Ethical and despotic leadership, relationships with leader's social responsibility, top management team effectiveness and subordinates' optimism: A multi-method study

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Article Info

Abstract

In this multi-method study, we examined the relationships of leader's social responsibility with different aspects of ethical leadership (morality and fairness, role clarification, and power sharing) as well as with despotic leadership. We also investigated how these leadership behaviors relate to effectiveness and optimism, using multiple-source ratings. Interviews with CEOs (N=73) were coded for the presence of leader's social responsibility and its facets. Also, using questionnaires, direct reports rated each CEOs' leader behavior (n=130) and a second group of direct reports (n=119) rated effectiveness and optimism. As expected, leaders high on social responsibility were rated higher on ethical leadership and lower on despotic leadership. Ethical leadership was also positively related to perceived top management team effectiveness and subordinates' optimism about the future of the organization and their own place within it.

1. Introduction

The last few years show a growing interest in the development and promotion of ethical leadership in organizations. Ethical leadership is thought to be uniquely important because of the impact leaders may have on the conduct of (others in) the organization and ultimately on organizational performance (cf. Aronson, 2001; Kanungo, 2001; Trevino, Brown, & Hartman, 2003). Besides these expected positive effects of ethical leader behavior, a lapse in ethics at the top can be costly for organizations as recent media scandals show.

Despite its relevance empirically based knowledge about ethical leadership is limited. Only few studies to date have tested the proposed link between ethical leadership and effectiveness. Here we add to this developing literature by starting to address this relationship. Specifically, we test whether CEO's ethical leadership behavior is positively related to perceived top management effectiveness. We also relate CEO's ethical leadership to followers' optimism about the future of the organization and their own place within it. Optimism is a human virtue driving behavior and feelings at work (e.g., Luthans, 2002) and we argue that ethical leader behavior will contribute to employees' optimism about their organization and will increase their willingness to remain and contribute to its success. To our knowledge, this has not yet been tested.

Moreover, little is known about the potential role of personal characteristics of ethical leaders, such as the leader's personality and upbringing. Here, we focus on the relationship between ethical leadership and a set of individual attributes that fall under the more general category of leader social responsibility (moral–legal standard of conduct, internal obligation, concern for others, concern about consequences, and self-judgment), a relationship that has not been tested to date. Therefore, the present study adds to the literature by examining the relationships between leaders' social responsibility and ethical leadership (morality and fairness,
role clarification, and power sharing) as well as despotic leadership. Rather than solely relying on survey measures, the study combines multi-source survey data from different groups of subordinates with data derived from coding of interviews with CEOs.

2. Ethical leadership and leader's social responsibility

2.1. Ethical and despotic leadership

To date, researchers interested in the ethical potential of leadership have portrayed it as a basic tension between altruism and egoism (Turner, Barling, Epitropaki, Butcher, & Milder, 2002). For example, Kanungo (2001) states that the leader, in order to be ethical, must engage in virtuous acts or behaviors that benefit others, and must refrain from evil acts or behaviors that harm others. Moreover, these acts must stem from the leader’s altruistic rather than egoistic motives. In contrast, Howell and Avolio (1992) describe unethical leadership as self-absorbing and manipulative; i.e., leaders who wield power to serve their self-interests, who are insensitive to follower’s needs and have little regard for behaving in socially constructive ways.

The need for increased attention for integrity, a positive moral perspective, and ethical conduct in the leadership literature is also echoed in the recently developing stream of research on positive organizational scholarship (e.g., Cameron, Dutton, & Quinn, 2003), in work on spiritual leadership (e.g., Fry, 2005; Giacalone & Jurkiewicz, 2003; Reave, 2005), as well as more specifically in recent work around authentic leadership (e.g., Gardner, Avolio, Luthans, May, & Walumbwa, 2005; May, Chan, Hodges, & Avolio, 2003; Sparrowe, 2005). For example, Luthans and Avolio (2003) describe authentic leaders as true to themselves, hopeful, optimistic, resilient as well as moral/ethical. Here, we focus specifically on the latter, the moral and ethical behavior of leaders of organizations.

Brown, Trevino and Harrison (2005, p.120) have defined ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision making”. The three elements of ethical leadership we distinguish are similar to the dimensions mentioned by Brown and colleagues. Drawing on their definition of ethical leadership and in line with previous research (e.g., Trevino et al., 2003), Brown et al. (2005) describe ethical leaders as honest, trustworthy, fair and caring. Such leaders make principled and fair choices and structure work environments justly. In line with Brown et al., we see leaders’ fair and moral behavior as a core component of ethical leadership and we label this component of ethical leadership the concern for morality and fairness.

In addition to this morality and fairness component, Brown et al. hold that ethical leaders are transparent and engage in open communication, promoting and rewarding ethical conduct among followers. Following Brown et al.’s perspective yet taking a slightly broader approach, we focus on leader’s transparency, engagement in open communication with followers and clarification of expectations and responsibilities so that employees are clear on what is expected from them. We label this part of ethical leadership (ethical) role clarification.

Finally, according to Brown et al. ethical leaders provide followers with voice. In line with this, we argue that allowing followers a say in decision making and listening to their ideas and concerns can be seen as a component of ethical leadership and we label this component power sharing. The importance of power sharing is also discussed in work on employee empowerment (e.g., Spreitzer, 1995) and high performance work systems (e.g., Becker & Huselid, 1998). Feldman and Khademian (2003) suggest that inclusive processes such as power sharing enable employees to make their work more meaningful. In sum, we distinguish morality and fairness, ethical role clarification and power sharing as components of ethical leadership at work.

In contrast to these components of ethical leader behavior, Aronson (2001) describes despotic leadership, which is based on personal dominance and authoritarian behavior that serves the self-interest of the leader, is self-aggrandizing and exploitative of others. Despotic leaders are domineering, controlling, and vengeful (e.g., Bass, 1990; House & Howell, 1992; Howell & Avolio, 1992; McClelland, 1975). Other forms of unethical leadership that have received attention in the literature include abusive supervision and personalized charismatic or pseudo-transformational leadership (see o.a. Ashforth, 1994; Bass & Steidlmeier, 1999; Beu & Buckley, 2004; Bies, 2000; Howell, 1988; Tepper, 2000).

In sum, in this study, in addition to the three ethical leadership scales (morality and fairness, role clarification, and power sharing), we also included a measure of perceived despotic behavior as one possible form of unethical leader behavior.

2.2. Leader social responsibility

Previous work has depicted various personal characteristics associated with ethical leadership. Traits such as concern for people, dependability, reliability, loyalty, courage and responsibility, prudence and patience, obeying the dictates of one’s conscience, and compassion are seen as important for ethical leadership (e.g., Bass & Steidlmeier, 1999; Brown et al., 2005; Guillén & González, 2001; Khuntia & Suar, 2004). Furthermore, one’s level of cognitive moral development (e.g., Turner et al., 2002) one’s moral standards (Howell & Avolio, 1992), one’s responsible use of power (House & Howell, 1992), and one’s norm of social responsibility (Kanungo, 2001) also likely relate to ethical leadership. However, many of these proposed linkages are yet to be tested and at present the empirical evidence linking personality characteristics to ethical leadership is scarce.

This lack of empirical attention may partly be due to the difficulty of measuring the highly socially desirable personality characteristics that are likely to matter for ethical leadership. Evidence suggests that self-reports may be biased by internal distortion on the part of the respondents (e.g., Viswesvaran & Ones, 1999). Personality traits such as honesty, integrity and conscientiousness have been found especially susceptible to faking (e.g., McFarland & Ryan, 2000). Accordingly, there is
considerable debate about the utility of self-report honesty and integrity tests (see e.g., Lilienfeld, Alliger, & Mitchell, 1995; Rieke & Guestello, 1995).

Winter and Barenbaum (1985), however, developed and validated a measure of individuals’ concern for responsibility based on the coding of running text for which the potential of social desirability is reduced (for an overview of validation studies see Winter, 1991, 1992b). This measure of social responsibility focuses on whether a person shows an inner obligation to do what is right, takes responsibility for him/herself and others, demonstrates self-control, is dependable, and has awareness of the consequences of actions. In the coding of TAT stories and running text, social responsibility is indicated by images reflecting moral and legal standards of conduct, internal obligation, concern for others, concern about consequences and self-judgment (Winter, 1992b).

These five elements (moral–legal standard of conduct, internal obligation, concern for others, concern about consequences, and self-judgment) are seen as the facets constituting social responsibility and reflect some of the different connotations of responsibility that are emphasized by several theorists, all involving the control of behavior by internal mechanisms (Winter, 1992a). For example, responsibility as an obligation or dependability implies that a person “means it”, feels an inner obligation to do what is known to be right, is dependable and can be “counted upon”. Responsibility also has the connotation of showing self-control and developing awareness of the consequences of one’s actions, illustrated in the image of a parent urging their child to “show a little responsibility”. Next, responsibility is used in reference to acknowledging or “owning” one’s actions, as in “being responsible” for something, and, finally, responsibility also has the connotation of altruism or prosocial motivation, being responsible for someone else (e.g., Blasi, 1983; Hoffman, 1982; Sartre, 1947). The coding methodology permits unobtrusive measurement of these elements of social responsibility in diverse texts, such as presidential speeches (e.g., Spangler & House, 1991; Winter, 1987), interview responses of political leaders (e.g., Winter, 1980), transcribed interviews with managers (e.g., De Hoogh et al., 2005), and written vision statements of CEOs (e.g., Kirkpatrick, Wofford, & Baum, 2002).

Barenbaum (1987, in Winter, 1991) found that mothers scoring high on social responsibility were more likely to consider their children’s views when making decisions about custody and living arrangements. These mothers were also less likely to report using verbal aggression in conflict situations. Furthermore, longitudinal research shows positive relations between a high concern for responsibility and adaptation to career and family roles (Winter, 1989, in Winter, 1991).

In line with the literature, we propose that leaders’ social responsibility (moral–legal standard of conduct, internal obligation, concern for others, concern about consequences, and self-judgment) may be related to ethical leadership. Ethical leaders are expected to do what is morally right through an inner obligation (Kanungo & Mendoca, 1996). Thus, they are expected to have a high internal obligation as well as high moral standards. Further, they engage in virtuous acts or behaviors that benefit others (Kanungo, 2001). This implies they will have a high concern for others. In addition, ethical leaders refrain from evil acts or behaviors that harm others (Brown et al., 2005). Thus, it seems likely that they will score high on self-judgment as well as on concern about negative consequences. In line with this, Kanungo (2001) argues that an internalized norm of responsibility (or social responsibility) forms the basis of the moral altruism motive and consequently the moral foundation of ethical leadership.

In contrast, despotic leaders are described as having little regard for others and not concerned with behaving in social constructive ways. Thus, they are not expected to feel a strong inner obligation to do the right thing and will likely score low on moral standards. Further, they are likely to be more insensitive to followers needs, and thus will likely score low on concern for others. In addition, they are exploitative and self-absorbing, which implies that they are likely to be low on self-judgment and to have relatively little concern about the consequences of their behavior.

This study, therefore, examines the relationship between leaders’ social responsibility and their ethical leadership behaviors (operationalized in terms of morality and fairness, role clarification, and power sharing) as well as with one form of unethical leadership behavior (despotic leadership). We expect that individual attributes of the leader that fall under the more general category of leader social responsibility (moral–legal standard of conduct, internal obligation, concern for others, concern about consequences, and self-judgment) will be positively related to ethical leadership behavior (morality and fairness, role clarification, power sharing) and negatively related to despotic leadership behavior. Fig. 1 depicts these proposed relationships.

In the study, we apply Winter’s (1992b) responsibility coding methodology to transcribed interviews with CEOs to gather data on their social responsibility. In this way we are able to collect data without the respondents’ prior knowledge that information with regard to their social responsibility will be analyzed. Thus, potential social desirability that would likely play a strong role in

![Fig. 1. Theoretical model.](image)
self-ratings of social responsibility is reduced. Regarding the antecedents of ethical leadership, we hypothesize that:

**Hypothesis 1.** Leader’s social responsibility (moral–legal standard of conduct, internal obligation, concern for others, concern about consequences, and self-judgment) is positively related to ethical leadership (morality and fairness, role clarification, and power sharing).

**Hypothesis 2.** Leader’s social responsibility (moral–legal standard of conduct, internal obligation, concern for others, concern about consequences, and self-judgment) is negatively related to despotic leadership.

### 3. Ethical leadership, effectiveness, and optimism

Ethical leadership is believed to direct and guide organizational members towards goals and objectives, which benefit the organization, its members, other stakeholders, and society (Kanungo, 2001). In other words, ethical leadership is proposed to be effective. Through role modeling, ethical leaders promote altruistic behavior among organizational members. As a result, followers are expected to become more mutually dependent, more focused on cooperation than competition, and more committed to the organization (Kanungo & Conger, 1993). Moreover, via ethical behavior leaders earn the confidence and loyalty of their followers (Aronson, 2001). We also propose that employees will be more positive, hopeful, and optimistic about their organization and work situation and more willing to remain and contribute to its success when their leaders act in an ethical manner. When the leader’s moral integrity is in doubt, the leader will more likely fail to influence followers to achieve organizational goals (Kanungo, 2001).

Although the available empirical evidence for many of the propositions is limited, related research does suggest positive relationships. For example, research on perceptions of leadership shows that honesty and integrity are associated with perceived leader effectiveness (Den Hartog et al., 1999; Hogan, Curphy, & Hogan, 1994). Also, a meta analysis on trust in leaders shows that such trust is associated with a variety of important organizational outcomes, including belief in information, commitment, organizational citizenship behavior, satisfaction with leaders, and intention to stay (Dirks & Ferrin, 2002). Indirect support for the importance of ethical leadership is also found in other research, for example, studies linking unethical behavior of corporate management (Vitell & Davis, 1990), corporate ethical values (Hunt, Wood, & Chonko, 1989) and leader integrity (Craig & Gustafson, 1998) to variables such as job satisfaction, intention to quit and organizational commitment.

The preliminary research that more directly focuses on the effects of ethical leadership has also been promising. For example, Khuntia and Suar (2004) found ethical leadership of Indian private and public sector managers related positively to job performance, job involvement and affective commitment. Brown et al. (2005) found that ethical leadership was positively related to satisfaction with the leader, perceived leader effectiveness, follower’s job dedication and follower’s willingness to report problems to management.

Despite these encouraging results, it is important to note that most of the studies to date have measured self-reported business ethics rather than actual or perceived leader behavior. Such self-reports of ethics are more likely to be biased. Moreover, in the few studies where subordinates were used to provide ratings of ethical leadership, self-report measures of effectiveness from the same respondents that rate dimensions of ethical leadership tended to be used as outcome measures, which may lead to problems due to common source bias (Crampton & Wagner, 1994). Some studies have focused on the absence of unethical behavior as an indicator of leader’s ethical integrity (e.g., Craig & Gustafson, 1998). And, even though ethical leadership has been described as including role clarification, power sharing, and morality and fairness elements (cf. Brown et al., 2005), most research has focused mainly on the latter dimension as representing ethical leadership.

Furthermore, little attention to date has been given to perceived top management team effectiveness as a potential outcome of ethical leadership. An effective top management team has a clear understanding of the goal and mission of their organization, are involved in strategic decision making, and work coherently as a team towards attaining their goals. As seen above, ethical leadership is expected to relate positively to effectiveness. Ethical leaders increase individuals’ involvement in their work by their openness to input and fair decision making about matters important to employees. Their high moral standards, integrity and honesty foster positive expectations among followers, enhancing levels of trust and willingness to cooperate with the leader for the benefit of the organization (Avolio, Gardner, Walumba, Luthans, & May, 2004). Followers may become more focused on teamwork and cooperation, and will show greater loyalty to each other and the organization (Kanungo & Conger, 1993). Therefore, ethical leaders are expected to manage group processes well and a positive relationship between CEO’s ethical leadership and perceived top management team effectiveness is expected. In contrast, leaders who wield power to serve their self-interests, who are insensitive to follower’s needs and have little regard for behaving in socially constructive ways, are expected to manage group processes poorly. Despotic leadership is expected to have a negative relationship with perceptions of top management team effectiveness.

As indicated, another potential outcome of ethical leadership, related to perceived top management team effectiveness, is followers’ optimism about the future. Authors such as Luthans (2002) and Peterson (2000) hold that optimism is a human virtue or strength that can act as one of the core drivers of behavior at feelings at work. Optimism comprises a positive outlook on life and a belief that good things happen in the future. Optimism reflects generalized positive expectations about the future that people have strong feelings about, and as such has both cognitive and emotional aspects (Peterson, 2000). People feeling more optimistic tend to experience more life satisfaction, better health, and better moods, and show more perseverance even in difficult situations - also at work (Luthans, 2002; Peterson, 2000; Seligman, 1998). Here, we chose a specific focus of optimism in the workplace, namely employees’ sense of optimism both about the future of the organization as a whole as well as their own place and desire to stay within it. Given that ethical leaders strive to make fair choices, care about followers’ feelings, and attempt to create just work environments, employees are expected to be positive and optimistic about their organization and work situation.
and more willing to remain and contribute to its success. Through transparent and open communication promoting and rewarding ethical conduct and providing followers with voice, ethical leaders earn the confidence and loyalty of their followers, which may be reflected in their increased optimism about the future of the organization and their own place within it.

In contrast, despotic leadership is expected to harm followers’ optimism regarding the future. These followers are more likely to be fearful of their position in the organization. They may perceive that they themselves or those around them are being treated unfairly or exploited by their leader and experience the organization as a more hostile environment, resulting in a desire to leave and a less positive and optimistic feeling about their organization and the work environment it provides.

Thus, this study examines the relationship of ethical leadership (morality and fairness, role clarification, and power sharing) and of despotic leadership with perceived top management effectiveness, and followers’ optimism about their future, using a multi-source research method in which different groups of raters are used to provide ratings of leader behavior and of outcomes. Considering the above, we expect ethical leadership behavior (morality and fairness, role clarification, and power sharing) to be positively related to the outcomes of top management team effectiveness and follower’s optimism about their future. In contrast, we expect despotic leadership to be negatively related to the outcomes of top management team effectiveness and follower’s optimism about their future (see Fig. 1). Thus, we hypothesize:

Hypothesis 3. Ethical leadership (morality and fairness, role clarification and power sharing) is positively related to top management team effectiveness and follower’s optimism about their future.

Hypothesis 4. Despotic leadership is negatively related to top management team effectiveness and follower’s optimism about their future.

4. Method

4.1. Sample and procedure

The sample consists of 73 small and medium-sized organizations in the Netherlands, spanning a wide range of sectors. To help ensure sufficient variation, the organizations were randomly generated from two databases i.e., Elsevier’s Company Information (300 profit organizations) and SvM Voluntary Organization Database (40 voluntary sector, non-profit organizations). The sub-sample of profit organizations was collected as part of an international research project (the GLOBE project). Firm size was restricted to a minimum of 50 and a maximum of 250 employees for the profit sample (small and medium size organizations) and a minimum of 10 paid employees (irrespective of the number of active volunteers) for the voluntary sector sample. Voluntary organizations often have a limited number of paid staff. Instead, they mainly rely on many volunteers, who only contribute to the organizations a few hours a week. These volunteers work on a very different basis than paid staff. Here, we were specifically interested in the paid staff reporting to the managing director of both types of organizations to be able to compare the data from both types of organizations. Thus, to be able to distribute our surveys to paid staff and compare the profit and voluntary organizations, we excluded the voluntary organizations that were too small in terms of the number of paid staff.

All 340 CEOs of the organizations received an invitation letter. One week later, CEOs were approached by telephone. To encourage participation, CEOs were offered the opportunity to get feedback on their leadership styles at the close of the study. In total, 73 CEOs agreed to participate (22% response rate). Most CEOs had been in their current position for two years or more (87%) and most were male (60%). Average firm size, interpreted as total number of employees on the payroll, was 102 for profit sector firms and 52 for organizations in the voluntary sector (in the latter, volunteers usually worked closely with paid staff to run operations or projects).

The profit organizations (52) were from a wide range of industries, including services, manufacturing, construction, trade, transportation, information and repair and maintenance. The participating profit organizations were evenly distributed in terms of industry compared to those in the database they were drawn from. Also, no significant difference existed between the sample and the population of organizations in the database in terms of the average number of employees ($t=0.84, p=0.41$). The sample of organizations from the voluntary sector (21) represented a wide cross section of altruistically driven organizations defending, for example, organizations defending animal rights, supporting patients with certain types of diseases, campaigning for children’s rights, and so on. The participating organizations as well as the population the sample was drawn from are very diverse in terms of the content of their activities and ideological goals. A minimum of 40 and a maximum of 57,000 volunteers were active in these organizations. However, in our study, we only included organizations run by paid staff and included only the paid staff in the sample.

All CEOs were interviewed with regard to their role and functioning as a manager. The interviews were semi-structured, consisting of 13 starting questions to be elaborated on extensively in 45 to 60 min. The questions intended to elicit the executives’ dominant concerns, beliefs, values, opinions, and their philosophy of management. Examples of questions are: “What are your major strengths with respect to your functioning as a CEO in your current position,” “What are your major weaknesses,” “Please describe your philosophy of management,” and “Please describe the most important organizational change that you plan to implement in the near future.” All interviews were recorded, transcribed and used for research with the CEO’s consent. The CEOs were not informed beforehand about the fact that the transcribed interviews would be coded for social responsibility. CEOs received a personalized and confidential feedback report after the study.

In addition, the CEOs were asked to distribute two different kinds of questionnaires (type 1 for leadership ratings and type 2 for outcome ratings) to six key figures in the organization, all direct reports with whom they interacted frequently. The confidentiality of completed surveys was assured in a cover letter. Completed surveys were returned directly to the researchers in pre-addressed envelopes. We received 249 subordinate surveys, a mean of almost 4 surveys per CEO (58% response rate). Per questionnaire we
received a total number of 130 surveys for questionnaire type 1 (at least one survey for 90% of the CEOs; a mean of 1.97 per CEO) and 119 valid surveys for type 2 (at least one survey for 89% of the CEOs; a mean of 1.83 per CEO) respectively. Given the sensitivity of the questionnaires and the high hierarchical level of the participating managers, this response rate can be considered reasonable (see e.g., Finkelstein, 1992). For each analysis, we used the total available sample, so the sample sizes range from 62 to 73.

4.2. Measures

4.2.1. Leader’s social responsibility scores

The responsibility scores were obtained through coding the 73 CEO transcribed interviews using Winter’s (1992b) coding methodology for five responsibility categories: moral–legal standards of conduct, internal obligation, concern for others, concern for negative consequences and self-judgment (for an overview of validation studies see Winter, 1991). Thus, taken together these five categories form the general category of leader social responsibility. Following Winter’s (1992b) instruction, only the meaning of the text was scored. Table 1 provides an overview of coding examples from our study (see also below).

The category moral–legal standard of conduct is scored when reference is made to an abstract standard or principle involving morality, legality or virtuous conduct. Typical standards are: right/wrong (when referring to morality), good/bad, legal/illegal, lying and cheating and honest. Thus, for example, when in the interviews a CEO stated: “That’s a dishonest way of handling things,” we coded this as moral–legal standard of conduct (see Table 1 for additional examples).

The internal obligation category is scored via images reflecting someone obliged to, instructed, ordered or forced to act because of internal or impersonal forces. Obligation also includes references to rules, regulations, orders, instructions, responsibilities, duties and similar imperatives, so long as they are impersonal in origin. Winter (1992b, p.508) argues: “impersonal imperatives and inner feelings of obligation are two of the stages in the process by which external demands — coming from specific others — are transformed into an internal sense of responsibility”. Thus, when in the interviews a CEO stated for example: “I had to do it, it was my duty,” we coded this as internal obligation (see Table 1 for additional examples).

The category concern for others is indicated by images such as someone helping or showing sympathetic concern about another. Thus, for example, when in the interviews a CEO stated: “I worried about her health and tried to get some load of her work” we coded this as concern for others (see Table 1 for additional examples).

Concern about negative consequences is scored via images of a person having some inner concern (worry, anxiety, being upset, or even just reflecting) about the possible negative consequence of his or her own action either in anticipation or in retrospect. Thus, when in the interviews a CEO stated, for example: “I was hesitant to do that, it might have backfired” we coded this as concern about negative consequences (see also Table 1 for additional examples).

<table>
<thead>
<tr>
<th>Social responsibility coding categories</th>
<th>Descriptions</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moral-legal standard of conduct</td>
<td>The category moral–legal standard of conduct is scored when reference is made to an abstract standard or principle involving morality, legality or virtuous conduct.</td>
<td>If I find an employee lying to me, I don’t want anything to do with them anymore. It was the right thing to do. It would be immoral to ask that of any of my employees.</td>
</tr>
<tr>
<td>Internal obligation</td>
<td>The internal obligation category is scored via images reflecting someone they obliged to, instructed, ordered or forced to act because of internal or impersonal forces. Obligation also includes references to rules, regulations, orders, instructions responsibilities, duties and similar imperatives, so long as are impersonal in origin.</td>
<td>One should always try and do the right thing, you know. I felt it as my responsibility to tell him the news.</td>
</tr>
<tr>
<td>Concern for others</td>
<td>The category concern for others is indicated by images such as someone helping or showing sympathetic concern about another.</td>
<td>I felt for him, knowing where he was coming from, and gave him some time to work things out. I wanted to help her in any possible way. I was very worried about his situation, and offered my help.</td>
</tr>
<tr>
<td>Concern about negative consequences</td>
<td>Concern about negative consequences is scored via images of a person having some inner concern (worry, anxiety, being upset, or even just reflecting) about the possible negative consequence of his or her own action either in anticipation or in retrospect.</td>
<td>I now regret my haste in it all and see the damage it did. I was hesitant to hire him, considering the way he left his former job. If I had told anyone, we would have been in big trouble.</td>
</tr>
<tr>
<td>Self-judgment</td>
<td>The category self-judgment is scored via images reflecting a person critically evaluating his or her own character.</td>
<td>I realized I was wrong and felt stupid. I am uncomfortable with the way I handled that.</td>
</tr>
</tbody>
</table>

Note. Based on Winter’s coding methodology for responsibility (1992b).
Finally, the category self-judgment is scored via images reflecting a person critically evaluating his or her own character. Examples include shame, guilt, or embarrassment at an action, or even the simple realization of having been wrong. So when in the interviews CEOs made statement such as “In hindsight, I am to blame for it” we coded this as self-judgment (Winter, 1992b) (see also Table 1 for additional examples).

Two trained coders demonstrated high inter-rater reliability (category agreement over .80) with expert scoring of practice materials (see Winter, 1992b). These coders then independently scored the interviews in arbitrary order for leader social responsibility. Coders were not aware of the specific aims of the study and, identifying information on the organizations was removed from the transcribed interviews before coding. The responsibility coding agreements initially ranged from .66 to .90. In a reconciliation meeting, the coders went over their coding decisions and reviewed Winter’s (1992b) responsibility definitions, examples, and expert coding text to agree upon the correct coding for leader social responsibility in question. To ensure that this procedure was correctly followed, samples of the reconciled coding data were reviewed by two of the authors. The reconciled data (final agreement = 1) on the responsibility scores were used for subsequent data analysis.

Because longer interviews provide the opportunity to contain more responsibility images, we corrected for the varying length of the interviews. In line with previous studies with similar methodologies (see e.g., De Hoogh et al., 2005; Kirkpatrick et al., 2002; Schmitt & Winter, 1998) we divided the absolute responsibility scores by the number of words of the interviews and multiplied it by a thousand.

4.2.2. Questionnaires

Two different questionnaires were used to gather survey data from two separate sub-samples of direct reports for each firm. Respondents who filled out questionnaire 1 responded to the leadership items. Respondents who filled out questionnaire 2 responded to the perceptional outcome measures. These two sub-samples were created to be able to reduce potential effects of common source variance (see e.g., Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

The ethical leadership dimensions (morality and fairness, role clarification, and power sharing) were measured using three scales adapted from the Multi-Culture Leader Behavior Questionnaire (MCLQ; Hanges & Dickson, 2004). This questionnaire is designed to elicit respondents’ reports of behavior of leaders with whom they are familiar (House & Aditya, 1997). The items have a seven-point response scale, ranging from 1 (strongly disagree) to 7 (strongly agree).

The morality and fairness leadership dimension was assessed using six items measuring leaders demonstrating honesty, trustworthiness and high ethical standards as well as considerate and fair treatment of employees (see Appendix A). The perceived morality and fairness leadership dimension had an alpha coefficient of .81.

The role clarification leadership dimension was measured using five items measuring leaders’ transparency, engagement in open communication, clarification of expectations and responsibilities (see Appendix A). The role clarification leadership dimension had an alpha coefficient of .85.

The power sharing leadership dimension was measured with six items referring to behaviors providing followers with voice and allowing them participation in decision making (see Appendix A). The perceived power sharing leadership measure had an alpha coefficient of .78.

Despotic leadership was also measured using a scale adapted from the MCLQ (Hanges & Dickson, 2004). The scale contains six items, which reflect authoritarian behavior that serves the self-interest of the leader, is self-aggrandizing, insensitive and exploitative of others (see Appendix A). The perceived despotic leadership measure had an alpha coefficient of .82.

Confirmatory factor analysis on the leadership items showed support for a four-factor structure, with the morality and fairness, role clarification, power sharing, and despotic leadership items loading on separate factors. This four-factor structure fitted the data significantly better than the one-factor model (all items loading on one ‘leadership’ factor), χ² four-factor model (224, N = 130) = 347.30, p < .001, NNFI = .95, CFI = .95, SRMR = .08, RMSEA = .06, versus χ² one-factor model (230, N = 130) = 971.37, p < .001, NNFI = .82, CFI = .84, SRMR = .12, RMSEA = .16; χ² diff = 624.07, p < .001, and significantly better than the two-factor model (ethical and despotic items loading on two separate factors), χ² two-factor model (229, N = 130) = 662.74, p < .001, NNFI = .88, CFI = .89, SRMR = .11, RMSEA = .12; χ² diff = 315.44, p < .001 (cf. Hu & Bentler, 1999).

However, as shown in Table 2, we found that the three ethical leadership subscales and the despotic leadership scale are highly inter-correlated. These associations suggest, at least, a high second-order agreement among the constructs within the ethical leadership domain. Thus, we conducted a second-order CFA, in which the individual ethical items were modeled as indicators of their underlying morality and fairness, role clarification and power sharing subscales, which in turn were modeled as indicators of an overarching latent ethical leadership construct. The individual despotic items were modeled as indicators of their separate underlying despotic subscale. We found support for this second-order factor structure, χ² (226, N = 130) = 375.66, p < .001, NNFI = .94, CFI = .95, SRMR = .09, RMSEA = .07. This second-order factor structure fitted the data significantly better than another higher-order measurement model in which all three ethical dimensions loaded on one higher-order ethical factor, and the despotic scale was modeled as the opposite of the higher-order ethical construct (i.e., despotic leadership and ethical leadership as two ends of a single continuum; r = −1), χ² (227, N = 130) = 413.11, p < .001, NNFI = .83, CFI = .84, SRMR = .12, RMSEA = .08; χ² diff = 37.45, p < .001 (cf. Hu & Bentler, 1999).

The difference between the second-order model (three ethical dimensions loading on a second-order ethical leadership factor and a separate factor for despotic leadership) and the model with four separate first-order factors was significant and in favor of the four separate first-order factors, χ² diff = 28.36, df = 2, p < .001. However, there was only a slight drop in fit measures. Thus, although the four-factor model yields slightly better fit indices, the second-order model is also acceptable and seems more parsimonious. Also, including highly inter-correlated sub-variables in regression analyses can inflate the size of the error terms and thus weaken...
the analysis. In regression, this implies that error terms may get so large that none of the coefficients are significant any longer even if effects do exist (Berry, 1993). For example, when $r = .9$ the precision of estimation of weighting coefficients is already halved (Fox, 1991). Thus, we will present the (partial) correlations for the three separate subscales as well as the combined second-order ethical leadership scale, but although we do present some regression analyses for the subscales, we will place most weight on the combined ethical leadership scale in the regression analyses presented below.

4.2.3. Perceptual outcome measures

To prevent single-source bias, two groups of raters were used, the first providing the leadership behavior ratings, the second effectiveness ratings. Due to the varied and broad sample, perceptual rather than “objective” outcome measures were used in this study. The second questionnaire focused on these perceptual outcome measures. The first scale of this questionnaire measured perceived top management team effectiveness, using four items from the aforementioned MCLQ (see Appendix A; Hanges & Dickson, 2004; House, Delbecq, Taris, & Sully de Luque, 2001). A seven-point response scale ranging from 1 (strongly disagree) to 7 (strongly agree) was used. The top management team effectiveness measure had an alpha coefficient of .85.

The second questionnaire also measured respondents’ optimism about their future using three items from the aforementioned MCLQ (see Appendix A; Hanges & Dickson, 2004; House et al., 2001). Responses were given on a seven-point response scale ranging from 1 (strongly disagree) to 7 (strongly agree). The optimism about the future measure had an alpha coefficient of .85.

A confirmatory factor analysis of all seven perceptual outcome items showed a good fit for a two-factor model, in which the top management team effectiveness items loaded on one factor and optimism about the future items on the other, $\chi^2$ two-factor model (13, $N = 119$) = 31.91, $p < .01$, NNFI = .95, CFI = .97, SRMR = .06, RMSEA = .11. This two-factor model fitted the data significantly better than a one-factor model, in which both top management team effectiveness and optimism about the future items loaded on a single factor, $\chi^2$ one-factor model (14, $N = 119$) = 105.28, $p < .001$, NNFI = .78, CFI = .85, SRMR = .10, RMSEA = .27, $\chi^2$ diff = 73.37, $p < .001$ (cf. Hu & Bentler, 1999).

5. Results

5.1. Rater agreement: support for aggregation

Prior to aggregating the responses of the two samples of subordinates of the CEOs to characterize leadership styles, management team effectiveness and subordinates’ optimism about their future, we calculated two kinds of intra-class correlation coefficients; ICC (1) and ICC (2) (see Shrout & Fleiss, 1979). The ICC(1) coefficient is an estimate of the degree to which subordinates reporting to the same focal manager respond similarly. The ICC(1)’s for subordinate ratings of ethical, role clarification, power sharing and despotic leadership were .44, .34, .31, and .41 respectively. The ICC(1)’s for subordinate ratings of perceived top management team effectiveness and optimism about their future were .45 and .56 respectively. These values are well above the median value of ICC(1) reported in the organizational literature, which equals .12 (James, 1982).

The ICC(2) coefficient is an indicator of inter-rater reliability. It marks the degree to which the group means can be reliably differentiated from each other. The ICC(2)’s for subordinate ratings of ethical, role clarification, power sharing and despotic leadership were .61, .51, .46, and .58 respectively. The ICC(2)’s for subordinate ratings of perceived top management team effectiveness and optimism about their future were .60 and .70. Overall these values of ICC(2) can be considered acceptable given that a mean of only two subordinates rated their managers and the ICC(2) index is dependent on the number of raters per group (Bliwise, 2000). Taken together, these results provide support for combining subordinates’ responses to provide averaged, aggregated scores for leadership styles and outcome variables. Thus, averaged scores are used in further analyses.
5.2. Leader’s social responsibility and leadership

Table 2 presents the means, the standard deviations and the correlations among the variables. In line with previous research (see Winter, 1992a), low and in some cases insignificant inter-correlations were found among the five categories of leader social responsibility. Most clearly this holds for the category of moral–legal standard of conduct in relation to the other facets of leader social responsibility.

T-tests were used to examine whether the mean scores on the leader responsibility variables were statistically different for the two types of organizations (i.e., voluntary and profit). We found that CEOs in the voluntary sector as compared to CEOs in the profit sector scored higher on social responsibility, t=5.48, p<.01, and its facets internal obligation, t=3.35, p<.01, concern for others, t=3.13, p<.01, and self-judgment, t=4.40, p<.01. Type of organization also matters for two of the leader behavior variables, namely for the ethical leadership component of power sharing and also for despotic leadership, with CEOs in the voluntary sector showing more power sharing, t=2.92, p<.01, and less despotic leadership, t=5.26, p<.01, than CEOs in the profit sector.

To determine whether leader’s social responsibility is positively related to ethical leadership we performed a regression analysis in which we controlled for type of organization (see Table 3). We found, consistent with Hypothesis 1, that leader’s social responsibility was similarly significantly positively related to two of the three sub-scales of ethical leadership, namely morality and fairness, and role clarification, r_p=.26, p<.05, r_p=.26, p<.05. Of the five separate facets of leader’s social responsibility, internal obligation was most prominent in relation to leader behavior, showing significant partial correlations with ethical leadership, two of its sub-scales morality and fairness, and role clarification, and with despotic leadership in the expected directions, r_p=.30, p<.01; r_p=.33, p<.01; r_p=.31, p<.01; r_p=.28, p<.05. None of the other facets of leader’s social responsibility showed significant partial correlations with ethical leadership, its sub-scales or with despotic leadership.

Hypothesis 2 suggested that leader’s social responsibility is negatively related to despotic leadership. To tests this hypothesis, we performed another regression analysis in which we controlled for type of organization (see Table 3). Consistent with Hypothesis 2, we found that leader’s social responsibility was significantly negatively related to despotic leadership, β=−.25, p<.05. In addition to leader’s social responsibility, type of organization was also found important in relation to despotic leadership, β=−.30, p<.01.

5.3. Leadership and effectiveness

As Table 2 indicates, the correlations among the leadership variables range from −.62 to .63, while the correlations with other variables differ substantially. Furthermore, a significant positive relation is found between perceived top management team effectiveness and subordinates’ optimism about their future, r=.58, p<.01. To determine whether ethical leadership and despotic leadership are related to top management team effectiveness and followers’ optimism about their future we performed two regression analyses, in which we controlled for type of organization (see Table 4).
In the first step of the analysis the outcome variable was regressed on the control variable type of organization. In step 2 the leadership styles were added. Supporting Hypothesis 3, results revealed that ethical leadership was significant related to both top management team effectiveness and subordinates’ optimism about their future, $\beta = .41$, $p < .01$, and $\beta = .33$, $p < .01$. In line with this, partial correlation analysis controlling for type of organization showed that two of the three sub-scales of ethical leadership, namely morality and fairness, and role clarification, were similarly significantly positively related to top management team effectiveness and followers’ optimism about their future, $r_p = .33$, $p < .01$, $r_p = .24$, $p < .05$; $r_p = .29$, $p < .05$, $r_p = .23$, $p < .05$. The partial correlations between power sharing and top management team effectiveness and followers’ optimism about their future were not significant, $r_p = .16$, $p > .05$; $r_p = .09$, $p > .05$.

To examine the unique effects of the sub-components of ethical leadership, we performed regression analysis, in which the subscales of ethical leadership and despotic leadership were included simultaneously in the equation and type of organization was controlled for. Results revealed that the component morality and fairness was most important in relation to top management team effectiveness and followers’ optimism about their future, $\beta = .28$, $p < .05$, adj. $R^2 = .09$, $F = 2.17$, $\Delta R^2 = .17$; $\beta = .24$, $p > .05$, adj. $R^2 = .01$, $F = 1.17$, $\Delta R^2 = .09$, respectively. The beta-weights of the other leadership behaviors became non-significant when adjusted for the influence of each other.

Returning to Table 4 shows that despotic leadership did not explain any variance in top management team effectiveness or in subordinates’ optimism about their future, $\beta = .21$ and $\beta = .18$, $p > .05$. Thus, Hypothesis 4 is not supported.

6. Discussion

The purpose of this study was to investigate the relationships of leader’s social responsibility (moral–legal standard of conduct, internal obligation, concern for others, concern about consequences, and self-judgment) with ethical leadership behavior (in terms of morality and fairness, role clarification, and power sharing) as well as their despotic leadership behavior using different methods and sources of data. We also investigated the effectiveness of these styles, using multiple-source ratings.

In line with expectations, the results of our study stress the importance of leader’s social responsibility in relation to ethical and despotic leadership. Leaders scoring high on social responsibility were rated higher on ethical and lower on despotic leadership than leaders scoring low on social responsibility (see Fig. 1). Leader’s social responsibility was positively related to the combined scale for ethical leadership as well as to two of the underlying components of ethical leadership, namely morality and fairness and role clarification. With regard to the five categories of social responsibility, leader’s internal obligation was found to be most important in relation to ethical and despotic leadership. As internal obligation is associated with images reflecting someone obligated to act because of internal of impersonal forces (Winter, 1992b), the relevance of this leader characteristic for the (un)ethical potential of leadership is not surprising. Highly socially responsible leaders did not exhibit more power sharing behavior (component of ethical leadership) as rated by subordinates. Instead, the type of organization represented by the CEOs was found to be more important for the occurrence of this leader behavior. Type of organization was also found important in relation to despotic leadership. Generally, CEOs in the voluntary, non-profit sector as compared to CEOs in the profit sector were seen as exhibiting more power sharing leadership, and less despotic leadership. These findings are in line with the proposition that voluntary organizations tend to follow a democratic ideology emphasizing the decentralization of power, whereas top leadership positions in profit organizations concentrate legitimate power over collective resources (Knack & Prensky, 1984; Wilderom & Miner, 1991). Also, the more restrictive value system in voluntary organizations may not allow for the emergence and exercise of extreme and harsh personal power and control (cf. despotic leadership). When leaders use their power for purely personal goals in voluntary organizations, they may be perceived to act against the altruistic values inherent in the organization’s mission and the high value voluntary organizations place on members’ control over collective affairs (Wilderom & Miner, 1991). The downward directed hierarchy in which authority is usually arranged in profit organizations may provide a somewhat more conducive context for despotic leadership.

In addition, CEOs in the voluntary sector as compared to CEOs in the profit sector scored higher on social responsibility, and its facets internal obligation, concern for others, and self-judgment. These findings are in line with the idea that leaders are likely to be attracted to organizations that fit their personality (e.g., Schneider, 1987; Schneider, Smith, Taylor, & Fleenor, 1998; Turban & Keon, 1993). People with a high concern for responsibility may be more attracted to and more likely to be selected for jobs in voluntary organizations, as these organizations have a social and morally responsible orientation and are altruistically driven.

These differential results for the profit and voluntary organizations suggest that it is important to recognize and integrate the influence of the context in research. This is in line with Johns’ (2006) plea for more research that takes the context into account. Situational opportunities and constraints may affect the occurrence and meaning of personal variables and organizational behavior. Future research should further investigate the impact of context on ethical and despotic leadership as well as on leaders’ social responsibility. This may provide more concrete advice for the integration of situational demands of leader functions into personnel selection and leadership development programs.

Consistent with previous research (e.g., Brown et al., 2005; Khuntia & Suar, 2004), the results of our study indicate the importance of ethical leadership for different elements of effectiveness. As expected, ethical leadership was found positively related to perceived top management team effectiveness and subordinates’ optimism about their future (see Fig. 1). With regard to the components of ethical leadership, morality and fairness, and role clarification were both found to be positively correlated with optimism about the future and perceived top management team effectiveness. Morality and fairness was, however, found to be the most important in relation to these outcomes. The unique effect of the role clarification component dropped in size once the other ethical behaviors and despotic leadership were controlled for. Power sharing by itself was not related to the effectiveness
measures. Previous research on participative leadership and effectiveness has also been inconclusive in this regard. Evidence indicates that the effectiveness of such participative forms of leadership may in part depend on the context (Yukl, 2006). Thus, moderators of the relationship between power sharing and effectiveness are likely to exist. Also, power sharing may be more related to other behaviors, such as employee creativity and innovative behavior (e.g., Axtell et al., 2000; Mumford, Scott, Gaddis, & Strange, 2002) rather than to effectiveness within and of organizations.

A comment should be made about the way we measured the role-clarification aspect of ethical leadership. While Brown et al. (2005) argue that ethical leaders use reinforcement to support the ethics message, our measure of role clarification focuses mostly on leader's transparency, engagement in open communication, clarification of expectations and responsibilities. We felt this was a more relevant reflection of the construct in the Dutch context where the use of pay-for-performance is still limited. In many organizations in the Netherlands, rewards systems are part of collective bargaining agreements at organization or industry level that often do not leave much room for having substantial pay-for-performance schemes (e.g., Den Hartog & Verburg, 2004). In such a situation, making extrinsic rewards clearly contingent on ethical behavior is more difficult. Thus, a leader's clarification of expectations and open communication seemed more relevant in this context.

Contrary to expectations (cf. Fig. 1), subordinates of leaders who were rated higher on despotic leadership did not perceive top management teams to be less effective or feel less optimistic. Literature with regard to related concepts such as authoritarianism or autocratic leadership, suggests other factors may play a role. For instance, Bass (1990) discusses several contingencies that modify effects of a leader's authoritarianism, such as follower's authoritarianism or egalitarianism. Furthermore, evidence indicates that circumstances may soften the negative effects of autocratic leadership, i.e. in (crisis) situations requiring a direct and forceful response autocratic leaders may be wanted and respected (De Cremer, 2006; Foels, Driskell, Mullen, & Salas, 2000). This may also hold for despotic leader behavior. Thus, the (in)effectiveness of despotic leadership may in part depend on situational circumstances. Future research seems necessary on the contingent nature of despotic leadership as it relates to different follower attitudes and behaviors.

6.1. Limitations and strengths

Although the current study broadens our understanding of ethical leadership, it has several potential limitations. First, the somewhat low response rate might have influenced findings. Respondents might have differed from the non-respondents, thus some caution is needed with regard to the generalizability of the findings. Our check for selective participation did, however, not reveal any significant differences between the sample and the database population it was drawn from in terms of number of employees and sector. Given the sensitivity of the topic and the high hierarchical level of the participating managers, having somewhat low participation and response rates is not uncommon in samples like ours.

Second, although our sample size (N = 73) is substantially larger than typical sample sizes of previous studies using the motive coding methodology (e.g., Cornelius & Lane, 1984 (N = 39); Spangler & House, 1991 (N = 39); Winter, 1987 (N = 34)) it is still relatively small. This is due to the amount of work involved in gaining access to this type of sample, as well as in conducting, transcribing and coding the interviews, which is considerable. In line with past studies on ethical leadership-effectiveness linkages (e.g., Khuntia & Suar, 2004) as well as previous work on leadership using the coding method (e.g., House, Spangler, & Woycke, 1991) we expected to find medium effect sizes (R^2 =.13, β =.30) in our study. Power analysis indicates a test's ability to detect such expected effect sizes with the given sample size (Cohen, 1988). Based on Monte Carlo simulations, power analyses indicated that the mean power to detect medium effect sizes (R^2 =.13) in our study runs from 86% for analyses with two independent variables to 80% for analyses with three independent variables. Also, the mean power to detect an expected beta of (-).30 for responsibility explaining ethical and despotic leadership, while controlling for type of organization, is 66% and 72%, respectively. The mean power to detect an expected beta of (-).30 for ethical and despotic leadership explaining the perceptual effectiveness measures, while controlling for type of organization, is 65% and 71%, respectively. On the whole, these values can be considered reasonable. Due to the relatively small sample, of course, the power to detect small effect-sizes (R^2 =.02, β =.10) in our study is reduced. This implies this study may form a conservative test of our hypotheses. At the same time, it also means that the effects we did find need to be replicated in future research, to test their robustness. Using data from a larger number of CEOs will permit more powerful hypothesis tests and control for other variables, which may co-vary with organization type, such as organizational size.

Third, the CEOs had the freedom to select subordinates who would act as respondents for the surveys. Although this procedure is used often in this type of study, it has the potential limitation that such self-selection of raters may result in positive bias. The CEOs were, however, instructed to distribute questionnaires to direct reports with whom they worked closely. The CEOs in this study led small and medium-sized organizations and many indicated that they had difficulty selecting six subordinates who met this criterion. In addition, subordinates were assured of the confidentiality of their responses and they were informed that individual responses would not be seen by anyone from their organization. Thus, we expect the possible positive bias to be limited.

Further, perceived top management team effectiveness showed a relatively high correlation with subordinate's optimism about their future. Although it seems conceptually likely that these variables are related (i.e., respondents that rate the top management team to be highly effective are also likely to be more positive about the future of the organization and their own place within it) an additional explanation relates to the fact that respondents who filled in the top management team effectiveness scale were the same that rated their attitude about their future. A common source problem may play a role here. Respondents may have tried to maintain consistency in their responses to the questions (consistency motif; e.g., Podsakoff et al., 2003) and this may have lead to inflated estimates of the relationship between these variables. As respondents who rated leader behavior were different from respondents that rated the outcome measures, the hypothesized relationships with regard to leader behavior-outcomes do not suffer from such potential common source bias.
The category moral–legal standard showed non-significant relationships with the other categories of social responsibility. This variable may perhaps be less reliable due to the infrequent scoring of this category in the interviews (38 times per thousands words). In line with this, the initial overall category agreement for the category moral–legal standard before reconciliation was the lowest of all five scored categories (i.e. .66), and the category agreement per interview sometimes ran even lower (namely a minimum of .50, two scoring agreements out of four standard scores). Winter (1992b), however, states that for infrequently scores categories, such a percentage agreement for an individual interview may run lower so long as the overall percentage agreement for the responsibility category is satisfactory. Thus, we used the reconciliation procedure and retained the standard scale scores, which makes direct comparisons with other research possible. Consequently, the relationships found here may be underestimates due to the potentially low reliability of the standard category of responsibility.

Whether the measure of leader social responsibility taps mostly a stable personality disposition linked to for example conscientiousness (Costa & McCrae, 1992) or the honesty–humility factor of personality (Ashton & Lee, 2005) or taps mostly an attitude that is more subject to change is not yet clear (see Winter, 1992a; Winter & Barenbaum, 1985). Future research is needed to further our understanding in this area. Research so far has suggested, however, that learning and socialization experiences are critical in developing a sense of responsibility. Winter and Barenbaum (1985, in Winter, 1992a), for example, found a positive relationship between social responsibility and reported parental expectations in such areas as doing well at school, and being polite and well mannered. Whether such development is also seen later in life or in specific circumstances (such as the work place) is not yet clear. Future research is needed to identify the developmental antecedents of social responsibility.

Furthermore, although we argue that on the whole leaders scoring high on social responsibility are expected to have high moral values and behave ethically, leaders may sometimes behave immorally precisely because they are blinded by their own values. For example, Price (2003) argues that leaders’ blindness to their own values may in some cases encourage them to believe they are justified in making exceptions of themselves. In contrast, Locke also argues that ethical egoism or a focus on one’s self-interest can in fact produce highly ethical behavior, and may at times provide a better guide for ethical conduct than altruism (or cf. responsibility; Avolio & Locke, 2005). Future research is warranted to shed light on such alternative relationships, linking for example social responsibility to immoral leader behavior (other than despotic leadership) or linking a focus on one’s self-interest to ethical leadership.

Finally, the design of the study does not allow testing for the directionality of causal relationships. Experimental and longitudinal research could help clarify this. Where causality is implied, it is assumed based on theory and previous work rather than tested here.

Besides limitations, the study also has strengths such as its multi-method and multi-source nature. Although coding text is labor intensive, it may provide a useful alternative for measuring certain types of personality characteristics that are likely to suffer from social desirability or self-enhancement biases if measured through self-report survey measures. Also, using different respondents for providing leadership and outcome measures gets around the single-source problem of many of our survey studies. The study adds to the current literature by furthering our understanding of how (un)ethical leader behavior relates to a personal characteristic such as leader’s social responsibility and to effectiveness measures.

6.2. Practical implications

This research has several potential practical implications. One relates to the selection of leaders. Ethical conduct is important in organizations and lapses in ethics can be costly. Selection of managers who will show high integrity and conduct their job in an ethical manner instead of serving one’s self-interest and being exploitative of others is therefore a crucial, yet difficult challenge. Available measures for integrity are often susceptible to faking. Our findings suggest that the promotion of ethical leadership and the discouragement of despotic leadership in organizations may be facilitated if leaders were selected for their roles in part on the basis of their social responsibility. In this context, the coding of written statements or transcribed interviews for leader social responsibility may enrich the data gathered in more traditional psychological assessments. The unobtrusiveness of the coding methodology makes it difficult for the participant to know what is being measured, as participants are not explicitly asked about integrity or responsibility but rather they are asked to talk or write more generally. The method is therefore not subjective to the same social desirability effects as more direct measurement approaches (McClelland, 1985). However, the predictive validity of this form of measurement in a selection situation first needs to be tested.

Next, the results of this study suggest that the communication of expectations and role modeling in terms of high moral standards and fairness are most important to be perceived as an ethical leader. Thus, organizations may want to pay specific attention to the development and promotion of these ethical leader behaviors, for example through focusing on these behaviors in training and reward systems. Developing performance standards and rewards that discourage leaders’ self-serving and exploitative behavior may also help to decrease despotic leadership and other forms of unethical leader behavior. Organizations may also want to raise the awareness of the importance of ethical behavior among their managers and employees through other forms of communication. For example, top management commitment to a clear statement of ethical conduct that is continually communicated and enforced may help promote ethical conduct throughout the firm.

6.3. Conclusion

The current study investigated correlates of ethical and despotic leadership. The results showed the importance of leader’s social responsibility in relation to ethical and despotic leadership. In addition, ethical leadership is found to be important for perceived top
management team effectiveness and subordinates’ optimism about the future of the organization and their own place within it. Future research can further examine the link between (personality) characteristics or leader responsibility and ethical as well as despotic leadership, using coding methodology or other measures for which the potential of social desirability is reduced, and investigate additional consequences of such leadership for organizations. Also, our findings show that the organizational context matters for certain forms of ethical and unethical leader behavior and their effects. Thus, contextual moderators of the impact of these forms of leadership are likely to exist. This too is an important area for future investigation, which will further our understanding of when, how and why (un)ethical forms of leader behavior affect organizations and their members.

Appendix A. Measures and items

Ethical leadership

**Morality and fairness dimension**
- Makes sure that his/her actions are always ethical
- Means what he/she says, is earnest
- Deserves trust, can be believed and relied upon to keep his/her word
- Can be trusted to serve the interests of his/her subordinates rather than him/herself
- Does not criticize subordinates without good reason
- Pursues own best interest at the expense of others (reverse coded)

**Role clarification dimension**
- Explains who is responsible for what
- Explains what is expected of each member of the group
- Explains each individual group members’ scope of authority
- Communicates his/her performance expectations for group members
- Clarifies priorities

**Power sharing dimension**
- Allows subordinates to have influence on critical decisions
- Will reconsider decisions on the basis of recommendations by those who report to him/her
- Delegates challenging responsibilities to subordinates
- Does not allow others to participate in decision making (reverse coded)
- Seeks advice concerning organizational strategy from subordinates
- Allows subordinates to take a strong hand in setting their performance goals

Despotic leadership
- Is punitive; has no pity or compassion
- Is in charge and does not tolerate disagreement or questioning, gives orders
- Acts like a tyrant or despotic; imperious
- Tends to be unwilling or unable to relinquish control of projects or tasks
- Expects unquestioning obedience of those who report to him/her
- Is vengeful; seeks revenge when wronged

Perceived top management team effectiveness
- The top management is a coherent entity that works consistently towards the official company goals
- Members of the top management team of this company have a clear understanding of what this company’s goal and mission is
- The top management team is involved in all the important decision making processes
- The top managers work as an effective team

Optimism about the future
- I am optimistic about my future with this organization
- I expect this organization to have an excellent future
- I expect to be with this organization three years from now

References


