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Ethical leadership and employee success: Examining the roles of psychological empowerment and emotional exhaustion

Scott B. Dust^{a,*}, Christian J. Resick^b, Jaclyn A. Margolis^c, Mary B. Mawritz^b,
Rebecca L. Greenbaum^d

^a Miami University, Farmer School of Business, Oxford, OH 45056, United States

^b Drexel University, LeBow College of Business, Philadelphia, PA 19104, United States

^c Pepperdine University, Graziadio School of Business, Los Angeles, CA 90045, United States

^d Oklahoma State University, Spears School of Business, Stillwater, OK 74074, United States

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ABSTRACT

The current study aims to advance ethical leadership theory and research in two ways. First, we propose that psychological empowerment is a comprehensive motivational mechanism linking ethical leadership with employee current in-role success and future success potential. Second, we propose that employee emotional exhaustion is a disruptive psychological state that dampens the empowering effects of ethical leaders. Findings from two field studies illustrate that emotional exhaustion impairs the motivational efforts of ethical leaders by attenuating the direct effects on psychological empowerment and the indirect effects on employees' current success and success potential. Theoretical and practical implications are discussed.

Introduction

For decades, management researchers have argued that organizational leaders promote a competitive advantage for their organizations by not only managing financial performance, but also by instilling ethical principles into the workplace (Barnard, 1938; Baumhart, 1961; Hitt & Ireland, 1999; Mautz & Sharaf, 1961). However, in an era demanding immediate financial returns (Knights & O'Leary, 2006), there are a remarkable number of high profile cases that demonstrate a “profit at any cost” mentality whereby leading ethically is of secondary concern to leading profitably (Greenbaum, Mawritz, & Eissa, 2012; Wolfe, 1988). In contrast to this mentality, Brown and colleagues proposed that ethical leadership, 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” (Brown, Treviño, & Harrison, 2005; p. 120), is an integrity-based, transactional approach to leadership that not only promotes ethical accountability, but also motivates employees to engage in behaviors that drive long-term organizational success (Brown et al., 2005; Brown & Treviño, 2006).

Despite the notion that ethical leaders model behaviors that are valued in the organization and champion the interests of their

employees, extant research on the linkages with employee success has primarily focused on current in-role performance (i.e., completing assigned duties: Williams & Anderson, 1991) (e.g., Piccolo, Greenbaum, Hartog, & Folger, 2010; Walumbwa et al., 2011), ignoring the employee's potential to achieve future success. This oversight is important as ethical leaders are thought to take a genuine interest in the potential of their employees (Kalshoven, Den Hartog, & De Hoogh, 2011). Likewise, their integrity-based, transactional approach to leadership encourages employees to be responsible stewards of the organization who consider the longer-term implications of how they conduct business, not just the bottom-line results of their efforts (Brown & Treviño, 2006; Den Hartog, 2015; Thomas, Schermerhorn, & Dienhart, 2004). Therefore, in the current study we examine employee success not only through the lens of current in-role performance but also future success potential.

Prior studies have illustrated that employee motivation in the form of perceived meaning and task significance, self-efficacy, identification, effort, and initiative play a role in understanding the performance-related effects of ethical leaders (Den Hartog, 2015; Den Hartog & Belschak, 2012a; Piccolo et al., 2010; Walumbwa et al., 2011). However, these mechanisms provide a narrow perspective on the motivational effects of ethical leaders by focusing on specific cognitions targeted at the employee's current role. In contrast, by encompassing

* Corresponding author.

E-mail addresses: dustsb@miamioh.edu (S.B. Dust), cresick@drexel.edu (C.J. Resick), jmargoli@pepperdine.edu (J.A. Margolis), meb359@drexel.edu (M.B. Mawritz), Rebecca.greenbaum@okstate.edu (R.L. Greenbaum).

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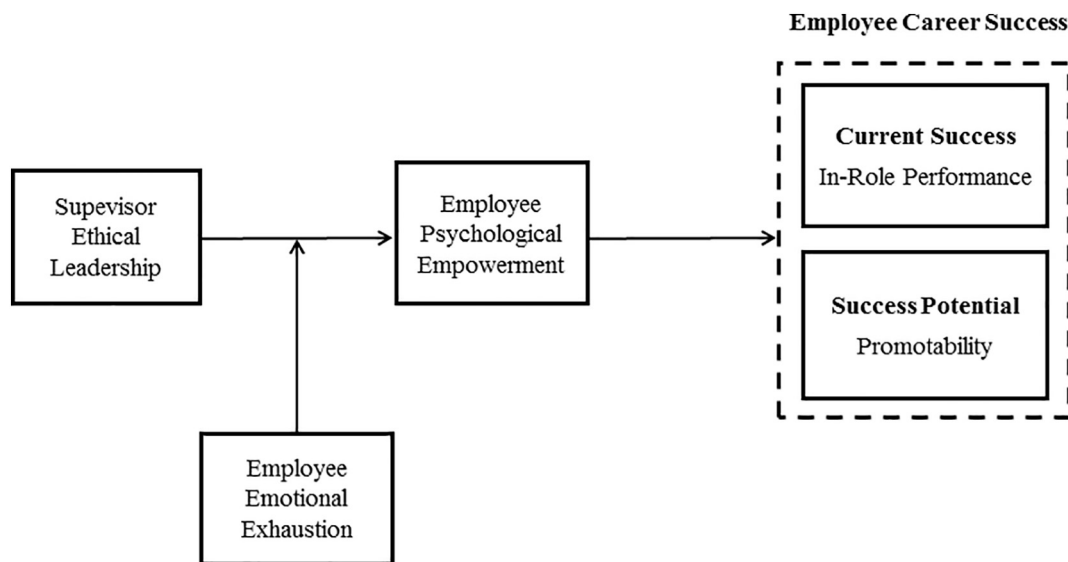


Fig. 1. Hypothesized model of the relationships between ethical leadership, employee psychological empowerment, current success, and success potential, and the moderating role of the emotional exhaustion.

cognitions regarding personal competence, determination, and the meaning and impact of work (Spreitzer, 1995; Thomas & Velthouse, 1990), psychological empowerment is an integrative, active-oriented form of motivation that is a key driver of employees' immediate success and longer-term impact (Maynard, Gilson, & Mathieu, 2012; Seibert, Wang, & Courtright, 2011; Zhang & Bartol, 2010). As explained by Spreitzer (1995), psychological empowerment entails “an active, rather than a passive, orientation to a work role...an orientation in which an individual wishes and feels able to shape his or her work role and context” (p. 1444). Therefore, the first aim of the current study is to examine the role of psychological empowerment as a comprehensive motivational mechanism linking ethical leadership with employee in-role performance and future success.

In conceptualizing ethical leadership, Brown et al. (2005) drew on social learning theory (Bandura, 1977; Bandura, 1986) to suggest that ethical leaders influence their employees through observational learning, in which employees learn vicariously by observing ethical leaders' behaviors and their consequences (Bandura, 1977; Bandura, 1986). Similarly, we suggest that ethical leaders influence their employees' psychological empowerment through social learning processes. In addition, we draw on social learning arguments regarding the important role of psychological states to investigate the influence of employee emotional exhaustion on the social learning effects of ethical leadership. Social learning theory suggests that the psychological states of the influence recipients are central to the social learning because they “determine which external events will be observed, how they will be perceived, [and] whether they leave any lasting effects” (Bandura, 1977, p. 160). Psychological states that entail diminished cognitive functioning may therefore impair one's ability to attend to, process, and act upon ethical leaders' role modeling efforts (Brown et al., 2005). However, little empirical attention has been given to the role of recipients' psychological states in prior social learning theory research in general (Davis & Luthans, 1980) and especially within the context of ethical leadership.

Demanding aspects of work can induce psychological strain, taxing employees' cognitive, emotional, and physical resources (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001; Hobfoll, 2001). This has implications for SLT given that neurological (McEwen & Sapolsky, 1995; Sapolsky, 1996) and psychological (Marin et al., 2011; Van Laethem et al., 2015) research illustrates that strain significantly hampers the ability to internalize, process, and utilize information. In order to investigate the role of psychological states in ethical leadership social

learning processes, we evaluate emotional exhaustion (i.e., feeling emotionally overextended and exhausted from one's work: Wright & Cropanzano, 1998) and suggest that it is likely to weaken the motivational effects of ethical leaders. As such, the second aim of the current study is to determine whether employee emotional exhaustion functions as a boundary condition that neutralizes the motivating effects of ethical leadership.

In sum, the purpose of the current study is two-fold. First, we seek to address the question: *Are the empowering effects of ethical leaders a driver of employee success—both current success and success potential?* Second, we seek to address the question: *Does employee emotional exhaustion disrupt the empowering effects of ethical leadership on employee success?* By investigating these research questions, our study contributes to ethical leadership theory and research in two ways. First, our study demonstrates the utility of psychological empowerment as an integrative and active-oriented motivational mechanism for understanding the relationship between ethical leadership and employee current in-role performance and future success potential. Importantly, we establish the incremental value of ethical leadership and psychological empowerment by controlling for the effects of charismatic leadership, interpersonal and informational justice, and employee organizational identification. Second, we demonstrate that employee emotional exhaustion is a critical psychological state that neutralizes the motivational effects of ethical leaders and may prove to be an important boundary condition on the influence of ethical leadership. See Fig. 1 for a model overview.

The empowering influence of ethical leadership on employee success

By being both a moral person and a moral manager (Brown & Treviño, 2006; Treviño, Hartman, & Brown, 2000), ethical leaders build legitimacy as credible role models whose actions are worthy of emulation (Brown & Mitchell, 2010). As moral people, ethical leaders are fair and honest, are guided by internal ethical principles, act with integrity, and demonstrate consideration and respect for others; as moral managers, ethical leaders establish ethical expectations, hold themselves and their employees accountable, and make decisions that reflect the best interests of their employees and their organizations (Brown et al., 2005; Den Hartog, 2015; Eisenbeiss, 2012; Gini, 1997; Kanungo & Mendonca, 1996; Resick et al., 2011; Treviño, Brown, & Hartman, 2003). Importantly, ethical leaders are thought to be values-based, people-oriented leaders (Brown et al., 2005; Treviño et al., 2003) who

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