Discussion paper

A social exchange perspective on why and when ethical leadership foster customer-oriented citizenship behavior

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ABSTRACT

Grounded in social exchange theory, we investigated why and when ethical leadership may relate to hospitality employees' customer-oriented citizenship behavior (CCB) by exploring the mediating and moderating roles of felt obligation and psychological detachment from an organization respectively. Using a two-wave sample of 152 employees and their 152 coworkers from 10 hotels in Africa, we found that ethical leadership positively relates to CCB via increased felt obligation. In addition, our results revealed that psychological detachment moderated the ethical leadership and CCB relationship, such that this relationship was stronger when psychological detachment was low (versus high), as mediated by felt obligation.

1. Introduction

In recent times, there has been an increasing emphasis on the importance of effective leadership in the hospitality industry due to its rapidly changing and highly competitive environment (Kim and Brymer, 2011). Of the various approaches to leadership, ethical leadership in particular, has been shown to be highly relevant because of the numerous ethical challenges (e.g., the need to strike a balance between *doing well* in terms of financial performance and *doing good*) faced in the hospitality industry (Kincaid et al., 2008). In this regard, ethical leaders provide rich benefits in that such leaders make fair and balanced decisions and treat people around them in an ethical manner (cf. Brown et al., 2005). In the general management literature, research indicates that when leaders demonstrate ethical leadership behaviors, employees experience increased job satisfaction (Neubert et al., 2009), display extra effort towards the organization (Babalola et al., 2017a; Mayer et al., 2009; Ogunfowora, 2014), and perform their job better (Piccolo et al., 2010). A meta-analytical review of these findings shows that, above and beyond related leadership approaches, ethical leadership is strongly linked with employee outcomes (see Ng and Feldman, 2015, for a review), providing strong empirical evidence for its relevance as a viable a form of leadership.

Although much is known about the benefits of ethical leadership in traditional organizations, it is not until recently that scholars have begun to investigate its effectiveness in the hospitality context (Celik

et al., 2015; Dhar, 2016; Kim and Brymer, 2011; Qin et al., 2014; Zoghbi-Manrique-de-Lara and Suárez-Acosta, 2014). With the exception of Qin et al. (2014) that explored the link between ethical leadership and customer-oriented behavior, what is quite notable about most of these studies is that they tend to overlook ethical leadership's influence on people in the external organizational environment such as, customers. Even though they have generally provided insights into utility of ethical leaders in the hospitality context, a critical question for hospitality scholars remain: Are there actual benefits associated with ethical leadership in the hospitality context beyond outcomes associated with organizations' internal aspects, especially on important behaviors needed for the long-term survival of the industry such as, service employees' citizenship behaviors directed toward customers (i.e., customer-oriented citizenship behavior; CCB; Qin et al., 2014)? And more importantly, *when* and *why* are employees of ethical leaders more likely to engage in CCB? Addressing such questions is important because CCB not only affects customer satisfaction but also contributes to the success of service organizations (Tang and Tang, 2012). While we acknowledge research showing that ethical leaders can motivate customer-oriented behaviors by increasing job satisfaction and work engagement (Qin et al., 2014), we believe that it is crucial to further expand this line of inquiry for two reasons. First, prior work has yet to fully tap into the social exchange framework (Blau, 1964) in which citizenship behaviors are embedded, thus limiting the extent to which unique boundary conditions and mechanisms of the ethical leadership –

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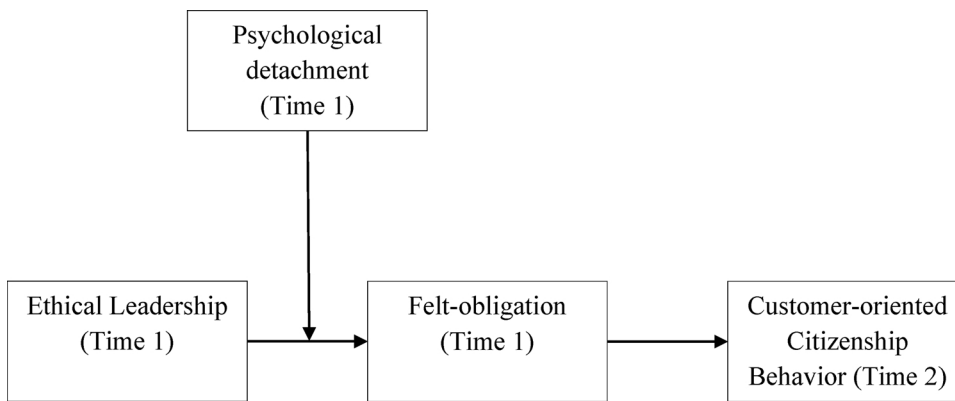[1] The three authors contributed equally to this work.

Fig. 1. The Research Model.

CCB link can be sufficiently captured. Second, citizenship behaviors are by nature not mandatory (Organ, 1988; Podsakoff et al., 2009) and their relations with leadership are generally more complex. Thus, understanding *when* and *why* employees would engage in CCB is crucial for advancing our theoretical insights about the complex link between ethical leadership and CCB and for helping practitioners improve CCB in the hospitality industry.

Accordingly, our study aims to delve deeper into the link between ethical leadership and hospitality employees' CCB by exploring the moderating and mediating mechanisms involved in this relationship. We examine CCB in relation to ethical leadership because of the ethical connotations and discretionary nature of such behavior, which is tied to social exchange theory (SET; Blau, 1964; Baker et al., 2006). Although SET provides a compelling explanation for why ethical leaders might engender employees to reciprocate ethical leadership behaviors by engaging in CCB, there is evidence to suggest that employees do not always reciprocate their leader's ethical treatments (Kacmar et al., 2011). For example, one of such instances may be when employees are psychologically detached from their organizations. According to SET, the degree to which individuals' are expectant of ongoing future benefits or are psychologically attached in exchange relationships is an important consideration in understanding *when* people demonstrate discretionary behaviors in response to the valuable treatments received from an exchange party (Blau, 1964). It further goes on to emphasize *felt obligation* as a critical mechanism in such relationship (Blau, 1964; Cropanzano and Mitchell, 2005). Taking a SET perspective, we therefore examine whether psychological detachment from the organization[2] (hereafter referred to as psychological detachment), representing a lack of psychological attachment, moderates the association of ethical leadership on CCB.

Investigating psychological detachment as a potential moderator of ethical leadership influence on CCB is important given that past research has generally focused on a psychological work context in which individuals desire to remain in their current organization, which is not always the case (see Collins et al., 2012). Moreover, because people are no longer as committed to their organizations as they once were decades ago due to change frequency (Babalola et al., 2016a) and the fact that organizations especially in the hospitality industry are also noncommittal to longterm employment, this makes psychological detachment an important consideration for hospitality and leadership research (Collins et al., 2012; Vogel and Mitchell, 2015). Therefore, we propose that psychological detachment from an organization moderates the impact of ethical leadership on hospitality employees' CCB. We argue that compared to those who are less psychologically detached from

their organizations, highly psychologically detached employees are less likely to reciprocate an ethical leader behaviors with CCB due to their psychological absence (Kahn, 1990).

Aside from examining the moderating effect of psychological detachment, we further draw on SET to identify employees' *felt obligation* (the feeling that one owes the organization a responsibility of care about its welfare) as the underlying mechanism through which both the direct effect of ethical leadership and moderating effect of psychological detachment on CCB is likely to occur. In particular, we suggest that when employees are less psychologically detached, ethical leadership triggers felt obligation, which in turn results in higher CCB.

Our study makes important contributions to the leadership in hospitality literature. First, we add to the emerging evidence on the role of ethical leadership in fostering customer-specific behaviors (Qin et al., 2014). Whereas Qin and colleagues adopted a satisfaction and engagement perspective, we draw on insights from SET (Blau, 1964) as a unique and cogent theoretical framework for shedding light on how ethical leadership might foster CCB. Second, our research addresses Brown and Treviño's (2006) call for researchers to uncover the boundary conditions of ethical leadership by identifying employee psychological detachment as one of such. Third, we further substantiate our theoretical predictions regarding the moderating effect of psychological detachment by providing a more comprehensive explanation for when and why ethical leadership leads to increased CCB. In doing so, we examine felt obligation as the mechanism accounting for the aforementioned moderating effect of psychological detachment. Finally, in terms of practice, our research model (see Fig. 1) offer valuable insights to service organizations interested in establishing effective policies for enhancing CCB by shedding new light on the moderating and mediating mechanisms associated with the ethical leadership – CCB link.

2. Theory and hypotheses development

2.1. Ethical leadership, felt obligation, and customer-oriented citizenship behavior

Citizenship behaviors also referred to as discretionary behaviors have been demonstrated to improve organizational effectiveness and functioning (Podsakoff et al., 2009). Beyond the general discretionary behaviors that employees may display toward their organization and those within the organization such as coworkers, a specific type of citizenship behavior that is particularly relevant and valued in the hospitality context is CCB (Wu et al., 2013). According to Dimitriades (2007), CCB is a discretionary behavior that employees initiate for the benefit of customers. Examples of such behaviors include making customers feel valued, going the extra mile to service them even when it is not required, and generally treating them in a normatively appropriate manner. With CCB being a behavior which signals that employees value their customers and prioritize their welfare and satisfaction, we propose

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[2] In line with previous studies (e.g., Burris et al., 2008), which noted, "employees often psychologically detach, or begin the quitting process, long before they physically exit" (Burris et al., 2008, p. 913), we operationalize psychological detachment based on turnover intention (i.e., employees who have begun thinking about leaving the organization) (see also, Burris et al., 2008; Vogel and Mitchell, 2015).