The Association Between Ethical Leadership and Employee Outcomes – the Malaysian Case

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Abstract

The topic of ethical leadership has received significant attention in recent years due to the plethora of corporate scandals both in the US and other countries. The shocking financial irregularities that have been uncovered in the executive suites of former Wall Street darlings like Tyco International, WorldCom, Adelphia, HealthSouth, and Enron and more recently Transmile in the case of Malaysia, bring to fore the need for ethical leadership more than ever before. The common thread underlying these corporate scandals is the failure of corporate leadership to demonstrate ethical leadership and its consequent negative impact on employee outcomes. However, despite its theoretical and practical significance, empirical research on the ethical dimensions of leadership and leaders' ethical behaviour on employees' level of commitment to their organization is lacking, more so in the case of Malaysia. Hence, this paper investigates the association between ethical leadership behaviour and employee outcomes. This study attempts to explore the impact of ethical leadership behaviour on employee attitudinal outcomes such as employees' organizational commitment and trust in leaders. The study uses primary data collected from 172 intermediate managerial level employees from the corporate sector in Malaysia. Results indicate that ethical leadership behaviour has a positive impact on employee organizational commitment and employee trust in leaders. The study provides empirical support for the theorized notion that ethical leadership behaviour is positively associated with employees' organizational commitment. This study also provides empirical support for the theorized notion that ethical leadership behaviour is positively associated with employees' trust in leaders.

Keywords

Ethical leadership, organizational commitment, trust in leader

1. Introduction

With the increasing trend of commercial crimes being committed in Malaysia, the question of ethical leadership has become a heated issue, gaining attention of academicians, managers, proprietors and even politicians (Zabid & Alsagoff, 1993). For instance, from 1997 to the year 1994, the total number of commercial crimes committed in the country has increased from 1,981 cases to 4,229 cases, which is an increase of 113% from 1977. Moreover, the number of commercial crime cases has almost tripled between 1994 and 2003, with criminal breach of trust and misappropriation of funds forming the bulk of cases. In the year 2003, about 11,714 cases were reported relative to 4,229 cases in 1994, and thus reporting an increase of 491% from 1977. The amount involved increased almost four-fold, from RM153.8 million in 1994 to RM570 million in 2003 (Royal Malaysian Police, 2004). Stunningly, as per the latest reported figures in Malaysia Crime Watch (2007), in the year 2006, commercial crime cases has increased from 171,604 to 198,622 cases compared to year 2005, and thus accounting for 10% of all reported crimes during year 2006.

The common thread underlying these corporate scandals/commercial crimes is the failure of corporate leadership to demonstrate ethical leadership and its consequent negative impact on employee outcomes. However, despite its theoretical and practical significance, empirical research on the ethical dimensions of leadership and leaders' ethical behaviour on employees' level of commitment to their organization is lacking, more so in the case of Malaysia. In other words, though there have been studies that have examined the individual and group determinants of ethical leadership behaviours and the consequences of such ethical behaviours at the organizational level (Holmes, Langford, Welch & Welch, 2002; Honeycutt, Glassman, Zugelder, & Karande, 2001), how ethical leadership influences individual behaviour or the employees' attitudinal outcomes has not

been thoroughly explored, especially in the Asian context.

Hence, this paper empirically examined the impact of ethical leadership behaviour on employee attitudinal outcomes such as employees' organizational commitment and trust in leaders. Thus, the three-fold objectives of this study were to:

1.   Measure employee perception of their leaders/immediate authority figures in terms of ethical leadership behaviour.

2.   Identify the association between employee perception of their leader's ethical behaviour and employee commitment.

3.   Identify the association between employee perception of their leader's ethical behaviour and employee trust in the leader.

However, as this is the first empirical study on the impact of ethical leadership behaviour on employee outcomes in Malaysia, the researchers did not intend to set the parameters within a particular industry. Therefore, this study was a cross sectional study of the corporate sector in Malaysia. Further, in order to draw meaningful conclusions, the scope of the study was limited to intermediate managerial level employees. Because characteristically, it is at this level that specific operational matters arise which may test the feasibility of implementing general ethics principles in particular instances. It is also within the group or department that many of the interactions occur which governs employee's interpretation of what is or is not acceptable behaviours.

Even though, a prior theoretical study (Zhu, May & Avolio, 2004) has proposed an advanced conceptual model with two moderating variables such as employee psychological empowerment and authenticity of ethical leader behaviour, due to few reasons, the researchers did not intend to test the role of such moderating variables in this study. Firstly, the proposed advanced model is a theoretical model, which has not been empirically tested; secondly, this study is considered to be the first empirical study in Malaysia in this area, and lastly, due to the time constraints within which the study should be completed.

Hence, this paper explored only the impact of ethical leadership behaviour on employee commitment and the trust in leader, which in turn contributes to organizational performance. Thus, as this study was aimed to explore the impact on ethical leadership behaviour on employee outcomes, the construct of ethical leadership behaviour was considered as the independent variable whereas employee organizational commitment and employee trust in leader were considered as criterion variables.

2. Literature Review

2.1 Ethical Leadership Behaviour

In spite of the recent high profile corporate scandals that has shaken the corporate world, evidence from the empirical research suggests that the leaders are not as concerned about ethics as perhaps they should be. The Christian & Timbers survey of 180 executives disclosed that only 13 percent of the big-company top executives thought, "having strong ethical values is the most important leadership needed by CEOs" (Business Week, Sep. 12, 2005 as cited in Stango, 2006).

Brown, Trevino and Harrison (2005) has 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" (pp.120). As per Brown et al (2005), the first component of this definition, "demonstration of normatively appropriate conduct through personal actions and interpersonal relationships…" implies that leaders, who are perceived to be ethical, models con-

duct that followers consider to be normatively appropriate (e.g., honesty, trustworthiness, fairness and care), making the leader a legitimate and credible role model. The next part of the definition, "promotion of such conduct to followers through two-way communication…" suggests that ethical leaders not only draw attention to ethics and make it salient in the social environment by explicitly talking to followers about it, but also provide followers with voice, a procedurally or interpersonally just process (Bass & Steidlmeier, 1999; Howell & Avolio, 1992 as cited in Holmes et al., 2002). The component of the "…reinforcement…" in the definition, implies that leaders who are perceived to be ethical, set ethical standards, reward ethical conduct and discipline those who don't follow the standards (Trevino, Brown & Hartman, 2003) contributing to vicarious learning. Further, the final element of the definition that relates to "decision-making" mirrors the fact that ethical leaders are mindful of the ethical consequences of their decisions, and make principled and fair choices that can be followed by others (Howell & Avolio, 1992 as cited in Holmes et al., 2002).

Similarly, Ciulla, (2004) [as cited in Resick et al 2006] observed that fundamentally, ethical leadership involves leading in a manner that respects the rights and dignity of others. As leaders are by nature in a position of social power, Aronson (2001) pointed out that leaders are obligated to furnish a moral example for their subordinates and to demarcate the constant striving for increased profits from those activities, which may be detrimental to the values of the society in general. As Zhu et al (2004) contended leaders exhibit ethical behaviours when they are doing what is morally right, just, and good, and when they support followers to elevate their ethical awareness and moral self-actualization. As Butcher (1987) has noted the ethical behaviour and leadership are intertwined and inseparable. Thus, leaders cannot shrink from their obligations to set a moral example for those they lead (Butcher, 1997; Enderle, 1987) They must draw the line between on the one hand, the perpetual push for higher profits and on the other, actions antagonistic to the values of the larger society.

Put in another way, ethical leadership entails more than fostering of ethical behaviour. Butcher (1987) mentioned that, "ethical business leadership requires not only investing in the small trees and experimental hybrids that won't yield a thing that in this quarter or the next, but also caring for the soil that allows us to produce such a harvest in the first place" (pp. 5-6). Thus, ethical leaders must focus more effort on creating the right conditions and organizational culture, which is also the organizational soil, to foster the development of ethical behaviour than on building a compliance infrastructure. In other words, they must make ethics the cornerstone of how they conduct business by practicing ethical behaviour in their personal life, in their business, and in their relationships (Sims & Brinkmann 2002). Drucker (1974) quotes Hippocrates when presenting the minimal standard of ethical behaviour for all managers in all business circumstances: Primum Non Nocere – "Above all, not knowingly do harm." (as cited in Cordeiro, 2003). In addition, many researches have developed a list of acceptable and unacceptable behaviours for managers (Dalton & Cosier, 1982). Thus, in determining what appear to characterize ethical leadership Resick et al (2006) found that four components that characterize ethical leadership in western societies—Character/Integrity, Altruism, Collective Motivation, and Encouragement—are universally supported, and viewed as behaviours and characteristics that contribute to a person being an effective leader across cultures. In the same vein, Goodpaster (1983) [as cited in Cordeiro, 2003], presented a list for managers that he calls "moral common sense: avoid harm-

ing others, respect the rights of others, do not lie or cheat, keep promises and contracts, obey the law, prevent harm to others, help those in need, be fair, and reinforce these imperatives in others." In short, it can be said that ethical leaders "emphasize the importance of being perceived as having a people orientation, as well the importance of engaging in visible ethical action (Trevino, Brown & Hartman, 2003).

2.2 Ethical Theories

More specifically, ethics requires an individual to behave according to the rules of a moral philosophy with an emphasis on the determination of right and wrong [Gundlach and Murphy, 1993 as cited in Roman & Munuera (2005)]. Similarly, Hurley (1972) [as cited in Cordeiro, 2003] has defined ethics as "a process by which individuals, social groups and societies evaluate their actions form a perspective of moral principles and values" (pp.265). Moreover, review of the literature in business ethics signifies that Frankena (1973) has outlined two of the major theoretical perspectives in the ethics field—which are referred to as deontological and teleological theories.

Deontology may be described as the theory or study of moral obligation. The deontological perspective, according to Frankena (1973), states that what is morally right is not dependent upon producing the greatest level of good as opposed to evil, but rather is determined by characteristics of the behaviour itself. This perspective views it as our duty as human beings to do good to ourselves and to others. Alternatively, the teleological perspective emphasizes the outcomes or consequences of an action when evaluating whether the act is moral. To Frankena (1973), the teleological perspective for the criterion of what is ethically right is the nonmoral value that is created. Therefore, an act is moral if it is judged to produce a greater good over evil that any other alternative, and is immoral if it does not do so.

Another perspective often discussed in organizational and behaviour and philosophy literature is the "justice" or fairness of a decision (Weiss, 2003). There are two types of organizational justice—distributive and procedural. Distributive justice refers to the fairness of a managerial decision based on the allocation of outcomes such as pay, rewards, recognition and promotion relative to an employee's input as well as retribution. Procedural justice addresses the impartiality of the methods relative input from employees regarding the standards used to make and apply managerial decisions (George & Jones, 2006). In terms of the teleological versus deontological categorization discussed above, distributive justice may best be thought of as a teleological theory of fairness due to its focus on outcomes, while procedural justice is best considered a deontological theory because of its focus on the means of making decisions. Nevertheless, employee's perception of one form of justice may spillover to their perceptions of the other form of justice [Lind (1992) and Lind, Kulik, Ambrose, and de Vera Park (1993) as cited in Zhu (2004)].

Hence, from an applied management point of view, it is expected that ethical leaders will treat their employees fairly and in an unbiased and impartial manner, i.e. using both distributive and procedural justice to guide their leadership behaviours. Because empirical evidence from the organizational behaviour literature shows that followers' perception of being treated fairly affect both their job attitudes, such as satisfaction and commitment, and organizational outcomes (Dailey & Kirk, 1992; Koh & Boo, 2001).

2.3 Ethical Leadership Behaviour and Employee Organizational Commitment

The concept of organizational commitment has grown in popu-

larity and received a great deal of attention in the organizational behaviour and industrial psychological literature (Mathieu & Zajac, 1990). It has been suggested that gaining a better understanding of the individual, group and organizational processes that are related to organizational commitment has significant implications for employees, organizations, and society (Mathieu & Zajac, 1990; Spreitzer, 1995, 1996; Mowday, Steers & Porter, 1979). Although, there is no clear relationship between individual organizational commitment attitude (and subsequent behaviour) and individual performance, there is evidence of a strong relationship between the organization-wide level of employee commitment and the performance of an organization as a whole (Adams, 1965; Evans, 1977 as cited in Liang, 1987). Organizational commitment of individual employees in the organization is therefore important for the success and the continuity of an organization. Moreover, Buchanan (1974) reasoned that employee organizational commitment is important in the absence of ownership as a motive for concern for the organization well being, the organization has to resort to deliberate creation and protection of committed elites.

As such, over the decades, the researches have developed a plethora of definitions on the concept of employee's organizational commitment. However, in general, organizational commitment can be referred to an individual's attachment to his or her organization, and is reflected in the relative strength of the individual's identification and involvement with it. (Jaramillo, Mulki, and Marshall 2005 as cited in Jaramillo, Mulki & Solomon 2006). Definitions of commitment can be classified as attitudinal commitment or behavioural commitment (Staw, 1977). Thus, the concept of commitment has been used to describe two quite different phenomena. More specifically, commitment as the process by which employees come to identify with the goals and values of the organization and desirous of maintaining membership is termed as attitudinal commitment whereas, commitment as the process by which an individual's past behaviour serves to bind him or her to the organization is termed as behavioural commitment. Nevertheless, in this study, attitudinal commitment as defined by Mowday et al (1979) is adopted. It is defined as the relative strength of an individual's identification with and involvement in a particular organization. As such this definition encumbers three main factors such as: (1) A strong belief in and acceptance of the organization's goals and values. (2) A willingness to exert considerable effort on behalf of the organization. (3) A strong desire to maintain membership in the organization. Additionally, the anecdotal literature suggests that the antecedents of organizational commitment can be divided into three broad categories: organizational factors, personal factors and work experiences (Eby, Freeman, Rush & Lance, 1999; Meyer & Allen, 1997 and Mowday et al., 1982 as cited in Zhu 2004). In that, Mowday et al. (1979) has indicated supervision as one of the critical organizational factors that can influence employee commitment to the organization.

In the leadership literature, a number of authors have suggested creating an ethical climate/culture as one of the main responsibilities of a leader (Jaramillo et al, 2006; Carrillo, 2005; Sims & Brinkmann, 2002; Minkes, Small & Chatterjee, 1999; Daft, 2005). Similarly, Chen, Sawyers and Williams (1997) [as cited in Liang, 1987], has recommended that top executives must live up to the ethical standards they are espousing and suggest ethical behaviours in others. This position assumes that leadership can make a difference in creating an ethical or unethical organizational climate. More specifically, it is the leaders of the organization, who play the dominant role in creating and maintaining climates regarding ethics. In addition, the leader's per-

sonal values and ethics are embedded in and shape the emerging climate regarding ethics, as well as the climate that is maintained (Grojean, Resick, Dickson & Smith 2004). Previous empirical research has shown that ethical climate results in lower role conflict and role ambiguity and higher satisfaction, which in turn, leads to lower turnover intention and organizational commitment for salespeople (Jaramillo et al 2006; Valentine & Barnett, 2003). Similarly, Sims and Kroeck (1994) found that ethical fit was significantly related to turnover intentions and employee commitment. In addition, Trevino et al (2000) suggests that ethical leadership contributes to employee commitment, satisfaction. Along these lines, Mathieu and Zajac (1990) suggested that leadership dimensions such as employee empowerment, initiating structure, consideration, communication, and participative leadership are all antecedents of organizational commitment at individual level. In other words, prior research has shown that organizational commitment is greater for employees whose leaders encourage their participation in decision-making (e.g., Jermier & Berkes, 1979), who treat them with consideration (e.g., Bycio, Hackett, & Allen, 1995), fairness (e.g., Allen & Meyer, 1990) and are supportive of them (e.g., Allen & Meyer, 1990; Mottaz, 1988). Also, Mize (2000) proposed that there is a positive relationship between ethical behaviour and employees' level of commitment. Similarly, Brown et al (2005) found, from seven studies conducted on various sample groups such as MBA students, employees from large, multi-location financial services, doctoral students and others, that followers of an ethical leader are willing to put extra effort into their work (job dedication/job commitment).

2.4 Ethical Leadership Behaviour and Employee Trust in Leaders

The construct of trust has received significant attention in the organizational sciences literature, evidenced by an abundance of published work attempting to understand the phenomenon from a variety of perspectives (Mayer & Davis, 1999); in part due to the consequences it has for organizational effectiveness and performance (Zhu, 2004). Also, this variable has been identified as an important component of effective leadership (Bennis and Nanus, 1985) and is a central component of follower's perceptions of effective leadership (Hogan & Hogan, 1994). It is suggested that employee trust in leaders will boost their compliance with organizational rules and laws, amplify their zones of indifferences and thus facilitate the implementation of organizational change (Van Zyl & Lazeny, 2002). In the same vein, Robbinson (1996) asserts that employee trust in leaders directly influences their contributions to the organization in terms of performance, intent to remain and civic virtue behaviour. Moreover, Dirks and Ferrin (2002) suggest that trust in leaders is important for building relationships between leaders and subordinates and creating confidence in the leaders' character (Dirks, 2000).

Despite its importance for both theoretical and practical reasons, there is some evidence that suggests that trust levels for management in many organizations are dwindling [Farnam, (1989) as cited in Mayer et al, 1999]. Some researchers have noted that organizations routinely violate what the employees believe are the employers' obligations, leading to a general erosion of trust for employers (Robinson & Rousseau, 1994).

As Calder (1977) observed, the study of topics such as trust, which "belong to the world of everyday explanation," (pp.182) leads to a proliferation of approaches to understanding them, as there are plenty of connotations of the terms involved. Nonetheless, the literature on trust has converged on the beliefs that (a) trust is an important aspect of interpersonal relationships

(b) trust is essential to the development of managerial careers and (c) trust in a specific person is more relevant in terms of predicting outcomes (Butler, 1991). The literature on this construct shows that most perspectives of trust acknowledge that a leader's words must accurately predict his/her future actions in order to create a necessary, although not sufficient, condition for the development of trust. Ethical/moral leaders are those who have the moral courage to transform their moral intentions into behaviours despite pressures to do otherwise (Daft, 2005). Such leaders believe in virtues such as honesty and attempt to practice it in daily lives. Hence, we expect that the behavioural consistency between such leader's words and actions will be relatively high and consequently they will be trusted by their workmates. At the same time, several other scholars have focused their definitions of trust on the notion that an individual believes the person who he/she trusts will behave in a way that is favourable to the person. (i.e. benevolence). For instance, George & Jones (2006) define trust in general as "a person's confidence and faith in another person's goodwill" (pp. 694) while Robbinson (1996) concludes trust as "one's expectations of belief about the likelihood that another's future actions will be beneficial, or at least not detrimental, to one's interest" (pp.576). However, this study adopts Mayer, Davis & Schoorman's (1995) [as cited in Mayer et al, 1999] definition of trust, which stipulates "…as willingness to be vulnerable to the actions of another party" (pp.124). This conceptualization differentiates trust itself from its outcomes, which are various types of risk-taking in the relationship with the trustee (e.g. to be trusted party). Trust defined in this manner does not involve risk per se, but is a willingness to engage in risk-taking with the focal party. Such outcomes could include cooperation, sharing sensitive information, and voluntarily allowing the trustee control over issues that are important to the trusted party.

Further, based on the organizational as well as leadership literature, it is evident that an ethical leader is one who does not seek to accomplish his/her own self-interest at the expense of others, but who genuinely looks after the group's interest. Ideally, such a leader bases his/her behaviour on moral principles that respect the rights of others and treats them fairly. Also, ethical leaders involve their employees in decision-making within their firms to enhance procedural justice and autonomy over their work lives the employees' experience. Such involvement facilitates not only the well-being and potential growth of the employees, but also the amount of trust that employees placed on their leader. Moreover, Brown et al (2005) observed that ethical leadership is positively related to the affective trust in leader, while Argyris (1964) [as cited in Mayer et al, 1999] theorized that trust for management is tied to important productivity-related outcomes. Given this, this area of trust in leader is important for both theoretical and practical reasons.

Thus, based on the preceding review of the literature and the research questions posed in this study, it is proposed that the conceptual framework for this study is as follows:
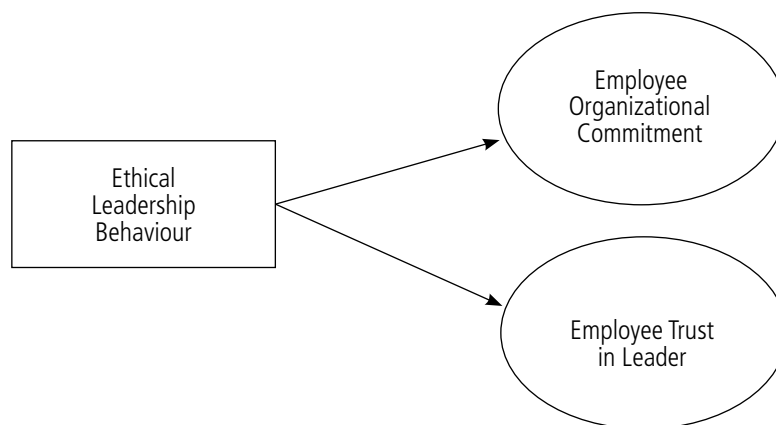
Figure 1

3. Hypotheses

Based on the preceding literature review and the conceptual framework above, we propose the following;

H11 : There is a significant relationship between ethical leadership behaviour and employee's organizational commitment.

H21 : Ethical leadership behaviour is positively associated with employees' trust in leaders.

4. Methodology

4.1 Selection of Measures

4.1.1 Ethical Leadership Scale (ELS)

Employees' perception of the ethical leadership behaviour of their superior/immediate authority figure was measured with the Ethical Leadership Scale (ELS), adopted from Brown et al, (2005), which followed the steps advocated in the psychometric literature (e.g. Ghiselli, Campbell & Zedeck) and summarized by Hinkin (1998) [Brown et al, 2005]. This scale consists of 10 Likert items that are represented on a 5-point continuum (1 = strongly disagree, 5 = strongly agree) with higher scores indicating greater ethical leadership behaviour. These survey items were designed to "tap the full domain of ethical leadership that could apply to both formal and informal leaders (…) and to leaders at all organizational levels" (Brown et al, 2005, pp.123).

Results from prior studies on exploratory factor analysis (EFA) for validity has indicated a one-factor solution with all items loaded strongly on this factor, 0.5 and above. Thus, ethical leadership, as measured by these 10 items, has formed a coherent construct. Reliability estimates has indicated that ELS has demonstrated excellent internal consistency and were stable over 3 studies as < = .92, N = 127; < = .91, N = 184; < = .94, N = 87 respectively. Further supporting the high internal consistency, the Cronbach alpha coefficient in the current study was .89 (N = 174).

4.1.2 Organizational Commitment Questionnaire (OCQ)

OCQ, which was dopted by Mowday et al (1979) is an instrument that assesses individual's commitment towards his/her work organization. Although the original instrument composed of 15 items, where by 6 items were negatively phrased and reverse scored in an effort to reduce response bias, a nine-item shortened version of the OCQ utilizing only positively worded items adopted by Mowday et al (1979) was used for this study. Empirical research results have yielded that "the short form of the OCQ (using only the nine positively worded items) may

be an acceptable substitution for the longer scale in situations where questionnaire length is a consideration" (Mowday et al, 1979; pp. 244). Moreover, the questionnaire, which was originally, 7-point Likert scale anchoring from strongly agree, moderately agree, slightly agree, neither agree nor disagree, slightly disagree, moderately disagree to strongly disagree, was modified in this study to a five-point Likert scale response categories as follows: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree. And the high scores indicate behaviours and attitudes typically associated with "highly committed" employees/individuals were utilized in this study.

The analyses of the psychometric properties of the instrument across nine samples revealed that reliability coefficient was consistently very high, ranging from .82 to .93, with a median of .90. Further, factor analysis with Kaiser's varimax solution resulted in a single-factor solution confirms the homogeneity of the OCQ items. Also, prior results suggested that the overall measure of organizational commitment was relatively stable over short periods of time (r = .53, .63 and .75 over 2-, 3-, and 4-months period. In the current study, the Cronbach alpha coefficient was .88 (N = 174).

4.1.3 Trust Scale (TS)

The four items used by Schoorman et al, (1996a) [as cited in Mayer and Davis, 1999] to measure trust were used to evaluate the employees' trust in leader. The Trust Scale is a 4-item measure with a 5-point Likert-type response format. The response choices are Strongly Disagree, Disagree, Neither Disagree nor Agree, Agree and Strongly Agree; with higher scores indicating greater employees' trust in the leader except for the two items that are inconsistent with employees' trust and are reversed-scored. Alphas for this scale were .82, .59 and .60 for the first, second and third waves respectively. And Cronbach alpha coefficient for the current study is reported to be .86 (N = 174). However, for the present study, the items were altered slightly to reflect a focus on the superior/immediate authority figure, instead of the top management.

4.2 Sampling Design

A total number of 227 questionnaires were distributed for this study. Respondents were from companies that were located in the Klang Valley, representing a variety of industries in the corporate sector. Of this number, 188 were returned and 174 were found usable. A non-probabilistic sampling method, namely convenience sampling was used in drawing samples for this study. The sample included 77 males (44.3%) and 97 females

(55.7%). The range of ages of the respondents is from 20 to 53 years, with a mean of 31.52 and standard deviation of 6.421. Of the 174 respondents, 61 or 35.1% are Malays; whereas Chinese and Indians are 76 (43.7%) and of 32 (18.4%) respectively. A minority of respondents, whose representation in the total sample was only 2.9%, was categorized as 'Others'. The educational level of the respondents is high with 84% holding bachelors or post graduate degrees (MBA/PhD). Slightly more than half (50.6%) of the respondents report that they hold the position of Executive; whereas 17.8% are Assistant Manager; and 13.8% Managers. The respondents were kept naïve as to the exact nature of the research purpose; being told only that the study investigated the employee's perception about the ethical leadership behaviour of their supervisors/immediate authority figures.

4.3 Data Collection Procedure
Primary data was collected for this study with the use of a self-administered questionnaire distributed among MBA/MM students, all of whom were working or had work experience, and also among employees, who represented many different industries and also who were easily accessible. The questionnaire consists of 5 parts where first three parts comprise of ELS, OCQ and TS respectively. Section 4 is designed to gather data on leader's/superior's profile whereas the last section focuses in obtaining the respondents' demographic profile. However, no identifying data were obtained on employees.

The respondents were asked to evaluate their current/recent immediate supervisor and also indicate their level of commitment to the organization and the trust in leader by completing the entire questionnaire. The researchers distributed the questionnaires among colleagues, who volunteered to administer the questionnaire. In addition to the researchers, eight individuals administered the questionnaires, but in different settings and returned the completed questionnaires to the researchers. Thus, over a period of 3 weeks, 188 completed questionnaires were returned to the researchers, representing an overall of 82.8% percent response rate. However, of the 188 respondents, 13 or 6.91% were rejected, as their place of work was not within the Klang Valley.

4.4 Data Analysis Technique
SPSS Version 14.0 was used to analyze the data and test the aforementioned hypotheses.

Preliminary data analyses were performed to test for normality of the research variables, and to obtain descriptive statistics on demographic profile and the general characteristics of the respondents as well as superiors/immediate authority figures.

Correlation matrix was created to determine the relationships among constructs. Furthermore, reliability analysis was carried out on all sets of variables to determine whether they form an additive scale. This was to provide means to simplify the analysis and reporting the data by showing that a group of variables, possibly all, form a scale that is reliable to measure a construct. Finally, allowing for correlation among factors, exploratory factor analysis (EFA) using principle components (PCA) with an oblique rotation was conducted on ELS, OC and TS instrument to identify variables that were most important in measuring each construct. Although the trend now is to perform an EFA using PFA (principal axis factoring) to meet theoretical considerations, the results are often similar.

5. Research Findings

5.1 Summary Statistics
The data was examined to check for accuracy of data entry, missing values, the normality of distributions, and outliers. The values for skewness and kurtosis fitted into an appropriate range (i.e., below the absolute value of 2), indicating the normal distribution of the scores across all variables of interest (Heppner, 2004). Some of the variables were found to have univariate outliers; the relevant scores were checked to ensure that those scores were within the range of possible scores for those variables. Furthermore, in order to check how much of influence these outliers have on the mean, the original mean of each variable was compared against the respective 5% Trimmed Means (Pallant, 2005). Given the fact that the two mean values for each variable of interested were not too different to the remaining distribution, those cases with outliers were retained for the analysis.

5.2 Analysis of Measures
A set of new variables called TOTELS, TOTOC and TOTTS was created by adding total scores for each subject under each construct in order to facilitate further analysis. However, prior to conducting advance statistical analysis to explore relationships among variables, the new variables were again tested for skewness and kurtosis. Histograms and boxplots were plotted to ensure that the assumption of normality was not violated. Also, in order to ensure that the employed scales measured consistently what they were intended to measure, the Cronbach alpha coefficient was computed to check for reliability. Though, there were no extreme points, one extreme case was detected as a univariate outlier in TOTELS variable and thus was deleted, leaving 174 cases for analysis. Descriptive statistics and the Cronbach alpha coefficients for the above mentioned new variables are shown in the Table [4.2] below.

Table 4.2: Summary of Descriptive Statistics and Reliability Scores								
Variable / Scale	No. of Items	N	Mean	SD	5% T. Mean	Skewness	Kurtosis	Cronbach Alpha
TOTELS	10	174	35.62	6.505	35.72	-0.377	-0.273	0.888
TOTOC	9	174	31.76	5.523	31.66	0.277	-0.056	0.877
TOTTS	4	174	11.25	3.217	11.23	0.220	-0.521	0.852

As shown in Table [4.2] above, the skewness and kurtosis values are well below the absolute value of 2 and thus indicate that the scores for three variables have not violated the assumption of normality (Heppner, 2004). This assumption is further supported by the differences between the original mean value and 5% trimmed mean value or each the variables, which are not significant (Pallant, 2005). Furthermore, as per Nunnally (1978), a scale is deemed to be reliable, if its Cronbach alpha is more than 0.5 (= > 0.5). Hence, the Cronbach alpha coefficient values shown in Table [4.2] above, which are much higher than 0.5, indicate that the three scales—ELS, OCQ and TS—are reliable.

In addition, an exploratory factor analysis with an orthogonal varimax rotation and a Kaizer-Guttman criterion of eigenvalue greater than 1.00 was conducted for the 10-item ELS; 9-item OCQ and 4-item TS ((Pallant, 2005). For 10-item Ethical Leadership Scale (ELS) two components (or factors) with eigenvalue greater than 1.00 were extracted. The total variance explained by the 2 factors was 60.9% and as Hair, Anderson, Tatham and Black (1995) suggest that for social science studies, it is not uncommon to consider a solution of about 60 per cent as satisfactory. However, the general criterion of eigenvalue greater than 1.00 may misjudge the most appropriate number of factors (Gorsuch, 1983), thus the scree plot was carefully examined. The scree plot was also confined to 2 factors. To facilitate easy interpretation, these factors were then rotated using the varimax criterion for orthogonal rotation. Only statements/ items with factor loadings of 0.50 and above in the rotated factor matrix was considered as significant in interpreting the factors. Table [4.6] shows the factor matrix indicating the factor loadings and communality estimates (h2) of every variable on these two factors. Factor 1 (F1) and Factor 2 (F2) comprised of six and five items, respectively. By analyzing the items in the factors, some dimensions was identified and thus, Factor 1 was labeled as "The Demonstration of Ethical Conduct (e.g.: honesty, trustworthiness, fair and care)" whereas Factor 2 (F2) as "The Promotion of Ethical Conduct to Followers".

Table 4.3: Scale Items, Component Loading and Communality Estimates for Two-Factors of Ethical Leadership Scale			
Item	Factor Loadings		h²
	F1	F2	
Factor 1: The Demonstration of Ethical Conduct			
Listens to what employees have to say	0.540	0.445	0.490
Has the best interest of employees in mind	0.820	0.017	0.672
Makes fair and balanced decisions	0.793	0.277	0.705
Can be trusted	0.808	0.268	0.725
Discusses business ethics or values with employees	0.594	0.443	0.549
Sets an example of how to do things the right way in terms of ethics	0.614	0.544	0.674
Factor 2: The Promotion of Ethical Conduct to Followers			
Disciplines employees who violate ethical standards	-0.002	0.757	0.573
Conducts his/her personal life in an ethical manner	0.234	0.700	0.545
Defines success not just by results but also the way that they are obtained	0.444	0.662	0.636
When making decisions, asks, "What is the right thing to do?"	0.358	0.624	0.518
Eigenvalue	5.035	1.051	
Percent of Variance	50.348	10.510	
Cumulative Percent	50.348	60.858	

h² = Communality Estimates

Similarly, an exploratory factor analysis with principal component analysis was conducted on OCQ and TS respectively. However, the results for both of these scales has shown what Thurstone (1947) referred to as 'simple structure' in which each of the variables loaded strongly on only one component, and each component being represented by a number of strongly loading variables (Pallant, 2005). Moreover as the general criterion of eigenvalue greater than 1.00 may misjudge the most appropriate number of factors (Gorsuch, 1983), thus the scree plot was also carefully examined. A steep break in the both scree plots (OCQ and TS) between the first and second factor (eigenvalues of 4.635 and .807 respectively for OCQ; and eigenvalues of 2.783 and .609 respectively for TS), indicated a one-factor solution. As

illustrated in below Table [4.4], for both scales, all items loaded strongly on this one-factor, .5 and above.

Table 4.4: Scale Items and Component Loading for One-Factor of Organizational Commitment Questionnaire (OCQ) and Trust Scale (TS)	
Item	Factor Loadings
	F1
Organizational Commitment Questionnaire	
Factor 1: Employee Organizational Commitment	
I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.	0.628
I talk up this organization to my friends as a great organization to work for.	0.762
I would accept almost any type of job assignment in order to keep working for this organization	0.546
I find that my values and the organization's values are ver similar.	0.669
I am proud to tell others that I am part of this organization.	0.775
This organization really inspires the very best in me in the way of job performance.	0.756
I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.	0.828
I really care about the fate of this organization.	0.723
For me this is the best of all possible organizations for which to work.	0.732
Eigenvalue	4.635
Percent of Variance	51.503
Cumulative Percent	51.503
Trust Scale	
If I had my way, I wouldn't let my superior have any influence over issues that are important to me.	0.848
I would be willing to let my superior have complete control over my future in this company.	0.842
I really wish I had a good way to keep an eye on my superior	0.802
I would be comfortable giving my superior a task or problem which was critical to me, even if I could not monitor their actions.	0.804
Eigenvalue	2.783
Percent of Variance	69.577
Cumulative Percent	69.577

Thus, it is evident from the above table that both organizational commitment and trust in leader, as measured by those 9-items and 4-items respectively, formed coherent constructs.

5.3 Testing of Hypotheses

Correlation analysis was performed to test the strength and direction of the linear relationship between two variables—ethical leadership behaviour and employees' organizational commitment; ethical leadership behaviour and employees' trust in leader. Further, the preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity.

As per the results, there was a medium (Cohen [1988]), positive correlation between the two variables [$r = .46$, $n = 174$, $p < .05$], with high levels of perceived ethical leadership behaviour associated with higher levels of employee's organizational commitment. The first hypothesis, which stated that there is a significant relationship between ethical leadership behaviour and employees' organizational commitment, was thus supported. However, as many authors in this area suggest that the focus should be directed at the amount of shared variance, rather than at statistical significance (Pallant, 2005), the coefficient of determination was calculated for above two variables. With a correlation of $r = .458$, it can be said that perceived ethical leadership behaviour has helped to explain nearly 21 per cent of the variance (.458 X .458) in respondent's scores on the Organizational Commitment Questionnaire. The output retrieved from SPSS is presented in the following Table [4.5].

Table 4.5: Pearson Product-Moment Correlations Between Measures of Ethical Leadership Behaviour and Employee's Organizational Commitment.		Total ELS	Total OC
Total ELS	Pearson Correlation	1	.458(**)
	Sig. (2-tailed)		.000
	N	174	174
Total OC	Pearson Correlation	.458(**)	1
	Sig. (2-tailed)	.000	
	N	174	174

** Correlation is significant at the 0.01 level (2-tailed).

Similarly, the second hypothesis, which was offered as "Ethical leadership behaviour is positively associated with employees' trust in leader" was also tested following the same procedure that has been used to test the first hypothesis. As such, the relationship between perceived ethical leadership behaviour (as measured by ELS) and employee's trust in leader (as measured by TS) was also explored using Pearson's product-moment correlation coefficient. There was a strong (Cohen [1988]), positive correlation between the two variables [$r = .634$, $n = 174$, $p<.05$], with high levels of perceived ethical leadership associated with higher levels of employees' trust in leader. Hence, the second hypothesis of this study, which stipulated that 'ethical leadership behaviour is positively associated with employees' trust in leader', is also supported by the findings. However, similar to the first hypothesis, the coefficient of determination was again calculated with regard to Total ELS and Total TS in order to investigate how much of variance the two variables share. With a correlation of $r = 0.634$, which when squared indicated the coefficient of determination of 0.402 (.634 X .634), was then reported as

40 per cent shared variance. By detailing that perceived ethical leadership behaviour has helped to explain 40 per cent of the variance in respondents' scores on the employees' trust in leader scale (TS), this further supports the second hypothesis of the current study. The output retrieved from SPSS is tabled in the Table [4.6] below.

Table 4.6: Pearson Product-Moment Correlations Between Measures of Ethical Leadership Behaviour and Employee's Trust In Leader.		Total ELS	Total TS
Total ELS	Pearson Correlation	1	.634(**)
	Sig. (2-tailed)		.000
	N	174	174
Total TS	Pearson Correlation	.634(**)	1
	Sig. (2-tailed)	.000	
	N	174	174

** Correlation is significant at the 0.01 level (2-tailed).

5.4 Summary and Discussion of Research Results

In an environment where white-collar crimes are increasingly being committed and thus, the question of ethical leadership has become an important issue (Zabid & Alsagoff, 1993), this study set out to investigate the impact of ethical leadership on employee outcomes particularly on employee organizational commitment and employees' trust in leader. And despite its importance, to the researchers' knowledge, within the context of Malaysia, this research is the first study that attempts to identify the impact of ethical leadership behaviour on employee outcomes.

The first Hypothesis (H11) of this study stated that there's a significant relationship between ethical leadership behaviour and employee's organizational commitment. This hypothesis was supported by the results, as a medium, positive correlation was found between the two variables—ethical leadership behaviour and employee's organizational commitment. The results reveal that high levels of perceived ethical leadership behaviour are associated with higher levels of employee's organizational commitment. Thus, the findings mirror those of Mize (2000), Trevino et al (2000), and are consistent with Sims & Kroeck (1994), Valentine & Barnett (2003), Brown et al (2005) and Jaramillo et al (2006).

As ethical leadership literature suggests, one possible explanation for this finding could be that when employees are treated fairly and well by a leader they trust, they are likely to think about their relationship with the leader and organization in terms of social exchange rather than economic exchange and they are likely to reciprocate by helping the organization in a variety of ways (Organ, 1990). Thus, ethical leadership behaviour promotes going above and beyond the call of duty. Nonetheless, at the same time, it should be noted that as this instrument is a self-rating questionnaire, the ratings might not be synonymous with respondents' actual level of commitment to their organization.

Hypothesis 2 (H21) stated that ethical leadership behaviour is positively associated with employee's trust in leader. Results of this study support this hypothesis. As anticipated, the results revealed a strong positive correlation between the two variables

and employee's perception of ethical leadership accounted for a significant portion of the variance in respondents' scores on the employees' trust in leader scale (TS). This finding is consistent with those of Brown et al (2005), which observed that ethical leadership is positively related to the affective trust in leader.

One probable explanation for such a positive correlation is that it is evident that the ethical leader is not one who does not seek to accomplish his/her own self-interests at the expense of others, but who genuinely looks after the groups interests. Also, such a leader bases his/her behaviour on moral principles that respect the rights of others and treat them fairly while getting them involved into the firm's decision-making process. Such involvement facilitates not only the well-being and potential growth of the employees, but most importantly the amount of trust that employees placed in their leader.

6. Implications, Limitations and Suggestions

6.1 Implications

The findings of this study, which supports previous research in this area, has significant implications to corporate firms as it further confirmed that ethical leadership behaviour is associated with outcomes or consequences beneficial to and valued by the organization, stakeholders, and the physical, social and economic environments in which it operates. Hence, these research findings also have important implications for both practitioners and academicians, because they demonstrate that encouraging and practicing ethical leadership behaviour is not only the right thing to do but also has significant benefits for both the leader and the organization as a whole. Due to the lack of empirical studies done in this area, especially in Malaysia, the results of this study emphasizes the importance of ethical leadership.

6.2 Limitations of the Study

As with all empirical studies using human respondents there are limitations to this study that may impact the ability to generalize the results to other settings. One potential limitation with this study is that as it is confined to corporate firms in the Klang Valley, this may be perceived as insufficient to be representative of the whole corporate sector in Malaysia.

Further, the researchers relied solely on follower's ratings of ethical leadership. Given that researchers have conceptualized ethical leadership as modeled, observable behaviour, and that most leadership research involves follower ratings of leaders (Brown et al, 2005), the researchers believe that their choice of others ratings was appropriate. Moreover, another major limitation of this study relates to its sampling method. Due to time and budget constraints, the researchers utilized convenience-sampling technique, which is one of the non-probability methods. Even though, samples can be drawn quickly and economically, respondents drawn by convenient sampling may not be representative because of the haphazard manner by which many of them are chosen or because of self-selection bias. Hence, projecting the results beyond the specific sample may be perceived as inappropriate.

Another perceived limitation in this study is that it is focused on superior-direct report relationships. Hence, this study cannot measure whether or how distance from the leader would influence employees' ratings of ethical leadership. For instance, lower-level employees in large organizations rarely see or interact with their senior managers. Therefore, they make inferences about the leadership qualities based upon available information rather than direct experience. Thus, in such a case, perceptions of executive ethical leadership may rely more upon public re-

lations information or organizational outcomes, and also upon image management than on perceptions of supervisory ethical leadership.

6.3 Suggestions for Future Research

There are several possible directions for future research that would help better understand and explain the importance of ethical leadership behaviour and its impact on employee outcomes. First, in order to improve generalization of the findings, future research should increase the sample size and broaden the sample location from a single administrative site to a larger regional or national site. Second, as the samples for this study were drawn by convenient sampling and hence may not be representative due to the haphazard manner by which many of them are chosen or because of self-selection bias, it is suggested that future researchers utilize a random sampling method.

Third, though this study relied solely on follower's ratings of ethical leadership, one might want to consider self-ratings in future research. Although, self-ratings might be considered, it should be noted that high agreement between leader self-reports and employee's ratings could not be expected. Because, research on self-perception (Ashford, 1989) and self-assessment of socially desirable behaviour (e.g. absenteeism: Harrison and Shaffer, 1994) suggests that leaders are almost certain to rate themselves favourably on the ethical dimensions of leadership. Alternatively, researchers could collect ethical leadership data using a historiometric approach by providing raters with biographies of well-known leaders, and asking them to assess leaders in terms of their ethical leadership. Data on the antecedents and outcomes of ethical leadership could also be generated from these rich biographical accounts. This approach has been used to study personality and charisma in the US presidency (House, Spangler, & Woycke, 1991), and could be applied to the study of ethical leadership as well.

Fourth, given that this study is focused on superior-direct re-

port relationships and hence, cannot measure whether or how distance from the leader would influence employees' ratings of ethical leadership, the researchers encourage future researchers to focus their research to identify whether employees' ratings of close and distant leaders' ethical leadership coincide.

Lastly, it is suggested that the future research may conducted using a more advanced conceptualized model with two moderating variables such as employee psychological empowerment and authenticity of ethical leader behaviour, which was theorized by Zhu (2004), to measure the role of such moderating variables in the relationship between ethical leadership behaviour and employee outcomes.

7. Conclusion

With the increasing trend of commercial crimes in Malaysia (Zabid & Alsagoff, 1993), it appears that there is a growing need for ethical leadership. It is essential for corporate leaders to earn the confidence and loyalty of their followers and the esteem of society at large (Aronson, 2001). Thus, this study was conducted mainly to investigate the impact of ethical leadership behaviour on employee outcomes, particularly on employee's organizational commitment and employees' trust in their leaders.

Based on the preceding discussion of the results, several conclusions can be drawn from this study. First, this study provides empirical support for the theorized notion that ethical leadership behaviour is positively associated with employees' organizational commitment. This study also provides empirical support for the theorized notion that ethical leadership behaviour is positively associated with employees' trust in leader. Hence, it could be said that ethical leadership behaviour pays dividends in employee pride, commitment, and loyalty—all particularly important in a full employment economy in which good companies strive to find and keep the best people (Trevino et al, 2000).

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