An engagement story: engaging employees through ethical leadership

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Ethical leadership, organizational citizenship behavior, moral intensity, transparency

Abstract
The article explores how leaders’ ethical behavior influences employee engagement in presence of moral intensity. Furthermore, it also explores the impact that transparency of leader’s policies and decisions can have on employees’ organizational citizenship. Two conceptual models were used to explore the constructs in light of social learning and social exchange theory. Data from 205 faculty members, working in higher education sector of Islamabad and Rawalpindi, was collected through structured questionnaires. Results revealed a significant positive association between ethical leadership as well as organizational citizenship behavior of an employee when mediated by moral intensity. Subsequently, a similar pattern of significance was observed between ethical leadership and moral intensity when transparency moderated the relationship. The study will contribute towards the understanding of how perception of faculty members regarding their leaders’ ethical behavior can have an effect on the implementation of policies. Furthermore, it also leads to exploration of how leader’s transparency of ethical conduct can drive extra performance of faculty members and lead to benefit of the institution as a whole.

1. Introduction
In the 21st century higher education sector is at the forefront of helping a country improve its economic sustainability. Due to this, Higher educational institutes are challenged with the task of producing individuals that not only contribute to the employment market but also benefit the society at large (Yadav, 2004). These outcomes are a product of instructional processes, which are mainly set in place by the leaders of the academia. However, how educators perceive the decision making behavior of their leaders affect educators’ moral consciousness, and in turn the quality of their classroom instructions and engagement towards the organization (Gerpott et al., 2016; Shapiro and Stefkovich, 2016).

Role of academic leaders and their ethical behavior in shaping the quality of classroom instruction is now being extensively debated in the contemporary world (Shapiro and Stefkovich, 2016; Rubin, Dierdorff and Brown, 2010). The debate on academic leaders’ ethical conduct has come under the limelight due to scandals of ethical delinquency in the corporate world. Leaders are now being held accountable for their actions as it directly impacts the company’s bottom line (Caroll, 2004; Trevino and Brown, 2006; Manz et al., 2008; Revell, 2003; Mehta, 2003).

With greater attention being given to academic leaders and their role in shaping employees’ actions, employees have also become more prudent towards the decision making processes being adopted by their leaders. Employees in the education sector look up to their leaders for defining their own actions.

Employees judge the morality of their leaders based on leaders’ just treatment and provision of autonomy to employees in decision-making. When employees perceive their leaders to be ethical, they are able to trust their work systems and even commit to taking extra initiatives to benefit the organizational goals (Detert, Trevino and Sweitzer, 2008). Thus, the purpose of this research is to explore how ethical leadership impacts employee engagement and in turn their organizational citizenship behavior.
2. A Brief Survey of Literature Review

a) Ethical Leadership:

Leaders are being held accountable for the role their decision-making plays in defining the organization’s success and its ethical culture (Resick et al., 2011). Several studies have been conducted in the past to explore ethical leadership from various dimensions (Marquardt et al., 2016; Ciulla 1995; Bass and Steidlmeier 1999; Price, 2003; Brown and Trevino, 2006). A study considered important in research on ethical leadership is ‘traits’ framework. This study attempts to deconstruct leadership by explaining the various traits that can help determine morality of a leader. Most dominant amongst these traits are sincerity, reliability and dependability traits of leaders (De Hoogh and Den Hartog, 2008).

A major body of researchers has dedicated their efforts in conceptualizing ethical leaders in relationship to their work environment. This transactional relationship of leaders with their environment is thought to have a direct impact on employees’ satisfaction, their higher performance and their commitment towards their organizations. (Jones and Ryan, 1998; Trevino, Butterfield and McCabe, 1998; Trevino and Weaver, 2001; Valsania et al., 2012).

Building on earlier studies conducted on ethical leadership, Trevino (1998, 2001) described ethical leaders as individuals who demonstrated some specific characteristics. Prominent among these were honesty, trustworthiness, fairness, and empathy for the society. Further studies conducted by Trevino et al. (2000, 2003) defined ethical leaders as a product of two dimensions: moral person and moral manager. In addition to studies conducted by Trevino (2003), study conducted by Brown (2013) brought to surface three aspects of ethical leaders. These were: setting an example of ethical conduct, just treatment of employees, and strong prudence towards internal moral consciousness.

For the given study, ethical leadership has been operationalized into three dimensions: Role Modeling, Fairness, and shared power. The first dimension, role modeling, has been selected for this study because leaders as role models help in giving direction to their employees’ decision making (Latham & Pinder, 2005). Latham and Pinder (2005) defined leaders as effective role models when leaders demonstrate the transparency of their actions through written edicts, documents and observable actions. For the second dimension, fairness, we have built on the concept put forward by Stouten, Dijke and Cremer (2012). Fairness has been considered an important construct in understanding ethical leadership (Brown, Trevino and Harrison, 2005; De Hoogh and Den Hartog, 2008; Trevino, Brown and Hartman, 2003). According to Stouten, Dijke and Cremer (2012) fairness can be sub divided into dimensions of procedural, distributive, and interpersonal fairness. The third and last dimension of ethical leadership put forward in this paper is power sharing. De Hoogh and Den Hartog (2008) advocated that leaders perceived as ethical by their employees establish power sharing by providing their subordinates with autonomy and mechanisms for giving input in organizational matters.

b) Engagement:

Employee engagement is considered a significant aspect in enhancing organizational effectiveness. Employees who are considered highly engaged tend to have higher internal motivation and exhibit more efforts in goal accomplishments. They also exhibit positive attitude towards their organizations. Engaged employees are more keen on providing input and encouraging team building initiatives to benefit the organizational goals (Ariani, 2013, 2014). Various studies have been conducted to define employee engagement and its importance towards organizational effectiveness. (Macey and Schneider, 2008; Robinson, Perry and Hayday, 2004; May, Zhu and Avolio, 2004; Maslach, Schaufeli and Leiter, 2001). For this study we have built on the definition put forward by Kahn (1990).

According to the study conducted by Kahn (1990) engagement can be defined as “behaviors by which people bring in or leave out their personal selves during work role performances”.

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Moreover this study further conceptualizes engagement as employees’ organizational citizenship behavior. Various studies associate engagement with organizational citizenship behavior i.e. behaviors that are not part of employees formal job description and that benefit the organization as whole (Peter, 2016; George, 2015; Srivastava and Madan, 2017; Rastogi, 2013; Thomas, 2016).

c) Organizational Citizenship Behavior:
OCB has been defined by Organ, Podsakoff and MacKenzie (2006) and Borman (2004) as individual behavior that is not restricted to job description, is not solely driven by organizational rewards, and when collectively put drives the effective performance of the organization. Examples of such actions may include idea and information sharing, formal and informal collaboration with other employees, and committing to extra work voluntarily (Jim et al., 2013). Williams and Anderson (1991) explored five dimensions related to OCB. These were further classified into two streams of OCB: OCBI and OCBO. Kumar and Renugadevi (2013) explained OCBI focused on the individual employee behavior whereas, OCBO focused on the organizational aspect. For this study, citizenship behavior has been operationalized using OCBO dimension, and has been defined using three elements, which include: civic virtue, sportsmanship and conscientiousness (Kumar and Renugadevi, 2013).

d) Mediator - Moral Intensity:
Most studies have conceptualized moral intensity as the extent to which an action is perceived to be ethical or unethical. For this study moral intensity has been sub categorized into two dimensions. These are: magnitude of consequences and social consensus (Butterfield, Trevino and Weaver, 2000; Frey, 2000; May and Pauli, 2003; Singhapakdi, Vitell and Kraft, 1996; Bhal, 2011; Feng, 2013). The magnitude of consequences, according to Jones (1991), is the expected degree of harm of the outcome of any action. Social consensus on the other hand has been defined as the collective agreement of members over the fact whether the action under consideration is either morally good or unacceptable (Jones, 1991).

e) Moderator - Transparency:
Brown, Trevino and Harrison (2005) highlighted that leaders who are perceived as ethical by their employees have high level of transparency in their actions and decisions. Clearly communicating policies and rules, and establishing just reward systems in the organization can help leaders create transparency in their decisions (Huang, 2016; Brown, Trevino and Harrison, 2005).

f) Theories - Ethical Leadership and Social Learning and Social Exchange Theory:
This study is based on the use of two theories: social learning theory and social exchange theory. Bandura (1977) highlighted that social learning theory revolves around the idea that individuals acquire knowledge by emulating the actions and mannerisms that are compelling to them. Thus, social learning posits that, employees are more likely to identify those leaders as ethical who establish have high visibility of their moral values (Bandura, 1977).

Social Exchange Theory posits that only those relationships are created and sustained in the organization that lead to maximization of rewards and minimization of costs for the parties involved (Blau, 1964; Mitchell, 2005; Gouldner, 1960). Many researchers have established that reciprocity is the central idea behind social exchange theory (Cropanzano, Goldman and Folger, 2005). It is this idea of reciprocity that encourages employees to commit to their leaders and their organization, when they believe that they are being treated with empathy and fairness. (Mayer et al., 2009).
3. Hypotheses

**Hypothesis 1:**
1a: Fairness significantly and positively influences the organizational citizenship behavior.
1b: Shared power has a positive impact on the organizational citizenship behavior.
1c: Role modeling has a significant positive impact on the organizational citizenship behavior.

**Hypothesis 2:**
2a: The moral intensity of the employees is significantly influenced by the fairness in a positive manner.
2b: The moral intensity of the employees is significantly influenced by the shared power in a positive manner.
2c: The moral intensity of the employees is significantly influenced by the role modeling in a positive manner.

**Hypothesis 3:**
Moral Intensity has a positively relationship with the OCB.

**Hypothesis 4:**
4a: The relationship between fairness and OCB is significantly mediated by Moral intensity.
4b: The relationship between shared power and OCB is significantly mediated by Moral intensity.
4c: The relationship between role modeling and OCB is significantly mediated by Moral intensity.

**Hypothesis 5:**
5a: The association among fairness and moral intensity of the employee is positively moderated by Transparency.
5b: The association among shared power and moral intensity of the employee is positively moderated by Transparency.
5c: The association among role modeling and moral intensity of the employee is positively moderated by Transparency.

4. Methodology
   a) Construct measurement:
   In this study a structured questionnaire has been employed for data collection and the questionnaire has been formulated by adapting structured questions from the earlier studies of various researchers. In order to quantify fairness, seventeen items have been adapted from the work done by Colquitt (2001). In this regard the reliability coefficient that is Cronbach α for the given item...
was found to be .80. For measuring shared power six items have been adapted from the work of Dee Hog and Den Hartog (2008) and the Cronbach α value is established to be .88. Adding more, role modelling has been measured by incorporating seven items with a Cronbach's α of .76 from the work of Brown et al., (2005). Transparency has been measured by adapting items from the work of Colquitt (2001) with .93 Cronbach α. Scale developed by Lee and Allen (2002) that measures OCB from the perspective of organization has been employed to measure employee engagement. The items have a Cronbach’s α of .84. Furthermore, the questionnaire has been designed on a five-point Likert scale. The scale ranges from 1 (never) to 5 (always). Last but not the least, the studies of Singhapakdi et al., (1996) and Frey (2000) have been employed to adapt six items of moral intensity with a Cronbach α of about .82. The given items to measure moral intensity were rated from 1 (strongly disagree) to 5 (strongly agree) by means of a 5-point Likert scale.

b) Data Collection:

The population of this study is the faculty members working in the private as well as semi-private sector universities of the twin cities i.e. Rawalpindi and Islamabad. The sampling technique employed to gather data was convenience sampling. For manual filing, the questionnaire was distributed among the required respondents and the total response rate was found to be 70.6%. This response rate is due to 205 questionnaires (out of the total number of 288) being returned and incorporated in the analysis part of the study.

c) Data Analysis:

In order to measure reliability of each construct Cronbach alpha was employed to measure internal consistency and the items having value of Cronbach alpha lesser than .7 were deleted, since a value greater than .7 signifies that all the items of a given construct have high internal consistency (Nunnally, 1978). Accordingly, the constructs of the study were found to have a high internal consistency with a Cronbach alpha of greater than .8 for all the items. Factor loading was done to assess convergent validity of the constructs and was considered significant for loading over 0.5.

In order to empirically test the data, correlation as well as regression analysis were employed. To test hypothesis and to identify multicollinearity, correlation of coefficient was measured and in order to measure mediating and moderating effects of variables, regression analysis was carried out by using four steps identified by Baron and Kenny (1986). This was done by means of SPSS 20 and MS-Excel 2010. To verify the moderating as well as mediating results of the study ModGraph Jones (2008) and MedGraph Jones (2003) were also used.

5. Results

The Table I give details about the descriptive statistics by highlighting the mean, standard deviation and coefficient of correlation of the different variables of the given study.

<table>
<thead>
<tr>
<th>Construct</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>F</th>
<th>PS</th>
<th>RM</th>
<th>MI</th>
<th>OCB</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Fairness</td>
<td>205</td>
<td>2.975</td>
<td>.571</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Shared power</td>
<td>205</td>
<td>3.831</td>
<td>.737</td>
<td>.337**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Role modeling</td>
<td>205</td>
<td>3.456</td>
<td>.576</td>
<td>.358**</td>
<td>.483**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Transparency</td>
<td>205</td>
<td>3.796</td>
<td>.770</td>
<td>.463**</td>
<td>.488**</td>
<td>.561**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Moral intensity</td>
<td>205</td>
<td>2.591</td>
<td>.412</td>
<td>.460**</td>
<td>.420**</td>
<td>.549**</td>
<td>.492**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>6 OCB</td>
<td>205</td>
<td>3.104</td>
<td>.321</td>
<td>.313**</td>
<td>.389**</td>
<td>.333**</td>
<td>.356**</td>
<td>.427**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).

Table I: Descriptive statistics
The results of the study presented in Table II meaningfully point out that there is a significant positive influence of fairness, shared power as well as role modeling on organizational citizenship behavior (H1). Furthermore, a positive influence of fairness, shared power, and role modeling has also been found to be significant on the moral intensity of the faculty members (H2). Results further support, the significant relationship between the moral intensity and organizational citizenship behavior of the faculty members (H3).

The Beta values of the study further specify that the relation between fairness and OCB is partially mediated by moral intensity as in the resultant value of Beta there was a decrease from 0.519 to 0.318 however, the p-value less than .01 was still significant. Similarly the Beta values signify a partial mediation of moral intensity among shared power and OCB since there is a decrease in value from 0.587 to 0.493 and with a p-value of less than .01 level of significance. The decrease in the Beta value from 0.667 to 0.397 with a p-value less than .01 level of significance reinforced partial mediation of moral intensity among the relationship of role modeling and OCB. Sobel z-value in MedGraph (Jose, 2003) has been further employed to verify the results of mediation and the findings are presented in the table as follows.

To study the moderating role of transparency between the relationships of fairness, shared power and role modeling with moral intensity.
The table above reflects that transparency partially moderates the direct relationship between fairness, role modeling, shared power and moral intensity with a $\Delta R^2$ value of .019, .028 and .018 respectively. Furthermore, the moderation results were further verified using the graphical illustration, produced in ModGraph (Jose, 2008). For fairness, role modeling, and shared power, a similar pattern was observed by the three plots.

**Figure II: ModGraph.Jones (2008) for moderation of transparency between fairness and moral intensity.**

**Figure III: ModGraph.Jones (2008) for moderation of transparency between shared power and moral intensity.**

**Figure IV: ModGraph.Jones (2008) for moderation of transparency between role modeling and moral intensity.**

6. Discussion

The results of the study are in support of the work contributed by Brown et al., (2005). The findings reveal that there exists a significantly positive association between ethical leadership and organizational citizenship behavior of faculty members. Justice, empowerment and reciprocity guide the relationship between ethical leader and his/her followers’ trust and this given association is grounded in social exchange theory (Blau, 1964; Gouldner, 1960). If the employees perceive their leaders to be fair, unbiased and empowering, then the given behavior of ethical leaders will be successful in inculcating feelings among the employees where they feel obligated to make contribution towards the organization beyond their formal job role. This would include, for
example, faculty members’ willingness to take part in organizational events, giving voluntary 
feedback to improve organizational performance, dealing with adverse situation with a positive 
attitude, and willingly complying with organizational policies and procedures (Dirks and Ferrin, 

The results of the study further verify that ethical leadership and OCB are significantly 
mediated by moral intensity. Amongst the three sub constructs of leadership, shared power has the 
largest impact on the given mediation relationship. This result supports the fact that when faculty 
members can articulate their say in the decision making process and are provided with a work 
environment where they can express their ideas then, in such circumstances, faculty members are in 
a better position to handle morally intense situations. Thus, the moral intensity of the faculty 
members in an organization will be enhanced when their leaders act in an ethical manner, which 
ultimately will increase the OCB of the individuals (Feng, 2013).

In the last model of the study, transparency was empirically tested as a moderator on the 
given relation between ethical leadership along with moral intensity. The outcomes of the study 
advocate that there is a partial moderation of transparency on fairness, shared power and role 
modeling. These outcomes support the study of Trevino et al., (2003), which advocated that 
transparency has in a strong influence in fostering the ethical reputation of leaders. In their work 
Trevino et al., (2003) reinforced that it is crucial for an ethical leader to project his/her ethical 
behavior. This is important because otherwise individuals in the organization will not be in a 
condition to establish a stance about the ethical conduct of the leader. This study also supports the 
work of Trevino et al., (2003) since the results indicate that if the transparency of the ethical leader is 
questioned then the impact of given dimensions of ethical leadership is least on moral intensity. On 
the other hand, in incidents where the behavior of an ethical leader is significantly transparent, there 
is a substantial improvement in the moral intensity of the faculty members with regard to fairness, 
role modeling and shared power.

7. Research Implications

This study plays an important role in expanding the nomological network of leadership in 
the higher education sector, especially, from the ethical perspective and adds value to the need of 
exploring the behavioral dimensions of ethical leadership (Brown and Mitchell, 2010; Mayer et al., 
2012; Jordan et al., 2013). The study can be employed to develop training programs for educational 
leaders with a focus on behaviors like role modeling and power sharing. Additionally, the 
implications of this study can be extended by incorporating coaching programs for the leaders 
within the higher education industry. These programs can be used to highlight the role that the 
behavior of ethical leaders can have in sensitizing the moral intensity of the faculty members. The 
effects of such programs will be far reaching because when faculty members perceive their leaders to 
be ethical it would result in faculty members going beyond their formal duties to benefit their 
institutions. Furthermore, when leaders engage in power sharing and role modeling, it not only 
enhances faculty members’ commitment and support to the organization but also enhances the value 
of their instructional processes.

Recommendation for Future Studies

Since, this research considers the impact of homogeneous respondents only, the future 
research may explore the association between ethical leadership and employee engagement by 
studying the effects employees have at various different levels in the organization. Secondly, the 
study under consideration takes into account the ethical leadership and its impact on moral 
intensity. However, future studies may incorporate other factors, such as, gender and/or level of 
cognitive development of employees in order to observe engagement of employees towards their 
organization. Future studies may also extend the given research on public sector universities since 
the given research focuses primarily on private sector institutes.
References


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