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Where Leaders Draw the Line: How Ethical a Boss Do You (Think You) Want?

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### Abstract

Via two studies of varying methodologies designed to complement and build upon each other, I examine how supervisors' perceived ethicality is associated with employees' preferences to work for them. Furthermore, I explore the mechanisms for these preferences. Specifically, I study the mediating effects of the belief that one's supervisor will be judgmental and the concern about their efficacy. Through a field study, I also examine whether the preferences for the hypothetical supervisor hold true in reality. As predicted, I found that employees prefer a moderately unethical supervisor over an extremely ethical supervisor when asked in a hypothetical situation, but this preference does not hold when employees were asked about their actual supervisors. That is, employees actually prefer an ethical supervisor in reality. Affective forecasting errors could be an explanation for the discrepancy in preferences in the two situations. Finally, I discuss the theoretical and practical implications of the findings.

### Where Leaders Draw the Line: How Ethical a Boss Do You (Think You) Want?

The 2008 global financial crisis, along with atrocious corporate scandals such as the Enron scandal and the Libor scandal, are among the many ethical debacles in the business world that have deeply shaken public confidence and led to the demand for business leaders that are more ethical (Poff, 2007). The societal costs for unethical conduct in organizations are very high - an estimated \$2.9 trillion in global annual losses due to fraudulent activity (Association of Certified Fraud Examiners, 2010), creating a strong urge for business schools to produce more ethical leaders and for ethics to be given a higher priority in the business domain. The importance of leaders in reducing ethical violations should not be understated. For instance, the National Business Ethics Survey found that, where management is least committed to ethics, the rate of observed misconduct is an incredible 89 percent, compared to 48 percent when management is highly committed to ethics, a significant difference of 50 percentage points (Ethics Resource Center, 2012). Given that other studies also show the importance of ethical leaders in reducing costly unethical behaviors as well as producing positive outcomes (De Hoogh & Den Hartog, 2008; Walumbwa, Mayer, Wang, Wang, Workman, & Christensen, 2011), it would seem advisable for organizations to find and nurture very ethical leaders in the workplace.

But is it true that employees will prefer very ethical leaders? Although some studies suggest that employees think favorably of ethical leaders and their job satisfaction is higher when working with these leaders (Avey, Wernsing, & Palanski, 2012; Toor & Ofori, 2009; Nurmohamed, Greenbaum, Mayer, DeRue, & Owens, 2012; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009), this preference could be complicated by other research suggesting that it is threatening to our moral sense of self when others are perceived to be more morally upright than we are (Monin, Sawyer, & Marquez, 2008; Minson & Monin, 2011). Due to self-serving biases,

the evaluator's need to reassure his/her positive self-image when threatened by a "super-ethical" leader may cause him/her to suffer from motivated blindness, whereby "individuals see no evil in others' behaviors because they have a vested self-interest in the outcome" (Gino, Moore, & Bazerman, 2009, p. 247).

Thus, to avoid having their own shortcomings revealed in the presence of an extremely ethical leader, employees may overlook the less ethical standards of the moderately unethical leader. Employees may rationalize that the very ethical leader would be unpleasant to work with because the leader would be judgmental. Furthermore, performance and the pursuit of profit have always been fundamental to business. In many occasions of business scandals, high ethical standards were discarded because it hindered the profit-making goal in business. Due to the high importance placed on performance in the corporate world (Mayer, Aquino, Mawritz, & Priesemuth, 2013), subordinates may dislike an extremely ethical leader whom they perceive to have uncompromising values that would impede their performance and make it more difficult for them to get their job done. All these suggest that even if people claim to want to work for ethical leaders and ethical companies (LaPlante, 2003; BBC, 2003), they are inclined to actually prefer leaders who are in fact moderately unethical in practice. To rationalize this less ethical decision, they are driven by motivated moral reasoning to perceive very ethical leaders to be more judgmental and inferior in efficacy.

Consistent with motivated moral reasoning (Ditto, Pizarro, & Tannenbaum, 2009; Gino et al., 2009), which refers to "situations in which judgment is motivated by a desire to reach a particular moral conclusion," I examine in this research whether employees would prefer the moderately unethical leader over the most ethical one, and the possible self-serving mechanisms that could be driving this preference. Specifically, I test for the effects of two mediators - the

evaluator's *belief that the leader would be judgmental* and the evaluator's *desire to get the job done efficiently* - on the preference for a moderately unethical supervisor. I predict that, in order to protect one's positive moral sense of self, an employee would prefer not to work with the ethical supervisor and rationalize that the supervisor would be very judgmental and would make the subordinate inefficient at work. In addition, drawing on the research on affective forecasting, I test to see if the employees' preferences for leaders are consistent with findings from the hypothetical situation. That is, if in reality, employees prefer the moderately unethical supervisor over the most ethical one.

The aim of this research is to explore how leaders' perceived ethicality influences employees' willingness to work with them and employees' perception of them. I seek to make several contributions to the field of behavioral ethics with this research (Treviño, Weaver, & Reynolds, 2006). First, I employ the theory of motivated moral reasoning as a framework and build on the emerging research (Ditto et al., 2009; Gino et al., 2009; Gino, Shu & Bazerman, 2010) to understand how biases affect the ethical decision making process. I explore underlying mechanisms, such as aversion to judgment that would produce an adverse reaction to ethical leaders, in order to preserve one's positive self-image (Minson & Monin, 2011). Second, drawing on research regarding the intersection of morality and competence when assessing business leaders (Mayer et al., 2013), I examine whether employees would prefer a less ethical leader because they perceive these leaders to better allow them to be effective at their jobs. Third, as opposed to prior research that assumed a monotonic relationship between a leader's trait and an outcome variable (Pierce & Aguinis, 2011; Grant & Schwartz, 2011), I aim to contribute to the too-much-of-a-good-thing literature by exploring the possibility that there could be a *limit* or *boundary* after which the relationship between a leader's perceived ethicality and a

follower's perception of the leader is curvilinear rather than linear. Fourth, to address critiques that the behavioral ethics literature relies on hypothetical scenarios that are far removed from actual organizational situations (cf. Brief, 2010), I design the experimental studies by employing concrete unethical behaviors common in organizations. Fifth, to test my hypotheses, I conduct two experimental studies that constructively replicate the findings within different methodological settings, using different measures of ethicality, and examine whether the effect can be replicated in real life through a field study.

Beyond theoretical contributions, I believe this research also has practical importance in that it serves to highlight to leaders the various biases that might affect an employee's perception of them. Thus a leader can be cognizant of how employees' perception of their ethicality is affecting how well they are liked by their employees. As for those in non-leadership roles, I show how self-serving motivations might contradict their espoused desire to work for very ethical leaders. More importantly, I then show how affective forecasting might be fallible in this case, and that employees might actually like working for the ethical leader more than the moderately unethical leader, even if they *think* they would prefer not to do so.

In what follows, I describe the theoretical background behind this research, followed by descriptions of the three studies I conducted to examine the preferences of employees for supervisors with varying degrees of ethicality. I then address the theoretical and practical implications of the findings of this research, along with its strengths and limitations. Finally, I outline possible directions for future research.

### **Theoretical Background**

Leaders are typically held to high ethical standards, and so we would presume that people generally want their leaders to be as ethical as possible. Yet, would the presence of

such ethical leaders serve as uncomfortable reminders of our own weaknesses? Self-affirmation theory in psychology has shown that human beings typically want to see themselves in a positive light and are well-equipped with psychological defense mechanisms to preserve their self-esteem (Sherman, 2006). Specifically, in the moral domain, we wish to see ourselves as morally righteous, and we tend to have strong and adverse reactions to anything that might threaten that image of ourselves (Ditto et al., 2009). Consequently, we are likely to reject those whom we perceive to be a lot more ethical than ourselves because their presence might reveal our shortcomings to us. Driven by such self-serving desires, we are likely to engage in motivated moral reasoning. To avoid that which is not pleasurable to us, we would prefer to put down the source of the threat (Minson & Monin, 2011). For instance, to avoid realizing that we are not as morally upright as we think, we would perceive that the very ethical leader is somehow flawed. As a result, our reasoning process is changed by our preference and we modify our moral assessments to fit with the desired conclusion (Ditto et al., 2009). In this case, we still want an ethical leader, but one who is not “too ethical” (i.e. too threatening), and we rationalize our way towards this preference.

Specifically, an “overly ethical” leader is perceived to be threatening on two different fronts. First, this leader might prevent people from seeing themselves in a positive light, and people wish to avoid those they suspect might judge them in an unflattering light. For instance, Minson and Monin (2011) found that “overtly moral behavior can elicit annoyance and ridicule” because there is an implicit moral reproach contained in the behaviors of “do-gooders”. That is, when someone claims to do something based on moral grounds (e.g., refuse to check personal e-mail at work), it implies that those who are not behaving in that same manner must therefore be immoral, since “moral dictates are by definition universal” (Frankena, 1973, p. 25, as cited in

Minson and Monin, 2011). Since people care a lot about their moral identity, they tend to engage in a knee-jerk self-protective measure of derogating the “do-gooders.” It is important to note here that this reaction is shown to arise merely from *anticipated* moral reproach, that is, the subjects reacted negatively to the “moral minority” based on a threat that they imagined exist, even though a follow-up study showed that the “moral minority” was not as judgmental of others as they were perceived to be. Drawing on prior theory and studies, I expect that this anticipated moral reproach will also cause employees’ aversion towards the very ethical leader in this research, whom they believe will be judgmental of their behaviors and threaten their positive moral identity.

Second, the business domain has often prioritized excellent performance over high ethical standards, so an extremely ethical leader might threaten the subordinate’s ability to get what they want, which is to do their job efficiently and well. There is much evidence of the lack of ethical considerations in the pursuit of quantifiable bottom-line metrics (Molinsky, Grant, & Margolis, 2012; Tenbrunsel & Messick, 1999; Wang, Malhotra & Murnighan, 2011). For instance, Rubinstein (2006) found that, when presenting profits in an algebraic equation as a function of number of employees on a payroll, subjects simply “solved” the profit-maximization problem without thinking of the consequences of the employees they were laying off, compared to fewer layoffs by another group that had the profit/layoffs data presented in a different format. This shows that, when in the “business mentality”, considerations other than profit-maximizing are sometimes neglected. At work, employees might prefer not to have their performance “constrained” by ethical standards in an environment that prioritizes the pursuit of profits, especially if they find those standards to be superfluous and that the leader is “more ethical than necessary.” Even with the growing popularity of corporate social responsibility, Kreps and



Monin (2011) observed astutely that, hidden within the popular slogan of “doing well by doing good” is the fact that “ethical concerns are often subordinated to profit concerns, implying that being ethical matters primarily because it serves the bottom line. This reflects moral hypocrisy found by Batson, Thompson and Chen (2002), whereby people are motivated to *appear* moral, while avoiding the cost of actually being moral. Thus, even though employees might claim to want to work for a very ethical leader, they actually would prefer to avoid the “hassle” of working for such a leader, whose “cumbersome” values might diminish the employees’ performance and efficacy, especially in terms of the bottom-line mentality prevalent in business. Due to the belief that a very ethical leader would be less effective and cause his or her subordinates to be less effective, the employees would prefer the moderately unethical leader over the more ethical leader in this performance-based domain.

Ultimately though, the underlying mechanisms behind the preference for the moderately unethical leader are primarily driven by self-interest – either in one’s interest in being perceived positively by others (and oneself), or in getting tangible outcomes that are desired (e.g. promotions from being effective and performing well). Based on this theoretical background, I propose the following hypotheses:

**Hypothesis 1.** Employees will report a preference to work with a fictional moderately unethical supervisor, compared to a very ethical or an unethical supervisor, although the unethical supervisor will be least preferred.

**Hypothesis 2a.** Employees’ preference to work for a fictional moderately unethical supervisor compared to the very ethical supervisor (predicted by Hypothesis 1) will be mediated by a belief that one’s supervisor will be judgmental.

**Hypothesis 2b.** Employees' preference to work for a fictional moderately unethical supervisor compared to the very ethical supervisor (predicted by Hypothesis 1) will be mediated by efficacy concerns.

## OVERVIEW OF STUDIES

To test these hypotheses, I conducted two experimental studies (Study 1 and Study 2). Through a vignette-based survey in Study 1, I examined employees' preference between an extremely ethical leader, a moderately unethical leader and an unethical leader. I further tested for the mediating effects of employees' perception of the fictional leader's tendency to be judgmental and his or her efficacy. In Study 2, I replicated the findings of Study 1 by using a range of behaviors to manipulate the self-reported ethicality of the leaders in a more concrete manner. Lastly, in the field study, I tested whether employees' perceptions of their actual supervisors would be consistent with the findings from the hypothetical situations in the lab studies. Here, participants rated their own leaders' ethical standards (using the same behavior scale from Study 2), and indicated how much they liked working with their bosses and how effective or how judgmental they perceive their supervisors to be.

### Study 1

#### Method

**Participants.** I recruited 311 working adults (76.5% full-time, 23.5% part-time) via Amazon Turk, 66.6% of whom were males and 33.4% were females. Amazon Turk is a web-based labor market where "workers" choose to complete tasks posted by "requesters" and receive compensation for it. The quality of work produced by the aforementioned workers have been tested and proven to be satisfactory through several studies (e.g., Alter, Oppenheimer, & Zemla, 2010; Buhrmester, Kwang, & Gosling, 2011; Sprouse, 2011). To study workplace ethical

behaviors, I required a large number of employed adults as participants. Thus, recruiting through Amazon Turk is especially beneficial and suitable for my research since this population is not readily accessible through campus recruiting. Participants received \$0.80 as compensation, and their mean age was 33.52 years ( $SD = 10.38$ ). Participants were 72.1% Caucasian, 9.5% Asian, 8.2% African American, 7.5% Hispanic, and 2.6% from other ethnic or racial backgrounds. The majority worked in for-profit organizations (71.6%) followed by not-for-profit (13.9%) and government (11.9%). A significant portion of the participants have 1-5 years of work experience (33.1%), followed by 6-10 years (27.0%), 11-15 years (15.8%) and 25+ years (10.0%).

Participants came from a wide range of industries, including retail trade, health care and social assistance, professional, scientific and technical services, educational services, information, entertainment and recreation, accommodation and food services, and manufacturing.

### **Design and Procedure**

To assess the participants' own ethical standards, they were first given a set of three paragraphs that described varying degrees of ethicality and asked to choose the paragraph that most closely describes them. To assess their willingness to work with leaders based on the leaders' self-reported ethicality, participants were given an option to work for a new supervisor whose choice among the set of three paragraphs was shown to the participant. Based on this information, participants were asked whether they would like to work for this supervisor and to provide reasons for their preference. I then asked participants to indicate their agreement with several statements to assess their perceptions of these leaders.

### **Experimental Manipulations**

Participants were randomly assigned into three different conditions (the *high*, *moderate*, and *low* ethical conditions) which represented the ethicality of the supervisors shown to them

as measured by the supervisor's choice among the three paragraphs. For instance, in the *high ethical* condition, the supervisor is shown to have chosen the extremely ethical paragraph as most closely describing themselves, whereas in the *moderate ethical* condition, the supervisor is shown to have chosen the moderately ethical paragraph.

### Measures

Participants responded to items using a seven-point Likert scale, ranging from 1 = "strongly disagree" to 7 = "strongly agree".

**Willingness to Work with Leader.** A four-item scale was developed for this study to measure participants' willingness to work with the leader. Items include "I would like to work for this supervisor", "I would enjoy working for this supervisor", "I would be happy to have this supervisor as my boss", and "I would thrive with this supervisor." ( $\alpha = .98$ ).

**Leader's Tendency to be Judgmental.** A three-item scale was developed for this study to measure how judgmental the participants perceived the leader to be. Items include "I believe this supervisor would be judgmental about whether my behavior is ethical enough at work", "I believe this supervisor would hold me to an unreasonably high bar in term of whether I am being ethical enough at work", and "I believe this supervisor would not be understanding and would be overly punitive" ( $\alpha = .83$ ).

**Leader's Efficacy.** A six-item scale was developed for this study to reflect participants' perceptions of the efficacy of the leader. Items are: "I believe that this supervisor's style of leadership would be the right one for getting his/her group's job done", "I believe this supervisor would be effective at his/her job", "I believe this supervisor would enable me to be effective at my job", "I believe this supervisor would be an efficient worker", "I believe this supervisor would do what it takes to get the job done", and "I believe this supervisor would be effective at

managing people.” ( $\alpha = .91$ ).

## RESULTS

Hypothesis 1 predicted that employees will prefer a moderately unethical leader compared to an extremely ethical leader, who would in turn be more preferable to the least ethical leader. Consistent with Hypothesis 1, I found significant difference between the three conditions,  $F(2, 308) = 110.83, p < .001$ , in the predicted direction. Post-hoc test reveals that there is statistical significance ( $p < .05$ ) between the high ( $M = 5.22, SD = 1.55$ ), moderate ( $M = 5.68, SD = 1.10$ ), and low ( $M = 3.00, SD = 1.46$ ) ethicality condition. There is also a statistical difference between the high and moderate conditions (mean difference =  $-.46, p = .016$ ), moderate and low conditions (mean difference =  $2.68, p < .001$ ), and high and low conditions (mean difference =  $-2.22, p < .001$ ). Although it is not surprising that the least ethical leader is not preferable, the significant mean difference ( $-.46$ ) between the extremely ethical leader and the moderately unethical leader shows that there is a curvilinear relationship between leaders' ethicality and employees' preference to work with them.

Hypothesis 2 predicts employees' preference to work for a fictional moderately unethical supervisor, compared to the very ethical supervisor will be mediated by (1) a belief that one's supervisor will be judgmental, and by (2) efficacy concerns. To test Hypothesis 2a and 2b, I followed procedures recommended by MacKinnon, Lockwood, Hoffman, West, and Sheets (2002) to test for mediation. MacKinnon et al. (2002) suggest that for mediation to occur, two conditions must be met. First, the antecedent variable must predict the mediator. Second, the mediator must predict the outcome variable, while controlling for the antecedent variables.

The first step was to regress the mediators (i.e., judgmental, efficacy concerns) on the antecedent variable (i.e., leader ethicality). Results revealed a significant direct relationship

between leader ethicality and judgmental ( $\beta = .33, p < .001$ ) and efficacy concerns ( $\beta = .61, p < .001$ ). Next, I regressed the outcome variable (i.e., willingness to work with the leader) on the mediators (i.e., judgmental, efficacy concerns) while controlling for the antecedent variable (i.e., leader ethicality). Judgmental ( $\beta = .18, p < .001$ ) and efficacy concerns ( $\beta = .22, p < .001$ ) were positively related to willingness to work with the leader. These results provide evidence for mediation.

### **Discussion**

The findings from Study 1 provide evidence for the first two hypotheses. Employees preferred the moderately unethical supervisor the most, even more than the extremely ethical supervisor. The results show that this effect is mediated by two factors – how judgmental the supervisor is perceived to be, and whether they would be effective and allow their subordinates to be effective. Employees indicated that they prefer the extremely ethical leader less than the moderately unethical leader because they perceive the former to be more judgmental about their behaviors. Furthermore, the employees perceive that the extremely ethical leader is more likely to be a hindrance to getting their job done. The mechanisms behind the preferences are consistent with the theoretical predictions of motivated moral reasoning. Employees would find it undesirable to work with leaders who would threaten their positive self-image, and someone who is very ethical is more likely to reveal an employees' own shortcomings than a moderately unethical leader who also engages in unethical behaviors every so often. In addition, an extremely ethical leader is perceived to be less effective because they are more likely to expect subordinates to follow all rules and procedures, even if that means forgoing “harmless shortcuts” that might expedite the process. The desire to protect the self from threat – whether the threat of judgment or the threat of not being able to work effectively – led employees to prefer the

moderately unethical supervisor to the extremely ethical one.

Although the evidence here supports the first two hypotheses, the effect could be attributable simply to characteristics of the manipulation items. Specifically, it could be the wording in the vignettes that might have “led the witness” to reveal the effect in the predicted direction. Furthermore, the design might have led the participants to excessively compare and contrast between the leaders, and it could be a context effect that led to the preferences (Simonson & Tversky, 1992). Thus it could be design issues and not necessarily motivated moral reasoning that led to the findings in Study 1. In order to address these limitations, I designed Study 2 to test if the effect would still be found using another method to manipulate leaders’ ethicality without using vignettes.

## Study 2

Study 2 builds on the findings in Study 1 by conveying to study participants the self-reported ethical standards of the hypothetical leaders in terms of more concrete behaviors. Specifically, I showed where these leaders “draw the line” on a scale of behaviors ranging from least to most unethical.

## METHOD

**Participants.** Via Amazon Turk, 255 working adults (75.6% full-time, 24.4% part-time) were recruited as participants, 52.2% of whom were males and 47.8% were females. They received \$1.00 for participating, and the mean age was 31 years ( $SD = 12.05$ ). Participants were 81.6% Caucasian, 7.5% Asian, 5.5% African American, 3.9% Hispanic, and 1.6% from other ethnic or racial backgrounds. The majority worked in for-profit organizations (71.8%) followed by not-for-profit (16.1%) and government (10.6%). A large portion of the participants have 1-5 years of work experience (24.7%), followed closely by 6-10 years (24.3%), 11-15 years (19.2%)

and finally 25+ years (13.3%). Participants came from a wide range of industries, including retail trade, educational services, arts, entertainment and recreation, finance and insurance, construction.

### **Design and Procedure**

To replicate Study 1's findings without using vignettes, I first started with a pilot study to determine the subjective ranking of different unethical behaviors at the workplace (from least to most unethical behaviors). This is done in order to simulate leaders with different levels of ethical standards, as indicated by where they "draw the line" among unethical behaviors (i.e. where they set their "limit" for unethical behaviors). One hundred fifty participants rated forty-five behaviors on a four-point Likert scale (1 = strongly unethical to 4 = neutral/not unethical). The list of unethical behaviors was modified from existing deviance and unethical behavior measures (Bennett & Robinson, 2000; Akaah, 1996). Several behaviors were added for this study through brainstorming for minor transgressions that are commonplace, in order to distinguish the "extremely ethical" supervisor from the "moderately unethical" one. For example, behaviors such as "cutting corners to get the job done" were added to the list. The means of all the behaviors were calculated and a spread of behaviors with varying means (minor, moderate and severe) was chosen to represent the scale of behaviors (see Figure 1).

In Study 2, I first assessed participants' own ethical standards by giving them the scale of unethical behaviors from the pilot study (ranging from least to most severe) and instructed them to "draw a line between unethical behaviors that [they think] are a big deal and those that are not a big deal." Then, participants were told that they were given an option to work for a new supervisor, and that the hypothetical supervisor has "drawn the line" at a particular position on the scale. Similar to Study 1, to assess the participants' willingness to work with leaders based



on the leaders' ethicality, I asked participants to indicate whether they would like to work for this hypothetical supervisor and to indicate their agreement with several statements to assess their perceptions of these leaders.

### **Experimental Manipulations**

Participants were randomly assigned into three different conditions (condition 0, condition 5 and condition 8) which represented the "ethicality" of the supervisors as measured by the position where they "drew the line" on the scale of behaviors. For instance, in condition 0, the supervisor is shown to have drawn the line at the leftmost of the scale, indicating that he or she is extremely ethical and believed that every single unethical behavior on the scale is a big deal. In condition 5, the supervisor indicates that the five behaviors from illegally downloading music at work to using Facebook are not a big deal, whereas those to the right (from taking office supplies for home use to embezzling millions of dollars) are a big deal. These positions are chosen to reflect the extremely ethical supervisor, the moderately unethical supervisor, and the unethical supervisor.

### **Measures**

Participants responded to items using a seven-point Likert scale, ranging from 1 = "strongly disagree" to 7 = "strongly agree".

**Willingness to Work with Leader.** Participants' willingness to work with the hypothetical leader was assessed through the item "I would like to work for this supervisor".

**Leader's efficacy.** This scale is identical as in Study 1 ( $\alpha = .94$ ).

**Judgmental.** This scale is identical as in Study 1 ( $\alpha = .93$ ).

### **Results**

Similar to Study 1, I found significant difference,  $F(2, 252) = 29.42, p < .001$ , between the three conditions in the predicted direction. Again, consistent with Hypothesis 1, post-hoc test reveals that there is statistical significance ( $p < .05$ ) between the high ( $M = 3.57, SD = 1.72$ ), moderate ( $M = 4.91, SD = 1.44$ ), and low ( $M = 3.10, SD = 1.60$ ) ethicality condition. The difference between high and moderate conditions is also statistically significant (mean difference =  $-1.35, p < .001$ ), as is the case for the moderate and low conditions (mean difference =  $1.81, p < .001$ ), and high and low conditions (mean difference =  $-.47, p < .001$ ). The results show that Study 2 was able to replicate Study 1's findings in a different methodological setting.

Hypothesis 2 also received support. The first step was to regress the mediators (i.e., judgmental, efficacy concerns) on the antecedent variable (i.e., leader ethicality). Results revealed a significant direct relationship between leader ethicality and judgmental ( $\beta = .19, p < .01$ ) and efficacy concerns ( $\beta = .42, p < .001$ ). Next, I regressed the outcome variable (i.e., willingness to work with the leader) on the mediators (i.e., judgmental, efficacy concerns) while controlling for the antecedent variable (i.e., leader ethicality). Judgmental ( $\beta = .23, p < .001$ ) and efficacy concerns ( $\beta = .31, p < .001$ ) were positively related to willingness to work with the leader. These results provide evidence for mediation.

## DISCUSSION

The findings from Study 2 replicate those from Study 1 and support the first two hypotheses, illustrating that the effects can be found in a methodological setting that reduced the suggestibility of particular wordings such as those in the vignettes. Results from Study 2 provided further evidence that the mechanisms in Study 1 explained the preference of employees for the moderately unethical supervisor over the extremely ethical one. A strength of Study 2 is

that it avoided the abstract description in the vignette study and described the ethical standards of the hypothetical supervisor in more concrete terms of where the supervisor “draws the line” on the scale of unethical behaviors.

Despite the findings of Study 1 and 2 however, given that research on the affective forecasting theory has shown that humans are fallible in predicting how they would feel about a hypothetical situation, it was important to test this preference in a field study to see if it is consistent with findings in the hypothetical situation (Wilson & Gilbert, 2003). Thus, I designed Study 3 to examine if actual leaders who are very ethical are rated worse than moderately unethical leaders by their subordinates.

### **Study 3**

It is well-established in the field of psychology that human beings are not very accurate in affective forecasting (Wilson & Gilbert, 2003). Often, in their forecasts, people fail to take into account many factors that would affect how they would ultimately feel in the actual situation. For instance, errors in affective forecasting could happen when people misconstrue the hypothetical situation (Wilson & Gilbert, 2003). In this case, while the employees might have imagined that working with the moderately unethical supervisor would be more pleasant due to the leader’s leniency, the employees might have failed to consider the possibility that the moderately unethical boss would be more likely to pressure his or her subordinates to engage in behaviors with which they are uncomfortable. Furthermore, people are sometimes prone to focalism, that is, when they imagine the future, they focus too much on the aspect salient in the hypothetical situation (e.g., going on a vacation), and forget that other events could occur concurrently in reality that would affect the emotional response to that event (e.g., worried about work piling up during absence). In this case, the employees could have focused too much on the

“extreme” ethicality of the leader and not considered that other factors would affect their satisfaction with the leader (e.g., the leader’s fairness could lead to more growth opportunities).

Consistent with the theory of fallibility in affective forecasting, research shows that employee satisfaction is higher with ethical leaders (Avey et al., 2012). Thus, the findings from Study 1 and Study 2 may reveal errors in affective forecasting, rather than contradictions with prior research that shows the positive outcomes from ethical leadership. Based on this rationale, I propose the following hypothesis:

**Hypothesis 3:** The relationship between actual leaders’ ethicality (as perceived by the employees) and employees’ actual preferences will be linear and positive.

In this field study, participants are asked about their perceptions of their actual supervisors at their workplace. I assessed if participants were more willing to work with leaders whom they perceive to be very ethical, compared to moderately unethical ones, in contradiction with the findings of the previous two experimental studies.

## METHOD

**Participants.** Via Amazon Turk, 151 working adults (71% full-time, 29% part-time) were recruited as participants and received \$1.00 for participating. The mean age was 32.55 years ( $SD = 11.06$ ), and 56% were males and 44% were females. Participants were 77% Caucasian, 10% African American 6% Asian, 5% Hispanic, and 3% from other ethnic or racial backgrounds. The majority worked in for-profit organizations (79%) followed by not-for-profit (9%) and government (9%). A significant portion has 1-5 years of work experience (36.9%), followed by 6-10 years (22.8%), 11-15 years (16.1%), and finally 25+ years (10.1%). Participants came from a wide range of industries, including retail trade, health care and social

assistance, professional, scientific and technical services, educational services, information, entertainment and recreation, accommodation and food services, and manufacturing.

### **Design and Procedure**

Participants were first asked for their own rating of their ethicality on the behavioral scale from Study 2. Then, they indicated their perception of their actual supervisor's ethicality by demonstrating where they think their immediate supervisor would draw the line on the scale. Participants were asked to indicate their agreement with several statements to assess their perceptions of these leaders.

### **Measures**

Measures used were similar to the previous studies (with slight variations in the language to reflect the context). Items were modified from the forecasting, hypothetical context in Study 1 and Study 2 to the assessments of an actual situation, e.g., from "I would feel good to be around this supervisor" to "I feel good around my supervisor." Participants responded to items using a seven-point Likert scale, ranging from 1 = "strongly disagree" to 7 = "strongly agree".

### **Results**

Consistent with Hypothesis 3, leader ethicality was positively related to willingness to work with the leader ( $\beta = .16, p < .05$ ). In contrast, the squared term ( $\beta = .14, ns$ ) was not significantly related willingness to work with the leader demonstrating that there was not a curvilinear effect. Interestingly, leader ethicality was not significantly related to judgmental ( $\beta = .02, ns$ ) or efficacy concerns ( $\beta = .10, ns$ ).

### **Discussion**

The results from Study 3 suggest that, contrary to the beliefs of participants in the hypothetical situations in Study 1 and Study 2, employees in actual workplaces do not prefer the moderately unethical supervisor over the more ethical one. In fact, the linear relationship shows that employees enjoy working with the most ethical supervisors. This lends support to the theory that participants in Study 1 and Study 2 were not able to accurately engage in affective forecasting. This could be due to focalism, as participants only focused on one aspect of the supervisors – their ethicality (Wilson & Gilbert, 2003). Thus they misconstrue the hypothetical situation and overestimated how much the ethicality of the supervisor would (negatively) affect them, and made erroneous inferences about how difficult it would be to work with an extremely ethical supervisor. In reality, ethical supervisors may be more likely to treat their employees better and provide a safer work environment where they do not pressure their employees to conduct in unethical behaviors. This would be more beneficial rather than threatening to an employee. In order to address Pierce and Aguinis's (2011) concern that many studies fail to find curvilinear relationships due to its limited scope, this study replicates the exact behavioral scale from Study 2 without any scope restriction (in the manipulation of ethicality). Therefore, the lack of the too-much-of-a-good-thing effect here is not due to lack of scope. However, a limitation of this study is that I did not test to determine what mechanisms worked to hinder accurate affective forecasting in this case. Also, I did not directly test the theory, although results are consistent with the theory of affective forecasting. Furthermore, it is based entirely on the employee's self-report, so it is possible that participants rated leaders to be more ethical because they liked the leader more, independent of the actual ethical conduct of the leader. That is, this "halo effect" could be affecting the findings so that employees rated leaders whom they like to be positive in all aspects, including being more ethical, so that it is not necessarily that the more ethical leaders

are more preferable. However, even though it could not be determined if an objectively ethical leader would be preferable, the findings from the self-reports do suggest that employees do not necessarily equate an extremely ethical leaders with negative associations; otherwise they would rate those leaders they liked best to only be moderately ethical. Thus it still holds true that Study 3 complicates the findings from Study 1 and Study 2 by showing that there is a discrepancy in the hypothetical situation as compared to actual situations, possibly caused by affective forecasting.

### **General Discussion**

Overall, the purpose of this research is to use the perspective of motivated moral reasoning to study the relationship between a leader's perceived ethicality and an employee's willingness to work with him or her. It contributes to the field of behavioral ethics by examining how employees perceive extremely ethical leaders, if they would prefer a moderately unethical one over the extremely ethical one, and the reason for that preference. In order to preserve our positive moral identity and to protect it from threats, I predicted that employees would prefer the moderately unethical supervisor over the extremely ethical one. The motivation for the preservation of a positive self-image is tested through the employee's perception of the tendency for supervisors to be judgmental supervisors. The second explanatory mechanism was the desire to get work done, which is tested through the employee's perception of the leader's efficacy.

The first two studies largely support Hypothesis 1 and Hypothesis 2. Consistent with the predictions, employees liked the extremely ethical supervisor less than the moderately unethical supervisor because they perceived them to be more judgmental, and that is a threat to their positive self-image. Furthermore, the findings show that the extremely ethical supervisor is perceived to be less effective (presumably due to their thorough adherence to policies

and procedures). These evidences in turn would suggest that employees would not prefer this supervisor as much for their own self-interest. However, in Study 3, we tested to see if employees' preferences in hypothetical situations from Study 1 and Study 2 would be consistent with preferences of employees in the actual workplace. The findings from Study 3 contradict those of the previous studies, consistent with the theory that the employees' preferences in the hypothetical situations reflect fallible affective forecasting abilities that stem from motivated moral reasoning. The results may suggest that leaders who are extremely ethical are not more judgmental and less effective in reality, and for various reasons could be more well-liked than Study 1 and Study 2 suggests.

### **Theoretical Implications**

This research contributes to the literature of motivated moral reasoning by examining the effect of self-preservation motivations on ethical decision-making, specifically in evaluating a leader based on their ethicality. People often proclaim that they want ethical leaders, but the findings show that in light of a threat to self through a leader that is a lot more ethical than themselves, employees are inclined to like this supervisor less than a moderately unethical one. Consistent with motivated moral reasoning theory, due to the affective stake and motivation in reaching this particular conclusion, two underlying mechanisms were found to drive the moral reasoning behind this preference. To preserve our positive sense of self, we are inclined to avoid working with this supervisor and rationalize that he or she must be a judgmental and unpleasant person and be incompetent ineffective at work.

Furthermore, this research contributes to the literature on affective forecasting by revealing that affective forecasting errors could also be found in the discrepancy between a person's construal of a hypothetical extremely ethical supervisor versus their perceptions of an



actual extremely ethical supervisor. The findings suggest that focalism and misconstrual of the event could have caused the forecasting error, probably driven by motivated moral reasoning. That is, people feel “affronted” by someone who purports to be a lot more ethical than they are, and the knee-jerk reaction is to protect their self-image by construing the other in a negative manner (Minson & Monin, 2011). As a result, people inaccurately forecast that they would not enjoy working with someone who is very ethical. In addition, due to motivated blindness, they could have overlooked the possibility that the moderately unethical supervisors would be more likely to pressure us to engage in unethical behaviors than extremely ethical leaders.

### **Practical Implications**

This research addresses the larger biases in ethical decision making that can affect many different types of decisions. The prevalence of motivated moral reasoning in evaluating leaders, and the subsequent behaviors (e.g. disliking that supervisor and preferring not to work with them) suggest that ethical leaders should be aware of the employee self-threat factor that may be working against them. Furthermore, although many leaders like to publicly espouse strong commitment to ethics, this research suggest that there might be a limit beyond which there could be a trade-off between ethicality and popularity, whereby the more ethical a leader claims to be, the more likely that it could lead to a backlash from employees once the threat to self is triggered. That is, the more threatened the employees feel from the anticipated moral reproach, the more desire they would have to put down the source of threat by suspecting the authenticity of the leader (e.g., “The leaders are probably lying about their ethical standards just to make themselves look good.”) Indeed, Den Hartog & Belschak (2012) have found that the positive effects of ethical leader behavior on employees are less strong when employees are more doubtful of the leader’s authenticity. This highlights the necessity for leaders to truly “walk the

talk” and to convey their strong commitment to ethics not just in words but in actions, so that it would mitigate the problem of having their ethicality doubted (especially when there is a strong motivation on the part of the employees to doubt it).

On another note, given a leader’s high influence on the ethical behaviors of his or her subordinates (Ethics Resource Center, 2012; De Hoogh & Den Hartog, 2008; Walumbwa et al., 2011), it is important for an organization to make the right choice in acquiring the leaders who will best promote ethical behaviors in their followers. Research has shown that idealistic people who believe that every situation is governed by a common moral principle also tend to make fewer unethical choices than moral relativists who evaluate mostly on a case-by-case basis (Kish-Gephart, Harrison, & Treviño, 2010). Moreover, studies on the “slippery-slope-effect” found that organizations should take action on even the smallest infractions, because these are usually the starting point for major ethical violations (Gino & Bazerman, 2009). Additionally, the findings here support other research that showed that performance is still valued more than ethics in the business domain, and that employees don't like it when their performance is constrained by "too much ethics" (Mayer et al., 2013). Thus, an organization that aims to reduce ethical violations would probably be better off with someone who adheres strongly to moral principles, is willing to act on small transgressions, and prioritizes ethical considerations even in the performance-dominant domain of business; in other words, an extremely ethical leader. Hence, it is important to understand the mechanisms of motivated moral reasoning that could potentially interfere with the more optimal outcome of acquiring the most ethical leaders.

Finally, although Study 1 and Study 2 support the prevailing notion that ethical people are associated with negative traits such as being judgmental and less able to make tough choices to get work done, there is a silver lining from the field study. The employees’ perceptions

of their actual leaders show a linear relationship between a leader's perceived ethicality and the employees' willingness to work with them, which is inconsistent with findings from the hypothetical situations where employees thought they would like the most ethical supervisor less than the moderately unethical supervisor. This suggests that, contrary to their beliefs, employees might actually prefer working with the most ethical supervisors in reality, which would be more beneficial for the organization.

### **Strengths and Limitations**

This research addresses the interesting and perplexing issue of motivated moral reasoning when evaluating leaders based on their ethicality, and contributes theoretically in the aforementioned ways. I used different methods (i.e. vignettes, behavioral scale) to manipulate the self-reported ethicality of the hypothetical leaders. This lends strength to the research findings because the effect that was found is replicable across varied methods and is less likely to arise from characteristics in study design alone. Furthermore, I used field data to study the effect in the actual workplace and to test if it differs from the hypothetical situation. This adds nuance and complexity to the findings found in the hypothetical situations, revealing that the findings might not reflect reality accurately and provide more opportunities to investigate potential reasons for the discrepancies.

Still, there are several limitations to this research. First, data collection from online surveys lacks ecological validity. However, since the variable of utmost interest is the employees' *perception* of very ethical leaders, I surmised that the perceptual nature of the dependent variable does not necessarily weaken the findings. Second, although I directly assessed two mechanisms behind this effect based on theoretical understanding, there could be more mechanisms that were not addressed here. Third, although the research findings are

consistent with the theory of affective forecasting, I did not directly test the theory or directly assessed reasons behind the errors in affective forecasting.

### **Future Research Directions**

Future research could further examine the mediating and moderating variables of this effect. Apart from the mediating effects studied in this paper, such as leader's perceived efficacy and tendency to be judgmental, other mediating factors could be investigated to explain the mechanisms behind this finding.

In addition, there are numerous moderating variables that could affect this relationship, such as the job or industry moderator, the ethical climate, as well as gender. Conventional wisdom suggests that there is a common perception (perhaps reflecting reality) that the nature of certain jobs or certain industries requires its members to be unscrupulous in order to be successful. In such a situation, I expect that it would lead to a higher willingness, and perhaps even a stronger need, to work with more unethical leaders and to avoid very ethical ones. On a similar note, the "ethical climate" of a country has often been cited as the reason why it is important to be more tolerant of transgressions. Business leaders have often claimed that in many developing countries (e.g., Indonesia), ethics might "get in the way" of work more than in developed countries (e.g., Germany), so I would expect even more emphasis on "performance" or "relationships" over ethics in these situations (Kolthoff, Erakovich, & Lasthuizen, 2010). This would lead the very ethical leader to be even less desirable, perhaps to the extent of being perceived as "not having what it takes" to survive as a leader in such situations. Furthermore, gender is shown to have played a part in differences in ethics and leadership, so the role of gender in moderating this effect is also worth investigation. For instance, research findings suggest that women tend to be more ethical than men (Franke, Crown, & Spake, 1997). Yet,

studies of gender and leadership also show that female leaders are often judged differently than men (Eagly & Karau, 2002; Eagly & Mladinic, 1989), sometimes more unfavorably when they are acting incongruent with stereotypes of gender roles (e.g., females as nurturing rather than just). This could significantly affect a subordinate's construal of a female leader who is more ethical (as someone who is more punitive or rigid), as opposed to a more "noble" male leader.

Finally, it would be interesting to investigate if these perceptions also hold true for co-workers as well as for leaders, and if not, in what ways do they differ. We often expect more from our leaders and hold them to a higher standard, so one could expect that employees would not prefer the more ethical co-worker as much. If so, this could affect the hiring decision-making process, and could lead to hiring more "ethically neutral" people who would fall down the slippery slope, thus creating an environment more conducive to ethical violations.

### **Conclusions**

The public has responded to the proliferation of corporate scandals by demanding for more leaders who are highly ethical. But the present research shows that despite our claims to want ethical leaders, we might be driven by self-interest to not prefer the most ethical leader due to our fear of being judged and our desire to get our job done. However, it is important to note that our fears appear to be unfounded, as the field research suggests that very ethical leaders are well-liked by their employees. Thus, it may still be better for organizations and subordinates to choose an ethical leader who "draws the line" at even the minor transgressions.

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**Figure 1: Unethical Behaviors Scale**

