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Transformational Leaders' In-Group versus Out-Group Orientation: Testing the Link Between Leaders' Organizational Identification, their Willingness to Engage in Unethical Pro-Organizational Behavior, and Follower-Perceived Transformational Leadership

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Abstract To further the debate on the ethical dimension of transformational leadership (TFL) from a virtue ethics perspective, this study focused on leaders' in-group orientation as well as their in-group versus out-group orientation in situations of conflict between organizational interests and broader ethical values. More precisely, the current study captured leaders' organizational identification (OI) as well as their willingness to engage in unethical pro-organizational behavior (UPB) and tested the relations between these attitudes and follower-perceived TFL behavior. In total, the leadership behaviors of 112 middle- and top-level managers were evaluated by 900 direct-reports. Results showed leaders' organizational identification to be positively related to TFL. However, we found no relation between leaders' willingness to engage in unethical pro-organizational behavior and TFL. Implications regarding the ethical dimension of TFL are discussed.

Keywords Transformational leadership · Ethics · Organizational identification · Unethical pro-organizational behavior · In-group versus out-group orientation

In recent years, investigating the *ethical dimension* of transformational leadership (TFL) has evolved as a distinct line of research within the broader field of TFL studies. Reviewing the literature, we found respective theorizing and empirical research to represent three different perspectives that are very much in line with the major approaches in normative ethics (Whetstone 2001), focusing on (1) the ethical outcomes of TFL (consequentialism; Effelsberg et al. 2013a), (2) the ethical principles put into practice when displaying TFL behavior (deontology; Kanungo 2001), and (3) transformational leaders' attitudes and personality. The latter perspective corresponds with *virtue ethics*, an approach that emphasizes the need to look at the virtues or moral character of an actor to evaluate the morality of his or her conduct (see also Koehn 1995). Following this approach, scholars found ethics-related constructs such as leaders' level of moral reasoning (Turner et al. 2002), ethic of care (Simola et al. 2010), or integrity (Parry and Proctor-Thomson 2002) to predict TFL behavior, altogether providing evidence for the assertion that transformational leaders possess "high standards of ethical and moral conduct" (Avolio 1999, p. 43; see also Avolio et al. 2009; Peus et al. 2010).

Now, in economic life, ethical standards are most important in situations that are characterized by a *conflict of interest* between different stakeholder groups so as to balance the divergent interests in a fair way (Kanungo and Mendonca 1996). Indeed, the need to balance and integrate the economic interest of an organization and the individual interest of its employees has guided much theorizing in leadership ethics or related areas (Aasland et al. 2009; Weibler and Kuhn 2012), thereby addressing the ethical dimension of the leader—follower relationship (the principal—agent relationship, more broadly). However, as corporate practices like bribery, environmental pollution, or concealing product flaws show, ethical crises, and scandals are often rooted in situations comprising a conflict of interest between the economic goals of an organization and the interests of *external* stakeholders (i.e., customers and clients, business partners, communities, and broader society). Because of the serious consequences of such

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practices, managers' choice and behavior in the face of conflict between maximizing organizational benefits and securing external stakeholders' welfare—in other words: their *in-group vs. out-group* orientation with regard to ethical dilemmas—should be taken into account as one criterion when evaluating the ethicality of leadership styles from a virtue ethics perspective. This approach however, has yet received very limited attention in research on the ethical dimension of TFL. The current study contributes to closing this gap.

Referring to dilemma situations in which fostering organizational success happens to be at the expense of external stakeholders, recent research in organizational behavior brought into focus the concept of *unethical pro-organizational behavior* (UPB), that is, behavior carried out to benefit the company while, at the same time, harming the interests of people outside the organization (Effelsberg et al. 2013a; Umphress et al. 2010). These authors followed the idea that employees with high levels of organizational identification (OI) are particularly prone to engage in UPB. In other words, a strong *in-group orientation* might come along with an elevated willingness to exploit out-groups or out-group representatives if this appears to be company-serving (see also Vadera and Pratt 2013). Following this rationale and challenging the idea of TFL's ethicality from a consequentialist perspective, Effelsberg et al. (2013a) in two studies found TFL to enhance followers' willingness to engage in UPB through strengthening the latters' organizational identification and, with it, aligning their values and goals with organizational interests. As already pointed out, the current study sought to further the research on TFL's ethicality by adapting a virtue ethics perspective. So, instead of dealing with followers' OI and UPB as outcomes of TFL, we focused on *leaders'* organizational identification and *leaders'* willingness to engage in UPB as predictors of follower-perceived TFL.

As will be discussed within this paper, there are several reasons to assume that transformational leaders do not only connect their followers' sense of identity with the company, but are themselves characterized by a strong in-group orientation and high levels of OI. Most notably, the willingness to engage in self-sacrificing behavior for the benefit of the in-group is linked to the concept of organizational identification while also being described as a distinctive feature of TFL. Thus, leaders' identification with their company is likely to be an antecedent—in other words, part of the dispositional basis—of TFL. This relation, however, has received very limited attention yet (Schuh et al. 2012). So, more research on the link between leader OI and TFL would be helpful to better understand this effective leadership style.

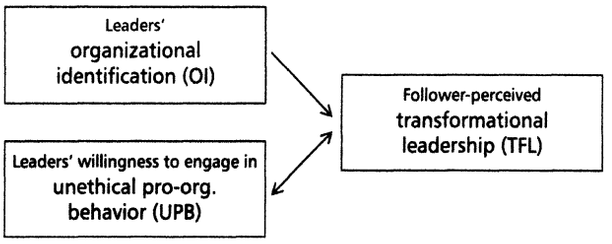

Fig. 1 Theoretical framework and research model guiding the investigation

Now, as already pointed out, an actor's in-group orientation and his or her organizational identification are also considered to come along with an elevated willingness to engage in UPB. In other words, the ethical stance of being honest and fair to people outside the organization might appear less important than the principle of being 'loyal' to one's company for individuals highly identified with their organization. We do not see a reason to assume that this would not apply to leaders as well. Therefore, and because of the expected relation between leaders' OI and TFL, expecting a *positive* association between UPB and TFL appears to be reasonable. In this sense, leaders' organizational identification might make them act in a *transformational* way toward direct reports yet *unethically* toward external stakeholder (if such behavior appears to be company-serving).

This assumption might seem to contradict different findings in the TFL literature. However, as will be discussed later, respective studies did not explicitly focus on transformational leaders' out-group orientation, especially their out-group orientation in moral dilemma situations as described above, that is, situations where there is a trade-off between organizational interests and external stakeholders' welfare. To this end and because such dilemma situations are highly important when discussing leadership ethicality from a virtue ethics perspective, we captured leaders' organizational identification (representing their in-group orientation) as well as leaders' willingness to engage in unethical pro-organizational behavior (representing their in-group vs. out-group orientation in respective moral dilemma situations) and examined their relations with TFL. Thereby, we expected both attitudes to be positively related to follower-perceived TFL. Figure 1 presents our research model.

Transformational Leaders' In-Group Orientation: Organizational Identification and Its Relation with TFL

Transformational leadership has been described in terms of transforming followers' values, goals, and perspective in accordance with organizational ones. According to Bass

(1985), these changes in perception are reached by four major dimensions of TFL: *inspirational motivation* (i.e., articulating attractive and appealing visions), *intellectual stimulation* (i.e. encouraging independent and innovative thinking), *individual consideration* (i.e., acting as a mentor and responding to followers' needs and concerns in a supportive way), and, finally, *idealized influence* (i.e., acting as a role model and, with it, instilling followers' trust).

Demonstrating an alignment of followers' values and goals with organizational ones and, thus, supporting the basic idea of TFL, several studies found TFL to predict *followers'* organizational identification (Effelsberg et al. 2013b; Epitropaki and Martin 2005; Kark et al. 2003). Also, Schuh et al. (2012) found *leaders'* OI to be related to follower-perceived TFL in two samples (however, these samples were relatively small, $N_1 = 18$ and $N_2 = 44$ leaders; therefore, we aimed at substantiating these results by making use of a more robust sample size). More importantly, demonstrating leaders' OI to predict TFL behavior is of particular importance for the current study because the concept of organizational identification is well suited to represent a person's in-group orientation. More precisely and referring to social identity theory (Tajfel and Turner 1986), the concept of OI represents a person's psychological attachment to his or her organization. In this sense, highly identified individuals have a strong feeling of belongingness and tend to experience organizational failures and successes as well as visions, goals, and interests as their own (Mael and Ashforth 1992).

Schuh et al. (2012) already discussed several arguments why leaders high in OI would be especially prone to engage in TFL behavior. First of all, highly identified leaders have been described as being particularly able to create and articulate an attractive vision of their organization's future (van Dick et al. 2007) and, thus, to provide *inspirational motivation*. They might as well help followers to perceive their job as more meaningful—which marks another process connected to TFL (Purvanova et al. 2006). The rationale is that leaders who feel inspired by their organization's vision and mission (and who are, thus, high in OI) are able to pass on this passion to followers, with it refocusing the latters' perspective from an individual 'I' to a collective 'we' and toward "the greater good" (Bass 1998, p. 41).

Beyond that, highly identified actors are—due to their psychological intertwinement with the organization—willing to increase personal efforts for the benefit of their group and company (Boroş et al. 2011; Riketta 2005; van Dick et al. 2004; van Knippenberg 2000) "even to the detriment of themselves as individuals" (Haslam et al. 2006, p. 610; see also Effelsberg et al. 2013b, who demonstrated OI to be related to selfless pro-organizational behavior). Since this should apply to individuals regardless of their hierarchical position and managerial level, leaders high in OI shall be particularly inclined to engage in self-sacrificing behavior for the benefit of their team and company, respectively, making genuine efforts to achieve group goals regardless of personal disadvantages. This again is well in line with the basic conception of TFL, namely to transcend the "exclusive pursuit of self-interests" (Bass and Steidlmeier 1999, p. 195), as well as with leaders' *idealized influence* as one dimension of TFL. In this sense, a leader whose behavior is reflective of a high level of in-group orientation is likely to be valued and admired by followers. Accordingly, genuine self-sacrificing leader behavior (presumably driven by OI) and leaders' idealized influence are intertwined within commonly used measures of TFL such as Bass and Avolio's (1995) MLQ 5x, capturing leaders' idealized influence by making use of statements such as "My superior goes beyond self-interest for the good of the group".

In light of the afore-mentioned theoretical as well as empirical arguments, we expected leaders with higher levels of OI to be more strongly perceived as acting in a transformational way by their followers.

Hypothesis 1 Leaders' level of OI will be positively related to follower-perceived TFL.

Transformational Leaders' In-Group Versus Out-Group Orientation in Situations of Conflict of interests: Willingness to Engage in UPB and its Relation with TFL.

As discussed above, scholars brought up the idea of employees' in-group orientation and, more precisely, organizational identification to come along with an increased willingness to foster organizational success even to the detriment of external stakeholders (Effelsberg et al. 2013a; Umphress et al. 2010; Vadera and Pratt 2013; for other drawbacks of identification see Ashforth and Anand 2003; Dukerich et al. 1998; Felfe 2008). In this sense, highly identified individuals might judge the principle of being 'loyal' to their company to be more important than the ethical principle of being truthful and honest to external stakeholders. Since we have discussed several reasons to expect leaders' level of OI to predict their TFL behavior, the same (highly identified) leaders could be more prone to engage in UPB as well. So, transformational leaders may in fact demonstrate high levels of individual consideration toward direct reports and may possess followers' trust, respect, and an idealized influence, however, they may at the same time be inclined to exploit people outside the organization due to their psychological attachment to the

company. In line with this view, scholars referred to charismatic but truly unethical despots and dictators such as Hitler or Mussolini (House and Howell 1992), implying that leaders—although charismatic and (in some ways) transformational—can still act hostile and exploitative toward out-groups. Other scholars emphasized the *dark side* and detrimental outcomes of transformational and charismatic leadership as well (see Conger 1990; Deluga 2001; Howell and Shamir 2005; Yukl 2006). In view of these arguments, transformational leaders might indeed act pro-organizationally when placed in a situation where there is a trade-off between promoting company interest and securing external stakeholders' interest and might, thus, engage in UPB (note in this context, that the measurement of UPB does not capture very severe violations of ethical norms but moderate forms of dishonest conduct such as overcharging customers or misinforming them to make the company look good).

In contrast to this perspective and in line with the assertion that transformational leaders possess high ethical values and standards (Avolio 1999; Avolio et al. 2009; Kanungo and Mendonca 1996), scholars identified associations of ethics-related constructs such as leaders' level of moral reasoning (Turner et al. 2002), leaders' ethic of care (Simola et al. 2010), and leaders' integrity as perceived by peers and superiors (Parry and Proctor-Thomson 2002) with TFL behavior. However, these results do not address leaders' *out-group* orientation, especially not their out-group orientation in moral dilemma situations as described above. Parry and Proctor-Thomson (2002) for instance measured leaders' integrity by making use of the Perceived Leader Integrity Scale (PLIS; Craig and Gustafson 1998) which exclusively refers to leader behavior directed *toward subordinates*. Similarly, the concept of ethic of care best applies to the leader—follower dyad. And finally, Turner et al. (2002) conceded that their findings "only relate the complexity of cognitive developmental skills to leadership behaviors and do not make value judgments about people's integrity on the basis of their moral-reasoning scores" (p. 309). Moreover, the few studies that actually did examine transformational leader's out-group orientation (or rather: out-group-related attitudes) revealed mixed results. More specifically, Banerji and Krishnan (2000) did not find any relations between TFL and leaders' readiness to engage in unethical behavior directed toward or involving external stakeholders, whereas Groves and LaRocca (2011) showed transformational leaders to be less inclined to pay bribes and exploit former employers but to be indifferent toward corporate activities harming the environment. This is not surprising since TFL's basic dimensions do not include a leader's out-group orientation.

Indeed, Bass and Steidlmeier (1999) introduced the distinction between *authentic* transformational leaders with high ethical standards and *pseudo*-transformational leaders being selfish and manipulative and claimed that the former seek to "forge a path of congruence of values and interests among [internal *and* external] stakeholders" (p. 201). However, commonly used measures of TFL do not differentiate between authentic and pseudo-TFL and, thus, do not capture the goodwill toward external stakeholder that is actually part of the concept of authentic TFL.

To sum up, previous findings regarding the relations between ethics-related attitudinal or dispositional constructs and TFL behavior as well as subsequent conclusions regarding TFL's ethicality from a virtue ethics perspective do not include leaders' genuine out-group orientation in situations of conflict between organizational interest and external stakeholder interest. Due to transformational leaders' elevated in-group orientation (organizational identification), however, we predict a positive relation between a leader's willingness to engage in unethical yet pro-organizational behavior and follower-perceived TFL behavior.

Hypothesis 2 Leaders' willingness to engage in UPB will be positively related to follower-perceived TFL.

The Present Study

Method

Participants and Overall Procedure

We conducted our study in three German organizations that represented different economic sectors, namely banking, insurance, and high tech manufacturing. We approached these organizations offering the execution of a free-of-charge employee survey regarding their managers' leadership behavior. In total, 112 focal managers were assessed by their direct-reports (managers' mean age: 46.5 years; managers' mean job tenure: 22.9 years; managers' gender: 83 % male; mean number of direct-reports assessing a single manager: 8.0). Overall, 900 direct-reports participated. These direct reports were predominately female within the insurance company (76 %) and predominately male within the manufacturing company (82 %); gender ratio was balanced within the banking company (45 % female). Managers who had been evaluated by *more than three* direct-reports received a comprehensive feedback report summarizing their followers' appraisal—this rule was meant to ensure direct-reports' anonymity. To enhance managers' willingness to participate and to also enhance data validity, we established a matching and feedback procedure that fully guaranteed managers' anonymity from start to finish. The procedure will be described in the following.

Managers received a web link to an online survey via e-mail and, after entering the respective web page, were requested to provide a self-generated code. Afterwards, they filled-in questionnaires capturing their organizational identification and their willingness to engage in UPB. They then received access data (i.e., link and password) for the online survey that had to be filled-in by their direct-reports. Managers were requested to forward this link and the received password (every manager had received a different password) to all of their direct-reports. After entering the respective web page, these direct-reports had to enter the password given to them by their manager and, afterwards, filled-in the TFL questionnaire referring to their direct manager. Hereby, direct reports were *not* asked to enter their supervisor's real name; instead, their appraisal of TFL was later allocated to the respective leader (or rather: to the leader's self-generated code) by means of the used password. Finally, after the survey period had ended (4 weeks after inviting all managers to participate), all managers received an e-mail that gave access to a web site where individual feedback reports could be downloaded. These reports were provided after entering the self-generated code. Thus, neither managers nor direct-reports entered any real names at any point in time during both survey and feedback period but used self-generated codes and passwords, respectively. Furthermore, only focal managers themselves were able to download their personal feedback report since only they knew their self-generated code.

The whole procedure was explained in detail to all managers prior to the survey. Altogether, 97 % of all top-level and middle-level managers decided to participate. Furthermore, 67 % to 88 % of their direct-reports took part in our study. These figures demonstrate that the overall acceptance of our research project was very high. Table 1 provides an overview of the demographic information.

Table 1 Demographic information by sample

Variable	Sample 1	Sample 2	Sample 3
Industrial sector of organization	Manufacturing	Banking	Insurance
Type of leader	Top-/Middle-level	Top-/ Middle-level	Top-/ Middle-level
n (% response rate)	21 (91 %)	34 (100 %)	57 (97 %)
n of top-level	4 (19 %)	2 (6 %)	6 (11 %)
n of women	2 (10 %)	6 (18 %)	11 (19 %)
Mean age (SD)	42.9 (8.2)	45.3 (7.8)	48.6 (8.8)
Mean job tenure (SD)	12.5 (5.1)	21.6 (9.7)	28.6 (8.5)
Mean number of raters for each leader (SD)	5.7 (6.3)	8.3 (3.6)	8.7 (4.4)
Total number of raters (% response rate)	120 (74 %)	282 (88 %)	498 (67 %)
Percentage of male raters	82 %	55 %	24 %

Measures of Leader's Attitudes

To capture their *organizational identification*, leaders completed the 6-item scale of Mael and Ashforth (1992) which included statements such as "This company's successes are my successes" or "When someone criticizes my company, it feels like a personal insult" (5-point Likert scales with 1 = *strongly disagree* and 5 = *strongly agree*). Cronbach's α was .78 for this measure.

To measure managers' *willingness to engage in UPB*, we made use of a German version of the UPB scale introduced by Umphress et al. (2010; German version, see Effelsberg et al. 2013b). This scale contains 6 items such as "If my organization needed me to, I would withhold issuing a refund to a customer or client accidentally overcharged" or "If it would help my organization, I would misrepresent the truth to make my organization look good". Internal consistency was just acceptable (α = .68; 5-point Likert scales with 1 = *strongly agree* and 5 = *strongly disagree*).

Measures of Follower-Perceived TFL

We measured *employees' perception of TFL* using the German version of Bass and Avolio's (1995) MLQ 5 × Short (Felfe 2006). Direct reports used 5-point rating scales with 1 = *never* and 5 = *almost always* to complete this questionnaire with regard to their supervisor. Due to high scale intercorrelations and in accordance with other authors (Judge and Piccolo 2004), we combined the subscales to represent a higher order factor of TFL to test our hypotheses. The internal consistency score (Cronbach's α) for this composite measure was .96. However, we also computed TFL subscale scores (see Table 2 for further information on internal consistency scores).

In total, 5 leaders had been evaluated by one direct report only and were therefore deleted from further analyses. Results of the remaining 107 leaders were then aggregated within teams to produce a single score for each leader. To justify aggregation, we calculated interrater agreements and tested variance between groups. In support of the aggregation procedure, we found interrater agreement to be high: $r_{wg} = .81$, and variance between groups to be significant: $F(106, 788) = 6.38, p < .001$; ICC(1) = .38, ICC(2) = .84.

Control Variables

Furthermore, to control for spurious effects, we captured leaders' management level (i.e., top-level vs. middle-level) as well as managers' and raters' organizational membership. However, to not contradict our efforts to fully ensure leaders' anonymity (i.e., the matching and feedback

Table 2 Means, standard deviations, correlations, and internal consistency scores

Variable	M	SD	Leaders' attitudes		Transformational leadership				
			1	2	3	4	5	6	7
Leaders' attitudes									
1. Organizational identification	3.91	.62	(.78)						
2. Willingness to engage in UPB	2.66	.65	.21*	(.68)					
Follower perceived TFL									
3. Overall score	3.48	.85	.21*	.09	(.96)				
4. Inspirational motivation	3.56	.89	.23*	.02	.89**	(.89)			
5. Intellectual stimulation	3.48	.92	.20*	.13	.94**	.78**	(.89)		
6. Idealized influence	3.49	.92	.19^{+}	.07	.98**	.83**	.90**	(.92)	
7. Individual consideration	3.40	1.01	.18^{+}	.10	.94**	.77**	.86**	.89**	(.89)

For variable 1–2 $N = 107$; for variable 3–7 $N = 895$, correlation with transformational leadership (variable 3–7) are referring to leader-aggregated scores; values in parentheses represent internal consistency scores (Cronbach's α)

UPB unethical pro-organizational behavior, *TFL* transformational leadership

$^{+}$ $p \leq .10$; * $p \leq .05$; ** $p \leq .01$

procedure), we did not measure demographic variables such as age or gender in the survey. Therefore, we can only provide an overview of demographic variables as presented in Table 1, but were not able to match gender, age, and job tenure to single leaders and, thus, to include them as control variables.

Results

Descriptive Statistics

Table 2 provides means, standard deviations, and zero order correlations of measured variables (zero order correlations with TFL are referring to leader-aggregated scores).

Leaders' organizational identification was related to the overall score of TFL ($r = .21$, $p < .05$) as well as to all TFL' sub-dimensions (especially inspirational motivation: $r = .23$, $p < .05$; OI's relation to idealized influence and individual consideration was significant only on a 10 % level). The relation between leaders' OI and their willingness to engage in UPB also turned out to be significant ($r = .21$, $p < .05$). Furthermore, results did not yield a substantial relation between leaders' willingness to engage in UPB and TFL ($r = .09$, n.s.).

Multi Regression Analysis

To finally test our hypotheses concerning the relations between OI and TFL as well as leaders' willingness to engage in UPB and TFL, we conducted a multi regression analysis controlling for leaders' organizational membership as well as their management level (these characteristics were controlled for by making use of dummy variables). Table 3 provides the respective results.

Table 3 Results of multiple regression analysis

Variable	*B*	*SE*	β
Control variables			
Organizational membership (Dummy 1)	−.33	.18	−.22
Organizational membership (Dummy 2)	.09	.13	.08
Management level	−.20	.18	−.11
Leaders' attitudes			
Organizational identification	.23	.10	.25*
Willingness to engage in UPB	.12	.10	.13

DV = Transformational leadership (overall score); for management level 1 = top-level; 2 = middle-level; UPB = Unethical pro-organizational behavior; $N = 107$; * $p \leq .05$

Fully supporting our first hypothesis, the statistical effect of leaders' organizational identification on follower-perceived TFL was substantive ($b = .25$, $p < .05$). However, with respect to our second hypothesis, our results only revealed a slight positive relation between leaders' willingness to engage in UPB and TFL ($b = .13$, n.s.). In total, all variables (OI, UPB, and control variables) accounted for 11 % of variance in TFL ($R^2 = .11$).

Discussion

In this research, we aimed at furthering the debate on TFL's ethicality from a virtue ethics perspective, that is to say, with a focus on ethics-related leader attitudes and dispositions (an alternative approach is to look at ethically relevant *outcomes* of TFL such as followers' UPB—'consequentialist' perspective, see for example Effelsberg et al. 2013a; or to focus on ethically relevant *principles* such as fairness and trust

underlying TFL behavior—'deontological' perspective, see for example Cho and Dansereau 2010; MacKenzie et al. 2001). Following the 'virtue ethics' approach, we focused on transformational leaders' *in-group orientation* as well as their *in-group vs. out-group orientation* in ethical dilemma situations involving a trade-off between organizational interests and broader ethical values. More precisely, we tested whether leaders' organizational identification as well as their willingness to engage in unethical but pro-organizational conduct would be positively related to TFL behavior as perceived by direct-reports.

Fully supporting Hypothesis 1, we found leaders' OI to be associated with follower-perceived TFL. That is to say, leaders highly identified with their organization are more likely to engage in TFL activities such as displaying self-sacrificing in-group behavior or developing and communicating an attractive vision. This finding substantiates the results of Schuh et al. (2012)—drawing on a much larger sample size—and indicates transformational leaders' psychological intertwinement with their organization, in other words, their strong in-group orientation (for the importance of leaders' group-oriented values see also Graf et al. 2012). Furthermore, it helps to unveil the contextual and, more precisely, dispositional basis of TFL and, with it, TFL-related pro-organizational outcomes such as followers' elevated level of identification with their company (Effelsberg et al. 2013b; Kark et al. 2003). It also highlights the importance of taking leaders' OI into account when internally selecting personnel for higher managerial positions.

With respect to our second hypothesis, we did not find a relation between leaders' willingness to engage in unethical behavior for the benefit of the company and TFL behavior. We had expected a positive association between these variables since we had considered organizational identification to be part of the dispositional basis of TFL and, at the same time, related to a person's willingness to engage in UPB (because of the dominating in-group focus). In line with this argumentation, results indeed revealed a substantial link between leaders' OI on the one hand and TFL behavior as well as leaders' willingness to engage in UPB on the other. However, the degree of displayed TFL behavior seems to neither indicate a particularly low level nor a particularly high level of leaders' willingness to engage in this particular form of unethical yet company serving behavior. Obviously, the network of relations between leaders' in-group orientation, leaders' out-group orientation, and leaders' TFL behavior is more complex. Future research should therefore focus on the interactional effects of transformational leaders' level of OI and potential moderators when examining their willingness to engage in UPB. This could, for instance, include the organization's ethical climate and culture (highly identified managers might be particularly influenced by corporate values and codes of conduct that aim at preventing UPB), the company's current economic situation (in times of crisis, highly identified leaders' might feel more obligated to stand up for their company regardless of broader ethical values and detriments suffered on the part of external stakeholders), or leaders' general disposition toward (un-)ethical behavior as represented by constructs such as honesty-humility or Machiavellianism (Effelsberg et al. 2013b, demonstrated these constructs to moderate the link between *followers'* OI and their willingness to engage in UPB).

Altogether, and although no association between leaders' UPB and their transformational behavior was found, our study's findings provide important insights for discussing TFL's ethicality. Following the assertion that transformational leaders *do possess* high ethical standards and values, a *negative* relation between UPB and TFL is to be expected. Our findings clearly contradict this expectation. In fact, out-group or external stakeholder orientation (as measured by means of the UPB questionnaire) seems to be a feature *not* represented by the TFL construct or commonly used measures of TFL behavior (see also the similar findings of Banerji and Krishnan 2000, and—at least partly—Groves and LaRocca 2011). Thus, transformational leaders' ethical orientation is rather unclear with regard to moral dilemma situations where there is a trade-off between demonstrating loyalty to one's company and securing organizational interests on the one hand and following broader ethical standards and securing external stakeholders' interests on the other hand. Yet, these conflict situations are highly important when discussing business and leadership ethics—both in light of adverse corporate activities and subsequent ethical scandals (for current examples see Charles Ferguson's Oscar-winning 2010 documentary film *Inside Job* on the late-2000 world financial crisis) as well as in light of concepts such as corporate social responsibility (Dahlsrud 2008), responsible leadership (Maak and Pless 2006), or authentic TFL (Bass and Steidlmeier 1999). Due to this and because promoting both internal *and* external stakeholder's welfare are important criteria of ethical leadership (see also Kalshoven et al. 2011, where the latter perspective is represented by the ethical guidance and concern for sustainability subscales of the Ethical Leadership at Work Questionnaire), we deem it helpful to include an explicit out-group orientation, that is to say, an explicit ethical mission that underscores the welfare of external stakeholders, when dealing with and measuring TFL in the course of leadership or executive development initiatives.

Strength and Limitations

Strengths and limitations of this research shall be discussed in the following. First of all, this study relied on multi-

source data, i.e., self-report measures to capture leaders' attitudes and other- (namely follower-) reports of TFL. Therefore, common method bias (Conway and Lance 2010; Podsakoff et al. 2003) is no issue in this research. Furthermore, in contrast to other studies where TFL was evaluated by one or two employees only who were moreover asked to participate by the focal managers themselves, *all* direct-reports were invited to assess their manager's transformational behavior. Thus, results could not be biased by leaders' self-serving selection of followers. Also, with regard to direct-reports' response rate (73 % on average), we can preclude that followers' self-selection had biased our results. Further strengths of our study were the heterogeneous sample representing different economic sectors and management levels (thus enhancing the generalizability of our findings) as well as leaders' and employees' knowledge of their full anonymity from start to finish (even during the feedback process); the latter might have helped to counter social desirability effects.

However, the advantages of participants' and especially leaders' anonymity came with the necessity to leave demographic variables unmeasured so that TFL-scores and leaders' attitudes could not be related to leaders' age or gender. Although some studies failed to reveal a substantial link between TFL and leaders' demographic variables (see for instance Judge and Bono 2000; Manning 2002), there is meta-analytic evidence of female leaders acting slightly more transformational as compared to their male counterparts (Eagly et al. 2003). Thus, and because gender might also be helpful in explaining leaders' reluctance to engage in UPB (see the link between gender and unethical intentions and behavior; Kish-Gephart et al. 2010), especially gender should have been included as a control variable. However, in our sample a rather small percentage of leaders (17 %) were female so that statistically controlling for this variable seems to be of lesser importance. Rather, with respect to the 83 % of male managers in our study, missing generalizability is an issue and shall be addressed in future research.

Conclusion

To further the discussion on TFL's ethicality from a virtue ethics perspective, this study focused on leaders' in-group and out-group orientation. As we found leaders' organizational identification to be related to follower-perceived TFL, our results lend support to transformational leaders' strong in-group orientation. However, as we did not find relations between TFL and leaders' willingness to engage in unethical yet pro-organizational behavior, our results lead us to presume that TFL should be accompanied by an explicit ethical mission that highlights the welfare of external stakeholders (i.e., clients and customers, business partners, communities, and broader society) as one important aspect of leadership ethics—especially in the face of moral dilemma situations that are characterized by conflict between organizational success and external stakeholders' welfare.

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