distance orientation on the relationship between ethical leadership and ethical climate.

Hypothesis 9: The regression coefficient for the interaction term of ethical leadership and power distance in model 4 has a negative sign that directionally supports H9 but is not statistically significant (β = -.076, *p* = .154).

Compared to Model 2, Model 5 explained a higher percentage of variance for each of the three criterion variables, suggesting that the interaction terms contributed to the improved prediction quality of Model 5. The R^2 for performance increased slightly from 0.136 in Model 2 to 0.157 in Model 5. Although the direct relationship between ethical leadership and performance was not moderated by any of the moderator variable, there was moderation of the relationship between ethical leadership and OCB by both HI and HC. OCB was previously shown to mediate the relationship between ethical leadership and performance; hence the improvement in R^2 for performance. R^2 for OCB correspondingly increased more dramatically from 0.088 to 0.147 due to the impact of the three statistically significant moderators; HI, HC and VC. This represents an increase of 5.9% in

the total variance of OCB explained by the moderation. This is a small effect size in terms of Cohen's $f^2 = 0.06$ measure of effect size (Cohen, 1992, p. 157), based on the incremental R^2 and a medium effect size $f^2 = 0.17$ based on total R^2. R^2 for ethical climate increased from 0.454 to 0.545 indicating a 9.1% increase in total variance explained due to the moderation impact of power distance. This is a small effect size based on incremental R^2 and a large effect size for total R^2.

McClelland and Judd (1993, p. 377) discussed the statistical difficulties of detecting interactions and moderator effects with continuous variable moderation, in non-experimental field studies, due to the reduction in model error as a result of adding the product term. Evans (1985) concluded that moderator effects are so difficult to detect in field studies that even those explaining as little as 1% of the total variance should be considered important. Chaplin (1991) reviewed social science literature and reported that field study interactions typically accounted for about 1%-3% of the variance. It should be noted that most of these studies used regression analysis to detect interaction. Kenny and Judd (1984) showed that by using structural equation models, that take measurement error into account, some of the problems associated with detecting interaction in field studies could be ameliorated. Ordinary least squares regression assumes that variables are measured reliably without error and that violating this assumption leads to bias of the parameter estimates. Measurement error can be problematic for all variables in regression analysis, but is particularly problematic for interactive terms because the error variance of the constituent variables is compounded in the multiplicative term (Little et al., 2007, p. 219). In SEM the proportion of variance that is common to multiple indicators of a given construct is estimated and the structural relationships between latent constructs are corrected for measurement error.

In the research design section, it was mentioned that the sample size did not afford enough statistical power to detect a small effect size at $\alpha = .05$, so the analysis might be suffering from a Type II error. To test whether the non-significant result for hypothesis 7 was due to a lack of statistical power, the model was simplified to include just ethical leadership as a predictor variable and power

distance as a moderator on OCB as a criterion variable. The regression coefficient changed to β = -.091, *p* = .082. Although the power increased somewhat with fewer predictor variables in the model, it was still not enough to detect a small effect size (Cohen, 1992).

A similar approach was applied to the relationship between ethical leadership and performance with power distance as a moderator. To test whether statistical power could be improved adequately by simplifying the model, the author tested a model that included only ethical leadership as a predictor variable and power distance as a moderator on performance as a criterion variable. The regression coefficient changed to β = -.097, *p* = .035. The model with the moderator explained 6.4% of the variance in performance, an improvement from the 5.5% without the moderator term. Hence Hypothesis H9 is supported in a simpler model that has enough power to detect the small to medium effect size.

No statistically significant moderation effect by HI or HC was detected on the relationship between ethical leadership and performance. Hypotheses 6a and 6b are therefore not supported. However, it was established that OCB mediates the relationship between ethical leadership and performance. Also, statistically significant moderation by both HC and HI of the relationship between ethical leadership and OCB was observed. Mediated moderation of the relationship between ethical leadership and performance by HI and HC was therefore investigated.

Baron and Kenny (1986) coined the term mediated moderation and described a method for assessing mediated moderation. Wegener and Fabrigar (2000, p. 437) described mediated moderation as occurring “when a moderator interacts with an IV to affect a DV, but the moderator has its effect via some mediating variable”, as is illustrated in Figure 24. The model in Figure 24 is simplified for explanation purposes and only shows one moderator. In the complete model, illustrated in Figure 23, both horizontal-individualism (HI) and horizontal-collectivism (HC) behave as moderators of the relationship between ethical leadership and OCB.

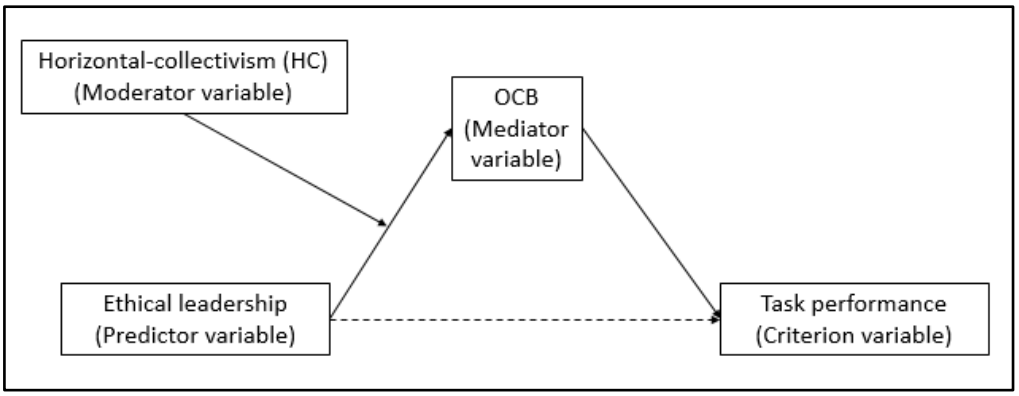

Figure 24. First stage moderated mediation.
Note: The dotted line signifies partial mediation

Paradoxically there is some overlap of the terms mediated moderation and moderated mediation for the model structure in Figure 24. Preacher, Rucker, and Hayes (2007, p. 196) described the configuration in Figure 24 as moderated mediation and the use of the term mediated moderation seems to have fallen in disuse with various configurations being described as moderated mediation. Little et al. (2007, p. 223) suggest that for configurations such as in this study, where the mediated moderation is not conditional on the moderators (HC and HI), what they call linear moderated mediation, it is the interaction effect that is hypothesised to be mediated and to test this hypothesis a significant indirect effect of the interaction term (ELxHC) on the criterion variable (Perf) via the mediator (OCB) needs to be established. Once mediation of the relationship between the predictor variable and the criterion variable via the mediator is established, to test for mediated moderation, Preacher et al. (2007) and Hayes (2015) recommend using bootstrapping to estimate the indirect effect and the *p* value for the indirect effect. If the indirect effect is statistically significant moderated mediation is considered to have occur. Following the Preacher et al. approach he AMOS program was used to calculate estimates of the standardised indirect (mediated) effects of the interaction terms ELxHI and ELxHC on Perf and bootstrapping was used to estimate *p* values:

- ELxHI→OCB→Perf = -0.042, *p* = .034
- ElxHC→OCB→Perf = 0.060, *p* = .012.

Hayes (2015) proposed a revised definition of moderated mediation "A mediation process can be said to be moderated if the proposed moderator variable has nonzero weight in the function linking the indirect effect of *X* an *Y* through *M* to the moderator". This weight is a product of at least two regression coefficients and the test to see if this weight is different from zero Hayes calls the *index of moderated mediation.* With reference to Figure 24 the index of moderated mediation is *A* x *B* where A is the regression coefficient of the interaction term regressed on the mediator and B is the regression coefficient of the mediator regressed on the criterion variable. Using an AMOS estimand (Gaskin, 2016a) the index of moderated mediation was calculated as follows:

- HIxEL -> OCB -> Perf: *A* x *B* = -.049 and *p* = .0029
- HCxEL -> OCB -> Perf: *A* x *B* = .068 and *p* = .006.

This approach produced a similar result to the previous approach.

This indicates that there is a statistically significant mediated moderation of the relationship between ethical leadership and performance with horizontal-individualism (HI) negatively moderating the relationship between ethical leadership and OCB and OCB mediating the relationship between ethical leadership and performance. There is also a statistically significant mediated moderation of the relationship between ethical leadership and performance with horizontal-collectivism (HC) positively moderating the relationship between ethical leadership and OCB and OCB mediating the relationship between ethical leadership and performance. This provides partial support for hypotheses 6a and 6b through mediated moderation.

4.9 MODERATOR EFFECTS

To further probe the effect of the statistically significant direct interactions in Model 5, the interaction effects are plotted using Aiken and West's (1991) procedure and the Stats Tools Package (Gaskin, 2 way interactions, 2016b). The interaction effects are illustrated in Figures 25 to 29 and the indirect interactions through moderated mediation are illustrated in Figures 30 and 31.

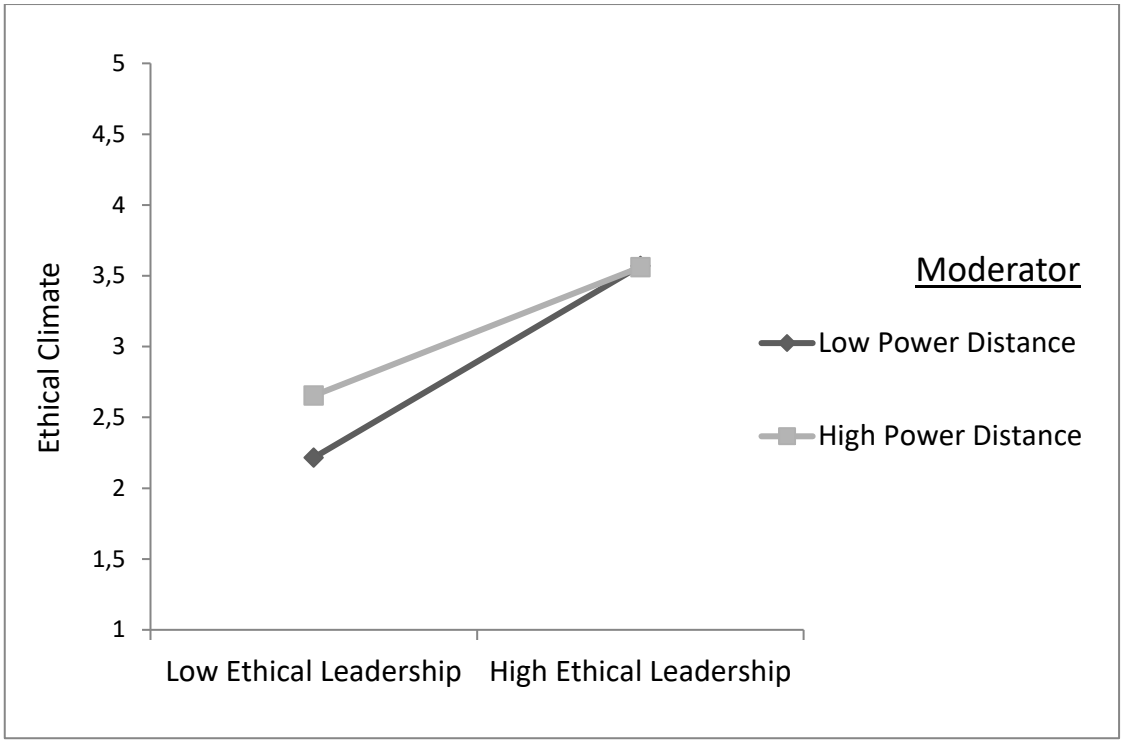

Figure 25. Power distance dampens the positive relationship between ethical leadership and ethical climate

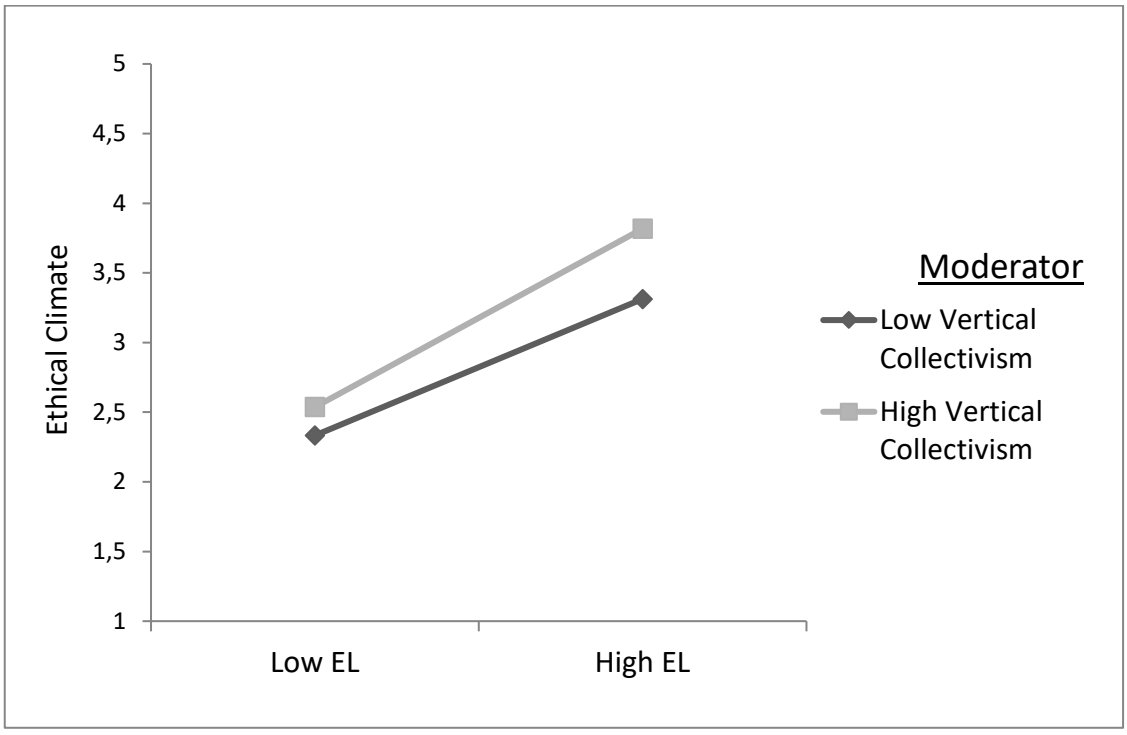

Figure 26. Vertical Collectivism strengthens the positive relationship between ethical leadership and ethical climate

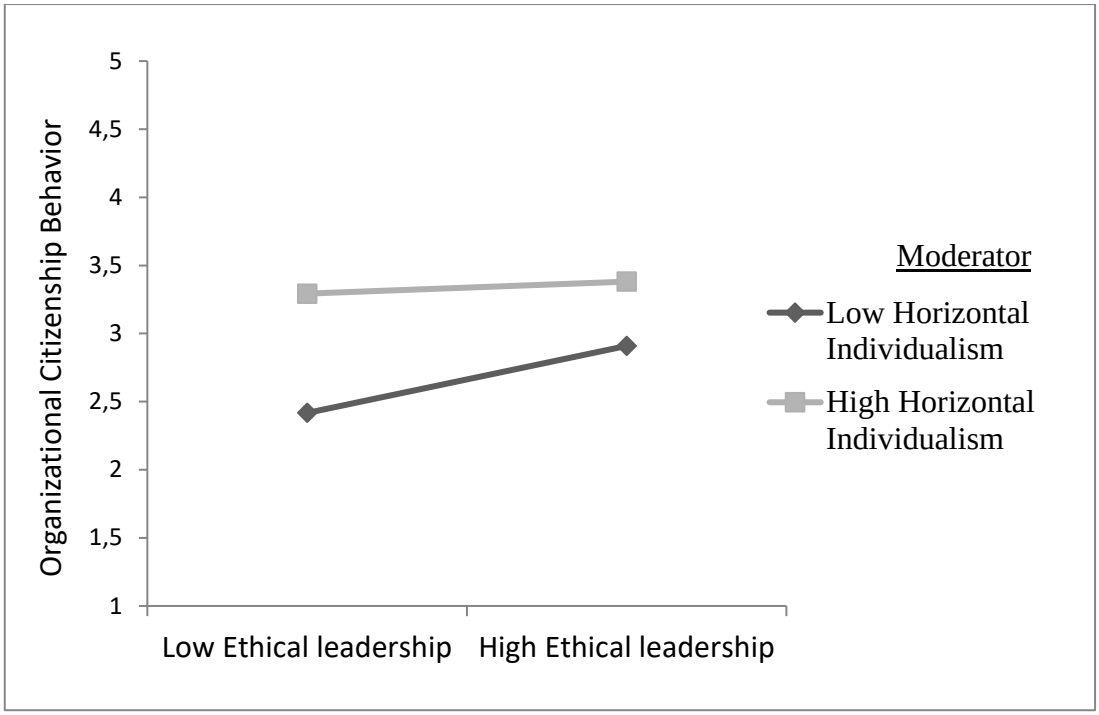

Figure 27. Horizontal individualism dampens the positive relationship between ethical leadership and OCB

Figure 28. Horizontal Collectivism strengthens the positive relationship between ethical leadership and OCB

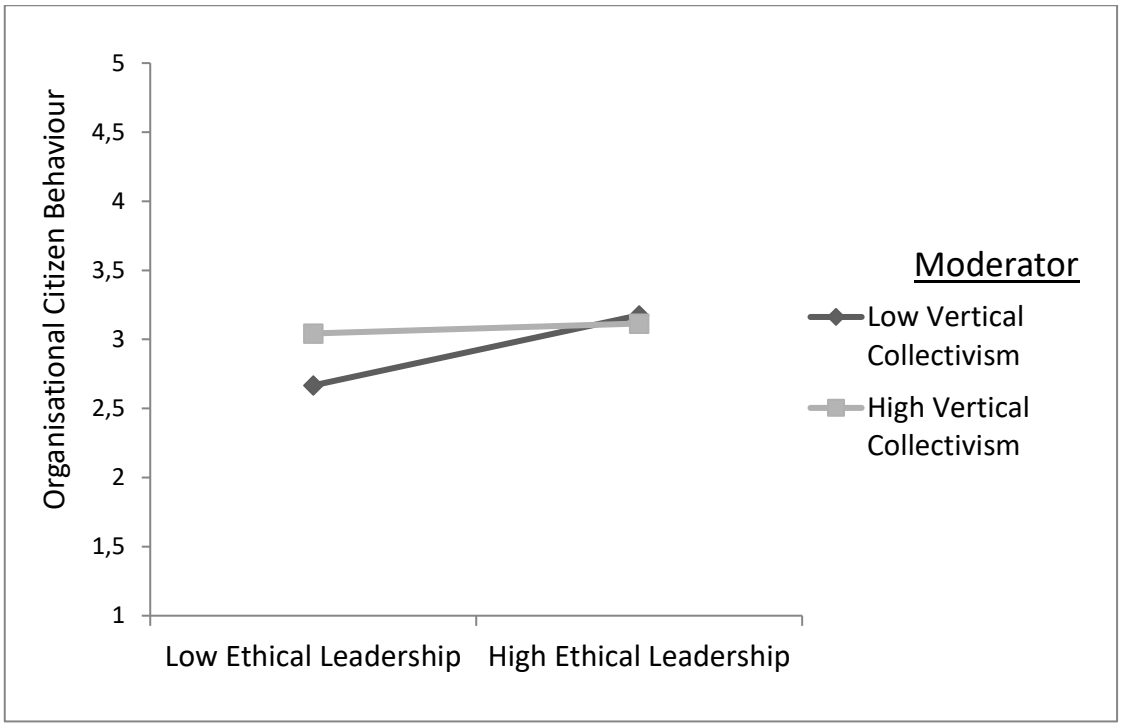

Figure 29. Vertical collectivism dampens the positive relationship between ethical leadership and OCB

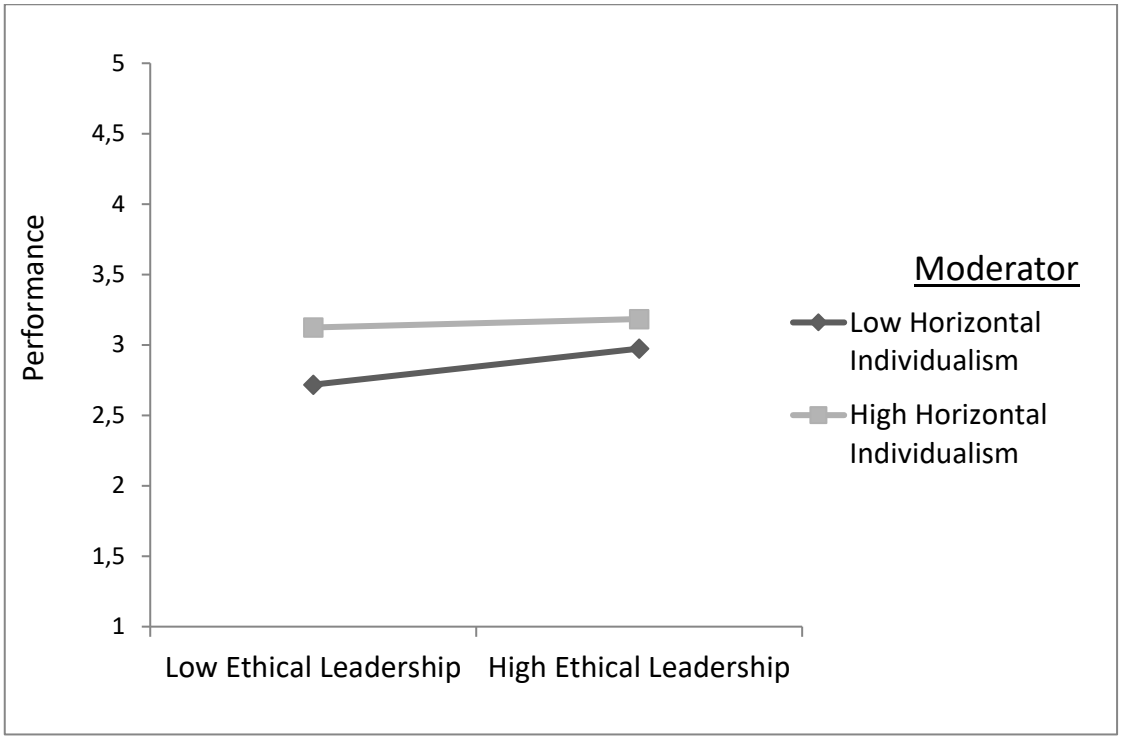

Figure 30. Horizontal Individualism dampens the indirect positive relationship between ethical leadership and performance through moderated mediation

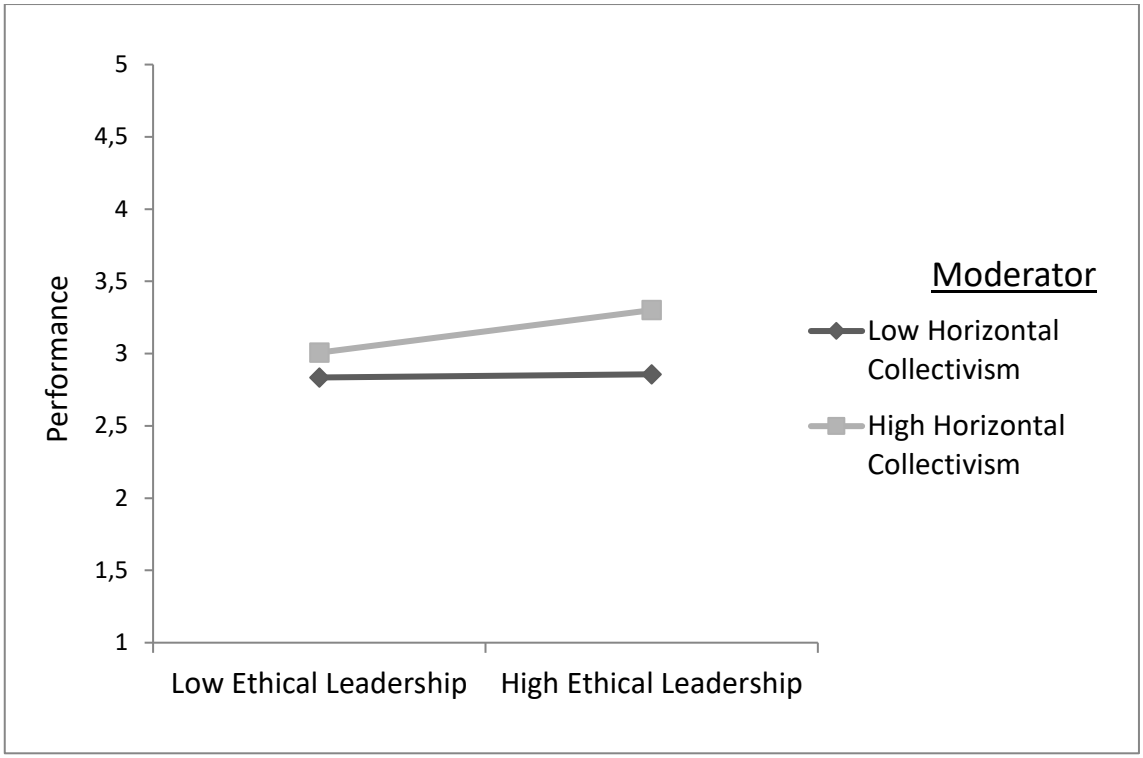

Figure 31. Horizontal Collectivism strengthens the indirect positive relationship between ethical leadership and performance through moderated mediation

4.10 HYPOTHESIS TESTING

The structural equation model in Figure 23 and the regression coefficients from the model presented in Table 24 were used to determine whether or not research findings supported the hypotheses developed in Chapter 2. Conclusions are summarised in Table 26.

4.11 SUMMARY OF RESULTS

The purpose of this chapter was to report on the analysis of the survey data and the results of the hypothesis testing. After a brief review of the sample demographics, a number of confirmatory factor analyses were conducted to confirm convergent validity of the measuring scales used in the study, before all the constructs were assembled in a measurement model. The measurement model was used to confirm construct validity for each of the measurement scales and overall goodness-of-fit for the measurement model. Tests to assess

multicollinearity and common method variance were conducted. Results from these tests did not flag areas for concern. The measurement model was used to impute factor scores for all the predictor and criterion variables in the study, from the measured items and their respective loadings on the latent construct factors in the measurement model. Descriptive statistics were briefly reviewed and further tests were conducted to identify potentially influential observations. Structural models were then developed to test the hypotheses presented in Chapter 2. The final retained model exhibited adequate goodness-of-fit. Significant moderator effects were observed for individualism-collectivism on the relationship between ethical leadership and organisational citizenship behaviour and for power distance on the relationship between ethical leadership and ethical climate. No significant moderator effects were found on the relationship between ethical leadership and performance. The results are discussed further in Chapter 5.

Table 26

Summary of Hypothesis Testing

Research hypotheses	**Findings ($p \leq .05$)**
H1: Ethical leadership is positively related to Organisational Citizenship Behaviour (OCB).	Supported
H2: Ethical leadership is positively related to ethical climate.	Supported
H3: Ethical leadership is positively related to employee task performance.	Supported
H4a: Horizontal-individualism (HI) negatively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB).	Supported
H4b: Horizontal-collectivism (HC) positively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB).	Supported
H4c: Vertical-individualism (VI) negatively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB).	Not Supported
H4d: Vertical-collectivism (VC) negatively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB).	Supported
H5a: Horizontal-individualism (HI) positively moderates the relationship between ethical leadership and ethical climate.	Not supported
H5b: Horizontal-collectivism (HC) negatively moderates the relationship between ethical leadership and ethical climate.	Not supported
H5c: Vertical-individualism (VI) negatively moderates the relationship between ethical leadership and ethical climate.	Not supported
H5d: Vertical-collectivism (VC) positively moderates the relationship between ethical leadership and ethical climate.	Supported
H6a: The relationship between ethical leadership and employee task performance is positively moderated by Horizontal-collectivism (HC). **H6b:** The relationship between ethical leadership and employee task performance is negatively moderated by Horizontal-individualism (HI).	Supported via moderated mediation
H7: Power distance orientation negatively moderates the relationship between ethical leadership and organisational citizenship behaviour (OCB).	Not supported
H8: Power distance orientation negatively moderates the relationship between ethical leadership and ethical climate.	Supported
H9: Power distance orientation negatively moderates the relationship between ethical leadership and employee task performance.	Supported in simplified model

CHAPTER 5. DISCUSSION

5.1 INTRODUCTION

The purpose of this chapter is to discuss the results reported in Chapter 4 by comparing the findings of the present study with other related findings from published studies and to develop further insight into the implications of the findings.

5.2 MEASUREMENT SCALES

This study complements the work by Singelis et al. (1995) and subsequent work by Triandis and Gelfand (1998) and Li and Aksoy (2007) who all argued that the vertical and horizontal dimensions of individualism-collectivism are distinct at an individual level of analysis. It adds to previous literature and extends the generalisability of the vertical and horizontal individualism and collectivism measurement instrument by demonstrating the validity of this measurement scale on a diverse sample of African respondents, a group that has to date received little attention from cross-cultural and leadership researchers.

Although the vertical and horizontal dimensions of individualism and the vertical and horizontal dimensions of collectivism are correlated, this is to be expected since the two individualism dimensions and the two collectivism dimensions share some overlap. The dimensions however, exhibit adequate discriminant validity to make them distinct, as was demonstrated by a confirmatory factor analysis. The Singelis et al. (1995) measurement scale is, however, not perfect, and some items had to be dropped from the scale to achieve adequate construct validity. This may be due to the specific wording of some items that led to interpretational differences between this sample and other study samples. Triandis and Gelfand (1998) however also found that some of the original Singelis et al. items did not exhibit adequate factor loadings and they ended up using a subset of the original measurement scale items.

The Ethical Climate Questionnaire (Victor & Cullen, 1987, 1988) postulated nine theoretical dimensions even though empirical studies typically only find five climate types (Martin & Cullen, 2006). A confirmatory factor analysis supported the five climate types for the African sample used in this study. Four of the climate types were combined into a single measure of ethical climate. The independence climate type was not included in the measure because it represents the absence of a common ethical climate, that is, a situation in which everyone follows their own moral beliefs, and it was not correlated with the other dimensions. This more comprehensive measure of ethical climate is considered a more appropriate measure to investigate the relationship between ethical climate and ethical leadership because it is based on the three key ethical theories of egoism, utilitarianism, and deontology and also includes all the relevant theoretical dimensions. It is important for a study that aims to measure the effect of a leadership construct on the overall ethical climate to include the different sub-climate types, because it is theoretically possible for different climates to be found within different subunits of an organisation (Wimbush, Shepard, & Markham, 1997) and especially so if measured at the individual level of analysis. Other researchers who have studied the relationship between ethical leadership and ethical climate have only used a subset of the ECT scale (Shin, 2012) or other measurment scales with even fewer measurement items (Mayer et al., 2011; Neubert et al., 2009).

The other widely used measurement scales: ethical leadership, OCB, and power distance all performed as expected and were validated for use in the African sample and exhibited good reliability. This is the first time that these scales were used on an African sample.

5.3 ETHICAL LEADERSHIP AND OCB

Hypothesis 1, which states that “Ethical leadership is positively related to Organisational Citizenship Behaviour (OCB)” is supported. Mayer et al. (2009, p. 10) observed a $\beta = .31$, $p < .001$ for the relationship between supervisory ethical leadership and supervisor rated group OCB. Ethical leadership explained 11% of

the variance in group OCB. The result from the present study at the individual measurement level aligns well with that from Mayer and colleagues done at the group level of measurement. Although not empirically confirmed, the similarity between the two results, one at the group level and one at the individual level of analysis, suggests that the relationship between ethical leadership and OCB may be isomorphic at the group and individual level.

Kalshoven et al., (2011, p. 63) observed a $\beta = .16$, $p < .01$ for the regression of ethical leadership (measured by the ELS) on supervisor rated OCB. Ethical leadership explained only 3% of the variance in OCB. Kalshoven and colleagues proposed a new 7-dimension measure (ELW) of ethical leadership. The ELW measure of ethical leadership explained 7.8% of the variance in overall OCB. The result from Kalshoven et al. is directionally aligned with the result from the present study, but the different measure of ethical leadership and OCB may explain the lower regression coefficient in the Kalshoven et al. study. Of the seven dimensions in the ELW, fairness and power sharing were the only significant Beta terms in the regression in the Kalshoven et al. study. This suggests that the ethical leadership characteristic of being fair and principled (Trevino et al., 2003) is a key driver in establishing the social exchange relationship that brings about the reciprocity obligation and associated prosocial behaviour.

A meta-analytic review of ethical leadership outcomes by Bedi et al. (2015, p. 12) reported a mean correlation of .37 for OCBs and .29 for OCB-I. The result from the present study is in line with that reported for the meta-review.

The supported H1 result confirms the proposition put forward by Eisenbeiss (2012, p. 799) that the four central orientations, which epitomise ethical leadership are positively related to OCB. The author also posits that this relationship is mediated by follower trust. Trust was not measured in this study, but based on the literature review this seems reasonable, because according to social learning theory, trust is essential for a leader to be seen as a credible role model by the follower. A credible role model is a prerequisite for the social

learning mechanism to influence follower behaviour and follower OCB behaviour is influenced by ethical leadership through the social learning mechanism.

Leaders who demonstrate ethical leadership by behaving with integrity and treating employees fairly and considerately establish trust with their employees and are seen as credible role models. Perceiving leaders as credible role models facilitates a social learning process. Through the social learning process employees replicate the ethical leadership behaviour of these credible role model leaders. Ethical leadership reinforces pro-social behaviour that is fair to other stakeholders by communicating such expectations and then rewarding behaviours that comply with the expectations and punishing behaviours that do not. The trust in the relationship that emanates from the ethical leadership behaviour produces high quality social exchange between the leader and the follower. According to social exchange theory, employees who experience the benefits of trust, considerate treatment and other intangible benefits are likely to feel obligated to reciprocate such benefits with prosocial behaviour towards colleagues and the organisation.

This study empirically confirms that the social learning process and associated social exchange relationship that emanate from ethical leadership take place across different cultural value orientations as in the study sample. Ethical leadership appears to be as influential in an African context as in Western contexts as evident from the alignment of results from this study with results from other published studies in mostly Western contexts as discussed above.

5.4 ETHICAL LEADERSHIP AND ETHICAL CLIMATE

Hypothesis 2 which states that, “Ethical leadership is positively related to ethical climate” is supported. This result aligns with the previous work by Mayer et al. (2010) who observed a $\beta = .58$, $p < .01$ between ethical leadership and ethical climate at the group level of analysis. The authors used the same ethical leadership scale (Brown et al., 2005), but a simpler 6-item measure of ethical climate. This suggests that the relationship result is not just related to a specific

measuring instrument. The slight difference in correlation coefficients may be attributable to the differences in measurement instruments, or it could be attributed to a weaker effect at the group level than at the individual level of analysis. The result from this study also aligns with the finding of a positive relationship between ethical leadership and ethical climate by Neubert et al. (2009). They observed a $\beta = .627$, $p < .01$ which is very close to the finding of this study, also confirming ethical leadership as the strongest predictor of ethical climate.

Bedi et al. (2015, p. 4) posit that "ethical leadership positively influences follower ethical behaviour". The empirical result from this study indirectly confirms this hypothesis because an ethical climate is reflective of ethical behaviour by most employees. Bedi et al.'s meta-review found a mean correlation of .61 between ethical leadership and ethical behaviour which is aligned with the result from this study. Demirtas and Akdogan (2015) established a positive relationship between ethical leadership and ethical climate using 10 items from the Victor and Cullen (1988) scale. It is not clear what subset of scale items they used, but the standaridised regression coefiicient aligns with this study.

Leaders who display ethical leadership behave as moral persons who are seen as trustworthy; they are also principled leaders who care about the good of others, especially employees (Brown & Trevino, 2005; Trevino et al., 2003). As trusted leaders, they become role models to their followers. Social learning theory predicts that followers will emulate the ethical behaviour of the role model. Leaders that practice ethical leadership are also moral leaders. They will communicate to their followers the benefits of ethical behaviour and the penalties of inappropriate behaviour. Followers are held accountable through suitable punishment or reward. As a result, ethical leadership encourages ethical behaviour amongst followers and the establishment of an ethical climate. Hence, there is a strong positive relationship between ethical leadership and ethical climate.

This positive relationship between ethical leadership and ethical climate does not only include adherence to rules and laws. It is based on a comprehensive measure of ethical climate that includes four of the five ethical climate dimensions empirically identified from the Victor and Cullen theoretical framework. The measure of the ethical climate construct used in this research includes adherence to laws, rules and codes as well as the existence of a caring climate that reflects concern for others. It is negatively related to an egoistic perspective where decisions are made to serve the organisation or personal interests at the expense of others. This is a more comprehensive measure of ethical climate than previously used by researchers studying the relationship with ethical leadership.

Counter-productive work behaviour refers to employee behaviour that is harmful to the organisation or other employees. These counter-productive acts can take different forms such as theft, fraud, sabotage, or absenteeism. All these acts violate the legitimate interests of an organisation by being potentially harmful to its members or to the organisation as a whole. Brown and Trevino (2006a) postulated that ethical leadership should be negatively linked to counter-productive behaviour since ethical leaders are expected to be credible role models and followers will emulate their ethical behaviour per social learning theory (Bandura, 1977). Ethical leaders also use reward and punishment to enhance ethical conduct by clarifying standards of appropriate conduct and sanctioning rule violation. Employees are likely to develop a positive social exchange relationship with ethical leaders who treat them fairly and allow them a voice in a respectful manner. The level of counter-productive work behaviour is reflective of the ethical climate in the work environment.

Africa is a continent that is often stereotyped for poor governance, however, this study has empirically demonstrated that, in an African corporate context, individual employees recognise and respond to ethical leadership similarly to what was previously published for Western contexts. Hence, leaders in Africa, can successfully use ethical leadership to establish ethical climates at work. Ethical leadership can be the strongest contributor to creating an ethical climate.

5.5 ETHICAL LEADERSHIP AND PERFORMANCE

Hypothesis 3, which states that “Ethical leadership is positively related to employee task performance” is supported. The result from this study aligns well with the meta-analysis mean correlation between ethical leadership and job performance of .22 reported by Bedi et al. (2015, p. 12). The results from the various studies broadly align with each other and confirm that ethical leadership is an effective form of leadership that positively influence employee performance.

The empirical confirmation by this study of the positive relationship between ethical leadership and employee performance can be considered to be supportive of the proposition by Eisenbeiss (2012, p. 800) that ethical leadership behaviour by the leader is positively related to the organisation’s long term performance. Although this is not a direct confirmation one can expect that the individual level positive relationship between ethical leadership and performance will - if pervasive enough - contribute to positive long term performance by the organisation. Eisenbeiss (2012, p. 797) also posits that the relationship between ethical leadership perception and organisation long term performance is mediated by OCB, as empirically observed in this study, subject to the reasoning above.

The results from this study also support the argument by Bello (2012, p. 232) who reasoned that two variables are crucial to the relationship between ethical leadership and employee job performance, namely, trust and employee commitment. Mo and Shi (2017) empricially found that the relationship between ethical leadership and employee task performance was mediated by trust in the leaders. The theoretical arguments in the literature review section indicated that trust is essential for ethical leaders to be seen as role models; both trust and employee commitment are prerequisites for social learning to occur. Employees will only demonstrate OCB if they are committed towards the organisation. Thus, the empirical result that showed that OCB mediates the relationship between ethical leadership and performance indirectly supports Bello’s argument.

As ethical leadership establishes trusting relationships with employees, the employees feel valued. This in turn increases the employee's organisational identification. Individuals with high levels of organisational identification tend to expend higher levels of effort on behalf of the organisation. This is likely to be evident in OCB and higher performance. Social exchange theory predicts a similar process whereby the trusting relationship resulting from ethical leadership establishes a high-quality exchange relationship and employees feel obligated to reciprocate with prosocial behaviour in return for caring and considerate treatment from managers displaying ethical leadership. Social exchange and social identity may not be independent influences. Van Knippenberg, van Dick, and Tavares (2007) found that social exchange becomes less important with higher identification.

This result is significant because it empirically confirms that ethical leadership is not just a theoretically interesting leadership construct. Ethical leadership is a form of effective leadership that positively relates to actual employee performance. The performance relationship is explained and enhanced by prosocial behaviour of employees towards colleagues. By treating employees fairly and considerately and emphasising appropriate ethical behaviour, ethical leadership influences employees through social learning and social exchange to be supportive to colleagues through OCB. Employees that demonstrate OCB tend to also perform better. This may be because employees that demonstrate OCB leverage colleagues to boost their own performance.

5.6 INDIVIDUALISM-COLLECTIVISM AND THE RELATIONSHIP BETWEEN ETHICAL LEADERSHIP AND OCB

Hypothesis 4a, which states that "Horizontal-Individualism (HI) negatively moderates the positive relationship between ethical leadership and follower organisational citizenship behaviour (OCB)" is supported. Hypothesis H4b, which states that, "Horizontal-Collectivism (HC) positively moderates the positive relationship between ethical leadership and follower organisational citizenship behaviour (OCB)" is also supported.

The findings align with results from other studies. Felfe, Yan, and Six (2008) reported that individual level collectivism positively moderates the relationship between transformational leadership and OCB. The authors did not distinguish between vertical and horizontal collectivism but their scale essentially measured horizontal-collectivism. Walumbwa et al. (2007) found that allocentrism positively moderates the relationship between transformational leadership and organisational commitment and that idiocentrism negatively moderates the relationship. Walumbwa and Lawler (2003) previously found that collectivism positively moderates the relationship between transformational leadership and organisational commitment. Organisational commitment and OCB are strongly correlated and the overlap between ethical and transformational leadership was previously discussed so these findings and the results from this study are directionally aligned. Euwema et al., (2007) investigated the moderating role of societal culture on the relationships between directive and supportive leadership on group OCB. The authors found that directive leadership was more negatively, and supportive leadership less positively related to group OCB in individualistic compared to collectivistic cultures. However there seems to be some contradiction between the Hofstede and GLOBE measures used in the Euwema et al. study.

HC is characterised by a cultural pattern in which people emphasise common goals because the self is seen as an aspect of the group (Kim, Dansereau, Kim, & Kim, 2004, p. 83). Assisting others through OCB helps the group to achieve its objectives so individuals with HC orientation are likely to be more strongly influenced through social learning from ethical leadership than individuals with HI orientation.

The horizontal-collectivist is accustomed to an environment where people prioritise common goals over personal goals, Sociability is valued therefore it is important to behave socially appropriate, co-operate with others and maintain benevolent relationships. This imposed environmental influence on the HC oriented individual is expected to develop a strong sense of collective efficacy

and with that a tendency to exercise collective agency as hypothesised by social cognitive theory. The strong orientation towards common goals is expected to be associated with a strong social identity in the HC individual. Hence the combination of strong social identity and collective agency strengthens the social learning and social exchange mechanisms thereby positively moderating the relationship between ethical leadership and employee OCB as empirically confirmed by the results.

In contrast the horizontal-individualist is conditioned to be self-directed and self-reliant with a desire to express their own uniqueness by being distinct and separate from others. The horizontal orientation means that the HI individual is modest and not conspicuous. The individualistic environmental influence is not expected to create collective efficacy or strong social identity hence the HI individual will be more prone to direct personal agency. The social learning and social exchange mechanisms are thus expected to be weaker thereby negatively moderating the relationship between ethical leadership and employee OCB as empirically confirmed by the results. The graphs in Figure 28 and Figure 29 indicate that for low HC and high HI the influence of ethical leadership on OCB is virtually eliminated by the cultural moderation.

Hypothesis 4c, which states that “Vertical-Individualism (VI) positively moderates the positive relationship between ethical leadership and follower organisational citizenship behaviour (OCB)” is not supported. VI is characterised as a cultural pattern in which individuals see themselves as autonomous and different from others (Kim et al., 2004). VI individuals will be influenced by the normal social learning mechanisms as previously discussed to demonstrate OCB, but this will be impacted by two opposing mindsets. On the one hand their competitive orientation will discourage them from OCB in order to gain an advantage over colleagues. On the other hand, they are likely to demonstrate OCB if this is a way of gaining recognition and promotion. It appears that with these two opposing psychological motivations at work there is not a statistically significant moderation effect from VI on the relationship between ethical leadership and OCB. Although the VI individual has low levels of social identity towards the group and relatively

low prosocial social exchange obligation, both influences that would suggest negative moderation of the relationship, the strong self-efficacy of the VI individual means that the VI individual will want to replicate the ethical leadership role model because it is seen as desirable and thus experience the social learning mechanism normally.

Hypothesis 4d, which states that “Vertical-Collectivism (VC) negatively moderates the relationship between ethical leadership and follower organisational citizenship behaviour (OCB)” is supported. Singelis et al., (1995) described verticality as the acceptance of inequalities among people, whilst power distance can be described as establishing norms and rewarding some forms of inequality. Kim et al. (2004) postulate that in VC the individual has strong group connection but the members of the group differ from each other and differences in status are important. The importance of status and hierarchy makes inequality the essence of the VC cultural orientation (Triandis & Gelfand, 1998). VI and VC can be differentiated by motives relating to competition and achievement (Shavitt et al., 2006, p. 338). VI individuals are more focused on external symbols they associate with power and status while VC individuals ascribe more value to positions in a hierarchy and symbols that convey this. The focus on status and hierarchy in VC, however, means that employees with VC orientation may be less inclined to display OCB by assisting fellow employees, because this may not fit their perception of their status in the hierarchy. The vertical inequality between the leader and the follower may also result in a weaker social learning mechanism. Consequently, VC negatively moderates the positive relationship between ethical leadership and employee OCB. Despite strong social identity with the group and kinship towards collective agency which one would expect to strengthen the social learning and social exchange mechanisms, as is the case for HC individuals, the VC individual expects status to come with time as a reward for service to the group. This reliance on collective agency may manifest in lower self-efficacy which could explain why the VC individual does not act on the strong social identity and collective agency orientation and be inspired to behave pro-socially towards colleagues.

Figure 27 shows that for high vertical-collectivism the influence of ethical leadership on OCB is virtually eliminated by the moderation of vertical-collectivism. This may explain why Khokhar and Zia-ur-Rehman (2017) failed to detect a significant relationship between ethical leadership and OCB in their study. Based on national culture dimensions, their sample from Pakistan can be expected to be mostly vertical-collectivist orientated (Hofstede, 1983).

In summary, the influence of HI and HC cultural value orientations on the relationship between ethical leadership and OCB are opposite to each other, which is to expected. The influence of HC and VC are also opposite to each other. Hence there are distinctly different versions of collectivists. This empirically endorses the argument by Singelis et al. (1995) that vertical and horizontal constructs of individualism-collectivism exist and that behaviour of individuals with the different cultural orientation can be expected to be dissimilar. In terms of social cognitive theory interpretation of the findings, VC individuals are expected to have social identity with the group but low collective agency. Hence the negative moderation effect of the social learning mechanism. Individuals from both the VC and HC oriented groups are expected to have high social identity with the group but HC individuals are expected to have more of a collective agency influence motivating them to engage in OCB while VC individuals may have more of a proxy agency influence holding them back from engaging in OCB.

The focus of this study was on the interaction of cultual value orientations with ethical leadership, but other researchers have investigated direct effects of cultural value orientations on employee outcomes. Their findings are compared with results from the present study. De Leon & Finkelstein (2011) investigated individualism-collectivism as predictors of OCB and found collectivism to strongly predict OCB but found no significant correlation between individualism and OCB. This result was not supported by the present study, in which no significant correlations were observed between OCB and any of the four dimensions of individualism-collectivism in the measurement model as per Table 18. Euwema et al., (2007) were also surprised to report that no direct relationship was found between group level OCB and societal level cultural dimensions of power

distance and individualism-collectivism. De Leon and Finkelstein (2011) used an instrument by Lee and Allen (2002) to measure OCB. For individualism-collectivism they used an instrument that was based on the work of Singelis et al. (1995) but did not distinguish between vertical and horizontal dimensions of individualism and collectivism. Additionally, all the variables were measured as self-reported by a single respondent and the authors commented about suspected issues with collinearity. Unfortunately, due to the different measurement instruments used, a direct comparison between the two studies is difficult. However, based on the literature review and data, it is proposed that the two studies produced different results because, as Triandis and Gelfand (1998) have argued, vertical collectivists behave differently from horizontal collectivists. Taking the vertical dimension of individualism and collectivism into account is expected to change relationships as compared to use of the construct without vertical dimensions. As previously discussed, the moderation effects of VC and HC work in opposite directions.

5.7 INDIVIDUALISM-COLLECTIVISM AND THE RELATIONSHIP BETWEEN ETHICAL LEADERSHIP AND ETHICAL CLIMATE

Hypothesis 5a, which states that, **"**Horizontal-Individualism (HI) positively moderates the relationship between ethical leadership at a middle management level and ethical climate" is not statistically supported. Hypothesis 5b, which states that, "Horizontal-Collectivism (HC) negatively moderates the relationship between ethical leadership and ethical climate" is likewise not supported. The direct effect between ethical leadership and ethical climate is a strong effect (β =.565, p = .009). It seems that if there are interaction effects from horizontal collectivism and individualism they are small relative to the main effect and consequently are masked by the stronger main effect and are not detectable. The most probable explanation is that horizontal-individualism and horizontal-collectivism do not influence the already strong relationship between ethical leadership and ethical climate. Although there are differences in social identity and collective agency between HC and HI individuals this does not appear significant enough to affect the underlying social learning process which is

expected to be the more dominant mechanism through which ethical leadership influences ethical climate. The equality emphasis of both HC and HI does not endear prototypical status to ethical leaders such that there arises significantly stronger identification with the leader and amplified social learning (Meleady and Crisp, 2017; Ullrich et al., 2009).

Hypothesis 5c, which states that "Vertical-Individualism (VI) negatively moderates the relationship between ethical leadership and ethical climate" is not statistically supported. Although VI individuals are competitive, they also believe that group resources should be shared equitably (Kim et al., 2004, 86). This is an orientation that could be expected to encourage ethical leadership role model behaviour. Individuals with VI orientation are likely to emulate those with positive reputation and achieved status (Shavitt et al., 2006, 339). It appears that these effects are not strong enough to result in statistically significant moderation of the strong relationship between ethical leadership and ethical climate. Similarly to the interaction with the relationship between ethical leadership and OCB, competing affects appear to balance each other with no significant moderating effect evident.

Hypothesis 5d, which states that "Vertical-Collectivism (VC) positively moderates the relationship between ethical leadership and ethical climate" is supported. Schermerhorn & Bond (1997, p. 191) argued that in vertical collectivist cultures followers respect authority, have loyalty to the group and tend to conform to the wishes of a paternalistic leader. This appears to apply to the relationship between ethical leadership and ethical climate where the authority of the leader is readily accepted and the loyalty to the group further strengthens the influence of ethical leadership, contributing to the positive moderation effect. Jung and Avolio (1999, p. 209) also reported that allocentrics have a strong tendency to support organisational values and norms. Additionally, as mentioned above, VC is characterised by inequality and status. By displaying appropriate ethical behaviour as propagated through social learning from the ethical leadership role model of the manager, VC oriented employees potentially enhance their own status within the hierarchy by being seen as ethical role models themselves. Hence there is a positive moderation effect of VC on the relationship between

ethical leadership and ethical climate. The inequality that characterizes VC can be expected to assign prototypical attraction to a credible ethical leader (Ullrich et al., 2009), strengthening the identification with the leader and the social learning mechanism (Giessner et al., 2009).

VC was the only cultural value orientation for which the moderation hypothesis of the relationship between ethical leadership and ethical climate was supported. This can be attribute to the deference to authority and in group motivational characteristic of VC as indicated in Table 1. In terms of agentic influences postulated by social cognitive theory it is proposed that strong collective agency and social identity attributed to VC individuals contribute to the differentiating effect. The inherent difference in hierarchical motivation between VI and VC makes the difference. VI individuals are more focused on external symbols of power and status that they achieve through their own efforts and that they can display to publicise their status. They rely on self-efficacy and direct personal agency to achieve their status. VC individuals are more conscious of earned status and their collectivist orientation motivates them to achieve status by virtue of their position in the group or society. Both orientations are expected to have their self-efficacy positively influenced by ethical leadership. However, the collective agency orientation of VC individuals combined with the expectation that they might enhance their status and reputation in the group, by replicating the role model ethical behaviour of the leader, strengthens the relationship between ethical leadership and ethical climate, hence positively moderating the relationship between ethical leadership and ethical climate.

5.8 INDIVIDUALISM-COLLECTIVISM AND THE RELATIONSHIP BETWEEN ETHICAL LEADERSHIP AND PERFORMANCE

Hypothesis 6a, which states that “The relationship between ethical leadership and employee task performance is positively moderated by Horizontal-Collectivism (HC)” and Hypothesis 6b, which states that “The relationship between ethical leadership and employee task performance is negatively moderated by Horizontal-Individualism (HI)” are both supported through

moderated mediation by OCB. In the mediated model the direct effect relationship between ethical leadership and performance is weaker than the indirect effect. The absence of moderation of the direct effect relationship can be explained by the fact that moderation occurred in the stronger indirect effect relationship between ethical leadership and OCB.

The moderating mechanisms of the relationship between ethical leadership and OCB have previously been discussed in terms of social cognitive theory and the agentic influences ascribed to the relative differences in bias towards collective or personal agency and relative strength of social identity with the group. The review of ethical leadership literature, that included several review papers and a meta-analytic review, presented very few studies that reported moderated mediation of a relationship between ethical leadership and employee outcomes. The study by Kirkman et al. (2009) actually presented an example of moderated mediation but this was not recognised as moderated mediation by the authors. The relationship between transformational leadership and OCB was mediated by procedural justice and the relationship between transformational leadership and procedural justice was moderated by power distance orientation.

The moderated mediation of the ethical leadership-performance relationship in this research was not envisaged from the literature review and is therefore treated as an incidental finding. This highlights the power of structural equation modelling, provided that one is guided by theory in terms of which relationships are allowed to vary and which ones are specified. There is some existent theory that support mediation of the relationship between ethical leadership and performance by OCB. Sun et al. (2007) established that OCB mediated the relationship between high-performance human resources practices and performance indicators. Furthermore, Khokhar and Zia-ur-Rehman (2017) hypothesized that OCB mediates the relationship between ethical leadership and employee performance, but they did not find a significant relationship between ethical leadership and OCB. Piccolo et al. (2010) reported a high correlation between OCB and task performance and attributed this to a relationship between the two variables beyond the mutual association with effort as a common

antecedent, since both are considered dimensions of overall job performance (Rotundo & Sackett, 2002; Rotundo & Sackett, 2002). Kim and Brymer (2011) also established extra effort as a mediating variable in the relationship between ethical leadership and competitive performance. Podsakoff, Whiting, Podsakoff, and Blume (2009) confirmed through a meta-analysis that OCB was positively related to managers' ratings of employee performance and that OCB was positively related to rewards allocated to employees by managers. OCB was also positively related to organizational effectiveness measures including productivity and profitability. Employees who engage in behavior beyond what their roles require, such as OCB, will most likely also exert extra effort in their jobs leading to higher performance. Leaders who encourage prosocial behavior are likely to leverage extra support from colleagues and reports thus boosting their own performance results.

The significance and implications of the positive relationship between ethical leadership and performance and the social learning process that influences this relationship was previously discussed. This finding further adds to our understanding of ethical leadership in that it proposes, on the basis of empirical relationships, that the influence of follower cultural value orientation strengthens the propensity of employees to engage in OCB and consequently perform better when the employees share feelings of social identity with the group and are motivated towards collective agency. These characteristics are typically found in HC oriented individuals and are absent in HI oriented individuals.

5.9 POWER DISTANCE ORIENTATION AND THE RELATIONSHIP BETWEEN ETHICAL LEADERSHIP AND OCB

Hypothesis 7, which states that "Power distance orientation negatively moderates the relationship between ethical leadership and organisational citizenship behaviour" is not supported. McClelland and Judd (1993) showed that it is more difficult to detect moderator effects in field studies than in experiments because the residual variance of the product in field studies is relatively lower than in experiments. This is because of the typical joint distribution of the predictor and

moderator variables. Even when interaction is successfully detected the effect size is likely to be small due to the important role of the product term in the calculation of effect size. In this study, the negative skewness of ethical leadership reduced the variance of the predictor variable: ethical leadership. McClelland and Judd go on to caution against the temptation to address this problem by using a subset of the data or to convert to a categorical variable that increases measurement error. From the analysis, it appears that H7 may well be true, but the hypothesised effect is likely to be small and in this study, there was not enough power to detect a statistically significant moderating effect.

Euwema et al., (2007) postulated that power distance moderates the relationship between supportive leadership and group level OCB, but did not find support for the hypothesis. This finding is aligned with the unsupported H7 finding in the present study. Kirkman et al., (2009) investigated potential moderation of the relationship between transformational leadership and OCB by power distance orientation. They also did not observe a statistically significant interaction term for the direct relationship between transformational leadership and OCB, but did observe a statistically significant interaction term ($\beta = -.06$, $p < .05$) for the indirect relationship mediated by procedural justice. Considering that there is some overlap of the ethical leadership and transformational leadership constructs, the results from the two studies appear to be aligned with the transformational leadership study detecting a small effect and suggesting that if there is an effect it is likely to be small. This study thus appears to not have enough power to detect a similar small effect.

5.10 POWER DISTANCE ORIENTATION AND THE RELATIONSHIP BETWEEN ETHICAL LEADERSHIP AND ETHICAL CLIMATE

Hypothesis 8, which states that “Power distance orientation negatively moderates the relationship between ethical leadership and ethical climate” is supported. High power distance orientated employees view their managers as more distant figures in the organisational hierarchy (Farh et al., 2007). They accept the hierarchical difference, expecting one way top-down direction from leaders

(Javidan et al., 2006) and sometimes even prefer a more autocratic management style (Bialas, 2009). The larger social distance between the leader and the employee with high power distance orientation results in a lower level of trust between the leader and follower than in the case of employees with low power distance orientation. The weaker level of trust makes the leader a less attractive role model and social learning has a lesser influence than for employees with low power distance orientation. This is because attentional processes (Bandura, 1977) are weak for followers with high power distance orientation. To attend to and recognise the characteristics of the role model the follower and leader need to interact closely. Associational preferences determine observational experiences (Bandura, 1977) but employees with high power distance orientation prefer not to associate closely with their leaders. Retention processes are essential for the influencing to occur (Bandura, 1977). A person cannot be much influenced by observations of a model's behaviour if they do not recall it. Reinforcement of appropriate behaviour by the ethical leader strengthens the retention process.

The social exchange relationship will also be weaker for employees with high power distance than for employees with low power distance orientation, because of lower levels of trust. Furthermore, due to the larger social distance, employees with high power distance orientation will not experience the caring characteristic of ethical leadership to the same extent and consequently the obligation of reciprocity will be less. The resulting effect is that power distance orientation negatively moderates the relationship between ethical leadership and ethical climate.

5.11 POWER DISTANCE ORIENTATION AND THE RELATIONSHIP BETWEEN ETHICAL LEADERSHIP AND PERFORMANCE

Hypothesis 9, which states that "Power distance orientation negatively moderates the relationship between ethical leadership and employee task performance" is supported in a simplified model. In their study searching for moderation effects of power distance and individualism-collectivism, Euwema et al., (2007) also found

that power distance interaction was not significant, whereas when they analysed the influence of power distance as the only cultural dimension, significant effects appeared. They attributed this to power distance being strongly related to collectivism and advocated that future researchers use multiple cultural dimensions, which was done in the present study. The measurement model of the present study did report statistically significant correlations between power distance and the vertical dimensions of collectivism and individualism in Table 18, but tests for multicollinearity, reported in Table 20, indicated that tolerance and VIF were well away from guidance thresholds where problems might be expected. It is suggested that Euwema and colleagues experienced the effect of an increase in power for the simplified model resulting in the small effect being detected rather than potential overlap between the constructs.

5.12 ETHICAL LEADERSHIP AND OTHER FOLLOWER FOCUSED LEADERSHIP STYLES

Several leadership constructs share some common characteristics with ethical leadership in that they are somewhat focussed on followers (Brown & Trevino, 2006a). Authentic and ethical leadership share people orientation and a social motivation. Both are ethically principled however, ethical leadership does not share the authenticity and self-awareness that are key to authentic leadership but instead the concern is for ethics and morality and for others (Den Hartog, 2015). Authentic leadership was defined as multilevel from the outset in that it included the leader, follower and context specifically in the measurement conceptualisation (Avolio, Walumbwa, & Weber, 2009). Authentic leadership is not expected to be positively related to the behaviours under study to the same extent as ethical leadership.

Servant leadership is associated with functional and accompany attributes and has been shown to be positively related to follower satisfaction and organisational commitment (Russell & Stone, 2002). Servant leadership has been shown to be positively related to both trust in the leader as well as trust in the organisation (Avolio et al., 2009). Servant leadership could be expected to be positively related

to prosocial behaviour such as OCB but would be unlikely to be positively related to broader ethical climate and performance.

Ethical leadership's foundational emphasis on moral motivations is the distinguishing feature that separates ethical leadership from other follower-oriented leadership constructs (Gerpott et al., 2017). This study did not incorporate measures of these follower focused leadership constructs for purposes of comparison because that would have extended the scope of the study too wide and make the surveys too long. Also, the focus of this study was on how cultural value orientations change the relationship between ethical leadership and behaviour outcomes rather than to evaluate the predictability of ethical leadership relative to related leadership constructs.

5.13 INTEGRATED CONCEPTUAL MODEL

The conceptual model from the literature review presented in Figure 1 has been updated based on the results and discussion and a new theoretical model is presented below in Figure 32.

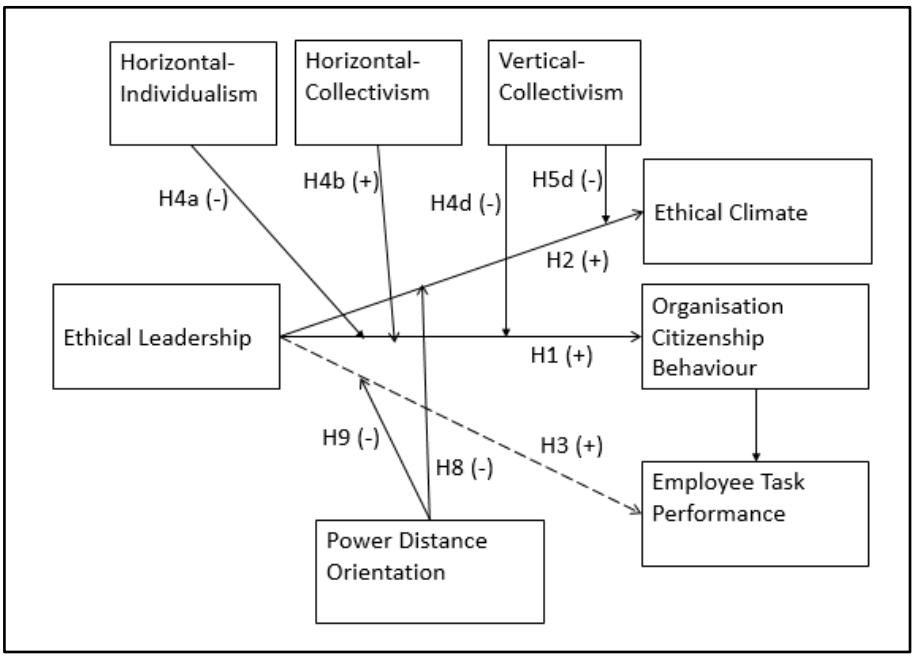

Figure 32. Conceptual Model based on Results

Note: (+) denotes positive moderation, (-) denotes negative moderation. Solid lines denote direct relationships and dashed lines denote partially mediated relationships.

CHAPTER 6. CONCLUSION

6.1 INTRODUCTION

This research study set out to answer the question: what is the effect of culture on the relationship between ethical leadership and employee outcomes? Specifically, the study focused on two work-related value dimensions of culture, individualism-collectivism and power distance, measured at the individual level of analysis. OCB, ethical climate, and task performance were selected as employee outcomes to study because previous researchers had postulated that these are important outcomes influenced by ethical leadership.

To answer the research question, the study sought to confirm statistically significant interaction terms between ethical leadership and each of the cultural value orientations selected as predictors of ethical climate, OCB and task performance. Quantitative measures were obtained for each of the variables through a survey conducted in a culturally diverse sampling universe, as described in Chapter 3. The study used previously published measuring scales that were re-validated on the study data sample as reported in Chapter 4. Once a satisfactory SEM measurement model with all the constructs had been produced, the latent constructs were rearranged into a SEM structural model to predict the outcome variables from ethical leadership and the interaction terms. The results were reported in Chapter 4. Chapter 5 related the results to extant literature and theory.

6.2 SUMMARY OF FINDINGS

The study confirmed strong positive relationships between ethical leadership and OCB, ethical climate and task performance. Thus, ethical leadership is positively related to actual role performance as well as beyond role performance (OCB) and should be considered an effective form of leadership that can drive performance.

Although the study found that OCB partially mediated the relationship between ethical leadership and task performance, this result may be organization or contextual specific because performance measures can be specific to a role or job. Performance may have multiple dimensions and many performance evaluation systems include a measure of OCB in the construct (Werner, 2000). OCB was positively related to several performance outcomes for sales persons (Marshall, Moncrief, Lassk, & Sheperd, 2012) but this may not be the case for all job roles. It is likely that within the service industry context of this study the OCB of the focal employees could leveraged effort from colleagues to boost performance of the focal employees.

The positive relationship between ethical leadership and OCB was found to be positively moderated by horizontal-collectivism (HC) and negatively moderated by horizontal-individualism (HI) and vertical-collectivism (VC). Vertical-individualism (VI) had no moderating effect on the relationship between ethical leadership and OCB. Power distance orientation had no statistically significant moderating effect on the relationship between ethical leadership and OCB.

In terms of the relationship between ethical leadership and ethical climate, VC was found to positively moderate the positive relationship. The cultural value orientations of VI, HC and HI had no statistically significant moderating effect on the relationship between ethical leadership and ethical climate. Power distance orientation was found to negatively moderate the positive relationship between ethical leadership and ethical climate.

None of the cultural value orientations investigated in the study had a statistically significant moderating effect on the direct relationship between ethical leadership and employee task performance. However, OCB was found to partially mediate the relationship between ethical leadership and task performance. The indirect effect was stronger than the direct effect. HI and HC moderated the relationship between ethical leadership and OCB. HI was found to have a negative moderated mediation effect on the positive relationship between ethical leadership and task

performance and HC was found to have a positive moderated mediation effect on the positive relationship between ethical leadership and task performance.

In terms of answering the research question, the study found that individual level cultural value orientations of followers affect the relationships between ethical leadership and employee outcomes differently depending on the specific cultural value orientation of the follower. The effect that a specific cultural value orientation has can change for different employee outcomes. Vertical-collectivism was found to negatively moderate the relationship between ethical leadership and OCB but positively moderate the relationship between ethical leadership and ethical climate. The effect that a cultural value orientation has on the relationship depends on how the follower characteristics associated with the particular cultural value orientation modifies the social learning and social exchange mechanisms through which ethical leadership influences follower behaviour.

The agentic influence, as postulated by social cognitive theory (Bandura, 2002), was invoked to explain and predict how an individual with HI, HC, VI or VC cultural value orientations will react differently, to ethical leadership, based on the relative strength of their social identity with the group and propensity towards collective agency. The details of this finding are discussed in Chapter 5. For employees with high power distance orientation some of the necessities for the social learning process to occur (Bandura, 1977) are not met. Therefore, social learning does not take place or is less effective than for employees with low power distance orientation. Hence high power distance orientation impedes the social learning process whereas the individualist-collectivist orientations modify the social learning process through the agentic influence as postulated by social cognitive theory. The mechanisms through which the two cultural orientations influence the relationship between ethical leadership and employee outcomes are thus distinctly different.

6.3 IMPORTANCE AND BENEFITS OF THE STUDY

6.3.1 Theoretical Contribution

Published studies of ethical leadership have predominantly been based on western samples and some from China and Korea (Bedi et al., 2015). This study adds to ethical leadership scholarship and domain generalisability by testing constructs and relationships in an emerging market context using as the sampling universe a multinational service firm that operates in several African countries. The study contributes to ethical leadership scholarship by demonstrating that ethical leadership is also valid in the African context. It extends empirical validation and generalisation of the relationship between ethical leadership and OCB, the relationship between ethical leadership and ethical climate and the relationship between ethical leadership and task performance, based on a culturally diverse African dataset not previously reported on. The study therefore partially addresses the criticism levelled by Eisenbeiss (2012) that ethical leadership is biased towards a Western-based perspective as discussed in the background to the research problem in Chapter 1.

This research advances scholarship on ethical leadership by demonstrating its cultural boundedness. In addition, leadership research and specifically ethical leadership in Africa has been significantly underrepresented in the literature (Kolk & Rivera-Santos, 2016). By using a sample spanning several African countries and empirically demonstrating the effect of cultural value orientations on ethical leadership, this study contributes towards addressing this dearth in research as well as calls by George, Corbishley, Khayesi, Haas and Tihanyi (2016) for research that improves understanding of cultural differences that complicates leadership in the African context and understanding of processes and mechanisms that can strengthen internal governance of organizations.

The study contributes to individual level cross-cultural leadership scholarship by proposing social cognitive theory as a theoretical framework to explain and predict how the social learning mechanism associated with ethical leadership is influenced by different cultural value orientations. Although Bandura (2002)

postulated that social cognitive theory is well suited to elucidate human behaviour in diverse cultural milieus, there has been limited application thereof in leadership research and this research takes a leap forward in using social cognitive theory as a basis for cross-cultural leadership theory. The key agentic influences, that determine how the individual will respond to ethical leadership, differ depending on the characteristics of the particular cultural value orientation. The changes appear to be most significantly guided by the relative strength of the individual's social identity with the group and propensity towards collective agency. Organisational culture was controlled for by using a single multinational enterprise for the study.

As far as could be ascertained there is a dearth of published studies investigating the moderating effect of cultural dimensions on the relationship between ethical leadership and employee outcomes (Bedi et al., 2015; Den Hartog, 2015). This research study aimed to address this gap in the literature by investigating the moderating effect of cultural value orientations on the relationship between ethical leadership and employee behaviour outcomes at the individual level of analysis. The focus was on the relationship between immediate supervisory manager at the middle management leadership level and direct reports. This study contributes to the understanding of how the influence of ethical leadership is impacted by the cultural value orientation of employees, thus contributing to cross-cultural and ethical leadership scholarship. The research contributes empirically validated theoretical explanations of how selected cultural dimensions influence the relationship between ethical leadership and important employee outcomes, notably organisational citizenship behaviour, ethical climate, and performance.

The study also demonstrated that the constructs of HI, HC, VI, and VC are distinct and found in non-western emerging markets in Africa, confirming and extending earlier work which validated the measurement scale in the United States (Singelis et al., 1995), South Korea and USA (Triandis & Gelfand, 1998), USA and Turkey (Li & Aksoy, 2007). The study goes some way towards confirming measurement equivalence of these four cultural dimension constructs in the context of a new

emerging market data sample, but the results do highlight that the scale items need some further refinement, as discussed in Section 5.2. Figure 33 illustrate the national Hofstede dimensions for the countries previously validated and Figure 34 show the national Hofstede dimensions for the countries included in this study with significant variance in power distance and individualism.

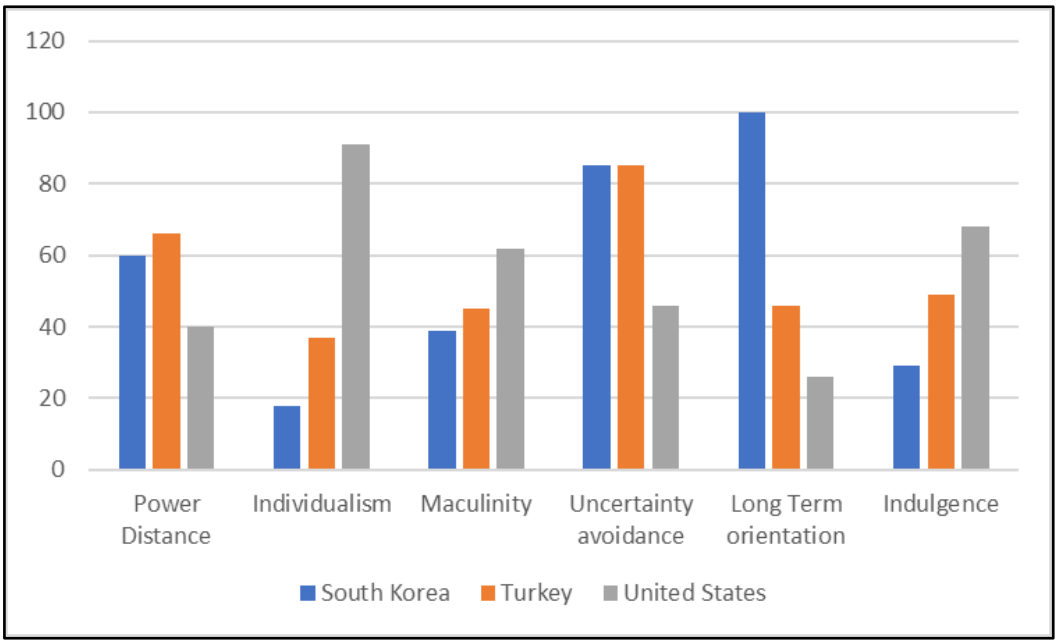

Figure 33. National culture dimensions for countries where vertical and horizontal individualism-collectivism measurement scale was previously validated (The Hofstede Centre, 2017)

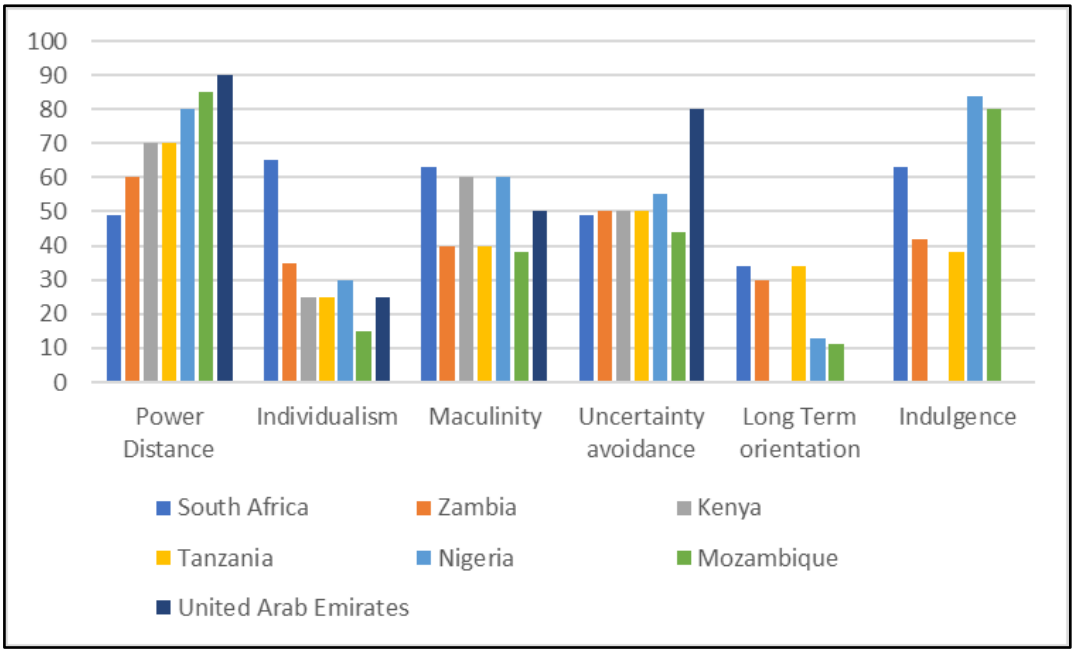

Figure 34. National culture dimensions for countries included in the data sample (The Hofstede Centre, 2017)

The vertical-horizontal distinction proved important to the conceptualisation of the individualism-collectivism construct and it is suggested that this finding changes the face of scholarship going forward in that future research operationalisation involving the individualism-collectivism cultural dimension at the individual level of analysis should use the horizontal-vertical conceptualisation. The study clearly demonstrates that there is a difference between VC and HC orientations. The fact that VC and HC moderate the relationship between ethical leadership and OCB in opposite directions confirm that consolidating vertical and horizontal collectivism into a single construct can be expected to produce misleading conclusions.

The study simultaneously included multiple cultural value orientations, namely power distance and individualism-collectivism, as advocated by Euwema et al., (2007), in order to understand potential multicollinearity issues among cultural dimensions. Although there were statistically significant correlations between power distance and the vertical dimensions of individualism-collectivism, these did not present multicollinearity problems as postulated by Euwema et al. Standard screening tests for multicollinearity were well below the recommended thresholds and did not suggest that multicollinearity may be a problem, as discussed in Section 4.7.2. The absence of statistically significant hypothesised interaction terms was more likely due to insufficient power to detect small effect sized interactions.

6.3.2 Methodological contribution

This study makes a contribution to an under-researched continent with a sample of 357 cases from a sample universe of 924 employees and their 449 focal middle managers from eight countries in Africa. The sample universe included all the employees at the selected organisation level in the host enterprise. To get a valid case, measurements had to be obtained from three independent sources. This reduced the number of valid cases in the sample. It was a significant challenge to find a willing African based multinational enterprise prepared to participate in

such a large research survey and especially related to ethical leadership. At least six enterprises declined to participate.

The study contributed methodologically by establishing measurement validity for the vertical and horizontal measures of individualism and collectivism (Singelis et al., 1995) in a new context of a diverse data sample from African emerging market countries. CFA supported all four of the dimensions as separate constructs for this context.

Through CFA, support was established in this new context for the five empirical dimensions of ethical climate, originally reported by Victor and Cullen (1987, 1988). The ethical climate dimensions were combined to form a multidimensional measure of ethical climate that more comprehensively captures the construct than previous measures used in regression studies. Construct validity was demonstrated for this multidimensional measure of ethical climate and future empirical research modelling ethical climate, either as a predictor or criterion variable, should use this operationalisation rather than the shorter unidimensional measures used before.

The study demonstrated a successful application of continuous variable moderation (Little et al., 2007) despite the methodological challenges outlined by McClelland and Judd (1993). By using the AMOS function to impute factor scores per case from a measurement model, the benefit of including measurement error in SEM was retained, but the process of calculating interaction terms was substantially simplified in the consolidated structural model (Arbuckle, 2014).

Investigating moderated mediation is relatively rare in leadership research and we suspect that this is one of the ground-breaking studies applying the Hayes (2015) index to test for linear moderated mediation. Future leadership research should increasingly explore models of moderated mediation to better understand causal mechanisms in hypotheses.

6.3.3 Practical management contribution

This research has demonstrated empirically that ethical leadership positively relates to an ethical work climate in which employees are seen to do the right thing. The strong regression coefficient (>0.6) and the observation that ethical leadership explained more than 45% of the variance in ethical climate, indicate that ethical leadership is more than likely the most important predictor of ethical climate in organisations. It would therefore make sense to direct most of the investment, allocated to nurturing employee ethical conduct, to the development of ethical leadership among the various level of managers.

The research also found that the relationship between ethical leadership and the ethical climate will be adversely impacted by high power distance orientation among employees. In Western developed economies, where most of the literature on business ethics and ethical leadership originates, individual level power distance orientation is generally low and thus ethical leadership can be expected to have a strong positive relationship with ethical climate through the mechanisms of social learning and social exchange. However, in many emerging economies where individual level power distance orientation can be expected to be high, the relationship between ethical leadership and ethical climate will be weakened due to the weaker effect of social learning. This is discussed in Section 5.10 and has a significant management implication for multinationals operating in emerging markets, in terms of getting employees to internalise ethical codes of conduct in order to create a consistent ethical climate throughout the enterprise.

The research confirmed that ethical leadership is an effective form of leadership with positive relationships between ethical leadership and OCB and ethical leadership and performance. The relationship between ethical leadership and performance is partially mediated by OCB. When leaders are encouraged to display ethical leadership by behaving with integrity and acting fairly and considerately towards followers, employees respond by performing tasks that are beneficial to the organisation, even beyond their work responsibilities, as well as improving their own task performance. By confirming the above relationships, this research study makes a practical management contribution by demonstrating

that ethical leadership is not just the right thing to do from a governance point of view, but that ethical leadership can also improve employee performance for both in role performance and beyond role behaviour. This study supports the finding by Wang et al. (2017) that treating employees with dignity and respect can enhance firm performance.

The study further contributes by showing that individual cultural value orientations of employees are likely to change the key relationship between ethical leadership and OCB. Horizontal-collectivist oriented employees can be expected to react more favourably to ethical leadership and the relationship between ethical leadership and OCB will be strengthened. Horizontal-individualist oriented and vertical-collectivist orientated employees can be expected to react less favourably to ethical leadership and the relationship between ethical leadership and OCB will be weakened.

The results from the study will be useful to leaders of multinational enterprises who want to create ethical climates and instil effective ethical leadership practices across different countries and cultural groups. The findings from this study can be used to guide organisations on how to coach and develop leaders to take into account the effect of individual level culture differences in the process of establishing more effective ethical leadership in their organisations.

6.3.4 Theoretical implications

The constructs of individualism and collectivism have received attention at different levels of analysis and there has often been confusion in the literature (Klein, Dansereau, & Hall, 1994). It has also been argued that there is conceptual overlap across the levels of analysis for the constructs of individualism and collectivism (Schwartz, 1994). Schwartz also reasoned that the appropriate level of analysis depends on the type of research question. In this study, the interest was specifically on how followers would respond to ethical leadership. It was suggested that the effect of leadership essentially comes down to how individuals react to the specific type of leadership. Smith and Schwartz (1997) suggest that the level of analysis should be the same as that where the phenomenon occurs.

So, although studies have measured the effect of leadership at group levels, these are really aggregations of how groups of individuals behave. The decision, consciously or subconsciously, as to how to behave in response to leadership is taken by an individual. Therefore, individual level cultural value orientations of followers are important to the effect of leadership. This study has shown that individual level cultural value orientations can indeed change the effect of specifically ethical leadership on follower behaviour. Therefore, followers matter and individual level cultural value orientation should be taken into account in leadership research and theory development going forward. This study contributes to ethical leadership scholarship by providing some empirical support for the call by Avolio (2007) to include the follower and context in leadership research.

The vertical dimensions of individualism-collectivism are distinct from power distance orientation. Although VC and HC are correlated with power distance orientation the constructs exhibited adequate discriminant validity. The difference between the VC and power distance orientation constructs was further highlighted by the finding that VC positively moderated the relationship between ethical leadership and ethical climate while power distance orientation negatively moderated the same relationship. The two cultural orientations moderated the relationship in opposite directions.

6.3.5 Management implications

As business increases its influence on society it becomes viewed as an important societal institution across the globe. Behaviour of business and specifically its leaders has significant consequences for the future and wellbeing of society (Greenwood & Freeman, 2017). Business therefore has great responsibility to conduct itself in a manner that requires ethical leadership. An increasing sense of responsibility and concern about society was detected among leaders in recent research (Eisenbeiss & Brodbeck, 2014). For effective ethical leadership to take place leaders must exhibit key characteristics that determine the effectiveness of the social learning process though which ethical leadership influences employee

outcomes. Leaders must be seen as a credible role models who practice what they preach. They should also demonstrate care and concern and treat others with respect. Employee attention must be steered to appropriate behaviour by accentuating the importance of ethical behaviour above the background of corporate communications.

Organisations need to be aware that there will be differences in the cultural value orientations of employees and the differences will most likely be more pronounced for organisations that operate in different countries. Cultural value orientations of followers will impact the effectiveness of ethical leadership differently depending on the particular orientation of the individual follower. This suggests that the ethical leadership approach should be adjusted to take account of individuals' particular orientations. Messages and behaviour should be positioned such that an enhanced sense of social identity is created with individuals who have horizontal-individualist or vertical-collectivist orientations, because their inherently low level of social identity weakens the social learning effect of ethical leadership, most notable in terms of OCB.

Cultural value orientations are deep rooted and individuals may not even be aware of their cultural value orientations. This means that cultural value orientations cannot easily be changed if at all. Organisations need to work with the diversity of cultural orientations among their staff. By understanding what role these cultural value orientations play in responding to leadership and potentially other aspects of the orientation messaging can be adjusted to hit the appropriate motivation triggers (Eisenbeiss & Brodbeck, 2014).

Ethical conduct is important and is becoming more visible in organisations. Lapses in ethical behaviour can be very costly both in financial terms due to fines and litigation but also in reputational damage. Recent cases of issues at Barclays, Deutsche Bank and Volkswagen are examples. Creating an ethical climate has been shown to reduce the occurrence of unethical behaviour. Selecting and developing managers who demonstrate high levels of integrity and conduct their day-to-day activities in an ethical manner instead of serving self-interest and

exploiting others is crucial. However, merely being a moral person is not adequate to influence employees and create an ethical climate. Leaders must also be moral leaders to display ethical leadership. They need to communicate appropriate behaviour expectations and keep employees accountable for their behaviour by rewarding appropriate behaviour and punishing inappropriate behaviour. However, in situations where employees are characterised by high power distance orientation, often associated with emerging economies, the effect of ethical leadership will be weakened. This means that employees experience and accept a hierarchical culture in which there is significant vertical power. This may be due either to a background culture in the country or it may be specific to the organisation. To create ethical climates in organisations under such circumstances, organisational leaders should explore additional approaches, over and above encouraging ethical leadership, to compensate for the negative moderation effect of power distance orientation. In such situations, organisations should consider applying some of the lessons from the work by Mayer et al. (2009), who examined how ethical leadership impact flows down the organisation levels, and Schaubroeck et al. (2012), who examined how both leadership and culture relate to ethical cognitions and behaviours within organisational levels.

6.4 LIMITATIONS OF THE STUDY

The study has some notable strengths. Data were collected from distinct sources which helped to reduce potential problems associated with common method bias (Podsakoff et al., 2012). Performance was measured by using company provided objective performance data. Prior research has shown that objective performance and subjective performance ratings cannot be equated (Bommer, Johnson, Rich, Podsakoff, & MacKenzie, 1995). This study investigated ethical leadership in a new context of an African emerging market data sample. However, the study also has some limitations.

First, the cross-sectional survey research design is limited in that causality cannot be inferred. It is possible that for example OCB drives perceptions of ethical leadership or an ethical climate drives perceptions of ethical leadership. This is considered unlikely but future experimental or time-lagged research designs

would be beneficial. The sample is also limited in terms of only catering for the leader-follower dyad linkage (Yammarino & Dansereau, 2008) since the study focus was on interaction with employee characteristics at the individual leadership level. This precluded the evaluation of team effects or inter-country cultural differences as possible sources of noise that might be masking significant interactions. There was not enough response per country to do a multilevel country analysis.

Second, a limitation of the study is the use of perceptual measures for study variables. This, however, is unavoidable in studies that focus on individual perception of organisational phenomena and the interest in this case was specifically in perceptions of individual employees.

Third, the potential for social desirability to bias the survey results is a limitation. Social desirability is more problematic when sensitive topics such as business ethics are being researched (Randall & Fernandes, 1991). Social desirability was addressed in the study by asking respondents to report on the extent to which they observe behaviour in others rather than their own. Social desirability bias is more likely to influence self-reports than reports of others' behaviour. Respondents were also told that they would remain completely anonymous. This was in line with Randall and Fernandes' suggestion that anonymity is an important way to reduce the effect of social desirability bias in ethics-related surveys. However, having the employee rate the ethical leadership, the ethical climate and power distance is a limitation as a leader-halo effect might bias these ratings if leader liking is high.

Fourth, a limitation of the study is that it only deals with two cultural dimensions. This is nevertheless an important step forward in developing and validating an understanding of the impact of individual cultural values on the effect of ethical leadership. Studies that have investigated moderating effects on other leadership constructs have tended to include only one cultural dimension at a time (Kirkman et al., 2009).

Fifth, the study deals with only one company, in one industry sector, thus limiting generalisation to other business sectors. However, the sampling diversity across countries and associated impact on individual cultural values is expected to provide enough variance in the study variables to meet the study objectives.

Sixth, the predictor variable and some moderator variables exhibited non-normal negatively skewed distributions, but the skewness was within accepted limits. As discussed in Section 4.7.4 this is fairly typical for business studies using field data. Bootstrapping with normal theory MLS estimation was used to deal with the non-normally distributed data (Kline, 2011).

Seventh, although the data collection was designed to reduce common method variance and the measurement model was tested for common method bias by including a common latent factor, there may be some conceptual overlap between constructs, especially the vertical dimensions of individualism-collectivism and power distance. Adequate discriminant validity between constructs in the measurement model did not however suggest a problem.

Eight, the horizontal-individualism scale (HI) had an alpha of 0.623 which is less than the desirable 0.7, but it was above 0.6 typically used as a minimum. It seems that the HI scale tended to suffer from low reliability, since Singelis et al. (2010) reported an alpha of 0.67 which was also below 0.7.

6.5 RECOMMENDATIONS FOR FUTURE RESEARCH

This study investigated the effect of follower cultural value orientation on the relationship between ethical leadership and employee behaviours, but the cultural orientation of the leader may also play a role and this is something that could be explored in future research (Jung & Avolio, 1999).

Culture orientation is one follower characteristic that was shown to influence ethical leadership effectiveness. It might be interesting to investigate other follower characteristics such as maturity (Bass & Bass, 2008) in future research.

Especially with millenniums entering the work environment and presenting different characteristics.

This study used the ELS (Brown, Trevino, & Harrison, 2005) as a measurement scale for ethical leadership on the basis that it is a unidimensional measurement and its widespread use by other researchers. It might however be informative to compare the content validity and predictability of the different measures of ethical leadership proposed in the literature: Brown et al. (2005), Kalshoven et al. (2011), and Yukl et al. (2013) and to test them against the types of criticism expressed by van Knippenberg and Sitkin (2013) about charismatic-transformational leadership.

The cross-sectional research design has the limitation in that causality can not be inferred even though criterion and predictor measurements were from different sources and taken at different times. To establish causality between ethical leadership and employee outcomes, future studies should consider experimental or longitudinal research designs instead of cross-sectional survey research designs. As the state of ethical leadership scholarship matures, future studies might involve longitudinal studies or statistical methods that allow causality to be inferred in order to understand causality as suggested in the concept evolution framework postulated by Reichers and Schneider (1990).

There is also a need to replicate the model and relationships found in this research study with a different data set to improve the generalisability of the results.

The social cognitive theory agentic influence arguments, explaining the impact of cultural value orientations on the relationships between ethical leadership and employee outcomes, relied on assumptions about the strength of collective and self-efficacy as well as social identity with the group typically associated with the specific culture value construct. These assumptions were based on literature characterising the cultural orientations. However, future research that additionally measure and include these variables explicitly in the structural equation models

should extend the scholarship by empirically confirming the explanation mechanism. Several authors have examined the effect of organizational identification on the relationship between ethical leadership and behaviours (Gerpott, Van Quaquebeke, Schlamp, & Voelpel, 2017; Meleady & Crisp, 2017) and demonstrated that isentification has an impact on the relationships, opening the opportunity to link the identification with follower characteristics.

Future studies could explore the effect of organisational culture dimensions identified by O'Reilly, Chatman, and Caldwell (1991) on the perception of ethical leadership. Organisational climate was not included in this study and controlled for by using a single multinational enterprise.

6.6 CONCLUSION

This study was positioned against a background of an increasing stakeholder mindset with regard to business governance and the separation thesis positing that business and ethics are inseparable. The findings from this study suggest that ethical leadership has the potential to impact enterprise performance, not only by creating an ethical climate, but also through the positive relationship with employee task performance and OCB. These relationships have been confirmed by this study at the individual level of analysis. If ethical leadership were to be widely practiced in an enterprise there exists an opportunity for aggregation of individual performance to enhance overall enterprise performance. Hence, ethics is not only linked to business, but good ethics encouraged through ethical leadership can actually boost business performance. By encouraging managers to step up from being moral persons to being moral leaders as well, ethical leadership can improve individual performance and if this is aggregated the overall performance of the business may also improve. However, in order to achieve this in a multinational enterprise, with a diverse employee base, the cultural value orientations of individuals need to be considered and the effect that these cultural orientations are likely to have on the effectiveness of ethical leadership needs to be taken account of by coaching leaders to modify their rendition of ethical leadership.

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APPENDICES

APPENDIX A – Measuring scale for Ethical Leadership

The Ethical Leadership Scale (ELS) measures the perceived ethical leadership displayed by the supervisor as rated by the follower and was developed by Brown, Trevino, and Harrison (2005).

Ratings are obtained from employees using the rating scale:

1	Strongly Disagree
2	Mostly Agree
3	Somewhat Disagree
4	Neither Agree nor Disagree
5	Somewhat Agree
6	Mostly Agree
7	Strongly Agree

and items are preceded by the stem:

My manager…

1. Conducts his/her personal life in an ethical manner
2. Defines success not just by results but also the way that they are obtained
3. Listens to what employees have to say
4. Disciplines employees who violate ethical standards
5. Makes fair and balanced decisions
6. Can be trusted
7. Discusses business ethics or values with employees
8. Sets an example of how to do things the right way in terms of ethics
9. Has the best interests of employees in mind
10. When making decisions, asks “What is the right thing to do? “

APPENDIX B – Measuring scale for Organisational Citizenship Behaviour (OCB)

The selected organisational citizenship behaviour scale was developed by Podsakoff, MacKenzie, Moorman, and Fetter (1990) and reported in Kirkman, Chen, Farh, Chen, and Lowe (2009).

Ratings are obtained from supervisors using the scale:

To what extent are the following statements true

1	Completely False
2	Mostly False
3	Somewhat false
4	Neither True nor False
5	Somewhat True
6	Mostly True
7	Completely True

and items are preceded by the stem:
"This employee …"

1. has work attendance that is above the norm (conscientiousness item)
2. does not take extra breaks (conscientiousness item)
3. obeys company rules and regulations even when no one is watching (conscientiousness item)
4. is one of my most conscientious employees (conscientiousness item)
5. believes in giving an honest day's work for an honest day's pay (conscientiousness item)
6. consumes a lot of time complaining about trivial matters (reversed scored, sportsmanship item)
7. always focuses on what's wrong, rather than the positive side (reversed scored, sportsmanship item)
8. tends to make "mountains out of molehills" (reversed scored, sportsmanship item)

9. always finds fault with what the organisation is doing (reversed scored, sportsmanship item)
10. is the classic “squeaky wheel” that always needs greasing (reversed scored, sportsmanship item)
11. attends meetings that are not mandatory, but are considered important (civic virtue)
12. attends functions that are not required, but help the company image (civic virtue)
13. keeps abreast of changes in the organisation (civic virtue)
14. reads and keeps up with organisation announcements, memos and so on (civic virtue)
15. take steps to try and prevent problems with other workers (courtesy item)
16. is mindful of how his/her behaviour affects other people's jobs (courtesy item)
17. does not abuse the rights of others (courtesy item)
18. tries to avoid creating problems for co-workers (courtesy item)
19. considers the impact of his/her actions on co-workers (courtesy item)
20. helps others who have been absent (altruism item)
21. helps orient new people even though it is not required (altruism item)
22. helps others who have heavy workloads (altruism item)
23. willingly helps others who have work-related problems (altruism item)
24. is always ready to lend a helping hand to those around him/her (altruism item)

APPENDIX C – Measuring scale for Ethical Climate

The selected ethical climate measure is the ethical climate questionnaire developed by (Cullen, Victor, & Bronson, 1993).

"We would like to ask you some questions about the general climate in your company. Please answer the following in terms of how it really is in your company, not how you would prefer it to be. Please be as candid as possible; remember all your responses will remain strictly anonymous. Please indicate whether you agree with each of the following statements about your company by using the scale below and write the number which best represents your answer in the space next to each item.

To what extent are the following statements true about your company?

1 Completely False
2 Mostly False
3 Somewhat false
4 Neither True nor False
5 Somewhat True
6 Mostly True
7 Completely True

1. In this company, people are mostly out for themselves.
2. The major responsibility for people in this company is to consider efficiency first.
3. In this company, people are expected to follow their own personal and moral beliefs.
4. People are expected to do anything to further the company's interests.
5. There is no room for one's own personal morals or ethics in this company.
6. It is very important to follow strictly the company's rules and procedures here.
7. Work is considered sub-standard only when it hurts the company's interests.

8. Each person in this company decides for himself what is right and wrong.
9. In this company, people protect their own interest above other considerations.
10. The most important consideration in this company is each person's sense of right and wrong.
11. The most important concern is the good of all the people in the company.
12. The first consideration is whether a decision violates any law.
13. People are expected to comply with the law and professional standards over and above other considerations.
14. Everyone is expected to stick to company rules and procedures.
15. In this company, our major concern is always what is best for the other person.
16. People are concerned with the company's interests to the exclusion of all else.
17. Successful people in this company go by the book.
18. The most efficient way is always the right way, in this company.
19. In this company, people are expected to strictly follow legal or professional standards.
20. Our major consideration is what is best for everyone in the company.
21. In this company, people are guided by their own personal ethics.
22. Successful people in this company strictly obey the company policies.
23. In this company, the law or ethical code of their profession is the major consideration.
24. In this company, each person is expected, above all, to work efficiently.
25. It is expected that you will always do what is right for the customer and public.

APPENDIX D – Measuring scale for Idiocentrism and Allocentrism

The scale for measuring individualism and collectivism was formulated by Singelis, Triandis, Bhawuk, and Gelfand (1995).

Employees rate their beliefs by responding to the statements below with a rating on a Likert-type scale:

1	Strongly Disagree
2	Mostly Agree
3	Somewhat Disagree
4	Neither Agree nor Disagree
5	Somewhat Agree
6	Mostly Agree
7	Strongly Agree

Horizontal individualism (H-I)

1. I often do “my own thing”
2. One should live one's life independently of others
3. I like my privacy
4. I prefer to be direct and forthright when discussing with people
5. I am a unique individual
6. What happens to me is my own doing
7. When I succeed, it is usually because of my abilities
8. I enjoy being unique and different from others in many ways

Vertical individualism (V-I)

1. It annoys me when other people perform better than I do
2. Competition is a law of nature
3. When another person does better than I do, I get tense and annoyed
4. Without competition, it is not possible to have a good society
5. Winning is everything
6. It is important that I do my job better than others
7. I enjoy working in situations involving competition with others
8. Some people emphasise winning; I am not one of them

Horizontal collectivism (H-C)

1. The well-being of my co-workers is important to me
2. If a co-worker gets a prize, I would feel proud
3. If a relative were in financial difficulty, I would help within my means
4. It is important to maintain harmony within my group
5. I like sharing little things with my neighbours
6. I feel good when I cooperate with others
7. My happiness depends very much on the happiness of those around me
8. To me, pleasure is spending time with others

Vertical collectivism (V-C)

1. I would sacrifice an activity that I enjoy very much if my family did not approve of it
2. I would do what would please my family, even if I detested that activity
3. Before taking a major trip, I consult with most members of my family and my friends
4. I usually sacrifice my self-interest for the benefit of my group
5. Children should be taught to place duty before pleasure
6. I hate to disagree with others in my group
7. We should keep our ageing parents with us at home
8. Children should feel honoured if their parents received a distinguished award

APPENDIX E – Measuring scale for Power Distance Orientation

The scale for measuring Power Distance Orientation was developed by Earley & Erez (1997).

All items are assessed on a 7 point Likert-type scale.

1	Strongly Disagree
2	Mostly Agree
3	Somewhat Disagree
4	Neither Agree nor Disagree
5	Somewhat Agree
6	Mostly Agree
7	Strongly Agree

1. In most situations, managers should make decisions without consulting with subordinates.
2. In work-related matters, managers have a right to expect obedience from their subordinates.
3. Employees who often question authority sometimes keep their managers from being effective.
4. Once a top-level executive makes a decision, people working for the company should not question it.
5. Employees should not express disagreements with their managers.
6. Managers should be able to make the right decisions without consulting with others.
7. Managers who let their employees participate in decisions lose power.
8. A company's rules should not be broken, not even when the employee thinks it is in the company's best interest.

APPENDIX F – Definitions of key terms

Ethical leadership: The social scientific construct defined 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" proposed by Brown, Trevino, and Harrison (2005) has since been accepted and cited by numerous authors, amongst others Mayer, Kuenzi, and Greenbaum (2010, p. 8), Neubert, Carlson, Kacmar, Roberts, and Chonko (2009, p. 158), Shin (2012, p. 301) and Walumbwa, Morrison and Christensen (2012, p. 953).

Organisational Citizenship Behaviour (OCB): OCB draws on Chester Barnard's concept of the "willingness to cooperate" (Barnard, 1938) and has been defined by Organ (1988, p. 4) as:

> individual behaviour that is discretionary, not directly or explicitly recognised by the formal reward system, and that in the aggregate promotes the effective functioning of the organisation. By discretionary, we mean that the behaviour is not an enforceable requirement of the role or the job description, that is, the clearly specifiable terms of the person's employment contract with the organisation; the behaviour is rather a matter of personal choice, such that its omission is not generally understood as punishable.

Cultural value orientations: Cultural value orientations are individually held cultural values and beliefs and are expected to play an important role in how employees react to aspects of their work (Kirkman, Lowe, & Gibson, 2006).

Idiocentrism and Allocentrism; Triandis, Leung, Villareal, and Clack (1985) proposed that the individual level measurement of individualism-collectivism should be called idiocentrism and allocentrism. This terminology recognises that there could be idiocentrics within collectivist cultures and allocentrics within individualistic cultures. Idiocentrics view the individual as the most basic unit of

social perception and give priority to individual over group goals (Triandis, 1995). Allocentrics emphasise the importance of the group or organisation interests at the expense of individual goals and their achievement motivation is socially oriented (Triandis, 1995).

Power distance orientation: The cultural dimension of power distance is defined as the extent to which people accept that power in institutions and organisations is distributed unequally (Hofstede, 2001). The term power distance orientation is used to indicate the construct of power distance at the individual level of analysis and to distinguish it from power distance at the country level of analysis (Kirkman, Chen, Farh, Chen, & Lowe, 2009).