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## Ethical Leadership in Chinese Organizations: Developing a Scale

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**Abstract** In light of a series of ethical scandals in China in recent years, this research aims to develop a reliable and valid scale to measure ethical leadership, namely the “ethical leadership measure (ELM).” Our results show that ELM is strongly and positively correlated with scales for authentic leadership, ethical leadership, idealized influence, and a recently-developed leadership virtues questionnaire (LVQ); and negatively correlated with laissez-faire leadership and passive management by exception. ELM is also found to be positively related to followers’ job satisfaction, affective commitment, trust in leader, organizational citizenship behavior, and moral identity, and negatively related to followers’ intention to quit.

**Keywords** ethical leadership, moral identity, affective commitment

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## 1 Introduction

Highly publicized corporate leadership scandals, such as the Enron, World.com, and Tyco debacles, and recent ethical failures of many U.S. financial institutions have made ethical leadership issues more prominent than ever. Similarly, in China, a series of food-related scandals, such as the “poisonous milk tainted with deadly melamine,” have aroused the concern of the whole society, and made business ethics a hot topic. As leaders play active roles in their organizations in term of vision implementation, their ethical behaviors have important impacts on the whole organization. Therefore, researchers have strong incentives to study and gain a deeper understanding of ethical leadership.

Many types of leadership, such as the transformational, charismatic, and authentic leadership, all emphasize the ethical moral and values of leaders in one way or another (Greenleaf, 1977; Kanungo and Mendonca, 1996). All these leaders are ethical role models for employees and they affect subordinates’ moral, values, and ethical conducts. For example, based on ethical moral and values, Burns (1978) distinguished transforming leaders from transactional leaders. Brown et al. (2005) developed an ethical leadership scale (ELS) and found it positively correlated with the idealized influence dimension of transformational leadership. Avolio and Gardner (2005) conceptualized authentic leadership as being composed of four components: self-awareness, relational transparency, internalized moral perspective, and balanced processing. The internalized moral perspective also includes ethical conducts. For example, House (1977) asserted that charismatic leadership also contains ethical elements. He thus characterized charismatic leaders as follows: to make subordinates fully trust in them and accept their moral principles; to make subordinate identity their values and follow their behaviors; and to make subordinates feel the sense of calling.

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## 2 Literature Review

### 2.1 The Concept of Ethical Leadership

What is ethical leadership? Many researchers have linked ethical leadership with individual ethical characteristics and leaders’ moral conducts (Aronson, 2001; Bass and Steidlmeier, 1999; Ciulla, 1998; Mendonca, 2001). Specially, if a leader’s actions are consistent with his/her belief and ethical standards, then he/she would be regarded as an ethical leader (Aronson, 2001; Ciulla, 2004; Yukl, 2002); or when he/she is motivated by altruism rather than selfishness, he/she would also be considered as an ethical leader (Aronson, 2001; Mendonea, 2001; Yukl, 2002). Maxcy (1994) indicated that ethical leaders can depict a bright vision which will contribute to both individual and the whole society. In addition,

Aguilar (1994) stressed that “ethical leadership” must achieve their objectives through “moral attitude.” Lasheway (1996) described ethical leadership as “doing the right things rather than doing things right.” Coppola (1998) regarded ethical leadership as sharing ethics or values with members, making difficult decisions based on high standards of ethical conduct, inspiring members to implement vision and trying to build community and contracts, as well as social justice and promise.

Drawing broadly upon the intersection of the ethics and leadership literatures, we find that many foreign scholars have focused on the conceptualization of ethical leadership and the antecedents and outcomes of ethical leadership. Based on prior work and social learning theory, Brown et al. (2005: 120) 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”, and they also developed a scale called the Ethical Leadership Scale. Through interviews with seventeen leaders, Meda (2005) found how leaders in four of America’s most ethical companies make sense of the construct of ethical leadership and he therefore proposed that ethical leadership is the act of participating and engaging others in an on-going process of ethical dialogue that allows the organization to articulate and enact its highest ideals and the goal of ethical leadership is to create an organizational culture that inspires, invites, and lifts people up to their highest levels of virtue, excellence, and relatedness.

To recap, we can understand the concept of ethical leadership from the perspectives of “ethical” and “leadership” separately. From the perspective of leadership, it consists of three levels: (1) The relationship between leaders and members is similar to that of transformers and followers; (2) It is leaders’ ability that they use their authority, status and other sources of power to influence follower’s attitude and behavior; (3) It is a process that ethical leaders set clear ethical standards and climate, use rewards and punishments to see that those standards are followed and hold employees accountable for following them. From the perspective of ethics, it consists of two levels: (1) Leadership itself is ethical. It means that leaders use appropriately ethical tools, methods, and styles to influence followers; (2) The purpose of leadership is ethical: for one thing, leaders conduct their personal life in an ethical manner; for another thing, through setting high ethical standards and creating an ethical decision-making climate, they will hold employees accountable for following ethical standards and improve their ethical attitude and behavior. This understanding will mean more to Chinese leaders considering the Confucian characteristics of Chinese culture.

## 2.2 The Structure of Ethical Leadership

About the structure of ethical leadership, as a whole, the amount of normative research is greater than that of empirical studies. Bass (1999) pointed out that the ethics of leadership rested upon three pillars: (1) The moral character of the leaders and their concerns for self and others; (2) The ethical values embedded in the leaders' vision; and (3) The morality of the processes of social ethical choices and action in which the leaders and followers engage and collectively pursue. Burns (1978) proposed that the higher level of morality leaders possessed, the more moral their leader conducts will be, thus to improve their effectiveness. Jose et al (1999) regarded ethical leadership as follows: (1) They set ethical standards in their organization and have the characteristics of honesty and integrity. (2) They clarify ethical principles on which management decision can be made. (3) Their behavior is consistent with moral principles and they raise the ethical climate of organizations through management practices. For example, they will recruit, select, reward employees who are fit for ethical climate and dismiss employee who are contrary to ethical standards. (4) CEOs face the challenge of integrating the beliefs of the organization and individual. There are similarities among these viewpoints.

According to the social learning theory (Bandura, 1977), for leaders to be seen as ethical leaders by their followers, they must be attractive and credible role models. Most individuals look outside themselves to other individuals for ethical guidance (Treviño, 1986). Ethical leaders are likely sources of guidance because their attractiveness and credibility as role models draw attention to their modeled behavior.

Power and social status are two characteristics of models that enhance their attractiveness (Bandura, 1986), thus making it more likely that followers will pay attention to ethical leaders' modeled behavior. Leaders should discuss business ethics or values with employees frequently in order to hold followers accountable for ethical standards.

Trevino et al. (2003) reported that traits such as honesty and trustworthiness contributed to only one aspect of ethical leadership. They found that ethical leadership also involves a "moral manager" aspect such as through sustained communication of an ethics message to hold followers accountable for ethical conduct. The three viewpoints are in common because they all define ethical leadership from the perspective of its effects.

Furthermore, Brown et al. (2005) summarized the four characteristics of ethical leaders as follows: They are people-orientated and considerate to others' needs; they respect and treat followers fairly; they set ethical standards and they are full of accountability; they own a broad ethical awareness and focus on serving the greater good; they make decisions that serve the interests of the group

rather than their own interests. This notion is comparatively comprehensive because it refers to individual characteristics, attitude to followers and decision-making process.

Fan et al. (2005) concluded that ethical leadership is based on the followings factors: (1) the moral character of the leaders, (2) the ethical values that embedded in the leaders' vision and followers' actions, and (3) the morality of the processes of social ethical choices and action in which the leaders and followers collectively pursue. They also summarized the elements of ethical leadership from the perspective of individual and management.

### 2.3 The Role of Ethical Leadership

Within the ethics literature, much of the research is concerned with the role of ethical leadership. The effect can be divided into the following aspects: Ethical leaders will be role models for morality; they will set up moral climate, make fair and ethical decision, and influence followers by psychological empowerment. Some researchers hold that ethical leadership can influence individual's behavior such as levels of moral reasoning, organizational behavior, and follower's performance. We will now discuss them separately.

First, prior research indicates that leader moral reasoning can influence moral reasoning in work groups (Dukerich, Nichols, Elm and Vollrath, 1990). Given that ethical leaders are higher in moral reasoning, they should also influence the moral reasoning of work group members, thus producing more ethical decisions.

Second, ethical leadership will influence followers' attitude and behavior. Brown et al. (2005) expected ethical leadership to be related to positive follower attitudes because of ethical leaders' honesty, trustworthiness, caring, and concern for employees and other people, and their fair and principled decision-making. Ethical leadership was associated with satisfaction with the leader, job dedication, perception of leader effectiveness, extra-role behavior, willingness to report problems to management, and giving suggestions. Besides that, ethical leadership is also positively related to subordinate's trust in leaders. Khuntia et al. (2004) found that subordinates' manipulative behavior and cheating in performance and misuse of finance are less frequent in the presence of ethical superiors. In addition, ethical superiors enhance the job performance, job involvement, and affective commitment of their subordinates but not their continuance commitment.

Third, ethical leadership will influence perceptions of leadership effectiveness. Researchers have long believed that personal traits such as fairness, openness, consideration for others would be important to perceptions of leadership effectiveness (Yukl, 2002). Kanungo and Mendonca (1996) proposed that leaders motivated by altruism are perceived to be more effective compared with those

who have a personalized power motive. Research found that honesty and integrity as important aspects of ethical leadership are consistently associated with perceived leader effectiveness (Hogan, Curphy and Hogan, 1994). Furthermore, leadership effectiveness has been related to authentic transformational leadership (Lowe, Kroeck and Sivasubramaniam, 1996) which has an ethical component.

However, is ethical leadership culturally contingent in Chinese organizations? For example, in Chinese culture, the collectivist culture value has been a focus in ethical leadership which requires leaders to consistently place the collective interests over those of individuals'. Accordingly, in this study, we aim to develop a reliable and valid scale to measure ethical leadership, called "ethical leadership measure (ELM)," in Chinese organizations. More specifically, we conducted a series of qualitative and quantitative studies to develop scale items and conduct the validation studies to accomplish this goal.

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### 3 Pre-Study

#### 3.1 Item Generation

Roughly, item generation can be divided into two stages. First, based on existing theories and their definition of ethical leadership, we constructed a preliminary scale for ethical leadership and then formed our research framework by clearly defining five categories of characteristics of ethical leadership: treating employee equitably and fairly, individual moral characteristics, ethical decision-making, ethical principles, and morality. Second, we collected and selected preliminary items that could best represent the above five characteristics of ethical leadership. The steps were as follows:

**Step 1.** 270 part-time MBA students from three classes and 30 middle and senior managers from a training program on business administration participated in the open questionnaire, they were asked to list 6 traits or sets of behaviors to describe ethical leadership based on their work experience and observations. We sent questionnaires to 150 sample companies from a wide variety of industries and our participants listed 810 descriptions altogether (5.4 on average).

**Step 2.** To check the adequacy of the items, we also followed an inductive approach by conducting 15 in-depth interviews with MBA students. We asked them to describe what traits and sets of behaviors are important to demonstrate ethical leadership based on their work experience and observations.

Interviewees talked about a variety of aspects of ethical leadership such as caring for best interested of employees, listening to employees, focusing on standard management, setting moral role modeling, dispensing reward and punishment impartially, discussing business ethics or values with employees,

conducting his/her personal life in an ethical manner, inspiring employee to pursue vision, and dealing with matters fairly. In total we collected 80 different items.

**Step 3.** We conducted content analysis on the 890 items collected by category analysis method and based on the following steps: (1) Every description or item must have a clear meaning; (2) It must be leaders' behaviors or characteristics; (3) Combining the similar items into one; and (4) Deleting items that were mentioned less than or equal to twice.

To ensure construct validity, we then consulted five professionals (including one professor, one PhD degree holder, and three master degree holders) to help us evaluate every item and eliminate items beyond the domain of our definition, or items potentially confusing or redundantly worded. Through many rounds of identifying, inducting, and eliminating, a total of 55 items for Chinese ethical leadership in five different categories were obtained. Definitions for each of the 55 items can be found in Table 1.

**Table 1** Characteristics of Chinese Ethical Leadership

Category	Behavior description
Ethical decision-making style	Makes decisions that concerns about corporate social responsibility Considers how to do things the right way in terms of ethics Makes fair and balanced decisions
Treat staff well	Keeps the best interests of employees in mind Listens to what employees have to say Treats employees fairly Helps employees achieve personal development Be good at encouraging employees Seeks advice from all sources
Personal ethical qualities	Be ethical role models Can be trusted Never mixes personal matters with work and puts collective interests first Be strict with oneself and tolerant towards others Takes responsibility Bears the overall interests in mind
Ethical system	Focuses on standard management Sets an example in terms of ethics Dispenses reward and punishment impartially Discusses business ethics or values with employees Inspires employee to pursue vision
Morality	Conducts his/her personal life in an ethical manner Can balance between work and family better Keeps rigorous life style Deals with work matters fairly

### 3.2 Pre-Screening Test

Out of the responses from the 300 participants (including 270 part-time MBA students and 30 middle and senior managers), 230 valid ones were retained for further analysis. The participants were asked to evaluate “how often does your leader engage in each of the behaviors.” Each item was followed by a 5-point Likert-type scale (1 = “Not at all,” 2 = “Once in a while,” 3 = “Sometimes,” 4 = “Fairly often,” 5 = “Frequently, if not always”).

The survey was conducted in class and responses were collected on the spot. Researchers were present during the whole process of survey to answer questions. Prior to the survey, participants were ensured that the result were completely confidential and only used for social scientific research purpose. After eliminating invalid questionnaires, we conducted data analysis by means of Item Analysis and Factor Analysis to further eliminate improper items.

**Item analysis.** We used discrimination index such as critical ration to measure the validity of every item. We divide samples into two groups by their total scores. The high score group was made up of the top half of tests, and the low score group bottom half of tests. Significance tests were also conducted on the two groups for every item and insignificant items were eliminated (Wu, 2003). Analysis results showed that all the 55 items had good discriminate validity.

**Exploratory factor analysis.** KMO and Bartlett test of sphericity showed that the data was suitable for factor analysis. We conducted an exploratory factor analysis (principal axis factoring) with an oblique rotation (direct oblimin), allowing for correlations among factors (Fabrigar, Wegener, MacCallum and Strahan, 1999). Evaluation of the eigenvalues and scree plot are the principles of factor extraction. The criteria of whether to retain an item include the following ones: (1) the mean of the factor is no less than 3.0; (2) items load strongly on one single factor ( $> 0.5$ ); (3) items do not cross-load on multiple factors; (4) correlation coefficient between every item and total score is no less than 0.4.

After the above steps, we got a stable factor structure. Three factors having eigenvalues greater than 1 accounted for 59.1% of the total variance. After deleting items based on the above criteria, 14 items were retained and their factor loadings were between 0.5 and 0.81.

Then we were able to use the 14 items to create the pre-final version of ELM.

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## 4 Exploratory Factor Analysis and Confirmatory Factor Analysis

Subsequently, we adopted the proposed 14-item scale to measure a sample of 1 100 employees from 17 firms in China. Among the 952 valid responses, 89.4% were from private enterprises, 1.2% from state-owned enterprises, and 3.8% from



joint venture enterprises. In addition, the survey was conducted in a variety of different industries, including manufacturing, energy, construction, financial, wholesale, IT, and information services. Most of the participants had 3–5 years of work experience.

**Exploratory factor analysis.** We randomly selected half of our participants to conduct another exploratory factor analysis (principal axis and direct oblimin). Based on parallel analysis relative to random data eigenvalues, a steep break appeared in the eigenvalue plot between the third and fourth factor. Besides, from the cumulative variance contribution rate, we found that the first three factors accounted for 64.41% of the total variance (31.17%, 17.02%, and 16.21% respectively), while the fourth factor accounted for only a small fraction of the total variance. Evaluation of the eigenvalues and scree plot indicated a three-factor solution. All factor loadings were above 0.5 (see Table 2). Therefore,

**Table 2** Items and Item Loadings from Exploratory Factor Analysis

Items	Factors		
	Individual ethical characteristic	Ethical decision-making style	Ethical standard construction
Listens to what employees have to say	0.788		
Can be trusted	0.774		
Be honest	0.771		
Never mixes personal matters with work	0.729		
Has the best interests of employees in mind	0.724		
Defines success not just by results but also the way that they are obtained	0.669		
Conducts his/her personal life in an ethical manner	0.599		
Observes discipline and abide by the law		0.786	
When making decisions, concerns about corporate social responsibility		0.595	
Makes fair and balanced decisions		0.581	
Considers how to do things the right way in terms of ethics		0.520	
Discusses business ethics or values with employees			0.818
Disciplines employees who violate ethical standards			0.727
Sets an example of how to do things the right way in terms of ethics			0.724
Variance Contribution	31.17	17.02	16.21

all 14 items were retained. The ELM demonstrated a high level of internal consistency, with an alpha of 0.915. The alpha score for the sub-dimensions were 0.90, 0.78, and 0.74, respectively.

The first three factors were named “individual ethical characteristic,” “ethical decision-making style, and “ethical standard construction,” respectively. The first dimension of ethical leadership includes seven items, namely “Listens to what employees have to say,” “Can be trusted,” “Be honest,” “Never mixes personal matters with work,” “Has the best interests of employees in mind,” “Defines success not just by results but also the way that they are obtained,” and “Conducts his/her personal life in an ethical manner.” As all these items concerned with leaders’ personal traits, we defined the first dimension as “individual ethical characteristic.”

The second dimension of ethical leadership consists of four items, including “Observes discipline and abide by the law,” “When making decisions, concerns about corporate social responsibility,” “Makes fair and balanced decisions,” and “Considers how to do things the right way in terms of ethics.” Because these items were all about decision-making, this dimension was therefore named “Ethical decision-making style.”

The third dimension includes “Discusses business ethics or values with employees,” “Disciplines employees who violate ethical standards,” and “Sets an example of how to do things the right way in terms of ethics.” According to the meaning of the three items, we named it as “ethical standard construction.” In summary, the factor analysis and reliability analysis showed that the three-factor construct is acceptable.

**Confirmatory factor analysis.** Subsequently, we conducted a confirmatory factor analysis, using the other half of the data (sample size was 489). We used CFA and maximum likelihood estimation to test the proposed three-factor model that emerged from last exploratory factor analysis of the ELM. Fit indices showed that the three-factor model fitted the data well ( $\chi^2 = 244.763$ ,  $p < 0.01$ , CFI = 0.99, NFI = 0.98, TFI = 0.99, RMSEA = 0.07, see Table 3). These indices were all above the recommended criteria (e.g., Bagozzi, Yi and Nassen, 1998). The items and the standardized factor loadings for this CFA are reported in Fig. 1, which further supports the viability of an ethical leadership construct.

**Table 3** Measures of Goodness of Fit for CFA

Indices	$\chi^2$	df	$\chi^2/df$	CFI	NFI	IFI	TLI	RMSEA
Three factor model	244.763	74	3.308	0.992	0.988	0.992	0.988	0.069

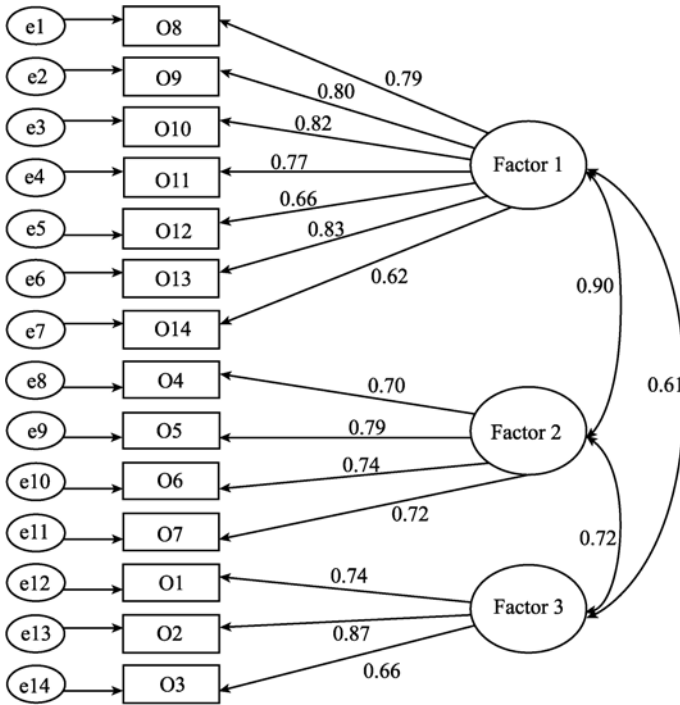


Fig. 1 Results of CFA

## 5 Reliability and Validity of the ELM

### 5.1 Reliability

The internal consistency for the whole ELM is very high, with an alpha of 0.915 and the alpha score for the three dimensions (“individual ethical characteristic,” “ethical decision-making style,” “ethical standard construction”) were 0.903, 0.778 and 0.741, respectively. The reliability measure meets the criteria of psychometrics, which shows that the ELM is both reliable and credible.

### 5.2 Construct and Content Validity

The results of both exploratory and confirmatory factor analysis showed that the ELM has a clear and good construct, with every index fully consistent with the criteria for psychometric evaluation.

During the process of developing ELM in the Chinese context, we consulted managers, HR experts, and MBA students with work experience to comment on

the pilot questionnaire. We then modified problematic items in the preliminary questionnaire by conducting a survey on part-time MBA students. To further test the nomological and content validity of ethical leadership, we surveyed employees from various firms, asking them to describe ethical behaviors of their immediate superiors. Results showed that the ELM can cover up the traits and behaviors of ethical leadership from the perspective of employees. Accordingly, we believe that the ELM has a good content validity.

### 5.3 Discriminant and Convergent Validity

In order to examine the validity of ELM, we invited 131 MBA students (79.5% male, mean working experience of 5.9 years, 45.7% middle level managers) to rate their immediate superiors using a variety of scales, including the authentic leadership scale (ALS), ethical leadership scale (ELS) developed by Brown et al. (2005), leadership virtues questionnaire (LVQ), MLQ and transformational leadership scales. We expected a strong positive correlation between these scales and ELM. We also included scales for “bad” leadership, namely the laissez-faire scale and a scale for leader narcissism, expecting strong negative correlations between these scales and the ELM.

***Authentic leadership scale.*** We used this 16-item scale to measure authentic leadership (Walumbwa, Avolio, Gardner, Wernsing and Peterson, 2008). Items were anchored by a 5-point scale ranging from 1 (not at all) to 5 (frequently, if not always). The ALS measures four dimensions: leader self-awareness, relational transparency, internalized moral perspective, and balanced processing. Sample items include, “Says exactly what he or she means” and “Demonstrates beliefs that are consistent with actions.” All responses for the 16 items were aggregated into a total score for authentic leadership ( $\alpha = 0.92$ ).

***Multi-factor leadership questionnaire.*** The MLQ (Bass, Avolio, Jung and Berson, 2003) measures the “full range of leadership,” from transformational leadership to transactional leadership. Subscales of the MLQ include the following dimensions: idealized influence attributed (4 items), idealized influence behavioral (4 items), intellectual stimulation (4 items), inspirational motivation (4 items), and individualized consideration (4 items). A sample item for transformational leadership representing idealized influence is: “Considers a problem from all angles and reaches the best decision for all parties involved.” Responses to the first 20 items ( $\alpha = 0.93$ ) were averaged to form an overall transformational leadership composite score. The contingent reward subscale of the MLQ (4 items) measures transactional leadership. Two additional scales (4 items each) measuring passive management-by-exception and active management-by-exception were adopted. And Laissez-Faire leadership was measured with four items ( $\alpha = 0.72$ ).

***Ethical leadership scale.*** Ethical leadership was measured with the ten items adopted from the ELS. Respondents commented whether they agreed with the statements on a 5-point scale ranging from 1 (highly unlikely) to 5 (highly likely). A sample item of ethical leadership is: “Defines success not just by results but also the way that they are obtained.” The reliability score of the ELS was high ( $\alpha = 0.91$ ).

***Leadership virtues questionnaire.*** Leadership virtues were measured with 19 items: subscales of the LVQ including Prudence (5 items), Fortitude (5 items), Temperance (3 items), Justice (6 items). Items were anchored by a 5-point scale ranging from 1 (not at all) to 5 (frequently, if not always). Sample items include the following: “Considers a problem from all angles and reaches the best decision for all parties involved,” “Is not overly concerned with his/her own accomplishments.” The reliability score of the LVQ was high.

The results showed that the ELM is strongly positively correlated with scales for authentic leadership ( $r = 0.68, p < 0.01$ ), ethical leadership ( $r = 0.79, p < 0.01$ ), idealized influence ( $r = 0.56, p < 0.01$ ), and the recently developed LVQ ( $r = 0.58, p < 0.01$ ). The ELM was also found to be negatively correlated with laissez-faire leadership ( $r = -0.30, p < 0.01$ ), and passive management by exception ( $r = -0.25, p < 0.01$ ) (see table 4). We found that ELM is unrelated to the irrelevant constructs, such as rater’s education level, position and years of working. Taken together, these results suggest that the ELM has convergent and discriminant validity.

#### 5.4 Predictive Validity

A good scale also has high predictive validity. In this regard, this study focused on the impact of ethical leadership on employee satisfaction, affective commitment, turnover intention, organizational citizenship behavior, trust in leader and moral identity.

For this phase of our validation, we used the 498 sample combined with the 131 MBA students sample. Participants were also asked to report their job satisfaction, affective commitment, turnover intention, organizational citizenship behavior, trust in leader and moral identity.

We used an 8-item scale (5 items from Bono (2003) and 4 items from Janssen (2001)) to measure employee satisfaction, a 6-item scale (Chen, 2003) to measure affective commitment, a 3-item scale (Landau and Hammer, 1986) to measure intention to quit, a 9 item scale (Dirks, 2000) to measure trust in leader, a 22-item scale to measure Chinese OCB (Farh, 1997) and the newly-created 5-item Moral Identity Scale (MIS) (Zhu et al., in press) to measure moral identity.

Moral Identity is defined as the degree to which a person identifies

**Table 4** Hierarchical Linear Regression Results

Variables	Follower job satisfaction		Follower affective commitment		Follower trust in leader		Follower OCB		Follower moral identity		Follower intention to quit	
	Model1	Model2	Model1	Model2	Model1	Model2	Model1	Model2	Model1	Model2	Model1	Model2
1. Nature	-0.02	0.00	-0.07	-0.05	-0.03	-0.01	-0.01	0.01	0.03	0.09	-0.05	-0.06
2. Industry	0.14**	-0.03	0.17**	-0.00	0.24**	0.03	0.17**	0.02	0.11	0.10	-0.16**	-0.06
3. Size	0.00	-0.02	0.04	0.03	0.09	0.07	-0.03	-0.04	0.04	-0.01	-0.08	-0.07
4. Position	-0.06	0.01	-0.16**	-0.09*	-0.10*	-0.02	0.07	0.13**	0.20	0.24	0.06	0.03
5. Degree	-0.10*	-0.09*	-0.11*	-0.10*	-0.11*	-0.09*	-0.03	-0.02	0.00	-0.01	-0.04	-0.05
6. Gender	0.08	0.09*	0.01	0.01	0.03	0.03	0.05	0.05	0.08	0.14	-0.02	-0.02
7. Year of work	0.05	0.01	0.07	0.02	0.03	-0.02	0.02	-0.02	0.22	0.20	-0.11*	-0.09
8. <i>EL</i>		0.53**		0.53**		0.64**		0.46**		0.25*		-0.28**
<i>F</i>	2.54**	20.63**	4.65**	23.82**	5.46**	41.49**	2.46*	15.07**	0.79	1.20	4.05**	7.96**
Adjusted <i>R</i> <sup>2</sup>	0.04	0.28	0.06	0.30	0.07	0.43	0.02	0.21	0.02	0.02	0.05	0.11

Note: 1. Standardized regression coefficients are shown;

2. Dependent variable = follower job satisfaction (*N* = 487), follower affective commitment (*N* = 487), follower trust in leader (*N* = 487), follower organizational citizenship (*N* = 487), follower moral identity (*N* = 131), follower intention to quit (*N* = 487);

3. *EL* means ethical leadership;

4. \* indicates significant at 0.05 level, \*\* indicates significant at 0.01 level.

himself/herself as a moral person, and was measured by MIS (Alpha = 0.76). Respondents indicated whether they agreed with the statements on a 5-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). Sample item: "I am determined to behave consistent with my moral ideals or principles."

We used a hierarchical linear regression model to conduct the analysis. After controlling for a number of possible confounding variables, including gender, leader level, working experience, nature/industry/size of current working company, we found that the ELM has a positive effect on follower job satisfaction ( $\beta = 0.53, p < 0.01$ ), affective commitment ( $\beta = 0.53, p < 0.01$ ), trust in leader ( $\beta = 0.64, p < 0.01$ ), organizational citizenship behavior ( $\beta = 0.46, p < 0.01$ ), and moral identity ( $\beta = 0.25, p < 0.01$ ), and a negative effect on follower intention to quit ( $\beta = -0.28, p < 0.01$ ). These results showed that ELM has predictive validity, as we expected (see Table 4).

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## 6 Discussion

### 6.1 Structural Model

Through the exploratory factor analysis and confirmatory factor analysis, we identified three dimensions for Chinese ethical leadership, namely "individual ethical characteristics," "ethical decision-making style," and "ethical standard development." It indicates that in the mind of Chinese employees, only leaders conduct and own characteristics related to the above dimensions can be seen as ethical leaders. The results have something in common with the existing scales, such as all contain work-oriented and people-oriented dimensions. Our results also indicate that ELM contains a unique "individual ethical characteristics" dimension, which is previously mentioned in Ling (1987). Based on the commonality and specialty of ELM, we would like to note that the scale helps cast more light on ethical leadership in Chinese organizational contexts, and thus, contribute to the further understanding and knowledge in ethical leadership research as a whole. Our results suggest that the ELM has good reliability and validity. Therefore, it can be applied in Chinese organizations to assess ethical leadership.

### 6.2 Effects on Followers

#### 6.2.1 Effects on Job Satisfaction

Ethical leadership has a positive effect on follower job satisfaction. Job satisfaction is defined as a pleasurable emotional state resulting from the appraisal of one's job; an affective reaction to one's job; and an attitude towards

one's job. Job satisfaction is a controversial construct because it is affected by many factors, including work responsibilities, variety of tasks, the work itself, rate of pay, promotional opportunities, leadership style, relationship among co-workers and leader-member. According to our survey purpose, we focused on follower job satisfaction on leadership, work environment and the work itself. If a leader can be trusted and strict with himself and tolerant towards others, he/she will leave a good impression on followers; If a leader shows ethical conducts such as having the best interests of employees in mind and considering about employee's career development, then followers are likely to feel satisfied with work environment and their leaders and would hence work harder.

### 6.2.2 Effects on Affective Commitment

Ethical leadership has positive effect on follower affective commitment. Affective commitment is defined as follower's positive emotional attachment to an organization. An employee who is affectively committed would commit strongly to the goals of the organization, desire to contribute to the whole organization, and feel proud of being a member in the organization. The employees' organizational commitment lies in his/her emotional needs, rather than for money and material rewards. So if a leader has personal ethical qualities and is an ethical role model, he/she will unconsciously influence followers' ethical behavior at work, push followers to have knowledge of organizational culture and climate, establish mutual trust relationship, and enhance the sense of belonging. As a result, followers' affective commitment will be improved and they will actively participate in organizational activities.

### 6.2.3 Effects on Trust in Leader

Ethical leadership has a positive effect on followers' trust in leader. Trust is generated from both economic exchange and social exchange processes. When a leader or subordinate takes the initiative to give benefits to others, it will arouse a feeling of gratitude and responsibility, and mutual gratitude. Based on social exchange theory and reciprocity principle, through long and informal social exchange relationship, leader can establish high quality relationships with his/her followers, which are beyond formal work relationship and can induce a high degree of mutual trust. If a leader shows personal ethical qualities such as "can be trusted," "conducts his/her personal life in an ethical manner," "makes fair and balanced decisions," or "has the best interests of employees in mind," he/she will gain praise of followers and improve follower trust in leader.



#### 6.2.4 Effects on Intention to Leave

Ethical leadership can decrease follower intention to quit. The Confucian culture focuses on a harmonious interpersonal relationship. Therefore, in organizations, employee's promotion opportunity will be determined by the leader-member relationship to a large degree. In addition, since the Chinese culture stresses high power distance, the relationship between supervisor and follower will have a heavy influence on followers' psychological conditions, which in turn will influence followers' intention to leave. If a leader is believed to be self-disciplined, abide by ethical principles, be honest and trusted, treat followers equally, provide promotion opportunity, listen to what employees have to say, he/she will be seen as an easy-going person. Working with this type of leader, followers will feel happy and full of hope for future, and choose to stay in their organizations longer.

#### 6.2.5 Effects on OCB

Ethical leadership has a positive effect on followers' OCB. OCB is a special type of work behavior, which is defined as individual behaviors that are beneficial to the organization and are discretionary, not directly or explicitly recognized by the formal reward system (Organ, 1988). Indeed, based on social learning theory, we can explain the result: individuals are easily affected by external environment. As individuals in an organization, employees will be largely affected by leaders' and co-workers' behaviors. If a leader shows attractiveness and credibility and discusses business ethics or values with employees very often, he/she will become role model to follower. Naturally, follower will learn from their ethical leaders and imitate their behaviors—an outcome beneficial to the whole organization.

### 6.3 Limitations and Future Directions

One of the limitations of this research lies in the fact that only followers are involved in the survey. We only focused on the characteristics of ethical leadership from the followers' standpoint. Future work could invite leaders to participate in the survey so that we can get a more comprehensive understanding of the concept of ethical leadership and find the gap between perceptions of followers and their rating leaders.

Another limitation concerns the predictive validity of our measure. The measures of job satisfaction, affective commitment, and trust in leader, organizational citizenship behavior and intention to leave, moral identity are all concentrated on the effect at individual level. To further demonstrate the impact

that an ethical leader has on followers, outcomes variables on the group and organizational level should be introduced. In addition, experimental design maybe a better approach to examine predictive validity.

Moreover, although we examine the impact of ethical leadership on follower attitudes and behaviors, we still do not know how ethical leadership works and what are the possible moderators and interventions. Future work should dig deeper into the influencing mechanism of ethical leadership.

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## 7 Conclusion

Based on large-scale surveys, we develop a reliable and valid scale to measure ethical leadership in Chinese organizations. The scale, ELM in short form, contains three dimensions of “individual ethical characteristics,” “ethical decision-making style,” and “ethical standard development.” ELM has a positive effect on follower job satisfaction, affective commitment, trust in leader, organizational citizenship behavior, and moral identity, and a negative effect on follower intent to quit.

The development of this scale helps cast more light on ethical leadership in Chinese organizational contexts, and will contribute to understanding and knowledge in ethical leadership research as a whole. Moreover, researchers will benefit from this study in possessing an available reliable and valid measure of ethical leadership to conduct empirical research in the field. One of the practical implications of this study is that it might help promote followers’ positive outcomes, such as developing follower moral identity and performance. This suggests that organizations need to provide their managers with ethical leadership development and training to induce more positive outcomes from their employees.

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