

Ethical Leadership: Assessing the Value of a Multifoci Social Exchange Perspective

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Abstract In this study, we comprehensively examine the relationships between ethical leadership, social exchange, and employee commitment. We find that organizational and supervisory ethical leadership are positively related to employee commitment to the organization and supervisor, respectively. We also find that different types of social exchange relationships mediate these relationships. Our results suggest that the application of a multifoci social exchange perspective to the context of ethical leadership is indeed useful: As hypothesized, within-foci effects (e.g., the relationship between organizational ethical leadership and commitment to the organization) are stronger than cross-foci effects (e.g., the relationship between supervisory ethical leadership and commitment to the organization). In addition, in contrast to the “trickle down” model of ethical leadership (Mayer et al. in *Org Behav Hum Decis Process* 108:1–13, 2009), our results suggest that organizational

ethical leadership is both directly and indirectly related to employee outcomes.

Keywords Ethical leadership · Commitment · Social exchanges · Leader–member exchange · Leadership

Introduction

The ever-lengthening list of corporate ethics scandals provides us with a compelling reminder that financial success is meaningless if not obtained ethically. Much of the blame for these scandals has focused on the leaders of these corporations and for good reason: some of the worst ethical debacles have occurred as a direct result of decisions made by organizational leaders (e.g., Enron, Worldcom, Adelphia, Tyco, etc.). It is not surprising, therefore, that researchers are increasingly turning their attention to the ethical (and unethical) behavior of leaders in organizations and how such behavior affects employees. Although interest is increasing, the empirical study of “ethical leadership” is in a nascent stage (see Brown and Mitchell 2010 for a review); scholars have only recently distinguished ethical leadership from similar leadership constructs and begun to establish its nomological network (Brown and Treviño 2006; Brown et al. 2005; Brown and Mitchell 2010; Mayer et al. 2012).

Consistent with previous research, we define 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” (Brown et al. 2005, p. 120). Ethical leaders have been described as both moral persons and moral managers (see Treviño et al. 2000; Brown and

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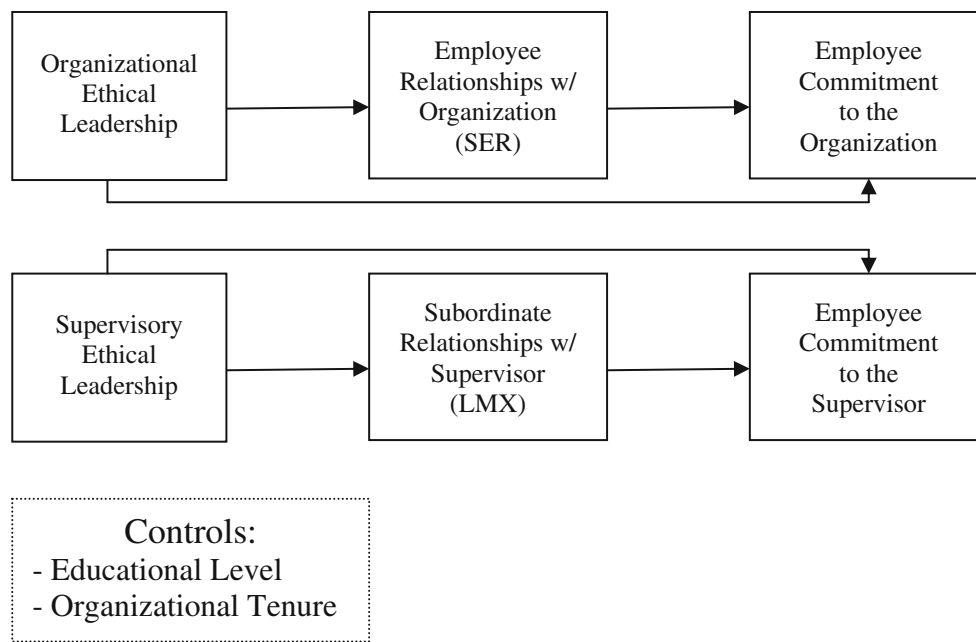


Fig. 1 Proposed multifoci model

Treviño 2006). As moral persons, ethical leaders are fair, principled, and genuinely concerned for their employees. As moral managers, ethical leaders set, communicate, and reinforce high ethical standards (Brown et al. 2005).

Brown et al. (2005) developed a construct of ethical leadership based on social learning theory as well as an instrument, the ethical leadership scale (ELS) to measure it. This scale has allowed for large strides forward in research aimed at identifying the antecedents and consequence of ethical leadership. However, despite the progress that has been made, there are many fundamental questions about ethical leadership that remain unanswered. One such question is whether supervisory or organizational ethical leadership (or both) are related to important follower outcomes (citizenship and deviance) are fully mediated by supervisory ethical leadership. This “trickle down” effect suggests that organizational ethical leadership might have no direct impact on employee behaviors at lower levels within the organization and rather that this influence “trickles down” through supervisors instead.

One of the goals of our research is to re-examine this “trickle down” effect from a different perspective—a multifoci social exchange perspective—by considering an important outcome, employee commitment, from multiple foci. In other words and as will be discussed, in this study we hypothesize that the relationships between ethical

leadership at multiple levels of management (supervisory and organizational) and employee commitment vary depending on the foci of commitment (commitment to the supervisor and commitment to the organization).

Ethical leadership researchers have frequently used social learning theory (Bandura 1977) to explain the impact of ethical leadership on important outcomes (Brown et al. 2005). A social learning perspective suggests that subordinates follow strong ethical leaders because they consider them to be credible role models worthy of emulation. However, alternative explanations of ethical leadership influence, such as social exchange theory (Blau 1964), have also been proposed (Brown and Treviño 2006; Mayer et al. 2009). However, these alternative explanations have been rarely tested empirically (see Walumbwa et al. 2011 for an exception).

Social exchange relationships (SERs) operate according to norms of reciprocity (Blau 1964; Shore et al. 2006); when individuals feel that a person (such as an ethical leader) or organization has treated them positively, they reciprocate by treating the person/organization favorably in return. High-quality SERs predict many positive attitudes and behaviors (Bauer and Green 1996; Gerstner and Day 1997; Shore et al. 2006). Another major goal of this research is to examine ethical leadership and employee commitment from a social exchange perspective (see Fig. 1) at both organizational and supervisory foci.

In all, we make three key contributions to the ethical leadership literature: first, this study represents the first

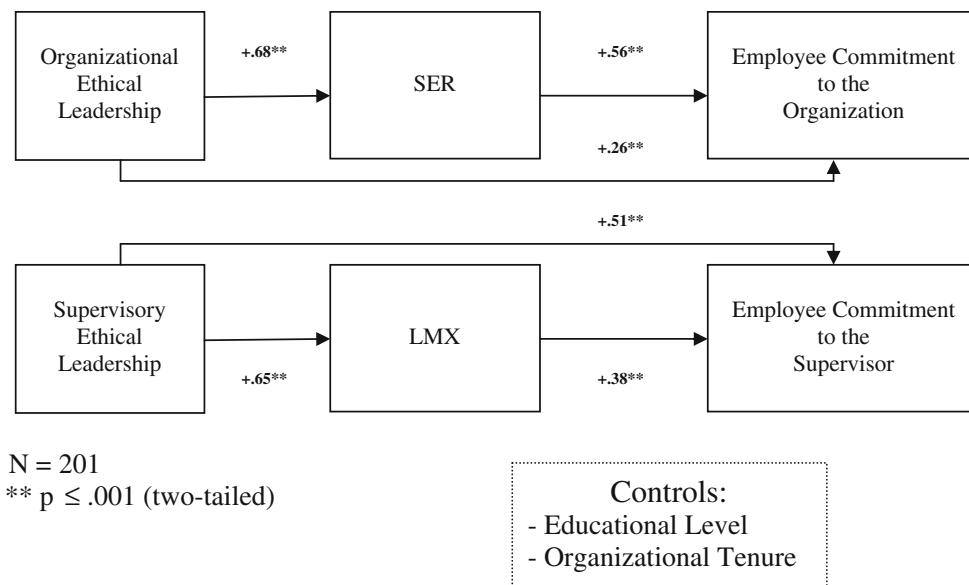


Fig. 2 Hypothesized partially mediated multifoci model

examination of the relationship between ethical leadership and employee commitment from a social exchange perspective. Second, our investigation is the first to take a comprehensive *multifoci social exchange* perspective to all aspects of the ethical leadership influence process, including *multiple levels* of ethical leadership, *multiple types* of social exchange mediation, and *multiple targets* of employee commitment. Third, our research sheds new light on the “trickle-down” effect (Mayer et al. 2009) which suggests that the relationship between organizational ethical leadership and employee outcomes is fully mediated by supervisory ethical leadership: by re-considering this effect from a multifoci perspective, we expect to find evidence that the direct relationship between organizational ethical leadership and follower outcomes will be stronger than and different from what has been assumed in previous research (i.e., Mayer et al. 2009; Fig. 2).

Theory and Hypotheses

Ethical Leadership and Employee Commitment

In general, ethical leaders tend to engender constructive employee outcomes because they care for their employees and are seen as trustworthy and fair (Neubert et al. 2009; Walumbwa and Schaubroeck 2009; Brown et al. 2005). Prior research has confirmed the strong link between employee perceptions of fairness and sentiments of commitment (i.e., Chen and Indartono 2011). This makes sense when employees believe they are being treated unfairly,

they are less likely to feel motivated to invest in their companies, or to develop sentiments of longer term commitment with/for them (Chen and Indartono). Ethical leaders are fair and principled leaders who are supportive of their subordinates (Brown and Trevino 2005), so it follows that employees of such leaders will feel more strongly committed to their organizations/leaders.

In addition, ethical leaders abide by high ethical standards and encourage others within their organizations to do the same (Brown and Trevino 2005). In doing so, they set themselves apart from leaders who might be less willing to abide by the highest of ethical standards—especially if a more relaxed approach might result in increased short-term profitability. Strong ethical leaders are, therefore, likely to be more effective than weak ethical leaders at maintaining the trust of key stakeholders vital for the realization of long-term, strategic organizational objectives (see Brown and Trevino 2005; Hansen et al. 2011). By placing a high priority on long-term stakeholder trust via their adherence to high moral standards, strong ethical leaders demonstrate commitment to their organizations’ long-term success. They also create environments of trust where subordinates are likely to develop similarly committed behavior patterns (see Neubert et al. 2009; Ruiz et al. 2011). Consistent with social learning theory (see Bandura 1977, 1986), this likely occurs because the example set by ethical leaders creates sets the stage for role modeling and emulative processes that lead to subordinate emulation of the committed examples of their ethical leaders.

Although previous research has confirmed both direct (Ruiz et al. 2011) and indirect (Neubert et al. 2009) links

between ethical leadership and commitment, we go beyond this by hypothesizing, consistent with multifoci theory, that employees will be capable of distinguishing among ethical leaders at different organizational levels (organizational and supervisory) and directing their sentiments of commitment accordingly (see Rupp and Cropanzano 2002).

Hypothesis 1a Organizational ethical leadership is positively related to employee commitment to the organization.

Hypothesis 1b Supervisory ethical leadership is positively related to employee commitment to the supervisor.

The Mediating Role of Social Exchange

Strong SERs develop from reciprocal interactions between exchange partners that are motivated by the mutual benefits derived from the exchanges (Blau 1964). Early on, basic “economic” exchanges are characterized by clear rules, low trust, and somewhat tight control over obligations (i.e., contract promising money for a set amount of work). Over time and as a result of positive experiences resulting from mutual risk-taking, trusting “social” exchanges relationships can develop eventually.

According to the social exchange literature, workers can have distinct SERs with various partners (Cropanzano and Mitchell 2005). Consistent with this premise, past research has demonstrated that subordinates can develop and maintain separate relationships with organizational leaders and direct supervisors and that these relationships have unique outcomes (Lavelle et al. 2007; Masterson et al. 2000; Wayne et al. 1997). In the management field, the term “SER” has come to specifically represent the relationship between an employee and his/her organization or organizational leader (Shore et al. 2006). Empirically, SER has been linked to several positive employee attitudes and behaviors including commitment, overall performance, citizenship behaviors, and retention-related variables such as absenteeism, turnover intention, and tardiness (Shore et al. 2006, 2009).

The SER that an employee has with his or her immediate supervisor has been labeled “leader-member social exchange” (Bernerth et al. 2007) or, more commonly, simply “leader-member exchange” or “LMX” (Dansereau et al. 1975; Dienesch and Liden 1986). LMX theory, which originated from vertical dyad linkage theory in the leadership literature, takes a social exchange perspective to explain the quality of the dyadic relationship that develops between leaders and followers (Graen and Uhl-Bien 1995). Empirically, as with SER, LMX has been linked to subordinate sentiments of commitment and several other positive outcomes including: task performance, satisfaction with supervisor, turnover intentions, and citizenship behaviors (Gerstner and Day 1997; Ilies et al. 2007).

Consistent with prior research, for purposes of this study, we define SER as the relationship between the organizational leader and his or her employees, and LMX relationships as the relationship between supervisors and their subordinates. With our first set of hypotheses, we seek to establish the relationship between ethical leadership (organizational and supervisory) and commitment (to the organizational leader and to the supervisor). For our second set of hypotheses, we hypothesize partial social exchange (SER and LMX) mediation of the relationship between organizational and supervisory ethical leadership and organizational and supervisory commitment. As indicated above, prior research has confirmed that whenever employees feel they are part of a strong SER with an organizational leader (SER) or supervisor (LMX), they tend to be more committed to that leader (Gerstner and Day 1997; Shore et al., 2006, 2009; Shore and Wayne 1993; Wayne et al. 1997; Henderson et al. 2008). We hypothesize that ethical leaders are likely to develop strong SERs because their followers view them as honorable and trustworthy and because these qualities are known catalysts for the SER development process (see Brown and Treviño 2006; Brown et al. 2005; Hansen 2012; Brower et al. 2000). Walumbwa et al. (2011) found initial evidence for the relationship between supervisory ethical leadership and LMX; we expand on this finding in this study by simultaneously hypothesizing, from a multifoci social exchange perspective, SER and LMX as mediators of both organizational and supervisory ethical leadership, respectively, as follows:

Hypothesis 2a Social exchange relationships (SER) partially mediate the relationship between organizational ethical leadership and employee commitment to the organization.

Hypothesis 2b LMX relationships partially mediate the relationship between supervisory ethical leadership and employee supervisor-directed commitment.

Ethical Leadership and Multifoci Social Exchange

For several years, researchers have known that employees are capable of discriminately directing their sentiments of commitment to different organizational foci (Klein et al. 2009). Given the close theoretical connection between commitment and social exchange theories (Blau 1964; Rupp and Cropanzano 2002; Lavelle et al. 2007), it is no surprise that research on social exchange has increasingly utilized “multifoci” approaches (Lavelle et al. 2007), which allow for simultaneous examination of the multiple SERs (and their outcomes, e.g., commitment) that exist between employees and various targets or foci within the organization (e.g., supervisors, CEO’s, co-workers, etc.).

Multifoci social exchange approaches have been fruitfully applied to several different nomological contexts. For example, research on justice has demonstrated that employees make independent justice judgments about their leaders and that they differentially react to those judgments in such a way that within-foci effects are greater than cross-foci effects (see Cropanzano et al. 2002; Masterson et al. 2000; Rupp and Cropanzano 2002). Recent research on trust (a required condition for and/or indicator of social exchange, see Blau 1964; Colquitt and Rodell 2011; Hansen et al. 2011) suggests that it is important to distinguish between trust in supervisory and organization-level leaders since the consequential nomological network for each is unique (Dirks and Ferrin 2001, 2002). In addition, research on organizational citizenship behavior (OCB) has established that employees intentionally direct their citizenship behaviors to specific leader referents (i.e., organizational and supervisory) (LePine et al. 2002).

Related questions have also been recently raised about how leaders at different organizational levels might influence subordinates differently (e.g., Barney 2005; Weaver et al. 2005). With regard specifically to ethical leadership, Mayer et al. (2009) and others (see Davis and Rothstein 2006) have suggested that although employees are influenced by both organization level and supervisory level leaders, organizational leader influence is primarily felt by employees by way of their immediate supervisors because of supervisors' proximity to the daily work of their employees (i.e., the "trickle down" approach). Others have suggested, however, that both organizational and supervisory ethical leaders' influence is distinctly felt by employees by proposing that a social exchange approach might be useful in terms of understanding how ethical leaders at different organizational levels are able to influence the behavior of employees (i.e., Hansen 2012).

In this study, we consider the application of a multifoci social exchange approach by proposing that ethical leaders at different organizational levels indeed impact subordinate behavior in different ways. We suggest that this occurs because employees simultaneously enjoy strong SERs with some leaders and not others—with varying consequences. Prior theory and research on multifoci social exchange (Rupp and Cropanzano 2002; Lavelle et al. 2007) and organizational commitment suggests that commitment foci have different antecedents and that relationships are typically strongest within foci (see Klein et al. 2009). In terms of ethical leadership, a multifoci approach means that employees intentionally direct their commitment towards specific ethical leaders depending on their appraisal of those leaders and according to the strength of the SERs they enjoy with those leaders. Therefore, we hypothesize that relationships between *within-foci* constructs (e.g., organizational ethical leadership and employee commitment to the

organization) will be stronger than those involving *cross-foci* constructs (e.g., organizational ethical leadership and employee commitment to the supervisor) as follows:

Hypothesis 3a Employee commitment to the organization is more strongly related to organizational ethical leadership than to supervisory ethical leadership.

Hypothesis 3b Employee commitment to supervisor is more strongly related to supervisory ethical leadership than to organizational ethical leadership.

Ethical Leadership's 'Trickle Down' Effect

Leadership scholars have frequently contemplated how top-level leaders are able to influence rank and file employees within their organizations (e.g., Bass et al. 1987; Barney 2005). As mentioned above, within the ethical leadership literature, Mayer et al. (2009) recently found evidence that organization level ethical leadership affects employee behavior through the mediator of supervisory ethical leadership. This model of ethical leadership suggests that while organizational ethical leaders' influence is felt by employees, this happens because it "trickles down" to them by way of their immediate supervisors (Mayer et al. 2009). On the surface, this model seems inconsistent with the multifoci perspective examined in this study (hypothesis 3) because according to this model, ethical leadership at one focus (supervisory) intervenes between two constructs (organizational-level ethical leadership and commitment to the organization) at a different focus. However, Mayer et al. (2009) measured deviance and citizenship behaviors directed at the supervisor's group and not the organization as a whole. Therefore, Mayer et al.'s (2009) findings that employees' perceptions of supervisory ethical leadership affect the amount of deviance and OCB that occurs within the workgroup are actually consistent with a multifoci perspective.

Multifoci social exchange theory suggests that "trickle-down" effects will be diminished when cross-foci effects are considered because employees knowingly direct their behaviors to leaders according to their perceptions of those leaders and their relationships with those leaders (Rupp and Cropanzano 2002). In other words, whereas a multifoci perspective suggests that employees will be more likely to direct sentiments of organizational commitment to their organizational leader and sentiments of supervisory commitment to their supervisor, it would not be consistent with multifoci social exchange theory or a trickle-down perspective for supervisory ethical leadership to mediate the relationship between organizational ethical leadership and organization-directed employee commitment (see Fig. 3). As such, we hypothesize that a full trickle-down effect exists only for commitment to the supervisor—we

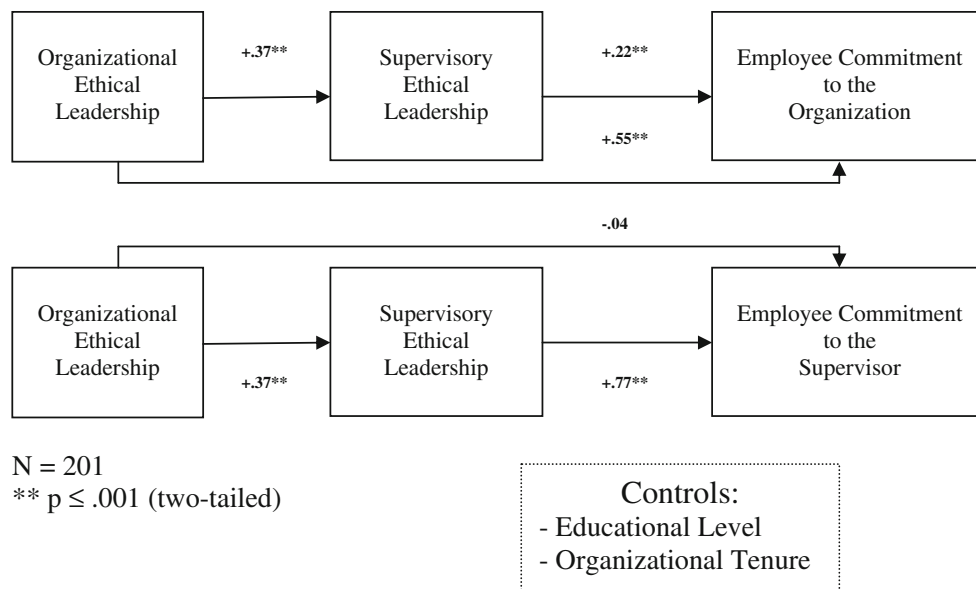


Fig. 3 Confirming the presence of a “Cascading” effect (partially mediated models)

hypothesize a partial trickle-down effect when the focus of commitment is the organization. To confirm the concomitant validity of the multifoci approach and the trickle-down effect, we hypothesize partial mediation for within-foci effects and full mediation for cross-foci effects as follows:

Hypothesis 4a Supervisory ethical leadership fully mediates the relationship between organizational ethical leadership and commitment to the supervisor.

Hypothesis 4b Supervisory ethical leadership partially mediates the relationship between organizational ethical leadership and commitment to the organization.

Method

Sample and Procedure

Participants were recruited from a large waste management corporation operating in the eastern United States. Anonymity was guaranteed and participation was voluntary. Participants (average age of 36; 37 % female) were full-time workers from a broad range of career positions (i.e., scientists, managers, support staff, etc.) with an average of 8 years of organizational tenure. To aid with same-source bias concerns, participants completed three surveys, each separated by 3–4 weeks. During the first period, both ethical leadership and control variables were measured. During the second period, both social exchange variables were measured. During the final period, both commitment variables were measured. The first survey had a 59 % response

rate, the second 46 %, and the third 40 %. The final sample size was $N = 201$.

Measures

Ethical Leadership

We assessed ethical leadership using Brown et al.’s (2005) measure. Respondents rated their leaders on ethical leadership (1 = *strongly disagree* and 5 = *strongly agree*). Example items are: “Disciplines employees who violate ethical standards” and “Defines success not just by results but also by the way that they are obtained.” For the organizational ethical leadership measure, the focus was on the ethical leadership of the chief executive officer. The CEO and supervisory measures differed only in referent (“CEO” for organizational ethical leadership and “Supervisor” for supervisory ethical leadership). Reliabilities for both measures were good ($\alpha = .94$ and $.94$).

Social Exchange Relationships

We measured SERs using Shore et al.’s (2006) measure. Respondents were asked to rate 8-items on a 5-point scale (1 = *strongly disagree* and 5 = *strongly agree*). The “overall organization” itself was the referent of this measure. Some items from this measure include: “My organization has made a significant investment in me,” and “I worry that all my efforts on behalf of my organization will never be rewarded (R)”. Reliability for this measure was good ($\alpha = .87$).

LMX Relationships

We measured LMX using Scandura and Graen's (1984) 7-point (1 = *strongly disagree* and 7 = *strongly agree*) measure which asks followers to rate the quality of their relationship with their immediate supervisors. Example items include "I always know how satisfied my supervisor is with what I do" and "My supervisor would personally use his/her power to help me solve my work problem". Reliability was good ($\alpha = .89$).

Employee Commitment

Previous research has identified different types of commitment, including affective, continuance, and normative (Meyer and Allen 1991). We focus exclusively on affective commitment, not because it is the most widely studied forms of commitment (Lavelle et al. 2008) but because it is most closely related, theoretically, to social exchange and related variables (see Eisenberger et al. 1986; Van Knippenberg and Sleebos 2006; Gautam et al. 2004). We used the six affective commitment items from Meyer and Allen's (1997) scale for both organizational- and supervisory-directed commitment (with appropriate referents); 1 = *strongly disagree* and 5 = *strongly agree*. Example items include: "This organization (or supervisor's workgroup) has a great deal of personal meaning for me" and "I really feel as if this organization's (or supervisor's) problems are my own". Reliabilities were good (.87 and .91).

Control Variables

Whereas education might lead to more awareness about what constitutes ethical/unethical leadership, educational level was controlled for and coded as a categorical variable (1 = some high school; 2 = high school degree; 3 = some college; 4 = 2-year degree; 5 = 3-year degree; 6 = bachelor's degree; 7 = some graduate work; 8 = master's degree;

9 = PhD/MD/JD). In addition, since it is related to the development of social exchange, we controlled for organizational tenure and coded it as follows: (1 = 1 year; 2 = 1–5 years; 3 = 6–10 years; 4 = 11–15 years; 5 = 16–20 years; 6 = 21–25 years). Consistent with existing guidelines (Kline 2005; Bentler and Chou 1987), control variables, though categorical, were treated as continuous variables.

Results

Analysis

In this study, the unique effects of ethical leadership at both the organizational and the supervisory levels were simultaneously examined. A multifoci partial mediation model was hypothesized and mediation hypotheses were tested using structural equation modeling (SEM, using AMOS software). The fit indices of three models were compared: (1) a baseline model, including independent and dependent constructs only, (2) a partial mediation model, and (3) a full mediation model. In order for this study's partial mediation hypotheses to receive support, the partial mediation model needed to fit the data better than either the baseline model or the full mediation model (see Baron and Kenny 1986).

Descriptive Statistics

Means, standard deviations, and correlations are in Table 1, with alpha coefficients for reliability depicted on diagonals. It is noteworthy that correlations are (1) significant and (2) consistent with study hypotheses (e.g., organizational ethical leadership is more strongly correlated with SER and commitment to the organization than LMX or commitment to supervisor; and likewise, supervisory ethical leadership is more strongly correlated with LMX and commitment to supervisor than SER or commitment to organization).

Table 1 Means, standard deviations, and inter-correlations for study variables

Variable	M	SD	1	2	3	4	5	6	7	8
1. Educational level	3.77	1.10	N/A							
2. Organizational tenure	3.66	1.46	.01	N/A						
3. Organizational ethical leadership	3.39	0.74	.10	.05	<i>.94</i>					
4. Soc. exchange relationships (SER)	3.51	0.67	.11	.03	.60**	<i>.87</i>				
5. Commitment to organization	3.56	0.74	.10	.18**	.60**	.67**	<i>.87</i>			
6. Supervisory ethical leadership	3.84	0.72	.03	-.10	.35**	.34**	.34**	<i>.94</i>		
7. Leader–member exchange (LMX)	4.70	1.14	.02	-.08	.22*	.43**	.31**	.61**	<i>.89</i>	
8. Commitment to supervisor	3.32	0.86	-.02	-.04	.22**	.34**	.44**	.69**	.68**	<i>.91</i>

N = 201 with listwise deletion of missing data. Scale reliabilities appear along the diagonal in italics

** $p < .001$ (two-tailed)

Hypothesis Tests

We examined model fit with commonly used SEM indices (CMIN, CMIN/df, RMSEA, CFI, NFI, and TLI), and in making fit determinations, we used generally accepted thresholds (see Kline 2005). All eight-study hypotheses were supported.

Measurement Models

All but two-factor loadings for latent variables were above recommended cut-off levels (Hair et al. 2005) providing evidence of valid measurement models. Further establishing measurement validity, we compared three models for each level of ethical leadership. That is, for both organizational ethical leadership and supervisory ethical leadership models, we compared three-factor models with two- and single-factor models (three-factor models included organizational/supervisory ethical leadership, SER/LMX, and commitment to the organization/supervisor; two-factor models contained only organizational/supervisory ethical leadership and commitment to the organization/supervisor, and single-factor models included only organizational/supervisory ethical leadership). Significant $\Delta\chi^2$ (Chi-squared difference tests at $p \leq .001$) for the changes between these models (see Table 3), along with the fact that the three-factor model fit the data better than either the two- or the single-factor model for both organizational and supervisory ethical leadership, provided additional evidence of construct and measurement validity (see Bollen 1989; Byrne 2005; Kline 2005).

Hypothesized Models

To test our hypothesized structural models, we followed Baron and Kenny's (1986) general procedure for mediation testing. We compared three models for each level of ethical leadership. For both organizational and supervisory ethical leadership, we compared the *baseline* model (i.e., the direct effect of ethical leadership on employee commitment) with a *full* mediation model (i.e., a model with only an indirect effect of ethical leadership on employee commitment through social exchange or LMX) and a *partial* mediation model (i.e., a model with direct and indirect effects).

We first examined the baseline models, which allowed a test of *Hypotheses 1a* and *1b*. Correlations (Table 1) provide initial support for both the hypotheses. Providing additional support for *Hypotheses 1a* and *1b*, standardized regression estimates were significant and in the expected direction (.64; $p < .01$, for employee commitment to the organization and .76; $p < .01$, for employee commitment to the supervisor (see Table 2).

Hypotheses 2a and *2b* specified that social exchange would partially mediate the positive relationship between ethical leadership and employee commitment. Whereas regression estimates were significant in the direction expected (.26 for organizational ethical leadership and .51 for supervisory ethical leadership, with $p < .01$, see Table 2), to find support for these hypotheses, we needed to compare baseline, fully mediated, and partially mediated models for organizational leadership and supervisory leadership (see Table 3).

The baseline models fit the data reasonably well for organizational ethical leadership and for supervisory ethical leadership, respectively (see Table 3): CMIN (χ^2) = 268.7, 279.7; CMIN/df = 2.05, 2.14; RMSEA = .072, .075; CFI = .94, .94; NFI = .89, .89; and TLI = .93, .93. For ethical leadership at the organizational and supervisory levels (respectively), the fully mediated structural model (see Table 3) also demonstrated a reasonable fit (CMIN = 507.4, 1066.7; CMIN/df = 1.74, 2.18; RMSEA = .061, .077; CFI = .93, .89; NFI = .86, .82; and TLI = .93, .89). In support of *Hypotheses 2a* and *2b*, the partially mediated models for organizational and supervisory ethical leadership, respectively (see Table 3), fit better than either the baseline or the fully mediated models (CMIN = 497, 1014.9; CMIN/df = 1.71, 2.08; RMSEA = .059, .073; CFI = .94, .90; NFI = .86, .83; and TLI = .93, .90).

Seeking additional support for *Hypotheses 2a* and *2b*, we performed Chi-squared difference tests. Chi-square difference ($\Delta\chi^2$) tests comparing the fit of the partially mediated models with the fully mediated models were conducted. Chi-squared difference tests ($\Delta\chi^2$) (Kline 2005) showed (see Table 3) that the partially mediated model fit the data significantly better than the fully mediated model for both organizational and supervisory ethical leadership, respectively ($\Delta\chi^2 = 10.4$, $p < .001$; $\Delta\chi^2 = 51.8$, $p < .001$).

A series of multicollinearity analyses were run to examine the possibility of multicollinearity between ethical leadership at the organization and supervisor level and the corresponding social exchange constructs. All VIF/tolerance values were at acceptable levels and all t tests for individual predictors (in the presence of related predictors) were significant, suggesting that multicollinearity was not a severe problem. CFA analyses, as discussed earlier, further suggested that although the variables are closely related, they are unique.

Hypotheses 3a and *3b* required that we examine whether within-foci effects were stronger (as they should be) than the cross-foci effects. The presumption of a multifoci perspective is that ethical leadership emanating from the top of the organization will predict employee commitment directed at the organization better than employee commitment directed at the supervisor and vice versa for supervisory ethical leadership. Consistent with prior multifoci research, to test

Table 2 Proposed multifoci model: standardized regression estimates

Independent variable	Dependent variable	Baseline model	Fully mediated model	Partially mediated model
Controls				
Education	Social Exchange Relationships (SER)	N/A	.02	.02
Education	Employee Commitment to the Organization	.02	.01	.00
Tenure	Social Exchange Relationships (SER)	N/A	-.02	-.02
Tenure	Employee Commitment to the Organization	.13	.14*	.13
Education	Leader–Member Exchange (LMX) Relationships	N/A	-.00	.00
Education	Employee Commitment to the Supervisor	-.02	-.02	-.02
Tenure	Leader–Member Exchange (LMX) Relationships	N/A	.01	.01
Tenure	Employee Commitment to the Supervisor	.13	-.02	.01
Variables				
Organizational ethical leadership	Social Exchange Relationships (SER)	N/A	.70**	.68**
Organizational ethical leadership	Employee Commitment to the Organization	.64**	N/A	.26**
Social exchange relationships	Employee Commitment to the Organization	N/A	.75**	.56**
Supervisory ethical leadership	Leader–Member Exchange (LMX) Relationships	N/A	.67**	.65**
Supervisory ethical leadership	Employee Commitment to the Supervisor	.76**	N/A	.51**
Leader–member exchange (LMX) relationships	Employee Commitment to the Supervisor	N/A	.72**	.38**

N = 201

* *p* < .01 (two-tailed)

** *p* < .001 (two-tailed)

Table 3 Fit indices for baseline, fully mediated, and partially mediated models

	CMIN	df	CMIN/df	RMSEA	CFI	NFI	TLI	$\Delta\chi^2$
Organizational ethical leadership								
Baseline model	268.7	131	2.05	.072	.94	.89	.93	
Fully mediated model	507.4	292	1.74	.061	.93	.86	.93	10.4**
Partially mediated model	497.0	291	1.71	.059	.94	.86	.93	
Supervisory ethical leadership								
Baseline model	279.72	131	2.14	.075	.94	.89	.93	
Fully mediated model	1066.67	490	2.18	.077	.89	.82	.89	51.8**
Partially mediated model	1014.87	489	2.08	.073	.90	.83	.90	

N = 201

** $\Delta\chi^2$ from fully mediated to partially mediated model: *p* ≤ .005

these hypotheses and the applicability of a multifoci perspective to the nomological network examined in this study, a series of regression analyses were run:

First, we examined whether the relationship between organizational ethical leadership and employee commitment directed at the organization was stronger (when controlling for supervisory ethical leadership) than the relationship between supervisory ethical leadership and employee commitment directed at the organization (when controlling for organizational ethical leadership). The change in *R*² for the first was .26 (*p* < .001), with *t* (organizational ethical

leadership) = 9.12 (*p* < .001); for the second, the change in *R*² was .02 (*p* < .02) with *t* (supervisory ethical leadership) = 2.42 (*p* < .02), see Table 4.

Second, we examined whether the relationship between supervisory ethical leadership and employee commitment directed at the supervisor was stronger (when controlling for organizational ethical leadership) than the relationship between organizational ethical leadership and employee commitment directed at the supervisor (when controlling for supervisory ethical leadership). The change in *R*² for the first was .43 (*p* < .001), with *t* (supervisory ethical

Table 4 Ethical leadership and employee commitment: cross versus within-foci effects

Independent variables	Dependent variables							
	Commitment to the organization				Commitment to the supervisor			
	<i>B</i>	<i>t</i>	<i>p</i>	ΔR^2	<i>B</i>	<i>t</i>	<i>p</i>	ΔR^2
Organizational ethical leadership ^a	.55	9.12	<.001	.26**	-.03	-.49	<.62	.001
Supervisory ethical leadership ^b	.15	2.42	<.02	.02	.70	12.86	<.001	.43**

N = 201

** $p \leq .001$

^a Controlling for supervisory ethical leadership

^b Controlling for organizational ethical leadership

leadership) = 12.86 ($p < .001$); for the second, the change in R^2 was .001 ($p < .62$) with *t* (organizational ethical leadership) = $-.49$ ($p < .62$), see Table 4.

Whereas the answer to both of these questions was “yes” at $p < .01$ (see Table 4), the data supported both Hypotheses 2a and 2b—that within-foci effects would be stronger than the cross-foci effects—confirming the value of a multi-foci perspective in the context of ethical leadership.

Hypotheses 4a and *4b* required that we confirm the presence of a “trickle-down” effect in our data (Mayer et al. 2009) and demonstrate that it is compatible with a multifoci social exchange approach to ethical leadership.

To accomplish this, we first hypothesized (Hypothesis 4a) that supervisory ethical leadership would fully mediate the relationship between organizational ethical leadership and commitment to the supervisor (see Fig. 3). In support of Hypothesis 4a, for the fully mediated model, standardized regression estimates were significant (.38, .44 at $p < .001$). When looking at a partially mediated model, the direct effect of organizational ethical leadership on commitment to the supervisor was not significant ($-.04$ at $p < .001$, see Table 6; Fig. 3). In addition, the partially mediated model, which fit reasonably well (CMIN/df = 2.005, RMSEA = .071, CFI = .91, NFI = .84, and TLI = .90), did not fit the data better than either the fully mediated (CMIN/df = 2.001, RMSEA = .071, CFI = .91, NFI = .84, and TLI = .90) or baseline (CMIN/df = 2.052, RMSEA = .073, CFI = .94, NFI = .89, and TLI = .93) models. This result was confirmed with a Chi-squared difference test, which indicated that the fit change between partially mediated and mediated models was insignificant ($\Delta\chi^2 = .41$, $p > .25$; see Fig. 3).

Finally, we hypothesized supervisory ethical leadership as a partial mediator of organizational ethical leadership’s influence on commitment to the organization (see Fig. 3). In our analyses, we again followed Baron and Kenny’s (1986) general procedure for mediation testing by comparing baseline, fully mediated, and partially mediated models. In support of hypothesis 4a, for the partially mediated model,

standardized regression estimates were all significant (.37, .55 and .22 at $p < .001$) and in the expected direction (see Table 6; Fig. 3). Providing additional support for hypothesis 4b, the partially mediated model (CMIN/df = 1.94, RMSEA = .069, CFI = .91, NFI = .84, and TLI = .90) fit the data better than either the fully mediated model (CMIN/df = 2.123, RMSEA = .075, CFI = .90, NFI = .82, and TLI = .89) or the baseline model (CMIN/df = 3.126, RMSEA = .103, CFI = .85, NFI = .80, and TLI = .84), and a Chi-squared difference test confirmed that this model fit the better than either the baseline model or the fully mediated model ($\Delta\chi^2 = 64.31$, $p < .001$; see Tables 5, 6; Fig. 3).

General Discussion

In this study, we found a positive relationship between ethical leadership and employee commitment at multiple foci. We also found that SERs partially mediated the positive relationship between ethical leadership (at the supervisory and organizational levels) and employee commitment (to the supervisor and to the organization). Our findings indicated that consistent with a multifoci social exchange approach to ethical leadership, supervisory ethical leadership (compared to organizational ethical leadership) was a stronger predictor of employee commitment to supervisor and that organizational ethical leadership (compared to supervisory ethical leadership) was a stronger predictor of employee commitment to the organization. We also found that the mediating effect of supervisory ethical leadership on the relationship between organizational ethical leadership and employee commitment was not complete, but varied depending on the foci of leadership and commitment.

Theoretical Contributions

This study significantly contributes to our understanding of how ethical leaders influence their followers as well as how they build employee commitment. It also sheds new light

Table 5 Confirming the presence of a “Cascading” effect

	CMIN	df	CMIN/df	RMSEA	CFI	NFI	TLI	$\Delta\chi^2$
Hypothesis 4a								
Baseline model	525.13	168	3.126	.103	.85	.80	.84	
Fully mediated model	728.29	343	2.123	.075	.90	.82	.89	64.31**
Partially mediated model	663.98	342	1.941	.069	.91	.84	.90	
Hypothesis 4b								
Baseline model	268.78	131	2.052	.073	.94	.89	.93	
Fully mediated model	686.21	343	2.001	.071	.91	.84	.90	0.41
Partially mediated model	685.80	342	2.005	.071	.91	.84	.90	

$N = 201$

** $\Delta\chi^2 p \leq .001$

Table 6 Examining the “Cascading” perspective: standardized regression estimates

Independent variable	Dependent variable	Baseline model	Fully mediated model	Partially mediated model
Controls				
Education	Supervisory Ethical Leadership	N/A	-.03	-.03
Tenure	Supervisory Ethical Leadership	N/A	-.13	-.13
Education	Employee Commitment to the Organization	.02	.09	.02
Tenure	Employee Commitment to the Organization	.13	.21*	.16*
Education	Employee Commitment to the Supervisor	-.04	-.02	-.02
Tenure	Employee Commitment to the Supervisor	-.09	.01	.02
Variables				
Organizational Ethical Leadership	Supervisory Ethical Leadership	N/A	.38**	.37**
Organizational Ethical Leadership	Employee Commitment to the Organization	.64**	N/A	.55**
Organizational Ethical Leadership	Employee Commitment to the Supervisor	.25**	N/A	-.04
Supervisory Ethical Leadership	Employee Commitment to the Organization	N/A	.44**	.22**
Supervisory Ethical Leadership	Employee Commitment to the Supervisor	N/A	N/A	.77**

$N = 201$

* $p < .01$ (two-tailed)

** $p < .001$ (two-tailed)

(and challenges previous assumptions) on how organizational ethical leaders influence lower level employees. Overall, this research addresses three important questions.

How Do Ethical Leaders Influence Followers?

Social learning theory has provided the dominant explanation for how ethical leaders impact their followers. To a lesser degree, social exchange has also been associated with the ethical leadership influence process. However, to the best of our knowledge, only one study (Walumbwa et al. 2011) has directly tested social exchange as a mediator. Walumbwa and colleagues' research is important because it actually tested mediating mechanisms of ethical leadership. However, its generalizability is limited because

it only looked at the supervisory level of leadership, focused on one type of exchange (LMX), and considered a single outcome (employee performance). Our research study goes beyond this research to examine multiple levels of leadership, multiple types of exchanges (with both the organization and the leader), and multiple foci of commitment (to organization and supervisor). Results indicate that ethical leaders at all levels of management can influence employees through social exchange processes and that the nature of this influence process differs depending on the levels of leadership, the type of exchange, and the particular foci of outcomes in question. Future research ought to examine if social exchange links ethical leadership to other outcomes, especially those that are focused on ethics instead of employee job attitudes and job performance.

How Do Ethical Leaders Build Commitment?

This research sheds new light on how ethical leaders can foster employee commitment. Neubert et al. (2009) were the first to empirically link ethical leadership to employee commitment; however, they considered this link to occur indirectly via a mediator (ethical climate) rather than both directly and indirectly as we do in this study. They also proposed that social learning and attachment theories were involved in ethical leader influence. However, they did not include mediating variables to test either theory. Therefore, to the best of our knowledge, this study is the first to test the role of social exchange in linking ethical leadership to employee commitment. Neubert et al. also focused on supervisory ethical leadership. This study directly measured social exchange and ethical leadership at multiple foci. We found that both supervisors and top leaders have a role to play in building commitment and that exchange relationships are instrumental in this process. Given the importance of employee commitment, future research might ask if ethical leaders build employee commitment exclusively through social exchanges or can such commitment be boosted through other processes as well? Other potential mediators of the ethical leadership–commitment relationship include perceived supervisor support, justice (interactional, distributive, and procedural), role conflict, and role ambiguity (Meyer et al. 2002). Future research should also include other known antecedents of commitment to assess the importance of ethical leadership relative to these predictors.

How Does Ethical Leadership Flow?

The significance of multiple foci is well established in the commitment literature (see Klein et al. 2009). However, prior to this study, multifoci issues had largely been overlooked in ethical leadership research. This has led to some potentially erroneous conclusions about the impact of organizational ethical leadership on important outcomes as well as the nature of the ethical leadership influence process. For example, Mayer et al. (2009) found that supervisory ethical leadership fully mediated the relationship between top management ethical leadership and employee outcomes. Mayer et al. concluded that the influence of organizational ethical leadership on important outcomes “cascades” or “trickles down” through supervisory ethical leadership and that organizational ethical leadership is important from a social learning perspective in that senior managers model ethical leadership that trickles down to lower level supervisors. Although Mayer et al. studied two levels of leadership, they focused exclusively on supervisory/work-group outcomes.

In our research, we hypothesized a different model—a *multifoci social exchange model*—and suggested that

ethical leadership is somewhat more complex than the model proposed by Mayer et al. Specifically, we found that the mediating effect of supervisory ethical leadership is only partial and depends on the foci of the outcome in question. We hypothesized and found support for the idea that social exchanges at multiple foci (via SER and LMX) link ethical leadership to commitment. In other words, our research suggests organizational ethical leadership flows through supervisors as well as directly from the top. Future research should identify whether and specifically under what additional conditions organizational ethical leadership has a direct effect on important outcomes compared to the trickle-down effect that has been found in previous research.

Practical Implications

This study demonstrates that ethical leaders—at both the organizational and the supervisory levels—are capable of building SERs with followers and these relationships lead to increased commitment to the organization/CEO and the supervisor, respectively. It also demonstrates that top managers need to pay attention to fostering exchange relationships in addition to modeling appropriate behaviors. From a practical standpoint, although only commitment (to the organization and to the supervisor) was examined in this study as a consequence of social exchange, because social exchange is a known predictor of performance, commitment, satisfaction, and citizenship behaviors, among other positive outcomes (see Ilies et al. 2007; Shore et al. 2006, 2009; Bauer and Green 1996; Gerstner and Day 1997), leaders at all organizational levels should consider the wide-ranging implications of their own actions.

It is noteworthy that ethical leadership at the organizational level is not just important because its influence cascades or trickles down through lower levels of management (see Mayer et al. 2009). This study demonstrates that organizational ethical leaders have a stronger impact on employee commitment to the organization (and likely numerous additional outcomes) compared to supervisory level ethical leaders. As such, top leaders must recognize the potential they have to influence rank and file employees—their actions and behaviors affect how employees view the overall organization more than they might think. By the same token, supervisors must recognize that being an ethical leader will not only positively impact subordinate ethical behavior; it will also positively impact a broad range of behaviors that are beneficial to the supervisor, the work group, and the organization.

Finally, we note that many ethics and responsibility initiatives within organizations are often seen as ways to ensure compliance with the law and demonstrate a level of responsibility to external constituencies. Although those

motivations are important in and of themselves, our results suggest that ethical leadership might also be seen as a way to boost employee commitment throughout the organization. As a result, selecting and developing ethical leaders might be appropriately considered a tool for employee engagement and not just as a component of an organization's formal ethics efforts.

Limitations

Although the findings of our research were consistent with multifoci social exchange theory and our expectations, certain limitations give rise to specific opportunities for future research in addition to those already mentioned: first, whereas all study variables were acquired via surveys administered to followers, this study's results may have been affected by same-source bias, or the risk of inflated correlations leading to erroneous conclusions. However, reducing this concern, we followed the direction of Podsakoff et al. (2003) by temporally distancing our data. This increased the realism of the research; independent variables, mediators, and dependent variables were collected at distinct, sequential points in time. Although some bias remained a possibility, whereas all correlations were strong and clearly consistent with multifoci social exchange theory (e.g., organizational ethical leadership was more strongly correlated with SER and commitment to the organization than LMX or commitment to supervisor and supervisory ethical leadership was more strongly correlated with LMX and commitment to supervisor than SER or commitment to organization), it is unlikely that bias was a major problem. Future research might eliminate the possibility of this problem altogether by obtaining data from different sources.

As is the case with most field studies of this kind, results should not be generalized beyond our sample organization. Although sampling from a single organization allowed us control for important organizational differences (e.g., climate), we can only speculate how organization-level variables such as organizational size and culture might affect the importance of organizational ethical leadership on rank and file followers. It is likely, for example, that in large organizations, especially those with weak cultures, organizational leadership may be less salient to lower level employees compared to their immediate supervisors. Similarly, especially whereas research on ethical leadership has highlighted the fact that ethical leaders influence their followers differently depending on culture/nationality (Keating et al. 2007) future research should consider the effect that culture has on ethical leadership processes. Ultimately, the influence of multifoci ethical leadership will vary depending on the outcomes in question and the specific contexts in which the leadership processes are occurring.

Finally, although we found support for a social exchange perspective on ethical leadership, we did not control for social learning and other potential-mediating influences like trust, perceived support, and related variables. Ethical leadership researchers have rarely tested mediating influences, especially multiple mediators simultaneously (see Walumbwa et al. 2011), and it is important to find out if the mediating roles of social learning and social exchange will hold up when other potential mediators are investigated and/or controlled for at the same time. Future research should address this issue.

Conclusion

This research succeeded in clarifying the impact that ethical leaders at organizational and supervisory levels in organizations can have on their employees. Our field test demonstrated that multifoci SERs between ethical leaders (at both organizational and supervisory levels) and their employees partially mediate the positive relationship between ethical leadership and employee commitment (to the organization and to the supervisor). Whereas strong SERs are known to result in a large variety of helpful and important organizational outcomes (not just commitment), these results strongly suggest that ethical leaders impact not only subordinate ethical behavior but also a very broad range of employee attitudes and behaviors critical for organizational performance.

Most importantly, this study's results suggest that a multifoci perspective is indeed useful for understanding how ethical leaders influence their followers. This study provided evidence that ethical leadership at different organizational levels results in unique outcomes. Specifically, that employee commitment to the organization is more strongly related to organizational ethical leadership than supervisory ethical leadership, and employee commitment to supervisor is more strongly related to supervisory ethical leadership than organizational ethical leadership. This study also provided validating support for the "trickle-down" effect of organizational ethical leadership (Mayer et al. 2009), suggesting, however, that this effect occurs in conjunction with the dynamics assumed via a multifoci social exchange perspective.

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