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## Outcomes of ethical leadership among salespeople

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## ABSTRACT

The study of ethical leadership has gained importance in recent years given the number of business scandals involving corporate leaders. This study, using a sample of 331 salespeople, expands upon prior research by examining how ethical leadership influences several important job outcomes (perceived organizational fit, organizational identification, and organizational citizenship behavior) that have seldom been included in previous studies. The results indicate that ethical leadership directly influences salespersons' perception of the degree to which their values fit with the organization's values, their willingness to engage in extra-role behavior, organizational identification, and turnover intentions. The results show that ethical leaders positively influence employees' job attitudes and behaviors.

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## 1. Introduction

Recently Mayer, Aquino, Greenbaum, and Kuenzi (2012) posed an important question: "What effect does leadership have on the behavior of followers?" (p. 151). They pose the question with respect to antecedents and consequences of ethical leadership. Unethical leadership behavior costs corporations billions of dollars each year (Detert, Treviño, Burris, & Andiappan, 2007). Some of the most terrible ethical scandals are caused by the leaders of organizations (Hansen, Alge, Brown, Jackson, & Dunford, 2013). The number of business scandals involving senior corporate executives during the last decade (e.g., Enron, Worldcom, General Motors) shows the importance of addressing the question about how leadership influences subordinates' behavior.

Organizational leaders have a primary role in establishing ethical guidelines and behavior. They influence subordinates' behavior by rewarding ethical behavior and punishing unethical behavior (Brown & Mitchell, 2010). While prior research examines job outcomes of various theories of leadership (e.g., transformational leadership, charismatic leadership, leader–member exchange), recently, a growing number of studies (e.g., Brown, Treviño, & Harrison, 2005; Hansen et al., 2013; Kacmar, Andrews, Harris, & Tepper, 2013; Mayer et al., 2012; Neubert, Wu, & Roberts, 2013) examine various outcomes of ethical leadership. These studies report that ethical leadership leads to a variety of positive outcomes (Brown et al., 2005; Detert et al., 2007; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009). While research reports a variety of outcomes arising from ethical leadership, two potential important outcomes, perceived organizational fit (P–O fit) and organizational identification, have received little attention. According to Brown and

Mitchell (2010), virtually no research has investigated the relationship between P–O fit and either ethics or ethical leadership, although a few studies link P–O fit to other leadership theories such as transformational leadership (Chi & Pan, 2012; Guay, 2013), service leadership (Jaramillo, Grisaffe, Chonko, & Roberts, 2009), and leader–member exchange (Sluss & Thompson, 2012). In addition, while research has examined leadership style and its influence on ethical behavior among sales personnel, a recent review of the literature lists no study specifically examining the influence of ethical leadership in a sales environment (McClaren, 2013).

P–O fit examines the similarity between the organization's culture and employees' personal values (Cable & DeRue, 2002). It is an important element in achieving and maintaining an effective workforce. For example, research shows that P–O fit is related positively to important job outcomes such as organizational commitment, job satisfaction, and related negatively to turnover intentions (e.g. Cable & DeRue, 2002; Hoffman & Woehr, 2006; Kristoff-Brown, Zimmerman, & Johnson, 2005). Understanding what influences subordinates' perception of fit is just as important as understanding the outcomes of P–O fit. For example, according to Schneider's (1987) and Schneider, Goldstein, and Smith's (1995) attraction–selection–attrition (ASA) theoretical framework, people will seek to work in an organization with people who are similar to them. Employees who possess high ethical values will want to work in an organization whose leaders possess these same ethical values. Thus, investigating the relationship between ethical leadership and P–O fit appears to be very important.

An abundance of research also examines antecedents and outcomes of organizational identification (e.g., He & Brown, 2013; Riketta, 2005; Wieseke, Kraus, Ahearne, & Mikolon, 2012). Organizational identification is important because people who identify with the organization adopt the organization's characteristics, creating a desire to behave in

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its best interest (Ashforth & Mael, 1989; Van Knippenberg & Ellemers, 2003). Brown and Mitchell (2010) state that “investigating the role of ethical and unethical leadership is critical to organizational identification research” (p. 600). However, a search of the literature shows only one study specifically linking ethical leadership to organizational identification (Walumbwa et al., 2011). Intuitively, ethical leadership should be related to employees' organizational identification. Leaders influence followers' identities (Avolio, Walumbwa, & Weber, 2009) and their attitudes and behaviors (Yukl, 2010). Employees who possess high ethical values should identify highly with an organization whose leaders are viewed as being fair, trustworthy, and willing to discipline individuals for behaving unethically. But, more research is needed to understand the relationship between organizational identification and ethical leadership.

The purpose of this study is to extend prior research by examining the relationship between ethical leadership and various job-related outcomes. The study makes several important contributions to existing theory and research. First, it expands the understanding of social learning theory by examining how ethical leadership influences salespersons' perception of the degree to which they fit with the organization's goals and values. The negative publicity surrounding various business scandals shows the importance of organizations having ethical leaders. As proposed by Schneider (1987), people possessing high ethical values should be attracted to organizations whose leaders have these same values. Congruency should exist regarding the interests and personality of both parties. In other words, if organizations want to establish an ethical work climate, they need to hire and retain employees who possess high ethical values. Organizational leaders are in a position to hire and retain employees who fit with a culture emphasizing ethical values. However, no research has tested this assumption.

Second, since only one study has examined the relationship between ethical leadership and organizational identification more research is needed to understand the relationship between these two important variables. For example, organizational identification can lead to positive work attitudes and behaviors (Riketta, 2005). But it can also have a “dark” side. Employees with a high degree of organizational identification may sometimes behave unethically, if that behavior benefits the organization (Umphress, Bingham, & Mitchell, 2010). This situation may be particularly relevant to salespeople who often work without direct supervision and are under pressure to achieve quota.

Third, the relationship between ethical leadership and turnover intentions will be investigated. The costs of turnover are about 200% of the employee's salary (Griffeth & Hom, 2001). The costs of turnover are especially high among salespeople. For example, the costs of recruiting, interviewing, and hiring new salespeople are between \$75,000 and \$300,000 per salesperson (Sandler Training, 2012). Thus, understanding the reasons for salesforce turnover and reducing it is very important. While prior research shows that other forms of leadership influence the turnover process (e.g., Gerstner & Day, 1997; Hughes, Avey, & Nixon, 2010; Jaramillo et al., 2009; Morrow, Suzuki, Crum, Ruben, & Pautsch, 2005; Schyns & Schilling, 2013), no study examines the relationship between ethical leadership and turnover intentions. Given the high costs of turnover especially among salespeople, a need exists for understanding how ethical leadership influences employee turnover intentions either directly or indirectly through other variables.

The model is presented in Fig. 1. Support for the hypothesized relationships is provided in the literature review.

## 2. Conceptual framework and hypotheses

### 2.1. Ethical leadership

Ethical leadership is 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-

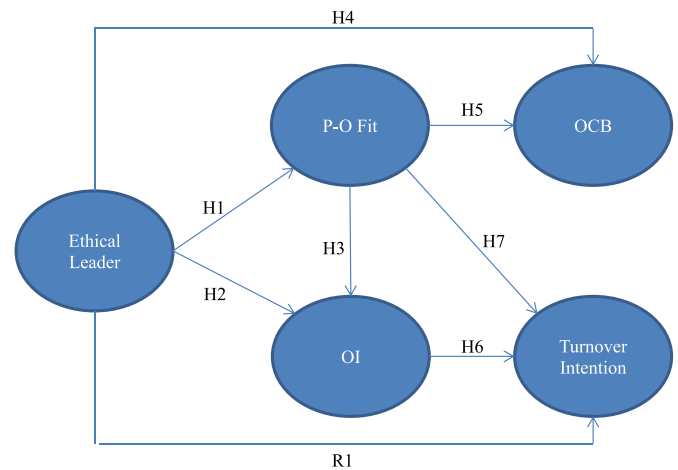


Fig. 1. Hypothesized model.

making” (Brown et al., 2005, p. 120). The Brown et al.'s (2005) definition is based on a social learning theory perspective (Bandura, 1977, 1986). The premise of social learning theory is that people learn appropriate behavior by observing others (role modeling). The manager as a role model is in a direct position to influence the behavior of employees who learn to behave ethically or unethically by observing the behavior of the manager and other employees (Treviño, Hartman, & Brown, 2000) and is a critical determinant of a firm's ethical climate (Dickson, Smith, Grojean, & Ehrhart, 2001). Subordinates learn appropriate behavior by observing how other employees are rewarded or punished (Brown & Treviño, 2006a; Treviño, 1992). If an individual observes a role model being rewarded for behaving ethically, then the individual will perceive that behaving ethically is appropriate. However, in contrast an individual will be reinforced to behave unethically if his or her role model is rewarded for unethical behavior.

Interviews with senior corporate executives and compliance officers conducted by Treviño and colleagues (Treviño, Brown, & Hartman, 2003; Treviño et al., 2000) indicate that ethical managers are both transformational and transactional in their leadership styles. They defined ethical leadership along two dimensions: the moral person and the moral manager. The moral person is trustworthy, honest, and fair. Moral managers emphasize the importance of ethical behavior. They establish ethical guidelines and expect employees to follow those guidelines. Strong moral managers are role models for employees based upon their own behavior and how they reward or punish ethical/unethical behavior. Moral individuals are moral in both their professional and personal lives (Brown & Mitchell, 2010). An important point is that both ethical and unethical leaders can be seen as role models. Management's attitude toward ethical or unethical behavior influences the behavior of subordinates (Detert et al., 2007).

### 2.2. Perceived organizational fit

P-O fit is the comparison between an organization and people where the two parties possess similar characteristics and where one or both parties satisfy the other's needs (Kristoff, 1996). It has been an important concept for more than two decades (Chatman, 1989; O'Reilly, Chatman, & Caldwell, 1991). Schneider (2001, p. 142) has stated that “the concept of person-fit is so persuasive as to be one of, if not, the dominant conceptual forces in the field.”

P-O fit is related closely to person–environment fit (P-E fit), which has been the focus of research for many years (Lewin, 1935; Muarry, 1938). Schneider (1987) provided the theoretical framework for P-E fit with his attraction–selection–attrition (ASA) model of organizational behavior. According to Schneider et al. (1995), people choose to work

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