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Ethical leadership and employee unethical behavior: a dual-processing model

Ethical
leadership and
unethical
behavior

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Abstract

Purpose – This study seeks to apply a dual-processing model to understand how ethical leadership prohibits employee unethical behavior through both employee deontic justice and distributive justice.

Design/methodology/approach – A survey research was conducted with 62 supervisors and 244 subordinates of 17 firms collected at 2 time points separated by approximately 3 weeks in People's Republic of China.

Findings – A multilevel modeling analysis was used to test the dual-processing model. The results showed that both employee deontic justice (moral intuition process) and distributive justice (deliberate reasoning process) significantly mediate the negative relationship between ethical leadership and employee unethical behavior.

Practical implications – As traditional ethics-training approaches mainly focus on developing the deliberate decision-making process driven by distributive justice, the authors' dual-processing model suggests that moral intuition led by deontic justice is equally important and could significantly inhibit employee unethical behavior. Applying the proposed dual-processing model in the ethics training can enhance the effectiveness of employee moral training.

Originality/value – Previous studies have studied the deliberate reasoning process and moral intuition on employee unethical behavior independently. This study contributes to the current literature by a comprehensive dual-processing model which demonstrates equal impact of employee deontic justice and distributive justice led by ethical leadership on the inhibition of employee unethical behavior.

Keywords Ethical leadership, Unethical behavior, Deontic justice, Distributive justice

Paper type Research paper

1. Introduction

Various types of employee unethical behavior have caused prevalent problems as well as tremendous costs for organizations (Paterson and Huang, 2019). In response to the increasing need to address the issues of employee unethical behaviors – that are illegal and/or violate moral standards (O'Fallon and Butterfield, 2012), scholars have devoted to investigating the causes and the psychological processes of such behavior (e.g. Gan, 2018; Wang *et al.*, 2021). Previous research revealed that before undertaking unethical behavior, employees usually engage in a deliberate and conscious thought process of weighing personal consequences, such as thinking about punishments and rewards from leaders (Mayer *et al.*, 2012) and



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justifying own unethical behavior by social comparisons with their unethical peers (O'Fallon and Butterfield, 2012). However, the deliberate reasoning model fails to account for employees who intuitively refuse to behave unethically without considering the high returns from unethical behaviors (Gan *et al.*, 2020a, b). The importance of such moral intuition process is yet to be well-explored and should be taken into account when making sense of employee unethical behavior (Haidt, 2001; O'Reilly *et al.*, 2016). In sum, both moral intuition and deliberate reasoning could be sensible psychological processes that precede employee unethical behavior and should be examined simultaneously.

What are the foundations of employee moral intuition and deliberate reasoning? Research has demonstrated that ethical leadership inhibits employee unethical behavior via two psychological processes. On one hand, ethical leadership facilitates employee moral thinking styles (Mayer *et al.*, 2009), which corresponds to employee deontic justice — a form of moral intuition, meaning that people form moral judgments swiftly without a complex cognitive analysis to weigh contextual information (O'Reilly and Aquino, 2011). On the other hand, one of the key characteristics of ethical leaders highlighted by Brown *et al.* (2005) is fairness. Through egalitarian treatment, ethical leadership enhances employee distributive justice. It involves a deliberate instrumental analysis process to generate the perceived fairness of rewards (Greenberg, 1987). In other words, it takes a deliberate reasoning process to assess fairness or rewards according to distributive justice, which in turn leads to lower unethical behavior. In short, ethical leadership inhibits employee unethical behavior via employee deontic justice and distributive justice driven by moral intuition and deliberate reasoning, respectively. While both types of justice as well as the corresponding cognitive processing have been suggested by researchers to mediate the link between ethical leadership and employee unethical behavior, there is no empirical research incorporating processing led by both deontic and distributive justice in the study of the ethical leadership-employee unethical behavior relationship.

This study aims to explore the relationship between ethical leadership and employee unethical behavior via the dual-processing model. Specifically, the present study seeks to investigate employee deontic justice as the proxy variable for the moral intuition process and distributive justice as the proxy variable for the deliberate reasoning process as the psychological mechanisms underlying the link between ethical leadership and employee unethical behavior. This research seeks to contribute to the current literature in three ways. First, previous studies have mainly focused on the deliberate reasoning process to investigate why individuals engage in unethical behaviors. Very few studies have examined the effect of moral intuition on the inhibition of employee unethical behaviors (Gan *et al.*, 2020a, b) and all those previous studies have examined these two processes independently. This study attempts to investigate the inhibition of unethical behaviors through moral intuition and deliberate reasoning processes simultaneously to provide a comprehensive model. Second, previous studies on ethical leadership have mainly drawn on social learning theory and social exchange theory to understand its impact on employees' behavior (Mayer *et al.*, 2012; Paterson and Huang, 2019; Schaubroeck *et al.*, 2012; Wang *et al.*, 2021). This study broadens the research by incorporating organizational justice perspectives including deontic justice and distributive justice to examine the paths underlying ethical leadership and employee unethical behavior. Third, previous studies explained the influence of ethical leadership on employee unethical behavior through role modeling and reciprocating positive social exchanges but overlooked the unique moral influence of ethical leadership (Van Gils *et al.*, 2015). This study enriches previous research by exploring how ethical leadership can prohibit employee unethical behavior through the moral intuition process above and beyond social exchanges.

The rest of this paper is organized as follows: Section 2 articulates the theoretical background and the rationales underlying the proposed hypotheses, drawing upon the literature of ethical leadership, employee unethical behavior, deontic justice and distributive justice. Section 3 describes the nature of the data and research materials as well as the

procedure of data collection. [Section 4](#) describes the rigorous statistical approach applied to the testing of the proposed hypotheses. [Section 5](#) summarizes the findings and critically discusses the theoretical contributions, implications, limitations and future directions of this research.

2. Theoretical background and hypotheses

2.1 Ethical leadership and employee unethical behavior

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” ([Brown et al., 2005](#), p. 120). [Brown et al. \(2005\)](#) highlighted three key building blocks of ethical leadership: “being an ethical example”, “treating people fairly” and “actively managing morality”. “Being an ethical example” and “treating people fairly” are reflected in the moral person component of ethical leadership and “actively managing morality” is captured by the moral manager component ([Mayer et al., 2012](#)). As a moral person, an ethical leader conforms to a complex code of morals in his/her personal and professional activities, such as being fair and trustworthy, which influences his/her followers’ behaviors by setting high ethical and moral standards ([Brown et al., 2005](#); [Ahmed et al., 2018](#)). As a moral manager, an ethical leader creates behavioral principles for his/her followers and guides the followers’ ethical actions by using transactional efforts, such as punishing unethical behavior, encouraging ethical behavior and communicating about ethics ([Brown and Treviño, 2006](#)). Thus, employees working with an ethical leader have a lower likelihood of engaging in unethical behavior ([Gan, 2018](#); [Mayer et al., 2012](#); [Paterson and Huang, 2019](#); [Wang et al., 2021](#)). Based on these arguments, we propose the following hypothesis:

H1. Ethical leadership is negatively related to employee unethical behavior.

2.2 Deontic justice as mediator

The construct of deontic justice was put forward by [Folger \(1998, 2001\)](#) and it refers to the extent to which justice judgments derive from a sense of moral duty and obligation ([Folger, 1998, 2001](#)). The origins of deontic justice could be traced to Kantian ethics, which posits that people consider fairness as an end in itself rather than as a means ([Folger, 2001](#); [Folger et al., 2005](#)). Deontic justice theory describes deontic reactions as an intuitive process that swiftly forms individuals’ judgments of moral right or moral wrong without a deliberate weighing of ones’ cost and benefit outcomes ([Haidt, 2001](#); [O’Reilly and Aquino, 2011](#); [O’Reilly et al., 2016](#)), such as feeling angry about transgressions ([Beugré, 2010, 2012](#)). As a moral person, an ethical leader influences the moral thinking of low-level employees by modeling moral values and behaviors in the workplace ([Mayer et al., 2009](#)). As a moral manager, an ethical leader has excellent managerial skills in attracting employees’ attention to ethical considerations ([Mo and Shi, 2017](#)). All these behaviors enhance employees’ perceptions of justice as a moral virtue and motivate employees to follow moral standards not only out of self-interest but also out of a sense of moral principles and standards, thus increasing the level of employee deontic justice.

Deontic justice theory postulates that people act not for the sole purpose of gaining some advantage ([Folger, 2001](#); [Folger et al., 2005](#)); rather, high deontic justice employees perceive fairness as a moral virtue and they care about themselves as much as their colleagues and organization ([Beugré, 2010](#)). Therefore, employees with a high level of deontic justice have a negative emotional response toward wrongdoing and are reluctant to engage in unethical behavior that might be damaging to their organization ([Beugré, 2012](#); [Paterson and Huang, 2019](#)). In addition, employees with high deontic justice may have internalized deontic principles and be convinced that seeking fairness is “the right thing to do” ([Bell and Main,](#)

2011; Rupp and Bell, 2010; Bouraoui *et al.*, 2019). Thus, employees with a high level of deontic justice do not need to engage in a complex process to analyze the costs and benefits of engaging in unethical behavior, and they have a strong resistance to unethical behavior that may suit their own self-interest (Beugré, 2010). Based on these arguments, we propose the following hypothesis:

H2. Employee deontic justice mediates the negative relationship between ethical leadership and employee unethical behavior.

2.3 Distributive justice as mediator

Distributive justice is the perception of the fairness of rewards in an organization (Greenberg, 1987). Appropriate allocations of resources or rewards could help to foster distributive justice (Leventhal, 1976). As a moral person, an ethical leader has desirable characteristics such as honesty, fairness and integrity (Brown *et al.*, 2005; Brown and Treviño, 2006). An ethical leader sets examples for how to do things the right way in terms of the distribution of fair outcomes (Xu *et al.*, 2016). As a moral manager, an ethical leader sets clear standards and rewards or punishes followers based on the level of adherence to those standards, thus holding them accountable for their conduct (Treviño *et al.*, 2003; Li *et al.*, 2014). Therefore, employees working with an ethical leader are more likely to believe that their outputs are reasonably matched with their input, which fosters employee distributive justice. The enhancement effect of ethical leadership on the perception of subordinates' distributive justice was evident in several empirical studies (e.g. Demirtas, 2015; Li *et al.*, 2014; Xu *et al.*, 2016).

Equity theory posits that people make deliberate equity assessments by comparing their outcomes (rewards) and inputs (contributions) to those of others, feel unjustly treated or inadequately compensated when they discover inequity and take steps to create equity, such as reducing inputs or gaining more rewards (Adams, 1965; Soltis *et al.*, 2013). Individuals may turn to unethical behaviors if they are unable to reduce these unjust feelings through conventional means (O'Fallon and Butterfield, 2012). Thus, employees who perceive distributive injustice may have a high possibility of engaging in unethical behavior, which may help them receive more rewards (e.g. over exaggerating work performance) or exert less input (e.g. doing personal business on work time) (O'Fallon and Butterfield, 2012). In addition, low distributive justice employees perceive unfair treatment by their organization and are likely to view it as a violation of their psychological contract, which triggers negative emotions and undermines their faith in their organization (Poon, 2012). These negative emotions can lead employees to seek punishment for those responsible for the unfair situation and engage in unethical behavior that aims to intentionally harm the organization (Jacobs *et al.*, 2014). Several empirical studies have found that employees who perceive distributive injustice or relative deprivation are more likely to engage in unethical behaviors (Jacobs *et al.*, 2014; O'Fallon and Butterfield, 2012). Conversely, employees with high distributive justice perceive their organization as a fair workplace and are less likely to engage in unethical behaviors. Therefore, we put forward the following hypothesis:

H3. Employee distributive justice mediates the negative relationship between ethical leadership and employee unethical behavior.

Taking Hypotheses 2 and 3 together, we argue that ethical leadership negatively influences employee unethical behavior through both moral intuition and deliberate reasoning processes. Specifically, ethical leaders encourage normative behavior and convince their employees that it is important to adhere to moral principles, which would enhance employee deontic justice and lead them to resist unethical behaviors intuitively. In addition, ethical leaders exercise fairness and punish wrongdoing in the workplace, which would also enhance

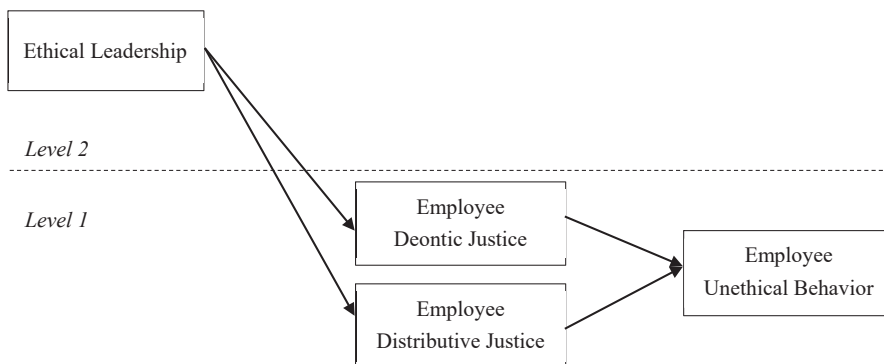
employee distributive justice and ultimately reduce employee unethical behavior. Please see the proposed model in [Figure 1](#).

3. Method

3.1 Participants and procedure

We obtained our data from 62 supervisors and 244 subordinates employed at 17 firms in People's Republic of China. These firms operated in the construction, traditional manufacturing, financial services and advertising industries and ranged in size from small- and micro- to large-scale enterprises. These data were collected at two points in time separated by approximately three weeks to minimize common method variance ([Demirtas et al., 2017](#)). The human resources department of each firm provided us with a list of people in advance and we assigned each participant a unique survey code to match the data from Times 1 and 2. Every questionnaire was put into an envelope with a clear plastic window that could not be reopened without discovery to ensure the participants' full confidentiality. We also assured the participants that their data would be used for academic research purposes only.

Questionnaires were distributed and collected by our research team on site. At Time 1, ethical leadership and subordinates' demographic information were assessed by subordinates and supervisors' demographic information was assessed by supervisors. Subsequently, employee deontic justice, distributive justice and unethical behavior were assessed at Time 2 by subordinates. A total of 423 subordinates and 62 supervisors completed the survey at Time 1 and 355 subordinates completed the survey at Time 2. These supervisors and their subordinates were from different functional departments in the company. As employees might go outside for business during their worktime, they might be absent when our research team distributed and collected the questionnaires, so there were some subordinates who participated at Time 1 but were absent at Time 2. Furthermore, there were also some subordinates who participated at Time 2 but not Time 1. After discarding those missing and unmatched Time 1 and Time 2 survey pairs, our final data contains complete responses from 62 supervisors and 244 subordinates. The *t*-test results showed that there were no significant differences in the means of ethical leadership, deontic justice, distributive justice and employee unethical behavior between the unmatched data collected at each time point and the final matched data, which suggests that the non-response bias was not a substantial issue in this research. In the final data, among the supervisors, 82% were male, with an average age of 34.52 years old (standard deviation (SD) = 7.6) and an average



Source(s): Figure by authors

Figure 1.
Hypothesized model

organizational tenure of 8.26 years (SD = 6.96), 4.8% had a master's degree or above, 54.8% had a bachelor's degree, 29.0% had a college degree, 9.7% had a high school or technical school degree and 1.6% had a junior high school degree or lower; among the subordinates, 61% were male, with an average age of 30.16 years old (SD = 8.55) and an average organizational tenure of 5.29 years (SD = 7.92), 7.8% had a master's degree or above, 31.7% had a bachelor's degree, 37.0% had a college degree, 15.2% had a high school or technical school degree and 8.3% had a junior high school degree or lower.

3.2 Measures

The relevant scales used in the present study were originally written in English. Applying Brislin's (1980) standard translation and back-translation recommendations, we translated the English scales into Chinese versions. All scales were anchored on a 5-point Likert scale that ranged from 1 = *strongly disagree* to 5 = *strongly agree*.

Ethical leadership. We accessed ethical leadership using Brown *et al.* (2005) 10-item Ethical Leadership Scale ($\alpha = 0.94$). Sample items include "My supervisor listens to what employees have to say" and "My supervisor sets an example of how to do things the right way in terms of ethics."

Deontic justice. This study measured deontic justice using an 18-item deontic justice scale ($\alpha = 0.95$) developed by Beugré (2012). Sample items include "I have a moral obligation to treat others fairly," "People who treat others unfairly should be held accountable" and "I feel sad when I see others being unfairly treated."

Distributive justice. We measured distributive justice with a 5-item scale ($\alpha = 0.86$) put forward by Niehoff and Moorman (1993). Sample items include "I consider my workload to be quite fair" and "Overall, the rewards I receive here are quite fair."

Unethical behavior. The unethical behavior scale in this study was modified from Zey-Ferrell *et al.*'s (1979) unethical behavior scale. Prior to modifying the scale, we consulted five employees, two department managers and one human resource management director. They all noted that two of those 17 items in Zey-Ferrell *et al.*'s unethical behavior scale ("padding an expense account more than 10%" and "padding an expense account up to 10%") may be very difficult for the participants to distinguish and answer, and they recommended that these two items be combined into one item ("padding an expense account"). Before conducting this main study, we pretested the structural validity of the modified 16-item scale with a sample of 139 employees in a preliminary study. We performed a confirmatory factor analysis (CFA) using AMOS (analysis of moment structure) 17.0 and a good fit was found for the one-factor model ($\chi^2 = 214.40$, $df = 100$, comparative fit index (CFI) = 0.92, incremental fit index (IFI) = 0.93, normed fit index (NFI) = 0.90 and root mean square error if approximation (RMSEA) = 0.09). After considering the preliminary study results, we measured unethical behavior with the modified 16-item scale ($\alpha = 0.91$) in our main study. We used reverse-scored items in the questionnaires. Sample items include "I never conducted personal business on company time" and "I never passed blame for errors to an innocent coworker."

Control variables. Several studies have noted that supervisors' and subordinates' gender, age, tenure and education might be related to the focal relationship we are examining (e.g. Wang *et al.*, 2021). On that basis, we included these variables as control variables to better estimate the effect sizes of the hypothesized variables (gender: male = 0, female = 1; education: junior high school degree or lower = 1, high school or technical school degree = 2, college degree = 3, bachelor's degree = 4, master's degree or above = 5).

3.3 Common method variance

Except for the control variables, our studied variables were all collected from employees, and we recognized the potential for common method bias and took several steps to minimize its effects. We collected the data at two separate times, and we followed multiple

procedural remedies suggested by Podsakoff *et al.* (2003), including ensuring respondents' anonymity and randomizing the order of presentation of the survey items. We also used Harman's single-factor test, which involves analyzing all variables in an exploratory factor analysis and examining the unrotated factor solution. Common method bias may be an issue if a single factor emerges from the solution or if one general factor emerges accounting for the majority of the variance. Using the commonly accepted Eigenvalue cutoff of 1.0, eight factors emerged; the percentage of variance explained by all eight factors was 69.7%, while the first factor accounted for only 28.5% of the total variance. In addition, the common latent factor test showed that there was no significant difference between the proposed model ($\chi^2 = 973.74$, $df = 521$, $CFI = 0.90$, $IFI = 0.91$, Tucker-Lewis index (TLI) = 0.90 and RMSEA = 0.06) and the model with an added unmeasured latent method factor ($\chi^2 = 969.91$, $df = 520$, $CFI = 0.91$, $IFI = 0.91$, $TLI = 0.90$, $RMSEA = 0.06$; $\Delta CFI = 0.01$, $\Delta IFI = 0.00$, $\Delta TLI = 0.00$, $\Delta RMSEA = 0.00$). These results suggest that common method bias was not a substantial issue in this research.

4. Results

4.1 Validity issues

We conducted a series of confirmatory factor analyses (CFAs) to examine whether the selected variables captured distinct constructs using AMOS 17.0 (Anderson and Gerbing, 1988). We used the subdimensions as indicators for the deontic justice construct. The results showed that the four-factor measurement model fit the data well: $\chi^2 = 973.74$, $df = 521$, $CFI = 0.90$, $IFI = 0.91$, $TLI = 0.90$ and $RMSEA = 0.06$. In addition, all indicators had statistically significant factor loadings ($p < 0.01$), suggesting convergent validity (Anderson and Gerbing, 1988). Next, we employed several methods to test discriminant validity. The one-factor measurement model fit the data poorly: $\chi^2 = 3,075.87$, $df = 527$, $CFI = 0.45$, $IFI = 0.46$, $TLI = 0.38$ and $RMSEA = 0.14$. The chi-square difference compared with the four-factor model was significant ($\Delta\chi^2 = 2,102.13$, $p < 0.01$), which indicated distinctly different factors. Note that only the measure of ethical leadership was collected at Time 1 and the measures of subordinates' deontic justice, distributive justice and unethical behavior were all collected from the same source at Time 2. To further test whether these three variables captured distinct constructs, we used two randomly created parcels of items for deontic justice, distributive justice and unethical behavior. As shown in Table 1, the four-factor measurement model displayed a significantly better fit to the data than the other alternative models. All these results proved the construct distinctiveness of our measurement model.

Measurement model	χ^2	df	$\Delta\chi^2$	CFI	IFI	TLI	RMSEA
1. Four-factor measurement model	973.74	521	–	0.90	0.91	0.90	0.06
2. Three-factor measurement model	1206.36	524	232.62**	0.85	0.86	0.83	0.07
3. Three-factor measurement model	1083.77	524	110.03**	0.88	0.88	0.86	0.07
4. Three-factor measurement model	1449.18	524	475.44**	0.80	0.80	0.77	0.09
5. One-factor measurement model	3075.87	527	2102.13**	0.45	0.46	0.38	0.14

Note(s): $n = 244$

Model 2 merges deontic justice and distributive justice, Model 3 merges deontic justice and unethical behavior, Model 4 merges distributive justice and unethical behavior, and Model 5 merges all four variables (ethical leadership, deontic justice, distributive justice and unethical behavior). The $\Delta\chi^2$ is in relation to Model 1

** $p < 0.01$

Source(s): Table by authors

Table 1.
Measurement model
comparisons

4.2 Aggregation issues

Following previous studies on ethical leadership (e.g. Paterson and Huang, 2019; Schaubroeck *et al.*, 2012), we aggregated the subordinates' perceptions of ethical leadership to form a measure of ethical leadership at the group level and examined the viability of aggregating subordinates' individual scores of ethical leadership to the work group level by calculating within-group agreement (r_{WG} ; James *et al.*, 1984), intraclass correlations (ICC1) and the reliability of the means (ICC2; Bliese, 2000). The average r_{WG} of ethical leadership was 0.93, the ICC1 was 0.37 and the ICC2 was 0.70. These results indicated that it was appropriate to analyze ethical leadership at the work group level.

4.3 Descriptive statistical analysis

Table 2 presents the descriptive statistics, internal consistency reliabilities and correlations among the variables. All correlations were in the expected directions and provided conditions with which to further test our hypotheses.

4.4 Hypothesis testing

Before hypothesis testing, we examined whether there was significant systematic within- and between-work-group variance in subordinates' unethical behaviors. The results of a null model revealed that 72% of the variance in unethical behavior resided between groups and the chi-square test was significant ($\chi^2 = 153.45, p < 0.01$). These results justified the appropriateness of cross-level analyses (Bryk and Raudenbush, 1992). We tested our hypotheses through hierarchical linear modeling using HLM 6.08. Table 3 shows the HLM results of the hypothesis testing. Following the recommendations of Hofmann and Gavin (1998), we centered the predictor according to its grand mean in performing these analyses to control multicollinearity.

As shown in Table 3, after we controlled for subordinate and supervisor demographics (gender, age, tenure and education), ethical leadership was negatively and significantly related to employee unethical behavior ($\gamma = -0.24, p < 0.05$; Model 1), supporting Hypothesis 1. Ethical leadership significantly predicted the subordinate level of deontic justice ($\gamma = 0.21, p < 0.05$; Model 2) and distributive justice ($\gamma = 0.35, p < 0.05$; Model 3) when we controlled for subordinate and supervisor demographics. Model 4 showed that after we controlled for subordinate and supervisor demographics, subordinate deontic justice ($\gamma = -0.50, p < 0.01$) and distributive justice ($\gamma = -0.14, p < 0.01$) were significantly negatively related to subordinate unethical behavior. Moreover, as shown in Table 3 Model 5, after we controlled for subordinate and supervisor demographics (gender and age) and ethical leadership, both deontic justice ($\gamma = -0.50, p < 0.01$) and distributive justice ($\gamma = -0.13, p < 0.01$) were significantly negatively related to unethical behavior and the effect of ethical leadership on employee unethical behavior was not significant ($\gamma = -0.09, ns$). These results showed that employee deontic justice and distributive justice mediate the negative relationship between ethical leadership and employee unethical behavior. Thus Hypotheses 2 and 3 were supported.

To further test the cross-level mediation effects, we conducted multilevel path analyses using Mplus 7.0. To examine and compare the significance of each indirect effect, we followed Preacher and Hayes' (2008) method and conducted a Monte Carlo simulation with 20,000 replications to provide an estimate of the confidence interval (CI) for each effect. We tested these two mediation effects simultaneously in the same multilevel path-analytical model and compared the strengths of the two indirect effects to decide which theory should be given more credence. As shown in Table 4, ethical leadership was indirectly related to employee unethical behavior through employee deontic justice (indirect effect = $-0.097, SE = 0.054, 95\%$ Monte Carlo CI = -0.186 to -0.009) and employee distributive justice (indirect

Variable	M	SD	1	2	3	4	5	6	7	8
<i>Individual level</i>										
1. Subordinate's gender	0.39	0.47								
2. Subordinate's age	30.16	8.34	0.01							
3. Subordinates' tenure	5.29	7.92	-0.07	0.78**						
4. Subordinates' education	3.16	1.05	0.03	-0.22**	-0.33**					
5. Perception of ethical leadership	4.07	0.75	0.12	-0.11	-0.13*	0.10				
6. Subordinate's deontic justice	4.34	0.52	0.12	0.04	0.13*	0.00	0.13*	(0.95)		
7. Subordinate's distributive justice	3.54	0.81	0.08	0.10	0.22**	-0.02	0.22**	0.31**	(0.86)	
8. Subordinate's unethical behavior	1.85	0.56	-0.15*	0.02	-0.27**	0.07	-0.27**	-0.55**	-0.34**	(0.91)
<i>Group level</i>										
1. Supervisor's gender	0.18	0.39								
2. Supervisor's age	34.52	7.57	-0.05							
3. Supervisor's tenure	8.26	6.85	-0.19	0.74**						
4. Supervisor's education	3.52	0.80	-0.14	-0.33**	-0.24					
5. Ethical leadership	4.12	0.48	0.12	-0.17	-0.11	0.15				

Note(s): $n = 244$ at individual level, $n = 62$ at group level. Internal consistency reliability (α) coefficients are reported in parentheses
Ethical leadership at group level was aggregated from subordinates' perceptions of ethical leadership at individual level
* $p < 0.05$; ** $p < 0.01$
Source(s): Table by authors

Table 2. Descriptive statistics and correlations among the study variables

Variables	Unethical behavior (M1)		Deontic justice (M2)		Distributive justice (M3)		Unethical behavior (M4)		Unethical behavior (M5)	
	γ	SE	γ	SE	γ	SE	γ	SE	γ	SE
Intercept	1.84**	0.04	4.35**	0.04	3.56**	0.07	1.85**	0.04	1.85**	0.03
<i>Individual level</i>										
Subordinate's gender	-0.04	0.07	0.05	0.06	0.18	0.15	0.01	0.05	0.01	0.05
Subordinate's age	-0.01	0.01	0.02**	0.01	0.00	0.01	-0.00	0.00	-0.00	0.00
Subordinate's tenure	0.02*	0.01	-0.02*	0.01	0.01	0.01	0.01	0.00	0.01	0.00
Subordinate's education	0.05	0.04	-0.02	0.04	0.05	0.06	0.05	0.03	0.05	0.03
Subordinate's deontic justice							-0.50**	0.06	-0.50**	0.06
Subordinate's distributive justice							-0.14**	0.04	-0.13**	0.03
<i>Group level</i>										
Supervisor's gender	-0.05	0.13	-0.10	0.16	-0.15	0.21	-0.14	0.10	-0.12	0.10
Supervisor's age	-0.02*	0.01	0.02	0.01	0.01	0.01	-0.01	0.01	-0.02	0.01
Supervisor's tenure	0.02*	0.01	-0.01	0.01	-0.02	0.01	0.01	0.01	0.01	0.01
Supervisor's education	0.02	0.06	0.01	0.06	-0.18	0.10	-0.01	0.04	0.00	0.04
Ethical leadership	-0.24*	0.09	0.21*	0.10	0.35*	0.15			-0.09	0.07
Individual level variance (τ)	0.06		0.06		0.16		0.04		0.04	
Group level variance (σ^2)	0.23		0.20		0.50		0.17		0.16	
Deviance (df)	418.96 (56)		394.30 (56)		605.85 (56)		341.22 (57)		344.91 (56)	

Table 3.
Hierarchical linear modeling results

Note(s): $n = 244$ at individual level, $n = 62$ at group level
* $p < 0.05$, ** $p < 0.01$

Source(s): Table by authors

	Effect	SE	LL BCA	UL BCA
Total indirect effect	-0.137	0.066	-0.246	-0.028
EL→Deontic Justice→UB	-0.097	0.054	-0.186	-0.009
EL→Distributive Justice→UB	-0.040	0.024	-0.080	-0.001
Model 1 versus Model 2	-0.058	0.050	-0.025	0.140

Note(s): 20,000 bootstrapping resamples. LL BCA and UL BCA = lower level and upper level of the bias corrected and accelerated confidence intervals at 95%

Table 4.
Comparison of specific indirect effects

EL = ethical leadership, UB = unethical behavior, Model 1 = Ethical Leadership→Deontic Justice→Unethical Behavior, Model 2 = Ethical Leadership→Distributive Justice→Unethical Behavior

Source(s): Table by authors

effect = -0.040, SE = 0.024, 95% Monte Carlo CI = -0.080 to -0.001). To better understand the strength of the indirect effects, we conducted the Monte Carlo CI for the contrast between the specific indirect effects through deontic justice and distributive justice, which did not exclude zero (indirect effect = -0.058, SE = 0.050, 95% CI = -0.025 to 0.140). As demonstrated in these results, the indirect effects of deontic justice and distributive justice appear to have similar effects on employee unethical behavior, which shows that both moral intuition and deliberate reasoning processes play significant roles in the ethical leadership-employee unethical behavior relationship.

5. Discussion

The various scandals and unethical behaviors occurred in recent years have provoked an increasing demand for leadership styles that promote the creation of fair and ethical working conditions. Whereas ethical leadership is nominated to be the antidote to employee unethical behavior and is found to be effective with some empirical support, the psychological mechanisms underlying ethical leadership and employee unethical behavior are yet to be fully unveiled. Existing research shows that executive leaders can reinforce normatively appropriate conduct via two means: a. communicating ethical standards and b. using rewards and punishments (Treviño *et al.*, 2003). In other words, endorsement of normative ethical values/norms and perceptions of fair treatment afforded by ethical standards are keys to addressing employees' unethical behavior in organizational context. However, current research on ethical leadership and employee unethical behavior seems to be swayed by fair social exchange between leaders and employees and does not pay equal attention to employees' moral intuition shaped by ethical leadership (Gan *et al.*, 2020a, b). Our research addresses this issue not only by including deontic justice as a psychological mechanism underlying the relationship of ethical leadership and employee unethical behavior, but also by examining the effects of distributive justice and deontic justice simultaneously to provide a complete picture of ethical leadership–employee unethical behavior link. Our findings demonstrated the following: First, consistent with previous studies, ethical leadership significantly reduces employee unethical behavior, which is consistent with previous studies (e.g. Gan, 2018; Paterson and Huang, 2019; Wang *et al.*, 2021). Second, both employee deontic justice (moral intuition process) and distributive justice (deliberate reasoning process) mediate the negative relationship between ethical leadership to employee unethical behavior. Third and most importantly, the routing effects of employee deontic justice and distributive justice from ethical leadership and employee unethical behavior are equally powerful.

5.1 Theoretical implications

Our findings provide three theoretical implications. First, our research provides a new perspective of organizational justice to broaden the understanding of ethical leadership. Previous studies on ethical leadership have chiefly drawn upon social learning theory and social exchange theory to understand the impact of ethical leaders on employees (Mayer *et al.*, 2012; Paterson and Huang, 2019; Schaubroeck *et al.*, 2012; Wang *et al.*, 2021). Whereas social learning and social exchange theories adequately explains the effect of ethical leaders on employees' behavior, these two mechanisms do not address the profound impact of ethical leadership on employees' endorsement and internalization of ethical values and standards. Our findings showed that ethical leadership contributes to both employees' perceived deontic justice and distributive justice, which in turn inhibit employee unethical behavior, demonstrating that organizational justice is not only a means to serve one's self-interest as suggested by the instrumental model (Thibaut and Walker, 1975) and relational model (Lind and Tyler, 1988; Tyler and Blader, 2000), but also a pursuit for justice itself due to principled moral obligations (Cropanzano *et al.*, 2003). Future research can further explore the corresponding relationships between specific characteristics of ethical leadership and the two types of justice as well as the impact on various employee unethical behaviors in different contexts.

Relatedly, previous studies on the consequences of ethical leadership have largely investigated ethical leadership as a general leadership that influences followers through role modeling and reciprocating positive social exchanges that are similar to transformational leadership (Mayer *et al.*, 2012; Paterson and Huang, 2019; Schaubroeck *et al.*, 2012; Wang *et al.*, 2021). Our findings demonstrated that ethical leadership influences followers' behaviors through moral characters that would influence followers' perceived justice. Future research shall investigate the unique effect of ethical leaders' moral characteristics on organizational justice.

Second, previous scholars have mainly investigated (un)ethical behavior as a rational behavior and emphasized on deliberate reasoning processes to explore the reasons why individuals engage in more (or less) (un)ethical conducts, such as rewards and punishments from leaders (Mayer *et al.*, 2012). However, individuals form ethical judgments not only through rational processes but also through intuitive and emotional processes (Haidt, 2001; O'Reilly and Aquino, 2011; Skarlicki and Kulik, 2005). Indeed, Nobel Laureate Daniel Kahneman has articulated how fast and profound such intuitive and emotional processing can influence people's judgments in his bestseller *Thinking, Fast and Slow* (2011). Our findings demonstrate that ethical leadership can facilitate the shaping of employee's deontic justice which then provides a fast-thinking system that automatically inhibit employees' unethical thinking and behavior. This perspective may advance the exploration of employees' unethical thinking and behavior in different conditions. For example, when employees are ego-depleted due to job stress and emotional exhaustion lowering their deliberate reasoning ability, employees who have high deontic justice would still inhibit their unethical behavior as fast-thinking system can function with limited cognitive resources. Future research can further explore the boundary conditions in which deontic or distributive justice may be more influential in inhibiting employee unethical thinking and behavior.

Third, our research enriches previous studies on the moral decision-making by proposing a dual-processing model to examine how ethical leadership inhibits employee unethical behavior through both the moral intuition process and deliberate reasoning process simultaneously. In particular, ethical leadership facilitates employees' perceived deontic justice (moral intuition process) and distributive justice (deliberate reasoning process) equally and both types of justice can reduce employee unethical behavior. Our research provides the first evidence showing that the two paths between ethical leadership and employee unethical behaviors through deontic justice and distributive justice are equally powerful and effective. These findings shed light on the inter-relation of deontic and distributive justice in an organizational context. According to prior research, individuals' intuitive and deliberate processes can sometimes conflict with each other (Epstein, 1994). For example, under some circumstances, the rational process may lead individuals to engage in unethical behavior that could bring them instrumental values, while the emotional process despises such behavior. However, these two processes could also function together in forming individual ethical judgments (Watts and Buckley, 2017). Our findings support the latter argument in the context of ethical leadership-employee unethical behavior link. Specifically, ethical leadership can afford both deontic justice and distributive justice and align these two processes to work tougher toward decreasing employee unethical behavior. These findings provide implications in which deontic and distributive justice are more or less applied in different contexts. For example, excessive competition over limited organizational resources may dampen employees' distributive justice and in/outgroup distinctions may dull employees' deontic justice. Our dual-processing model can be applied to investigate whether one type of justice can compensate for the lack of the other type of justice in inhibiting employee unethical thinking and behavior. Future research can investigate whether the influences of the two types of justice are additive, cancel each other out, or compensate for each other in prohibiting employee unethical behavior in organizational context as well as the boundary conditions for each of the combinations to take place in response to ethical leadership and other organizational factors.

5.2 Practical implications

Our findings also provide several practical and managerial implications. First, our findings demonstrate that ethical leadership has a measurable influence on reducing employee unethical behavior, suggesting that organizations should facilitate ethical leadership. This

can be done by two practices: (a) through personnel selection by identifying and promoting individuals who demonstrate desirable ethical characters to be leaders and (b) through personnel training by training programs that enhance leaders' ethical leadership with clear rationale on how it can be beneficial to their subordinates' behaviors and performance.

Second, as traditional ethics-training approaches mainly focus on developing the deliberate decision-making process with an emphasis on the negative consequences of employee unethical behaviors, our dual-processing model suggests that the training will be more effective if affective more stimulation is included in the training programs as well. For example, Mumford and colleagues found that increasing the emotional richness of cases used in ethics training had a positive effect on ethical decision-making (Thiel *et al.*, 2013). In addition, depending on different jobs (e.g. high vs low risk/stakes jobs) and employee characteristics (e.g. high vs low moral values), different emphasis and trainings on distributive justice vs deontic justice can be applied to better address different employees' unethical tendencies.

Third, from organizations' perspectives, facilitating organizational justice is crucial for inhibiting employee unethical behavior. When companies endorse policies and practices that promote distributive justice as well as facilitating moral norms that afford deontic justice, both leaders and employees will be encouraged to engage in more ethical and moral behaviors. It is evident that when employees do not believe that they are fairly treated, they are more likely to engage in unethical behaviors such as lying to or retaliating against their boss and interfering with their peers (O'Fallon and Butterfield, 2012; Xu *et al.*, 2016). In sum, building a moral organizational culture that purses distributive and deontic justice will effectively align leaders' behaviors with ethical leadership and prohibit employee unethical behavior.

5.3 Limitations and future research

This study also has several limitations. First, the data on our four study variables (ethical leadership, employee deontic justice, employee distributive justice and employee unethical behavior) were all collected from the same source (subordinates). Although we conducted the survey at two different time points, the hypothesized relationships should still be interpreted with caution due to the same-source concerns. For instance, subordinates' ratings of deontic justice could have biased their reports of unethical behavior. We suggest that future research should have a more rigorous design, such as using objective outcomes or measuring variables from different sources. Second, both the mediators (deontic justice and distributive justice) and the dependent variable (unethical behavior) were measured at the same time point (Time 2) and future studies should examine mediation models and collect data at three time points to avoid this common method problem. Third, although this study adopted several approaches to ensure participants' confidentiality, they may have worried that their reports of unethical behavior would be revealed and they would be punished for those unethical behaviors. Therefore, participants may have underreported their own unethical behavior. Future studies should consider using objective indicators to measure unethical behavior. Fourth, although we collected data from 17 different firms, we did not control for the effects of company size, structure, or organizational culture in our research model. Future research could investigate whether different company sizes, structures, or organizational cultures would influence the effect of ethical leadership on employee unethical behavior. Fifth, some previous scholars have noted that individual differences, such as moral sensitivity, moral courage and moral identity, may help explain why some individuals are willing to bear severe personal risks to follow their intuitive moral judgment (O'Reilly and Aquino, 2011; Watts and Buckley, 2017). Although we controlled subordinates' demographics in the analysis, this study did not investigate whether individual moral differences may account for the variability in how individuals form ethical judgments. Future research could investigate whether individuals with high moral sensitivity, moral

courage and moral identity are more likely to engage in the moral intuition process rather than the deliberate reasoning process in ethical decision-making.

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