

**FACTORS INFLUENCING EMPLOYEES' ETHICAL  
BEHAVIOR: EMPIRICAL STUDY OF EMPLOYEES IN IRAQI  
ORGANIZATIONS**

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EMPIRICAL STUDY OF EMPLOYEES IN IRAQI ORGANIZATIONS**

**ABSTRACT**

In contemporary organizations, ethics has become one of the most vital aspects of organizational sustenance in today's competitive business world. Earlier studies have considered employees as a potential source of success for an organization. Moreover, prior studies have designated the essential role of ethical leadership in influencing employees' ethical behavior. Therefore, this study tries to contribute to the literature by examining the direct effect of ethical leadership on employees' ethical behavior via the two-mediating role of ethical climate and organizational justice. Most importantly, moral identity was also identified as a boundary condition on the relationship of ethical leadership, ethical climate, organizational justice, and ethical behavior of employees. Data were collected through questionnaires which were completed by 620 full-time employees working at 33 Iraqi organization from five Iraqi provinces and involved in manufacturing, retailing, medical, insurance, information technology, legal, finance, and telecommunication sectors. Structural Equation Modeling (SEM) was used to test the model and data analysis was carried out using Structural Equation Modelling–Partial Least Square (SEM-PLS) and PROCESS macro. The results showed that ethical leadership behavior has a significant relationship with ethical behavior. The study also revealed the relationship between ethical leadership and employees' ethical behavior is positively mediated by work ethical climate and organizational justice. Moreover, the moderation role of moral identity was a significant on the relationship of ethical leadership, and employees' ethical behavior, on the other hand, was insignificant between work ethical climate, organizational justice, and employees' ethical behavior. The theoretical model of this study was underpinned by social exchange and social learning theory to improve the exchange relationship between managers and employees as well as

to enhance employees' ethical behavior. This study provides theoretical and practical contributions to business ethics and leadership studies.

**Keywords:** Ethical Leadership; Employees' Ethical Behavior; Ethical Climate; Organizational Justice; Moral Identity; Social Learning Theory; Social Exchange Theory.

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PEKERJA: KAJIAN EMPIRIS KERJA-KERJA DI IRAQI ORGANIZATION**

**ABSTRAK**

Dalam organisasi kontemporer, isu etika telah menjadi salah satu aspek yang paling penting dalam menentukan kesinambungan organisasi dalam dunia perniagaan yang sangat kompetitif. Kajian terdahulu menganggap pekerja sebagai sumber kejayaan yang berpotensi untuk organisasi. Khususnya, pengurus dianggap salah satu faktor yang paling berpengaruh untuk mempengaruhi tingkah laku etika pekerja. Tambahan pula, kajian terdahulu menunjukkan peranan penting iklim etika dan keadilan organisasi dalam organisasi. Kajian ini memberi tumpuan kepada tingkah laku kepimpinan etika yang memberi impak kepada tingkah laku etika pekerja melalui peranan menengahi iklim etika dan keadilan organisasi. Peranan identiti moral sebagai angkubah moderator juga dikaji dalam hubungan antara iklim etika dan tingkah laku etika pekerja dan antara keadilan organisasi dan tingkah laku etika pekerja. Data dikumpul melalui soal selidik yang diisi oleh 620 pekerja di 33 organisasi di Iraq. Model Persamaan Struktur (SEM) digunakan untuk menguji model dan analisis data dilakukan menggunakan Model Persamaan Struktur-Partial Least Square (SEM-PLS). Hasil kajian menunjukkan bahawa tingkah laku kepimpinan etika mempunyai hubungan yang signifikan dengan Perilaku Etika. Kajian ini juga mendapati bahawa keadilan organisasi dan iklim etika memainkan peranan yang sangat penting antara kepimpinan etika dan tingkah laku etika pekerja. Keputusan menunjukkan bahawa identiti moral adalah faktor yang tidak penting dalam model ini. Model teoretis kajian ini disokong oleh pertukaran sosial dan teori pembelajaran sosial untuk meningkatkan hubungan pertukaran antara pengurus dan pekerja serta meningkatkan tingkah laku etika pekerja. Kajian ini memberikan sumbangan teoritis dan praktikal kepada etika perniagaan dan kajian kepimpinan.

**Kata kunci:** Kepimpinan Etika; Kelakuan Etika Pekerja; Iklim Etika; Keadilan Organisasi; Identiti Moral; Teori Pembelajaran Sosial; Teori Pertukaran Sosial.

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## LIST OF SYMBOLS AND ABBREVIATIONS

EL	:	Ethical Leadership
EC	:	Ethical Climate
OJ	:	Organizational Justice
DJ	:	Distributive Justice
PJ	:	Procedural Justice
INPJ	:	Interpersonal Justice
INFJ	:	Informational Justice
MI	:	Moral Identity
EEB	:	Employees' Ethical Behavior
SEM	:	Structural Equation Modeling
PLS	:	Partial Least Square
AVE	:	Average Variance Extracted
CR	:	Composite Reliability
CMV	:	Common Method Variance
CLC	:	Construct Level Correction
HTMT	:	Heterotrait-Monotrait Ratio
VIF	:	Variance of Inflation Factor

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## CHAPTER 1: INTRODUCTION

### 1.1 Background of Study

The speed of technology and advances in the global market of business display an essential need for organizations to adapt to the changing environment. The depth, breadth, and the speed of change of trends such as globalization, technological advancement, and the knowledge-based economy have put increasing pressure on researchers and practitioners who are involved with various issues on business ethics as noted by (Brown, Treviño, & Harrison, 2005; Treviño, den Nieuwenboer, & Kish-Gephart, 2014; Moore, Mayer, Chiang, Crossley, Karlesky, & Birtch, 2019). In accordance with this global trend, a significant number of scholarly works had explored the relationship between organizational ethics and its effects (Mayer et al., 2009; Brown & Treviño, 2014; Dimitriou & Ducette, 2018; Babalola, Stouten, Camps, & Euwema, 2019).

Organizational ethics and individual ethical standards have increasingly become a topic of interest to most researchers in the past forty years (Brown et al., 2005). This assertion has demonstrated that the ethical issue is critical and most organizations in the world are faced with the problem of ethical issues (Treviño, Brown, & Hartman, 2003; Brown et al., 2005; Treviño, Weaver, & Reynolds, 2006; Treviño et al., 2014; Govind, Singh, Garg, & D'Silva, 2019). Therefore, ethical issues around the world have received so much attention from the media in recent times, given the result of several scandals involving global companies such as Enron, Worldcom, Global crossing, and the Irish National Bank. On top of that, ethical and unethical behavior has become a social problem requiring research consideration (Treviño et al., 2006). There is a growing interest and focus on ethical decision-making and ethical behavior in the following areas; accounting, marketing, and management in general (Brown & Treviño, 2014).

Furthermore, in every organization, ethical behavior is required because employees are likely to regard their employing organization as the legitimate source of right and wrong within the work environment. Thus, ethical behavior will be defined considering the organization as the arbitrator of what is morally right (Fraedrich, 1993). Fraedrich (1993) while conducting a study on ethical behavior adapted the ethical behavior construct from (Ferrell & Skinner, 1988; Brown, et al., 2005; Xu, Loi, & Ngo, 2016), which measured the deviance from organizational norms and revealed that certain people perceived that the rule of standards ranked higher on the ethical behavior scale, compared to other philosophy analyzed. Therefore, ethical behavior commonly referred to, “as just or right standards of behavior among individuals in the situation (Fraedrich, 1993, p. 207). These standards can be defined as “recognized social principles involving justice and fairness” (Browning & Zabriskie, 1983, p. 219). Ethics contain fundamental human relationships, amongst parties in the exchange process, (i.e., organizational members including peers, subordinates, and superiors) competitors, as well as customers, and the general public. Each of the parties in the exchange process has their own duties and responsibilities which should be executed in a proper manner (Treviño et al., 2014).

Ethical behavior issues remain a serious societal issue for the business organization and the public in general. The issue of ethics is a complex issue that requires in-depth consideration and understanding of the various factors which make the employees behave ethically or unethically (Stead, Worrell, & Stead, 1990). Moreover, several attempts have been made to determine the important antecedents of ethical behavior such as organizational culture (Loi, Lam, & Chan, 2012), and job characteristics (Özbek, Yoldash, & Tang, 2016), and individual difference (van Gils, Van Quaquebeke, van Knippenberg, van Dijke, & De Cremer, 2015). However, prior studies have neglected the role of leadership, organizational climate, and fairness.

Today, corporate social responsibility remains crucial, and the corporate image becomes vital, according to a transparent management viewpoint. Hence, the values of a manager are consequently significant in determining the work standards. The manager's role and his ethical behavior display an important role in providing ethical standards for all the organizational members (Mendonca, 2001; Grojean, Resick, Dickson, & Smith, 2004). Thus, ethical leaders are crucial factors in determining the ethical framework of an organization. Brown et al., (2005, p. 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".

In this regard, previous research had demonstrated that ethical leadership behavior is one of the effective factors on the ethical behavior of followers. For instance, conducting field investigations to test and validate the construct of ethical leadership within organizations and verifying that ethical leadership is the most influential element in the workplace (Brown et al., 2005). Other studies are consistent with these findings (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Piccolo, Greenbaum, Hartog, & Folger, 2010). Furthermore, Walumbwa and Schaubroeck, (2009) posited that the ethical leadership of top management is an important determinant of ethical issues. Therefore, it has indicated that the leaders have a powerful influence on employees' work behavior, and there is an exception for ethical behavior. Thus, the focal point of this research is on the ethical behavior of employees and the role ethical leaders play in enabling and enhancing such behavior. Individual behavior has been operationalized in various ways. For example, the constructs have been thought of as a personality characteristic (Brown et al., 2005) or as an output (Mayer et al., 2009). Other researchers have taken a behavior perspective (Brown & Treviño, 2006; Brown et al., 2005; Piccolo et al., 2010; Waldman, Wang, Hannah, & Balthazard, 2017; Koopman, Scott, Matta, Conlon, & Dennerlein,

2019). Hence, this study adopts the same line of reasoning as the latter and addresses the effect of ethical leadership on the ethical behavior of employees.

Furthermore, the researcher has taken a step further beyond the literature review to show strong evidence regarding the above-mentioned argument based on the Web of Science (WOS) database. This topic has been receiving considerable attention in recent years. Therefore, the main keywords were used ((“Ethical leadership” OR “Moral Leadership” OR “Ethical Leader” OR “Leader Ethics” OR “Ethical Manager”)) AND ((“Employee Ethical Behavior” OR “Followers Ethical Behavior” OR “Subordinates Ethical Behavior” “Individuals Ethical Behavior”)). Figure 1.1 illustrates the trend of total publications and the sum of time cited per year.

Universiti Malaysia

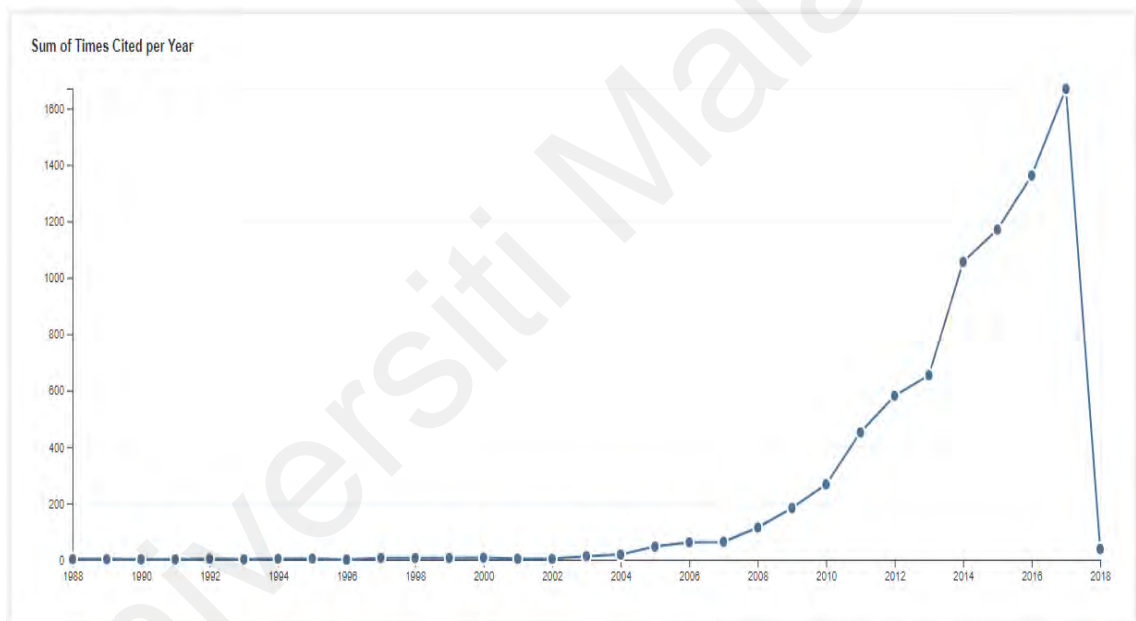
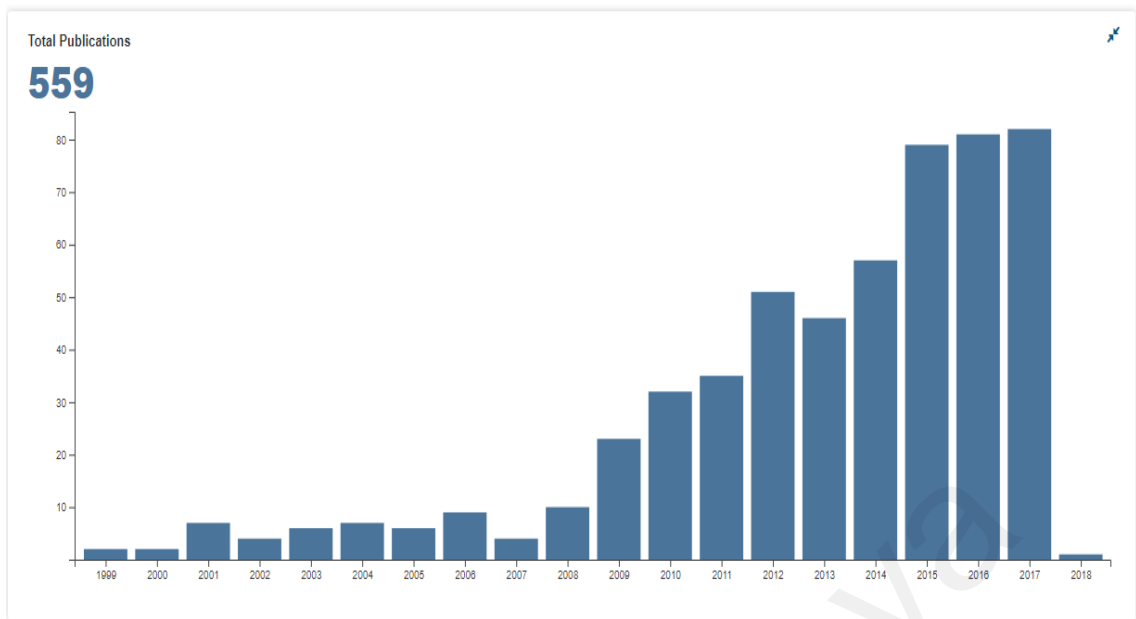


Figure 1.1: Trend of Publications and Sum of Time Cited Per Year [Source: ISI Web of Science (WOS) 2017].

In 2019, the researcher also conducted a bibliometric analysis to ensure that the topic still receiving great attention and to confirm that there is evidence to support the aim of this study, as mentioned above. Based on the Web of Science (WOS), which is the most reliable search engine for scientific articles, the findings of our search span article that are of more than 38 years, from 1980 to 2019, with the access point taken from the

University of Malaya's library. Figure 2 illustrates the trend of the publications and the trend of the sum of Times Cited per publication, per year in recent years.

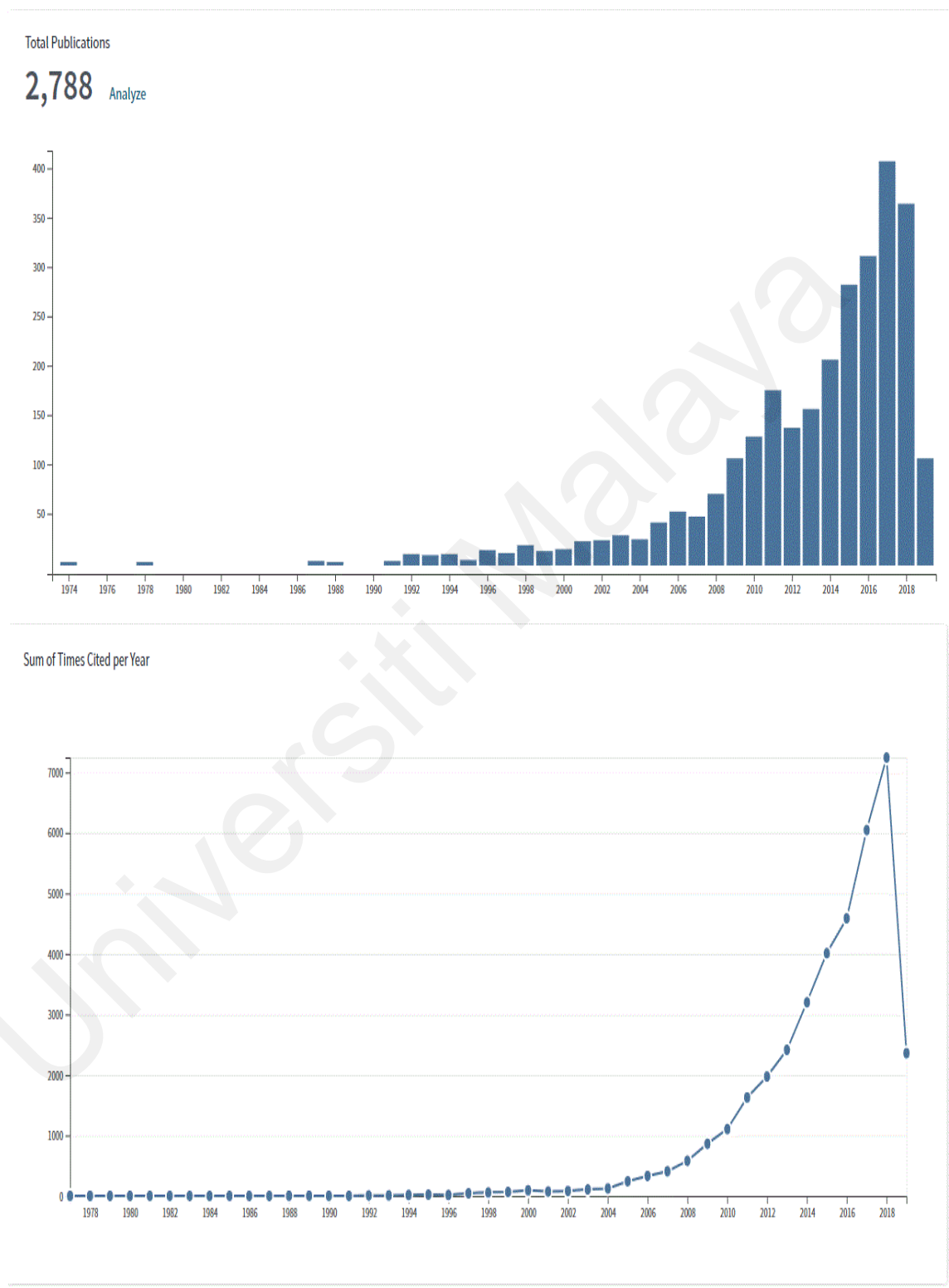


Figure 1.2: Trend of Publications and Sum of Time Cited Per Year [Source: ISI Web of Science (WOS) 2019].

## 1.2 Scenario in Iraq

Iraq is one of the places that are suffering from poor ethical behavior in the Middle Eastern region (Spagat, 2010; Al Halbusi, Ismail, & Omar, 2019; Abdullah, 2019). The problem of the current research comes from the reality of the social environment in Iraq. Some organizations in Iraq has a lack of the principles of management, and in particular, leading administrative behavior that has negative and positive aspects in the administrative process (Robinson, 2016; Budur, & Demir, 2019). We often hear that some say that this organization or that institution lacks ethical behavior, the institutions in Iraq has failed because it has made no effort to influence the actions and behavior of their followers. The issue of business ethics in Iraq has been of increasing interest in recent years due to several reasons, foremost of which are the increasing moral scandals. Most of the immoral problems are because of the lack of a transparent and moral outline within the workplace (e.g., ethical leader), however it has increased in the past two decades. These issues happen, at all levels and in different sectors where many studies have emerged in the field of management may return, and held conferences and symposiums to discuss this subject and discussed the reason for the unethical practices practiced by some administrators in the management of their work and such practices), favoritism and the exploitation of powers and authorities (Khalil, 2016; Arab & Atan, 2018; Abdullah, 2019).

As stated earlier the main concern of the present study is about employees' ethical behavior among Iraqi organizations, such as study is very considerable for Iraqi organizations. Ethics in the Iraqi organizations play a significant role in the everyday lives of employees by contributing to the progress of society and its economy. Within this prevailing perspective, it has become essential for organizations to take appropriate steps to ensure that the process of any organization is achieving high performance to increase productivity and remain afloat in ever rapidly increasing competitive world within ethical

standards (Spagat, 2010; Arab & Atan, 2018). Furthermore, in this context, the ethical issues and corruption in Iraq are one of the main challenges facing the authorities as they seek to set the basis of the new system in Iraq (Sawaan, 2012; Chwastiak, 2013). Thus, this issue is no longer limited to the Iraqi citizens but even the foreigners are observed that the issues of ethical scandals are in several key institutions and sectors. Hence, studying and analyzing this matter is important, especially from a top management and workplace environment perspective (Maxime Agator, 2013; Al Halbusi, Williams, Mansoor, Hassan, & Hamid, 2019; Abdullah, 2019).

More precisely, as Khalil, (2016), mentioned that after 2003 when the US invaded the Iraqi economy collapsed and the Iraqi organization is faced critical issues due to corruption and the misconduct of the employees, mismanagement, misuse of power, and the lack of engagement by the government in external and national programs as well. The lack of training to enhance and improve the ethical and responsibilities notion to the workers are complex and requires in-depth understanding and efforts. In addition, corruption and the lack of ethical concerns in organizations and their type of processes for global innovations in all intellectual, science and material fields that have resulted in the weakness of international trust in Iraqi institutions and the weakness of Iraqi position in economic activity and evolutionary action.

Thus, this unique study provides new evidence from different perspectives not only to help understand the scope and type of misconduct affecting Iraqi organizations but also to analyze the effectiveness of leadership and their employee's behaviors, in order to assess the weakness in the integrity scheme. In order to do so, new data, which focuses on the experience and the perception of ethical leadership, ethical climate, and organizational justice have been collected and analyzed. Despite recent progress in the fight against misconduct and ethical scandals, much remains to be done to help establish



integrity and accountability in the institutional sector of Iraq (Maxime Agator, 2013; Abdullah, 2019; Al Halbusi, Ismail, & Omar, 2019). Importantly, this study is on a sample in a Middle Eastern cultural context such as in Iraq. Perhaps, the particular cultural features of this context, which encompassed, among other things, strong adherence to religious values (Moaddel, 2010), could have unique findings as most of the prior studies were conducted in western culture. However, it can be seen that further studies are needed to evaluate the context-sensitivity of these findings (Whetten, 2009; Abdullah, 2019) by analyzing other cultures, where it completely different from western cultures in terms of ideologies, religions and polices is important (Ribberink et al., 2018), especially, Iraq has rare studies on ethical leadership, ethical climate, organizational justice, and moral identity. Thus, this research is essential in order to validate the theoretical proposition of how these variables are significant to individual ethical behavior.

### **1.3 Problem Statement**

Today's business scandals have placed increasing pressure on experts, academics, practitioners, and the government on issues relating to business ethics and ethical behavior ( Mehta, 2003; Brown & Treviño, 2006; Manz, Anand, Joshi, & Manz, 2008; Treviño et al., 2014; Ruiz-Palomino, & Linuesa-Langreo, 2018; Astrachan, Astrachan, Campopiano, & Baù, 2020). This has reference to the various scandals involving large organizations such as the Irish National Bank, Enron, and Worldcom. It is common knowledge in the world that the unethical behavior of individuals is usually to achieve their personal desire at the expense of their organization's goal (Padilla, Hogan, & Kaiser, 2007; Schaubroeck, Walumbwa, Ganster, & Kepes, 2007; Tang, Sutarso, Ansari, Lim, Teo, Arias-Galicia, & Vlerick, 2018). Treviño and Brown, (2004), highlighted that ethical phenomena exist ever since the existence of human beings. Also, since the beginning of civilization, there have been ethical and unethical behavior augments. Therefore, in recent years, various attempts were conducted in the literature of business ethics to

describe and understand ethical behavior and ethical decision making (Brown & Treviño, 2006; Brown et al., 2005; Mayer et al., 2009; Babalola, et al., 2019).

The study by Brown et al., (2005) and Brown and Treviño, (2006) specified that ethical leaders are a powerful source of influence on employees' work behavior, including their ethical behavior. In an attempt to avoid unethical behavior and to improve ethical behavior, scholars remain progressively concerned with the role of ethical leadership (Brown & Treviño, 2006; Sama & Shoaf, 2008; Mayer et al., 2009; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009; Qing, Asif, Hussain, & Jameel, 2019; Kuenzi, Mayer, & Greenbaum, 2020). Leaders should exhibit a high degree of ethical standards and moral behavior in their everyday discussion, actions, purposes, and manners as this will position them as the role model for their followers to follow (Ofori, 2009). Previous scholarly works on ethical leadership have regularly drawn consideration to the significance of understanding the role of ethical leadership in shaping employees' ethical behavior (Brown et al., 2005; Ofori, 2009). Despite the importance of ethical leadership in triggering the ethical behavior of employees, little integration of ethical leadership and employees' ethical behavior is found in the literature. Moreover, a review of the works of literature indicates that further studies are needed on the role of ethical leadership and how it affects the ethical behavior of their followers (Frisch & Huppenbauer, 2014; Koopman, et al., 2019).

Organizational justice is regarded as the main component to employees as they consider it the central indication of the fairness practices and moral excellence of individual treatment (Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Cropanzano & Byrne, 2000). This is mostly based on people's moral assumption regarding how people will be treated in the workplace (Folger, Cropanzano, & Goldman, 2005; Skitka & Bauman, 2008; Kuenzi, et al., 2019; Eva, Newman, Miao, Wang, & Cooper, 2020).

Therefore, organizational justice, better known as inputs and outputs, is concerned with the two-way relationship between employer and employees in an organization. This has been investigated by various studies. However, while several studies have concentrated on the antecedent and consequences of organizational justice, few have focused on the ethical leadership behavior as central antecedents of organizational justice (Demirtas & Akdogan, 2015; Xu, Loi, & Ngo, 2016). Li, Wu, Johnson, and Wu, (2012) posed that the quality of fairness is fundamental to the employee's ethical behavior. Moreover, ethical issues occur when the leaders behave ethically or unethically, therefore, employees will not only question just the managers' ethical behavior but also, they will query the organization justice's procedures whether they are proper or not (Premeaux, 2009; Demirtas, 2015; Li, Xu, Tu, & Lu, 2014). Hence, it's so significant, theoretically, and practically, to study the influence of ethical leadership towards employees' fairness perception towards their organization.

The ethical climate in organizations has been addressed in recent times as it has a significant impact on the ethical behavior of employees (Luria & Yagil, 2008; Deshpande & Joseph, 2009; Elçi & Alpkın, 2009). Due to the ethical climate standards, the ethical behavior of employees in an organization can be improved in order to enhance the performance of organizations as well (Demirtas, 2015; Elçi & Alpkın, 2009; Engelbrecht, Wolmarans, & Mahembe, 2017). Although employees perceived that ethical climate exists in terms of ethical standards, procedures, hiring system and the remuneration, nevertheless they are more likely to offer and foster a greater behavior (Weeks, Loe, Chonko, & Wakefield, 2004). Therefore, several researchers have included Ethical leadership and ethical climate (Ofori, 2009; Lu & Lin, 2014). Thus, it is critical, theoretically, and practically, to provide an investigation on the role of ethical leadership when determining ethical climate standards.

Despite all the studies on the relationships between ethical leadership and ethical behavior of employees, yet management researchers have neglected the role of organizational justice and ethical climate as essential mechanisms on the relationship of ethical leadership and ethical behavior of employees in a single study.

Apart from the issues noted above, moral identity is concerned with employees' behavior that needs to be investigated in detail. Based on previous research, moral identity has an effect on people's behavior (Nelissen, Dijker, & de Vries, 2007; Tanghe, Wisse, & Van Der Flier, 2010; Wang, Long, Zhang, & He, 2019; Eva, et al., 2020). Thus, this study is also designed to examine the moderating role of moral identity on the relationship between ethical leadership and ethical behavior of employees and between ethical climate and employee's ethical behavior as well as between organizational justice and ethical behavior of employees. In regard to practical, research on leadership in Middle Eastern particularly Iraq (Budur, & Demir, 2019). Therefore, conducting such research using data from Iraq is important as it attributes it to the ethnic diversity of the respondents attached to the Iraqi organizations we approached. However, it is feasible that the concepts of ethical leadership, ethical climate, organizational justice, and moral identity may be perceived by the respondents differently due to the difference in ethnicity and culture (Desmet, Ortuño-Ortín, & Wacziarg, 2017). Thus, this research advances both theoretical and practical perspective.

Other than the issues mentioned above, the factors on ethical behavior pose problems for any organization and have to be studied (Xu et al., 2016; Mitchell, Reynolds, & Treviño, 2017; Shah, Anwar, & Irani, 2017; Wiernik & Ones, 2018; Wang, et al., 2019). Based on earlier studies, the impact of ethical leadership, ethical climate, and organizational justice appear to be significant on employee's ethical behavior. Hence, this study would investigate the role of ethical leadership as an essential factor in its

relationship with the ethical behavior of employees. The purpose of this research, therefore, is to determine the role of two mediators of organizational justice and ethical climate in the relationship between ethical leadership and the dependent variable (i.e., employee's ethical behavior). In other words, this research attempts to answer the following question; What is the incremental contribution of ethical leadership on the prediction of the dependent variable (i.e., ethical behavior of employees) through the mediating role of ethical climate and organizational justice. Does the moderating role of moral identity play a part in the relationship between ethical leadership and employees' ethical behavior and ethical climate and employee's ethical behavior, finally between organizational justice and ethical behavior of employees among Iraqi organizations? This is based on the title of "Factors Influencing Employees' Ethical Behavior: Empirical Study of Employees in Iraqi Organizations". Thus, the problem statement of this research is illustrated in Figure 1.3.

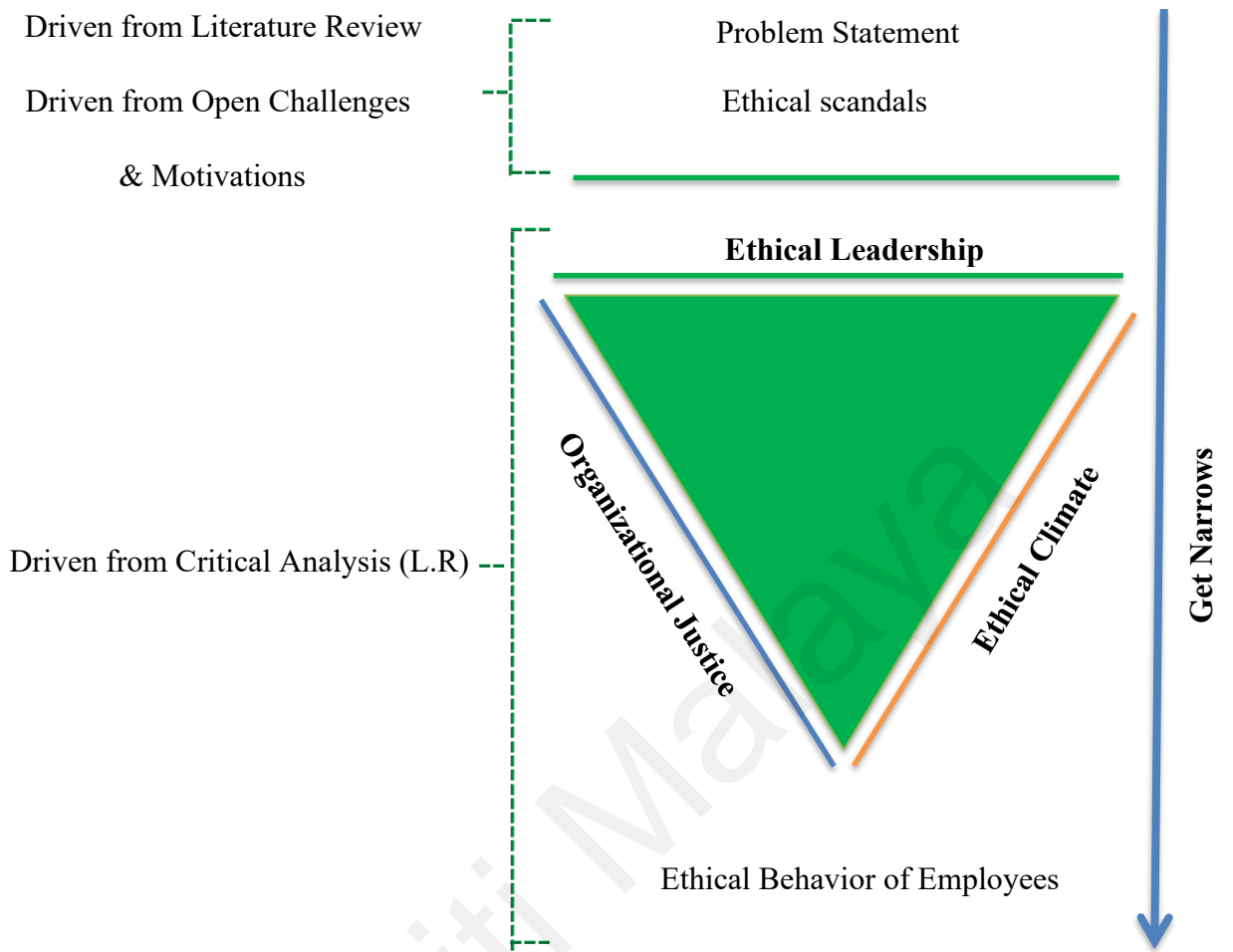


Figure 1.3: Problem Statement Configuration

## 1.4 Research Questions

The primary focus of this research is to investigate the relationship between ethical leadership and employee's ethical behavior, through the mediating role of ethical climate and organizational justice. Another focus is to determine the moderating role of moral identity which plays three roles on the relationship between ethical leadership and employees' ethical behavior and between ethical climate and employee's ethical behavior as well as between organizational justice and ethical behavior of employees. Thus, the research questions for this study are integrated ethical leadership, employee's ethical behavior, ethical climate, organizational justice, and moral identity within the context of Iraqi organizations. The relationship between the research questions, objectives, and hypotheses of this study is illustrated under Section 1.11 of Table 1.1. Following are the research questions that have guided this study:

- RQ1:** What is the relationship between ethical leadership and employee's ethical behavior?
- RQ2:** Does work ethical climate mediates the relationship between ethical leadership and employee's ethical behavior?
- RQ3:** Does organizational justice mediate the relationship between ethical leadership and employee's ethical behavior?
- RQ4:** To what extent moral identity (MI) moderates the relationship between ethical leadership and employees' ethical behavior?
- RQ5:** To what extent moral identity (MI) moderates the relationship between ethical climate and employees' ethical behavior?

**RQ6:** To what extent moral identity (MI) moderates the relationship between organizational justice and employees' ethical behavior?

## **1.5 Research Objectives**

The objectives of this research are as follows. The general and specific objectives of this study are generated based on the formation of the above-mentioned problem statement and research questions which are mentioned in the following sections. In addition, the relationship between research questions and research objectives of this study are presented under section 1.11, of Table 1.1.

### **1.5.1 General Research Objective**

The primary objective of this study is to investigate the factors that influence employees' ethical behavior.

### **1.5.2 Specific Research Objectives**

The specific research objectives are:

**RO1:** To investigate the relationship between ethical leadership and employee's ethical behavior.

**RO2:** To determine the mediating role of work ethical climate on the relationship between ethical leadership and employee's ethical behavior.

**RO3:** To determine the mediating role of organizational justice on the relationship between ethical leadership and employee's ethical behavior.

**RO4:** To explore the moderating role of moral identity (MI) on the relationship between ethical leadership and employee's ethical behavior.



**RO<sub>5</sub>:** To examine the moderating role of moral identity (MI) on the relationship between ethical climate and employee's ethical behavior.

**RO<sub>6</sub>:** To analyze the moderating role of moral identity (MI) on the relationship between organizational justice and employee's ethical behavior.

### **1.6 Research Hypotheses**

The hypotheses of this study are constructed based on the research questions. The hypotheses of this study include the direct relationship between ethical leadership behavior (IV) and employees' ethical behavior (DV). Besides, the hypotheses involve the mediating role of ethical climate and organizational justice between ethical leadership behavior (IV) and employees' ethical behavior (DV). The hypotheses for the moderating role of moral identity has three roles, on the relationship between ethical leadership and ethical behavior of employees and between climate and employees' ethical behavior, also between organizational justice and ethical behavior of employees. All the hypotheses for this research are presented as follows. In addition, the relationship between the research questions and research objectives and related hypotheses is shown in section 1.1.1 of Table 1.1.

**H<sub>1</sub>:** Ethical leadership has positive effect on the employees' ethical behavior.

**H<sub>2</sub>:** Ethical climate mediates the relationship between ethical leadership and employees' ethical behavior.

**H<sub>3</sub>:** Perceived organizational justice mediates the relationship of ethical leadership and employees' ethical behavior.

- H4:** Moral identity (MI) moderates the relationship between ethical leadership and ethical behavior of employees such as the relationship is stronger when employee moral identity is high more than low.
- H5:** Moral identity moderates the relationship between ethical climate and employees' ethical behavior such as the relationship is stronger under a high level of moral identity more than low.
- H6:** Moral identity moderates the relationship between organizational justice and employees' ethical behavior such as the relationship is stronger under a high level of moral identity more than low.

### **1.7 Significance of the Research**

Since this study intends to investigate the ethical behavior phenomenon, it is expected to offer enormous benefits for both academicians and practitioners. This research contributes to the growing body of knowledge in social learning and social exchange theory specifically on the antecedents of ethical behaviors. First, this research is an extension of previous works, but the current research work is provided to investigate the ethical leadership behavior and its effect on employees' ethical behavior which contributes to the new model. The current research work will determine the new relationship through the mediating role of ethical climate and organizational justice on the relation of ethical leadership behavior and the dependent variable (i.e., employees' ethical behavior).

Furthermore, this study is important since it explores the moderating effect of moral identity on the relationship between ethical climate and employees' ethical behavior, as well as the relationship between organizational justice and ethical behavior of employees which is very significant to improve the theoretical perspective. Moreover, generally,

most of the studies in the area of ethical leadership and ethical behavior have been conducted in Western countries. However, this study is designed as noted above to examine the affected relationship between ethical leader behavior and environmental factors such as ethical climate and organizational justice towards employees' ethical behavior. This study has suggested that the same area of research needs to be conducted in a different context. Hence, this research contributes to the literature by providing a first insight into the Iraqi context and this is so significant from the Iraqi context. Therefore, this study is deemed important for ethical leadership behavior that is related to employees' ethical behavior in Iraqi organizations. The consequences of this study deliver instructions for building a better-quality relationship between leaders and subordinates in an organizational context. The outcome of this study provides strategies on how the quality of a supervisor can offer and improve the perceptions of justice, ethical climate, and ethical behavior in an organizational context.

### **1.8 Scope of Study**

The design of the correlational study is focused on determining whether a relationship exists between defined independent variables, dependent variables, mediation, and moderation (Creswell, 2005). The independent variable of this study was ethical leadership and the dependent variable was employees' ethical behavior. The framework of this study includes mediating variables of ethical climate and organizational justice. Moreover, the moderating role of moral identity is also included in the framework.

This study concentrates on determining ethical leader's behavior that affects an employee's ethical behavior among Iraqi organizations. The mediating role of work ethical climate and organizational justice are also identified. The constructs were assessed from the results of the questionnaire provided which were distributed to employees. The study targeted more than 500 employees. Overall, the assessment of the constructs is by

self-reporting, for the ethical leadership which consists of ten items that were evaluated by the employees. The dependent variable of employees' ethical behavior involves sixteen items which were assessed by employees themselves to evaluate their behavior. This was conducted in the workplace to ascertain how they fit into organizational norms. The mediating role of ethical climate and organization justice and, the moderating variable of moral identity was assessed by employees as well. This study was targeted to give attention to the ethical leadership styles, employees' development, and organizational development. The research scope is visualized in Figure 1.4.

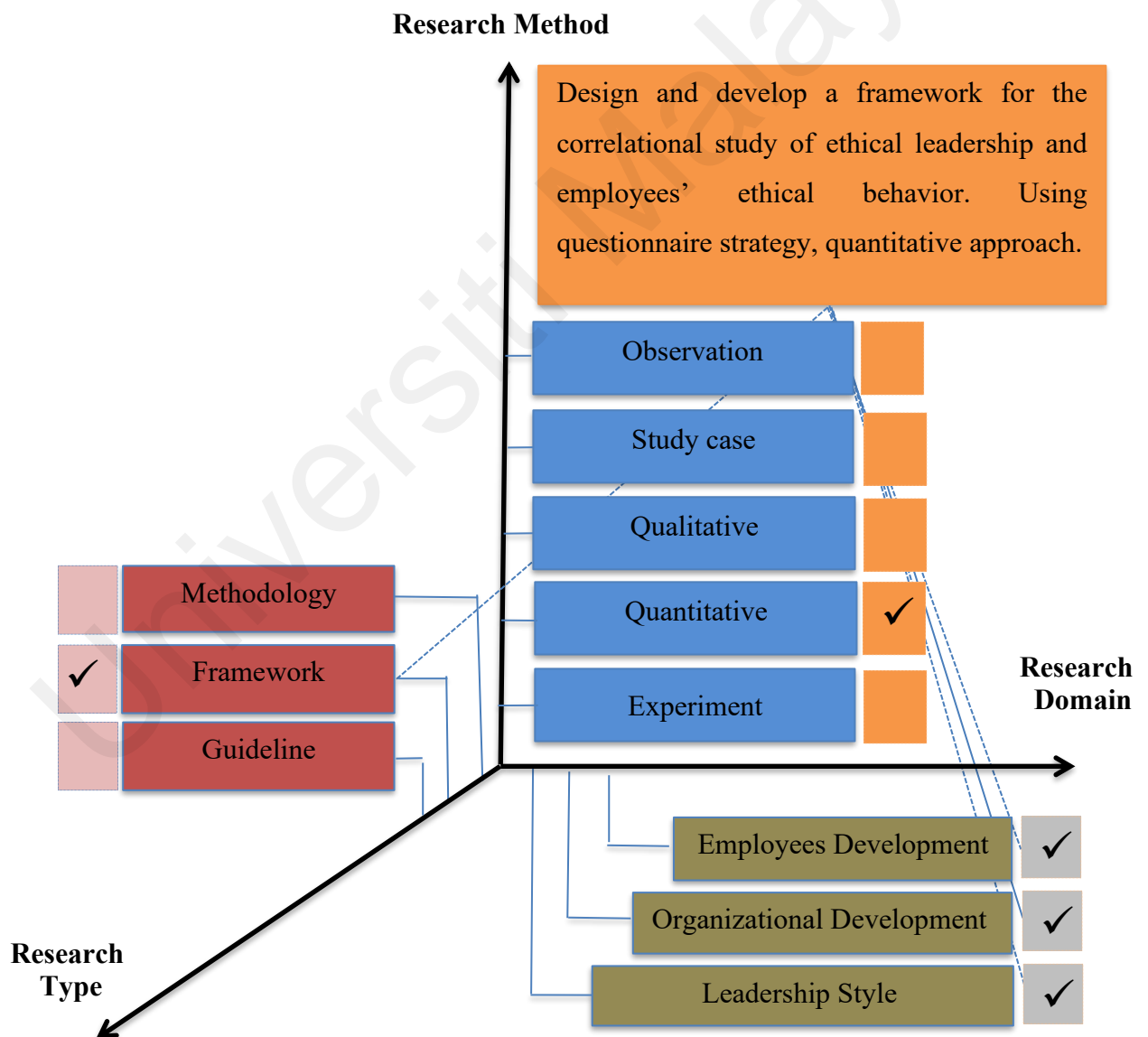


Figure 1.4: Scope of Study

## **1.9 Operational Definitions**

To maintain consistency throughout this study, it is necessary to provide a uniform guide for defining related terms. The definitions used in this research are listed below.

### **1.9.1 Ethical Leadership Behavior**

Ethical leadership was developed by Brown et al., (2005) and has been defined 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”. Ethical leaders should exhibit high ethical standards and moral behavior in their daily communication, schedules, decisions, and conduct thereby setting role models for their followers to follow. So, leadership behavior in this study is referred to as the overall leader of ethical behavior in the workplace.

### **1.9.2 Work Ethical Climate**

The ethical climate was defined by Victor and Cullen, (1988) “as the prevailing perceptions of typical organizational practices and procedures that have ethical content”. Therefore, this refers to the execution and application of ethical rules and policies to encourage ethical behaviors and to punish unethical behaviors (Schwepker, 2001). In an ethical climate, employees follow the organizational regulations and rules pertaining to fairness and responsibility (Luria & Yagil, 2008). So, the ethical climate in this study refers to ethical content in the organization.

### **1.9.3 Organizational justice**

Organizational justice was defined by Colquitt et al., (2001) “as the subjective perception of people of fairness in organizations”. Overall, organizational justice has been classified into four dimensions such as distributive, procedural, interpersonal, and informational justice. Therefore, distributive and procedural justice are often perceived

as the structural form of justice that focuses on the organization's perspective. On the other hand, interpersonal and informational justice are considered as interaction patterns of justice that focuses more on the manager or the supervisor. The various types of organizational justice are described below respectively. Hence, organizational justice in this study refers to the employees' perceptions of the treatment that they received in the workplace.

### **1.9.3.1 Distributive Justice**

Distributive justice describes the fairness of the outcomes being received by employees, such as promotion opportunities or pay (Moorman, 1991; Cropanzano & Byrne, 2000). Distributive justice also describes the perceptions of fairness that are related to decision outcomes and resource allocation (Ambrose & Schminke, 2009; Colquitt et al., 2001).

### **1.9.3.2 Procedural Justice**

Procedural justice refers to the procedures and processes that are involved when making decisions on allocation (Folger & Greenberg, 1985). Procedural justice is nurtured when the inputs of the employees are taken into account during the decision-making process and when the implementation of procedures is applied with consistency, accuracy, bias suppression, representativeness, correct ability, and ethicality (Leventhal, 1980).

### **1.9.3.3 Interpersonal Justice**

Interpersonal justice is a kind of organizational justice that makes predictions about ethical behavior at work. Furthermore, it refers to the perceptions of the employees about the degree to which the authorities treat them with respect and dignity (Colquitt, 2001).

#### **1.9.3.4 Informational Justice**

According to Colquitt et al., (2001) information fairness is described as the process of getting vital information in a proper manner and through clear communication. This is regarded as one of the unrestricted aspects of organizational justice for the reason that different communication approaches are implemented by organizations, Thus, this would influence the various perception of employees. Moreover, informational communication can take on a critical part of any organization's success or failure.

#### **1.9.4 Moral Identity**

Moral identity as defined by Aquino and Reed, (2002) is the “mental representation of one's character that is held internally and projected to others”. Therefore, Aquino and Reed, (2002) described moral identity “as a schema consisting of a network of moral trait associations (e.g., being Caring, Compassionate, Fair, Friendly, Generous, Helpful, Hardworking, Honest, Kind), that are linked to one another and to other moral goals and behavioral scripts”. So, moral identity in this study refers to self-conceptions and self-regulation of employees.

#### **1.9.5 Employees' Ethical Behavior**

Ethical behavior was defined by Fraedrich, (1993, p. 207) as the “just or right standards of behavior among individuals in a situation”. Moreover, these standards could be described “as recognized social principles involving justice and fairness”. Ethical behavior contains central human relationships among parties in the exchange process, such as internal and external relationships, in the internal relationship among organizational members (managers, peers, and subordinates), and with external such as (customers, stakeholders, competitors, and the general public). Each of these parties displays an exchange relation as allocated obligations and tasks should be applied in the

proper manner (Akaah, 1992). So, ethical behavior in this study refers to the individual's right standards that employees have conducted in the workplace.

### **1.10 Structure of the Thesis**

The current chapter introduces the context of the research which covers issues such as the background, objectives, and significance in order to give an overview of this research. To give further insight into this research, the remaining sections of this thesis are as follows:

**Chapter Two:** The chapter on the literature review examines the main theories and identifies gaps, which formulate the conceptual framework of this research. This chapter also provides a review of the previous literature on the constructs incorporated in this research.

**Chapter Three:** The chapter on research methodology starts with a discussion on the research paradigm and the choice of paradigm that has been employed. This chapter also describes the research process, research design, instrument development, pre-test, pilot study, and data collection procedures.

**Chapter Four:** The chapter on analysis and results explains the Structural Equation Modelling (SEM) and PLS was used to analyze the data and present the results of the statistical analysis of the data.

**Chapter Five:** The discussion, implications, and conclusion chapter summarize the findings, discusses the implications, describes the limitations of the research, and offers suggestions for future research.



## 1.11 Summary

In today's turbulent, globalized, and knowledge-based economy, ethical issues have become one of the most important sources of sustained competitive advantage. Earlier research has considered employees as a potential source of success for organizations. Also, a leader is considered to be one of the most significant influences on employees' ethical behavior. Thus, this chapter introduces the problem statement—ethical leadership behavior that has an impact on employees' ethical behavior and there is a need to investigate this area.

The purpose of this study is to determine the relationship between the leader's behavior, work ethical climate, organizational justice, moral identity, and employees' ethical behavior. Therefore, the research objectives, research questions, and hypotheses detailed in this chapter are also summarized and presented in Table 1.1 for better clarification. The next chapter will be focused on the literature review which covers the theoretical background and explains the constructs and their relationships such as ethical leadership, ethical climate, organizational justice, moral identity, and employees' ethical behavior along with the objectives of this study.

Table 1.1: Mapping of Research Objectives, Questions, and Hypotheses

Research Questions	Research Objectives	Hypothesis
<b>RQ<sub>1</sub>:</b> What is the relationship between ethical leadership and employee's ethical behavior?	<b>RO<sub>1</sub>:</b> To investigate the relationship between ethical leadership and employee's ethical behavior.	<b>H<sub>1</sub>:</b> Ethical leadership has a positive effect on employees' ethical behavior.
<b>RQ<sub>2</sub>:</b> Does work ethical climate mediates the relationship between ethical leadership and employee's ethical behavior?	<b>RO<sub>2</sub>:</b> To determine the mediating role of work ethical climate on the relationship between ethical leadership and employee's ethical behavior.	<b>H<sub>2</sub>:</b> Ethical climate mediates the relationship between ethical leadership and employees' ethical behavior.
<b>RQ<sub>3</sub>:</b> Does organizational justice mediate the relationship between ethical leadership and employee's ethical behavior?	<b>RO<sub>3</sub>:</b> To determine the mediating role of organizational justice on the relationship between ethical leadership and employee's ethical behavior.	<b>H<sub>3</sub>:</b> Perceived organizational justice mediates the relationship between ethical leadership and employees' ethical behavior.

<p><b>RQ4:</b> To what extent moral identity (MI) moderate the relationship between ethical leadership and employees' ethical behavior?</p>	<p><b>RO4:</b> To explore the moderating role of moral identity (MI) on the relationship between ethical leadership and employee's ethical behavior.</p>	<p><b>H4:</b> Moral identity moderates the relationship between ethical leadership and employees' ethical behavior such that the relationship is stronger when moral identity is high than low.</p>
<p><b>RQ5:</b> To what extent moral identity (MI) moderate the relationship between ethical climate and employees' ethical behavior?</p>	<p><b>RO5:</b> To examine the moderating role of moral identity (MI) on the relationship between ethical climate and employee's ethical behavior.</p>	<p><b>H5:</b> Moral identity moderates the relationship between ethical climate and employees' ethical behavior such as the relationship is stronger under a high level of moral identity more than low.</p>
<p><b>RQ6:</b> To what extent moral identity (MI) moderate the relationship between organizational justice and employees' ethical behavior?</p>	<p><b>RO6:</b> To analyze the moderating role of moral identity (MI) on the relationship between organizational justice and employee's ethical behavior.</p>	<p><b>H6:</b> Moral identity moderates the relationship between organizational justice and employees' ethical behavior such as the relationship is stronger under a high level of moral identity more than low.</p>

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

This chapter presents the relevant literature on ethical leadership behavior, ethical climate, organizational justice, moral identity, and ethical behavior. The literature review is presented based on the research objectives of this study. Since the primary objective of this study was to investigate the factors or specific issues which have an effect on the individual behavior, namely ethical leadership and important factors such as ethical climate, organizational justice, and moral identity were reviewed and presented in the following sections.

This chapter also includes the reviews of several previous studies which were similar in nature, which has assisted the researcher in conducting the current study. The purpose of reviewing the current literature is to understand and clarify the model of this study. Therefore, reviewing the literature in the area of leadership has disclosed that there is a need to examine the relationship between ethical leadership behavior and employees' ethical behavior. Among the broad range of studies on leadership, there have been insufficient attempts made on ethical leadership behavior. From the practical point of view, managers need to know the key role of ethical behavior which increases employees' behavior. Although there has been a great deal of information on leadership behavior, in earlier research, the ethical leadership behavior was not thoroughly examined. In summary, this chapter consists of definitions and theories on ethical leadership followed by a review of the literature in the area of ethical behavior of individuals. The relationship between the two areas on ethical leadership and employees' ethical behaviors are presented as well. Ethical leadership, ethical climate, organizational justice, moral identity is detailed in the current chapter.

## **2.2 Competing Theories in Ethical Context**

In this section, the reader is introduced to the most widely used theories in business ethics literature. Thus, the theories reviewed that have been debated for many years in various fields of study. With over 50 years of ethical behavior literature the following theories discussed are: a) moral development theory, b) ethical theory, c) utilitarian theory of ethics, d) Kant's ethics of duty theory, e) Aristotle's virtue ethics theory, f) deontology, and g) teleology.

### **2.2.1 Moral Development Theory**

The moral development approach which dates back to 1976 refers to the ethics which are concerned with the virtuousness of individuals and their motives. The moral theory provides a system of rules or principles that guides an individual who is making a decision on what is right or wrong as well as what is good or bad in a certain situation. This system gives the basis for understanding the meaning of moral decency by human beings (Kohlberg, 1985).

Individual ethics deals primarily with what individuals do and who they are. It deals with the nature of their behavior, and their virtue or integrity. Ethical issues are either explicitly or implicitly involved in any decision-making situation. The ethics of an individual influence the way the individual responds to any given circumstance as well as the choices of the person (Fraedrich, 1993). The moral development of an individual influence the choices of such a person. Kohlberg's stages of moral development are the most advanced and recognized theory that explains the perception of people on moral issues. Kohlberg, (1985) presented a sequence of dilemmas (the famous one among them is "the Heinz dilemma") to some people whom he interviewed on the reasons behind their choices with regards to dilemmas. From the data he obtained while interviewing people, he created a classification system of moral reasoning which is divided into six stages. The

first stage, Obedience, and Punishment; the second stage, Individualism and Exchange; the third stage, Interpersonal Accord and Conformity; the fourth stage, Maintaining the Social Order; the fifth stage, Social Contract, and Individual Right; and the sixth stage, Universal Principles. These stages are presented in Table 2.1. respectively. Furthermore, Kohlberg classified these stages into three categories, one is as “pre-conventional morality” second as “conventional morality” and the last as “post-conventional morality” which are explained in detail below.

### **2.2.1.1 Pre-Conventional Morality**

The Pre-conventional morality is a stage where an individual at this level tends to base his or her judgment on the direct consequences of one’s action. Two stages underline the levels of pre-conventional morality namely:

- Obedience and Punishment. At this stage, the individual is egocentric, he or she sees morality as an external matter to self. The views are that the authorities will fix the rules and hand it down to them. To avoid punishment means obeying the set rules and making the set rules important. For example, the individual reasoned that stealing is wrong and the consequence will be going to prison.
- Individualism and Exchange. At this stage, moral decisions are made by the individual based on personal interest. Actions are right if they serve the individual’s interest. Hence, each person does whatever pleases him or her because everything is relative to the individual. The value of the community is usually isolated because people do not regard it, but they will exchange favors (Crain, 1985). For instance, someone might say, “I will do a favor for you if you will, in return, do a favor for me”.

### **2.2.1.2 Conventional Morality**

At this stage of morality, actions are compared to societal views and expectations on such actions. The reasoning at this stage is based on the set of norms the individual belongs to. Also, at this stage, the individual does not question authority but rather internalized. Kohlberg, (1985) classified the level of this morality into two stages:

- Interpersonal Accord and Conformity. The moral choice of individuals at this stage is made based on conformity to expectations from others and perhaps trying to act like a “good” individual. Essentially, it is good to be “nice” and conscious of the community standard of amiability. For instance, an individual says, “I am not going to cheat because that is not what a good individual does”.
- Maintaining the Social Order. Moral decisions are made at this stage by individuals in ways that show an overall feeling to society. For a functional society, it is essential that people be obedient to the laws, authority and support community rules. For instance, an individual does not overlook the rules of a company when there is no monitoring, for it is essential to uphold and support the organization's regulations and rules.

### **2.2.1.3 Post-Conventional Morality**

This stage of morality is known as the principled level, where an individual has developed his or her personality, ethics and morals that control or order their behaviors. The moralist, at this level, does things according to their set ethical principles. These principles are typical of the fundamental human rights to life as well as liberty and justice. The level of post-conventional morality is divided into two stages:

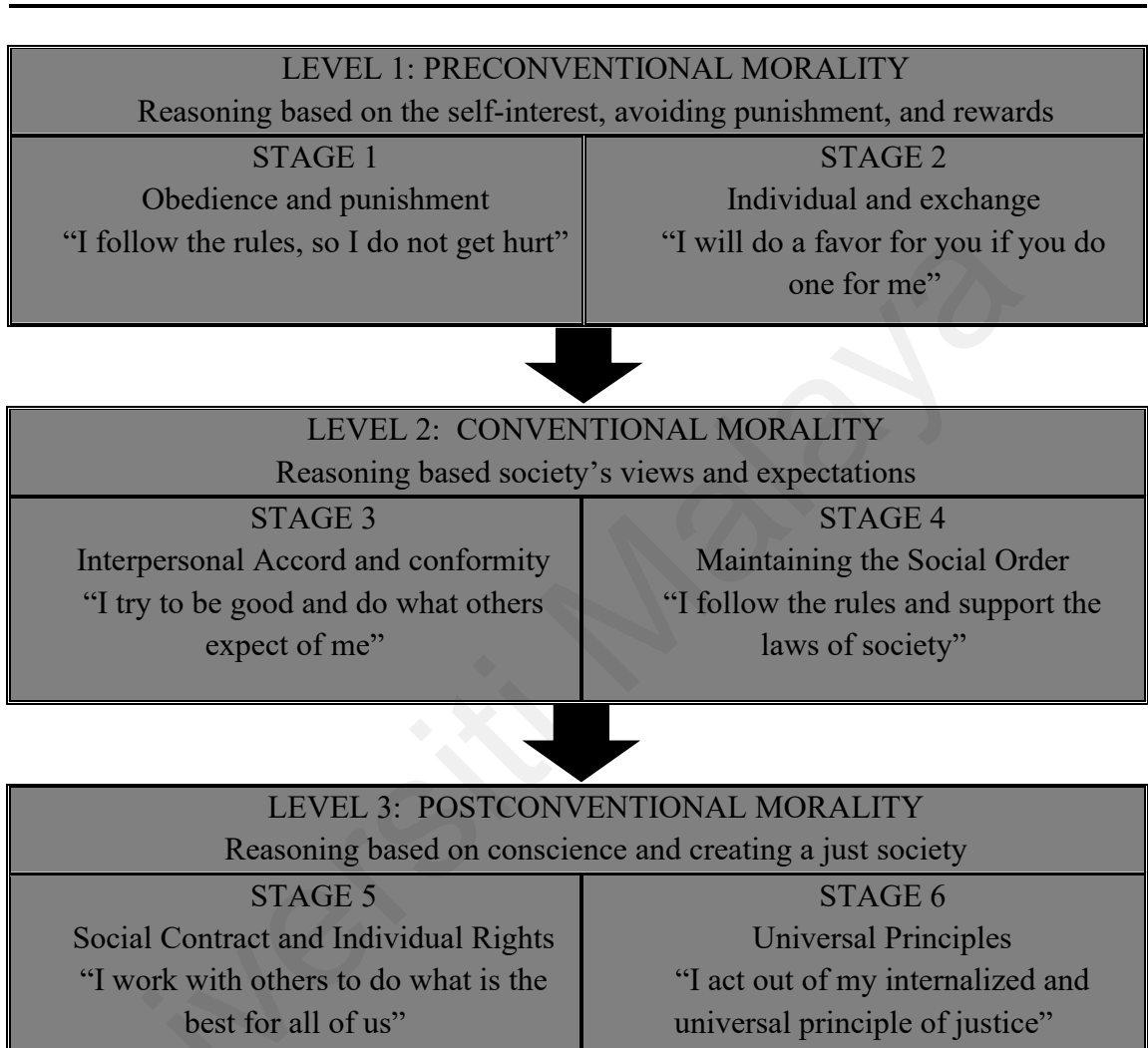
- **Social Contract and Individual Rights.** At this stage, moral decisions are made by an individual through a social contract where they are cognizant of the views on how a good society should look like. For them, a good society should support values like liberty and right life, fairness in procedures for changing laws (Crain, 1985), but taking cognizance of the different groups, and their varying opinions and values. Societal principles are vital, but there is a need for people to agree on them. For instance, if an individual suffers from a health problem and his parents or family are constrained with money for the payment of his treatment, then society should intervene and pay for it.
- **Universal Principles.** At this stage, the moral reasoning of an individual is based on an internalized principle of justice that applies to all. This point of view should be respected by all the individuals involved while making a decision. People tend to observe their set out internal rules of fairness even if it contradicts the laws. For instance, for a civil right activist, commitment to justice implies a willingness to disregard or disobey laws which are considered unjust.

Kohlberg's theory of moral development is one of the most important and widely used but it still received much criticism as it is focused entirely on justice values and its gender biases. Since all the samples are derived from male respondents, also being culturally biased, it received wide criticism since it was grounded on an individualistic culture, and for advocating post-conventional morality, where people place their own principles above those of the laws and society (Crain, 1985). This model considered as seminal in developing an understanding of what constitutes the reason for the ethical behavior of individuals. Although Kohlberg considered some of the essential aspects, however, still some important issues are neglected (e.g. role of the leadership, treatment of individual and the environment around the workplace), such aspects are vital for



improving individual ethical behavior (Mahdizaadeh Tehraani, Amini Zarrin, & Azimi, 2018). Table 2.1. illustrates the stages respectively.

Table 2.1: Kohlberg’s Stages of Moral Development



Source: Leadership Theory & Practice. Thousand Oaks, California: SAGE, [2016]

Seventh Edition

### 2.2.2 Ethical Theory

The ethical theory that deals with the conduct of individuals is divided into two types of theories which stressed, the effects of an individual’s activities and one that emphasizes the obligation or rules regulating a person’s action.

Ethics theories are rooted from the Greek word 'etho' which means "end" and the "purposes" attempt to resolve queries on the issue of right and wrong by concentrating on an individual's behavior whether it will yield a desirable result. From the teleological viewpoint, the query "what is right?" is done by observing the results, then the final results. Consequently, the results on the actions of a person will ascertain how good or bad is a specific behavior (Jones, Felps, & Bigley, 2007).

In assessing the outcomes, three distinct approaches to decision making regarding moral are ethical egoism, utilitarianism, and altruism. Ethical egoism states that a person should behave to produce the greatest good for herself or himself. A person with this orientation would pursue a business or vocation that she or he selfishly enjoy (Avolio & Locke, 2002). Ethical egoism is typical in some business settings in which a company and the employees make decisions to accomplish its end of maximizing profits. For instance, an individual who wants to be the best in the workplace without any concern for others could be reported as working out of ethical egoism. While utilitarianism is the second approach which indicates that individuals must act for the greater good of others. With this point of view, the morally right act remains the natural process in which social benefits are maximized for members inside the organization or the general public while minimizing social issues (Schumann, 2001). Altruism is the third approach which proposes that the acts of an individual remain moral when their primary role remains on the path to advancing the worthiest pursuits of others. Given this viewpoint, an individual could remain to act for the interests of others, even though it contradicts their interests (Bowie, 2001). The abovementioned three approaches are presented in Figure, 2.1.

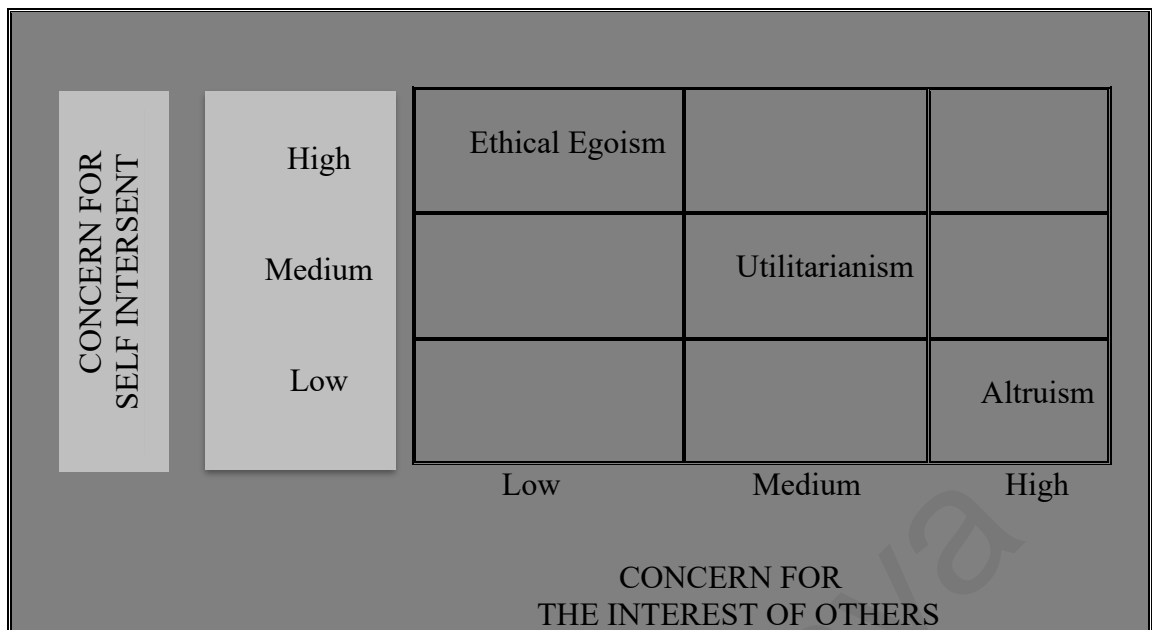


Figure 2.1: Ethical Theory Based on Self Interest versus Interest for Others

Source: Leadership Theory & Practice. Thousand Oaks, California: SAGE, [2016] Seventh Edition.

### 2.2.3 Utilitarian Theory of Ethics

This theory was first developed in the 18th Century by Jeremy Bentham and further refined by his candidate, John Stuart Mill in the 19th Century. Utilitarianism is a theory to provide an answer to a basic practical question-what ought an individual do? Its answer is that he ought to act so as to produce the best consequences possible for the common good i.e. utility. However, utility means satisfaction or pleasure that people receive from consuming a good or service (Clements, 2011; Abts, Heerwegh, & Swyngedouw, 2009). According to this theory, the obligation or duty in any situation is to perform the action that will result in the greatest possible balance of good over evil. For examples:

- Goodness is human well-being. Whatever makes human beings generally better off or provides some benefit is good, and whatever makes them worse off or harms them is evil.

- Utilitarian Theory attempts to weigh/assess all of the good and bad consequences of an action whether the consequences arise after the act has been performed or during its performance.
- In the process, Utilitarian advocates will develop several alternative actions to weigh the good and bad consequences of each action before deciding on the best action to take.
- The more the good consequences for the majority, the more ethical will be the decision or action. However, if the difference in the consequences of alternative acts is not great, some utilitarian advocates do not regard the choice between them as a moral issue.
- This theory seems to support moral relativism. The rightness of actions thus depends on the good and bad consequences of the actions and situations that prevail in the process. Moral right is thus defined in terms of an objective; for the material good.

### **2.2.3.1 The Roots of Utilitarianism**

This theory originated from two scholars, Jeremy Bentham, (1748-1832) and his researcher, John Stuart Mill, (1806-1873). They were followers of Adam Smith, the Father of Modern Economics. These two scholars defined the theses /principles of Utilitarianism although it was Adam Smith's tutor at Glasgow University, Professor Hutcheson, who first coined the phrase 'the greatest happiness of the greatest number' the fundamental principle behind Utilitarianism. Thus, according to John Stuart Mill, an action is right to the extent that it inclines to promote the greatest good for the greatest number. Utilitarianism, therefore, evaluates moral action on the basis of consequence and goal orientation on how far a decision maximizes the net utility that every affected by the action may expect (Ruggie, 1998).

### **2.2.3.2 The Four Theses of Utilitarianism**

This section provides, the utilitarian principle involves four distinct theses which are presented as followed.

*Consequentialism*: The rightness of actions is determined solely by their consequences. *Hedonism*: Utility in this statement of the theory is identified with pleasure and the absence of pain. Hedonism is the thesis that pleasure, and only pleasure is ultimately good. This principle relates to individual happiness and satisfaction in the consumption of goods and services. *Maximalism*: A right action is one that has not merely some good consequences, but it also has the greatest amount of good consequences possible when the bad consequences are also taken into consideration. *Universalism*: The consequences to be considered are those of everyone. Hence, have to consider the impacts of actions on the masses or majority (Sobel, 1968; Bretherton, 2016).

### **2.2.3.3 The Strengths of Utilitarianism**

Utilitarianism is in accordance with much of moral reasoning. The fact that an action would provide some benefit or cause some harm is generally a morally relevant reason for or against performing it. So, it is result-oriented, it provides a relatively precise and objective method for moral decision-making since it evaluates/assesses the good and bad consequences before acting (Marques, 2015). Also, an act Utilitarianism is simple to apply and provides an easily understood decision procedure. Assuming that the goodness of consequences can easily be measured and compared, a teleological decision-maker needs only to determine the possible causes of action and calculate the consequences of each one. In addition, rule utilitarianism gives a firmer ground to rules of morality and to role obligations, which are problems to all teleological theories. It also eliminates the difficult task of calculating the consequences of each individual act. Lastly, utilitarian reasoning has also found favor among economists, who use the assumption that individuals seek to maximize their utility or welfare to explain and predict a wide range

of economic phenomena, such as prices and allocation of resources. Many of the microeconomic theories have been developed based on Utilitarian principles. For example, profit maximization, marginal analysis, the theory of comparative advantage (Palmer, 1999; Felzmann, 2017).

#### **2.2.3.4 The Weaknesses of Utilitarianism**

While there are significant strengths seen in utilitarian theory, it has its weaknesses too. The theory does not give an account of the rights that have and what is just, and fair which ethical theory is expected to give. More criticisms on utilitarian theory of ethics have been listed by Abdullah and Mohamad Zainol Abidin, (2011), revealing its limitations as any made-made theory, which are listed below:

- Individual happiness and satisfaction cannot rationally be the main objective or sense of purpose in life. Critics list a number of noble people who sacrificed their own happiness in order to do good deeds.
- The theory is degrading to humans. It degrades human beings to the level of animals because the theory suggests that people's only goal in life is attaining pleasure.
- Utilitarianism encourages selfishness. It propagates that one should be concerned only with maximizing one's own happiness.
- Utilitarianism is unattainable. It is almost impossible to act always for the sake of the general happiness of society.
- Utilitarianism is self-serving. The principle will be abused in order to serve particular interests of the person making the decision.
- The theory is too time-consuming. It is impossible to calculate the amount of pleasure and pain implied by each alternative course of action, and then come to a conclusion based on the utilitarian calculus.

- This theory promotes objectivity rather than subjectivity. It is silent on the spirituality aspects to be objective and scientific. It only emphasizes on humans' physical needs since its emphasis is material well-being. However, humans are unique creations of God with intelligence, feelings and emotions. Human needs are not only physical, but spiritual. Morality certainly revolves not only within physical contexts, but spiritual aspects of a human life as well human beings consist of the body and the soul.

#### **2.2.4 Kant's Ethics of Duty Theory**

Immanuel Kant, (1724-1804) was a renowned German philosopher. His influential work on ethics is entitled *Fundamental Principles of the Metaphysic of ethics*, first published in 1785 (Boatright, 2009; Abdullah et al., 2011), before the rise of Utilitarianism in England (Boatright, 2012). The opening words of Kant's work read: *'nothing can possibly be conceived in the world which can be good without qualification, except a goodwill.'*

Nevertheless, will is the uniquely human capacity to act from principle. It is the power of the mind to do something and to make things happen. Kant is convinced that actions cannot be guided by our practical experience. In other words, it is impossible to determine what people ought to do by studying what they, in fact, do (Abdullan et al., 2011). Human actions must, therefore, be rationalized based on human intelligence and will power. According to Kant, we have a duty to play towards fellow human beings. For instance, an action is morally right if and only if the actor is motivated by goodwill. So, it is not a matter of the individual weighing the consequences. Therefore, according to Kant, the basis of a moral act rests upon a duty that one has to perform for the purpose of goodwill. Irrespective of the consequences, an act has to be intentionally good, as a duty to be performed for fellow human beings (Denis, 1997; Timmermann, 2013).

Furthermore, nothing is good in itself except goodwill. The goodness of the will thus depends on the use of them. For example, some students who are smart in using computers hacked through the university's security system to acquire the final examination papers in advance. Such acts are intelligent and courageous but are done for the wrong reason. It is not motivated by goodwill; it is an act of cheating, so it is a wrongful act. Only an action done for rational principled reasons from a sense of duty has moral worth, according to Kant. In other words, if an act is from a sincere obligation to perform duty towards others, and act, therefore, it has moral worth (Bowen, 2004). Therefore, an important point has to be emphasized here. The purpose or intent of an act seems to differentiate it between good and bad action from the perspective of Kant's ethics. If the purpose is for goodwill out of a sense of duty to help others, it has moral worth. However, if these initiatives are primarily aimed at popularizing the organization in the eyes of the public as a corporate business strategy, its moral worth may be questionable since the main intent is not to promote goodwill or help fellow human beings as a duty. Rather, it is to build a corporate image with the purpose of increasing profits to fulfill organizational interests. It is interesting to note that according to Kant if an act is out of self-interest, it has no moral worth. While Kant had viewed from an individual perspective, the issue remains whether acting for organizational interests may be perceived as fulfilling self-interests within an organizational context (Dierksmeier, 2013; Ward, 2019).

#### **2.2.4.1 Kant's Categorical Imperatives**

This is just understood as the basic features of Kantian ethics i.e. acting based on goodwill out of a sense of duty. There are still grey areas in determining the rightness of actions here. What then determines one's duty? How does one determine whether an act is morally right? Utilitarianism states that consequences or results will determine the moral judgment, but Kant believed that reasons alone can give us the absolute moral truth



and discover our sense of duty (White, 2004; Yang, 2006). He championed the two categorical imperatives, the basis of his moral principle, stated as follows:

- 1st Categorical Imperative: An act only according to that maxim by which you can at the same time will that it should become a universal law.
- 2nd Categorical Imperative: An act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only.

Therefore, an 'imperative' is a command or duty whereas 'categorical' means 'that is without exception'. However, in understanding the First Categorical Imperative, the maxim is defined as a saying that expresses a general truth' or 'rule of behavior'. The first categorical imperative seems to reinforce that our moral actions should not be guided by our own inclinations but guided by a sense of duty to the universal law. An action is morally right for a person in a certain situation if and only if the person's reason for carrying out the action is a reason that he or she would be willing to have every person act on in any similar situation. An act is morally right if and only if we can it to become a universal law of conduct. One's absolute moral truth must be logically consistent, free from internal contradiction. For example, the act of Robin Hood, stealing from the rich and giving to the poor is wrong because stealing is a universally accepted wrongful act. Also, if Robin Hood were to place himself in the shoes of the rich whose things had been stolen, certainly he would not have committed such an act because he would not like his own possessions to be stolen by others. Another simple business scenario for further illustration. Mr. A General Manager of GAP Corporation needs a job to be done by Mr. B within one week. Mr. B wants to impress his general manager so that he will be considered for promotion in the short term while competing with his colleagues. He delegates the job to Mr. C, his subordinate, and forces him (i.e. Mr. C) to complete the task within one day at the sacrifice of Mr. C's family obligations and prior commitments.

If Mr. B places himself in the shoes of Mr. C, he would realize that his act is unjust and therefore wrongful. Human beings do not like to be exploited so an act of labor exploitation contradicts the universal law of conduct. Mr. B's action also seems to reflect greed. Therefore, according to Kant, we should not act in such ways since it has no moral worth. Thus, Kant's First Categorical Imperative simply requires individuals to place the shoes of the receiving party before acting. If the action is going to bring pain rather than happiness to the receiving party, then the action is not ethical. Thus, should not commit such an act on others. It calls for us to put aside our self-interests. It also requires us to reason out and assess whether our act is universally accepted as good (Ali, Ramly, & Chai, 2014).

To recap, an act is morally right if and only if we can it to become a universal law of conduct. The action that we are going to take cannot be of double standards too. If we commit to action on a certain person or situation, a similar action must be taken on another person or circumstance. The acts of favoritism, discrimination, and lying under all circumstances are wrongful acts according to Kant's ethics. Therefore, this is only elaborated on Kant's First Categorical Imperative (Kohl, 2015). Next, according to the Second Categorical Imperative, an action is morally right for a person if and only if in performing the action, the person does not use others merely as a means for advancing his or her interests, but at the same time respects and develops their capacity to choose freely what they want. In essence, Kant's view is that people, unlike things/objects, ought never to be merely used. For example, employees may be hired for their labor, skills, knowledge, and abilities, but must always be treated with respect as humans. Relating to the same business scenario discussed earlier, obviously, Mr. B is treating Mr. C as a means to an end. Mr. B has used Mr. C as a means to fulfill his ambition to be promoted in the short term. Mr. C is forced by Mr. B to complete a one-week job within one day,

an act of injustice and disrespect, and therefore unethical according to Kant's Second Categorical Imperative (Kerstein, 2006; Robinson, 2019).

#### **2.2.4.2 The Strengths of Kant's Ethics**

This theory is widely used particularly in the field of business ethics as well as in business management. Thus, it encompasses various strengths aspects which are discussed below.

- The First Categorical Imperative provides firm rules to follow in moral decision-making. No matter what the consequences may be or who does it, some actions are always wrong e.g. lying, cheating, greed, etc. This view is certainly congruent with religious dimensions and supporters of moral objectivism.
- The Second Categorical Imperative emphasizes on the importance of the humanistic dimension, not using/treating others (humans) as a means to an end but as an end themselves. This principle is consistent with human rights principles.
- The theory also highlights the importance of motivation and acting on principles out of a sense of duty towards fellow human beings rather than fulfilling one's self-interest.
- Kant's duty principles are certainly consistent with the Islamic concept of a Khalifa on earth. Man is directly informed of their role—to be a leader/guardian in the universe. He has spec accomplish as a vicegerent on earth.

#### **2.2.4.3 The Weaknesses and Criticisms of Kant's Ethics**

Although, Kant's ethics theory has many strengths at the same time it has received different criticisms that are clearly indicated as follows.

- What exactly has moral worth? Kant advocated that an act based on self-interest has no moral worth, which seems to be too extreme a view. It seems to suggest that the theory requires us to disregard personal emotions and feelings. Many moral theorists, especially advocates of moral relativism, feel that Kant is too severe on this point. Humans practically will always want to fulfil self-interests since they are individualistic by nature.
- Is the categorical imperative an adequate test of rightness? Kant said moral rules are without exception when, in reality, humans may not follow them and act on the contrary. The categorical imperatives may not holistically cover all aspects of life.
- What does it mean to treat people as means? It is not clear when people are really being treated as ends or merely as means. Because at times, individuals freely choose to do it to fulfil commitments without being forced by other people. It is therefore not right to say that under such situations, they are exploited and treated as a means rather than as an end.

#### **2.2.5 Aristotle's Virtue Ethics Theory**

Aristotle lived long before the birth of Jesus Christ, he was a renowned Greek philosopher. His theory mainly found in a collection of writing called Nicomachean ethics compiled his son Nichomachus in 4th century B.C. However, Aristotle's theory focuses on the virtues of humans. Literally, virtue is a good moral value or character trait that manifests itself in typical action (Merritt, 2000; Boatright, 2007). So, Virtue Ethics Theory recognizes the need for one to emulate virtues such as honesty (a sub-trait of

integrity), courage, self-control, and respect for humans and non-humans to lead a rewarding life (Khalidah et al., 2010). The virtue of honesty, for instance, cannot consist of telling the truth once; it is rather a trait of a person who consistently tells the truth as a general practice. Aristotle's Virtue Ethics Theory begins with a basic assumption that morality is both necessary and vital for human beings. As said in this theory that *'It is impossible to live with human dignity without being a developed moral being. Morality is not a luxury that one can choose to have or not to have. It is a pre-condition for a life with human dignity'* (Abdullah, et al., 2011). According to Aristotle, people who compromise morality are degrading themselves and they have missed their goal in life. Aristotle strongly believed that ethics enable mankind to lead successful, rewarding lives (Miller, 2003).

#### **2.2.5.1 The Foundation of Virtue as a Character Trait**

Aristotle's theory throws back at each individual a fundamental question, 'What kind of person should we be?' The individual himself must reason this out based on intelligence. Aristotle believed that everything in life has a specific goal or telos in Greek. It may also perhaps be referred to as objective or purpose? In order to live as a human with dignity, one should strive to achieve the telos for a rewarding life (Lanctot, & Irving, 2010). According to Aristotle, in order to achieve a rewarding life, firstly, one has to live in a society that promotes justice. It is the responsibility of politicians and social scientists to develop a just society and ensure social order to attain eudaimonia, a Greek word to signify ultimate happiness or overall well-being. Secondly, individuals need to engage themselves with good friends to support them to achieve their eudaimonia, these two conditions clearly suggest that humans are social beings who depend on others to develop themselves for a rewarding life. Thirdly, Aristotle noted that individuals need material or physical provisions for a good life. Finally, individuals need to develop and cultivate their potential. The first three conditions mentioned are external factors, whereas the last one

is an internal and intrinsic factor for individual success and happiness. The last factor thus throws back to the individual as responsible beings. He or she is accountable for his or her own development, independent of the three external factors. Aristotle's Virtue Ethics Theory focuses on this internal factor within the individual self (Bright, Winn, & Kanov, 2014).

In addition, for Aristotle, morality begins with oneself. It is the character of a person. It begins with self-love-one's love for his individual self. For example, if someone loves himself, he will strive to improve in all aspects, be it physical, intellectual, emotional or spiritual. He/she will not involve himself/herself in destructive activities which challenge dignity as a human being. Self-love is therefore a pre-condition for a virtuous person according to Aristotle. Morality requires people of good character. Only then can they do good deeds. Self-love, in fact, provides the catalyst to develop human potential to the fullest (Wright, & Goodstein, 2007).

#### **2.2.5.2 Applying Virtue Ethics Theory in Business**

In business, Virtue Ethics Theory could be applied directly by holding that the virtues of a good businessperson are the same as those of a good person. After all, have noted that business is a part of life (Whetstone, 2001). Therefore, it goes without saying that businesspeople have to emulate virtues as part of their character trait, what more within a healthy organizational culture context. Also, it noted that businesspeople need to engage themselves in business-related areas since they are representing their organization. They need to achieve basic organizational goals such as profit-making. However, organizations are made of humans who have the intellect to assess rightful and wrongful actions, while balancing with their own desires and interests. So, like humans, they have to consciously emulate virtues. For example, good business managers must care for their employees and

customers although they have to make decisions from various dimensions and levels (Provis, 2010).

### **2.2.5.3 The Strengths of Virtue Ethics Theory**

Virtue Ethics Theory suggests that one is assessed by his or her moral character: no specific actions. An individual who has developed good character traits (virtues) is perceived to be a morally good person, and vice versa. It, therefore, provides a criterion for evaluating the right or wrong actions of individuals based on character traits. It is thus a value-based theory. Thus, this theory offers harmony between human intellect and desire, the actual physical makeup of human beings. It identifies what is the right course of action to lead a rewarding life. Human desires have to be controlled. Virtues have to be developed and enhanced through repetitive training and they will harmoniously follow by habit in the process. Moral virtues are well explained in an intellectual manner, though not objective but logical to describe the actual human nature which performs right and wrong acts in life (Khalidah et al., 2010).

This theory acknowledges that humans commit wrongful actions due to natural disposition. To develop virtues, one has to control his or her desires through rational thinking and wisdom. He or she must be prudent in action, a practical observation in human behavior as a way of life. Virtue ethics also provides a useful criterion for evaluating social institutions and practices. Besides connecting the virtues to the conception of a fuller life, it reminds one to examine how character traits are formed and conditioned by the environment. It also offers a more holistic understanding of life within the business. Apart from simply describing people as good or bad, right or wrong, virtue ethics encourages a fuller and detailed description of action through human characters. For example, relating to a conflict of interest scenario, a person involved in such a

situation lacks self-control, honesty, and integrity. He may be greedy as well (Alzola, 2015; Heyd, 2015).

#### **2.2.5.4 The Weaknesses of Virtue Ethics Theory**

Virtue ethics does not seem to have room for basic concepts such as rights and obligations, so as a theory of ethics, it seems inadequate in dealing with big issues. It does not always have a view about what makes an act right or wrong from institutional dimensions. Aristotle's 'mean' principle does not easily apply to all virtues. Compassion, for example at its extreme may become vice. But how do we determine that it becomes a vice at its extreme (Nussbaum, 1999).

Furthermore, it may have been seen as a 'selfish theory' by moral scholars since the focus is on an individual rather than the effect of one's actions on others. Today, people have reasonable incomes and characters. Aristotle's virtues such as open slavery is no longer a common feature. Cultural differences may also influence the characters. However, some philosophers have argued that virtue ethics is not consistent with the findings of modern psychology (Harmon 1999; Doris, 2002). In a study involving theology students at Princeton University divinity school, a conclusion was made that a person's behavior is determined by his/her external situation, not by his/her moral character (Olivier, 2010; Brady, 2018).

#### **2.2.6 Deontology Theory**

The deontological theory proposes that the evaluation of a certain act is determined by established rules, fundamental obligations, or duties. Certain behaviors may be deemed unacceptable because it is wrong to break these predetermined rules and guidelines so, individuals must adhere to that particular certain rules, duties, and obligations (Timmons, 2008). As stated by Kant, (1980) that people must act from their sense of duty. The deontological view highlights that consequences of action do not make the action right or



wrong, but that this is determined by the motives and intentions of an individual to perform such action. Accordingly, it is very important for an individual to understand the moral duties and the correct rules to regulate those duties (Gaus, 2001). These duties and obligations are determined objectively and absolutely, with religion being the foundation. Hence being a moral person is a matter of following all the principles of the religion (Place, 2010). Therefore, if the rules and duties are aligned with god's commandments, an action based on these rules and duties is considered morally correct. This is the divine command which refers to the word of God. In addition, duties can also be determined from various sources such as biology, psychology, metaphysics, culture, language, and others. When a person obeys duties, he/she behaves morally, and failure to obey these rules is considered immoral. For example, it is a moral duty for a person not to lie because lying is always immoral although the result of lying may benefit others. Thus, lying is always immoral (Forsyth, 1992; Stanley, Henne, Iyengar, Sinnott-Armstrong, & De Brigard, 2017).

Therefore, the deontological theory focuses on the inherent righteousness of the behavior of a person; dealing with the right action and the nature of duty (Kant, 1980). This theory rejects the idea of social confirmation in society. Each person should perform certain actions because it is his nature of duty and not because it is required or acceptable by society. If we understand that our duty to perform ethical actions and make ethical decisions, then we will be ethical because we know that it is our duty. It is not because the outcome may please others. This justification, however, has been criticized as it has not provided a clear way to resolve existing conflicts between moral duties. If there are clashes between moral duties, for example, to lie and keep others from harm, a person may face difficulty in his decision. In deontology, the conflict can be managed by choosing the lesser of two evils. This basis, however, can be referred to as the consequences of the action, which is the foundation of teleology rather than deontology.

Moreover, it is quite difficult for deontologists to just focus on their duty without considering the outcomes for certain actions. What decision should a person make if he needs to perform a certain duty, but that duty may harm many others? Although this is not the issue of a deontologist, it provides no clear way to deal with gray areas. It cannot be denied that there are absolute rules and moral duties for a person. However, some situations may urge a person beyond this restriction, especially in business. Any decision made by business practitioners can affect not only the company but also the stakeholders as a whole. Thus, any decision should be evaluated carefully as to whether it provides benefits or harm to others, and deontologists lack explanations for such situations (Stanley, et al., 2017).

### **2.2.7 Teleology Theory**

In contrast to the deontological viewpoint, teleological views emphasize the outcomes of actions and perceive that the evaluation of the morality of action the consequence of that decision. Thus, when individuals make choices in the correct consequences, thus, acting morally when individuals make choices that result in the incorrect consequences, that acting immorally (Lennox, 1982; Perner, Priewasser, & Roessler, 2018).

The word teleology originated from the Greek word *telos* which means-ends or purpose. The theory is referred to as consequentialist theory which suggests that “the ends justify the means (Perner, & Roessler, 2010). However, as stated by Hull, (1979) how teleological theory perceives that an action is morally right if it provides the best attainable consequences to the situation. Whether the action is right or wrong depends solely on the consequences of the action rather than anything intrinsically good or bad about the actions themselves (Di Paolo, 2005). The teleological theory stresses the effects of actions such as happiness, friendship, and the traditional notion of the common good (Finnis, 1998), rather than their conformation to rules or commandments. Business

practitioners have utilized this first identifying what the dilemma entails and determine choices to solve it. Based on these choices, a prediction is associated with each alternative can be evaluated. Next, a solution that is believed to bring about the best possible consequences is selected. A teleological ethical theory focuses on the obligations in ensuring attainment of certain goals or ended wants to find out what he ought to do, it is essential to under consequences of the action because whether the action is true depends on the intended outcomes (Hindess, 1977; Priewasser, Rafetseder, Gargitter, & Perner, 2018).

This argument has created conflict in justifying morality of described, teleological moral systems primarily emphasize a focused outcome of the consequences of actions (Pops, 2019). Thus, to ensure that we choices, a person should have some understandings of what the out from his choices are. This will determine whether the choice made is correct or incorrect. The issue that this justification raises is that it is impossible to determine the full range of consequences and it is problematic to measure the moral calculations of the effect of any action. Questions on how moral outcomes should be calculated, and how to outweigh the consequences, have led to a complicated way of saying that the ends justify the means (Alder, 1998; Copp, 2009). For a business practitioner, it is their responsibility to ensure that the consequences of their action are beneficial. However, how should a person know if they made the right decision as the consequences of the decision can vary in many ways? A business might argue that ‘torture’ of a human for the purpose of the experiment for the cosmetics industry is necessary to detect any prior problems or they release the cosmetic products into the market (Murphy, & Laczniak, 1981).

Thus, these two main schools of thought, the deontological and teleological theories, have been explored in the above discussion. A deontological view is characterized

primarily by the importance of a person's duty. As an individual, simply have to understand what moral duties are in order to make the correct moral choice. Then following the duty as a person is considered behaving morally and failure to follow the duties can be considered immoral. On the other hand, a teleological view perceives that the consequences of action equal the moral of an action. When the outcomes are beneficial for others, thus individuals are behaving morally. When the outcomes harm others the individuals are behaving immorally (Khalidah et al., 2010; Ali, et al., 2014).

### **2.3 Comprehensive View of the Constructs**

This research involves five main constructs, therefore its very crucial to have an overview and the roots of each of these constructs in order to establish a logical and clear understanding of the current research.

#### **2.3.1 Individual Ethical Behavior**

A growing body of literature was dedicated to ethics literature over the past few decades. In November 2017, through a search in the Web of Science database (WOS) "Ethics" has received enormous attention in the category of "book" "articles" and "conference" which provided details in more than 346 publications in the selected period. In general, despite the importance of ethics in various disciplines of literature, there is still no universally accepted definition of ethics. Ambiguity in the meaning of ethics stems from the presence in the literature of many diverse definitions, which ranges from highly specific to very broad (Tenbrunsel & Smith-Crowe, 2008).

Each definition may reveal some important aspects of ethics, but the most common element is that studies were focused on behavior as an essential part of ethics. Behavior in this regard, may refer to anything that perceives a good act or the right behavior by people in a certain case, or as something different for the organization into which the behavior is introduced. In addition, the definition of ethics apparently being 'good

behavior' have more in common. In other words, Fraedrich (1993, p. 207) considered "ethical as 'right behavior' to the social setting in which it is introduced (an individual, group, firm, industry, wider society)". The attempts in recognizing the process of ethics date as far back as Plato (427–347 B.C) and Aristotle (384–322 B.C). Initially, the word *ethics* is a root of the Greek word *ethos*, which is interpreted as "customs" "conduct" or "character". Ethical is concerned with the types of values and morals, in which an individual or a society finds necessary and suitable. Moreover, ethics deals with the integrity of individuals and their motivations (Rest, 1975).

Taylor, (1975, p. 1) defined ethics as the intentional behavior of an individual to introduce and apply into the "nature and grounds of morality where the term morality is taken to mean moral judgments, standards and rules of conduct". The additional distinction of the concept is that ethics is the study and philosophy of human conduct with an emphasis on the determination of right and wrong. The term ethical behavior is commonly referred to as the "just" or "right" standards of behavior among individuals in a situation. To explain further, these standards are defined "using 'recognized' social principles involving justice and fairness". Several ideas have emerged from these definitions. First, ethics refers to values and conduct. The result of the learning process are the values (Treviño et al., 2014). Hence, Kohlberg, (1976) and Rest, (1975), proposed that people go through a learning process by obeying simple rules and realizing that situational variables can impact and change such rules. These rules, maxims, and the realization of situational variables are explained through the use of moral philosophy which is used to justify decisions as being ethical. There is a problem with the process of justification as to which perspective defines what is right and wrong. In other words, ethics generally refers to "just or right standards of behavior among individuals in a situation" (Fraedrich, 1993, p. 207). Ethics comprises essential human relationships between parties in the exchange process, i.e., organizational members (superiors, peers,

and subordinates), competitors, customers, and the general public. The parties involved in the exchange process are owed duties and responsibilities (Akaah, 1992).

Organizations expect ethical behavior from its employees, as the employees are likely to regard their organization as the legitimate source of right and wrong in the business environment. Hence, ethical behavior is defined as using the employing organization as the arbiter of what is morally right or wrong (Fraedrich, 1993). As mentioned by Fraedrich, (1993) in his study, adapting ethical behavior construct, which evaluates deviance from organizational norms, and establishing that certain managers and followers are perceived to rule the deontologists, ranked higher on the ethical behavior scale, compared to other types of philosophy analyzed. Moreover, ethical behavior is described as the just or appropriate standards of behavior by individuals in certain conditions (Sekerka, Comer, & Godwin, 2014; Treviño, et al., 2014). Synthesizing various definitions, Lewis, (1985) described ethics as comprising the rules, standards, principles or codes that give guidelines for morally right behavior and truthfulness in a specific situation.

In this study, ethical behavior is defined using an organization's perspective. Deviance from organization policies relegates the individual to a lower ranking on ethical behavior. This viewpoint sees truth as per “a subjective evaluation that cannot be properly inferred outside the context provided by the theory” or domain as outlined by the organization. Joined to the “relativist/constructivist approach is the acceptance of scientific realism”. Hence, ethical behavior is defined using the organization as the arbiter of right and wrong and will empirically be tested using, ethical behavior constructs which evaluate deviance from organizational norms. The definition of ethical behavior is applied here because the organization as a business entity is a source of knowledge to the employees who may probably accept the organization as a legitimate source of right and wrong in the business

environment. As mentioned before, ethical behavior literature has a variety of definitions which are indicated in Table 2.2.

Table 2.2: Ethical Behavior Definition

Author (s)	Definitions
Kohlberg & Rest (1976), (1975)	Ethics refers to values and conduct. These values are the result of the learning process which suggest that people go through a learning process by obeying simple rules to realize that situational variables can impact and change such rules.
Taylor (1975)	Ethics as “inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgements, standards and rules of conduct” (p. 1).
Fraedrich, (1993)	Ethics commonly refers to “just or right standards of behavior among individuals in a situation” (p. 207).
Browning et al., (1983)	Ethics behavior include standards that can be defined as “recognized social principles involving justice and fairness” (p. 219).
Trevinõ et al., (2014)	Ethics behavior can be explained as the just or appropriate standards of behavior by individuals in certain conditions.

Individual ethical behaviour has gained considerable attention by scholars and practitioners due to ethical scandals involving well-known businesses such as Enron, National Irish Bank, and Volkswagen provokes concerns among researchers, governments, practitioners, and society (Babalola, et al., 2019), who recognize that unethical actors focus on meeting their own self-interests, at the expense of others within or outside their organization (Schaubroeck, et al., 2007). Therefore, in today’s rapidly

changing world of business, ethics is becoming so crucial for organizational and national competitiveness to be successful among its competitors (Beauchamp, Bowie, & Arnold, 2004; Brenner & Molander, 1977) which gained the attention of organization researchers. The vital role of ethical behaviour and its necessity for organization survival has increased its focus on research for organizational writers as well as academic researchers (Mathison, 1988; Treviño, Butterfield, & McCabe, 1998; Luria & Yagil, 2008; Deshpande & Joseph, 2009). There are three concerns which need to be focused on the domain of ethical behaviour research:

1. The need for more contextualization in ethics research.
2. The need for more research that includes the individual level of analysis.
3. The need for an interactions approach of individuals' character and organizational elements.

Treviño et al., (1998) argued on the first concern of the need for more contextualization. Traditionally, ethical research argued on the adoption of a contingency approach, with the recognition that ethical issues are subject to various influences (Trevino, 1986; Ferrell, Gresham, & Fraedrich, 1989; Jones, 1991). For instance, through a review article by Treviño et al., (2014) which underscored the need for the contextualization in ethical research, the type of organization was found to be a primary contingency variable in ethical research. As a consequence, organizational types can be identified by industry, sector, structure and profit and non-profit organizations, and so on. Since the variance in environmental opportunities and threats for organizations of different types can influence their degree of ethical issues, it is important to consider the type of organizations (Treviño, 1986; Jones, 1991) which need to be considered in ethical theories.



The second concern which needs more research at an individual level of analysis was highlighted because of a large number of early research efforts on ethical behavior, These were conducted at the organizational level, more precisely, focusing on the employees level as they are the most important and contributors for the success of the organization (Treviño, 1986; Jones, 1991). Despite the significant practical implications of ethical behavior for today's business organizations, the literature on ethical behavior received little attention, and more research is needed (Treviño et al., 2006; Frisch & Huppenbauer, 2014).

The last concern which incorporated the personal factors and environmental factors was argued in the literature (Treviño et al., 2014). Both vital issues were focused on understanding the factors that influence ethical conduct in organizations. Both perspectives are essential, personal factors, and environmental factors, such as values and cognitive moral development, social identity, leadership theory, and contextual factors such as climate and fairness theory. Thus, in this research, the two factors were integrated such as environmental factors and personal factors to provide a contribution to the body of literature.

### **2.3.2 Ethical Leadership Behavior**

Brown and his colleagues have conceptualized ethical leadership using social learning and social exchange viewpoints to describe ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships. Such conduct was promoted to the followers through two-way communication, reinforcement, and decision making” (Brown et al., 2005, p. 120). They argued that supervision was under an ethical leader, the followers would tend to emulate the behavior of their leader and consider him to be substantially influenced on their ethical manner and behaviors (Treviño et al., 2003; Mayer, Aquino, Greenbaum, & Kuenzi,

2012). Ethical leaders possess the characteristics of both the “moral person” and “moral manager” (Treviño, Hartman, & Brown, 2000; Brown & Treviño, 2006). A moral person’s facet of ethical leadership addresses the personality and the acting role of the leader. Ethical leaders personify certain traits such as integrity, honesty, openness to input, truthfulness, respect and principled decision-making concerning others. Whereas, a moral manager’s facet of ethical leadership behavior considers how the managerial ability of leaders are used by those in a leadership position in advancing and developing ethical standards and ethical behaviors at work (Treviño et al., 2000). Ethical leaders should remain mutually strong both as a moral manager and moral person (Brown & Mitchell, 2010). In other words, morality should endure an essential component of the ethical leaders’ self-concept by easily guiding the principle of the leaders in all their actions (van Gils et al., 2015).

Particularly, since the concept of ethical leadership has been verified and validated, many researchers have studied the effects of ethical leadership on various outcomes. More frequently, empirical studies have dealt with the consequences of ethical leadership and its worthy effects on subordinates as ethical leadership is related to the significant outcomes such as organizational commitment (Den Hartog & De Hoogh, 2009; Neubert et al., 2009; Rowold, Borgmann, & Heinitz, 2009), which includes organization and team commitment (Kalshoven & Boon, 2012). Ethical leadership is also associated with the followers’ trust (Den Hartog & De Hoogh, 2009), satisfaction with the leader (Brown et al., 2005; Ofori, 2009), and it is related to the satisfaction with the job (Avey, Wernsing, & Palanski, 2012; Kalshoven, Den Hartog, & De Hoogh, 2011; Tanner, Brügger, van Schie, & Lebherz, 2015), and also followers psychological well-being (Avey, Palanski, & Walumbwa, 2011), the follower's perception of the ethical climate (Shin, 2012) and subordinates' optimism about the future of the organization and their own place within it (De Hoogh & Den Hartog, 2008).

Furthermore, ethical leadership has revealed that it could improve the organization's attractiveness for job seekers or new applicants (Ogunfowora, 2014). Further positive effect on followers consists of organizational citizenship behavior (Den Hartog & De Hoogh, 2009; Mayer et al., 2009; Kalshoven & Boon, 2012), extra effort (Brown et al., 2005; Ofori, 2009), work engagement (Demirtas, 2015), group in-role performance (Walumbwa et al., 2011) and effectiveness (Kalshoven et al., 2011). More than the followers, the management team also perceived that the ethical leader possesses effectiveness at the workplace (Brown et al., 2005; De Hoogh & Den Hartog, 2008; Ofori, 2009). Furthermore, ethical leadership has been shown to reduce the influence of unwanted phenomena such as the followers' complaints on health issues, emotional exhaustion, absenteeism (Tanner et al., 2015), and cynicism (Kalshoven & Boon, 2012). Therefore, less research work has dealt with the followers' ethical behavior, subordinates who are ethically led are less deviant and more voice behavior (Mayer et al., 2009; Walumbwa & Schaubroeck, 2009) and are more willing to report problems (Brown et al., 2005). Furthermore, ethical leadership was negatively related to unethical behavior and relationship conflict (Mayer et al., 2012). However, as per the prior researches showed that ethical leadership produces several important outcomes that encouraged researchers to consider these as one of the most significant antecedents. As ethical leadership is regarded as the main predictor in this study. Therefore, ethical leadership characterizes integrity, which involves being fair and trustworthy, having concern for others, and acting in an ethical manner (Treviño et al., 2000; Mayer et al., 2009; Ofori, 2009).

### **2.3.2.1 Ethical Leadership and Other Leadership Theories**

This section clarifies how ethical leadership is related and how it differs from other leadership styles such as 1) transformational leadership, 2) transactional leadership, 3) abusive supervision, 4) leader-member exchange (LMX), 5) spiritual leadership, 6) authentic leadership, and 7) servant leadership, which are also used as a *justification* as

to why the researcher has considered ethical leadership rather than the other leadership style. The details are presented as follows.

### ***2.3.2.1.1 Transformational Leadership***

In regard to similarities and differences between transformational leadership and ethical leadership. A scholarly work supports the idea that transformational school leaders are inclined to use the ethic of the profession to guide their efforts. Transformational leaders have been found to produce high cognitive trust (Zhu, Newman, Miao, & Hooke, 2013), which is significantly based on their professional proficiency. Thus, as mentioned by Treviño et al., (2003) ethical leaders could be involved elements from transformational leadership. However, transformational leadership refers to the ability of the leader in transforming the norms and values to the followers and encouraging them to move beyond self-interest in the direction of a collective purpose (Yukl, 1989). Transformational leaders cultivate an emotional attachment with their followers and inspire them to grow their full potential for the larger good of the organization (Bass, 1985; Yukl, 1999). As indicated by Bass and Avolio, (1993), transformational leadership consists of four critical dimensions; idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

Idealized influence indicates the degree to which the leaders may act as a charismatic role model representing the values of the organization as well. In regard to inspirational motivation refers to the degree to which leaders formulate a compelling vision that is appealing to followers. For, intellectual stimulation is the degree to which a leader challenges the status quo, and appeal to the followers' intellect by offering innovative and creative solutions to the followers. Lastly, individualized consideration is the degree to which leaders attend to the followers' needs and behave like mentors or coaches for the development and self-actualization. Therefore, to some extent, there is a relationship

between ethical leadership and transformational leadership, because there are shared personality traits and characteristics within ethical and transformational leaders (Brown & Treviño, 2006). More precisely, the dimension of ethical leadership of a “moral person” comprises traits such as integrity, fairness, care for others, ethical decision-making, and ethical role modeling, which are to some extent different from transformational leadership components because ethical leadership comprises inner and outer values which internalized and practice which described ‘moral personal’ and ‘moral manager’ (Brown et al., 2005). Particularly, in ethical leadership shares similar values with transformational leadership, for example, ethical leadership is closely related to the idealized influence dimension because, both share an explicit concentration on moral issues and ethical behavior (Brown et al., 2005). Ethical leadership is similar to idealized influence leaders because they both emphasized on the position of ethics and share in ethical role modeling which builds the identity of the followers with the leader. Also, ethical leaders provide challenging tasks to their followers, inspiring them to be creative, and paying close attention to their progress and developmental needs. Hence, there is a partial association among the two leadership styles (transformational leadership and ethical leadership), but still, ethical leadership consists of moral personal and moral manager which emphasis on both personal interaction and work outcomes (Brown & Treviño, 2006).

#### ***2.3.2.1.2 Transactional Leadership***

Few leadership scholars questioned the moral base of transactional leadership, but many have identified it as a moral leadership that has different values from those of ethical leadership. It has been suggested that transactional leadership is associated with values such as duty, fairness, honesty and promise-keeping (Brown & Treviño, 2006). Within the framework of leader-follower interactions, transactional leadership style is said to involve exchanges, making it consistent with utilitarian ethics that motivate

decision making for maximizing the benefit for all concerned (Brown et al., 2005). Thus, this type of leadership is defined as a reciprocal relationship between the leader and his followers, where the leaders utilize the rewards and punishments to influence their subordinates (Burns, 1978). Transactional leadership comprises four dimensions; contingent reward, management-by-exception-active (MBEA), management-by-exception-passive (MBE-P), and laissez-faire leadership (Bass, 1985). Contingent reward indicates an exchange of valuable possessions or rewards through the leader in return for the performance of subordinates in the desired behavior. management-by-exception-active (MBEA) is the point in which the leader actively monitors the performance of the individuals and ensures that the required corrective actions are taken. Whereas at the management-by-exception-passive (MBE-P) level, the leader takes corrective action only on account that a problem has happened. Lastly, laissez-faire is avoidance of leadership responsibilities and duties (Bedi, et al., 2016).

Thus, as stated earlier transactional leadership is slightly differ from ethical leadership as ethical leadership consider as contingent reward because ethical leaders use rewards and punishments to influence followers' ethical behaviors. Specifically, ethical leaders establish ethical criteria which make their followers responsible to the set criteria and standards by using rewards and punishment (Brown et al., 2005). Therefore, This is because ethical leaders honestly are interested in the professional growth and development of their followers and regularly take corrective measures that are in the greatest interest of their followers (Brown et al., 2005). Finally, as noted, there is no association between ethical leadership and laissez-faire dimension because ethical leaders are actively involved in influencing their subordinate's ethical behavior through communication, reinforcement, and decision-making processes (Brown et al., 2005; Bedi, et al., 2016; Berkovich, & Eyal, 2019).

### ***2.3.2.1.3 Abusive Supervision***

Abusive supervision refers to hostile, verbal, and nonverbal behavior that are addressed to the subordinates, exclusive of physical violence (Tepper, 2000). In particular, offensive and abusive supervision represents a misuse of power by an individual in authority and includes the use of public defamation, undermining, and volatile bursts towards the employees (Tepper, 2007). It is clear there is no connection between ethical leadership and abusive supervision because there is a sharp difference in the abusive leadership style in the fundamental policies of ethical leadership that depend on the just and respectful discussion of others. As indicated earlier, ethical leaders genuinely show concern for the well-being of the subordinates who are involved with ethical and upright behaviors, and practice it through open and honest communication (Brown et al., 2005; Brown & Treviño, 2006).

Furthermore, in contrast to research which focuses on positive, effective forms of leadership (e.g., ethical leadership) a body of research has emerged over the last 20 years which examines the dark or destructive side of leadership. Nevertheless, most of the work in this stream of research has centered on the concept of ‘abusive supervision’ which encompasses “subordinates’ perceptions of the extent to which their supervisors engage in the sustained display of hostile verbal and non-verbal behaviors, excluding physical contact” (Tepper 2000, p. 178). Importantly, Tepper, (2007) indicated that abusive supervision is an important topic of study, as evidenced by its effect on estimated 13.6 % of U.S. workers and its cost to U.S. corporations of over 23 billion per year. Thus, in many ways, abusive supervision is a converse construct to ethical leadership. While ethical leadership and abusive supervision both involve a sustained pattern of behavior, ethical leadership concerns normatively appropriate conduct, while abusive supervision involves normatively inappropriate conduct. This intuitive relationship has been supported empirically as Brown et al., (2005) demonstrated a negative correlation

between ethical leadership and abusive supervision. From an associative standpoint, ethical leadership has been shown to have a positive association with follower ethical behaviors (Brown et al., 2005), follower organizational commitment (Walumbwa et al., 2008), and follower job satisfaction (Neubert et al., 2009), while abusive leadership has been shown to have a negative relationship with follower citizenship behaviors (Zellars et al., 2002), follower organizational commitment (Schat et al., 2006), and follower job satisfaction (Tepper, Duffy, Hoobler, & Ensley, 2004; Hashmi, Khan, Ullah, Gulzar, & Haider, 2019). Therefore, it's clear that there is a tremendous difference between the two- leadership style such as ethical leadership and abusive leadership.

#### ***2.3.2.1.4 Leader Member Exchange (LMX)***

The ideas behind LMX theory is that leaders tend to develop different exchange relationship with their followers and the quality of these relationship differs from one follower to another (Graen & Scandura, 1987). Specifically, leaders build an exchange of high-quality relations with some of their followers and an exchange of low-quality relations with others (Graen & Cashman, 1975). The relationship that has a high-quality exchange is equally characterized by high levels of trust, commitment, and shared influence (Liden & Maslyn, 1998). The leader makes the relationship that involves high-quality exchange (e.g., fair treatment, extensive guidance, further duties, and rewards), and in exchange, the subordinates reciprocate with positive behavior such as expanded loyalty, commitment, and respect (Mahsud, Yukl, & Prussia, 2010). Comparatively, a low-quality relationship is qualified with low levels of trust, support, and rewards. As illustrated in the beginning, an ethical leader's fair and kind treatment, using clear communication, and integrity such as these elements probably generates a high-quality relationship between leaders and their followers. The followers develop an exchange relationship with the ethical leader who works for his greatest interest and is committed



to the followers' well-being (Walumbwa et al., 2011; Hu, Zhu, Zhou, Li, Maguire, Sun, & Wang, 2018).

More precisely, Brown, et al., (2005) conceptualization of ethical leader has a combination of elements (e.g., honesty, integrity and transparency) that tends to make ethical leadership a behavioral attribute of the leader. It is not governed or influenced by the individual subordinate's relationship or interaction with the leader. But it is, thus, an average leader behavior, which is perceived to be the same by all the subordinates working with the leader. Also, Brown, et al., (2005) used observational learning (Bandura, 1986) as the basis to develop their conceptualization of ethical leadership. The fact that the leader is expected to behave as a role model, implies that the behavior is normative and idealistic which corresponds to the prevalent ethical norms. This makes the conceptualization idealistic/normative in nature.

Leader-member exchange (LMX), on the other hand, focuses on the quality of exchange relationship between the supervisor and each of his or her subordinates (Dienesch and Liden, 1986). Thus, the LMX theory contends that leaders develop different quality of work relationships with different subordinates (Graen and Scandura, 1987; Scandura and Graen, 1984). High LMX members enjoy high exchange quality relationships as characterized by liking, loyalty, professional respect, and contributory behaviors (Dienesch and Liden, 1986; Liden and Maslyn, 1998; Martin, Guillaume, Thomas, Lee, & Epitropaki, 2016). The exchange relationship is limited to the job and tasks at hand, as Graen and UhlBien, (1995) commented: Development of LMX is based on the characteristics of the working relationship as opposed to a personal or friendship relationship, and this trust, respect, and mutual obligation refer specifically to individual's assessments of each other in terms of their professional capabilities and behavior. This is different from the liking-based dimensions of interpersonal attraction and bonding.

Besides, the development of varying quality of interaction in a leader-member dyad has been understood in terms of role development (Graen, 1976; Graen and Scandura, 1987). The leader assesses the competencies and motivation of the subordinates through role-making episodes and offers different inducements to high quality subordinates for collaborating on unstructured tasks. Therefore, how a subordinate defines the role then determines the quality of interaction in a leader-member dyad. Thus, LMX is an exchange-based relationship that is characterized by pragmatic day-to-day interactions with the leader which are focused on getting the job or work done. Whereas, ethical leader has similar average quality relationship with each subordinate, which is perceived to be the same by all the subordinates working with the leader (Brown, et al., 2005; Martin, et al., 2016; Martin, Thomas, Legood, & Dello Russo, 2018).

#### ***2.3.2.1.5 Spiritual Leadership***

Spiritual leadership can be viewed as an emerging paradigm within the broader context of workplace spirituality (Fry 2003, 2005, 2008). In spiritual leadership theory, “spirituality” refers to the quest for self-transcendence and the attendant feeling of interconnectedness with all things in the universe (Kriger and Seng, 2005). Spirituality is most often viewed as inherently personal, although it can reside or manifest in groups and organizations. From this perspective, a religion is an institution, which has formed and evolved over time around the spiritual experiences of one or more founding individuals that also provides the context for leadership based upon the beliefs and practices inherent in that religion. Fry, (2003) drew from the Dalai Lama’s (1999) line of reasoning and proposed that the spiritual leadership model can be inclusive or exclusive of religious theory and practice since it is also based on a spirituality that underlies or provides the foundation for the world’s religious and spiritual traditions (Fry 2003; Zellers and Perrewe 2003; Mabey, Conroy, Blakeley, & de Marco, 2017).

Furthermore, as Brown and Treviño, (2006) mentioned that spiritual leadership and ethical leadership shared some of the similarities but are different from each other. For example, spiritual leadership defined as “the values, attitudes, and behaviors that are necessary to intrinsically motivate one’s self and others so that they have a sense of spiritual survival through calling and membership” (Fry, 2003, p. 711). Thus, spiritual leadership style comprises the aspect of ethics and is religious-focused and the value-based approaches for such leaders are ethical, empathetic, and treating others by means of respect (Reave, 2005; Brown & Treviño, 2006). However, spiritual leadership integrates with a number of characteristics which are not associated with ethical leadership. Spiritual leaders are visionaries who concentrate more on religion with a calling to serve a higher purpose. However, ethical leaders operate by way of transitional mechanism which is slightly contrary to the spiritual leaders (Brown, et al., 2005; Brown & Treviño, 2006; Mitonga-Monga, Flotman, & Cilliers, 2016; Ko, Ma, Bartnik, Haney, & Kang, 2018).

#### ***2.3.2.1.6 Authentic Leadership***

The concept of authentic leadership has emerged nearly a decade ago (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008; Gardner et al., 2011; Gill and Caza, 2015) which is mainly in response to numerous high-profile corporate scandals like WorldCom, Tyco and Lehman Brother, etc. Avolio et al., (2004) asserts that authentic leaders “act in accordance with deep personal values and convictions, to build credibility and win the respect and trust of followers” (p. 806). Authentic leadership is an ethical, genuine and transparent form of leadership approach which is identified as a positive development in organizational research (Walumbwa et al., 2008) and is known as the root construct that serves as the base for all form of positive leadership (Avolio and Gardner, 2005; Sendjaya, Pekerti, Härtel, Hirst, & Butarbutar, 2016).

However, authentic leadership refers to as “a pattern of leader behavior that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with the followers, and fostering positive self-development” (Walumbwa, et al., p. 94). As stated by Avolio and Luthans, (2003) authentic leaders embrace important characteristics such as openness, self-awareness, transparency, concern for others and consistency. This type of leadership have positive attributes of confidence, optimism, resilient, and hope (Avolio & Luthans, 2003). Brown and Treviño, (2006) highlighted that authentic leadership and ethical leadership share some similarities like social motivation and people oriented thus, as both leaders are ethically principled but still authentic leadership relies more on a deep personal values and convictions, to build credibility and win the respect and trust of followers, whereas ethical leadership combines moral personal which involves (honest, integrity and trustworthiness) and moral manager encompasses (role modeling via visible actions, rewards and discipline and communicating about ethics and values) (Treviño, et al., 2000; Yasir, & Mohamad, 2016). Therefore, despite the share of similarities between the two leadership styles, however, it's clear that there is a big difference based on the discussion mentioned above.

#### ***2.3.2.1.7 Servant Leadership***

Greenleaf, (1977) who formulated and explained the concept of servant leadership theory. This approach view leaders as servant to their followers as Greenleaf asserts that the servant-leader is a servant first. The author also highlighted that a servant leader puts the needs, well-being and welfare of the followers first. Therefore, the main focus of servant leadership is to serve the interest of the followers first. However, the servant leadership theory is considered as a moral perspective of leadership (Greenleaf, 1977; Graham, 1991; Sendjaya, & Sarros, 2002). There is no universal agreement regarding the

exact behaviors of the servant leader as most of the earlier studies follow the definition of Greenleaf, (1977) which stated that this leadership style emphasized on the need to empower and develop the followers. At the same time, this leadership style inspires them to act as servant leaders as well. The seven main features of servant leadership are; putting followers first, supporting followers to develop and be successful, building relationship with followers, empowering them, having conceptual skills, acting ethically, and producing value for the community. The most unique value of the servant leadership theory remains that the leader gives preference to the followers over the organization.

Therefore, ethical leadership and servant leadership, mutually emphasized a strong ethical perspective, which is a common sharing perspective in both leadership styles. Furthermore, both leadership styles emphasized on empowering the followers, focusing on the building the relationship and development of followers. Nevertheless, the two- leadership theories are also different in some regard. For example, servant leadership places the follower's interest before and above from all other stakeholders, including organization, while ethical leader's emphasis is to have a significant impact on both subordinates and organization as well (Brown et al., 2005; Brown and Treviño, 2006; Hoch, Bommer, Dulebohn, & Wu, 2018; Eva, Robin, Sendjaya, van Dierendonck, & Liden, 2019).

### **2.3.3 Work Ethical Climate**

According to Victor and Cullen, (1988), the ethical climate can be defined as the “prevailing perceptions of typical organizational practices and procedures that have ethical content” (p. 101). Also, the ethical climate of an organization includes the normative beliefs and values about the moral issues that the employees of that organization share (Treviño et al., 1998 p. 453). Nevertheless, there is not only one type of ethical climate as the work climate is varied in nature (Schneider & Snyder, 1975).

Researchers have mostly investigated on the existence and extent of autonomy/control, the degree of structure, nature of rewards, consideration, warmth, and support (Field & Abelson, 1982; Schneider & Reichers, 1983; Martin, & Cullen, 2006). The mainstream of these climate types comes under two classifications; aggregated perceptions of organizational conventions regarding forms of structure and procedures for rewards and control; and aggregated perceptions of the existence of organizational norms supporting values such as providing warmth and support to peers and subordinates. Some of the climate types that signify organizational norms have an ethical ground in that they notify organizational members on what one can do and what one “ought” to do in terms of the treatment of others. Climate types such as support for conflict resolution (Renwick, 1975) and the acceptability of aggression (Lewin, Lippitt, & White, 1939; Kia, Halvorsen, & Bartram, 2019; Kuenzi, et al., 2020) represent the perceived norms of an arrangement or group with a necessary foundation. Therefore, Victor and Cullen, (1988) revealed that organizational studies and previous scholars have not relied clearly on any theoretical or philosophical base to choose the types of norms or ethics studied. Moreover, they noted that various normative themes that have no ethical outcomes, such as support for creativity, have been investigated randomly as there is a lack of any clearly stated unifying theoretical scheme. Therefore, they established their argument differently from the earlier works on organizational work climates and their study was based on the ethical philosophy and theories of ethical behaviour guided (Martin, & Cullen, 2006; Gorsira, Steg, Denkers, & Huisman, 2018).

According to Victor and Cullen, (1988) ethical climate could be described as “organizational ethical climate as the prevailing perceptions among employees of organizational practices and procedures that have ethical content”. They have suggested that the ethical climate in an organization would reflect the position and behavior of the

management. Therefore, the employees' perceptions of the ethical climate in their organization or organizational subunit will be determined based on the above note.

The ethical climate constructs established by Victor and Cullen, (1988) was expressed by a wide range of two-dimensional matrixes, which gained control on both the ethical criteria and the starting point of analysis complex in decision making. The ethical criteria, derived from moral philosophy theories, comprise egoism, benevolence, and principle. The starting point of analysis assigns the essential point or range for discussion when making ethical decisions, which may be on a person either at a local or universal level (Victor and Cullen, 1988; Treviño et al., 1998; Martin, & Cullen, 2006). The cross-section of the ethical criteria and starting point of analysis forms a 3 x 3 matrix consisting of nine ethical climate dimensions, which are indicated in Figure. 2.2.

	Individual	Local	Cosmopolitan
ETHICAL CRITERION	Self-Interest	Company Profit	Efficiency
	Friendship	Team Interest	Social Responsibility
	Personal Morality	Company Rules and Procedures	Laws and Professional Codes

Figure 2.2: Theoretical Climate Types

Source: Victor and Cullen (1988).

The various types of ethical criteria elements, namely egoistic climate emphasizes on self-interest and self-interest maximizing behavior, while the benevolent climates will focus on what is best for the people under consideration. The principled climates focus

on rules, laws, and professional conduct codes. Whereas, the individual's focus on analysis concentrates on self; hence egoistic or individual climate emphasizes on the pursuit of self-interest, benevolence, or individual climate which gives priority to relationships. On the contrary, principled or individual climates pay attention to the pursuit of one's moral ideologies or principles (also referred to as an "independence climate"). The "local" stage is commonly understood as the emphasis on the firm's situations. Therefore, the egoistic and local climate's main concern is on what they consider best for the organization, for instance, the profitability of the organization. The benevolent and local climate's focus is on what they think is best for the company's subunit, for instance, wishing the best for all the members. In a principled and local climate, the primary emphasis will be on following rules and instructions of the internal company. A cosmopolitan focus extends the scope of concern to the societal level. For instance, a benevolent/cosmopolitan climate will place an important emphasis on social duty or acting in the public interest to maximize the well-being of society. In a principled/cosmopolitan climate, the concentration will be on following the rules and regulations of collectives such as society as a whole (laws) or professional associations (codes of behavior) (Victor and Cullen, 1988; Martin, & Cullen, 2006).

It is significant to identify that Victor and Cullen, (1988) have not predicted the fact that all the various climate dimensions will be present in all the organizations. They established this conceptual framework to identify the range of possible ethical climate dimensions and anticipated that various dimensions would arise in different organizations. As anticipated, there have been some variations in ethical climate dimensions as identified in several organizational settings. Nevertheless, as stated, there is reasonable consistency in the pattern of the five dimensions that have developed over the years from a huge amount of research questionnaires on ethical climate. An instrumental climate that includes the elements of the egoistic and individual and egoistic



and local types; the caring climate that encompasses elements of benevolence and the individual and local dimensions; also the three distinct principled climates are consistent with the initial theoretical conceptualization (personal morality, company rules and procedures, and law and code climates) (Mayer et al., 2010; Mayer, 2014). Thus, the ethical climate has high potential to establish ethical value within workplace (Deshpande & Joseph, 2009; Mayer et al., 2010; Lu & Lin, 2014), because it is associated with perceptions of trust, responsibility, and moral standards related to perceived rightness or wrongness (Luria & Yagil, 2008). Also, it enforces ethical practices, policies, and procedures, such that it signals that “doing the right thing” is highly expected, encouraged, and valued (Ruiz-Palomino & Linuesa-Langreo, 2018).

#### **2.3.4 Organizational Justice**

According to Greenberg, (1987), organizational justice described the various views of members of staff regarding their organization’s decision-making practices and its impact on members of staff. They perceived that justice may influence organizational output. Fairness is an incorporation of a constructed analysis that creates the expectation of being treated fairly universally; thus, the purpose of fairness is to be responsible (Colquitt et al., 2001). Therefore, new over the last four decades, many studies have highlighted the importance of organizational justice on workplace ethical behavior (Colquitt et al., 2001; Xu et al., 2016). However, the extent to which these results can be generalized across different universal principles and across cultures still needs further exploration. Empirical evidence has revealed that subordinates have different perceptions of value systems to their managers, even when they come from the same socio-cultural background, which leads to them having different reactions toward their organization (Loi et al., 2012; Cheng, 2014; Karam et al., 2019). However, as declared earlier, organizational justice involves four components, which are described below.

The first component is distributive justice which “describes the fairness of the outcomes being received by employees, such as promotion opportunities or pay” (Moorman, 1991; Cropanzano, Byrne, Bobocel, & Rupp, 2001). “Distributive justice also describes the perceptions of fairness that are related to decision outcomes and resource allocation” (Colquitt et al., 2001; Ambrose & Schminke, 2009). This explains most of the variance in the outcomes that exist among the dimensions. Distributive justice is encouraged by several values (for instance equality, equity, or need) for distributing resources (Adams, 1963; Colquitt, Greenberg, & Greenberg, 2003). It is concerned with the anticipation of return which employees receive for their efforts (Adams, 1963; Saunders, Thornhill, & Lewis, 2002). Organizations make decisions for the benefit of their employees and consequently notify them about the fruitful results which the organization receives because of their efforts and distributing rewards fairly based on their efforts (Colquitt et al., 2003). Distributive justice remains highly valued because it compares the values and the benefits with those of other organizations or with the same sectors. Similarly, the followers of various organizations could compare their benefits with the works of other organizations. The effect of employees could be positive or negative which depends on the feedback that they receive from their employer. If employees have a sense of satisfaction they feel so because of the performance of the organization’s management and if the feeling is negative, then it reflects on the poor functioning of management (Greenberg, 1987; Tremblay & Roussel, 2001; Mohyeldin Tahir Suliman, 2007). Moreover, due to the poor performance of an organization, employees remain scammed resulting in absenteeism, thus creating acute problems of staff turnover (Folger & Cropanzano, 1998). Hence, all these elements influence an individual’s perceptions and how the employees can react.

The second component is procedural justice which “describes the procedures and processes that are involved when making allocation decisions” (Thibaut & Walker, 1975;

Folger & Greenberg, 1985). Procedural justice is “nurtured when the inputs of the employees are considered during the decision-making processes and when the implementation of procedures is done with consistency, accuracy, bias suppression, representativeness, correctability, and ethicality” (Leventhal, 1980). An essential component of procedural justice is to make sure that participants have a voice or an input in the outcome. Procedural justice is one of the types of organizational justice which is concerned with the process that is applied by the organizations for the purpose of incentive distribution. Also, the policies are applied for payment of salary and some other benefits. Whether a high or low level of incentives is gained when the procedures are applied by the organization are reasonably and fairly justified (Thibaut & Walker, 1975; Leventhal, 1980; Greenberg, 1986, 1987, 1990). This has arisen on the ground that the policies and standards for resource distribution and other decision-making are reasonable and fairly accepted (Greenberg, 1986). Employees consider the processes of an organization to be justified when they feel that they are free from favoritism, as well as their value at the time of any decision making, the ethical standards applied, and the reliability and universality of a decision implementation (Stecher & Rosse, 2005). The consistency of the procedures taken by organizations remains an essential factor because such stability verified the fairness of decisions across various situations (Greenberg, 1987).

The third component, interpersonal justice, is a kind of organizational justice that makes predictions about ethical behavior at work. Furthermore, “it refers to the perceptions of the employees about the degree to which authority figures treat them with respect and dignity” (Colquitt, 2001). They perceived interactional justice based on what extent the employees are being treated fairly at the workplace (Alicke et al., 1992) Interpersonal justice is “quite simply a name for the way in which employees require to be treated by their management with respect” (Colquitt, 2001). These demonstrate the

type of process through which individuals are treated with politeness, including, the degree to which the reasons behind a specified incident are clarified. Interpersonal justice can be seen as an output of perceptions that may occur due to the well-organized and capable conduct of employees employed in organizations, which may consist of availability, competence, consistency, discreetness, fairness, integrity, commitment, openness, promise fulfillment, receptivity, and overall trust (Deluga, 1994). Interpersonal justice is understood as the level in which one party feels respected, such that he or she is satisfied to draw in or keep social contacts inside the organization in order to achieve specific responsibilities or tasks (Caldwell & Clapham, 2003). According to Brown and Treviño, (2006), trustworthiness is the only expectation that one can expect from colleagues and management regarding their capabilities and reliability in order to fulfill the organization's goals competently. In the published literature, the perception of ability is defined as a group of skills, competencies, and characteristics that empowers a party to influence within a specific domain. While benevolence is related to the extent to which a trustee is believed to want to perform well for the trustor, aside from an egocentric profit motive; integrity is defined in terms of the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable (Colquitt et al., 2001). From the above idea of interpersonal trustworthiness, it may similarly be contended that if employees have trust in the ability, integrity, and benevolence of management, then ethical behavior is likely to increase.

The component four of organizational justice is informational justice. However, informational justice refers to “as a procedure for receiving all important information appropriately and through open communication” (Colquitt et al., 2001). This justice dimension focuses on the equity of the explanations and justifications offered about decisions, about the reason behind things (Greenberg 1993; Colquitt et al., 2001). In contrast to the other factors of justice, informational justice becomes crucial in the post-

failure context of lack explanations and justifications information as an individual perception concerning information justice is threatened by the lack of explanation provided about why procedures were used in a certain way or why outcomes were distributed in a certain manner (Greenberg, 1993; Colquitt, 2001; Colquitt et al., 2001). In a sense that informational justice focuses more on reasonable explanations that convey information to individuals about procedures (Bies & Moag, 1986). The intensity and content of the information provided by organizational agents of whom to interact with employees on a daily basis, may fulfill the needs of individuals relating to their task-role or update them on organizational activities (Scheller, & Harrison, 2018). In this context, individuals may feel the support provided by the organization. On the other hand, Shah, et al., (2017) have also argued that employees may perceive the degree of richness and unbiased information as an organizational trust in them and that may affect their sense of the assessment on their own status inside the organization. Hence, such information relating to justice is central to individuals' evaluations of organizational supportiveness in different social situations (Colquitt et al., 2001).

Therefore, offering information relevant to a decision enhances people's perceptions of fairness (Thibaut and Walker 1975; Colquitt et al., 2001; Scheller, & Harrison, 2018). So, this is considered as one of the unrestricted factors of organizational justice because various communication strategies adopted by organizations may affect the different perceptions of employees. Thus, informational communication can play a critical role in any organization's success or failure. Hence, it may also be assumed given clear communication, the likelihood of dishonest activities can be reduced. In addition, it is called informational justice because the justification requires a provision of adequate information and explanations by decision-makers, for example by offering a detailed account of the final decisions made. Due to the efforts to explain changes, informational justice is related to establishing trust (Colquitt et al., 2001), which is important for the

development of receptivity to change among key employees following an acquisition. Furthermore, according to (Colquitt, 2001) information fairness is described as the process of getting all vital information in a proper manner and through clear communication. This is regarded as one of the unrestricted aspects of organizational justice for the reason that different communication approaches are implemented by different organizations, which influence the various perceptions of employees (Brown et al., 2005). Additionally, informational communication can play a critical part in any organization's success or failure. Therefore, it may also be assumed that the likelihood of dishonest activities is reduced by clear communication (Colquitt et al., 2001; Shah, et al., 2017; Kussusanti, Tjiptoherijanto, Halim, & Furinto, 2019).

### **2.3.5 Moral Identity**

Moral identity is one of several social identities that is the self-concept of a person, and a social scheme that describes self-concept and regulates moral behavior (Kelley & Stahelski, 1970; Hales, 1985; Hardy & Carlo, 2005). Blasi, (1990) affirmed that moral self-concept (i.e., moral identity self-importance). Nevertheless, a greater analysis of moral integrity has been observed over the last decade. The preceding research identified two related sources of moral motivation. Many ethical studies have looked at moral reasoning as the logical source of moral motivation (Turiel, 2002; Hardy, 2006; Olsen, & Espevik, 2017). Moral reasoning is defined "as the conscious mental action of processing information about issues to gain a moral judgment" (Jones, 1991; Vitell, King, Howie, Toti, Albert, Hidalgo, & Yacout, 2016). The primary principle of investigating moral reasoning, as the central source of moral motivation, is that an individual's motivation for a purpose about moral matters may predict ethical behavior (Kohlberg, 1969; Hardy & Carlo, 2005). The current empirical researchers recommended, nevertheless, that the rational thought of moral motivation founded on reasoning alone is insufficient to describe moral activities unless it is completed by the moral identity view (Aquino &

Reed, 2002; Krettenauer, & Victor, 2017). The moral identity reflects on “the extent to which the elements most central to a person’s identity (e.g., values, goals, and virtues) are moral. Consequently, when moral virtues are important to one’s identity, this yields motivation to act in business with one’s sense of morality” (Hardy, 2006; p. 215). From the moral identity viewpoint, the moral and self-systems need to be combined as they take on a significant part in determining moral behavior (Lapsley, 2004; Hardy & Carlo, 2005; Aquino and Reed, 2002; Gerpott, Van Quaquebeke, Schlamp, & Voelpel, 2019).

Those who advocate on moral identity claim that individuals form their identity by making moral commitments that are key to their self-definition and self-consistency (Bergman, 2004). One implication of the moral identity model is that individuals may have similar moral beliefs but vary in how vital morality is in their self-identities. Specifically, Aquino and Reed, (2002) suggested that individuals construct their moral self-definition regarding traits about which individual identities are organized. This social-cognitive approach grounds the idea of moral identity into a good self-schema that can become further or less activated in various conditions. Furthermore, moral identity is one of many social identities that form an individual’s self-concept and is a social schema that defines the self and controls moral behavior (Kelley & Stahelski, 1970; Hales, 1985; Hardy & Carlo, 2005). Since Blasi, (1990) have asserted that moral self-conception (i.e., Self-importance of moral identity) is associated with moral behaviors, and various researchers have attempted to measure moral identity (Hart, Atkins, & Ford, 1998; Rorty & Wong, 1990; Aquino and Reed, 2002; Vitell, et al., 2016).

Aquino and Reed, (2002) defined the concept of moral identity by adapting a trait-based definition of moral identity. “They assumed that there are commonly accepted moral traits that comprise moral value. They have identified nine good traits that make up a person’s moral identity which they called the self-importance of moral identity”

(SIMI); “caring, compassionate, honest, friendly, generous, helpful, hardworking, honest, and kind.” They separated these into two categories; internalization and symbolization. An individual facing a situation is probably going to retrieve a certain identity from his or her several social identities to which degree, such as, identity is central for the person. For instance, individuals with high moral identity tend to consider internalized moral values such as caring, compassion, and honesty more than individuals with low moral identity (Aquino & Reed, 2002; Bergman, 2002; Reynolds & Ceranic, 2007). Thus, the more critical a moral identity is to an individual the more possible this identity is activated and controls the individual’s behavior in a specific situation. Thus, the more central a person’s moral identity is to the sense of self, the more important it is to the person to be moral. Not surprisingly, therefore, a growing body of research shows that moral identity is a powerful regulator and motivator of ethical (Hardy and Carlo 2005; Qin, Huang, Hu, Schminke, & Ju, 2018). Moreover, research also shows that moral identity is positively associated with individuals’ display of ethical behavior (Aquino & Reed, 2002; Mayer et al., 2012) and use of fair procedures, and negatively impacts moral disengagement and the occurrence of unethical behavior (Aquino and Reed, 2002; Matherne, Ring, & Farmer, 2018).

Individuals vary in the way their moral identity is triggered in a situation categorized by ethical impasses and moral decisions. Hence, an individual with a highly activated moral identity is more probable to decide and behave efficiently when his or her case includes moral decisions. Aquino and Becker, (2005) stated that violating their moral standard (lying) caused an individual to experience strong psychological suffering during the situation. Thus, individuals with a high moral identity are expected to be moral, honest, fair, and hardworking. In addition, they attempt to use integrative values and be more efficient in interchanging their preferences and importance because they are more



honest and will fairly reveal their priorities (Winterich, Aquino, Mittal, & Swartz, 2013; DeGrassi, 2019).

## **2.4 Significant Gaps in the Literature**

As earlier mentioned, due to the huge ethical scandals, thus individual's ethical behavior has received considerable attention by both academicians and practitioners. Therefore, there no empirical pieces of evidence on the relationship between ethical leadership behavior and ethical behavior. To be more precise, previous studies focused mainly on actions of ethical leadership to affect the results of the company such as dedication, participation in work, and satisfaction (Frisch and Huppenbauer, 2014; Treviño et al., 2014; Mitchell, et al., 2017; Wiernik & Ones, 2018). Therefore, more study is needed on ethical behavior in order to minimize the scandals issue.

Furthermore, recent studies have ignored research on the ethical conduct of employees. This study therefore, examines the relationship between ethical leadership and ethical behavior of the employees (Mitchell, et al., 2017; Wiernik & Ones, 2018; Wang, et al., 2019). Interestingly, the current study contributes to the new model by determining the relationship between ethical leadership and employees' ethical behavior through the mediating role of ethical climate and organizational justice. Most importantly, this study has also designed to examine the moderating role of moral identity as the main contribution of this research on the relationship between ethical climate and employees' ethical behavior, and on the relationship between organizational justice and ethical behavior of employees as well (Eva et al., 2020). Therefore, the present study made very significant contributions to the existing literature.

In addition, as an added contribution, this study tested these predictions in the understudied country context of like Middle Eastern (e.g., Iraq), as one of the representatives of Islam-based Middle Eastern nations (Tripp, 2018). The cultural

characteristics of this society's short-term orientation, high collectivism (Hofstede Center, 1967/2010) might affect employees' reactions to the context (Fu, Wu, Yang, & Ye, 2007). For example, high power distance affects employees' views of managers and responses to managerial behaviour (Wang, Mao, Wu, & Liu, 2012); a short-term orientation prompts people to stick with established rules (Hofstede Center, 1967/2010); and collectivism relates to a tendency to engage in "we" thinking over in "I" thinking (Hofstede Center, 1967/2010), such that collectivists might be more likely to consider various stakeholders and more readily identify ethical dilemmas (Thorne & Saunders, 2002). This study thus advances findings, which previously were obtained from a study conducted in a country with very different cultural features. Thus, testing how Iraqi cultural features might affect the relationship of ethical leadership, ethical climate, organizational justice and employee ethical behaviours, including the moderating role of moral identity in these relationships, may offer compelling insights about the context-sensitivity of the theories underlying these relationships.

## **2.5 Theoretical Framework and Hypothesis Development**

This section has identified the relationship between the constructs and provided evidence and discussed the relationship and hypothesis development in detail. The relationship between the independent variable and dependent variable (i.e., employees' ethical behavior) through the mediation role such as ethical climate and organizational justice as well as the dependent variable (ethical behavior of employees). Moreover, this section explains in detail the moderation role (i.e., moral identity) on the relationship between ethical climate and employees' ethical behavior as well as between organizational justice and employees' ethical behavior. Thus, based on the argument below the hypotheses were developed.

### **2.5.1 Relationship Between Ethical Leadership and Employee's Ethical Behavior**

Leadership styles have been broadly discussed, hence leadership at the highest level has been variously referred to as “Senior leadership” (Heller, 1971; Kimmel, 1981), “Executive leadership” (Carlson, 1951), and “Strategic leadership” (Phillips & Hunt, 1992; Lu & Yang, 2010). Brown et al., (2005) identified the validation of the concept of ethical leadership behavior which is very vital in order to have an effective work situation and organizational culture. In this era, the new leadership style places interest on the importance of virtue and morality. Many researchers, mostly stress truthfulness and honesty in this leadership style (Brown et al., 2005). Brown and Treviño, (2006), emphasized that ethical scandals are spreading in several workplace environments such (in nonprofit organizations, sports, and religious institutions), which echoed out the importance of ethical issues and leadership behaviors that have ethical content in order to minimize the phenomenon. Thus, ethical leadership was defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the advancement of such conduct to the followers through two-way communication, reinforcement, and decision making” (Brown et al., 2005, p. 120). As emphasized earlier, this conduct could be promoted to the followers by two-way communication, reinforcement, and decision-making. In the previous studies, ethical leadership generally stressed integrity and honesty (Eubanks, Brown, & Ybema, 2012; Kuntz, Kuntz, Elenkov, & Nabirukhina, 2013), and ethical leaders remained as honest, and principled decision-makers. The scholars categorized these features as the moral character of ethical leaders.

Numerous empirical studies have provided evidence that ethical leadership is associated with the ethical conduct of employees (Stead et al., 1990; Mayer et al., 2009). Stead et al., (1990) stressed that top managers and supervisors signify a serious organizational component that influences the ethical conduct of employees. Ethical

leaders represent positive individual characteristics and pursue to influence their employees by actively commanding for ethical conduct. Ethical leadership is an aspect of regulating behavior within individual relationships in the organization that can reinforce and improve employees' ethical behavior. An ethical leader can have an influence on employees through the socio-emotional exchange (Mayer et al., 2009). The socio-emotional exchange is a behavior which creates trust and fairness between leaders and employees (Blau, 1964). Employees will not tend to behave unethically when they notice their leaders treat them honestly and believe that the leader's behavior benefits the organization (Mayer et al., 2009). Therefore, previous researchers have also studied the influence of ethical leadership on employees' ethical behavior and highlighted that ethical leadership is the most important element within the organization (Viswesvaran, Deshpande, & Joseph, 1998; Chye & Boo, 2001). Dickson, Smith, Grojean, and Ehrhart, (2001) showed that supervisors' ethical behaviors could strongly influence employees' ethical behavior and revealed that leaders could reinforce employees' ethical behaviors by continuously communicating with them. They described that most employees' ethical concepts and behavior could be changed while following the ethical instruction from their managers. More recently some studies have confirmed that ethical leaders are an essential factor and critically influence the individual's behavior (Lu & Lin, 2014; Constandt, De Waegeneer, & Willem, 2018; Dimitriou & Ducette, 2018; Neves, Almeida, & Velez, 2018; Sosik, Chun, Ete, Arenas, & Scherer, 2019). Hence, this study suggested that ethical leadership has strongly influenced employees' ethical behavior. Thus, the hypothesis was formulated as follows:

**Hypotheses-1:** Ethical leadership behavior has a positive effect on the employees' ethical behavior.

### 2.5.2 Mediation Effect of Ethical Climate

An organization's climate is one tool the organization can use to help employees make sense of the work environment, by helping employees discern how to behave appropriately. Because the climate is more tangible to employees and easier to change than culture (Treviño et al., 1998; Treviño, et al., 2006; Parboteeah, Weiss, & Hoegl, 2018). By enacting standards (i.e., ethical climate), such that doing the right thing is both highly valued and expected. However, an ethical climate has high potential to influence employee ethical behaviours (Deshpande & Joseph, 2009; Mayer et al., 2010), as it is critically associated with perceptions of trust and moral standards related to perceived rightness or wrongness (Treviño, et al., 2006). Furthermore, it enforces ethical practices, policies, and procedures, such that it signals that "doing the right thing" is highly expected, encouraged, and valued (Bedi, et al., 2016). Therefore, in the current study, ethical climate has been introduced as an important mediation on the relationship between ethical leadership and ethical behavior of employees. Victor and Cullen, (1988) defined ethical climate "as the prevailing perceptions of typical organizational practices and procedures that have ethical content". Therefore, "the ethical climate of an organization involves normative values and beliefs concerning moral issues that are shared by the employees of that organization" (Treviño et al., 1998; Treviño, et al., 2006; Treviño, et al., 2014). Therefore, the social exchange theory proposed the norms of reciprocity or perceived obligation to return favors undergird many social relationships (Gouldner, 1960; Blau, 1964; Bedi, et al., 2016; Newman, Round, Bhattacharya, & Roy, 2017).

Notably, extant research has demonstrated how ethical leaders are critical in improving ethical climate (Dickson et al., 2001; Schminke, Ambrose, & Neubaum, 2005; Mayer et al., 2009). Ethical leaders set the ethical criteria for an organization by enacting practices, policies, and processes that help to facilitate employee's perceptions of the organization's ethical climate (Mayer et al., 2009). Schminke et al., (2005) examined the

relationship between a leader's moral and ethical climate in organizations. They found that a leader's moral is associated with ethical climate variables such as caring orientation, regulation orientation, organization, regulation, and independent judgment decision which are all involved in the ethical leadership orientation. Mayer et al., (2009) drew on the learning theory to explain the effects of ethical leadership on ethical climate which revealed that subordinates could observe both the leader's behavior and organizational processes and according to that they set their behaviors. Engelbrecht, Van Aswegen, and Theron, (2005), found that ethical leadership was positively linked to ethical climate. Though different researchers have articulated slightly different procedures on a leader's approach which affects an organization's ethical climate (e.g., role modeling, rewards, selection, and communication), nevertheless, they all agree that ethical leaders have real power to produce and maintain ethical norms and procedures, in order to make a standard of ethical climate (Schminke et al., 2005; Ofori, 2009; Lu & Lin, 2014).

Furthermore, the ethical leader's signal to employees is that doing the right thing is expected, valued, and appreciated. Employees are more probable to perceive an ethical organizational climate when ethical leaders demonstrate to followers how to be skillful in recognizing ethical issues and be equipped for managing ethical issues (Mayer et al., 2012). Recently several studies have shown that ethical leadership is positively associated to the ethical climate, as their findings indicated that when there is an ethical leadership within an organization that will shape ethical values at the workplace and that in turn influence the follower's ethical conduct (Lu, Kuo, & Chiu, 2013; Lu & Lin, 2014; Demirtas & Akdogan, 2015; Zhang & Zhang, 2016; Aryati, Sudiro, Hadiwidjaja, & Noermijati, 2018). Thus, based on the above argument the current study presented that ethical leadership has significantly influenced ethical climate perception.

As mentioned earlier, ethical leaders are critical in developing an ethical climate (Dickson et al., 2001; Schminke et al., 2005; Mayer et al., 2009). Meanwhile, ethical climate construct is a significant component in influencing employee's behavior. Thus, in this study ethical climate has been addressed as an important mechanism for many reasons. Firstly, an organization determines the ethical standards for itself by enacting practices, policies, and processes that help to facilitate employee's perceptions of the organization's ethical climate. This is based on the policies and practices that the management emphasized and how to deliver them to employees that will impact employees' perceptions of ethical climate. Ethical climate means decisions with ethics in practice, procedures, and consider "what is the correct thing to do" regarding ethical norms, by regularly communicating with subordinates regarding ethics, and rewards and punishing employees in accordance with ethical principles. In this way, ethical climate standards make it clear to employees that upholding ethics is an essential organizational outcome (Brown & Treviño, 2006; Mayer et al., 2009).

Secondly, ethical climate is associated with the perception of trust, responsibility, and high moral standards regarding perceived rightness or wrongness (Luria & Yagil, 2008) within the organization. Previous researchers have demonstrated that the unethical environment may bring out significant negative consequences of employees' behaviors within the organizations (Jaramillo, Mulki, & Marshall, 2005). Ethical climate, in particular, is expected to enforce practices, policies, and processes that serve to maintain the ethical behavior of employees. Thirdly, ethical climate such as measures, processes and policy signals to employees doing the right thing are expected, encouraged and valued. Which, in turn, employees are more potential to perceive an ethical organizational environment (Mayer et al., 2009). Furthermore, ethical climate, are clear standards, practices, procedures, which are demonstrated to followers on how to be skillful in recognizing ethical issues and be equipped in handling ethical issues. Additionally,

subordinates who received these signals, the perceived ethical climate is clear and is essential to maintain high ethical standards without feeling pressure to forego ethical conduct for the sake of achieving business objectives. In that instance, they are more likely to display better behavior.

Furthermore, previous empirical studies have clearly exhibited that an organization's ethical climate can impact the ethical conduct of its employees (Treviño et al., 1998; Victor & Cullen, 1988; Schwepker, 2001; Deshpande & Joseph, 2009). Deshpande and Joseph, (2009) revealed that the ethical climate of an organization significantly influences the ethical behavior of employees. Schwepker, (2001) argued that ethical rules, ethical policy, and the reward system are essential components for building an ethical climate and sustaining the most significant impact on employees' ethical behavior and adaptation. Luria and Yagil, (2008) proposed several measures for ethical climate which include deregulation, moral standards, and trust. The dimensions that were empirically identified by previous studies as influencing employees' ethical behavior are rules, policies, independence, caring, professional standards, and the law code (Victor & Cullen, 1988; Okpara & Wynn, 2008; Tsai & Huang, 2008). More recently, some important studies revealed that ethical climate is essential to influence ethical behavior (Mayer, Kuenzi, & Greenbaum, 2010; Choi, Ullah, & Kwak, 2015; Demirtas, 2015; Engelbrecht et al., 2017; Teresi, Pietroni, Barattucci, Giannella, & Pagliaro, 2019). Despite, the aforementioned studies have revealed the direct effect of ethical leadership toward work ethical climate as well as the direct effect of ethical climate on employees' ethical behavior. However, this study argued that whether ethical climate may be an essential mechanism on this relationship in order to explain this relationship more profoundly. In essence, by role modeling appropriate behavior, organizational perceptions help to create an ethical climate in which doing the right thing is valued, which in turn employees perceive that an ethical climate will show better behavior (Brown et al., 2005; Mayer et al., 2009).



Thus, in this study, ethical climate was examined as an essential mechanism on the relationships between ethical leadership and employees' ethical behavior.

**Hypotheses-2:** Ethical climate mediates the relationship between ethical leadership and employees' ethical behavior.

### **2.5.3 Mediation Effect of Organizational Justice**

Organizational justice deals with understanding the complexity of fair treatment in a work setting, which is reflected in the classic precepts of justice (Colquitt et al., 2001). Thus, the present study proposed that the mediation effect of organizational justice is one of the main contributions which identified the relationship between ethical leadership and employees' ethical behavior. Organizational justice is described by Colquitt et al., (2001) as the subjective perception of people's fairness in organizations. Moreover, based on the assumption of social exchange theory that the norms of reciprocity or perceived obligation to return favors undergird many social relationships (Gouldner, 1960; Blau, 1964; Treviño et al., 2014; Karam, et al., 2019).

As managers have legitimate power over employees and are also in control of critical organizational resources, they are, therefore, in a unique position to mete out justice (Brown et al., 2005). More significantly, managers are frequently thought to be the core agents of the organization (Li et al., 2012), and their ethical behavior may strengthen the employees' view that perceived justice is an appropriate way of dealing with ethical conduct (Lind, 2001). In an organization, employees usually look to their leaders for ethical guidance. The personal and professional conduct of leaders at work should, thus, serve as a model of normatively appropriate behavior (Brown et al., 2005). In terms of personal conduct, an ethical leader is a moral individual who does the proper thing. He or she is fair, honest, trustworthy, principled in decision-making, caring towards employees, and concerned with the means rather than the ends (Brown & Treviño, 2006).

Regarding professional conduct, an ethical leader is a moral manager who treats people right. He or she sets explicit ethical standards and expectations, proactively communicates these ethical standards and expectation to followers, and uses rewards and discipline to encourage followers to engage in ethical conduct (Brown et al., 2005). Thus, ethical leadership is supposed to assist in developing positive work behavior among followers, such as dedication to the line of work, organizational commitment, and ethical conduct of employees in the workplace (Brown et al., 2005; Brown & Treviño, 2006). In addition, Neubert et al., (2009) suggested that ethical leadership behavior is mainly concerned with the justice aspects regarding listening and ethical decision making.

People care deeply about how they are treated by others. Organizational justice focuses on perceptions of fairness at the workplace (Cropanzano & Greenberg, 1997; Greenberg, 1990; Angelidis & Ibrahim, 2011), which involves four components (Colquitt et al., 2001). The first component is distributive justice, which touches on the fair allocation of outcomes (rewards and punishments) according to each employee's performance (Steensma & Visser, 2007; Burney, Henle, & Widener, 2009). Distributive justice has been extensively studied since the equity theory was developed by Adams (1963). The second component is procedural justice, which refers to the perceived fairness of the processes, i.e., procedures and policies used and their enactments in determining outcomes or resource distributions (Colquitt et al., 2001; Greenberg, 2011; Rhoades, Eisenberger, & Armeli, 2001; Ambrose & Schminke, 2009). Procedural justice is defined as neutrality, status social status or position within a group or process and trust. (Folger & Cropanzano, 1998; Cropanzano et al., 2001). The third component is interpersonal justice, which can be defined as an individual's concern on the "quality of interpersonal treatment they meet during the enactment of organizational procedures" (Colquitt et al., 2001). Lastly, informational justice can be explained as "the procedure of receiving all important information appropriately and through open communication"

(Colquitt et al., 2001). This is regarded as one of the unrestricted factors of organizational justice because of the different communication strategies adopted by organizations, as this may affect the different perceptions of employees. Thus, informational communication can play a critical role in any organization's success or failure. Hence, it may likewise be assumed that given clear communication, the probability of unethical activities can be minimized.

The earlier studies on organizational justice is influenced by the supervisor at the workplace (Colquitt et al., 2001; Ambrose, Hess, & Ganesan, 2007). Therefore, as mentioned previously the individuals' behavior is influenced by organizational justice (Greenberg & Cropanzano, 1993; Cohen-Charash & Spector, 2001; Cropanzana, Bowen, & Gilliland, 2007). According to Brown et al., (2005), ethical leadership behavior is mainly concerned with the procedural aspects of ethical decision-making and the distributive aspect of providing results for ethical behavior. The perception of managers being interpersonally just likely elevates their status as a moral authority, which improves their influence on virtuously shaping perceptions of an ethical workplace environment (Roberson & Colquitt, 2005).

As such, managers are likely to be more effective in influencing the prevailing perceptions of fair atmosphere when the manager who is exhibiting ethical behavior is likewise perceived as being interactionally just (Cohen-Charash & Spector, 2001; Cropanzana et al., 2007). Previous researches related to ethical leadership and organizational justice perception, emphasized that ethical leaders have critically influenced the perception of organizational justice (Rupp & Cropanzano, 2002). Besides, other studies indicated that the quality of ethical leaders have strongly increased the perception of justice perception (Brown et al., 2005; Roberson & Colquitt, 2005; De

Gieter, De Cooman, Hofmans, Pepermans, & Jegers, 2012). Hence, this study proposed that ethical leadership is strongly linked to organizational justice.

Furthermore, as mentioned earlier, organizational justice was considered as an important mediation on the relationship between ethical leadership and the ethical behavior of employees, for two reasons. First, fairness is one of the most significant characteristics of ethical leadership as ethical managers also exhibit fairness, honesty, and trustworthiness. As a consequence, employees working under a fair environment are more likely to perceive organization justice to be credible. Also, employees will have the confidence to rely on these processes of fairness to reduce uncertainty about the relationship with the employer and to behave ethically under this fairness environment. In contrast, employees working under unfairness and dishonest behavior would perceive an inconsistency between the leadership behavior and organizational justice. They may then question whether the fairness procedures in place are credible information that facilitates them to predict the future. They are less likely to rely on this organizational justice to set a relationship with their organization that puts forward in the trust whether to act ethically or not (Brown et al., 2005; Xu et al., 2016). Furthermore, it was noted that justice has become essential and vital because employees use it to infer how others will treat them.

Second, organizational justice conveys the expectations to employees through clear procedures, distribution, and the form of treatment that employees may receive from their employer (Colquitt et al., 2003; Brown et al., 2005). Recent studies have revealed that organizational policies and practices should draw employees' attention to the organization's fairness, such as making fairness sufficiently salient to stand out in the organizational setting. Consequently, employees tend to believe that justice is significant in determining whether they can continue working in the organization. In contrast,

employees feel that there are poor fairness and moral standards in the organization. Employees working under, such an environment are less likely to rely on organizational justice that will reduce their behavior. They will act in an unethical manner to achieve their interest's goals rather than the collective and organizational goals (Demirtas, 2015; Xu et al., 2016; Nisar, Othman, & Kamil, 2018; Sharma & Yadav, 2018; Gumusluoglu, Karakitapoğlu-Aygün, & Hu, 2020). The above studies ignored to test whether organizational justice display as mechanism. However, this relationship could be mediated by organizational mechanisms that could be shaped via the practice of ethical leadership by managers within the organization. In particular, organizational justice could be such a mediating mechanism. Organizational justice has been reported as one of the most important factors to have an essential impact on the ethical behavior of employees (Brown & Treviño, 2006; Treviño, et al., 2014; Demirtas, 2015; Othman, & Kamil, 2018). Therefore, based on that logical explanation this proposed organizational justice a critical mechanism on the relationship between ethical leadership and ethical conduct of employees.

**Hypotheses-3:** Organizational justice mediates the relationship between ethical leadership and employees' ethical behavior.

#### **2.5.4 Moderation Role of Moral Identity**

Every individual has the capacity to identify with others on a multitude of variables, including but not limited to shared traits, common familial bonds, or similar interests. These variables may be abstracted to higher-order social identities linked to avocational, political, religious, or ethnic groups (Deaux, Reid, Mizrahi, & Ethier, 1995; Aquino, et al., 2009; Hertz, & Krettenauer, 2016). Together, the many social identities that people possess constitute their social self-schema, defined as an organized and unique knowledge structure in memory that links social identities to the self (Markus, 1977;

Aquino and Reed, 2002; Vitell, et al., 2016). The social self-schema organizes one's social identities and directs attention to new self-relevant information. This general tendency to differentially process self-relevant information has been shown to occur for diverse characteristics such as gender (Skitka & Maslach, 1996; Patrick, Bodine, Gibbs, & Basinger, 2018), mathematical aptitude (Lips, 1996), and other kinds of personality traits (Fekken & Holden, 1992). Thus, it seems reasonable to suggest that self-conceptions can also be organized around moral characteristics and that moral identity is another potential social identity that may be a part of a person's social self-schema (Aquino and Reed, 2002). Nevertheless, the concept of moral identity is derived from the belief that one's identity must be linked to one's belief of those morals that one practices in. Hardy and Carlo, (2005) defined moral identity as the degree of being a moral individual. Concerning this, Ashforth and Mael, (1989) mentioned that moral identity is a concept that is rooted in the theory of social identity. The reason is that an individual's self-concept is also reflective of the social schema that defines him/her respectively since it is also used to regulate his/her moral behaviour (Kelley & Stahelski, 1970; Hales, 1985; Hardy & Carlo, 2005). Moral identity, as a regulator of one's moral behaviour, is easily understood through the respective manifestation of one's behaviour when among other societal actors. Moral identity can be described as a person's inward belief and values that is displayed outwardly as an illustration to others. This concept has also been supported by Blasi (1984, 1990) who insisted that moral self-conception is one's self-importance, as can be seen in one's moral identity. This concept of moral self-conception is in tandem with one's moral conduct (Aquino and Reed, 2002; Gerpott, et al., 2019).

Thus, moral identity is deep-rooted in the theory of social identity (Ashforth & Mael, 1989). Moral identity is one of many social identities that constitutes a person's self-concept and is a social schema that defines the self-concept and regulates moral behavior (Kelley & Stahelski, 1970; Hales, 1985; Hardy & Carlo, 2005; Jia, Soucie, Alisat, Curtin,

& Pratt, 2017). Since Blasi, (1990) asserted that moral self-concept (i.e., self-importance of moral identity) is linked with moral behaviors, many researchers have attempted to measure moral identity (Hart et al., 1998). Aquino and Reed, (2002) defined the concept of moral identity by adapting a trait-based definition of moral identity. They suggested that there are regularly accepted moral traits that encompass moral value. As has been identified, the nine moral traits that contain a person's moral identity, which they called the self-importance of moral identity (SIMI); are "caring, compassionate, honest, friendly, generous, helpful, hardworking, honest, and kind". They classified these traits into two categories; internalization and symbolization. A person facing a situation is likely to retrieve a specific identity among his or her multiple social identities to the point that such an identity is more significant to the individual. For instance, individuals with high moral identity tend to consider internalized moral values such as caring, compassion, and honesty more than individuals with low moral identity (Aquino & Reed, 2002; Bergman, 2002; Reynolds & Ceranic, 2007; Aquino, Freeman, Reed, 2009; Zhu, Treviño, & Zheng, 2016). So, the more critical a moral identity is to a person, the more likely this identity is activated which regulates a person's behavior in a particular condition.

Therefore, moral identity is considered as vital moderation in this study, for several reasons are discussed as followed. Firstly, according to Baron and Kenny, (1986) and Frazier, Tix, and Barron, (2004) moderator variables are typically introduced when there is an unexpectedly weak or inconsistent relation between a predictor and the outcome variable. However, in the previous studies on the relationship of organizational justice and employees' ethical behavior, it was highlighted in the literature that organizational justice has a positive and substantial impact on employees' behaviors (Elamin & Alomaim, 2011). When the subordinates receive fair treatment, they are more likely to perceive, greater perceptions on organizational justice, which in turn contribute to positive behavior (Schyns, 2001; Oshio & Kobayashi, 2009; Wang, Xing, Xu, & Hannah,

2019). Furthermore, some other researchers have found various results. For example, as indicated by Koonmee, (2010) organizational justice has less importance about the fulfillment of employee's behaviors. Shah et al., (2017) indicated in their study that there was a particularly less relationship between organizational justice on the ethical behavior of employees. Moreover, De Cremer, (2007) and Thau and Mitchell, (2010) observed that organizational justice components do not deliver a good or a detrimental consequence on the emotions of the employees. Additionally, as has been observed, mistreatment and disrespectful behavior have a negative consequence on the perception of employees' behaviors, resulting in negative feelings like frustration, stress, or anger (Chen & Spector, 1992; Fitness, 2000). As mentioned above, there is an inconsistent relationship between organizational justice and employees' ethical behavior. Thus, moral identity was identified as moderator to strengthen these relationships.

Furthermore, it was mentioned in prior studies on the relationship of ethical climate and employees' ethical behavior which indicated there is an inconsistent relationship as well. For example, Lu and Lin, (2014), Demirtas and Akdogan, (2015) and Engelbrecht et al., (2017) have indicated a positive impact of ethical climate on the ethical conduct of employees. Nevertheless, some researchers have gathered different findings. For example, (Deshpande, 1996; Wimbush, Shepard, & Markham, 1997; Deshpande & Joseph, 2009; Duh, Belak, & Milfelner, 2010; Jahantigh, Zare, & Shahrakipour, 2016) have indicated that there is less impact of ethical climate and ethical behavior on employees. Hence, the present research proposed the moral identity as potential factor that may was strengthen relationship between ethical climate and organizational as well.

Secondly, typically, moral identity is studied as an individual difference. However, extant research suggests that people read the cues of their environment to take on the accepted traits of the environment (Hardy & Carlo, 2005; Nelissen et al., 2007; Tanghe



et al., 2010; O'Keefe, Peach, & Messervey, 2019). When members of a unit are exposed to the same cues, they can develop shared perceptions regarding the importance of upholding moral traits, which is reflected by a collective moral identity. Moral identity represents the extent to which employees in the work internalize moral traits as central to their shared unit conception. Because of the importance of behavioral consistency to one's identity (Aquino & Reed, 2002). Interestingly, while similar factors typically influence the actions of individuals, it has been found that the strength of this relation depends on several intra-individual variations (Nelissen et al., 2007; Tanghe et al., 2010). The gathering of beliefs that people have about themselves or their self-conceptions is a possible critical factor in this regard (Hardy & Carlo, 2005; Pletti, Decety, & Paulus, 2019). A personality-conception that is particularly important in the context of ethical conduct is one's moral identity, defined as a self-conception organized around a set of moral traits (Aquino & Reed, 2002). The more core the moral identity of a person is, in the sense of identity, the more critical it is of being moral for the person. However, it is not surprising that a growing research team has shown that moral identity is a powerful regulator and motivator of ethical behavior (Lapsley & Lasky, 2001; Hardy & Carlo, 2005; Detert, Treviño & Sweitzer, 2008; Shao, Aquino & Freeman, 2008). Besides that, although a considerable measure of research has also shown that people react to their unfair treatment by engaging in unethical behavior as a sort of retribution (Mitchell & Ambrose, 2007; Tepper et al., 2009; Thau & Mitchell, 2010; Holtz & Harold, 2013), some people may find it immoral to respond to third-party mistreatment by engaging in unforeseen behaviour. Individuals, in particular, who are high in moral identity, may have weaker tendencies to respond to an observed abuse of governance such as mistreatment or procedures by engaging in unethical behaviors that can cause aversive effects on par with abuse of others. The more a person embraces morality as a central element of his or her self-conceptions, the easier it is for them to access that aspect of their identity in order

to make moral decisions (Lapsley & Lasky, 2001; Aquino & Reed, 2002; Blasi, 2004). In turn, it has been shown that the strength of a person's moral identity is involved in the way a person responds to and interprets ethical choices (Shao et al., 2008), which may have implications for the way he/she responds to observed maltreatment.

Thirdly, Blasi, (1984) and Zhu, et al., (2016) contended that people who actively embrace a moral identity, desires to preserve a sense of self-consistency between what they believe to be correct and their behavior. To engage in behaviors that are equally egregious is an offending behavior which is likely to make an effect on an individual who is high in the moral identity to feel inauthentic. Furthermore, it was argued that individuals who are high in moral identity are more likely to apply self-regulatory mechanisms in guiding moral behavior. These self-regulatory mechanisms prompt people to think "what is the proper thing to do" in response to moral dilemmas and to understand that organizational deviance like mistreatment and unethical issues of the organizations are an inappropriate kind of retribution. Examples of unexpected behaviors include spreading untruth stories about the organization, leaving work for somebody else to perform, putting little effort into work, and failing to follow supervisors' instructions (Bennett & Robinson, 2000). Additionally, an employee who witnessed a supervisor who abused his employees, and who is also high in moral identity, may conclude that his behavior is just as violent as the abusive behavior he/she witnessed. Employees high in moral identity may be more likely to conclude that unethical conduct is an inappropriate response because it (i) causes harm to another entity (ii) may cause additional adverse effects that increase the underlying problem and (iii) may be construed as equally unfair as the offending act (Rupp & Bell, 2010; Wang, & Hackett, 2020). Even though those high in moral identity may have stronger moral reactions to others, nevertheless, their desire is to maintain moral self-consistency. Their practice of moral self-regulatory mechanisms, is expected to weaken their tendency in order to be involved in unethical

behavior as a way of restoring their misconduct such as policy practices (Aquino & Reed, 2002; Hardy, Nadal, & Schwartz, 2017; Hannah, Thompson, & Herbst, 2020).

However, even if an organization does all that is necessary to guarantee fair and value outcomes and processes in the organization, employees may react to these aspects differently. Due to, moral identity perspective, the moral identity and self-systems play an important role in regulating moral behavior (Hardy and Carlo, 2005; Vitell et al., 2009; Hannah, et al., 2020). The advocates of the moral identity model argue that individuals form their identity by making moral commitments that are central to their self-definition and self-consistency (Bergman, 2004; Nadal, & Schwartz, 2017). One implication of the moral identity model is that individuals may have similar moral beliefs but differ in how an essential morality is to their self-identities. Specifically, Aquino, and Reed, (2002) and Reed, Kay, Finnel, Aquino, & Levy, (2016) suggest that people construct their moral self-definition in terms of traits around which personal identities are organized. This social-cognitive approach grounds the concept of moral identity into a moral self-schema that can become more, or less, activated in different situations. Thus, as mentioned above, it is substantial to consider moral identity as an essential moderator on the relationship between ethical climate and employees' ethical behavior and between organizational justice and ethical behavior of employees as well. Hence, based on the above argument the following hypotheses have been formulated.

**Hypotheses-4:** Moral identity moderates the relationship between ethical leadership and employees' ethical behavior such that the relationship is stronger under a high level of moral identity than under a low level of moral identity.

**Hypotheses-5:** Moral identity moderates the relationship between work ethical climate and employees' ethical behavior such that the relationship is stronger under a high level of moral identity than under a low level of moral identity.

**Hypotheses-6:** Moral identity moderates the relationship between organizational justice and employees' ethical behavior such that the relationship is stronger under a high level of moral identity than under a low level of moral identity.

## **2.6 Underpinning Theory**

Throughout the past decades, scholars have discussed that the essence of effective leadership remains as ethical behavior (Brown et al., 2005; Brown & Treviño, 2006). Ethical behavior remains a central factor in some leadership theories, such as transformational leadership (Bass, 1985), authentic leadership (Avolio & Gardner, 2005), servant leadership (Greenleaf, 1977), and spiritual leadership (Fry, 2003). For example, transformational leadership, addressed the ethical role of modeling (Avolio, 1999), authentic leadership stressed on principled decision-making (Brown & Treviño, 2006), and spiritual leadership emphasized on leader integrity and moral treatment of others (Reave, 2005). However, the above-mentioned theories highlighted the significance of ethical leadership but none of them exclusively clarifies the influence of the leaders' ethical behavior on the follower's ethical behavior (Brown & Treviño, 2006). Thus, on the understanding of ethical leadership and its consequences on employees and the environment, Brown, and Treviño, (2006) have proposed two dominant theories, namely Social Learning Theory (Bandura, 1986) and Social Exchange Theory (Blau, 1964). Precisely, Bedi, et al., (2016) in their meta-analysis mentioned that social learning theory (Bandura, 1986) and social exchange theory are the most suitable in explaining the antecedents of followers' ethical behavior and the outcomes of ethical leadership. Therefore, this study these theories are considered in order to underpin the proposed research model.

### 2.6.1 Social Learning Theory (SLT)

Social learning theory (SLT), is a theory of social behavior which suggests that new behaviors can be acquired or imitated by observation and learning (Brown, et al., 2005). Drawing from social learning theory (SLT), observed attitudes from leaders and moral learning contribute to the follower's moral development (Brown & Treviño, 2006). Leaders possess the power to influence the actions of employees either in a morally acceptable way or otherwise (Reb, Narayanan, & Chaturvedi, 2014). Leaders in the workplace that are ethically motivated will be careful to emphasize morality.

Particularly, social learning theory (SLT) focuses on the antecedents and outcomes of ethical leadership and suggests that individuals learn the norms of appropriate conduct in two ways; through their own experience, and by observing others (Bandura, 1986). Generally, in learning such norms, individuals pay attention and consider reliable and role models (Brown & Treviño, 2006). However, ethical leader considers as role models or ethical leaders when they display integrity and high standards of ethical behavior in the workplace for themselves as well as for others (Brown et al., 2005). Thus, employees are more likely to emulate and adopt the value-driven behaviors of their role model ethical leader (Treviño et al., 2003; Brown & Treviño, 2006). Role modeling impact ethical behavior through motivational and informational means (Bandura & Walters, 1977). Therefore, leaders who are role models inspire ethical behavior by establishing the type of activities they desire to encourage and reward. Leaders also assist as an informational leader for appropriate behaviors. More precisely, in line with social learning theory behaviors by significant others provide powerful guidelines. Managers are relevant role models for employees, and to learn appropriate behaviors, employees likely emulate their managers' behaviors. These noticeable authority figures garner attention and convey attractive information and when they display ethical leadership, they signal their integrity (trustworthiness, fairness), concern for others, and ethics (Bandura, 1986). Because

managers who display ethical leadership are likely attractive to employees and their ethical behavior should spread, through social learning processes (Brown & Treviño, 2006; Hansen, Alge, Brown, Jackson, & Dunford, 2013).

Additionally, ethical leaders exhibit moral manager roles too (i.e., role modelling, ethical standards, punishment and rewarding systems, communication) (Brown et al., 2005; Brown & Treviño, 2006; Hansen, et al., 2013; Bedi, et al., 2016; Bai, Lin, & Liu, 2019) so, in transactional efforts, their influence on the ethical behavior of employees should become even more salient. Therefore, this study draws on this dominant theory to explain the complex relationship between ethical leadership and employee ethical behavior focusing on the environmental and personal aspects (e.g., ethical climate, organizational justice, and moral identity) in order to enhance the theory. Thus, work ethical climate and organizational justice as two intervening mechanisms and employee moral identity as a potential boundary condition that explains this relationship deeply.

### **2.6.2 Social Exchange Theory (SET)**

Social exchange theory (SET) is a holistic theory to understand the individual reactions and actions on the environment (Bandura, 1986). According to social exchange theory, individuals attain information about themselves and others from the social environment, form internal standards about their behavior and regulate their behaviors in accordance with the internal standards (Bandura, 2001). Therefore, social exchange theory is a broad conceptual paradigm that spans a number of social scientific disciplines, such as management, social psychology, and anthropology. Despite its name, it is not a single theory but is better understood as a family of conceptual models (Cropanzano & Mitchell, 2005; Cropanzano, Anthony, Daniels, & Hall, 2017). In this regard, all social exchange theory shares a number of common features. Social exchange theory treats social life as involving a series of sequential transactions between two or more parties (Mitchell,

Cropanzano, & Quisenberry, 2012). Resources are exchanged through a process of reciprocity, whereby one party tends to repay the good (or sometimes bad) deeds of another party (Gouldner, 1960; Gergen, 1969; Cropanzano, et al., 2017).

The quality of these exchanges is sometimes influenced by the relationship between the actor and the target (Blau, 1964). Economic exchanges tend to be *quid pro quo* and involve less trust and more active monitoring, whereas social exchange tends to be open-ended and involve greater trust and flexibility (Organ, 1988, 1990). Building on these straightforward ideas, social exchange theory is one of the most enduring and widely used conceptual frameworks (Cropanzano & Mitchell, 2005; Bedi, et al., 2016). At one time or another, many of the most important topics in organizational behavior have been analyzed through the lens of social exchange theory. For example, organizational citizenship behaviors (Organ, 1988, 1990), commitment (Bishop, Scott, & Burroughs, 2000), justice (Tepper & Taylor, 2003), and both supervisory and organizational support (Ladd & Henry, 2000; Hansen, et al., 2013), and individuals ethical behavior (Brown & Treviño, 2006) have been fruitfully explored using this conceptual model. Typically, the social exchange process begins when an organizational actor or perpetrator, usually a supervisor or coworker, treats a target individual in a positive or negative fashion (Farrell & Rusbult, 1981; Eisenberger, Lynch, Aselage, & Rohdieck, 2004).

Thus, in terms of the environmental perspective, this study suggests that ethical leadership forms shape follower's behaviors through work ethical climate and fair treatment. Therefore, the suitable theory for the exchange process among parties is the social exchange theory. Basically, social exchange theory proposes that the norms of reciprocity or perceived obligation return favors that undergird many social relationships (Blau, 1964; Gouldner, 1960; Brown & Treviño, 2006; Zhao, Chen, Wang, & Chen, 2017). Based on the social exchange theory, when individuals perceived the

organization's practices as caring and concerned for their well-being, they will feel more committed to reciprocity with positive behavior because socio-emotional exchanges require trust and fairness between leaders and employees (Blau, 1964). When employees perceive that they are treated fairly and express concern for their welfare, they believe the leaders' behaviors are designed to benefit the organization and its workforce. In such a social exchange context, employees likely reciprocate with behaviors and actions designed to benefit the managers and the organization too (Blau, 1964), such that they may be less likely to intend to behave unethically (Eisenberger, et al., 2004; Brown et al., 2005; Brown & Treviño, 2006). Therefore, based on these arguments, this study argues that ethical leaders and the organization procedures cause feelings of trust and fairness in their followers, and at an established workplace where the subordinates will probably reciprocate with positive behavior (Brown et al., 2005; Brown & Treviño, 2006; Ahmed, Khuwaja, Brohi, Othman, & Bin, 2018).

Therefore, in this research social learning theory (individual aspects) and social exchange theory (environment aspects) are considered in order to explain the research model very well with its constructs which provides an insight into the concept of ethical leadership and employees' ethical behavior. Ethical leadership can be defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the advancement of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown et al., 2005, p. 120). This definition highlights two important components of ethical leadership. First, an ethical leader is seen as "moral persons" as role models who will prove ethical conduct. Secondly, the ethical leader remains as "moral managers" who actively encourage ethical conduct and they clearly communicate their ethical criteria and hold followers accountable for ethical behavior. Thus, ethical leaders shape followers' work-associated



outcomes in two ways directly through role modeling and indirectly through social exchange.

## **2.7 Research Framework**

This study aims to determine the effects of ethical leadership behavior on ethical behavior of employees. Besides, the mediating role of work ethical climate and organizational justice are explored among the above relationship. The independent variable and the criterion variables of this study are based on the integration of theories such as social learning theory and social exchange theory as mentioned earlier. In addition, the values were added to the current study framework such as the organizational justice and ethical climate as a mechanism role of the relationship between ethical leadership and dependent variable (employees' ethical behavior). Importantly, moral identity was used as a moderating role of the relationship between ethical climate and organizational justice and dependent variable (employees' ethical behavior). The above theories were used to support the concepts of the current conceptual framework.

The data was provided by employees from the Iraqi organizations. The research tends to optimize the current model which has used Structural Equation Modeling (SEM) to provide the effect of ethical leader behaviors which has an influence on the ethical behavior of employees based on the Iraqi context at the individual level of analysis. So, Figure 2.3. presents the conceptual model of this study and Figure 2.4. showed the research model with its measurement.

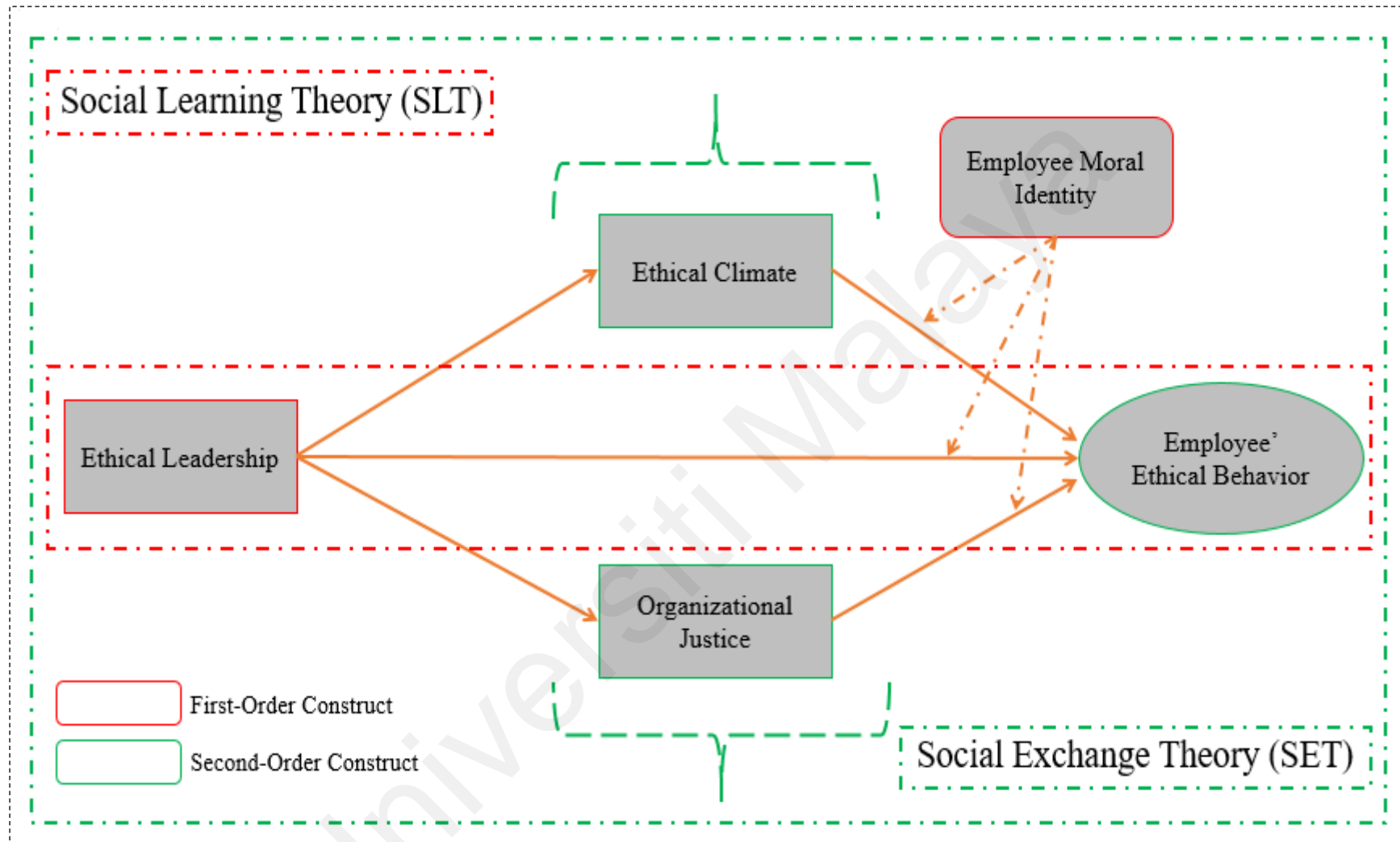


Figure 2.1: Conceptual Model

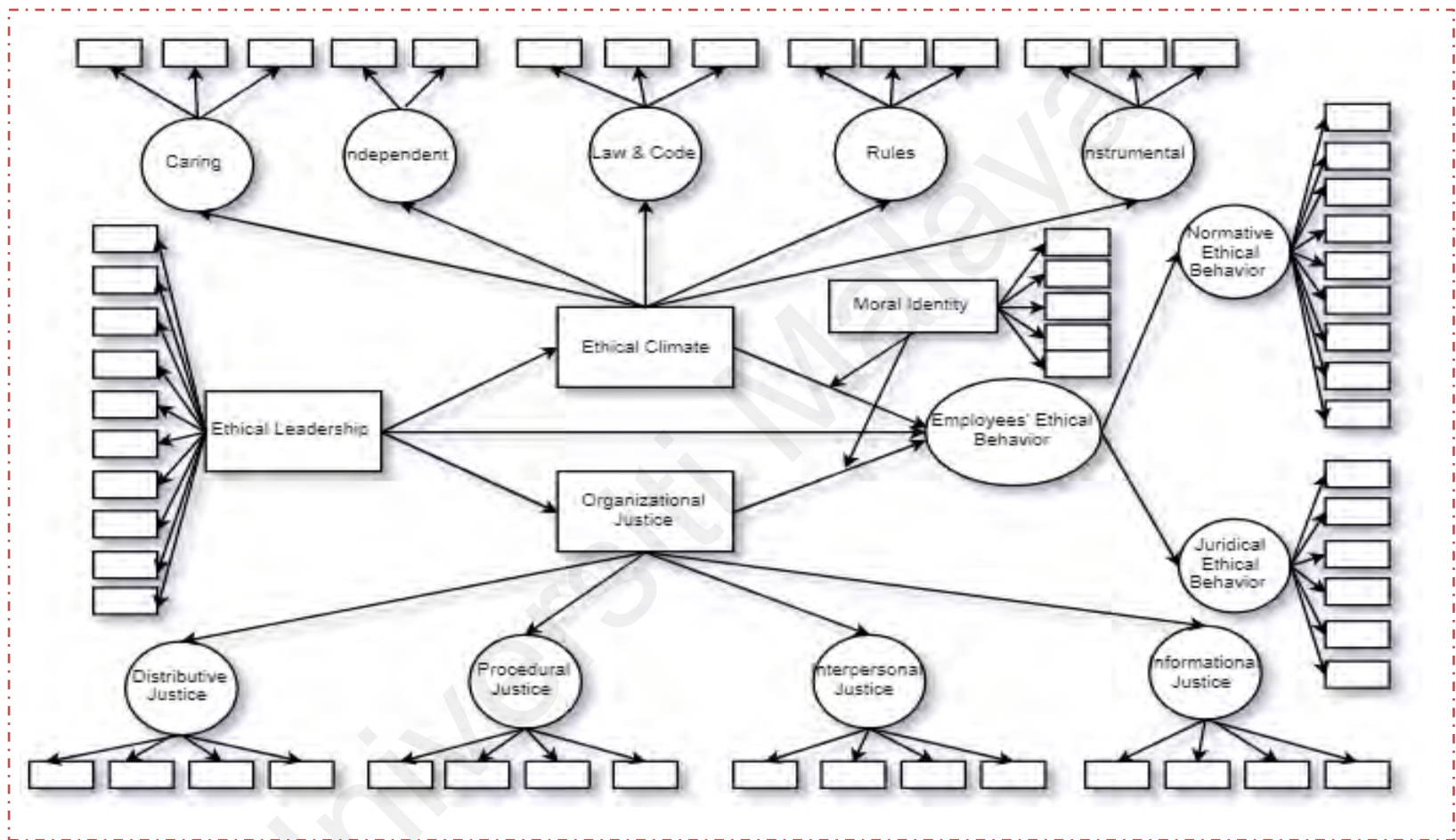


Figure 2.2: Research Framework with Measurement

## 2.8 Summary

This chapter conducted a literature review on the related subject of this study. The theories of leadership and ethical behavior were reviewed in detail. The analysis of previous attempts in this area offered several conclusions which were focused and investigated as well. In summary, the globalization and the rapid change of development have forced organizations to maintain and increase the ethical issues due to success in this competitive business world. Besides, managers and employees are considered as a potential source in enhancing ethical behavior which needs to be investigated at an individual level of analysis. Thus, ethical leadership behavior needs to be examined in detail to find out the relationship between employees' ethical behavior. In addition, the relationship between leader/manager and employees has important effects on organizational outcomes like positive ethical behavior and commitment to the workplace. Therefore, this study is aimed to find out the relationship between ethical leadership behavior and employees' ethical behavior through the mediating variables of ethical climate and organizational justice which related literature has reviewed and investigated in detail in this chapter. Most importantly, the moderating role of moral identity was detailed as well. The methodology and research design of this study is explained in the following chapter.

## CHAPTER 3: METHODOLOGY

### 3.1 Introduction

Chapter 3 elaborates on the specific aspects of research methodology and design which were conducted in this study based on the research objectives and literature review in related areas. Also, this chapter covers the details of the research paradigm, research design and process, population, and sampling. This is a continual process of data collection and the instrumentation, validity, and reliability of measurement, and the procedures of data analysis.

### 3.2 Research Paradigm

The term paradigm is frequently used in social sciences, but it has multiple meanings which can lead to confusion (Saunders, Lewis, & Thornhill, 2009). For instance, a paradigm is generally defined on the basis of proposed questions, events of interest, involved methodologies and the way data is interpreted. Even a theoretical framework can be also defined as a paradigm that impacts the way of conducting and interpreting the study (Mackenzie & Knipe, 2006). According to Sobh and Perry, (2006), a paradigm refers to an overall conceptual framework within which a researcher may work. There are two main types of research paradigm in social sciences that serve the basis of research namely positivism and constructivism. Thus, the positivism paradigm was used in this study which is described as follows.

### 3.2.1 Positivism Paradigm

Positivism refers to a belief system which assumes that matters in research are being investigated objectively and their veracity can be developed with a reasonable degree of certainty (Brand, 2009). Positivism deals with a deterministic philosophy which determines the outcomes or effects (Creswell, 2009). This paradigm is based on the basic argument that properties in the social world can be measured directly through observations because the social world exists externally to the researcher (Gray, 2013). Thus, in a scientific way of doing research, a positivist begins research with the theory and then collects data that either supports or rejects the theory and makes necessary revisions before conducting additional tests (Creswell, 2009). Therefore, quantitative methods of data collection and analysis are used in conducting positivism research (Mackenzie & Knipe, 2006). An overview of the quantitative research process is illustrated in Figure 3.1.

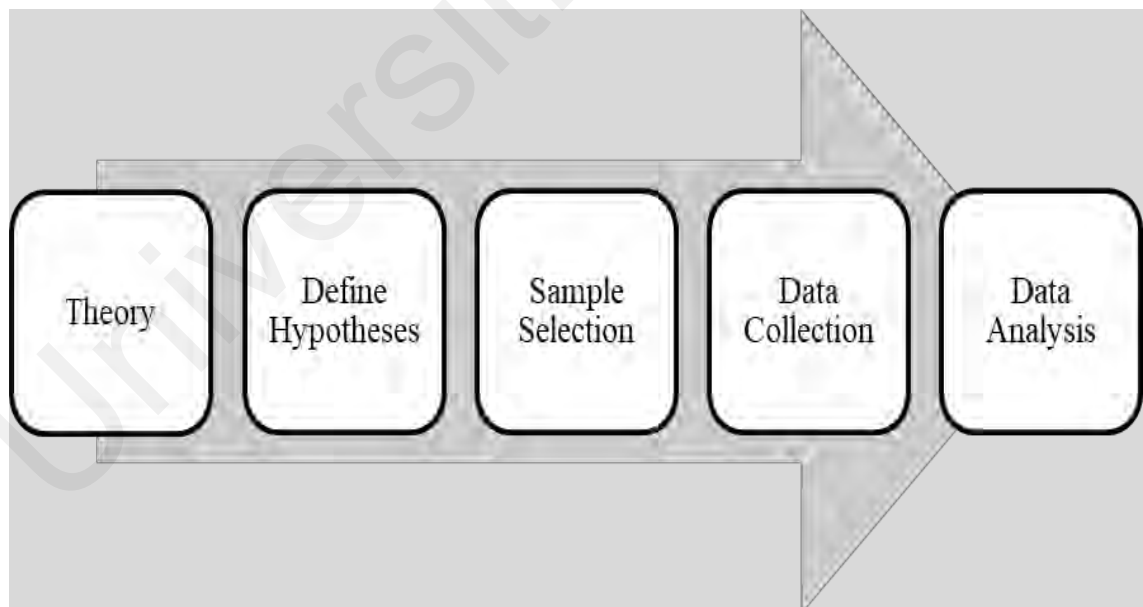


Figure 3.1: Overview of the Quantitative Research Process

### **3.2.2 Justification for the Selected Research Paradigm**

According to the positivism paradigm, the behavior explained through objective facts can be best conveyed by utilizing quantitative methods (Firestone, 1987). Creswell, (2009) highlighted that the quantitative method is more suitable if the problem deals with the identification of the factors that impact the outcome or identification of the best predictor of the outcome. Furthermore, Smith, (2012) stated that the research can be a quantitative study if the aim of the research is to measure the difference in certain issues or the phenomena by using quantitative variables to collect the information and subsequently using the analysis to find the level of difference on certain issues. Moreover, Pekmn, Goetz, and Titz, (2002) have emphasized that quantitative measures are essential to carry out more vigorous tests and specific analysis of hypotheses and effects or causes respectively. In fact, Smith, (2012) asserted that statistics in quantitative study enable the researchers to measure the relationship among variables and help them to identify the impact of one variable against the others and boost the confidence level based on the result of the findings. Furthermore, the ability to determine the reliability and validity of the research more objectively is one of the major strengths of the quantitative method relative to qualitative techniques.

Since this study intends to measure the impact of the independent variables, mediating and moderating on the dependent variables (employees' ethical behavior) which is the outcome of this study, and to identify the best predictor for the ethical behavior of employees. Thus, its aim is also to uncover the differences regarding the impact of the understudy's independent variables on employees' behavior. Moreover, only quantitative measures have been used to measure the constructs, so it is a purely quantitative study. Thus, a theoretical framework based on the underlying theory has been developed in this study to test the identified research questions and the developed hypotheses of the study. Therefore, quantitative research is more suitable for this study. Since this is a quantitative

study, therefore, the most relevant research design, sample design, sample size, and data collection have been identified as follows.

### **3.3 Research Process**

According to related literature, the research gap and research problem statement were identified, and consequently, the research questions, objectives, and research framework were provided. Based on the research questions, the questionnaire was developed. The validity and reliability of the instrument were then tested and verified via a panel of experts followed by pre-test and pilot tests. Subsequently, the questionnaires were distributed among employees working in Iraqi organizations. This was followed by quantitative analysis using SEM-PLS and PROCESS macro as it is the most appropriate statistical approach for this study Figure 3.2 below illustrates the above procedures. In addition, the finding of this study was developed by the suggested model which can be used practically among Iraqi organizations.



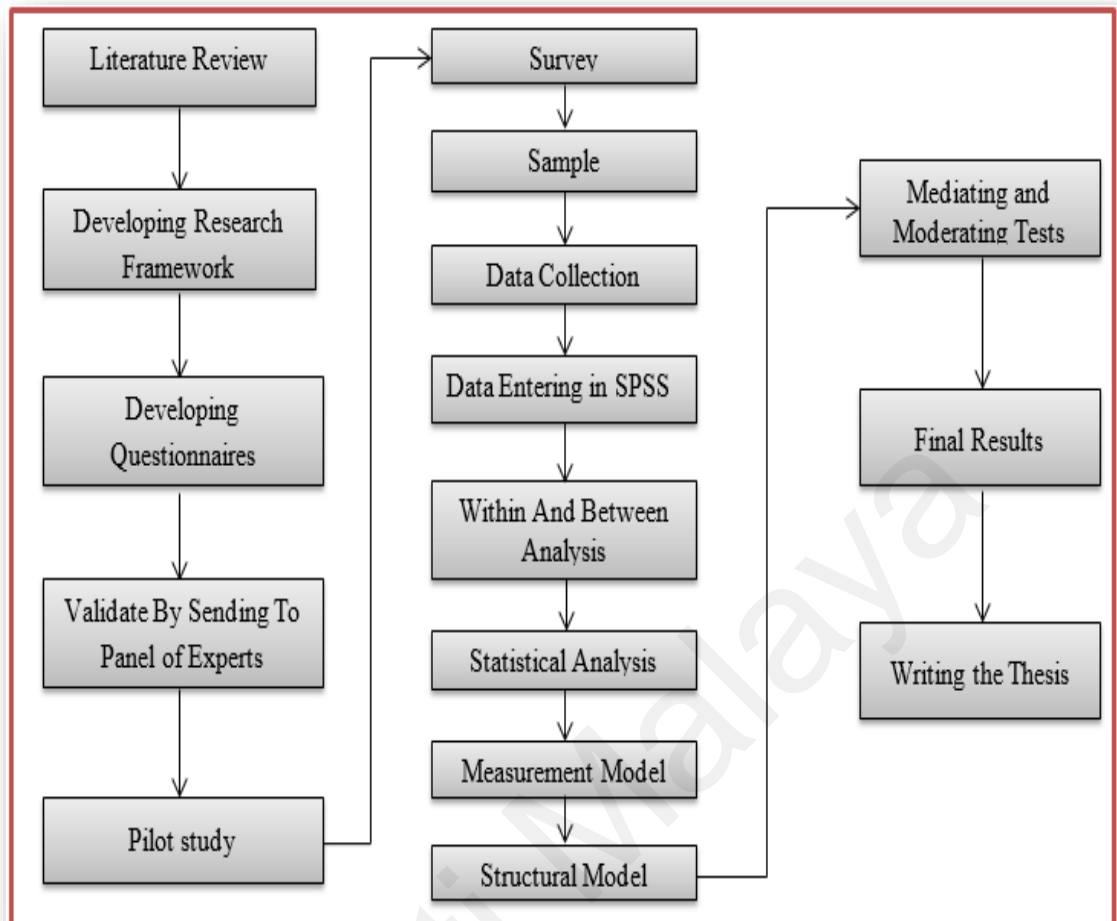


Figure 3.2: Research Process

### 3.4 Research Design

Typically, when reaching the research design is certain a series of rational decision-making choices on the process of research can be used as a guide for the researcher in the over-all research procedure. The research design is generally formulated on the basis of the study's objective and making decisions about the study's purpose, including where the study is to be conducted, the extent to which the researcher can control and manipulate the study, and the level of analysis. This research, therefore, is based on the quantitative approach, using the questionnaire to collect data and the Structural Equation Modeling-Partial Least Square (SEM-PLS) statistical method for data analysis, as detailed in section 3.15 of this chapter is illustrated. The quantitative research design is considered a suitable design based on this study's objective. The correlational design may be used in cases

where the researcher does not manipulate the independent variables (Creswell & Garrett, 2008). So, correlational research investigates the relationships between independent and dependent variables. In addition to statistics on correlation, correlation studies are used to investigate and describe the degree of relationships between variables, as in an experiment the variables are not controlled (Kerlinger, 1970). Therefore, in a correlational study, subsequently developing the theoretical framework, the relevant data is gathered and then proceed to analyse it to obtain the findings. A correlation study contains clearly stated hypotheses to investigate the relationship between different variables as this study attempts to discover the relationship between independent, mediation, moderation, and dependent variables.

The independent variable of this study is ethical leadership. Brown et al., (2005, p. 120) described 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”. However, there is no interference by the researcher to manipulate or control the independent variable, but the ethical leadership behaviour is investigated from the viewpoint of their relationship with the dependent variable of employees’ ethical behaviour through the mediating role of ethical climate and organizational justice. Recognizing the possible relations can provide an insight into the nature of leadership behaviour by examining the ethical leader’s behaviour at a time and proposing an appropriate model that determines the new relationship through the mediating role of ethical climate and organizational justice. Importantly, the moderating role of moral identity was addressed on the interaction of ethical climate and organizational justice and the dependent variable (employees’ ethical behaviour).

There are various methods of gathering data in the literature which are selected based on the research objective and research framework. A structured questionnaire survey is one of the methods of quantitative research which was conducted in this study. Since the variables of this study are adopted from the previous studies; the characteristics and definitions are the same with those studies as well. According to Creswell and Garrett, (2008), the procedure of a survey in quantitative research includes developing the questionnaire, distributing the sample to designate the behaviours, attitudes, opinions, or characteristics of the population. In this regard, the researcher collected the appropriate number of data and statistically analyse them to test the questions or hypothesize using the same procedure adopted for this study.

In addition, among the two basic research methods, longitudinal and cross-sectional survey, the current study is followed by a cross-sectional study indicated by Creswell and Garrett, (2008) as a suitable way of examining current attitudes, opinions, and behaviours. Thus, from previous studies, the research questionnaire was adapted and distributed among employees working in Iraqi organizations to find out the ethical leadership, ethical climate, organizational justice moral identity, and ethical behaviours employees as well. The questionnaire was verified by a panel of experts in terms of the content validity, and then this questionnaire was followed by the Pre-testing and Pilot testing to check the validity and reliability. The mentioned procedures are indicated in sections 3.11 and 3.12 which highlighted Validity and Reliability respectively. The variables concern the relationship between the leader/manager and subordinate/employee with respect to ethical leadership that influences the ethical behaviour of employees, thus the unit of analysis in this study is the individual level. The effective respondents are therefore employees who have been chosen to participate in this study in order to answer the questionnaires (Memon, Ting, Ramayah, Chuah, and Cheah, 2017). They have been

evaluated and have often consulted with their supervisors about their understanding of social fairness and ethical climate.

### **3.5 Population and Sample of Study**

The population of this study is defined as employees among Iraqi organizations. As an essential step, it's significant to have an idea regarding the organizations in Iraq. According to the Central Statistical Organization/Industrial Statistics Directorate in collaboration with directorates of statistics in Iraq governorates 2016- 2017 (Republic of Iraq Ministry of Planning), excluding the Kurdistan region. The private organizations that stated are about (1766), Baghdad takes the leadership by (562) with (32%). However, this study was focused on the 5 Provinces like Baghdad, Al Anbar, Saladin, Kirkuk, and Mosul. the researcher has focused only on those Provinces due to the context complexity and security issues in Iraq.

The respondents of this study were selected regardless of the type of industry and size of the organizations. Employees are considered the parties to this current study to determine the level of impact on the elements such as the role of ethical leaders, work ethical climate, organizational fairness, and moral identity that effect the ethical behaviors of employees. They are considered as the population of this study since they are involved in the process of data collection to fill up the separate sets of questionnaires based on the research objectives. As the level of analysis of this research is individual, the type of industry or size of an organization is not really the critical point in this work. Furthermore, the number of employees under the supervision of each manager is considerable in this study, because these employees can give an overview of ethical leadership, organizational justice, work ethical climate and moral identity as well, that can influence or explain the relationship between leader/manager and employees since the representative of sample is

critical in this study. Thus, this study had selected those leaders with more than 10 employees as the selection criteria.

### **3.6 Sample Techniques**

A sample can be defined as the smaller entities taken from the entire population. Hair, Hult, Ringle, and Sarstedt, (2017, p. 22) defined the sample as “a selection of elements or individuals from a larger body or population”. Therefore, sampling is selecting some of the elements from the entire population and drawing conclusions about the population based on sampling (Kumar, Talib, & Ramayah, 2013). Generally, in quantitative research, researchers attempt to select the sample in such a way that it is unbiased and represents the population. Moreover, in quantitative research, the purpose of sampling is to draw inferences about the group of the population from which researchers have selected the sample. In addition, in quantitative research, researchers are guided by a predetermined sample size that is based upon other considerations (such as model setup and statistical power).

Additionally, randomization or random sampling technique is usually more preferred in quantitative research because it avoids bias in the selection of sample and is selected in such a manner that it represents the study population (Smith, 2012), but random sampling requires a complete list of target population which is one of the main challenges that researchers encounter. Therefore, the criteria for the organization selection are as followed; this study focused on the various public sector organization which encompasses full-time working employees. These organizations were selected because Iraq has fewer private sectors organization, so public sectors were a suitable option for the researcher. Also, most of the employees in Iraq are working in the public sectors as there is no other option for them, so this was another restriction. Thus, as the level of analysis of this research is individual, the type of industry or size of the organization is not really the

critical point in this work the number of employees working under the supervisors is the critical point. However, manufacturing, retail, medical organizations, insurance, technology, legal, finance, and telecommunication were involved in this study. The total organizations were involved in the present study are 33, companies located in five Iraqi provinces. The details of the organizations' number and name provinces are indicated in Table 3.1. Since this study consists of full-time employees who are working in such industries, the researcher was unable to collect information regarding the total population because of the context complexity and security issues in Iraq. Thus, non-probability sampling techniques are the only options for the researcher to achieve the target number of respondents. Among all types of non-probability sampling design, a purposive sampling design was chosen for this study.

In reality, non-probability sampling is more frequently employed and is more appropriate for fieldwork research (Hulland, Baumgartner, & Smith, 2018). Moreover, as mentioned by Memon et al., (2017), non-probability sampling is appropriate when the selection of sampling strategy suits the sampling objectives as well as the scope of research. The research goal is to achieve theory generalization, as the complete sampling frame is not available in the given context.

Table 3.1: Numbers of Organizations and Provinces Name

<b>Organizations / Industries</b>	<b>No.</b>	<b>Provinces</b>
Manufacturing	5	Baghdad
		Baghdad
		Al Anbar
Technology	4	Baghdad
		Saladin
		Kirkuk
		Mosul
Medical Organizations	3	Baghdad
		Baghdad
Insurance	6	Baghdad
		Al Anbar
		Al Anbar
		Kirkuk
Legal	5	Baghdad
		Mosul
		Al Anbar
Finance	3	Baghdad
		Baghdad
		Saladin
		Kirkuk
Telecommunication	3	Baghdad
		Baghdad
Retails	4	Baghdad
		Al Anbar
		Al Anbar
<b>Total</b>	<b>33</b>	-

### 3.7 G\* Power Software

G\* Power is one of the most powerful software which is commonly used to determine the right sample size. G\*power was designed by Erdfelder, Faul, and Buchner, (1996) as a general power analysis program for statistical tests that are commonly used in behavioral research. In this study, G\* power was used to determine the right sample size which is a major improvement and extension of the previous versions (Faul, Erdfelder, Lang, & Buchner, 2007). To analyze the current framework with 6 predictors such as ethical leadership, ethical climate, organizational justice, and the interaction of moral identity with the ethical climate as well as with organizational justice. Using the G\*power analysis suggested by Hair, Hult, Ringle, and Sarstedt, (2014) and Hair et al., (2017) the required sample size should be enough to achieve the minimum power of 0.80 with a medium-size effect of 0.15. Thus, using G\*power analysis as shown in Figures 3.3 and 3.4, as revealed from the analysis the minimum sample size should be 242, to generate the power of 0.99, with a medium-size effect of 0.15. However, the researcher intends to collect more than the determinant sample size which would be more than 500 in order to achieve maximum power.



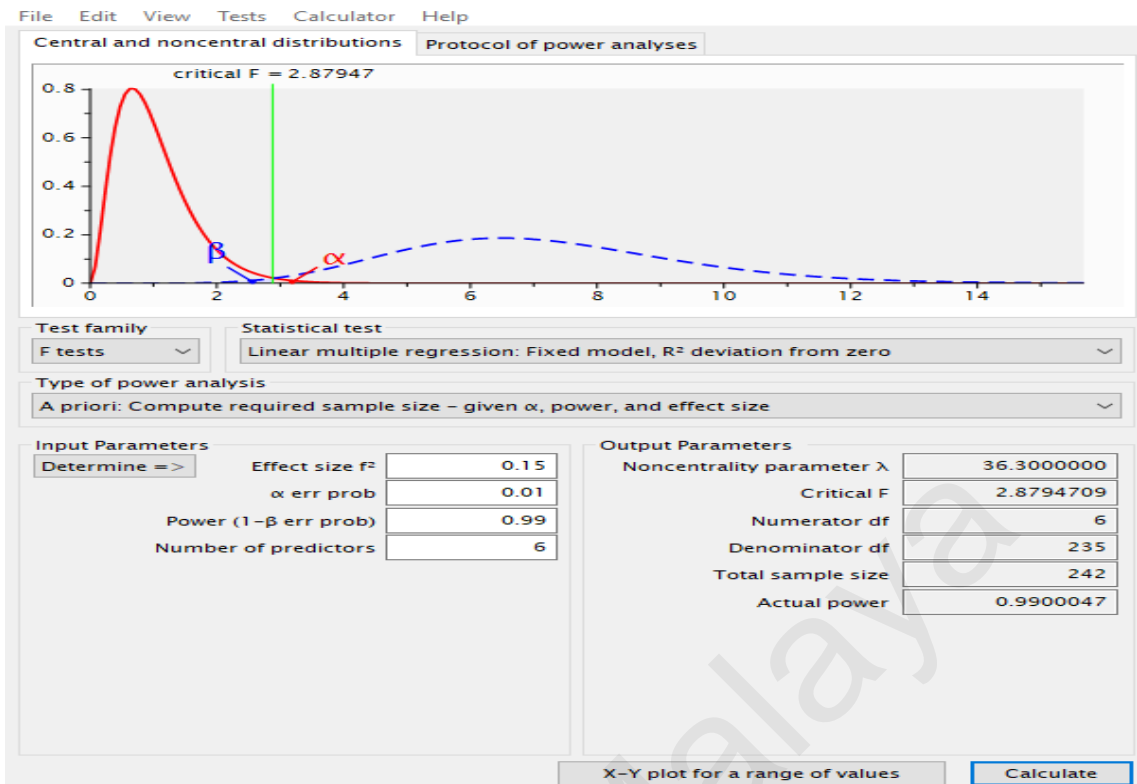


Figure 3.3: Estimation of The Minimum Sample Size Determined By G\*Power Analysis

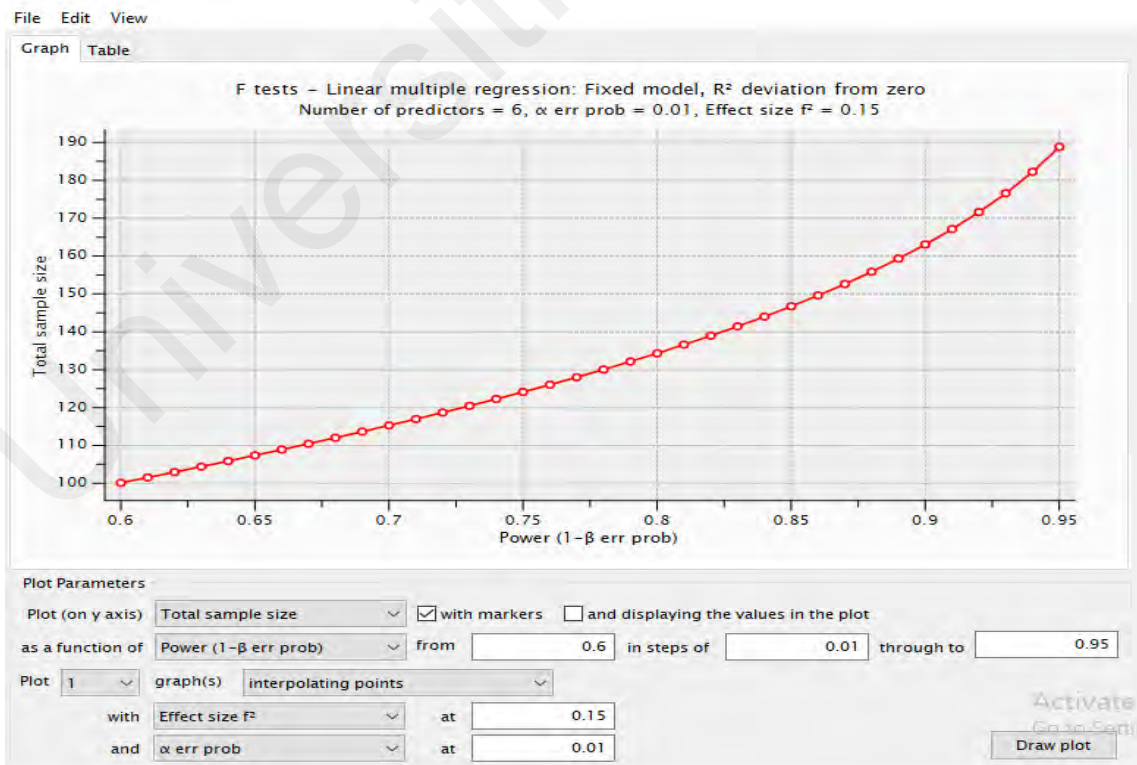


Figure 3.4: G\*Power Analysis Draw Plot

### **3.8 The Research Instrument**

The questionnaires used for this study are adopted/adapted from established instruments. As the target population for this study includes employees, hence, one set of questionnaires was provided to employees. The employees' set of questionnaires was designed to evaluate the behavior of their leader, and also to assess the perception of organizational justice, work ethical climate, moral identity and ethical behavior of employees. In sum, the content of the questionnaires was totally evaluated by the employees' self-report. The instrument that was used in this study is a standard questionnaire which is used to collect all necessary information from the selected respondents. All the constructs were measured using multi-item scales which have been previously developed and used in different areas of industrial/organization psychology or organization behavior. The sets of questionnaires are clarified as follows

#### **3.8.1 Ethical leadership Behavior**

This study has used a total of 10 items from the scale developed by Brown et al., (2005) to assess employees' perceptions of ethical leadership behavior. Respondents were asked to rate the extent to which they agree with the statements describing their leader's behavior. Sample items are "My managers listened to what employees have to say." and "My managers conduct his/her work in an ethical manner." The response format is 5-Likert Scale ranging from 1= Strongly Disagree to 5=Strongly Agree.

#### **3.8.2 Organizational Justice**

In this study, organizational justice is measured using twenty items borrowed from Colquitt, (2001). The scales are related to the employees' perceptions regarding the fairness process in the workplace. The response of the organizational justice dimensions format is 5-Likert Scale with anchors of 1= To a Small Extent to 5= To a Large Extent'. The twenty items refer to distributive justice, procedural justice, interpersonal justice, and

informational justice. The four dimensions of organizational justice are summarized as follows:

### **3.8.2.1 Distributive Justice**

Distributive justice was measured by using four items which concentrate more on equal payment, promotion, sufficient recognition, and rewards. Sample items are “Does your outcome reflects the effort you have put into your work” and “Is your outcome justified, given your performance.”

### **3.8.2.2 Procedural Justice**

A seven-item scale was applied for this variable. It measures the procedures/practices/ fairness at the workplace and to what extent the procedures are equally and consistently applicable to everyone. Sample items are “Have you been able to express your views and feelings during those procedures” and “Have you had influence over the (outcome) arrived at by those procedures”.

### **3.8.2.3 Interpersonal Justice**

This variable was measured by a four-item scale covering employees’ interaction with their supervisor at the workplace such as whether their supervisor treats them in a polite manner, with dignity and respect. Sample items are “Has your superior treated you in a polite manner” and “Has your superior treated you with dignity”.

### **3.8.2.4 Informational justice**

The following five items refer to the authority figure who enacted the procedure in respect of the information which has been provided and to what extent (he/she) has been candid in (his/her) communication with the followers. The sample items are “Has your superior been frank in his/her communications with you” and “Has your superior explained the procedures thoroughly”.

### **3.8.3 Work Ethical Climate**

Ethical climate refers to employees' perceptions, as it is the perceived behavioral control of the ethical work environment that influences behavior at the individual level. To measure ethical work climate, a 14 item scale was adapted from Victor and Cullen, (1988). The sample items are "The most important concern is for the good of all the people in my organization as a whole" and "In my organization employees are expected to comply with the law and professional standards over and above other considerations". The response was scored on a 5-point Likert Scale from 1= Strongly Disagree to 5= Strongly Agree.

### **3.8.4 Moral identity**

To measure moral identity on self-importance, moral identity (SIMI) was used in this study which was developed by (Aquino & Reed, 2002). As mentioned earlier the moral identity consists of two elements internalization and symbolization five items to each. However, in this study, only internalization was considered with five items due to the low factor loadings found in the (Pre-test and Pilot-test), therefore the expert's panel and the committee board during the candidature defense were highly recommended to exclude symbolization dimension as it measures the external moral identity, unlike internalization that measures the inner moral identity. Thus, these items were clearly reported in the literature to have a better predictive power so that it displays more significant reliability than the full version of SIMI (Aquino & Reed, 2002; Aquino, Ray, & Reed, 2003). Recently, Hardy and Carlo, (2005) reviewed some of the prior empirical studies (Aquino et al., 2003; Aquino, Freeman, Reed, Lim, & Felps, 2009) which clearly mentioned that moral identity is linked with different moral outcomes. Sample items are "It would make me feel good to be a person who has these characteristics" and "I would be proud to be a person who has these characteristics". The main measurement of moral identity was replied on a 5-Point Likert Scale 1= Strongly Disagree to 5= Strongly Agree.

### **3.8.5 Employees' Ethical behavior**

Ethical behavior refers to an employee's ethical behavior in the organization. To assess this construct, sixteen items have been adapted from past studies (Ferrell, Fraedrich, & Ferrell, 2000; Lu & Lin, 2014). Ethical behavior involves two dimensions normative ethical and juridical ethical behavior. Since the items of normative ethical are related activities, the factor is, therefore, identified as a normative ethical behavior dimension with ten items. Juridical ethical behavior dimension consists of six items. Since these items are professional ethical related activities, the factor was, therefore, identified as a juridical ethical behavior dimension. An example of the items "I am careful with company materials and supplies" and "I refuse gifts that are offered for preferential treatment". The response format is "5-point Likert Scale ranging from 1= Strongly Disagree' to '5= Strongly Agree.

### **3.8.6 Cognitive Rigidity**

This variable was used as a "Marker variable" as this variable theoretically is not related to the research framework in this study. However, this variable has been used to statistically control the Common Method Variance (CMV). It contains 3 items, which were adapted from (Lin, Huang, & Hsu, 2015; Oreg, 2003). The sample items are "Once I've come to a conclusion, I sometimes change my mind" and "My views are very consistent over time". Cognitive Rigidity was replied on a 5-point Likert Scale 1= Strongly Disagree to 5= Strongly Agree.

Table 3.2: Justification & Measurements for Questionnaire

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#### **IV Ethical Leadership Behavior**

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Ethical leadership behavior refers to the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships. The promotion of such conduct to followers is through two-way communication, reinforcement, and decision-making in which a leader guides professional and personal ethical lives and treats his/her subordinates (Brown et al., 2005).

Ethical leadership is significantly influenced by the ethical behavior of employees (Stead et al., 1990; Mayer et al., 2009).

There is a positive relationship between ethical leadership and employees' ethical behavior (Dickson et al., 2001; Albaum & Peterson, 2006).

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#### **Mediation (1): Ethical Climate**

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Ethical work climate can be defined as the predominant perceptions about the procedures and practices of the organization that has ethical content or the prevailing perceptions of typical organizational practices and procedures that have ethical content (Victor & Cullen, 1988).

Ethical climate had a positive relationship with the ethical behavior of employees with supervision, as the overall ethical climate is a crucial factor in developing workflow in the workplace (Dickson et al., 2001; Schminke et al., 2005).

Ethical climate helps to shape the quality of exchange towards the individual's subordinate (Mayer et al., 2009).

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#### **Mediation (2) Organizational Justice**

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Organizational justice is considered the treatment for payment, promotion, procedures, and interaction (Colquitt, 2001).

Employees care deeply about how they are treated by others. Organizational justice focuses on the perceptions of fairness at the workplace (Cropanzano & Greenberg, 1997; Greenberg, 1990).

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**Moderating Variable: Moral Identity**

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Moral identity is rooted in social identity theory, high quality exchange relationship between moral identity and behaviors (Ashforth & Mael 1989).

Moral identity is one of the many social identities that constitute a person's self-concept and is a social schema that defines the self and regulates moral behavior (Kelley & Stahelski, 1970; Hales, 1985; Hardy & Carlo, 2005).

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**DV: Employees' Ethical Behavior**

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Ethical behavior refers to "just or right standards of behavior among individuals in a situation" (Fraedrich, 1993, p. 207).

These standards can be defined as "recognized social principles involving justice and fairness" (Browning & Zabriskie, 1983, p. 219). Ethics involve fundamental human relationships between parties in the exchange process, i.e., organizational members (superiors, peers, and subordinates), competitors, customers, and the general public.

Ethical Leadership behavior is very important in order to have efficient work conditions and organizational culture such as ethical norms (Brown et al., 2005).

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### **3.9 Survey Questionnaire Development**

The questionnaire designed for pre-testing and for final data collection was defined and developed, and all the scales or items were either adopted or adapted from previous researches. According to Dawes, (2008), the 5-point Likert Scale is the best choice because they are precise and more specific as it avoids the confusion of respondents. Full details are described below: The survey questionnaire was divided into 7 parts.

Part “A” was related to ethical leadership behaviors. It comprised 10 questions regarding employees’ perception of manager behavior. These questions were adapted from (Brown et al., 2005). Responses to the statements of ethical leadership questionnaire were measured by using the 5-point Likert scale ranging from 1= Strongly Disagree to 5= Strongly agree.

Parts “B” “C” “D” “E” relating to organizational justice have been divided into four sections all of which are included in the explanation. The measures for the four dimensions of organizational justice were adopted from (Colquitt et al., 2001). Responses to the fairness statements of the questionnaire were measured using the 5-point Likert scale ranging from 1= To a small extent 5= To a very great extent. The first dimension of organizational justice is “Distributive Justice” which was measured by 4 items. The second dimension of organizational justice “Procedural Justice” was measured by 7 items. The third dimension of organizational justice, “Interpersonal Justice”, which was measured by 4 items. The fourth dimension of organizational justice “Informational Justice” which was measured by 5 items.

Part “F” was related to the measures of ethical work climate. The 14 items to measure ethical climate were adapted from its original source (Victor & Cullen, 1988). Recently, various researchers (Tsai & Huang, 2008; Huang, You, & Tsai, 2012; Lau, Tong, Lien, Hsu, & Chong, 2017), have used the five dimensions such as “Caring”, “Law and Code”, “Rules”, “Independence” and “Instrumental”. Responses to the statements of ethical work climate were measured by using the 5-point Likert scale ranging from 1= Strongly Disagree to 5= Strongly agree.

Part “G” evaluated “Moral Identity” by using the 5 items adopted from (Aquino & Reed, 2002). The moral identity contains nine characteristics “Caring”, “Compassionate”, “Fair”, “Friendly”, “Generous”, “Helpful”, “Hard-working”,



“Honest”, “Kind”. The responses to the questions in this section of the questionnaire were measured by using the 5-point Likert scale ranging from 1= Strongly Disagree to 5= Strongly agree.

Part “I” measured the “Employees’ Ethical Behaviors”. In this study, ethical behavior was assessed based on sixteen items adapted from previous studies (Ferrell, Fraedrich, & Ferrell, 2000; Lu & Lin, 2014). The responses to the questions in this section of the questionnaire were measured by using the 5-point Likert scale ranging from 1= Strongly Disagree to 5= Strongly agree.

Part “J” relating to “Cognitive Rigidity” was used as a Marker variable. As this variable is not theoretically related to the research framework of the given study; therefore, it is used to statistically control any common method bias. It contained 3 items, which were adapted from (Oreg, 2003; Lin et al., 2015). The responses to the questions in this section of the questionnaire were measured by using the 5-point Likert scale ranging from 1= Strongly Disagree to 5= Strongly agree.

Part “H” was related to personal information which comprised of 6 questions regarding gender, age, education level, marital status, job experience, organization types. These questions were self-developed which were also adapted from previous references (Mohsan, Nawaz, Khan, Shaukat, & Aslam, 2011; Ghosh, Rai, & Sinha, 2014). The format of the questionnaire is shown in Appendix A.

### **3.9.1 Translation Process**

In this study, all the items were translated from the English version to the Arabic version because all the respondents are Arab speakers. Prior to translating, the researcher conducted a pre-test on the English version to ensure that the content is accurate, understandable, and appropriate. Also, the pre-test procedures were applied for the Arabic

version. As mentioned earlier, the pre-test was conducted using a target sample. Subsequently, the questionnaires were translated according to the “Double-Blinded Principle.” The original English version of the scales was translated into Arabic, and the Arabic version was back translated by two professional researchers (Brislin, 1980) to assure their validity.

### **3.10 Validity**

In general, validity includes two concepts of internal and external validity. Internal validity refers to the authenticity of cause and effects relationship. Whereas, external validity refers to the generalizability of the external environment. Cavana, Delahaye, and Sekaran, (2001) clarified that the three-broad heading of validity includes face validity, content validity, and construct validity which are detailed and elaborated below.

#### **3.10.1 Face Validity**

Face validity is considered as the basic and very minimum index of validity. It indicates whether the items of the questionnaires are clear and understandable to the subjects (Cavana et al., 2001). The common way for the face validity is by testing the questionnaire which is distributed to a sample of respondents to gauge their reactions to the items. In addition, apart from the context of the study and the importance of the face validity to get validation for the intended purpose, there are two important factors that influence the validity of the questionnaire. The first refers to the relevance of the topic to the respondent and the second one is the confidentiality of the questionnaire by protecting the respondents' anonymity. So, for the mentioned purpose, people who are interested in the topic are considered as valid respondents. Therefore, in this study, during the process of data collection, the researcher attempted to give appropriate information on the nature and aim of this research to respondents. In addition, the researcher guaranteed anonymity to respondents to ensure the validity of the research.

### 3.10.2 Content Validity

According to Cavana et al., (2001), content validity ensures that the measures include an adequate and representative set of the items that abide with the concept. In other words, content validity is a function to show how well the dimensions and the elements of a concept have been represented. There are some common ways of content validity; one way is by referring to literature and previous studies. Another way is through the judgment of the panel of experts which was conducted in this study. In this regard, this study has taken several steps to ensure the content validity of the instrument of this research.

Therefore, the questionnaire designed by the researcher was based on literature which is illustrated in section 3.9. Upon completion of the first draft of the questionnaire, a panel of six experts on organizational behavior, leadership, human resource management and business ethics from The Smeal College of Business at the Pennsylvania State University, The University of Western Australia, Business School Taylor's university and Faculty of Business and Accountancy University of Malaya. The experts must fit the following criteria: must be senior in the area of the study (professor and/or doctor) in order to give extensive feedback. The first draft was revised based on the panel's feedback. For example, the ethical climate has 26 items with sub-dimensions. Three of the expert panels suggested to follow recent article published in high indexed journals to reduce the number of the items.

Moral identity consists of two components (i.e., internalization and symbolization). However, internalization reflects the degree to which a set of moral traits is central to the self-concept, whereas symbolization reflects the degree to which these traits are expressed publicly through a person's actions in the world. Therefore, the expert judge suggested focusing only on internalization because it emphasizes mainly on the inner

moral identity (i.e., internalization moral traits are central to the self-concept). Whereas, symbolization focuses on the external moral identity (i.e., symbolization traits are expressed publicly through a person's actions in the world). In addition, all the factor loadings of the symbolization found very low in the pilot-test. Thus, because of the aforementioned reasons symbolization was excluded.

### **3.10.3 Construct Validity**

According to Cavana et al., (2001) and Hair et al., (2017), construct validity is to “testify how well the results obtained from the use of the measure fit the theories around the test which was designed”. In this section, the assessment of the construct validity and reliability are indicated in more detail in Chapter 4, which was evaluated by the measurement model.

### **3.11 Pre-Test**

After approval by the expert panel, the researcher conducted the pre-test. Basically, pre-tests provide an opportunity to get feedback from a sample of the respondents on the survey instrument prior to the final distribution of the questionnaire (Bowden, Fox-Rushby, Nyandieka, & Wanjau, 2002). Next, is to judge the appropriateness of the survey questions, to check whether the survey questions are clear and simple, free from jargon and grammatically correct (Bowden et al., 2002; Kumar et al., 2013). The cognitive interview is one of the common methods in the pre-test which was considered in this research. Basically, a cognitive interview is a typical semi-structured in-depth interview that focuses on the respondents' thought processes that are associated with answering the survey questions. and it is frequently used as a method for pre-testing (Neuert & Lenzner, 2016). Such interviews can be conducted via two methods; debriefing and protocol. When conducting the debriefing method in this study, the researcher carefully observed the respondent when he/she fills out the questionnaire. Once completed, the researcher asked

him/her to reveal any problems with the questions (Hunt, Sparkman, & Wilcox, 1982). Therefore, 20 Ph.D. students were considered during the pre-test extensive feedback received and based on that the revision made such as the simplification of the language and some the items were unclear like moral identity symbolization which was entirely focused on symbolization rather than internalization this was the major concern. Also, one of them mentioned in 'procedural justice' PJ7 was unclear, which was revised accordingly. Therefore, out of 20, 14 of them were male and 6 were female.

### **3.12 Pilot Test**

The Pilot Study deals with data collection from the ultimate subject of the research projects to guide a larger study and provide the researcher with information regarding the best research process and possible outcomes whether they are designed and conducted properly (Van Teijlingen, Rennie, Hundley, & Graham, 2001; Zikmund, Babin, Carr, & Griffin, 2013). Thus, a pilot study was conducted in this study to ensure the appropriateness and clarity of the questions. In this study, the Pilot study was conducted among 85 participants which are completely different from the main sample size of the study the respondents for the pilot test were employees working in the banking sector. According to the process of the pilot study, it was so beneficial and there were major correction and modification over the items which the researcher has carefully considered. For example, the procedural justice' AVE was very low which indicated that the items need to be carefully revised. Also, the Instrumental' AVE was low that can clearly observed its loading was poor which needs to be revised. However, based on the recommendations of the committee during the candidature defense, the researcher considered the feedback provided by the assessors and have it revised very carefully before proceeding to the final data collection. For example, the committee agreed to exclude the 'moral identity symbolization' because the factor loadings were very low. Another suggestion is that the ethical climate originally consists of 26-items which considered very long the concern

was that the respondents will not answer them carefully. So, they suggested by looking at the recent and well-published articles and see how they measure ethical climate. However, as found most of the literature was measured ethical climate with 14-items (see, Huang, You and Tsai, 2012; Lau, et al., 2017) thus, most of the comments were prudently considered. Hence, the results of the pilot study (constructs reliability and validity as well as the discriminate validity) are presented in Appendix B, C, D, respectively.

### **3.13 Data Collection**

Since this study was conducted using the quantitative methodology, followed by data collection using a self-administered questionnaire which is one of the most common practices in this field of study. All the questions were organized and classified according to the Iraqi organization (public sector) congruent including the coherent questionnaire for employees and managers relationship. The researcher has considered this strategy for various reasons affirming that it would be easy to communicate with the respondents during the distribution of the questionnaire. Also, it was considered more suitable for this study to get maximum response and to avoid non-response bias. Moreover, the strategy of the questionnaire survey was considered more effective as it ensures complete answers to the questionnaire by fully understanding the contents of the respondents. However, the respondents could get an opportunity to ask any question should they need any explanation from the researcher (Allred & Ross-Davis, 2011). Thus, this strategy was useful to collect data because of its involvement when interacting between the researcher and the respondents that enabled the researcher to explain the study's purpose and the importance of respondents' participation. The researcher could verbally communicate the instructions that the respondents would normally read in the cover letter of the questionnaire. In addition, utilizing this strategy appears to be useful in determining the eligibility requirements and selection criteria (such as the number of employees and length in the organization) (Allred & Ross-Davis, 2011). Therefore, the selected sample

for this study constitutes employees who are working full-time in Iraqi public sector organizations namely; manufacturing, medical organizations, insurance, technology, legal, finance, and telecommunication, companies located in five Iraqi provinces. Most of the questionnaires were given directly to employees after gaining the consent of the manager. Since this study consists of full-time employees working across industries, the researcher has chosen this approach to collect the data from various organizations for several reasons. First, this approach gives an advantage due to a large number of respondents compared to one or two organizations. Second, one clear advantage is that data collected from distinct sector's companies are more reflective of the broader population than data collected in more restricted settings (one organization) (Zehir & Erdogan, 2011). Third, this allows the researcher to examine topics of a sensitive nature (e.g., ethical behavior) to receive responses less inhibited by social desirability which may influence the results. Lastly, since this study is the first in Iraq as it is very important to have an overview of the phenomenon in the context.

### **3.14 Data Preparation for Data Analysis**

After the researcher has completed the process of data collection via questionnaires, data preparation is required to convert the information from the questionnaires into the format which is read by the computer. According to Hair, (2009) and Lacobucci and Churchill, (2010), the process of data preparation is to ensure that the basic data is accurate and complete making sure that there are no problems in the data like non-normal distribution, outlier, coding mistakes, missing values, and any errors when inputting the data. So, Hair, (2009), mentioned that this process includes several steps which were launched by data entry, coding and editing of the data, and continued by error detection, data cleaning, and screening.

### 3.14.1 Data Coding

Data coding is by assigning numerical values to responses to the questions contained in the survey instrument. According to Hair, (2009) defining code to each individual response for each question within the questionnaire is considered as data coding. In this study, there is no open-ended question, so there is a simple process of coding the questions. Table 3.2 indicates the coding of the data in this study.

Table 3.3: Data Coding

Variables	Coding	No. of Items
Ethical Leadership	EL	10
Ethical Climate	EC	14
Distributive Justice	DJ	4
Procedural Justice	PJ	7
Interpersonal Justice	InterJustice	4
Informational Justice	InformJustice	5
Moral Identity	MI	5
Employees' Ethical Behavior	EEB	16
Cognitive Rigidity	COGR	3

### 3.14.2 Data Editing

The process of checking raw data on mistakes such as missing data or blank pages of the questionnaire is called data editing. This process is essential for data analysis to make sure that the raw data which are collected by the questionnaire are aligned with acceptable standards. Editing is applied once the data are collected for the purpose of detecting any omissions and errors which is appropriate to correct or to certify that minimum data quality standards are achieved (Hair, 2009). Then it needs to define the label for each item as well as variables and entering the data to statistical software. This study used SPSS software for the initial entering of data.



### **3.14.3 Data Cleaning and Screening**

Data cleaning and screening is a process that follows after transferring data to a computer file. According to Malhotra and Birks, (2007), data cleaning and screening are aimed to ensure that data have been transcribed accurately by missing data, identifying outliers, and inconsistent responses. The process of data cleaning and screening has a vital role in data analysis since any failure may cause a potential problem which has an effect on the data and the results of the statistical tests as well (Hair et al., 2014). In this study, frequency distributions were run using SPSS 25v, in order to check the missing data. Then, a few cases with illegal responses were noted and corrected. In addition, an incomplete and unused questionnaire was deleted as missing responses. Henceforth, all missing responses were removed. To check and clean the data, frequency analysis was run to see whether or not the range of answers is correct. The data has now been screened and cleaned and are ready for analysis.

### **3.15 Data Analysis Techniques**

In this study, data was analyzed using Structural Equation Modelling (SEM). Therefore, the result of each analysis describes how each of the hypothesis is presented, and how the basic descriptive statistics are calculated on each variable under study. Specifically, means, standard deviations, frequency, variable distributions, and other statistical related information from the survey results are computed and the results reviewed in Chapter 4. According to Byrne, (2010), SEM is considered as a statistical methodology which takes a confirmatory such as a hypothesis testing approach to the analysis of a model consisting of some phenomenon. The term “Structural Equation Modelling” conveys two important aspects of the procedures. The first one refers to the causal processes under study which are represented by a series of the structural equations such as regression. And the second one indicates the structural relations that can be modeled pictorially to enable a clearer conceptualization of the theory under the study

(Byrne, 2010). Therefore, this study found SEM as an appropriate tool for data analysis since SEM is not only an algorithm model but is also a structural and measurement model simultaneously. Furthermore, according to (Hair et al., 2017), SEM is considered as a technique used to estimate a series of interrelated dependence relationships simultaneously and to help generate a model of the relationship among variables. Hence, measurement errors can explicitly be considered which leads to less biased results of the complete model (Fornell, 1982). Moreover, SEM is suited to confront a prior knowledge and hypotheses with empirical data (Fornell, 1982), so that indicators of the overall model quality can inform the researcher to what degree his/her model fits with the empirical data. In addition, the use of SEM has enabled the researcher to more fully understand the interrelationships among variables and to develop better models.

Among the different software's of SEM such as Amos, Liseral, PLS; this study has employed Partial Least Square (PLS) for the purpose of data analysis. PLS is used to estimate both the measurement model as well as the structural model. According to (Chin & Frye, 1996), PLS simultaneously models the measurement model as well as structural paths. Based on the ability of PLS to model the linear relationship without any limitation to other structural equation modeling such as normality and large sample size that coordinates with estimated indicators (Chin & Frye, 1996; Henseler, Ringle, & Sarstedt, 2015) PLS was increasingly used among researchers recently. Similar to Structural Equation Modelling (SEM), PLS has also included a two-step process of the measurement model and structural model (Hair et al., 2017).

The measurement model was conducted as the first step which is much like factor analysis and tests of unidimensional. The second step of PLS process is the structural model to provide path coefficients that illustrate the relationship of each construct. While the factor loading and reliability measures of the items for each latent variable were

assessed through the measurement model, the structural model provides an assessment of path coefficients for significant effects on the relationship between the constructs.

Hair et al., (2017) emphasized that SEM is the best multivariate procedure for testing both the construct validity and the theoretical relationship between a set of concepts represented by multiple measured variables. Furthermore, SEM is considered as a powerful technique which combines both the measurement model and structural model into a simultaneous test (Hair et al., 2014). Through a comparison view, a Covariance-Based SEM (CB-SEM) using analysis software such as AMOS is more popular in business research, while a more recently dominant approach of SEM is Partial Least Square SEM (PLS-SEM) approach which according to the latest work of Hair et al., (2017) mentioned that PLS-SEM is more useful than CB-SEM. The following provides a comparison and rule of thumb for selecting CB-SEM or PLS-SEM in Table 3.4.

Table 3.4: Rule of Thumb for CB-SEM or PLS-SEM Selection

<b>Research Goals</b>
<ul style="list-style-type: none"> <li>• PLS-SEM is selected while the goal predicts the key constructs or identifies the Key “driver” constructs.</li> <li>• CB-SEM is selected while the goal is theory testing, theory confirmation, or comparison of alternative theories.</li> <li>• PLS-SEM is selected while the research is exploratory or is an extension of existing structural theories.</li> </ul>
<b>Measurement Model Specification</b>
<ul style="list-style-type: none"> <li>• PLS-SEM is selected if the formative constructs are part of the structural model.</li> <li>• Note that formative measures can also be used with CB-SEM but to do so it requires accounting for relatively complex and limiting specification rules.</li> <li>• CB-SEM is selected if error terms require additional specification, such as co-variation</li> </ul>
<b>Structural Model</b>
<ul style="list-style-type: none"> <li>• PLS-SEM is selected while the structural model is complex (many constructs and many indicators).</li> <li>• CB-SEM is selected while the model is non-recursive.</li> </ul>
<b>Data Characteristics and Algorithm</b>
<ul style="list-style-type: none"> <li>• If the data is appropriate and set with the CB-SEM assumption exactly, such as distribution assumption, with respect to the minimum sample size then select CB-SEM; else, PLS-SEM is worthy approximation of CB-SEM results.</li> <li>• Sample size considerations:             <ul style="list-style-type: none"> <li>○ Select PLS-SEM if the sample size is relatively low. Otherwise, with large data sets, the results are similar with both CB-SEM and PLS-SEM.</li> </ul> </li> </ul>

- 
- Use PLS-SEM, If the data are to some extent not normal; otherwise, with normal data sets, CB-SEM and PLS-SEM results are highly similar, with CB-SEM providing slightly more precise model estimates.
  - If any CB-SEM requirement cannot be met such as model specification, identification, non-convergence, data distribution assumption then use PLS-SEM as good approximation of CB-SEM results.
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### **Model Evaluation**

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- PLS-SEM is an appropriate approach, if you need to use the latent variable scores for subsequent analysis.
  - CB-SEM is the desired approach if your research requires a global goodness of fit criterion.
  - CB-SEM is a good choice, if you need to test for measurement model invariance.
- 

Source: (Hair et al., 2014; 2017)

### **3.16 Common Method Variance (CMV)**

Common Method Variance (CMV) is the amount of spurious correlation between variables that are created by using the same method such as a survey to measure each variable. It may lead to fallacious conclusions about the relationships between variables by inflating or deflating findings. Common Method Variance (CMV), threatens the validity of conclusions regarding the association between the constructs and causes systematic bias into a study by artificially deflating or inflating correlations (Reio, 2010). Common Method Variance (CMV), refers to the measurement method's variance rather than to the variance of the construct or constructs represented by the measures (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). CMV threatens the data's validity when participants in a single sitting respond to all survey items (Burton-Jones, 2009). Major sources of CMV include using only one type of respondent or rater, item context, item characteristics, and measurement context (Podsakoff et al., 2003; Reio, 2010). Therefore,

Common Method Variance (CMV), needs to be examined when the data is collected through self-reported questionnaires, particularly, when both the predictor and criterion variables are obtained from the same respondent (Podsakoff et al., 2003).

This study has attempted to minimize the common method bias by following design remedies which were suggested by (Podsakoff et al., 2003). Thus, as this study targeted the single respondent from each of the responding by using a similar survey tool questionnaire at the same time period with the cross-sectional design of research, therefore, the survey data was analyzed to assess the common method bias. Several researchers have noted two fundamental ways to control method biases. For instance, the first way is to minimize the impact of method biases by carefully designing the study's procedures and the second way is to statistically control their effects after data collection (Podsakoff et al., 2003; Podsakoff, MacKenzie, & Podsakoff, 2012; Chin, Thatcher, Wright, & Steel, 2013). Thus, both ways were used in this study to minimize the impact of Common Method Variance (CMV).

Procedural remedies are suggested to minimize (CMV) bias prior to data collection through strong research design and after data collection statistically by applying "Marker Variable". However, the researcher attempted to minimize the likelihood of CMV bias by using the following procedures. The first step of procedural remedies was adopted according to recommendations of Podsakoff et al., (2003) and Podsakoff et al., (2012) to minimize the common method bias which has been carefully considered. These were as follows:

- a) Ensuring the confidentiality and anonymity of the participants.
- b) Counterbalancing the order of the survey questions.
- c) Using clearly and precisely written scale items that were less subject to bias.
- d) Using separating of the measurement.

- e) Informed the participants that there was no right or wrong answer and also desired their honest evaluation of the survey items.
- f) Ensuring to avoid the complicated wordings and pattern of survey questions.
- g) Providing clear definition for each of the constructs and clear instructions to complete the evaluation of items to avoid confusion.
- h) Pre-testing via face to face interviews to get accurate responses of respondents.
- i) Identified and selected only the right respondents.
- j) Additionally, prepare a cover letter for each of the respondents to describe the benefit of our research and also to address respondents' importance, anonymity, confidentiality of their identities and to get their feedbacks.

Furthermore, a statistical remedy was applied to control the threat of (CMV) Bias. Cognitive Rigidity was used as "Marker Variable" to statistically control method bias. As mentioned earlier, this variable theoretically is unrelated to the research model as it was used only for remedy purposes. This statistical technique was suggested (Podsakoff et al., 2003; Chin et al., 2013). The results are indicated in Chapter 4 under section 4.5.

### **3.17 Ethical Considerations**

During the process of data collection, data was kept confidential to protect the privacy of participants. By distributing the questionnaire, the researcher also explained the confidentiality of the questionnaire to all respondents by clarifying the process of data collection. In addition, to respect the confidentiality of the questionnaire, envelopes are provided, and each employee was asked to put the questionnaire inside the envelope and stick it. Moreover, the research ethics clearance application has been approved by the University of Malaya Research Ethics Committee (UMREC), with reference number (UM. TNC2/UMREC– 50). The document is attached herewith as Appendix E.

### **3.18 Summary**

This chapter discussed the details of the research methodology which was conducted by this research. Consequently, the research paradigm, research process, research design, population, and sampling, unit of analysis, research instruments, data collection, the procedures of data analysis, and the statistical analysis software are all clarified in detail. Furthermore, the process of validity and reliability analysis of the questionnaire was presented in this Chapter. The next chapter will discuss the data analysis process and the findings.

Universiti Malaya



## CHAPTER 4: DATA ANALYSIS AND RESULTS

### 4.1 Introduction

As mentioned in Chapter One, the purpose of this research is to determine the effect of ethical leadership on employees' ethical behavior through the mediating role of ethical climate and organizational justice. This chapter then reports the results of the statistical analysis for testing the research model and related hypotheses. Specifically, there are several stages which have been considered throughout the data analysis procedures. The statistical analysis procedures are detailed as follows: (1) Response Rate via SPSS, (2) Assessment of Missing Values via SPSS (3) Assessment of Outliers via SPSS (4) Assessment of Normality via Web-power too (3) Demographic analysis via SPSS, (4) Assessment of Common Method Variance (CMV) by PLS, (5) Test the measurement model by Partial Least Square (PLS), (6), Test the structural model was conducted via PLS and PROCESS macro for the purpose of hypothesis testing, (7) Mediation analysis via PROCESS macro, (8) Moderation analysis via PROCESS macro.

In addition, this chapter provides details for validation of the measurement model and hypothesis testing. Firstly, section 4.2 discusses the response rate of data collection. This is followed by section 4.3 which presents the assessment of the missing values. Then followed by section 4.4 which is shown the outliers assessment. Next, the demographic analysis which is under section 4.6. Then section 4.7 shown the assessment of common method variance (CMV). Next is the report followed by the measurement model in section 4.8. The final step is running the structural model which is presented in section 4.9. Last but not the least, the mediation and moderating tests are presented in section 4.9.6 and 4.9.7. respectively.

## 4.2 The Response Rate

The questionnaires were distributed among the Iraqi organizations. A total of 800 questionnaires were distributed among the employees but only 680 questionnaires were completed and returned. All in all, only 620 questionnaires can be used for the purpose of data analysis which are shown in Table 4.1. In total, the results of this study were conducted using 620 questionnaires of employees.

Table 4.1: Response Rate

<b>Distributed Questionnaire</b>	<b>Returned Questionnaire</b>	<b>%</b>	<b>Conducted Questionnaire</b>	<b>%</b>
800	680	85%	620	91%

## 4.3 Missing Values

Hair et al., (2017) described that a missing value occurs when a respondent deliberately or by accident did not answer some questions. This is very common in the survey and occurs in most cases. Although there are several ways to minimize this (i.e. case wise deletion; ignoring the case that has a missing value), (Hair et al., 2017) further recommended that if the number is more than 15%, it is better not to include that particular response in the analysis. If such values are included, they can mislead the research results. After the initial screening using SPSS v25, a total of none of the responses got missing information. Thus, it recommended pursuing the final analysis. Finally, as mentioned earlier a total of 620 questionnaires were found valid for advance analysis.

#### **4.4 Assessment of Outliers**

To ensure adequate estimation, it is essential to examine for incorrect, inconsistent, or unlawful information (Hair et al., 2010). PLS-SEM helps to observe outliers throughout model estimations (Hair et al., 2014). Outliers square measure marked deviations from the quality observations in an exceeding sample (Hair et al., 2014). Therefore, the careful investigation of outliers should precede mistreatment information for more analysis (Hair et al., 2017). Many ways the review for outliers can be completed. In this study, the SPSS Mahalanbis distance technique was used to identify the multivariate outliers (Byrne, et al., 2010; Hair et al., 2010). So, there are only 2 cases were found and removed in order to proceed further with accurate results.

#### **4.5 Assessment of Normality**

As mentioned in Chapter Three, section 3.15, PLS-SEM is a non-parametric statistical method (Hair et al., 2017). This study used PLS for the purpose of data analysis, which needs to assess the normality of distribution as a justification for using PLS. Skewness and kurtosis are selected as one of the statistical tests to assess the normality. According to Hair et al., (2017, p. 54) “Skewness assesses the extent to which a variable’s distribution is symmetrical. If the distribution of responses for a variable stretch towards the right or left tail of the distribution, the distribution is referred to as skewed. Kurtosis is a measure of whether the distribution peaks a very narrow distribution with most of the responses in the center”. Moreover, “when both skewness and kurtosis are 0 (a situation that is very unlikely for the researchers to ever encounter), the pattern of response is considered a normal distribution. This study examined the multivariate normality using the Web Power online tool, which measures Mardia’s multivariate skewness, kurtosis coefficients, and p-values. The analysis showed that the p-value of Mardia’s multivariate skewness and kurtosis coefficients was less than 0.05, which confirmed the multivariate non-normality the results as indicated in the Appendix F. Thus, as indicated in the

normality assessment the data was not normal which means PLS is the most suitable tool for use in data analysis.

#### **4.6 Demographic Analysis of Respondent**

This section includes the demographic information of the respondents, in order, which was performed by SPSS v25. The results of the analysis show the characteristics of (a) Gender, (b) Age, (c) Marital Status, (d) Educational Level, (e) Job Experience, and (f) Industry Type, which are taken from the profile of employees. The frequency and the percentage of 620 participants for this study are shown in Table 4.2. In categorizing the gender of employees, it was documented that 75.6% of the respondents are male and 24.4% are female. In categorizing the age of employees, 5.6% of employees are under 25 years old, 20.6% are between age of 25-30, 42.6% are between the age of 31-40, 22.4% are between the age of 41-50, and 8.7% are above the age 51. In terms of marital status of employees, 18.9% are single, 73.7% are married, 2.6% are widowed and 4.8% are divorced. In terms of educational level of employees 13.2% had completed high school, 15.3% had diploma, 54.8% had a bachelor's degree, and 9.0% had a master's degree, 6.0% had a Doctorate's degree. In terms of job experience by categorizing the study subjects, 5.0% had worked in their organization for 2 years or less, 23.1% of the employees worked between 3-5 years, 36.9% employees worked between 6-10 years, 12.6% for whom worked between 11-15 years, and 22.4% of the employees worked for 16 years and above. In terms of organization type, 11.9% employees had worked in manufacturing, 14.2% for the employees worked in the technology industry, 10.2% employees worked in the medical organizations, 20.8% of the employees worked in the insurance industry, 10.3% for the employees worked in the legal industry, 14.8% for employees working in Retails, Telecommunication has 8.7%, and Finance industry has 9.0%. The results are indicated in Table 4.2.

Table 4.2: Respondent's Demographics Profile

Demographic Item	Categories	Frequency	Percentage
<b>Gender:</b>	Male	469	75.6
	Female	151	24.4
<b>Age:</b>	Less than 25 Years	35	5.6
	25 - 30 Years	128	20.6
	31 - 40 Years	264	42.6
	41 - 50 Years	139	22.4
	More than 51 Years	54	8.7
<b>Marital Status:</b>	Single	117	18.9
	Married	457	73.7
	Widowed	16	2.6
	Divorced	30	4.8
<b>Level of Education:</b>	High School	85	13.2
	Diploma	99	15.3
	Bachelor's Degree	340	54.8
	Master's Degree	59	9.0
	Doctorate Degree	37	6.0
<b>Job Experience:</b>	2 Years or Less	31	5.0
	3 - 5 Years	143	23.1
	6 -10 Years	229	36.9
	11 - 15 Years	78	12.6
	16 Years or More	139	22.4
<b>Organization Type:</b>	Manufacturing	74	11.9
	Technology	88	14.2
	Medical	63	10.2
	Insurances	129	20.8
	legal	64	10.3
	Retails	92	14.8
	Finance	56	9.0
	Telecommunication	54	8.7

#### 4.7 Assessment of Common Method Variance (CMV)

As mentioned in Chapter Three, Section 3.16, this study has employed two approaches to control the common method variance (CMV). The first approach is procedural remedies and the second approach is statistical remedies. So, before running the measurement model and structural model, the common method variance (CMV), needs to be assessed. However, as mentioned earlier Cognitive Rigidity was used as a “Marker Variable” to statistically control any method bias. This variable theoretically is unrelated to the research model as it was used only for remedies. This statistical technique was suggested by (Podsakoff et al., 2003; Chin et al., 2013). Chin et al., (2013) have suggested two approaches to detect and minimize the impact of CMV. The first approach is known as construct level correction (CLC). The second approach is known as item level correction (ILC). However, this study is concerned with the construct level correction (CLC). Therefore, to examine the common method bias, several steps need to be followed. First, to draw and run the hypothesized model using Smart PLS software and observe the original estimated path coefficient and t-values. Second, to introduce the marker variable on all constructs and again observe the values of path coefficient and t-values after adding the marker variable. Thus, the researcher could compare the parameter values of the constructs before and after adding the marker variable, provided no significant difference is observed in the  $R^2$  value of any endogenous construct. Likewise, if there are no any changes in other parameters as well like the original estimated path coefficient and t-values, this means that there is no potential impact of CMV on the study’s results.

Figure 4.1 shows five constructs of PLS model and their path coefficients. Therefore, the researcher highlighted that CMV control constructs involved 3 items of ‘Cognitive Rigidity’ (unrelated measured items). The CMV control constructs were modeled to have an impact on each PLS model’s construct. Then the path coefficients are again estimated

after introducing CMV control constructs on the models' constructs (see Figure 4.2) Hence, it was observed that the original estimated path coefficient of ethical leadership is 0.216 and the path coefficient estimated by construct level correction (CLC) is 0.203. On the other hand, the original estimated path coefficient of the ethical climate is 0.645 and the path coefficient estimated by CLC is 0.650. The original estimated path coefficient of organizational justice is 0.653, and the path coefficient estimated by construct level correction (CLC) is 0.651. For moral identity original, the estimated path coefficient is 0.181, and the path coefficient estimated by construct level correction (CLC) is 0.171. Similarly, there were non-significant changes in other parameters as well. For example, t-values of ethical leadership, ethical climate, organizational justice, and moral identity are 5.020, and 27.154, and 32.507, and 5.757 respectively in the original PLS model (see Figure 4.1). On the other hand, the t-values of ethical leadership, ethical climate, organizational justice and moral identity estimated by construct level correction (CLC) approach are 4.856, and 26.664, and 30.501, and 5.409 respectively (see Figure 4.2). Thus, these changes are very small and are not significant, therefore, based on these changes it can be concluded that CMV is not an issue in this study. All the above-mentioned results are indicated in Table 4.3.

Table 4.3: Comparison of Path Coefficient and t-Values by Original PLS Models and CLC Approach

Relationships	Original Estimates	CLC Estimation	Original Estimates	CLC Estimation
	Path coefficient	Path coefficient	t-value	t-value
EL -> EB	0.216	0.203	5.020	4.856
EL -> EC	0.645	0.650	27.154	26.664
EL -> OJ	0.653	0.651	32.507	30.501
MI -> EB	0.181	0.171	5.757	5.409

**Key:** EL -> EB Ethical Leadership and Ethical Behavior, EL -> EC Ethical Leadership and Ethical Climate, EL -> OJ Ethical Leadership and Organizational Justice, MI -> EB Moral Identity and Ethical Behavior.

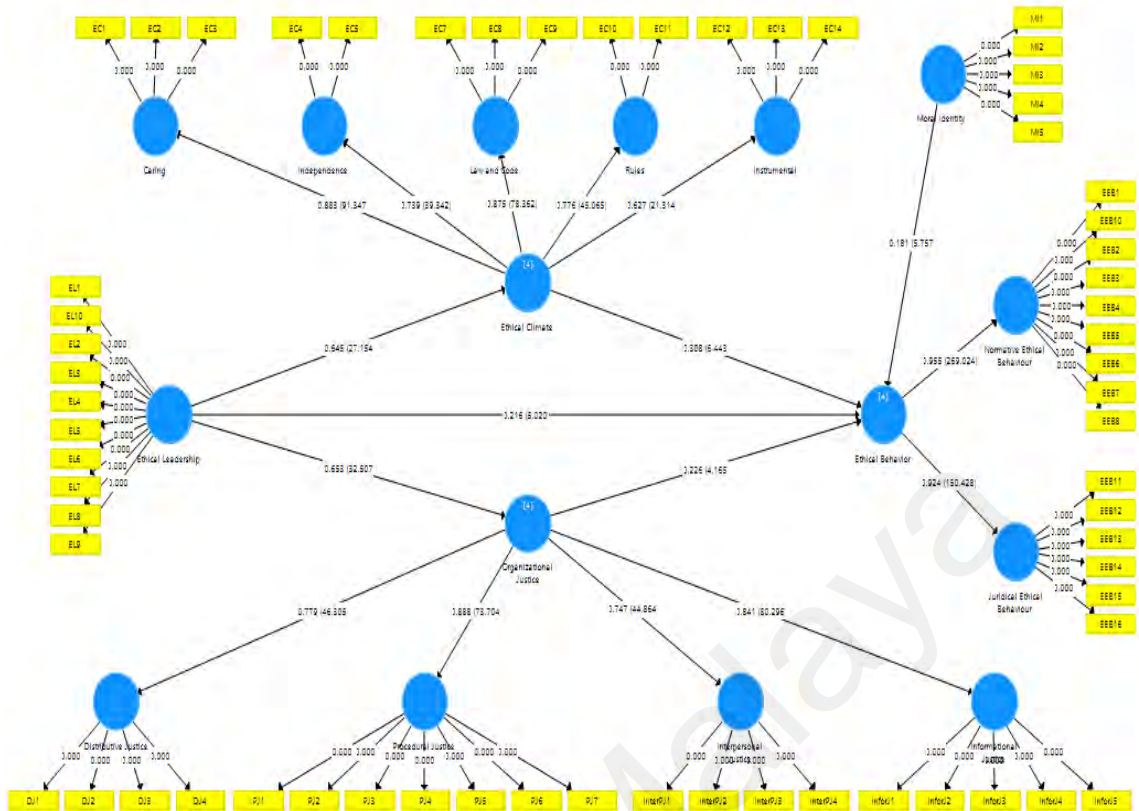


Figure 4.1: Original PLS Bootstrapping Estimations

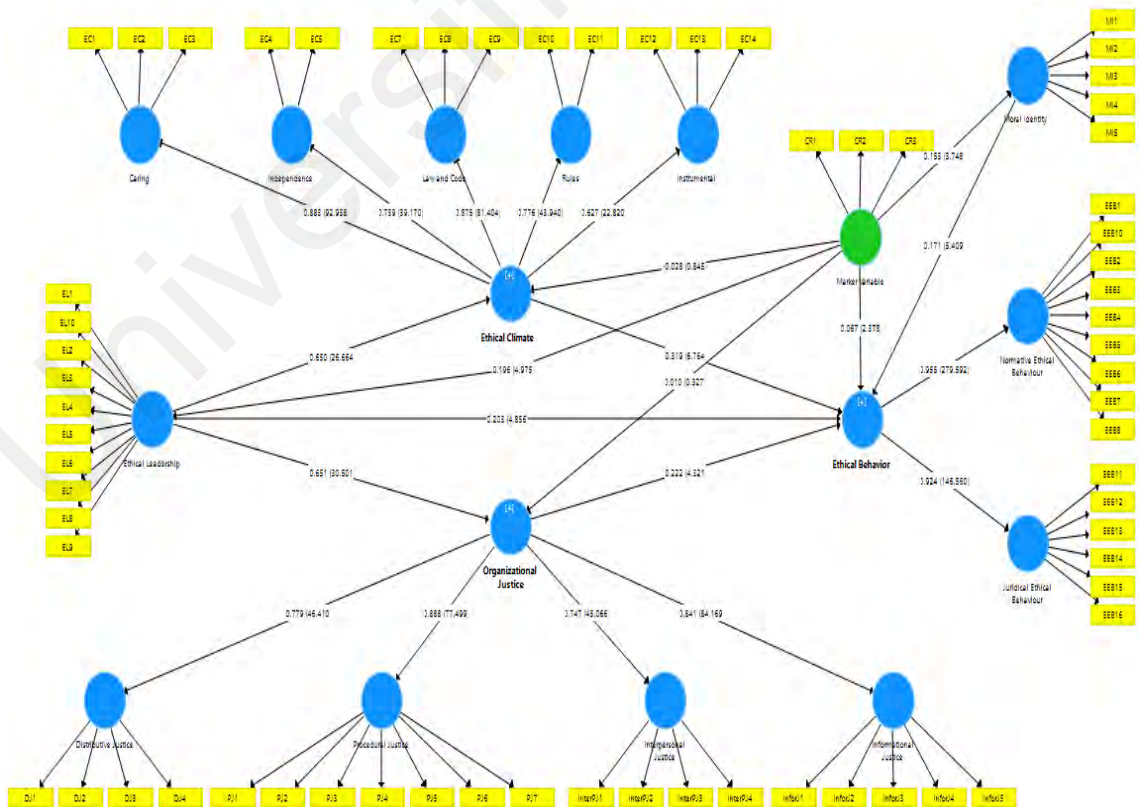


Figure 4.2: Construct Level Correction (CLC) Approach (Bootstrapping Estimations)



Furthermore, with regard to the  $R^2$  which was considered as the most substantial issue concerning CMV. As mentioned, earlier, the Marker Variable again pointed to the endogenous constructs. The original  $R^2$  values in the PLS model for endogenous constructs such as ethical behavior employees, ethical climate and organizational justice are 0.617, and 0.417, and 0.427 respectively which are indicated in Figure 4.3. And the  $R^2$  values estimated by CLC approach are 0.621, and 0.417, and 0.427 respectively which are shown in Figure 4.4. Thus, based on the abovementioned results these changes are very small and are not significant, so, based on these changes one can conclude that CMV is not any issue for this study (Chin et al., 2013). The mentioned results are presented in Table 4.4.

Table 4.4: Comparison of  $R^2$  Values by Original PLS Models and CLC Approach

<b>Endogenous Constructs</b>	<b>Original PLS Estimates (<math>R^2</math>)</b>	<b>CLC Estimation (<math>R^2</math>)</b>
Ethical Behavior	0.617	0.621
Ethical Climate	0.417	0.417
Organizational Justice	0.427	0.427

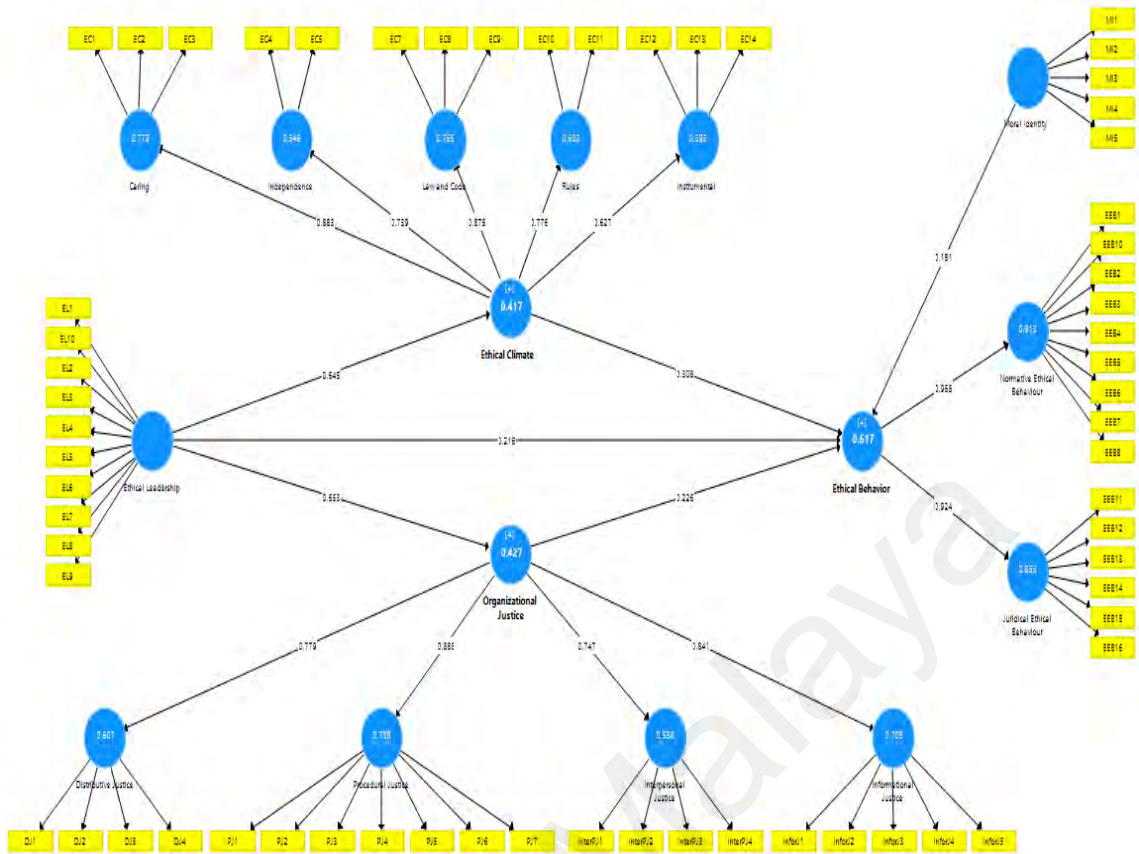


Figure 4.3:  $R^2$  Value of Endogenous Constructs Before Adding Marker Variable

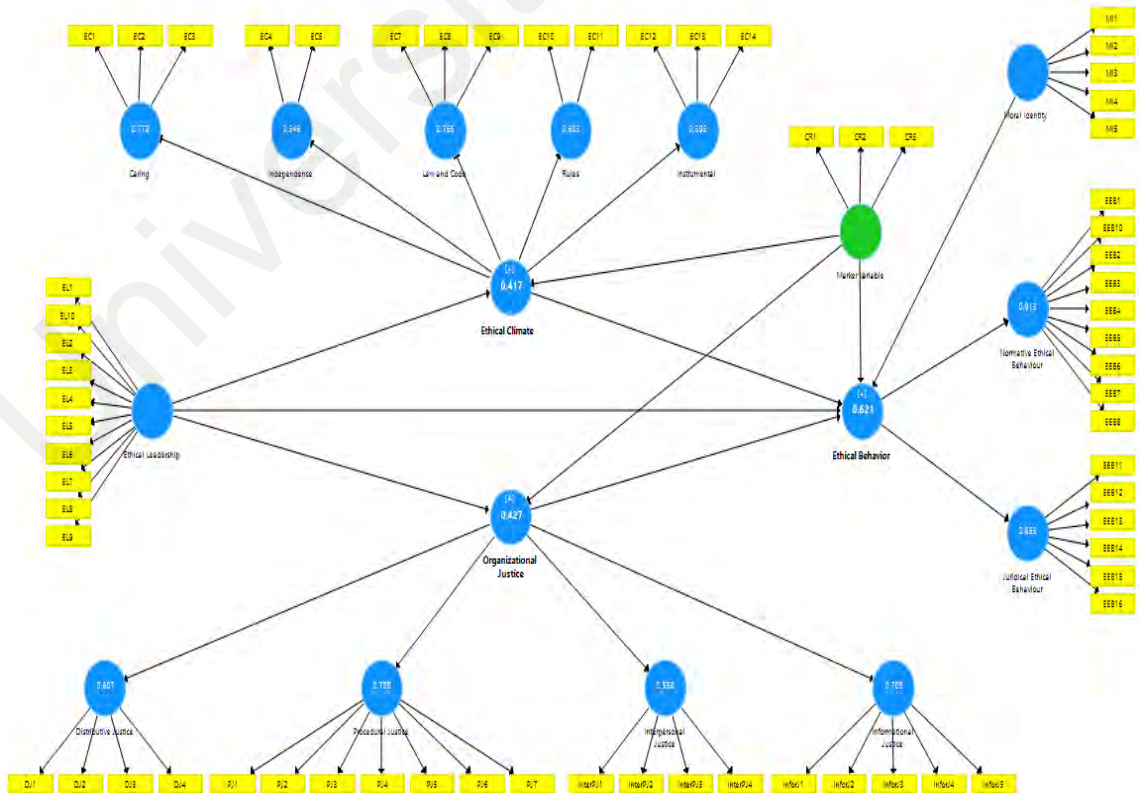


Figure 4.4:  $R^2$  Value of Endogenous Constructs After Adding Marker Variable

#### 4.8 Measurement Model via SmartPLS

The measurement model, also known as, the outer model describes the measurement properties of all unobserved latent variables of the hypothesized conceptual model and relates the measured and observed items to them (Hair et al., 2017). After drawing the model in PLS and importing the data from SPSS using the format of ‘.csv’, the measurement model comprised of 65 measured items using a 5-point Likert scale. All the measured items were loaded on their respective constructs as presented in Figure 4.5. Therefore, the assessment of the measurement model was done through constructs reliability and constructs validity (including convergent and discriminant validity) which are detailed below.

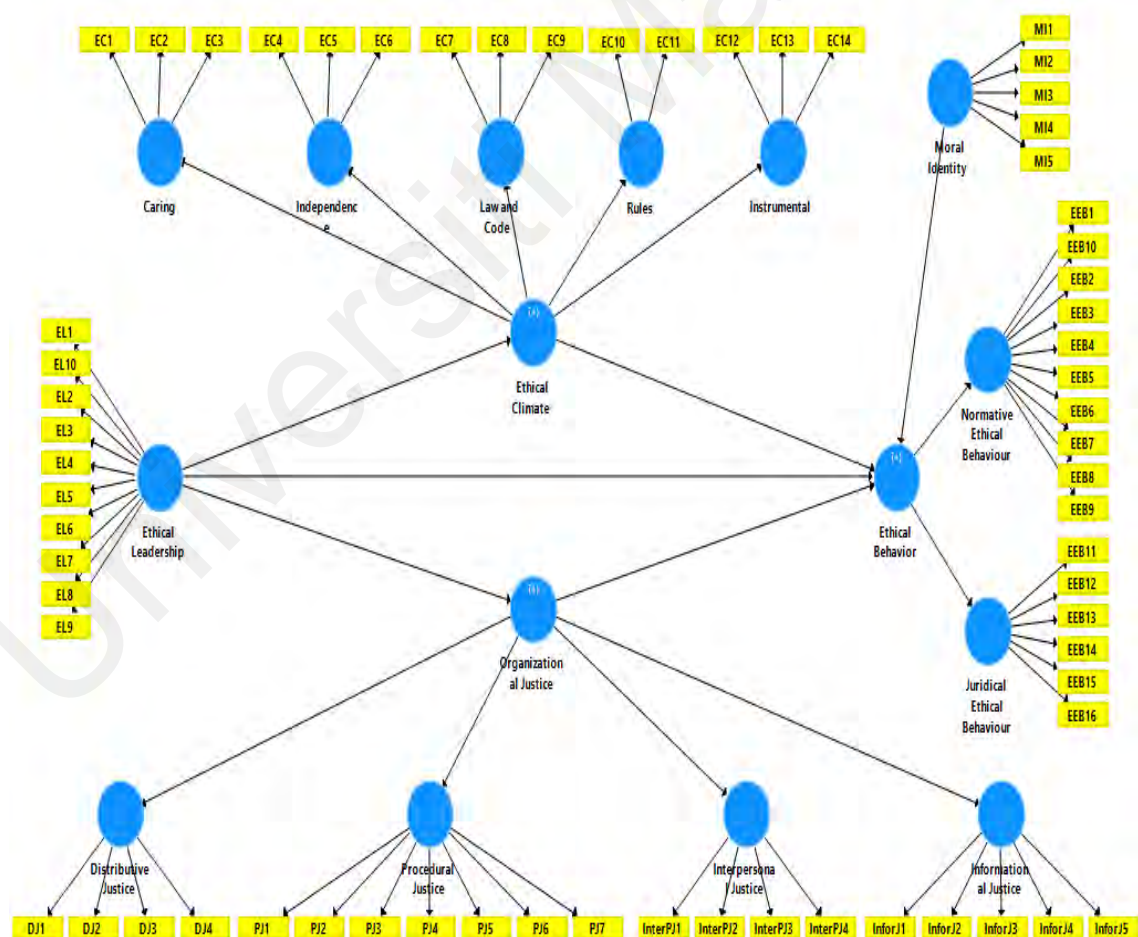


Figure 4.5: Measurement Model via PLS

#### **4.8.1 Construct Reliability**

The reliability of measurement indicates the stability and consistency with which the instrument measures the concepts and helps to assess the 'goodness' of a measure (Hair et al., 2017). The measurement of reliability is figured out by Cronbach's Alpha and Composite Reliability (CR) to ensure the reliability of the instruments. Moreover, according to Cavana et al., (2001), reliability indicates the extent to which the measure is without bias or is error-free. It provides a consistent measurement across time and across various items in the instrument. The two aspects of reliability are indicated as follows.

##### **4.8.1.1 Cronbach's Alpha**

Cronbach's Alpha is used to evaluate the internal consistency reliability. Besides, Cronbach's alpha is considered as the most prominent reliability coefficient which measures the reliability of a set of indicators. According to Hair et al., (2017) a value of 0.7 is considered as an acceptable value. Besides, a value of Cronbach's Alpha is desirable at 0.8 for the basic study whereas it is acceptable at 0.7 for the exploratory study (Hair et al., 2014). Hence, the Cronbach's alpha for this study for all the measures were high which is above 0.7, which ranges from 0.725 to 0.929. Thus, all the values are within an acceptable range. The results are presented in Table 4.5.

Table 4.5: Cronbach's Alpha

First-Order Constructs	Second-Order Constructs	Cronbach's Alpha
Ethical Leadership		0.905
Distributive Justice		0.821
Procedural Justice		0.846
Interpersonal Justice		0.767
Informational Justice		0.885
	Organizational Justice	0.923
Caring		0.806
Independence		0.725
Law and Code		0.792
Rules		0.687
Instrumental		0.750
	Ethical Climate	0.885
Moral Identity		0.838
Normative Ethical Behavior		0.880
Juridical Ethical Behavior		0.866
	Employees' Ethical Behavior	0.926

#### 4.8.1.2 Composite Reliability (CR)

Composite Reliability (CR) is applied for internal consistency reliability. Compared with Cronbach's alpha, the composite reliability is considered as a preferred alternative as a measure of reliability because Cronbach's alpha may either over or under-estimate scale reliability. According to Chin, (1998) and Hair et al., (2017) Composite reliability should be greater than 0.6 in the adequate model for exploratory purposes and greater than 0.7 in the adequate model for confirmatory purposes. So, the results of this study show that Composite reliability for all the measures was high which is above 0.8 as shown in Table 4.6.

Table 4.6: Composite Reliability

First-Order Constructs	Second-Order Constructs	CR
Ethical Leadership		0.922
Distributive Justice		0.881
Procedural Justice		0.884
Interpersonal Justice		0.851
Informational Justice		0.916
	Organizational Justice	0.932
Caring		0.886
Independence		0.879
Law and Code		0.878
Rules		0.862
Instrumental		0.850
	Ethical Climate	0.905
Moral Identity		0.883
Normative Ethical Behavior		0.904
Juridical Ethical Behavior		0.900
	Employees' Ethical Behavior	0.935

**Note:** CR= Composite Reliability

#### 4.8.2 Construct Validity

According to Cavana et al., (2001) and Hair et al., (2017) construct validity is used to “testify how well the results obtained from the use of the measure fit the theories around which the test is designed”. As mentioned earlier construct validity is classified into two specific forms of convergent and discriminant validity which are clarified as follows.

##### 4.8.2.1 Convergent Validity

According to Cavana et al., (2001), convergent validity is established when the scores are obtained by two different instruments which measure the same concept and are highly correlated. In other words, Hair et al., (2014) mentioned that the indicators of specific construct should be convergent or share a high proportion of variance in common, known as convergent validity. There are several ways to estimate convergent validity among the item measures.

Factor loading is one of the ways to estimate the convergent validity. The first and considerate issue to be considered is the size of factor loading. High convergent validity occurs with the high loading on a factor which indicates that they are convergent on a common point, the latent construct. On the other hand, all factors loading should be statistically significant to consider it as a minimum of convergent validity. Since, a significant loading could be fairly weak in strength, the standardized loading is followed by the good rule of thumb at 0.5 or higher. Besides, the ideal case is considered as 0.7 or higher (Hair et al., 2017). So, all the factor loading results are presented in Appendix G, as some of the indicators have an issue which need to be dropped. For example, one of the items of ethical climate, EC6 (0.221) was dropped because of low loading as well as normative ethical behavior EEB9 (0.318) which was dropped because of low loading.

Average variance extracted (AVE) is another way of conducting convergent validity. The AVE is calculated through CFA as the mean variance extracted for the items loading on a construct and is a summary indicator of convergent (Hair et al., 2014). Therefore, according to Hair et al., (2017) a high AVE value which is represented by a value that is greater than 0.5 indicates that the latent variables have a high convergent validity. The AVE results are indicated in Table 4.7.

Table 4.7: AVE

First-Order Constructs	Second-Order Constructs	AVE
Ethical Leadership		0.542
Distributive Justice		0.650
Procedural Justice		0.524
Interpersonal Justice		0.590
Informational Justice		0.685
	Organizational Justice	0.665
Caring		0.721
Independence		0.784
Law and Code		0.707
Rules		0.758
Instrumental		0.655
	Ethical Climate	0.617
Moral Identity		0.603
Normative Ethical Behavior		0.513
Juridical Ethical Behavior		0.603
	Employees' Ethical Behavior	0.883

**Note:** AVE= Average Variance Extract

#### 4.8.2.2 Discriminant Validity via Fornell And Larcker

Cavana et al., (2001), mentioned that discriminant validity is established when it is based on two variables that are predicted to be uncorrelated, and the scores obtained by measuring them are indeed empirically found to be so. In other words, a high discriminant validity is a confirmation that a construct is unique and captures some phenomenon that other measures do not (Hair et al., 2017).

According to Fornell and Larcker (1981), a latent variable should explain better the variance of its own indicators than the variance of other latent variable. The assessment of discriminant validity is conducted using AVE. Based on the Fornell and Larcker criterion, the AVE of each latent construct should be higher than the construct's highest squared correlation with any other latent construct. This notion is identical to comparing the square root of AVE with the correlations between the latent construct. The evaluation of discriminant validity in this study showed that the square root values of AVE for each



construct are higher than its correlation estimate with other construct which demonstrates that all construct in the measurement model are distinguishable. The abovementioned result is indicated in the Table 4.8.

Table 4.8: Discriminant Validity via Fornell And Larcker Criterion

Constructs	EB	EC	EL	MI	OJ
EB	<b>0.712</b>				
EC	0.669	<b>0.718</b>			
EL	0.629	0.640	<b>0.736</b>		
MI	0.516	0.491	0.370	<b>0.777</b>	
OJ	0.619	0.618	0.618	0.519	<b>0.719</b>

**Note:** Diagonals represent the square root of the average variance extracted while the other entries represent the correlations.

**Key:** EB: Ethical Behavior, EC: Ethical Climate, EL: Ethical Leadership, MI: Moral Identity, OJ: Organizational Justice.

#### 4.8.2.3 Discriminant Validity via Multitrait-Multimethod Matrix (HTMT)

In recent literatures, the Fornell-Larcker criterion has been criticized, Henseler et al., (2015) mentioned that it does not accurately reveal the lack of discriminant validity in common research situations as mentioned. They have proposed an alternative technique which is the Heterotrait-Monotrait Ratio (HTMT) of correlations and based it on the Multitrait-Multimethod Matrix. However, this study assesses discriminant validity via HTMT as well. There is a problem with the discriminant validity when the HTMT value is greater than  $HTMT_{0.85}$  value, value of 0.85 (Kline, 2010). Hence, as indicated the determined discriminant validity was lower than the recommended values of 0.85. The mentioned result is indicated in Table 4.9.

Table 4.9: Discriminant Validity via (HTMT Criterion)

Constructs	EB	EC	EL	MI	OJ
EB					
EC	0.790				
EL	0.683	0.691			
MI	0.561	0.547	0.392		
OJ	0.673	0.816	0.666	0.598	

**Key:** EB: Ethical Behavior, EC: Ethical Climate, EL: Ethical Leadership, MI: Moral Identity, OJ: Organizational Justice.

#### 4.9 Structural Model via PLS

Subsequently, the measurement model which evaluated the reliability and validity of the model, the structural model, needs to be tested. In other words, once the validation and satisfactory fit has been achieved via the measurement model, the structural model should be assessed through path analysis and identifying the regression model of the study for all factors which were derived from the measurement model (Götz, Liehr-Gobbers, & Krafft, 2010; Hair et al., 2017). Generally, the structural model is applied to demonstrate the relationship between exogenous and endogenous constructs to capture the regression effects of the exogenous constructs on endogenous constructs and the regression effect among endogenous constructs. Furthermore, the pattern of the relationships among the latent constructs are assessed through the structural model (Hair et al., 2017). As mentioned by Cheng, (2001) researchers have greater interest in the structural model since it offers a direct test of theoretical interest.

According to Hair et al., (2017) structural model should be assessed by looking at certain criteria, firstly; at the collinearity issues of the structural model. Then continued by the following aspects, the beta ( $\beta$ ),  $R^2$  and the corresponding t-values via a bootstrapping procedure 5000 resampling. Moreover, they recommended reporting the effect sizes ( $f^2$ ) as well as the predictive relevance ( $Q^2$ ). Therefore, as argued by Sullivan and Feinn, (2012) the p-value determines whether the effect exists, but it does not reveal

the size of the effect. So, for the purpose of theory and hypothesis testing, Smart-PLS needs to run the PLS Algorithm and bootstrapping. PLS Algorithm indicates the path coefficient and Bootstrapping is required to find out the significance level. Thus, bootstrapping provides t-values for inner or structural model path coefficients. Furthermore, bootstrapping procedure provides the mean values for weights in the inner (structural) model. Moreover, as mentioned before, in order to estimate the precision of the PLS estimates, non-parametric techniques of re-sampling should be used. Consequently, bootstrapping is an approach commonly used in PLS analysis (Hair et al., 2017). Thus, the structural model was run using the PLS bootstrapping method with 5000 re-samples to generate t-value for the path of current model. The results of this study and the procedures of the structural model are presented in order in the following sections.

#### **4.9.1 Multicollinearity**

As mentioned in the previous sections the first step to be considered in the structural model is multicollinearity. Multicollinearity is the statistical phenomenon which needs to check before assessing the structural model. According to Kock and Lynn, (2012) multicollinearity refers to the relationship between the variables while the correlation which is high among variables indicate multicollinearity. In other words, multicollinearity is considerable in the statistical process as the multicollinearity between constructs probably causes problems given that a high correlation among clustering variables may outweigh one or more underlying constructs. According to (Hair et al., 2017) the complete collinearity appears between two variables although their correlation coefficient is one.

Based on Hair et al., (2017) suggestion regarding the purpose of multicollinearity, it needs to assess via Variance of Inflation Factor (VIF). When a VIF value is higher than 5, it suggests an existence of multicollinearity problem. Besides, as suggested by

Diamantopoulos and Sigauw, (2006) where the VIF value is 3.3 or higher indicates there is a potential collinearity problem, Thus, the results of the multicollinearity are illustrated below in Table 4.10. Based on the abovementioned results there was no problem in multicollinearity since the VIF values were below 5 and 3.3.

Table 4.10: Multicollinearity

<b>Constructs</b>	<b>VIF</b>
Ethical Leadership	0.219
Ethical Climate	0.201
Organizational Justice	0.187
Moral Identity	0.197

**Note:** VIF= Variance of Inflation Factor

#### 4.9.2 Hypothesis Testing

For the purpose of hypothesis testing. Thus, as mentioned in the previous section, the path coefficients are produced by PLS Algorithm procedures and the t-value determines the bootstrapping procedure. Hair et al., (2017) mentioned that the bootstrapping results in a larger sample claimed to model the unknown population. So, the new sample provides the data from which conclusions can be drawn. Thus, the results can be determined at a level of 5% significance (t-value: 1.645) which is used as a statistical decision criterion for one tailed (t-value 1.96) and for two tailed (Hair et al., 2017). The results of the hypotheses testing are presented in the following three sections:

- Section 4.9.2.1 presented Direct Effects which examined the direct relationship between IVs and criterion variables.
- Section 4.9.6 presented the Mediating test which examined the mediating relationship of current study.

- Section 4.9.7 presented the moderation test which shows the results of the moderating role of moral identity on the relationship between ethical climate and employees' ethical behavior and between organizational justice and ethical behavior of employees as well.

#### **4.9.2.1 Direct Effects (Relationship of Ethical Leadership & Ethical Behavior)**

This section discussed the direct effect of hypothesis which examined H<sub>1</sub> with direct effects. Hypothesis 1 presents the direct relationship between ethical leadership and employees' ethical behavior. As mentioned earlier, the structural model run the PLS bootstrapping method with 5000 re-samples to generate the t-value for the path of current model. So, Path Coefficients and p-value are shown in Figure 4.6. and the Path Coefficients and t-value are presented in Figure 4.7. Thus, in this study the result demonstrated the statistical significance positive relationship between ethical leadership and ethical behavior of employees. Hence, H<sub>1</sub> is accepted with ( $\beta = 0.216$ ,  $t = 5.020$ ,  $p < 0.000$ ). The abovementioned results are indicated in Table 4.11.

Table 4.11: Path Coefficients (Direct Effect)

Hypothesis	Relationship	Std Beta	Std Error	t-value	p-value	LL	UL	Decision	f <sup>2</sup>
<b>H-1</b>	EL -> EB	0.216	0.043	5.020	0.000	0.147	0.286	Supported	0.066

**Key:** EL -> EB= Ethical Leadership-> Ethical Behavior

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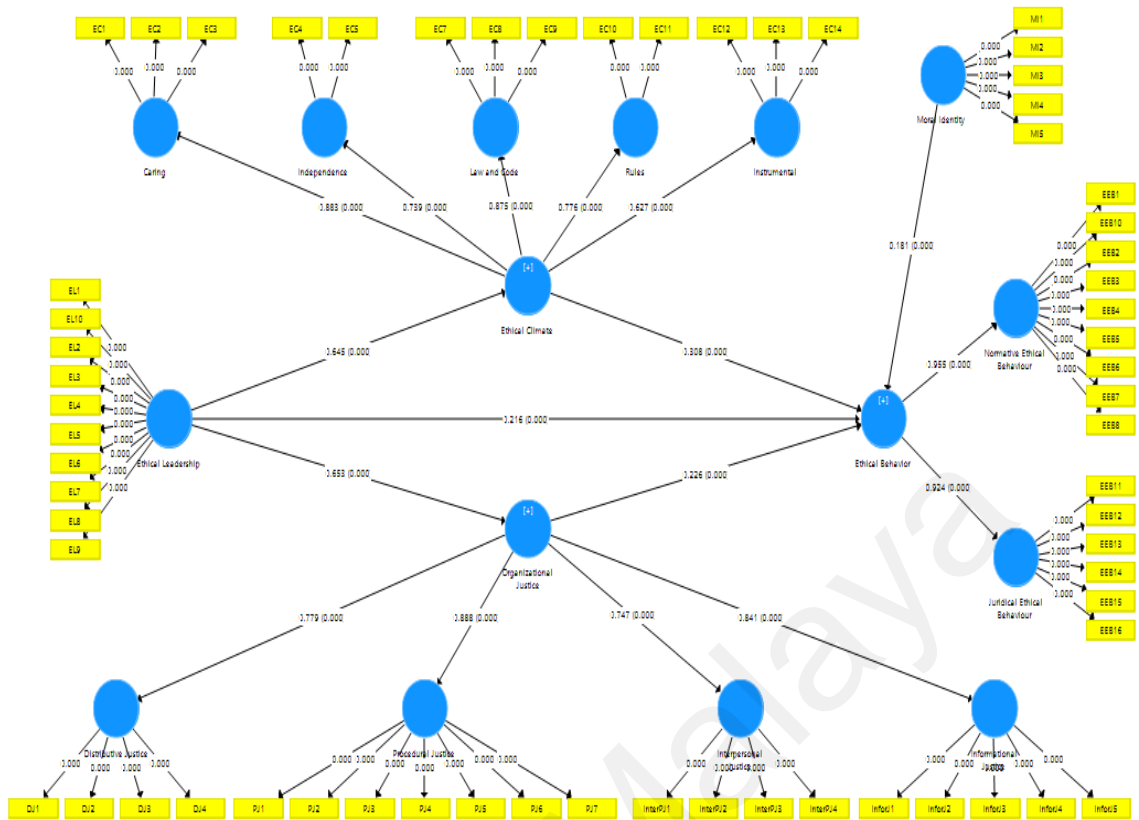


Figure 4.6: Bootstrapping Estimations Path Coefficients and p-value

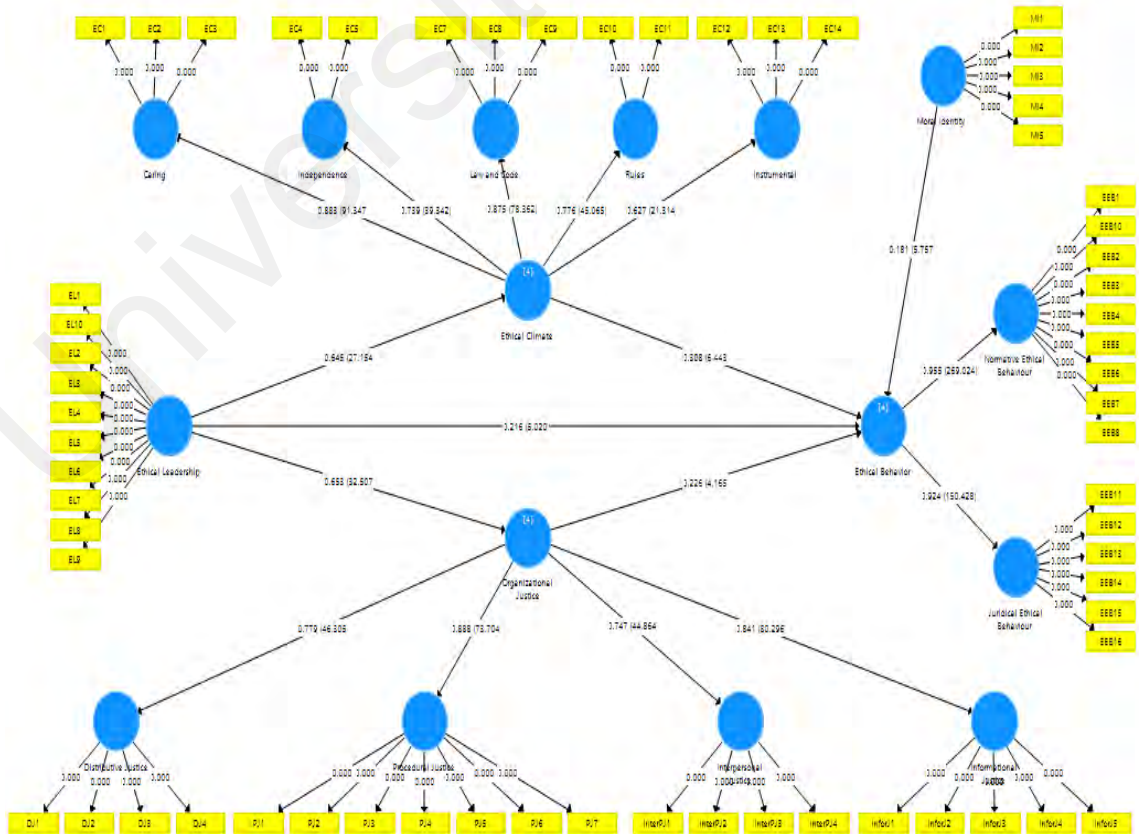


Figure 4.7: Bootstrapping Estimations Path Coefficients and t-value

### 4.9.3 Assessment of Coefficient on Determination ( $R^2$ Value)

The coefficient on determination ( $R^2$  value) is a measure of the predictive accuracy of the model that is calculated as the squared correlation between the actual and predictive values of a specific endogenous construct. Moreover, this coefficient indicates the combine effects of the exogenous constructs on the specific endogenous construct. The value of this coefficient ranges from 0 to 1 and the higher the level shows the higher levels of predictive accuracy. The overall effect of the model is determined by  $R^2$ . In other words,  $R^2$  is used as an indicator of the overall predictive strength of the model and the rule of thumb according to Hair et al., (2017) is to cut off  $R^2$  as follows:

- $R^2$  0.75 → Substantial
- $R^2$  0.50 → Moderate
- $R^2$  0.25 → Weak

Since the SmartPLS provides  $R^2$  for the endogenous variable, Table 4.12 provides the values of  $R^2$  before and after interaction for the depended variable. The  $R^2$  value for employees' ethical behavior before the interaction is 0.617 which is a substantial prediction. In addition, the  $R^2$  value for the ethical of employees after the interaction is 0.645 which is a substantial prediction based on the aforementioned rule of thumb. Thus, the  $R^2$  changes are very clear and are considered as additional variance.

Table 4.12: R Square of Endogenous Variables

<b>Construct</b>	<b>R Square Before Interaction</b>	<b>R Square After Interaction</b>
Ethical Behavior	0.617	0.645



#### 4.9.4 Assessment of the Effect Size $f^2$

The effect size  $f^2$  is needed to be evaluated to determine the substantial influence of a particular exogenous construct on the specific endogenous latent variable. In other words, the  $f^2$  assesses the relative impact of a predictor construct on an endogenous construct (Cohen, 1988). Specifically, it assesses how strongly one exogenous construct contributes to explain a certain endogenous construct in terms of  $R^2$ . Initially,  $R^2$  value is estimated with a particular predecessor construct and if one predecessor constructs are excluded, the result for  $R^2$  value will be lower. Thus, the difference of the  $R^2$  values for estimating the model with and without the predecessor construct is known as the effect size. According to Cohen, (1988),  $f^2$  values of 0.35, 0.15, and 0.02 are considered large, medium, and small effect sizes respectively. When an exogenous construct strongly contributes to explaining an endogenous construct, the difference between  $R^2$  included and  $R^2$  excluded will be high, leading to a high  $f^2$ . As mentioned earlier the effect size is calculated using the formula below:

$$f^2 = \frac{R^2 \text{ model with moderator} - R^2 \text{ model without moderator}}{1 - R^2 \text{ model with moderator}}$$

$$1 - R^2 \text{ model with moderator}$$

As illustrated in Table 4.11, and Table 4.15, all the  $f^2$  values, as can be seen, are considered as large prediction based on the aforementioned rule of thumb.

#### 4.9.5 Assessment of the Predictive Relevance $Q^2$

The evaluation of Stone-Geisser's  $Q^2$  value is another criterion to assess the predictive accuracy (Geisser, 1974; Stone, 1974). "This measure is an indicator of the model's out-of-sample predictive power or predictive relevance" (Hair et al., 2017, p. 202). This measure shows the predictive relevance of the model. The  $Q^2$  value is calculated using the blindfolding technique for a certain omission distance. Blindfolding is a sample reusing procedure that omits every data point in the indicators of the endogenous construct and uses the remaining data points to estimate the parameters (Henseler, Ringle, & Sinkovics, 2009; Hair et al., 2014; 2017). The  $Q^2$  values that are greater than zero indicate the predictive relevance for the specific endogenous construct. However, the values of 0 and below indicates a lack of predictive relevance (Chin, 1998; Hair et al., 2014). Moreover, the guidelines for assessing the  $Q^2$  value suggest that values of 0.35, 0.15 and 0.02 represent large, medium, or small relevance for a specific endogenous construct (Hair et al., 2014). The  $Q^2$  values of the endogenous construct of the model are indicated in Table 4.13.

Table 4.13:  $Q^2$  of the Endogenous Constructs

<b>Constructs</b>	<b>SSO</b>	<b>SSE</b>	<b><math>Q^2 (=1-SSE/SSO)</math></b>
Ethical Behavior	9920.0	7114.4	0.283
Ethical Climate	8680.0	7271.3	0.162
Organizational Justice	12400.0	10398.3	0.161

#### **4.9.6 Mediating Test**

Based on the objectives of this study, mediation test is one of the main contributions to test whether ethical climate and organizational justice mediate the relationship between independent (ethical leadership) and dependent variables (employees' ethical behavior). To conduct a mediating role PROCESS macro was used, the two-mediating effect of ethical climate on the relationship of ethical leadership and employees' ethical behavior and organizational justice on the relationship of ethical leadership and ethical behavior of employees were tested via PROCESS macro (Model 4) was pointed for each mediation analysis process. In this study, the mediation effect was tested based on the suggestion by Hair et al., (2017), that the approach of (Preacher & Hayes, 2004) and (Preacher & Hayes, 2008) should be applied for testing the mediating effect. Thus, the test on the indirect effect of ethical climate and organizational justice towards ethical leadership and ethical behavior of employees in this research is based on (Preacher & Hayes, 2004; Preacher & Hayes, 2008) method of bootstrapping, the process of testing the two mediations are shown as follows.

##### **4.9.6.1 Mediating Test of Ethical Climate**

As mentioned before, this study applied the method by Preacher and Hayes, (2004) and Preacher & Hayes's (2008) to examine the mediating effect of ethical climate on the relationship between the independent variable (ethical leadership) and dependent variable (ethical behavior of employees). As shown in Table 4.14, the result of the bootstrapping analysis, indicated that the indirect effect of ethical climate was significant with ( $\beta = 0.212$ ,  $t = 4.201$ ,  $p < 0.000$ ). Preacher and Hayes, (2008) mentioned that when the 95% Bootstrap Confidence Interval Lower Level and Upper Level (CI): [LL= 0.112, UL= 0.251] does not straddle a 0 in between, it indicates there is mediation. Thus, in this study based on the results of this study, it can be concluded that the mediation effect of ethical climate is statistically significant between ethical leadership and employees' ethical

behavior, which indicated that H<sub>2</sub> is supported. Therefore, based on the abovementioned results it can be concluded that ethical climate mediates the relationship between ethical leadership and employees' ethical behavior.

#### **4.9.6.2 Mediating Test of Organizational Justice**

As mentioned in the previous two sections, Preacher and Hayes, (2004) and Preacher and Hayes, (2008) method was used to test the second mediation effect of organizational justice on the relationship between the independent variable (ethical leadership) and dependent variable (ethical behavior of employees). The statistical test value for organizational justice was significant with ( $\beta = 0.148$ ,  $t =$  value of 3.238,  $p < 0.000$ ). Therefore, Preacher and Hayes, (2008) mentioned that when the 95% Bootstrap Confidence Interval Lower Level and Upper Level (CI): [LL= 0.081, UL= 0.342] does not straddle a 0 in between, it indicates there is mediation. However, as revealed from the statistical analysis in the current research, it can be concluded that the mediation effect of the organizational justice is significant between ethical leadership and employees' ethical behavior, which indicated that H<sub>3</sub> was supported. Thus, based on the mentioned results one can conclude that organizational justice mediates the relationship between ethical leadership and employees' ethical behavior.

As revealed, from the statistical analysis for the two mediations, which indicated that ethical climate mediated the relationship between ethical leadership and employees' ethical behavior, hence, H<sub>2</sub> is supported. For the second mediation of organizational justice as indicated from the statistical analysis it was also significant. Thus, the mediation effect of organizational justice on the relationship between ethical leadership and employees' ethical was significant, hence, H<sub>3</sub> was supported as well. The abovementioned results were presented in Table 4.14.

Table 4.14: Mediating test (Indirect effect) via PROCESS macro

Hypothesis	Indirect Effect	Std Beta	Std Error	t-value	p-value	LL	UL	Decision
<b>H-2</b>	EL -> EC -> EB	0.212	0.057	4.201	0.000	0.112	0.251	Supported
<b>H-3</b>	EL -> OJ -> EB	0.148	0.038	3.238	0.000	0.081	0.342	Supported

**Key:** EL-> EC-> EB= Ethical Leadership, Ethical Climate, Ethical Behavior.

EL->OJ->EB= Ethical Leadership, Organizational Justice, Ethical Behavior.

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#### 4.9.7 Moderating Test

According to Hair et al., (2017, p. 271) “Moderation occurs when the strength or even the direction of a relationship between two constructs depends on a third variable”. Thus, the nature of relationship differs according to the values of the third variable. Moreover, the moderator is an independent latent variable that impacts the strength or direction of the relation between the predictor variable and a dependent variable (Baron & Kenny, 1986, p. 1174). Therefore, based on the objective of this study, the moderation effect of ‘Moral Identity’ is tested on the relationship between ethical climate and employees’ ethical behavior, and between organizational justice and ethical behavior of employees as well. Thus, as predicted a moderated mediation model (Hayes, 2015), which suggests that the indirect effect of managerial ethical leadership on employee ethical behaviour through ethical climate and organizational justice is intensified by employees’ level of moral identity.

Therefore, Henseler and Fassott, (2010) provided the two steps in order to interpret the moderating effects. These steps are illustrated as follows:

1. In the first step, the existence of moderating effects is determined by checking if the path coefficient capturing the moderating influence is significantly different from zero. Moreover, the interaction path must be significant in order to support the moderator hypothesis.
2. The second step is related to assessing the strength of the moderating effect by comparing the  $R^2$  of the main effect model (the model without moderating impact) with  $R^2$  of the full model (model including the moderating impact) and by calculating the effect size. The effect size of the moderating impact should also be calculated to estimate the extent to which this relation exists. Therefore, the effect size of moderating effect was evaluated using Cohen’s criteria (Cohen,

1988). The  $f^2$  assesses the relative impact of predictor constructs on the endogenous construct (Cohen, 1988). According to Cohen, (1988), the  $f^2$  values of 0.35, 0.15, and 0.02 are considered large, medium, and small effect size respectively. Therefore, the effect size in this study was calculated using the formula below. Regarding the  $f^2$  for more clarification the details are mentioned in this chapter under section 4.7.4.

$$f^2 = \frac{R^2 \text{ model with moderator} - R^2 \text{ model without moderator}}{1 - R^2 \text{ model with moderator}}$$

1-  $R^2$  model with moderator

The above-mentioned steps have been followed in the analysis of this study. Additionally, Chin, Marcolin, and Newsted, (2003) stated that a low effect size ( $f^2$ ) does not necessarily mean that the underlying moderator impact is negligible; “Even a small interaction effect can be meaningful under extreme moderating conditions, if the resulting beta changes are meaningful, then it is important to take these conditions into account” (Chin et al., 2003, p. 211). Thus, the researcher has reported the effect size  $f^2$  of the moderating impacts. The results of the hypotheses associated with moderating impacts are described below.

As mentioned previously the moderation effect in this study has three interaction roles. One is on the relationship between ethical leadership and ethical behavior of employees and between ethical climate and employees’ ethical behavior and another one is on the relationship between organizational justice and employees’ ethical behavior. Thus, hypotheses 4, 5 and 6 of this study are related to the direct and positive moderating influence of the high moral identity on the relationship between ethical leadership and employees’ ethical behavior and among work ethical climate and ethical behavior as well as between organizational justice and employees’ ethical behavior. As mentioned earlier, the structural model was run via the PROCESS macro bootstrapping method with 5000

re-samples to generate t-value for the path of current model. So, the results of these hypotheses showed that H<sub>4</sub>, was supported and H<sub>5</sub> and H<sub>6</sub> were not supported. First, for the H<sub>4</sub>, the result was significant as long as levels of moral identity are higher: At +1 standard deviation below the mean (high moral identity), the positive effect is stronger (B = 0.514, SE = 0.055, 95% CI = 0.410, 0.524) than at -1 standard deviation above it (low moral identity) (B = 0.305, SE = 0.027, 95% CI = 0.230, 0.417). Finally, the index of moderated mediation does include 0 (index = 0.171, SE = 0.037, 95% CI = 0.164, 0.344). The mentioned results are shown in Table 4.15.

Second, for the H<sub>5</sub>, the result was insignificant as long as levels of moral identity are higher: At -1 standard deviation below the mean (low moral identity), the positive effect is weaker (B = 0.520, SE = 0.050, 95% CI = -0.420, 0.610) than at +1 standard deviation above it (high moral identity) (B = 0.410, SE = 0.045, 95% CI = 0.320, -0.500). Finally, the index of moderated mediation does include 0 (index = 0.191, SE = 0.045, 95% CI = 0.186, -0.264). Thus, H<sub>4</sub> was not supported based on the mentioned critical (see Table 4.16). Similarity, for H<sub>6</sub> the condition was not met as Table 4.17 reveals moral identity levels are higher: at -1 standard deviation (low moral identity) (B = 0.261, SE = 0.087, 95% CI= 0.181, -0.40) than at +1 standard deviation (high moral identity) (B = 0.152, SE= 0.064, 95% CI= -0.133, 0.366). Finally, according to the fifth condition, the index of moderated mediation does not include zero (index = 0.188, SE = 0.049, CI = -0.156, 0.263). Thus, moral identity does not moderate indirect effect of managerial ethical leadership on employees' ethical behavior through organizational justice. Hence H<sub>5</sub> is not supported.



Table 4.15: Moderating Test via PROCESS macro

Conditional on the Direct Effect of Ethical Leadership on Employee Ethical Behaviour at Values of Employee Moral Identity.

<b>Moderator: Moral Identity (H4)</b>	<b>Indirect effect</b>	<b>Boot SE</b>	<b>Bias and Corrected Bootstrap 95% CI</b>	
			<b>LL 95% CI</b>	<b>UL 95% CI</b>
-1 standard deviation (-0.517)	0.305	0.027	0.230	0.417
at the mean (0.00)	0.447	0.037	0.351	0.494
+1 standard deviation (0.517)	0.514	0.055	0.410	0.524
<b>Index of Moderated Mediation</b>		<b>SE</b>	<b>Bias and Corrected Bootstrap 95% CI</b>	
			<b>LL 95% CI</b>	<b>UL 95% CI</b>
		0.171	0.164	0.344

**Notes:** N= 620. Bootstrap sample size = 5,000. SE=standard error; LL=lower limit; CI=confidence interval; UL=upper limit 95% bias-correlated CI

Table 4.16: Moderating Test via PROCESS macro

Conditional Indirect Effect of Managerial Ethical Leadership on Employee Ethical Behaviour at Values of Employee Moral Identity.

<b>Moderator: Moral Identity (H5)</b>	<b>Indirect effect</b>	<b>Boot SE</b>	<b>Bias and Corrected Bootstrap 95% CI</b>	
			<b>LL 95% CI</b>	<b>UL 95% CI</b>
-1 standard deviation (-0.517)	0.520	0.050	-0.420	0.610
at the mean (0.00)	0.462	0.037	-0.391	0.541
+1 standard deviation (0.517)	0.410	0.045	0.320	-0.500
<b>Index of Moderated Mediation</b>		<b>SE</b>	<b>Bias and Corrected Bootstrap 95% CI</b>	
			<b>LL 95% CI</b>	<b>UL 95% CI</b>
		0.191	0.186	-0.264

**Notes:** N= 620. Bootstrap sample size = 5,000. SE=standard error; LL=lower limit; CI=confidence interval; UL=upper limit 95% bias-correlated CI

Table 4.17: Moderating Test via PROCESS macro

Conditional Indirect Effect of Ethical Leadership on Employee' Ethical Behavior via Organizational justice at values of Employee Moral Identity

<b>Moderator: Moral Identity (H6)</b>	<b>Indirect effect</b>	<b>Boot SE</b>	<b>Bias and Corrected Bootstrap 95% CI</b>	
			<b>LL 95% CI</b>	<b>UL 95% CI</b>
-1 standard deviation (-0.709)	0.261	0.087	0.181	-0.411
at the mean (0.00)	0.211	0.039	-0.142	0.294
+1 standard deviation (0.709)	0.152	0.064	-0.133	0.366
<b>Index of Moderated Mediation</b>		<b>SE</b>	<b>Bias and Corrected Bootstrap 95% CI</b>	
			<b>LL 95% CI</b>	<b>UL 95% CI</b>
0.188		0.049	[-0.156	0.263]

**Notes:** N= 620. Bootstrap sample size = 5,000. SE=standard error; LL=lower limit; CI=confidence interval; UL=upper limit 95% bias-correlated CI

Generally, the interaction of the moderation analysis is not quite clear as to how it differs from high to low interaction. In other words, the size of the precise nature of this effect is not easy to define from the examination of the coefficient (Dawson, 2014). Thus, Dawson, (2014), suggested to follow up on the significant interactions so that an interaction plot can be drawn. The interaction plot was used for this study. First, thus based on the statistical outcomes the positive relationship between ethical leadership and employee ethical behavior is stronger (the slope is more pronounced) when employee moral identity is high than when it is low as indicated in Figure 4.8. Thus, in clear support of H4, the relationship between ethical leadership and employee ethical behavior is strengthened by the level of employee moral identity. Thus, when an individual embraces high moral identity his/her moral identity will be stronger when he/she find support from the managers as an ethical manager.

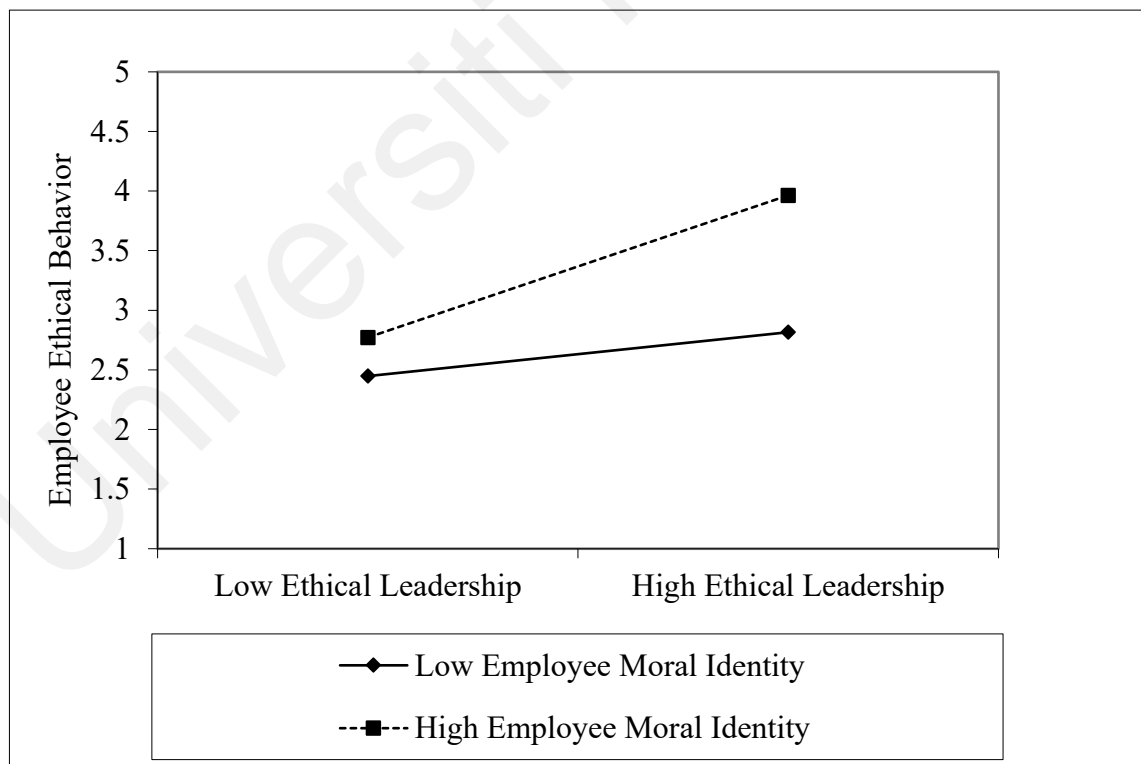


Figure 4.8: Graphing Plot of Interaction Between Ethical Climate and Moral Identity

Second, the interaction between ethical climate and employee moral identity towards employee's ethical behavior. Based on the results and the interpretation of the plot, the interpretation of the interaction plot is to look at the gradient of the slopes as shown in Figure 4.9. As the line labelled 'low moral identity' has a steeper gradient when compared to high moral identity. Thus, all participants exhibit similar ethical behavior (EB) when the ethical climate is strong, as a low ethical climate reduces the ethical behavior (EB) of all participants. However, a low ethical climate reduces the ethical behavior (EB) of those with low moral identity (MI) more than those with high moral identity (MI). People with high moral identity are more likely to behave ethically, even when an ethical climate is low. Further interpretations are discussed in Chapter 5.

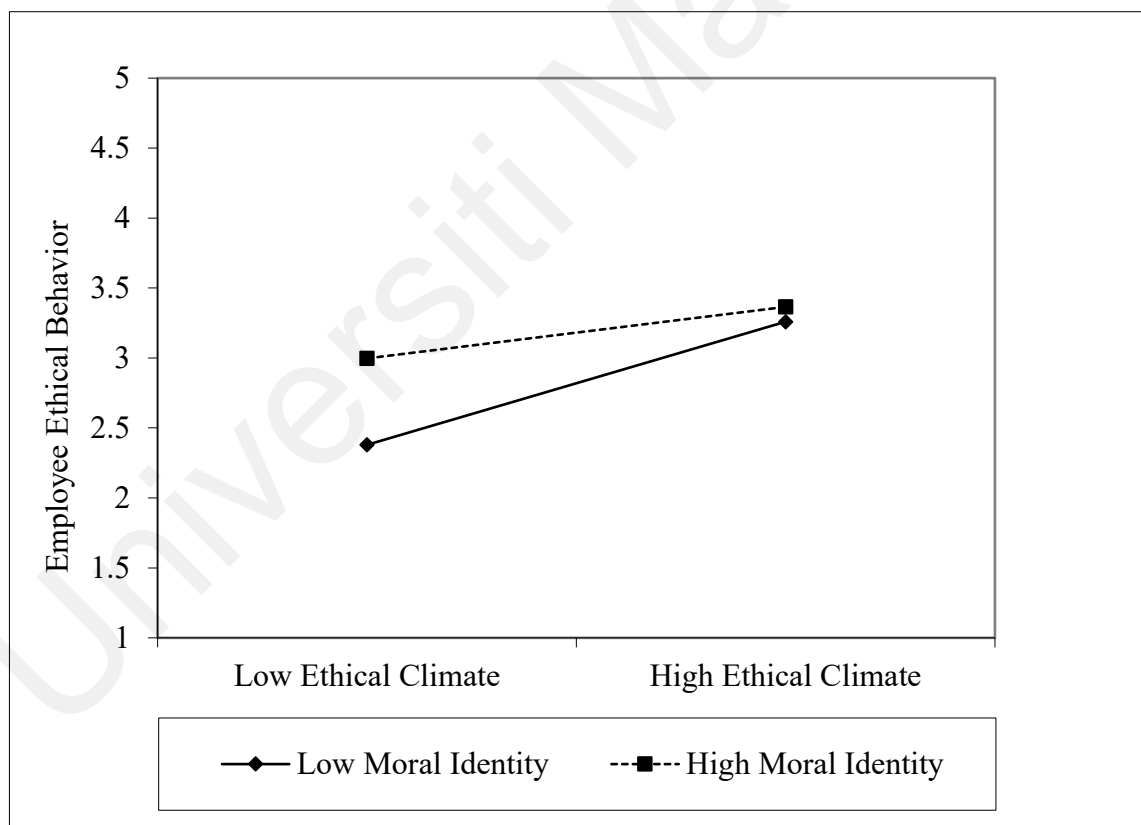


Figure 4.9: Graphing Plot of Interaction Between Ethical Climate and Employee Moral Identity

In regard to the third interaction between organizational justice and moral identity on the ethical behavior of employees. Therefore, the interpretation of the interaction plots is illustrated in Figure 4.10. The plotting illustrates how the relationship between organizational justice and employee's ethical behavior was stronger when the moral identity is lower compared to higher moral identity. The interpretation of the interaction plots is to look at the gradient of the slopes as can be shown in Figure 4.10, as the line labelled 'low moral identity' has a steeper gradient when compared to high moral identity. Thus, participants with high moral identity (MI) act ethically, regardless of their perception of organizational justice. On the other hand, participants with low moral identity (MI) respond to low perceived organizational justice with low ethical behavior. However, high moral identity (MI) 'protects' people from 'infection' by low organizational justice, while people with low moral identity (MI) are swayed by low organizational justice to behave unethically in their own sphere.

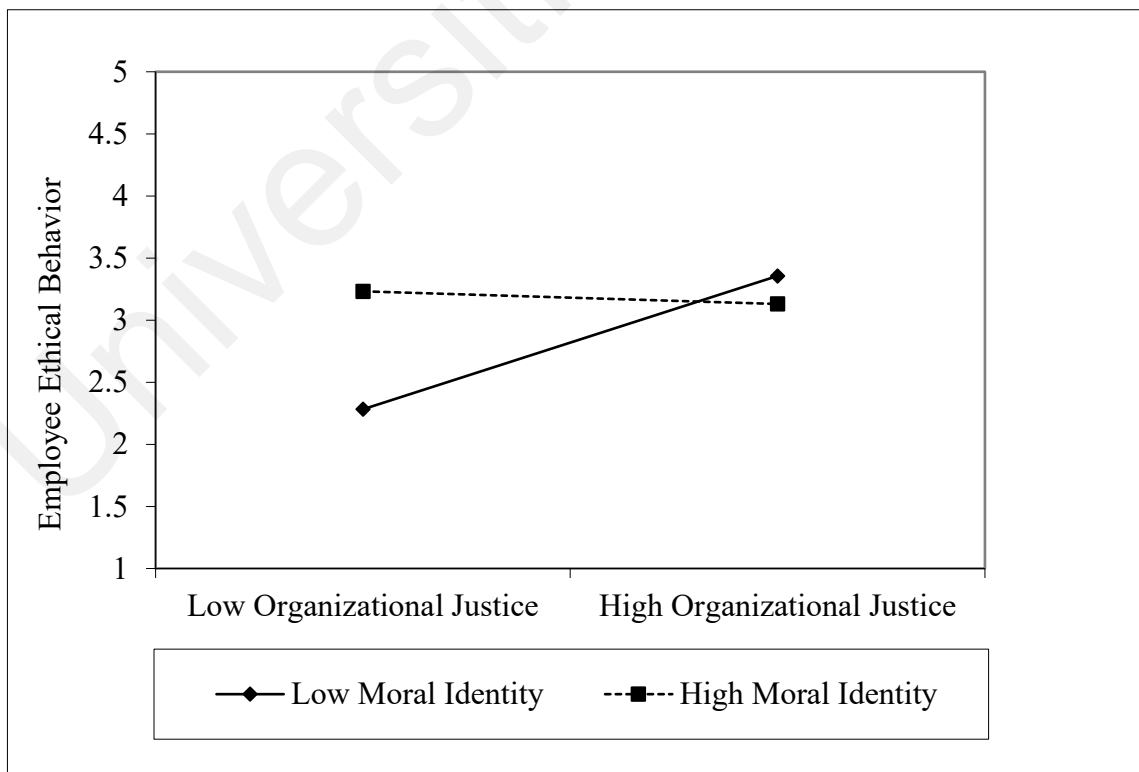


Figure 4.10: Graphing Plot of Interaction Between Organizational Justice and Employee Moral Identity

#### **4.10 Importance-Performance Map Analysis (IPMA)**

Importance-performance map analysis (IPMA) is also known as importance-performance matrix analysis as well as impact-performance map analysis. Hair et al., (2017) considered it useful to draw managerial implications. This is a valuable tool that extends the PLS-SEM estimations' results by contrasting constructs' total effect on some target variable with the average values of the construct scores (Hock, Ringle, & Sarstedt, 2010; Hair et al., 2017). The total effects indicate the importance of exogenous constructs for representing the specific endogenous construct, while the average construct's scores show their performance. The main purpose is to identify the highly important exogenous constructs for the target endogenous latent variable with those predecessors that have a strong total effect, but also have a low performance low average predecessors' scores (Hair et al., 2017). Therefore, this analysis provides valuable information for the managerial implications to focus and improve the performance of those predictors that are considered most important for the target endogenous latent variable but are having relatively low or poor performance. On the other hand, Ringle and Sarstedt, (2016) argued that IPMA is useful for providing additional findings by combining the analyses of the performance and important dimensions in the practical applications of PLS-SEM. Thus, it clearly shows which constructs' performance is needed to be improved based on their level of importance.

This study ran an importance-performance matrix analysis (IPMA) as a post-hoc procedure in PLS using employees' ethical behavior as the outcome construct. The IPMA estimated that the total effects represent the predecessor constructs' importance in shaping the target construct (employees' ethical behavior), while their average latent variable scores represent their performance. The computation of the index values (performance scores) was accomplished by rescaling the latent constructs scores to a range of 100 (highest performance) down to 0 (lowest performance) (Hair et al., 2017). Hence, Table

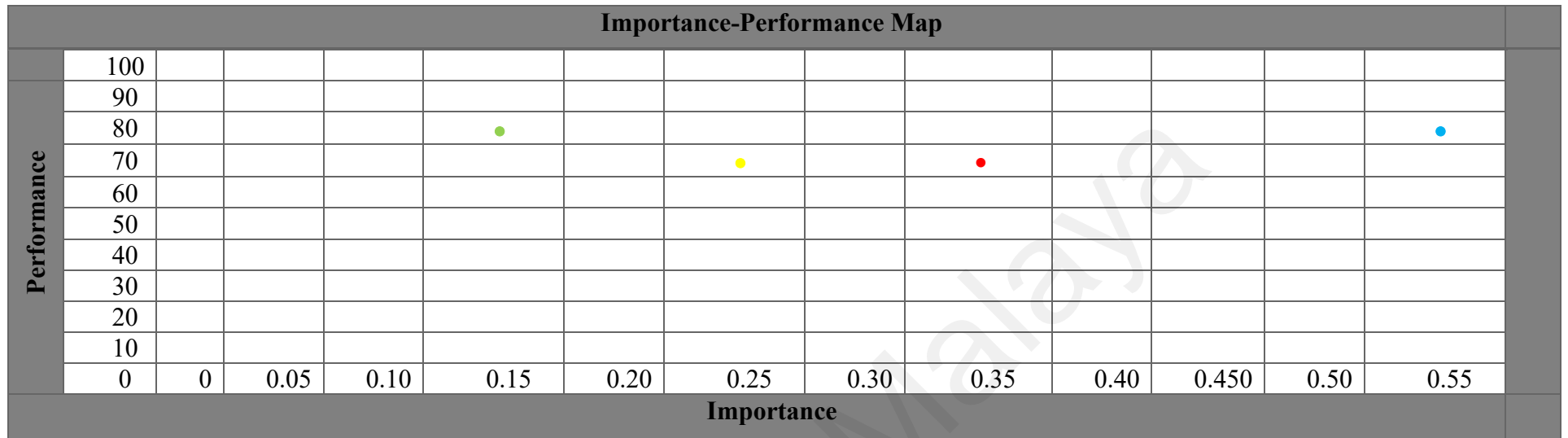
4.18, indicated the findings of importance (total effects) and performance (index values) used for the IPMA.

Table 4.18: IPMA For Performance Impact

<b>Latent constructs</b>	<b>Total Effect of The Construct Ethical Behavior (Importance)</b>	<b>Index Values (Performance)</b>
Ethical Leadership	0.525	71.963
Ethical Climate	0.322	66.486
Organizational Justice	0.256	67.229
Moral Identity	0.179	76.371

Furthermore, as indicated in Figure 4.11, this study plotted the total effects scores and index values in a priority map. It can be observed that ethical leadership is a very important factor in determining employees' ethical behavior due to its relatively higher importance values compared to other constructs in the proposed model. The ethical climate is the second important factor in determining the ethical behavior of employees which is followed by organizational justice also considered as an important factor in determining the ethical behavior of employees. Therefore, moral identity is less important in determining ethical behavior. However, the performance of this significant factor (ethical leadership, ethical climate, and organizational justice) lagged behind other factors (moral identity) which are considered as the most performance factor. According to Hair et al., (2017), the goal of IPMA is to identify predecessors that have relatively high importance for the target construct (i.e., those that have a strong total effect) but also a relatively low performance (i.e., low average latent variable scores). Thus, the aspects underlying these constructs represent potential areas of improvement which may need to receive high attention.





1. Ethical Leadership 2- Ethical Climate 3- Organizational Justice 4- Moral Identity

Figure 4.11: Importance-Performance Map (IPMA Priority Map for Ethical Behavior)

#### **4.11 Summary**

This chapter presented the results of data analysis for this current study. The results included the demographic analysis of the respondents, which was conducted by SPSS. Also, the results of the PLS analysis were presented based on the measurement and structural model. Subsequently, the results of hypothesis testing for direct effect, mediating, and the moderating effect was indicated as well. To give a better clarification of data analysis for this study in one glance, the results were summarized in Table 4.19 which indicated the evidence of supporting or rejecting the hypothesis. The next chapter will discuss the interpretation of the results, justification, and conclusion of the study.

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Table 4.19: Summary of Hypotheses Testing

**Direct Effect**

Hypothesis	Relationship	Std Beta	Std Error	t-value	p-value	LL	UL	Decision
H-1	EL -> EB	0.216	0.043	5.020	0.000	0.147	0.286	Supported

**Key:** EL-> EB= Ethical Leadership, Ethical Behavior.

**Mediating Test (Indirect Effect)**

Hypothesis	Relationship	Std Beta	Std Error	t-value	p-value	LL	UL	Decision
H-2	EL -> EC -> EB	0.212	0.057	4.201	0.000	0.112	0.251	Supported
H-3	EL -> OJ -> EB	0.148	0.038	3.238	0.000	0.081	0.342	Supported

**Key:** EL -> EC -> EB= Ethical Leadership, Ethical Climate, Ethical Behavior.

EL -> OJ -> EB= Ethical Leadership, Organizational Justice, Ethical Behavior.

### Moderating Test (First Conditional Effect)

Conditional on the Direct Effect of Ethical Leadership on Employee Ethical Behaviour at Values of Employee Moral Identity.

Moderator: Moral Identity (H4)	Indirect effect	Boot SE	Bias and Corrected Bootstrap 95% CI	
			LL 95% CI	UL 95% CI
-1 standard deviation (-0.517)	0.305	0.027	0.230	0.417
at the mean (0.00)	0.447	0.037	0.351	0.494
+1 standard deviation (0.517)	0.514	0.055	0.410	0.524
Index of Moderated Mediation		SE	Bias and Corrected Bootstrap 95% CI	
			LL 95% CI	UL 95% CI
		0.171	0.164	0.344

**Notes:** N= 620. Bootstrap sample size = 5,000. SE=standard error; LL=lower limit; CI=confidence interval; UL=upper limit 95% bias-correlated CI

### Moderating Test (Second Conditional Effect)

Conditional on the Indirect Effect of Managerial Ethical Leadership on Employee Ethical Behaviour at Values of Employee Moral Identity.

Moderator: Moral Identity (H5)	Indirect effect	Boot SE	Bias and Corrected Bootstrap 95% CI	
			LL 95% CI	UL 95% CI
-1 standard deviation (-0.517)	0.520	0.050	-0.420	0.610
at the mean (0.00)	0.462	0.037	-0.391	0.541
+1 standard deviation (0.517)	0.410	0.045	0.320	-0.500
Index of Moderated Mediation		SE	Bias and Corrected Bootstrap 95% CI	
			LL 95% CI	UL 95% CI
		0.191	0.186	-0.264

**Notes:** N= 620. Bootstrap sample size = 5,000. SE=standard error; LL=lower limit; CI=confidence interval; UL=upper limit 95% bias-correlated CI

### Moderating Test (Third Conditional Effect)

Conditional on the Indirect Effect of Ethical Leadership on Employee' Ethical Behavior via Organizational justice at values of Employee Moral Identity

Moderator: Moral Identity (H6)	Indirect effect	Boot SE	Bias and Corrected Bootstrap 95% CI	
			LL 95% CI	UL 95% CI
-1 standard deviation (-0.709)	0.261	0.087	0.181	-0.411
at the mean (0.00)	0.211	0.039	-0.142	0.294
+1 standard deviation (0.709)	0.152	0.064	-0.133	0.366
	Index of Moderated Mediation	SE	Bias and Corrected Bootstrap 95% CI	
	0.188	0.049	LL 95% CI	UL 95% CI
			[-0.156	0.263]

**Notes:** N= 620. Bootstrap sample size = 5,000. SE=standard error; LL=lower limit; CI=confidence interval; UL=upper limit 95% bias-correlated CI

## **CHAPTER 5: DISCUSSION AND CONCLUSION**

### **5.1 Introduction**

The purpose of this chapter is to summarize the research, which includes a statement of the problem, research objectives, and research methodology. Also, it discusses the statistical findings as well as presenting both the theoretical and practical implications of this study. Finally, recommendations for future research and the conclusion will also be presented. The section on the discussion is divided into three parts to elaborate on the direct relationship between IVs and DV, an explanation of the mediating relationship of work ethical climate and organizational justice, and also the moderating role of employee moral identity. This chapter aims to justify and explain the statistical findings which may support previous studies, and also to clarify the paradox of findings in the related literature. The justification is clearly explained in this chapter and is based on the theories and other potentially effective factors in this study. Finally, this study provides a clear recommendation.

### **5.2 Summary of the Research**

In today's competitive and globalized business world, ethical behaviors play vital roles for an organization's success. In fact, employees are considered as interesting subjects who provide valuable assets for the purpose of research with regard to ethical behavior and standards in the structure of organizations. In addition, an ethical of leaders and the exchange relationship between employees and managers are considered one of the most influential factors in an employees' accomplishment and in organizational success. Not only is the exchange relationship with managers acknowledged by employees, but it also has a strong impact on the ethical aspects of the whole organization. Ethical behavior has since been considered an essential base for employee's success and for the organization as a whole. The investigation is required to clarify how ethical

leadership and its relationship to exchange have improved employee ethical behavior. Likewise, the behavior of leaders and their exchange has a significant effect on some organizational outcomes, such as positive ethical behavior. So, this study derived that by evoking enhanced ethical behavior among employees, ethical leadership constitutes a fueling factor that rests on employees' perceptions of an ethical climate within their organization.

As mentioned in the literature review in Chapter 2, the majority of the conducted research in this area only focused on the organizational level of this matter. However, additional study at an individual level is required and this study is designed to focus on the latter. Moreover, by considering the individual level indicated that leaders are a powerful source of influence on an employee's work behavior, which includes ethical behavior (Treviño et al., 2014). It is important to mention that the literature review in this area has established that more studies were focused on ethical leadership style as a substantial component as most of the studies were conducted in the United States and other Western countries. Because of the importance of cultural issues, this study focuses on the behaviors of leaders and employees in Middle Eastern culture among Iraqi organizations. Consequently, it is uncontested that results from Western countries may not be compatible with or are truly indicative of Iraqi organizations. Detailed investigation and specific exploration need to be designed in order to analyze the factual influence of ethical leaders on employees' ethical behavior in Iraqi organizations. To narrow the gap and to highlight the importance of the study, as noted above, this study investigated ethical leadership behaviors that affect employee's ethical behavior, through the mediating role of ethical climate and organizational justice in the Iraqi context. Thus, the output of this research is applicable among Iraqi organizations and may be used to accelerate the exchange relationship with subordinates as well as to motivate employees and enhance their ethical behavior. All efforts to understand that behavior to emerge are



interesting from a managerial point of view due to the important benefits generally associated with having ethical employees. Indeed, ethical employees are more willing to put in a lot of extra effort to finish their work on time and follow the ethical standards indicated by their employer, try to be a representative of public relations even when they are not at work, and make efforts to promote the organization's development effectively (Treviño et al., 2014). Therefore, knowing that the practice of ethical leadership at all managerial levels can serve to spread ethical behavior within the organization.

Importantly, the moderating role of employee moral identity was examined on the relationship between ethical leadership and ethical behavior of employees, and between work ethical climate and ethical behavior of employees, and finally, employee moral identity also moderates the relationship between employee organizational justice and ethical behavior. Based on the objective of this study, data was collected from employees of Iraqi organizations, regardless of size or type of industry. Consequently, separate sets of questionnaires were provided for the employees. As already mentioned, and explained in detail in Chapter 3, section 3.9, the questionnaires were sent out to expert panel to judge the content, followed by the pre-test and the pilot study which indicated the reliability and validity of the questionnaires which are clarified in Chapter 3, sections 3.11 and 3.12. Therefore, the final questionnaire was circulated to employees and was asked to answer questions. In an attempt to understand the effect of ethical leaders on followers' ethical behaviors, potentially by establishing a work ethical climate and organizational justice. Also, this study explored the role of moral identity whether it augments the positive relationship between ethical leadership and employees' ethical behavior and the effect of an ethical climate on employees' ethical behaviors, as well as the effect of organizational justice on employee ethical behavior in the Iraqi context. As stated earlier most of the prior studies have been conducted in the western context, however, the current study has conducted in Iraq which considered a new context and

that will critically aid to generalize the theoretical proposition. In regard to common method bias as mentioned in Chapter 3, therefore, was carefully considered in this study which applied both procedural remedies and statistical remedies to minimize the common method variance (CMV). Then, the process of data collection was followed by statistical analysis and hypothesis testing which were executed by SPSS and Structural Equation Modelling-Partial Least Square (SEM-PLS). The Partial Least Square (PLS) and PROCESS macro were selected as an appropriate statistical tool, based on the quantitative nature of this study.

The initial results revealed that an ethical leader's behavior has a significant relationship with employees' ethical behavior. Then the mediating role of ethical climate and organizational justice in relation to the leader's behavior and dependent variable (employees' ethical behavior) were examined. The interaction of employee moral identity was also examined between three the relationship of ethical leadership and employees' ethical behavior and between the mediating role of work ethical climate and organizational justice and dependent variable (employees' ethical behavior). As mentioned in Chapter 4, the results revealed that ethical leadership has a significant relationship with the ethical behavior of employees. Furthermore, the results indicated that both work ethical climate and organizational justice had a significant mediating relationship between ethical leadership (as independent variables), with the dependent variable (employees' ethical behavior). Regarding the moderation effect of employee moral identity which was significant only between ethical leadership ethical behavior. Thus, this investigation revealed that as expected ethical leadership positively influences employees' ethical behavior and that such impact can be explained via enhancing greater employees' perceptions of an ethical leaders' behavior within their organization. Importantly, the results determine that the level of moral identity of employees strengthens the positive impacts of ethical leadership on the employee's ethical behavior:

it could augment the positive impact of ethical leadership on employees' ethical behavior. Thus, the results obtained lead to the important conclusions: First, in obtaining high levels of ethical behavior among employees, ethical leadership is a driving aspect which rests upon making employees perceive high ethical standards within their organization. Second, for ethical managers to become most effective in this regard, the level of moral identity of employees is critical; as the higher moral identity are the employees who witness the moral quality of their managers, the more effective ethical managers will become in enhancing the level of ethical behavior of these employees.

For interaction between ethical climate and employee moral identity and between organizational justice and moral identity of the employee, both were insignificant the results are presented in Chapter 4. Therefore, this could be when individual embraces high moral identity more likely to behave ethically across a range of organizations, because he/she has an internal moral compass, perhaps even an internal locus of control, as in 'I am responsible for my own ethical behavior regardless of the organization's climate practice'. On the other hand, individuals with a low moral identity respond with low ethical behavior to low perceived justice or process (Aquino, et al., 2009; Treviño et al., 2014). However, high moral identity protects people from infection from low organization practices, whereas low-moral identity individuals are inspired by low organization processes to behave unethically in their own sphere. Therefore, taking into consideration all the findings, therefore, in essence, this model was developed to improve the exchange relationship between managers and employees in Iraqi organizations, and to increase employees' ethical behavior.

### **5.3 Discussion of Findings**

The objective of this section is to explain and elaborate on the findings, which were presented in Chapter 4. The discussion of this section is in accordance with the same sequence in Chapter 4. It was mentioned in Chapter 3 that PLS and PROCESS macro was employed to analyze the model of this study. Since the model consisted of mediating and moderating variables, the interpretation of each result was presented in separate sections, as follows. Initially, the relationship between ethical leadership behavior (IVs) and employees' ethical behavior (DV) is interpreted in section 5.3.1. Based on the sequence of data analysis, this is followed by the mediating role of the ethical climate. Also, organizational justice among ethical leader's behavior and the dependent variable of employees' ethical behavior, are discussed in section 5.3.2. Finally, section 5.3.3 presents an interpretation of the moderation test of moral identity on the relationship between ethical leadership and ethical behavior of employees and between work ethical climate and employees' ethical behavior and finally, between organizational justice and employees' ethical behavior as well.

#### **5.3.1 Interpretation of Relationship between Ethical Leadership and Ethical Behavior**

In this section, the perspective of the research model that showed the relationship between ethical leadership and employees' ethical behavior, was evaluated and interpreted. Particularly, this study, therefore, investigated the relationship between ethical leadership behavior and ethical behavior of employees. The findings from the statistical analysis conducted via PLS and PROCESS macro concluded that there is a significant relationship between ethical leadership behavior, results based on the values of parameter estimate such as p-value and t-value between ethical leadership and employee's ethical behavior, which is presented in Chapter 4, under Table 4.9. Ethical leadership behavior was therefore found to have a significant relationship with the ethical

behavior of the employees. The statistical findings mentioned above have been interpreted and explained as follows.

As was addressed before, the earlier studies focused on the antecedents of ethical behavior of employees to identify those factors that would improve ethical behavior in an organization as well as enhance the relationship between leaders and their subordinates (Brown et al., 2005; Mayer et al., 2009). Furthermore, the meta-analysis study by Bedi, et al., (2016) on ethical leadership indicated that most related research was focused on investigating ethical leadership and its positive consequences (Brown & Treviño, 2006; Walumbwa & Schaubroeck, 2009; Mayer et al., 2010; Demirtas, 2015). Therefore, Treviño et al., (2014) invoked scholars to examine ethical leadership on the ethical behavior of the followers in an attempt to enhance the environmental ethical issues. From another viewpoint, most of the studies on ethical behavior have been conducted in countries with similar cultural dimensions and values, such as the United States, Canada, Great Britain, and Australia. In accordance with the cultural context. Frisch and Huppenbauer, (2014) recommended conducting research in non-westernized countries in order to evaluate and acknowledge the influence of ethical leadership behavior on related matters such as ethical behavior. Thus, as stated earlier Iraq is suffering from poor ethical behavior (Spagat, 2010; Al Halbusi, et al., 2019), and some organizations in Iraq have a lack in the principles of management, and in particular, leading administrative behavior that has negative and positive aspects in the administrative process (Robinson, 2016; Budur, & Demir, 2019). Therefore, this finding emphasized that managers should realize that, by practicing ethical leadership, they crucially encourage their employees to put positive ethical values into practice. Thus, human resource managers should leverage practices and procedures (e.g., selection, promotion, training) that can enhance this leadership approach at all managerial levels. For example, selection and promotion practices could rely on interviews or personality tests to identify people with high ethical

standards and then hire them into managerial or supervisory positions. Similar techniques might detect whether managerial candidates will communicate the importance of ethics to employees effectively, by behaving in a way that makes such ethical standards salient and attractive to others (i.e., behavioral role models). Reinforcement systems (e.g., rewards, incentives) should also favor ethically appropriate behavior.

According to Brown et al., (2005) 'Ethical leadership' is defined 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". However, this study revealed a significant relationship between ethical leadership behavior and employees' ethical behavior within the Iraqi context. As a predictor, ethical leadership is gaining more importance in the organizational behavior field. Hence, it may help the organizations to arrange and establish an ethical framework in their working environment. In addition, managers should include communication and interaction in their managerial values in order to lessen negative perceptions that can arise from individual predispositions. Managers may develop and raise extra communication systems to have better working conditions for their followers. Manager's ethical values and their fair and honest behaviors are important factors to shape the ethical behavior of followers. Therefore, Iraqi organizations should pay attention to select and promote their managers in order to establish the ethical behavior of the members. This perception is highly important for industries since the human factor is the most important issue in all processes of the organizations. Iraqi organizations need highly educated and committed members for sustainable strategic superiority. Thus, this study is important to contribute to the business ethics literature as well as to practitioners. In addition, in expanding this limited stream of research, the findings of this study support and generalize this relationship to a previously unstudied country context. Iraq is a multi-racial society with Arab (Sunni and

Shia) Kurds, Yazidi, and other ethnicities, who express important differences in terms of their beliefs, religion, ideology, and identity (Weintraub, 2011). In this sense, this study offers important evidence of the generalizability of this relationship between ethical leadership and ethical behavior of employees in a unique context. Therefore, the findings of this study were similarly supported as in previous studies (Brown & Treviño, 2006; Mayer et al., 2009; Piccolo et al., 2010; Lu & Lin, 2014; Demirtas, 2015). Because managers are important sources of an organization's success and its practice of ethical behavior. Just as great leaders take their countries to greater heights, ethical leadership within an organization can also influence the employees' ethical behavior. This study argued that organizational leaders are role models for their employees. Through their respective role-modeling acts depicting ethical behaviors, leaders with ethical leadership qualities become an asset. Ethical leadership engenders relational attachments; hence, it is one way of ensuring that the quality of the organization is preserved and respected. As mentioned earlier, managers serve that purpose because they have the moral authority to influence their employees which can significantly influence the followers (Lu & Lin, 2014; Babalola, et al., 2019).

### **5.3.2 Interpretation of Mediating Role**

As mentioned in the previous section, the results of this study showed a significant relationship between ethical leadership and employees' ethical behavior. Then, the mediating test of ethical climate and organizational justice were examined between the relationship of ethical leadership and ethical behavior of employees. The statistical details of the analysis for the mediating test was presented in Chapter 4, section 4.9.6. For further clarification, the interpretation of mediating analysis for each one was presented separately. This is detailed below.

### **5.3.2.1 Mediating Role of Ethical Climate**

As mentioned earlier, ethical leadership behavior was tested towards employees' ethical behavior. Therefore, the statistical results indicated that ethical leadership has a significant relationship with the ethical behavior of employees. On the other hand, the statistical results indicated that ethical climate has a significant mediating role on the relationship between ethical leadership and employees' ethical behavior.

According to Victor and Cullen, (1988) ethical work climate can be defined as the predominant perceptions about the procedures and practices of the organization that has ethical content or the prevailing perceptions of typical organizational practices and procedures that have ethical content. Generating ethical behavior depends on multifactorial entities; managers' behavior is one of the most important and influential factors in creating ethical behavior of employees, and this has been a focus of this study. Therefore, several studies indicated that ethical climate has an important role in shaping employees' ethical behavior (Brown et al., 2005; Engelbrecht et al., 2005; Mayer et al., 2009; Lu & Lin, 2014). Moreover, the quality of ethical climate is positively related to psychological empowerment, which in turn relates to the ethical behavior of employees. Considering that an ethical climate implies prevailing signals of practices and procedures with ethical content (Demirtas & Akdogan, 2015) that offer clues of expected ethical behavior (Ruiz-Palomino & Linuesa-Langreo, 2018), the level of attention that employees pay to moral content likely determines how well the ethical climate prompts their ethical behaviors.

Furthermore, the findings demonstrated the value of creating an ethical climate, since the ethical climate was found to be positively associated with employee ethical behavior. In order to increase ethical conduct, an organization should have leaders who can encourage and model ethical behavior, and systems that reward ethical behavior and



discipline unethical conduct. This study suggests that Iraqi corporations can focus on developing an ethical climate that emphasizes the good ethical behavior of employees by focusing on adherence to the law, professional standards, and the public rather than self-interest (Treviño et al., 1998). Another important indication on the finding of this study is, managers who display ethical leadership qualities, such as integrity and fairness, who reward and support employees who behave ethically, emphasize ethical standards and serve as ethical behavior role models, who are better equipped to create an ethical climate in doing the right thing which is of value. When employees operate in an ethical climate, they are likely to engage in ethical behavior (Mayer et al., 2009). Thus, an analysis of this study has revealed that in the Iraqi context, leaders could increase ethical behavior among employees through improving ethical climate by enacting ethical rules and standards and by displaying the highest ethical behavior within an organization and setting very clear ethical standards. Essentially, the ethical climate mediates the relationship between ethical leadership and ethical actions of employees, which previous studies have confirmed (Lu & Lin, 2014; Demirtas, 2015; Engelbrecht et al., 2017). Iraqi organizations should, therefore, pay greater importance and consideration and encourage their managers with a view to developing ethical standards. More precisely, it is suggested by this study that Iraqi organizations must focus on the development of an ethical climate that puts emphasis on the employees' ethical behavior by focusing on observing the law and professional standards, and also emphasizing public interest instead of self-interest (Treviño et al., 1998). Therefore, the vital indication given by the results of this study is that managers who possess and exhibit ethical leadership qualities such as fairness and integrity; emphasize ethical standards; support and reward employees who behave ethically and become role models of ethical behavior are more capable of creating an ethical climate that values doing the right thing. When employees operate in an ethical climate, they are more likely to engage in ethical behavior (Mayer et al., 2009; Treviño

et al., 2014). Thus, this study revealed that within the Iraqi context, leaders are able to improve ethical behavior among employees by enhancing the ethical climate. This can be done by enacting ethical rules and standards, demonstrating the highest ethical behavior inside the organization, and establishing very clear ethical standards. Fundamentally, an ethical climate is an important key facilitator of the relationship between the ethical behavior of employees and ethical leadership which needs to be highly considered by the organizations.

### **5.3.2.2 Mediating Role of Organizational Justice**

As previously declared, the mediation testing of organizational justice was conducted between ethical leadership behavior and the ethical behavior of employees. So, the results indicated that organizational justice significantly mediated the relationship between ethical leadership and employees' ethical behavior.

Based on the extended literature on business ethics, this study improves the understanding of the role of ethical leadership, organizational justice, and ethical behavior. As mentioned in the literature, organizational justice can be defined as "the subjective perception of people of fairness in organizations" (Colquitt et al., 2001). The statistical results of this study have indicated the significant mediating role of organizational justice on the relationship between ethical leadership and employees' ethical behavior. In addition, this study investigated the influence of ethical leadership on individual behavior. Ethical leadership through shaping organizational justice affects employee ethical actions. Leaders who are seen by their subordinates as ethical run the possibility of increasing the perception of organizational justice, which in turn influences ethical behavior. Although the practice of ethical leadership by managers impacts the ethical behavior of employees directly, this influence is also indirect, through enhancing the organizational justice perceptions of employees (Demirtas, 2015). Thus,

organizational justice becomes an important mechanism through which ethical managers prompt ethical behavior among their employees. This implies that managers could be trained in providing their collaborators with adequate justification and explanations on most managerial decisions and also on treating other persons, including their employees, with dignity and respect throughout the whole decision-making process.

As noted above, the fundamental value of an understanding ethical leader is predicting certain outcomes, such as ethical behavior. As noted earlier, expectations of justice by workers, directly or indirectly, influence their at-work conduct and interactions. Ethical leadership has a strong impact on ethical behavior. As mentioned previously, people perceive the quality of their relationship with their supervisor as more positive. Underlying these relationships are the notions of fairness and reciprocity. On the other hand, Colquitt et al., (2001) argued that people have a criterion for fairness perceptions within a social exchange relationship. People are likely to presume a social exchange relationship with their supervisor or organization until such a relationship is not viable because of unfairness. If people make unfair judgments in social exchanges, this produces a negative effect in organizations, such as unethical behavior. People who accept organizational decisions tend to cooperate with organizations (Brown & Treviño, 2006). Employees also use their experience with fair or unfair allocation procedures as information reflects on the organization as a whole. Moreover, employees who received proper treatment in terms of equity and quality of distribution, procedures, and high-quality interpersonal relationships and clear communication, will improve their ethical behavior. This has also persuaded them to improve their exchange relationship with the manager, who in turn is directed to increase ethical behavior. Since the exchange relationship between manager and employee is one of the influential factors towards the followers, therefore, fairness is considered as one of the most substantial characteristics of the ethical leader. Ethical leadership, therefore, affects the perceptions of fairness of

employees and this perception of fairness prompts employees to reciprocate with the results of their work. Meanwhile, organizations could increase the perceived organizational justice by establishing smooth communication channels between supervisors and subordinates. Managers should be aware that all efforts directed to improving the perceptions that justice is present in the outcomes achieved, the procedures realized, the supervisor-employee relationships that are established, and the information received can also have a role in fostering ethical behavior across all hierarchical levels within organizations (Brown & Treviño, 2006; Nisar et al., 2018).

As a result, this study revealed that leaders in the Iraqi context could increase employee ethical behavior by enhancing the perception of organizational justice through enactment, fairness process, rules, reasonable decision, and by showing fair treatment. Fundamentally, organizational justice mediates the relationship between ethical leadership and ethical behavior of employees, as previous studies support this (Demirtas, 2015; Nisar et al., 2018; Sharma & Yadav, 2018). Therefore, Iraqi organizations, in order to establish organizational justice, should pay attention to and be concerned and promote ethical managers.

### **5.3.3 Interpretation of Moderating Role of Moral identity**

As shown in Chapter 4 section 4.9.7, the results of the moderation test indicated that there is a significant interaction between ethical leadership and employee moral identity towards employee's ethical behavior. Therefore, as indicated most of the prior studies shown that ethical leaders can affect how their subordinate ethical behavior with moral identity represents an important extension of ethical leadership theory. However, such an association has been found to be dependent on several intra-individual variables (Nelissen et al., 2007; Tanghe et al., 2010; Treviño et al., 2014; Taylor, Griffith, Vadera, Folger, & Letwin, 2019). For example, many people have developed their own set of beliefs and

values as they matured. This is an important element that could impact on their own self-concept and self-regulation (moral identity) (Aquino & Reed, 2002; Hardy & Carlo 2005). It is this perception that individuals have about themselves, which has helped them to develop a set of moral traits (Aquino & Reed, 2002), hence helping them to display their self-identity. Therefore, it's so the rationale for doing so identifying moral identity of employees as a contingent element between ethical leadership and employees' ethical behavior because even though specific factors affect people's behaviors, such an association could be dependent on several intra-individual variables such as moral identity (Tanghe et al., 2010; Gerpott, Van Quaquebeke, Schlamp, & Voelpel, 2019). Thus, as stated earlier, in this research our results indicated that employee's ethical behavior can be altered by strong ethical leaders and thus, this relationship is stronger for those employees who embrace high moral identity than low. These results have substantial theoretical implications for the study of ethical behavior. In particular, this research adds to the growing body of research on moral identity of employees. Thus, this research demonstrates that employee moral identity does have an independent effect, but rather than shaping cognitions as moral motivation is thought to do, moral identity strongly interacts with ethical leadership which enhances the employees' ethical behavior.

For the second interaction between ethical climate and employee moral identity on employees' ethical behavior found an insignificant interaction. Thus, all participants exhibit similar ethical behavior (EB) when the ethical climate is strong, as a low ethical climate reduces the ethical behavior (EB) of all participants. However, a low ethical climate reduces the ethical behavior (EB) of those with low moral identity (MI) more than those with high moral identity (MI). People with high moral identity are more likely to behave ethically, even when an ethical climate is low. Because moral identity is likely to develop because employees strive to adopt social identities to reduce uncertainty

(Aquino & Reed, 2002). One of the most universal features of organizations is the emergence of agreement among members regarding behavior, beliefs, and values (Hardy & Carlo, 2005). Thus, the tendency toward conformity is a necessary feature if members are to define and maintain the work successfully toward goals (Nelissen et al., 2007; Tanghe et al., 2010). Values play an important role in the process. Distinct values serve to distinguish members and provide a basis for a unique identity (Ashforth & Mael, 1989).

Also, the third interaction between organizational justice and employee moral identity on the ethical behavior of employees showed insignificant results. Basically, it can be concluded that people with higher moral identity (MI) are more likely to behave ethically across a range of organizations because they have an internal moral compass perhaps even an internal locus of control 'I am' responsible for my own ethical behavior, regardless of the organization justice practice. On the other hand, people with lower moral identity (MI) respond more to the organization with lower ethical behavior especially when the organization itself does not exhibit organizational justice practice, because such people have high standards of expectation regarding their behavior even when they are doing things morally but still, they are unstratified about themselves. Due to individual-level attributes such as cognitive ability and styles, personality, mental representations, and behavioral variables. Therefore, employees' moral identities are aggregated to the agreement of a positive behavior thought the treatment. Collective moral identity is different from organizational justice because collective moral identity captures cognitions related to valued traits (i.e., moral traits) as opposed to perceptions regarding ethical policies, procedures, and practices (Aquino & Reed, 2002; Bergman, 2002; Reynolds & Ceranic, 2007; Aquino, et al., 2009).

Therefore, there are possible explanation regarding the insignificant results of the two interaction between (ethical climate × employee moral identity→ethical behavior of

employees) and between (organizational justice × employee moral identity→ethical behavior of employees). At the first glance, the ethnic diversity that exists in the Iraqi culture verified that the perceived of moral identity are different from other cultures and this variety has indeed indicated unexpected results. Iraq is considered as a country which has a variety of ethnics. Moral identity (MI) is considered as self-regulation, self-conception and is the responsibility of an individual. The perception of moral identity varies from one person to another in the diversity context in terms of self-regulation and self-conception which is very hard to verify if the context has ethnic diversity. By the same token, this point is highlighted in the Iraqi context with ethnic diversity where, basically, the different diversity of employees may provide an unconscious prescription which makes a high difference in the notions.

Second, a further possible explanation according to Hofstede, (1984), Iraqi society is a collectivist nature. Therefore, in the collectivist nature of Iraqi society; in comparison with individualistic societies, defining moral identity (MI) are activities of ethical decision, and assigning tasks based on ethical standards and responsibilities of individuals, Based on their self-conception and self-regulatory they identified that, since moral identity is considered as self-conception and self-regulatory, thus, it is clear that moral identity works better for individualistic people rather than collectivistic. Thus, the collectivist nature could be the main reason that moral identity was not supported. Therefore, in a collectivism culture, noticeably moral identity (MI) in the Iraqi context as collectivist nature was the reason beyond the insignificant results. For instance, employees feel and behave better when they have more action and interaction of individualism rather than collectivism.

Third, another reason of this finding may be that, since this study was based on a sample in a Middle Eastern cultural context like Iraq. Perhaps, the particular cultural

features of this context, encompassing, among other things, a strong adherence to religious values (Moaddel & Karabenick, 2018), could have influenced findings of this research. It is true that the effects of individual moral identity are differ from one to another. However, adherence to the issue such as religious values could be of the significant point in this result (Moaddel & Karabenick, 2018).

Fourth, another important reason could be the moral identity concept is not well established or clarified in the context of Iraq. Thus, this study suggested that finding ways to reinforce or activate employees' moral identities may be one way to promote ethical behaviors in organizations. One way of activating moral identity may be the use of signals in the social environment, such as posters, slogans, or material symbols that make moral constructs and concerns salient (Aquino et al., 2009; Aquino & Freeman, 2009). Furthermore, it seems likely that being moral is central to many people's self-definition (Blasi, 1984; Aquino & Reed, 2002) because most people want to view themselves as generally good (Taylor & Brown, 1988). People should, therefore, be motivated to uphold their moral identities to avoid feeling inauthentic (Aquino & Reed, 2002). Thus, employees who have high scores on measures of moral identity are expected to consistently demonstrate behaviors that are consistent with their moral identities, including demonstrating (honesty, integrity, and transparency).

Finally, though there are no empirical studies that would support this interaction result, moral identity may be considered an important factor that may provide a substantial influence on ethical behavior of employees regardless of the existing results. As mentioned before moral identity, as self-conception and self-regulator, could positively influence an individual's ethical behavior to behave positively within the workplace. As a result, this study has shown that Iraqi organizations need to consider and pay attention to the effects of moral identity and also, clearly clarify the notion of moral



identity. Therefore, based on the analysis of the Importance-Performance Map Analysis (IPMA) which is considered as a useful technique to draw managerial implications, it shows that moral identity has less importance as it is one of the most performed factors compared with other factors given in this study.

#### **5.4 Implications of the study**

This study's framework is to examine the factors influencing the ethical behavior of employees among Iraqi organizations. Researchers, company administrators, consultants, R&D administrators can use the results of this study and these R&D managers will use these findings as guidance to produce a stronger norm and code system for ethical aspects, and individuals who are group leaders. The findings of this study mainly concern the ethical leader who affects the ethical actions of employees through the mediating role of the ethical working environment and organizational justice. Importantly, employee moral integrity is important as contingent function. The results serve as theoretical insights and practical guidelines for managers. Thus, in terms, the findings send a clear signal to those in the upper level that, without ignoring the issue of ethics in organizations, employees are a critical aspect to be taken into account to encourage ethical behaviour at the workplace. This study has important theoretical and practical implications are discussed as followed.

##### **5.4.1 Theoretical Implications**

Frisch and Huppenbauer, (2014) & Treviño et al., (2014), pointed out that there is limited research in the area of the ethical leadership behavior as not many studies in ethical behavior were included previously. Also, in recent time, Ko, et al., (2018) has strongly stressed more research is needed. Nevertheless, to be more precise, previous research only focused on ethical leadership to influence the organization's outcomes such as commitment, work engagement, and satisfaction. Specifically, research on the ethical

behavior of employees has been neglected by previous studies. Therefore, this study examines the relationship between ethical leadership and employees' ethical behavior. Thus, the current study contributes to the new model by determining the new relationship through the mediating role of ethical climate and organizational justice on the relationship of ethical leadership and the dependent variable (i.e., employees' ethical behavior). Moreover, this study has also designed and examined the moderating effect moral identity of employees as the main contribution of this research on the relationship between ethical climate and employees' ethical behavior, and on the relationship between organizational justice and ethical behavior of employees as well. Therefore, the present study made very significant contributions to the existing literature.

First, most existing research has examined the relationship between ethical leadership perceptions and different types of positive responses (i.e., organizational commitment, job satisfaction, work performance, and organizational citizenship behaviours (Treviño et al., 2014). Far fewer studies have addressed the influence of ethical leadership towards employees' ethical behaviour through mediating roles such as ethical climate and organizational justice (Treviño et al., 2014), and the majority of these studies have focused on western cultural contexts (Treviño & Weaver, 2001; Chen McCain, Tsai, & Bellino, 2010) Thus, this study investigated the relationship of managerial ethical leadership with employee ethical behaviour, using ethical climate and organizational justice as a mediator. This investigation reveals, managers' ethical leadership positively influences employees' ethical behaviour, by enhancing employee perceptions of the ethical climate and organizational justice within an organization. Thus, this finding derives an important conclusion: by evoking enhanced ethical behaviour among employees, managerial ethical leadership constitutes a powering factor that rests on employees' perceptions of an ethical climate and an organizational within the organization. In addition, this study is important because this relationship was examined

in a Middle Eastern country like Iraq, this study is an important step forward to generalize the truth of these relationships across different cultural contexts.

Second, more importantly, this study extends prior findings of a positive effect of managers' ethical leadership on employees' ethical behaviour, by clarifying that these effects may be contingent on the situation and, particularly, on follower-related variables such as moral identity of employees. In effect, this study identifies moral identity of employees as an important boundary condition for the effect of managerial ethical leadership on employee ethical behaviour. Also, this study contributes to the body of knowledge by introduced employee moral identity as a boundary condition on the relationship between ethical climate and ethical conduct of employees. Finally, the relationship between organizational justice and employee's ethical behaviour was moderated by moral identity of employees. Thus, this study takes a different view and shows that moral identity as interacts with ethical leadership, ethical climate, and organizational justice to intensify the employee ethical behaviour. Thus, the current study confirms that moral cues embedded in workplace procedures and behaviours. This study also helps confirm previous suggestions that moral identity influences the relationship of contextual influences with individual ethical behaviour (Reynolds, 2006).

Particularly, high moral identity people see their "self" as moral (e.g., self-conception and self-regulation) and are therefore more likely to emphasize ethical standards over other things (Aquino & Reed, 2002; Bergman, 2002; Reynolds & Ceranic, 2007; Aquino, et al., 2009). In social relationships, high moral individuals, and their more calculative mindset (Sullivan, Mitchell, & Uhl-Bien, 2003) should, therefore, end up in more ethical behaviours, especially in social interrelationships (Ruiz-Palomino & Banon-Gomis, 2017). However, the finding of this study is concerning the moral identity and ethical behaviour relationship challenges the above rationale and reveal a positive relationship

between moral identity and ethical behaviour. Of course, the measurement of ethical behaviour involves the fulfilment of ethical prescriptions about what is right in doing the work and reflects a strong interest to do the work well in the benefit of the organization. This type of behaviour is more likely among high moral identity as this behaviour can show their value and talent and thus fulfil their need for self-esteem and self-enhancement (Aquino & Reed, 2002). This study thus qualifies the relationship between moral identity and ethical behaviour and suggests that if ethical behaviour refers to actions directed to the self or the organization, moral identity people may not have dark effects in terms of ethical behaviour.

Finally, by finding that the effect of ethical climate and organizational justice on employee's ethical behavior can vary according to the employee's level of moral identity, this study provides evidence of the possible contingencies in this relationship. Building on the generalized theory that the base for ethical reactions to work climate and justice perceptions is rooted in individuals, (self-conception and self-regulation grounds) (Nelissen et al., 2007; Tanghe et al., 2010), this study is the first to find that the level of moral identity of the employees plays a role (positively or negatively) in the "ethical climate, organizational justice and ethical behaviour" relationship. Significantly, this study also advances previous findings that suggest that the way that employees have in endorsing the norm of reciprocity can vary due to individual differences (Eisenberger, Huntington, Hutchison, & Sowa, 1986; Gächter & Falk, 1999; Abbink, Irlenbusch, & Renner, 2000).

Generally, as mentioned earlier most of the studies in the area of ethical leadership and ethical behavior of employees have been conducted in the United States and western countries. However, this study is designed, as noted above, to examine the affected relationship between ethical leader behavior and environmental factors such as ethical

climate and organizational justice towards employees' ethical behavior. This study suggested that the same area of research needs to be conducted in a different context. Hence, this research contributes to the literature by providing a first insight into the Iraqi context.

#### **5.4.2 Managerial Implications**

This study is important to ethical leadership which is related to ethical behavior in an organization. The results of this study provide instructions for building a better-quality relationship between leaders and subordinates in an organizational context. The results of this study provide guidelines on how the quality of the manager can provide and improve the perceptions of ethical climate, justice, and ethical behavior of employees in an organizational context.

Therefore, managers should realize that, by practicing ethical leadership, they crucially encourage their employees to put positive ethical values into practice. Thus, human resource managers should leverage practices and procedures (e.g., selection, promotion, training) that can enhance this leadership approach at all managerial levels. For example, selection and promotion practices could rely on interviews or personality tests to identify people with high ethical standards and then hire them into managerial or supervisory positions. Similar techniques might detect whether managerial candidates will communicate the importance of ethics to employees effectively, by behaving in a way that makes such ethical standards salient and attractive to others (i.e., behavioural role models). Reinforcement systems (e.g., rewards, incentives) should also favour ethically appropriate behaviour. Training initiatives could help current and potential managers gain expertise in communicating about the importance of ethics and learn how to serve as ethical role models. Furthermore, the training agenda should include moral virtue content (e.g., honesty, integrity, fairness, concern for others, truthfulness) that

encourages managers to deliberate on how to establish high ethical standards in the workplace (Treviño et al., 2014; Ruiz-Palomino & Banon-Gomis, 2017).

Second, implication pertains to the value of shaping an ethical climate to promote ethical behaviour. To the extent that work procedures, activities, and practices include ethics content and foster ethical behaviour, employees are more likely to follow ethical principles or values in their work-related decision making and behaviour. Accordingly, organizations should guarantee that ethical practices, processes, and procedures are in place, by implementing conventional mechanisms (i.e., code of ethics) (Mayer et al., 2009) but also encouraging ethical leadership by managers to inspire ethical values. Managers function like filters of organizational processes and policies (Mayer et al., 2010), so they are well equipped to help employees perceive an ethical climate. By developing ethical leadership traits (e.g., honesty, trustworthiness, fairness, ethical role modelling), managers can enhance ethical behaviour among employees by increasing perceptions that the organization has an ethical character.

Third, this study found that ethical leadership had an indirect positive effect on the employees' ethical behaviour through organizational justice, and those who perceived organizational justice demonstrated a high level of ethical behaviour. Thus, ethical leaders need to be trained in providing subordinates with adequate justification and explanations on most managerial decisions and on treating their employees with dignity and respect throughout the whole decision-making process. That is to say, ethical leaders can be trained to treat subordinates with kindness, consideration, care, respect, and fairness via leadership training programs, so as to enhance follower's ethical conduct. Meanwhile, organizations can increase the perceived organizational justice by establishing a smooth communication channel between the supervisor (management) and

subordinate, and eventually foster subordinate's positive behaviour (Chun, Shin, Choi, & Kim, 2013).

Finally, another important implication, to note is the value of considering moral identity of employees within the organization to promote workplace ethical behavior. This research also suggests that finding ways to reinforce or activate employees' moral identities may be one way to promote ethical behaviors in organizations. One way of activating moral identity may be the use of signals in the social environment, such as posters, slogans, or material symbols that make moral constructs and concerns salient (Aquino et al., 2009; Aquino & Freeman, 2009). Furthermore, it seems likely that being moral is central to many people's self-definition (Blasi, 1984; Aquino & Reed, 2002) because most people want to view themselves as generally good (Aquino & Reed, 2002). People should, therefore, be motivated to uphold their moral identities to avoid feeling inauthentic (Skitka & Bauman, 2008). Thus, employees who have high scores on measures of moral identity are expected to consistently demonstrate ethical behaviors that are consistent with their moral identities, including demonstrating (honesty, integrity, and transparency). To do otherwise would cause these employees to feel a sense of discomfort and self-condemnation (Aquino & Reed, 2002). Practically, this is important, because employees with highly moral identities may be more likely to resist competing pressures (e.g., doing whatever it takes to maintain the bottom line) that would easily cause some employees to stop demonstrating ethical behaviors and punishing unethical ones. In other words, employees with strong moral identities are expected to consistently display ethical behaviors that are consistent with their self-definitions, rather than give into pressures that would cause them to feel high levels of discomfort (e.g., unethical behaviors). In line with arguments provided above, this may be another practical reason for promoting employees who are committed to moral goals, which, according to some writers (e.g., Aquino et al., 2009) is one indicator that moral identity is central to their self-definition.

Therefore, the present findings suggest that there can be constraints influencing (by augmenting or buffering) the positive effects that establishing manager, work climate, and justice criteria in the outcomes provided to employees and the procedures used to make decisions are expected to bring through social exchange processes. Indeed, based on social exchange processes, organizational climate and justice perceptions can activate in employees' positive responses, including ethical behavior. However, even if they do all that is necessary to guarantee fair outcomes and processes in the organization, employees may react to these aspects differently. Moral identity is clear has a contingent effect of on the ethical behavior of employees, so upper levels must thus understand and identify each employee in terms of high or low moral identity prior to knowing how organizational climate and justice will affect the ethical behavior of these employees and complement the managerial actions implemented with others that allow ensuring ethical workplace behavior.

### **5.5 Limitations of the Study**

Generally, in any research study, there are limitations to its overall scope. The scope of this study is limited to select the factors that are related to ethical behaviors. The study included ethical leadership behavior, ethical climate, organizational justice, and moral identity, based on the investigation of the literature review. Also, the factors were limited based on the objectives and significance of the study.

The first, limitation is that the cross-sectional data design, which makes it difficult to provide definitive conclusions regarding causality. However, because this study had to measure a sensitive issue such as the respondents' ethical behavior (Randall & Gibson, 1990), complete anonymity was needed (Randall & Fernandes, 1991), which makes it difficult to run a longitudinal analysis (e.g. Podsakoff, 2003).



The second limitation lies in the data. In this study, the data came from a single source. Although the researcher has applied procedural and statistical remedies to minimize (CMB) (Podsakoff et al., 2003), it still cannot rule out CMB completely. In addition to the potential influences of CMB, the rigor of empirical findings may also be affected because the researcher used self-reported data to measure “ethical behavior” which is a very sensitive and complex issue. For this reason, cannot rule completely out the social desirability response bias.

Another limitation is that moral identity was measured with a single dimension (internalization). Despite, the moral identity encompasses two factors (e.g., internalization and symbolization). However, in this study was found that the factor loading of the symbolization was very low and then it was only the option is to exclude it from the current study based on the recombination from the expert panel.

Last but not least, one of the limitations of this study is the participation rate, which is poor among Iraqi organizations. This research is needed to gather information from the employees of various industries, but many employees have refused to participate, so there was no opportunity to determine the overviews of employees due to data limitation.

Finally, as mentioned previously in the problem statement, most of the studies on ethical leadership behavior and their consequences were conducted in the United State and European countries, and there is a need to establish this kind of research in Middle Eastern countries. This is why this study was conducted in Iraq. As this study is limited to Iraqi organizations, however, the results cannot be generalized to the other Middle Eastern countries, due to geographical, political, cultural, and the other differences.

## 5.6 Recommendations for Future Research

In this research, the results reported that there is a statistically significant mediating role of ethical climate between ethical leadership and employees' ethical behavior as well as the mediating role of organizational justice between ethical leadership and ethical behavior of employees. In addition, the findings of this study indicated that there is an insignificant interaction role of moral identity on the relationship between ethical climate and employees' ethical behavior as well as between organizational justice and employees' ethical behavior. Then, this research has drawn up several questions in need of further investigations. Hence, the following are some recommendations for future research:

- 1- Since the data, which relied on the analysis of the current study, were cross sectional, a longitudinal approach is recommended for future study to provide a better position for researchers to draw the causal conclusions.
- 2- Since this study provided the suggested model for Iraqi organization, it is recommended to conduct this model among specific industries or specific size of organizations.
- 3- The findings of this study were conducted based on an individual's analysis; so, it is suggested that, for further investigation, to focus on the unit of analysis of team level or based on the units' level, also organizational level of the organization may be considered.
- 4- The exchange relationship between manager and subordinates is examined for this study; considerable research will need to be done to determine the exchange relationship among the employees as well.

- 5- As this study is conducted in Iraqi, it is recommended to conduct similar research in other collectivism or Middle Eastern countries which may provide generalizations of the current findings.
- 6- However, this study has overcome the lack of literature in leadership and business ethics area among Middle Eastern countries. It would be noteworthy to find out the reasons of this shortcomings.
- 7- As this study examined the interaction role of 'moral identity' on the relationship between ethical climate and 'employees' ethical behavior' as well as between organizational justice and 'employees' ethical behavior', it is recommended to do more research on 'moral identity' to investigate how it has impacted on the abovementioned relationship.
- 8- Future study in this area can be conducted using a large simple size to have a coherent overview and to increase the generalization of the study.

## **5.7 Conclusion**

The objectives of this research were to investigate the relationship between ethical leadership and ethical behavior of employees. Also, to examine the mediating role of ethical climate and organizational justice on the relationship of ethical leadership (IVs) and employees' ethical behavior (DV) among Iraqi organizations. Therefore, as mentioned in Chapter 1, this study also aims to examine the moderating role of moral identity on the relationship between ethical leadership and ethical behavior of employees and among ethical climate and employees' ethical behavior as well as between organizational justice and employees' ethical behavior.

The statistical results of this study showed that the independent variable (ethical leadership) have significant relationships with the dependent variable (employees' ethical

behavior). The results were presented in Chapter 4. The findings of this study revealed almost all the consistent statistical results compared with the research that was previously conducted in the United States and other Western countries. Accordingly, the findings of this study have made a practical contribution to Iraqi organizations by providing a style of leader's behaviors that can improve the exchange relationship between managers and employees that can also improve the ethical standards within organizations. Subsequently, the results of the mediating test, presented in Section 4.9.6, revealed significant findings of the mediating role of ethical climate and organizational justice on the relationship between ethical leadership (IVs) and employees' ethical behavior (DV). On top of that, the moderating results indicated insignificant interaction between ethical climate and employees' ethical behavior as well as between organizational justice and employees' ethical behavior which were explained in terms of statistical values in Chapter 4. Also, the interpretation of the results was illustrated in this chapter.

Thus, this study concluded that the research model was presented in chapter two Section 2.12. The model was constructed using data gathered from employees from various industries of Iraqi organizations. The statistical results were obtained from statistical analysis and the whole model was analyzed through the Structural Equation Model-Partial Least (SEM-PLS) and PROCESS macro. This model has provided noteworthy theoretical contributions to the body of knowledge by covering the gaps and providing factual information supported by comprehensive evidence. In addition, this model has the potential to be used practically by managers of Iraqi organizations to improve their exchange relationship with their employees in order to set the ethical standards and to improve the ethical behavior of employees.

The suggested model which is valuable and practically important to the Iraqi context, gives more consideration on the quality of the exchange relationship between employees

and managers which has an influential effect on employees' ethical behavior in this competitive business world. At the same time, the suggested model focused on the two important factors such as ethical climate and organizational justice which have positive influences on the organizational outcomes, and it may also be useful to increase the perception of ethical climate and organizational justice of employees in Iraqi organization.

The suggested model indicates the important role of moral identity in the relationship between ethical climate and employee's behavior and between organizational justice and employees' ethical behavior as well. More consideration is required on the moral identity of employees regardless of the statistical results in this study. As shown in the statistical results, there is a significant difference between research conducted in Western countries and this study which was conducted in Iraq. As mentioned in the discussion sections, the findings are totally justified based on the structure, cultural issues and the format of the context of this study. In this way, the suggested model is likely to be more valuable to Iraqi organizations. In conclusion, the suggested model provides guidelines for researchers who are interested in leadership associated subjects and business ethics as well. Furthermore, it provides a practical guideline for managers in Iraqi organizations.

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