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**LINKING ETHICAL LEADERSHIP TO EMPLOYEE PERFORMANCE: THE
ROLES OF SELF-EFFICACY, AND ORGANIZATIONAL IDENTIFICATION**

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ABSTRACT

This research investigated the link between ethical leadership and performance using data from the People's Republic of China. Consistent with social exchange, social learning, and social identity theories, we examined self-efficacy, and organizational identification as mediators of the ethical leadership to performance relationship. Results from 72 supervisors and 201 immediate direct reports revealed that ethical leadership was positively and significantly related to employee performance as rated by their immediate supervisors and that this relationship was fully mediated by self-efficacy, and organizational identification, controlling for procedural fairness. We discuss implications of our findings for theory and practice.

Key word: ethical leadership, employee performance, self-efficacy, organizational identification

INTRODUCTION

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-making” (Brown, Treviño, & Harrison, 2005, p.

120). In proposing the theory of ethical leadership, Brown et al. (2005) suggested that ethical leadership behavior plays an important role in promoting enhanced employee attitudes and behaviors. In support, prior work has linked ethical leadership to prosocial and negatively deviant behaviors (e.g., Avey, Palanski, & Walumbwa, 2010; Brown et al., 2005;

Mayer, Aquino, Greenbaum, & Kuenzi, in press; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Walumbwa & Schaubroeck, 2009). However, relatively few studies have tested how and why ethical leadership relates to task performance, and if so, the mechanisms through which ethical leadership relates to task performance. An important exception is recent research by Piccolo, Greenbaum, Den Hartog, and Folger (2010) that examined the roles of task significance, autonomy, and effort in the relationship between ethical leadership and task performance. Piccolo et al. (2010) found that ethical leadership increases task significance, which, in turn, results in improved performance. Accordingly, the primary goal of the present research is to extend this early and more recent research by examining the role of self-efficacy as a social learning process, and organizational identification as a social identity process in the ethical leadership–performance relationship. Self-efficacy is defined as individuals’ perceptions of their ability to execute a specific task and is a major component of social learning theory (Bandura, 1977, 1986, 1997). Organizational identification refers to a feeling of oneness or belongingness to a particular group or institution (Smidts, Pruyn, & van Riel, 2001; van

Knippenberg, van Knippenberg, De Cremer, & Hogg, 2004; van Knippenberg, van Knippenberg, Monden, & de Lima, 2002; van Knippenberg & van Schie, 2000), and is derived primarily from social identity theory (Tajfel, 1981). Together, we argue that the reason why ethical leadership predicts performance is that ethical leadership behavior enhances high-quality LMX, employees’ self-efficacy, and identification with the organization. In turn, self-efficacy, and organizational identification improve employee performance.

Our contribution is to further increase understanding of the complex relationship between ethical leadership and employee performance by drawing on three major traditions in testing mediation in leadership research. We view identification and self-efficacy as representing two major themes in self and identity (i.e., self-construal and self-evaluation) perspectives as mediators. Until now, the ethical leadership literature focused solely on social learning and social exchange explanations for the effects of ethical leadership. Building on and extending the above research, we believe it is worthwhile to draw from the distinct advantages of each perspective to provide a more comprehensive understanding of the underlying

mechanisms that link ethical leadership to follower performance. Attention to the mediating mechanisms in the ethical leadership– follower performance relationship also highlights important practical benefits. For example, if research can specify the proximal processes through which ethical leadership works to increase performance, it could provide organizations with a framework to enhance performance through ethical leadership training. Finally, research on ethical leadership has not been conducted in China. Considering its rapid industrialization and the increased diversity in values held by Chinese people (Xie, Schaubroeck, & Lam, 2008), China provides an ideal setting for extending ethical leadership research and its practical utility. Theoretical background and hypotheses Brown and Treviño (2006a) suggested that social exchange theory (SET; Blau, 1964) and social learning theory (SLT; Bandura, 1977, 1986) provide theoretical explanations for the relationship between ethical leadership and follower behaviors. Brown and colleagues (2005) suggested that followers of ethical leaders are more likely to perceive themselves as being in a social exchange relationship with their leaders because of the ethical treatment they receive and because of the trust they feel. When

employees perceive that their leaders have their best interests at heart and are caring, they are likely to reciprocate by improving task performance. Similarly, a social learning perspective on ethical leadership proposes that ethical leaders are likely to influence followers' self-efficacy because they are attractive and legitimate role models that seek to help employees reach their potential at work (Bandura, 1986). Although social exchange and social learning theories are valuable, we argue that they are not enough to explain the complex relationship between ethical leadership and followers' performance. Social identity theory (e.g., Ashforth & Mael, 1989; Tajfel, 1981) is another intermediate theory that we believe might further help explain the relationship between ethical leadership and performance. Social identity constitutes the perception of oneness with, or belongingness to, a specific social category where individuals are intrinsically motivated to contribute to the collective good (Ashforth & Mael, 1989; De Cremer & van Knippenberg, 2003; van Knippenberg & Hogg, 2001; van Knippenberg et al., 2004). Thus, social identity theory may complement both social exchange and social learning theories in explaining the link between ethical leadership and performance. We

suggest that ethical leaders are likely to influence follower performance by enhancing greater identification with the group or organization, because such leaders represent the high ethical standards and values of the organization (van Knippenberg et al., 2004).

Ethical leadership and self-efficacy

Bandura (1977, 1986) listed four techniques for enhancing self efficacy, that is, vicarious experience or modeling, verbal persuasion, affective or physiological arousal, and enactive mastery or personal attainments; each can be influenced by ethical leadership through social learning. According to social learning theory (Bandura, 1977), individuals learn standards of behavior vicariously (i.e., by watching others) and through direct modeling and verbal persuasion, helping employees to become more confident in their abilities and strengthening their behavioral and motivational patterns. De Hoogh and Den Hartog (2008) argued that ethical leaders not only stress moral values in their decision making, but they also clarify to followers how their tasks and efforts will contribute to the achievement of important work unit goals. In addition, because ethical leaders ask “What is the right thing to do?” when making decisions, employees learn to think strategically

about the decisions they make and this process enhances employee self-efficacy. By helping employees think through the decisions they make, ethical leaders help foster an important skill that employees can utilize when making decisions on their own—and this increased autonomy improves their self-efficacy beliefs. Similarly, Zhu, May, and Avolio (2004) argued that ethical leaders’ benevolent behavior and consideration of employees’ developmental needs should cause such leaders to place employees in situations that facilitate growth and confidence in their job-related skills, thereby enhancing their levels of self-efficacy through observational or vicarious learning and persuasion. Bandura makes similar arguments. Specifically, drawing from social cognitive theory of agentic and self-regulation perspectives, Bandura (1991, 1999) has argued that social factors such as leadership, more so when such leaders are credible and demonstrate moral conduct, play a critical role in developing and strengthening efficacy beliefs. There is some empirical support for these arguments. For example, Eden and associates (e.g., Eden & Aviram, 1993; Eden & Kinnar, 1991) demonstrated that credible sources of feedback, as we would expect with ethical leaders (Brown et al., 2005), can indeed raise self-efficacy.

In addition, several ethical leadership researchers (e.g., Detert & Treviño, 2010; Detert, Treviño, Burris, & Andiappan, 2007; Mayer et al., 2009; Walumbwa & Schaubroeck, 2009) have argued that ethical leadership exerts its effects in large measure through modeling, which is seen as an educational tool. In other words, employees learn how to best perform their jobs by watching their managers (Mitchell & Palmer, 2010), thereby enhancing general perceptions of self-efficacy.

Ethical leaders can also enhance followers' self-efficacy through affective arousal and enactive mastery. Ethical leaders care about more than outcomes—the process matters, too. Such leaders help employees to focus on the processes in doing their work, which helps to reduce some of the anxiety and stress of the ultimate outcome, thereby enhancing one's self-efficacy. Regarding personal attainments, ethical leaders are described as more caring about employees' best interests and thus want to see them perform well and reach their potential (Brown et al., 2005). Such leader behavior is more likely to create a psychologically safe environment for employees to get direct feedback regarding their enactive mastery (Walumbwa & Schaubroeck, 2009). The result is feeling more confident in one's ability, leading to increased self-efficacy. Based on the

above arguments and empirical evidence, we expect a positive relationship between ethical leadership and general perceptions of self-efficacy.

Hypothesis 2. Ethical leadership is positively related to follower perceptions of self-efficacy. Ethical leadership and organizational identification at the conceptual level, leader behaviors that are seen as more trusting should promote and raise identification with the work group or organization, because such interpersonal treatment conveys to individuals that they are valued and respected (Tyler, 1997). Specifically, because ethical leaders are proactive, we expect such leaders to increase cooperation (De Cremer & van Knippenberg, 2002, 2003; Dukerich, Golden, & Shortell, 2002) which, in turn, should promote organizational identification. Mael and Ashforth (1992) found that identification is more likely to occur in the absence of competition within the organization. Furthermore, scholars (e.g., De Cremer & van Knippenberg, 2002; Tyler & Blader, 2000; van Knippenberg et al., 2004) suggest that people identify more with social institutions (i.e., organizations) when trust is present, satisfying individuals' need for psychological safety. Empirical research provides support for this notion. For example, several studies, including

experimental work, have shown that characteristics of ethical leaders such as openness and trustworthiness, among others, are positively related to organizational identification (see De Cremer, Brebels, & Sedikides, 2008; McAllister, 1995; Sluss & Ashforth, 2008; Smith, Thomas, & Tyler, 2006). Drawing on this literature, we expect a positive ethical leadership–organizational identification relationship.

Self-efficacy

Bandura (1997) suggested that self-efficacy plays an important role in task-related performance by influencing individuals' choice, effort, and persistence. Stajkovic (2006) noted, "Having high confidence makes it more likely that people will initiate action, pursue it, and sustain persistence because they feel certain that they can handle what they desire to do or needs to be done" (p. 1209).

Moreover, because they set difficult and challenging personal goals, individuals with high self-efficacy are more likely to be successful performers (Bandura & Locke, 2003; Stajkovic, 2006). In support, a growing body of research, including ample experimental, longitudinal, and meta-analytic studies, supports the influence of self-efficacy on performance in a variety of organizational

settings (e.g., Bandura & Locke, 2003; Chen, Casper, & Cortina, 2001; Walumbwa, Avolio, & Zhu, 2008; Walumbwa et al., 2009, in press). In particular, a meta-analysis of 114 studies by Stajkovic and Luthans (1998) revealed that self-efficacy was positively correlated with work-related performance ($r = .38$).

Although evidence for self-efficacy as a potential mediator in the ethical leadership–performance relationship is limited, we invoke social learning theory (Bandura, 1977, 1986) to explain why ethical leadership may affect performance through self-efficacy. Social learning theory suggests that leader behavior is likely to

serve as an exemplary guide to followers' behavior through role modeling. According to Bandura (1977, 1986, 1997), role modeling, especially when leaders are more attractive and credible, is important for effective task performance. Thus, leadership affects follower performance because leaders serve as role models through whom followers can expand their knowledge by learning and acquiring new skills to improve their performance. Therefore, we expect self-efficacy to act as a mediator for the relationship between ethical leadership and performance. Consistent with

Organizational identification

The literature on identification is vast (see van Knippenberg et al., 2004, for a review). Generally speaking, this body of research suggests that individuals with high organizational identification tend to be greater contributors to their workgroup or firm (van Knippenberg et al., 2004). This is because identification leads individuals to perceive themselves in terms of the characteristics they share with the organization (van Knippenberg & van Schie, 2000) and to promote positive responses toward one's employing organization (Dutton, Dukerich, & Harquail, 1994). As a result, individuals tend to expend more effort on behalf of the organization (van Knippenberg et al., 2004), and by so doing, they are more motivated to achieve goals on behalf of the organization (van Knippenberg, 2000). This heightened effort and motivation is likely to increase individual performance. Supporting these arguments, a growing body of research has shown that identification is positively related to individual behaviors such as performance (e.g., Pratt, Rockmann, & Kaufmann, 2006; Smidts et al., 2001; Walumbwa et al., 2008, 2009, in press). On the other hand, Hogg's (2001; see Hogg & van Knippenberg, 2003; van Knippenberg et al., 2004 for reviews) social identity theory

of leadership suggests that "leadership is about how some individuals or cliques have disproportionate power or influence to set agenda, define identity, and mobilize people to achieve collective goals" (p. 188). He further suggested that it is the leader's responsibility to encourage followers to engage in identification and to represent the values and identities of members. Based on the social identity theory of leadership and extant research linking identification to performance, we expect organizational identification to serve as a mediator through which ethical leadership influences performance. However, because we have argued in Hypotheses 4–5 that the influence of ethical leadership on performance may also be explained through perceptions of LMX and self efficacy, we propose partial mediation rather than full mediation.

Discussion

To our knowledge, this is the first attempt to simultaneously test the role of LMX as a social exchange process, self efficacy as a social learning process, and organizational identification as a social identity process to extend our understanding of how ethical leadership influences employee performance. Our results showed that ethical leadership was positively related to LMX, self-efficacy,

and organizational identification, which, in turn, were all positive in this research. However, we do not make the argument that all mechanisms are equal in strength but suggest certain mechanisms may be more likely for certain individuals. For example, an individual with an interdependent self-construal (Singelis, 1994) may perceive greater LMX from an ethical leader as compared to an individual who has less of a desire for social relationships. In addition, an individual who has worked at an organization for a long time and thus is committed to the organization's values may be more likely to respond to an ethical leader by feeling more identified with the organization as compared to an individual who has less of a value congruence with the organization. Also, an individual who is low on self-esteem or dispositional self-efficacy may respond to an ethical leader by feeling more efficacious in his/her work as compared to an individual high in self-esteem/self-efficacy who does not need the same level of assistance from his/her leader. These are three examples of how the three mechanisms may be more or less important depending on the characteristics of the employee. However, because ethical leadership research is still in its infancy (Mayer et al., 2009), work is needed that explicates them in a myriad of

boundary conditions (e.g., moderators) that serve to either promote or impede the effectiveness of ethical leadership in facilitating employee performance through various mechanisms. Moreover, this research has theoretical implications that extend beyond the ethical leadership literature. For example, this research contributes to the emerging area of research integrating leadership, self, and identity (van Knippenberg et al., 2004). Indeed, we examined how a form of leadership central to these constructs impacts self-perceptions (self-efficacy) as well as one's social identity (identification). Thus, we highlight the importance of linking leadership to employees' behaviors through mechanisms that involve the self and one's identity. In addition, although leadership scholars generally acknowledge that there are typically several mechanisms that link leader behavior to employee outcomes, leadership research tends to either not measure the theorized mediator or to measure one mediator per study (De Cremer & van Knippenberg, 2005 is an exception). Our research highlights the value in examining multiple mediators within the same study—as this approach allows one to determine the relative importance of each of the mediators. We

encourage leadership scholars to utilize this approach in future work.

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