



Ethical and despotic leadership, relationships with leader's social responsibility, top management team effectiveness and subordinates' optimism: A multi-method study

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ABSTRACT

In this multi-method study, we examined the relationships of leader's social responsibility with different aspects of ethical leadership (morality and fairness, role clarification, and power sharing) as well as with despotic leadership. We also investigated how these leadership behaviors relate to effectiveness and optimism, using multiple-source ratings. Interviews with CEOs ($N=73$) were coded for the presence of leader's social responsibility and its facets. Also, using questionnaires, direct reports rated each CEOs' leader behavior ($n=130$) and a second group of direct reports ($n=119$) rated effectiveness and optimism. As expected, leaders high on social responsibility were rated higher on ethical leadership and lower on despotic leadership. Ethical leadership was also positively related to perceived top management team effectiveness and subordinates' optimism about the future of the organization and their own place within it.

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1. Introduction

The last few years show a growing interest in the development and promotion of ethical leadership in organizations. Ethical leadership is thought to be uniquely important because of the impact leaders may have on the conduct of (others in) the organization and ultimately on organizational performance (cf. Aronson, 2001; Kanungo, 2001; Trevino, Brown, & Hartman, 2003). Besides these expected positive effects of ethical leader behavior, a lapse in ethics at the top can be costly for organizations as recent media scandals show.

Despite its relevance empirically based knowledge about ethical leadership is limited. Only few studies to date have tested the proposed link between ethical leadership and effectiveness. Here we add to this developing literature by starting to address this relationship. Specifically, we test whether CEO's ethical leadership behavior is positively related to perceived top management effectiveness. We also relate CEO's ethical leadership to followers' optimism about the future of the organization and their own place within it. Optimism is a human virtue driving behavior and feelings at work (e.g., Luthans, 2002) and we argue that ethical leader behavior will contribute to employees' optimism about their organization and will increase their willingness to remain and contribute to its success. To our knowledge, this has not yet been tested.

Moreover, little is known about the potential role of personal characteristics of ethical leaders, such as the leader's personality and upbringing. Here, we focus on the relationship between ethical leadership and a set of individual attributes that fall under the more general category of leader social responsibility (moral–legal standard of conduct, internal obligation, concern for others, concern about consequences, and self-judgment), a relationship that has not been tested to date. Therefore, the present study adds to the literature by examining the relationships between leaders' social responsibility and ethical leadership (morality and fairness,

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role clarification, and power sharing) as well as despotic leadership. Rather than solely relying on survey measures, the study combines multi-source survey data from different groups of subordinates with data derived from coding of interviews with CEOs.

2. Ethical leadership and leader's social responsibility

2.1. Ethical and despotic leadership

To date, researchers interested in the ethical potential of leadership have portrayed it as a basic tension between altruism and egoism (Turner, Barling, Epitropaki, Butcher, & Milder, 2002). For example, Kanungo (2001) states that the leader, in order to be ethical, must engage in virtuous acts or behaviors that benefit others, and must refrain from evil acts or behaviors that harm others. Moreover, these acts must stem from the leader's altruistic rather than egoistic motives. In contrast, Howell and Avolio (1992) describe unethical leadership as self-absorbing and manipulative; i.e., leaders who wield power to serve their self-interests, who are insensitive to follower's needs and have little regard for behaving in socially constructive ways.

The need for increased attention for integrity, a positive moral perspective, and ethical conduct in the leadership literature is also echoed in the recently developing stream of research on positive organizational scholarship (e.g., Cameron, Dutton, & Quinn, 2003), in work on spiritual leadership (e.g., Fry, 2005; Giacalone & Jurkiewicz, 2003; Reave, 2005), as well as more specifically in recent work around authentic leadership (e.g., Gardner, Avolio, Luthans, May, & Walumbwa, 2005; May, Chan, Hodges, & Avolio, 2003; Sparrowe, 2005). For example, Luthans and Avolio (2003) describe authentic leaders as true to themselves, hopeful, optimistic, resilient as well as moral/ethical. Here, we focus specifically on the latter, the moral and ethical behavior of leaders of organizations.

Brown, Trevino and Harrison (2005, p.120) have defined 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". The three elements of ethical leadership we distinguish are similar to the dimensions mentioned by Brown and colleagues. Drawing on their definition of ethical leadership and in line with previous research (e.g., Trevino et al., 2003), Brown et al. (2005) describe ethical leaders as honest, trustworthy, fair and caring. Such leaders make principled and fair choices and structure work environments justly. In line with Brown et al., we see leaders' fair and moral behavior as a core component of ethical leadership and we label this component of ethical leadership the concern for morality and fairness.

In addition to this morality and fairness component, Brown et al. hold that ethical leaders are transparent and engage in open communication, promoting and rewarding ethical conduct among followers. Following Brown et al.'s perspective yet taking a slightly broader approach, we focus on leader's transparency, engagement in open communication with followers and clarification of expectations and responsibilities so that employees are clear on what is expected from them. We label this part of ethical leadership (ethical) role clarification.

Finally, according to Brown et al. ethical leaders provide followers with voice. In line with this, we argue that allowing followers a say in decision making and listening to their ideas and concerns can be seen as a component of ethical leadership and we label this component power sharing. The importance of power sharing is also discussed in work on employee empowerment (e.g., Spreitzer, 1995) and high performance work systems (e.g., Becker & Huselid, 1998). Feldman and Khademan (2003) suggest that inclusive processes such as power sharing enable employees to make their work more meaningful. In sum, we distinguish morality and fairness, ethical role clarification and power sharing as components of ethical leadership at work.

In contrast to these components of ethical leader behavior, Aronson (2001) describes despotic leadership, which is based on personal dominance and authoritarian behavior that serves the self-interest of the leader, is self-aggrandizing and exploitative of others. Despotic leaders are domineering, controlling, and vengeful (e.g., Bass, 1990; House & Howell, 1992; Howell & Avolio, 1992; McClelland, 1975). Other forms of unethical leadership that have received attention in the literature include abusive supervision and personalized charismatic or pseudo-transformational leadership (see o.a. Ashforth, 1994; Bass & Steidlmeier, 1999; Beu & Buckley, 2004; Bies, 2000; Howell, 1988; Tepper, 2000).

In sum, in this study, in addition to the three ethical leadership scales (morality and fairness, role clarification, and power sharing), we also included a measure of perceived despotic behavior as one possible form of unethical leader behavior.

2.2. Leader social responsibility

Previous work has depicted various personal characteristics associated with ethical leadership. Traits such as concern for people, dependability, reliability, loyalty, courage and responsibility, prudence and patience, obeying the dictates of one's conscience, and compassion are seen as important for ethical leadership (e.g., Bass & Steidlmeier, 1999; Brown et al., 2005; Guillén & González, 2001; Khuntia & Suar, 2004). Furthermore, one's level of cognitive moral development (e.g., Turner et al., 2002) one's moral standards (Howell & Avolio, 1992), one's responsible use of power (House & Howell, 1992), and one's norm of social responsibility (Kanungo, 2001) also likely relate to ethical leadership. However, many of these proposed linkages are yet to be tested and at present the empirical evidence linking personality characteristics to ethical leadership is scarce.

This lack of empirical attention may partly be due to the difficulty of measuring the highly socially desirable personality characteristics that are likely to matter for ethical leadership. Evidence suggests that self-reports may be biased by internal distortion on the part of the respondents (e.g., Viswesvaran & Ones, 1999). Personality traits such as honesty, integrity and conscientiousness have been found especially susceptible to faking (e.g., McFarland & Ryan, 2000). Accordingly, there is

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