



The effects of ethical leadership on manager job satisfaction, commitment, behavioral outcomes, and firm performance

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ARTICLE INFO

Keywords:

Ethical leadership
Job satisfaction
Affective organizational commitment
Extra effort

ABSTRACT

This study investigates the effects of ethical leadership on a hotel middle manager's job satisfaction and affective commitment, which in turn influence that manager's behavioral outcomes (e.g., extra effort and turnover intention) that can also impact the hotel's performance. Mail surveys were distributed to 30 U.S. hotels, representing more than 8 different national and international brands, and 324 middle managers participated in the survey. This study demonstrates that executives' ethical leadership is positively related to their middle managers' job satisfaction and their affective organizational commitment. Middle managers' job satisfaction is positively related to organizational commitment, but job satisfaction does not necessarily lead to their willingness to exert extra effort. The positive linkage between middle managers' extra effort and the hotel's competitive performance is also confirmed.

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1. Introduction

The term "leadership" has recently become highly relevant in the hospitality industry, and due to the unprecedented, recent economic downturn, hospitality firms have been particularly hard hit by the dramatic decrease in travel consumption. Therefore, in this difficult situation, the role of leadership in the hospitality industry cannot be stressed enough. Because of the ways that hotel middle managers perceive their superiors' leadership roles as directly related to the managers' organizational commitment, as well as their job performance, it is important to understand how these hotel middle managers view their superiors' leadership.

The publicized ethical issues of top management firms, especially in the U.S. banking and finance sectors, have become a highly relevant topic, raising some concerns about the importance of ethics in the corporate world. Likewise, the importance of ethical issues in the hospitality industry is of paramount concern. In Stevens (1997), 26 hotels provided their ethical codes for analysis. In her study, she showed that the most frequently mentioned ethical issues related to conflicts of interest (81%). However, personal characteristics, such as honesty, integrity, and respect for others (69%), customer relationships, including room theft or the disappearance of valuables left in rooms (69%),

acceptance of cash and gifts (66%), revelation of trade secrets, such as marketing and financial information, and insider trading (58%) closely followed. The hospitality industry is exposed to many situational factors that could result in a staff's unethical behavior (Reynolds, 2000). The unethical behaviors by hospitality employees/managers include, but are not limited to, stealing from the company, forgoing certain charges in hopes of receiving higher gratuities, billing guests for items they did not consume, and altering signed credit card vouchers (Kincaid et al., 2008). The current management evaluation system, which heavily stresses short-term financial performance such as sales growth, profit, and cost control, tempts hotel managers to be less ethically-oriented (Minett et al., 2009). While some hotel managers may argue that the current global economic recession environment puts them into ethically questionable positions, to act unethically does not necessarily lead to unlawful management behavior.

Leaders of any organization must be the primary influential models of ethical guidance for every member of the organization (Brown et al., 2005). Subordinates learn an organization's acceptable ethical standards by observing their superiors' ethical actions. Hegarty and Sims (1979) confirmed that top management organizational support for ethical issues tends to lead to a significant drop in unethical behavior. Trevino et al. (2003, p. 118), cited in Brown et al. (2005), showed that ethical executives use "standard setting, performance appraisal, and rewards, and punishments to hold followers accountable for ethical conduct." Brown et al. (2005, p. 120) defined ethical leadership as follows: "[T]he demonstration of normatively appropriate (e.g., honest, trustworthy, fair, and caring) conduct through personal actions and interpersonal rela-

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tionships, and the promotion of such conduct to followers through two-way communication, reinforcement through providing ethical standards, rewarding ethical conduct, and discipline the wrongdoers, and decision-making by understanding the importance of their decisions and making fair decisions.”

Brown et al. (2005) clearly demonstrated the consequences of ethical leadership, and further, they postulated that ethical leadership is strongly associated with a subordinate's satisfaction with his/her leaders, with his/her exerting extra effort, and with his/her willingness to report problems. Zhu et al. (2004) suggested that future researchers consider outcomes of ethical leadership behavior in terms of financial performance of an organization or corporate reputation. Building on the previous research, this study applies the ethical leadership model to the hotel industry and extends the analytical frameworks of Brown et al. (2005) by incorporating affective commitment, turnover, and competitive performance into the conceptual model.

Regardless of the increasing number of studies related to ethical issues in the hospitality industry, limited research has been conducted on ethical leaders and how their values are communicated to managers and employees in the hospitality organization. This study, then, attempts to fill this void by examining the impact of a superior's ethical leadership on middle managers' job satisfaction and behavioral outcome, as well as their organization's performance. Thus, the primary purpose of this study is to investigate the effects of ethical leadership on a manager's job satisfaction and affective commitment, which in turn influence that manager's behavioral outcomes (e.g., extra effort and turnover intention) that can further impact the hotel's performance.

2. Literature review

2.1. Management literature

The authors have divided the literature review into two sections. This first discussion addresses ethical research in general management, as the research findings from the current study have a direct relationship to this literature. To the best of our knowledge, this study attempts to establish, for the first time, a connection between findings in the general management research literature and the hospitality industry. This connection will demonstrate a contribution to the body of knowledge and how ethics is evolving as a legitimate field of study in hospitality leadership.

Ethical leadership has been studied by numerous researchers in the area of management and organizational behavior (Neubert et al., 2009; Trevino et al., 2003; Cullen et al., 2003; Brown and Trevino, 2006; Brown et al., 2005). Brown and Trevino (2006)'s conceptual paper proposed the antecedents and consequences of ethical leadership. The individual characteristics (e.g., neuroticism, conscientiousness, moral reasoning, etc.) and situational variables (e.g., role playing and ethical context) were identified as antecedent of ethical leadership, while outcomes include follower ethical decision-making, pro-social behavior, counterproductive behavior, follower satisfaction, motivation, and commitment.

While previous studies have investigated the individual and situational drivers of ethical leadership behavior and outcomes of such behavior at the organizational level, Zhu et al. (2004) focused on examining the effect of ethical leadership on employees' behavior. They found that employees' psychological empowerment serves as a mediator between leaders' ethical behavior and employees' organizational commitment. They also postulated that authenticity, which refers to the consistency between leaders' true ethical intention and behavior, serves as a moderator between ethical leadership behavior and employees' organizational commitment. However, they did not provide any empirical evidence to confirm their propositions.

Neubert et al. (2009) demonstrated that leaders' ethical behavior has a direct and an indirect impact on followers' job satisfaction and organizational commitment. They empirically showed that an ethical climate moderates the relationship between ethical leadership, job satisfaction, and organizational commitment.

2.2. Hospitality literature

The research in ethical leadership applied to the hospitality industry is not prevalent, and what does exist has a different focus, compared to the current study. While the authors note previous research that demonstrates slight strands of interaction with this study, the hospitality literature review is presented to illuminate the beginning stages of ethical research in hospitality. For example, Stevens (1997) concluded that the ethical code for the hotel industry is not as prevalent as the rest of Corporate America. White and Montgomery (1980), cited in Stevens (1997), reported that approximately 60% of hotels and 20% of management firms had ethical codes, while other industries reported in the range of 70–90% (White and Montgomery, 1980). She argued that overall hotel codes focused on the legal justifications of unethical behavior to defend the organization against the illegal or unethical behavior. She further suggested that ethical codes should provide moral guidance, insight, and vision by means of communicating ethical values to its hotel organization members. Stevens claimed that future researchers should examine how ethical values coined by leaders are delivered to organizational members.

While Stevens focused on analyzing an organization member's ethical code, Coughlan (2001) evaluated the ethical codes of four professional associations in the hospitality industry: the Meeting Professionals International (MPI), the Professional Convention Management Association (PCMA), the American Society of Association Executives (ASAE), and the Hotel Sales and Marketing Association International (HSMIAI). Coughlan adopted Raiborn and Payne (1990)'s scale and compared the four underlying ethical values among the four associations' professional codes. The four values are integrity, justice, competence, and utility.

Minett et al. (2009) assessed the leadership styles of 133 Australian hotel managers, and they disclosed that the dominant leadership styles in Australia are a mixture of Machiavellian and Bureaucratic approaches. They postulated that the leadership style of hotel managers will be associated with their age, gender, and hotel's characteristics, such as staff number, hotel age, and hotel size. They demonstrated that ethical leadership styles and ethical decision-making styles of hotel managers differ with regard to their ages, while other variables, such as respondents' gender, years of experience, title, or education level, did not show any significant pattern of difference.

Kincaid et al. (2008) investigated the effect of restaurant managers' behavior toward the ethical conduct of their line employees. The findings showed that management actions had significant impact on all three dimensions (e.g., parasite, bad behavior, and ruthless) of ethical optimism, indicating that restaurant management action is influential on cultivating the employees' acceptable ethical standards. They also disclosed that ethical optimism differed with regard to employees' race, gender, and length of employment. Latino/Spanish employees responded that they perceived that successful managers were less ethical than their unsuccessful counterparts. Females were generally more optimistic than males, and restaurant employees who had longer tenures tended to show significantly higher ethical optimism.

3. Conceptual model and hypotheses development

3.1. Conceptual model

Fig. 1 illustrates the conceptual model of this study. The ethical leadership scale is an appraisal by middle managers, while job

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