

Ethical leadership and employee unethical pro-organizational behavior: a moderated mediation model of moral disengagement and coworker ethical behavior

Employee
unethical pro-
organizational
behavior

799

Received 31 October 2019

Revised 13 April 2020

6 May 2020

Accepted 12 June 2020

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Abstract

Purpose – The purpose of this study is to understand how ethical leadership and coworker ethical behavior will influence employee unethical pro-organizational behavior (UPB). In particular, the authors examine the mediating effect of moral disengagement on the relationship between ethical leadership and UPB and also investigate the moderating effect of coworker ethical behavior on the aforementioned effect.

Design/methodology/approach – Data were collected from 251 employee–coworker dyads from five organizations in Taiwan at two time points. Moderated mediation analysis was conducted to test the hypotheses.

Findings – The results show that moral disengagement mediates the relationship between ethical leadership and employee UPB. Moreover, the results show that coworker ethical behavior moderates the relationship between moral disengagement and employee UPB, as well as the mediated relationship between ethical leadership and employee UPB via moral disengagement. Specifically, both the moral disengagement–UPB relationship and the ethical leadership–moral disengagement–UPB relationship become weaker when coworker ethical behavior is high.

Practical implications – The results highlight the importance of creating an ethical work environment to get everyone behaving ethically in the workplace, because nurturing an ethical atmosphere in organizations will be useful in reducing the occurrence of UPB even for those who have high levels of moral disengagement.

Originality/value – This study shows that coworkers matter morally as much as leaders, demonstrating the importance of social influence from coworkers in organizations.

Keywords Ethical leadership, Unethical pro-organizational behavior, Moral disengagement, Coworker ethical behavior

Paper type Research paper

Introduction

A series of business scandals (e.g. Enron, WorldCom and Satyam computers) have raised public concerns and have prompted researchers to readvocate the importance of developing ethical leadership for business organizations (Brown and Mitchell, 2010; Moore *et al.*, 2018; Sharma *et al.*, 2019). Ethical leadership refers to a style in which the leader demonstrates normatively appropriate conduct and communicates the importance of such conduct to followers (Brown *et al.*, 2005). This is value-driven leadership that can affect followers' self-concept and beliefs through role models and the sharing of moral standards. Scholars



Leadership & Organization
Development Journal
Vol. 41 No. 6, 2020
pp. 799-812

© Emerald Publishing Limited
0143-7739
DOI 10.1108/LODJ-10-2019-0464

have argued that, in general, ethical leadership can promote followers' prosocial behaviors (e.g. organizational citizenship behavior) (Tan *et al.*, 2019; Yang and Wei, 2018) and prevent their deviant or unethical behaviors (Brown and Mitchell, 2010; Moore *et al.*, 2018; Treviño *et al.*, 2014). In this study, given that leadership links to followers' behaviors, we are interested in investigating whether ethical leadership plays a vital role in determining an employee's unethical pro-organizational behavior (UPB), defined as "actions that are intended to promote the effective functioning of the organization or its members and violate core societal values, mores, laws, or standards of proper conduct" (Umphress and Bingham, 2011, p. 622). UPB involves behaviors that are beneficial to the organization's interests but which are morally problematic and are considered unacceptable societally. Typical examples of UPB include a salesperson who covers up negative information about product quality and exaggerates the effects of the products to achieve the company's sales goal (Wang *et al.*, 2018) and an accountant who manipulates reported earnings to accomplish a desired firm performance (Tian and Peterson, 2016). As a managerial practice, ethical leadership has been shown to be effective in preventing employees' deviant or unethical behavior harmful to organizations (Moore *et al.*, 2018). However, it is uncertain whether such leadership is also useful for preventing unethical behavior beneficial for organizations, namely UPB. Because UPB is susceptible to rationalization due to the organizational benefits rather than the employee benefits it brings (Umphress and Bingham, 2011), it can naturally escape the sanction of an employee's own conscience and organizational ethical governance. Thus, to investigate whether ethical leadership is effective in terms of preventing employee UPB deserves more attention. Furthermore, if ethical leadership is useful in preventing employee UPB, how and when it exerts its effects is a significant issue that needs to be examined.

Although many previous studies have shown that ethical leadership can reduce subordinates' unethical or negative work behaviors harmful to organizations (i.e. workplace deviance and counterproductive behavior) (Den Hartog; Belschak, 2012; Mayer *et al.*, 2010; Moore *et al.*, 2018), less is known about the impact of ethical leadership on employee UPB. Contrary to the expectation that ethical leadership should promote employees' volition of ethical practice (Moore *et al.*, 2018), using a sample of public employees from China, Miao *et al.* (2013) showed that when ethical leadership increases from a low to a moderate level, employee UPB is enhanced rather than dampened; employee UPB reduces only when ethical leadership changes from moderate to high. However, their finding is inconsistent with past ethical leadership research and the intuitive reasoning about a negative linear relationship between ethical leadership and employees' unethical behaviors (e.g. Moore *et al.*, 2018); that is, there should be a negative relationship between ethical leadership and employee UPB. To clarify this inconsistent issue, it is imperative and timely to revalidate the ethical leadership–UPB relationship. In doing so, the first purpose of this study is to examine again the effect of ethical leadership on employee UPB by using a multisource (i.e. employee–coworker dyads) and multiphase research design.

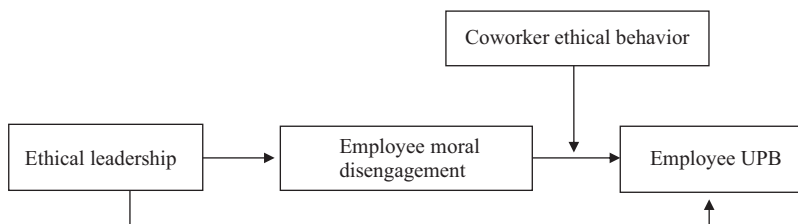
Moreover, Treviño *et al.* (2014) suggested that moral disengagement is a cognitive mechanism that explains why employees engage in unethical acts. They defined the mechanism as a process of psychological neutralization in which self-censure and moral emotions are disengaged from behaviors that violate moral standards. Previous studies have shown that moral disengagement can function as a mediating mechanism underlying the relationship between ethical leadership and employees' antiorganizational deviant or unethical behaviors (Gan, 2018; Moore *et al.*, 2018). However, whether moral disengagement serves a mediating role in the relationship between ethical leadership and employees' unethical but pro-organizational behaviors (i.e. UPB) has not been fully addressed. Consequently, the second purpose of this research is to investigate whether ethical leadership influences employee UPB by focusing on the mediating effect of moral disengagement.

Last, scholars (O'Fallon and Butterfield, 2011, 2012; Robinson and O'Leary-Kelly, 1998; Robinson *et al.*, 2014) have argued that coworkers' deviant or unethical behaviors have a critical impact on employees' cognitions, attitudes and behaviors through the lens of social learning theory (Bandura, 1986). Through vicarious or observational learning, individuals learn which behaviors are appropriate and acceptable in their social environment; the more the employees observe coworkers engaging in ethical or unethical behaviors, the more likely they are to engage in the same or similar activities. Especially, coworkers act as a significant ethical reference that can influence employees' ethical decision-making and behaviors (O'Fallon and Butterfield, 2012), and it is possible that the social influence from coworker behaviors may serve as an important boundary condition in the processes of ethical leadership (Brown and Mitchell, 2010; Miao *et al.*, 2013). Thus, in line with social learning theory (Bandura, 1986), we extend past findings and propose that different levels of perceived coworker ethical behavior may intensify or mitigate the impact of ethical leadership on employee UPB via moral disengagement. The last purpose of this research is to understand the boundary conditions of the ethical leadership process by focusing on the moderating effect of coworker ethical behavior. To address the remaining issues aforementioned, the present study proposes and examines a model of ethical leadership outlining the potential mediating and moderating mechanisms that explain its association with employee UPB, as illustrated in Figure 1.

Theoretical background and hypotheses

Ethical leadership and UPB

Ethical leadership is defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown *et al.*, 2005, p. 120). The present study argues that ethical leadership can reduce employee UPB for two reasons. First, according to the social learning theory (Bandura, 1986), as moral persons, ethical leaders serve as the role models transforming employees' moral values and cognitions (Gan, 2018; Treviño and Brown, 2005). Through interacting with ethical leaders, subordinates tend to make their values, attitudes and self-concept consistent with the moral image of the leaders, which in turn can prevent the subordinates from committing UPB (Brown *et al.*, 2005; Miao *et al.*, 2013; Walumbwa *et al.*, 2011). That is, ethical leadership may serve as an external stakeholder to deter not only employees' self-centered workplace deviance but also their UPB, a pro-organizational but antisocial practice (De Hoogh and Den Hartog, 2008). Second, as moral managers (Gan, 2018; Treviño and Brown, 2005), ethical leaders have an authority to create the normative standards at work and use reward and punishment to keep their subordinates accountable for their ethical performance. Under the governance of ethical codes, subordinates will be more likely to ensure that their behavior is consistent with ethical standards and be less likely to engage in unethical behavior that is



Note(s): UPB = Unethical pro-organizational behavior

Figure 1.
Proposed
research model

pro-organizational but which risks being sanctioned by their leaders (Miao *et al.*, 2013). That is, if ethical leaders set a high priority of workplace ethical codes, it will outweigh this temptation and help employees avoid UPB (De Hoogh and Den Hartog, 2008). According to social learning theory (Bandura, 1986), ethical leaders can serve as ethical role models to prevent employees from engaging in UPB as well as antiorganizational unethical conduct. Thus, we propose:

H1. Ethical leadership is negatively related to employee UPB.

Moral disengagement as a mediator between ethical leadership and UPB

Bandura (1999) stated that moral disengagement as a cognition consists of eight interrelated mechanisms, whereby “moral self-sanctions are selectively disengaged from inhumane conduct” (p. 193). These mechanisms can be further categorized into three broad dimensions of moral disengagement. First, individuals may utilize a set of cognitive reconstrual processes (e.g. moral justification, euphemistic labeling and advantageous comparison) to cognitively distort the outcomes of unethical conducts so that they can make these conducts seem less harmful and unethical (Bandura, 1999; Bandura *et al.*, 1996). Second, individuals may distort and minimize the role played by a moral agent in their unethical conducts via displacement of responsibility and diffusion of responsibility (Bandura, 1999; Bandura *et al.*, 1996). Third, dehumanization, distortion of consequences and the attribution of blame are also several moral disengagement practices that enable individuals to reduce identification with other people (e.g. customers or coworkers) or even to view imposing unethical treatment on the innocent as rightly deserved by them.

Recently, Moore *et al.* (2018) found that moral disengagement functions as a mediating mechanism linking ethical leadership to employee deviance and unethical decision-making. They argued that ethical leaders can activate subordinates’ cognitions of moral standards via practices such as establishing ethical codes, communicating ethical expectations with subordinates, being role models of ethical conduct and using reward and punishment systems for enforcing ethical requirements. Due to ethical leaders’ moral management, subordinates will become accountable for right or wrong behaviors and display appropriate behaviors through their moral cognitions. They will become less morally disengaged in their decision-making and thus commit fewer unethical acts. That is, moral disengagement can play a role in mediating the negative effect of ethical leadership on employees’ unethical behaviors.

In this study, we argue that moral disengagement mediates the effect of ethical leadership on employee UPB. Specifically, the pro-organizational nature of UPB makes itself more easily susceptible for the influence of moral justification (Umphress and Bingham, 2011) than the unethical behavior centered on selfish purpose. Moral justification, particularly, is a cognitive reconstrual process that involves the individual reconstructing ethically problematic behavior to make it appear personally and socially acceptable (Bandura, 1999). When engaging in moral justification, individuals will cognitively legitimize their unethical behavior and are not aware that the behavior is prohibited. In other words, moral justification evokes employees’ cognitions of moral disengagement (Bandura, 1999), and these cognitions could be a strong predictor of their likelihood of engaging in UPB. Given that ethical leadership negatively influences moral disengagement (Moore *et al.*, 2018), it is reasonable to argue that ethical leadership can work through moral disengagement to deter employee UPB. Thus, we propose:

H2. Moral disengagement mediates the negative effect of ethical leadership on employee UPB.

The moderating role of coworker ethical behavior

Social learning theory (Bandura, 1986) suggests that individuals learn the appropriateness of moral standards through vicarious learning, whereby individuals in the social environment

can learn to develop and internalize their moral standards and regulate their behaviors in accordance with these internal standards by witnessing or learning the behaviors of others. In line with the social learning perspective, coworkers should be a particularly important learning source because they are close to employees and are available to provide employees with cues about appropriate and expected behaviors in their social environment (O'Fallon and Butterfield, 2011, 2012; Robinson and O'Leary-Kelly, 1998; Robinson *et al.*, 2014). Although leaders and coworkers are important sources of role modeling within the organizational context, the power and status of leaders make them salient role models to employees (Bandura, 1986). In other words, the effects of vicarious learning from ethical coworkers should be weaker than those from ethical leaders. As such, when taking ethical leadership and coworker ethical behavior into consideration simultaneously, we expect that coworker ethical behavior will not directly influence employee UPB, but it will act as a complementary role cultivating employee moral cognition that could moderate the effect of moral disengagement on employee UPB.

We argue that coworker ethical behavior would mitigate the positive effect of moral disengagement on employee UPB. As employees are likely to look to coworkers for clarifying the ethical guidance when they face uncertainty about whether to engage in unethical but pro-organizational behaviors, coworkers' ethical behaviors can provide important ethical messages and standards for them to follow and which can encourage them to make ethical decisions (O'Fallon and Butterfield, 2011, 2012). Thus, we believe that the more employees perceive their coworkers to be ethical, the more likely it is that their moral cognitions will be shaped and strengthened, in turn attenuating the positive effect of moral disengagement on employee UPB. On the contrary, we argue that UPB levels for morally disengaged employees will be high when experiencing low levels of coworker ethical behavior, because low coworker ethical behavior may signal social cues for relieving employees' morally cognitive distortions and rationalizing their morally disengaged cognitions. As Robinson *et al.* (2014) argued, exposure to the ambient environment of coworker misbehavior can lead to an imitation effect among employees; that is, individual employees appear to imitate the coworker misbehavior that pervades the work environment. When perceiving low coworker ethical behavior, employees, particularly morally disengaged individuals, may interpret low ethical principles, standards and practices as being appropriate and acceptable in their social environment and are therefore more likely to engage in UPB. Thus, we expect that low coworker ethical behavior would reinforce the positive effect of moral disengagement on employee UPB. Based on the aforementioned argument, we posit that the strength of the positive effect of moral disengagement on employee UPB will vary depending on the levels of perceived coworker ethical behavior. Hence, we propose:

- H3.* Coworker ethical behavior moderates the positive effect of moral disengagement on employee UPB, such that the effect is weaker when coworker ethical behavior is high rather than low.

Integrating the arguments of H2 and H3 suggests a moderated mediation model (Preacher *et al.*, 2007) in which coworker ethical behavior moderates the ethical leadership–moral disengagement–UPB relationship. If high coworker ethical behavior does mitigate the effect of moral disengagement on UPB, the indirect effect of ethical leadership on employee UPB via moral disengagement will also be weakened. Accordingly, we propose:

- H4.* Coworker ethical behavior moderates the indirect effect of ethical leadership on employee UPB via moral disengagement, such that the effect is weaker when coworker ethical behavior is high compared to low.

Method

Participants and procedures

The participants in this study were full-time employees from five organizations in Taiwan. Prior to the start of the present study, each organization's human resources department distributed a cover letter to all employees from the sales and marketing department explaining the survey process, asking for volunteers for participation and assuring confidentiality of their responses. To minimize the potential for common method bias (Podsakoff *et al.*, 2012), we employed the procedures of multiple data sources and time lags for data collection. We collected data from employees and their coworkers at two time points with six weeks in between. In the first-phase survey (time 1), employees were asked to report their perceptions of ethical leadership and coworker ethical behavior. In the second-phase survey (time 2), six weeks later, employees rated their moral disengagement and were asked to invite one coworker who was familiar with them to participate in the research. The invited coworker was asked to rate the focal employees' recent engagement in UPB.

A total of 400 questionnaires were distributed to full-time employees. At time 1, 273 completed questionnaires were received from employees, yielding a response rate of 68.25%. At time 2, we distributed 273 questionnaires to employees and their invited coworkers, and 260 were returned. After eliminating nine questionnaires with repeating or missing responses, the final sample consisted of 251 employee-coworker dyads. Of the 251 employees, 37.8% were men and 62.2% were women; the highest level of education attained consisted of 7.2% high school or below, 11.2% junior college, 61.4% university, 19.9% master's degree and 0.4% PhD. The age of the employees ranged from 20 to 65 years old, with a mean of 31.13 (SD = 7.47).

Measures

We assessed all measures using a seven-point Likert scale (1 = *strongly disagree*; 7 = *strongly agree*). Since the measures used were originally developed in English, a translation and back-translation procedure (Brislin, 1980) was used to ensure both semantic accuracy and content validity of the Chinese translation of the measures.

Ethical leadership. Ethical leadership was assessed using the multidimensional 38-item ethical leadership at work questionnaire (ELW) developed by Kalshoven *et al.* (2011). Sample items are: "My supervisor clarifies the likely consequences of possible unethical behavior by myself and my colleagues" and "My supervisor explains what is expected of me and my colleagues." We averaged responses to the 38 items to form a composite score of ethical leadership. Cronbach's alpha for the entire scale was 0.96.

Coworker ethical behavior. Coworker ethical behavior was measured using three items from Mayer *et al.* (2013). A sample item is: "Overall, my coworkers set a good example of ethical business behavior." Cronbach's alpha for this scale was 0.85.

Moral disengagement. Moral disengagement was measured using eight items from Moore *et al.* (2012). A sample item is: "Taking something without the owner's permission is okay as long as you're just borrowing it." Since Bandura *et al.* (1996) suggested that moral disengagement should be expected to measure as a single higher-order construct, we followed previous research (Detert *et al.*, 2008) to average the eight items to form a composite score of moral disengagement. Cronbach's alpha for this scale was 0.81.

Unethical pro-organizational behavior (UPB). UPB was measured using six items from Umphress *et al.* (2010). The rater (i.e. coworker) was asked to assess the extent of the focal employee's recent engagement in UPB. A sample item is: "If it would help my organization, he/she would misrepresent the truth to make my organization look good." Cronbach's alpha for this scale was 0.91.

Results

Construct validity and descriptive statistics

To examine the construct validity of the measures used in this study, we performed a series of confirmatory factor analyses (CFA). As shown in Table 1, the CFA results showed that the four-factor model yielded a better fit to the data ($\chi^2 [246] = 695.11$, $p < 0.01$, CFI = 0.93, NNFI = 0.92, SRMR = 0.07, RMSEA = 0.08) than all of the other alternative models. The Chi-square differences tests also demonstrated a significantly better fit for the four-factor model as compared with the other alternative models (see Table 1), providing evidence for the adequate discriminant validity of the four constructs. Moreover, the factor loadings of the indicators in each of the four constructs were statistically significant ($p < 0.01$), an additional indication of the attainment of satisfactory convergent validity (Anderson and Gerbing, 1988). Table 2 shows the descriptive statistics, reliability estimates and correlations of the study variables.

Hypothesis testing

We conducted hierarchical regression analyses to test our hypotheses. H1 stated that ethical leadership is negatively related to employee UPB. As shown in model 2 of Table 3, ethical leadership had a negative effect on employee UPB ($b = -0.28$, $SE = 0.10$, $p < 0.01$). We also performed an additional analysis to detect the possibility of the curvilinear effect of ethical leadership on employee UPB, as previous research has found an inverted U-shaped (curvilinear) relationship between ethical leadership and UPB (Miao *et al.*, 2013). The results revealed that the coefficient associated with the quadratic term of ethical leadership did not significantly predict employee UPB ($b = 0.02$, $SE = 0.07$, ns), indicating that the curvilinear effect did not exist. Hence, we conclude that ethical leadership had a negative linear relationship with employee UPB, providing support for H1.

H2 predicted that moral disengagement mediates the negative effect of ethical leadership on UPB. As shown in models 1 and 3 of Table 3, ethical leadership was negatively related to moral disengagement ($b = -0.33$, $SE = 0.07$, $p < 0.001$) and, when controlling for ethical leadership and coworker ethical behavior, moral disengagement was positively related to employee UPB ($b = 0.27$, $SE = 0.09$, $p < 0.01$). Following Preacher and Hayes (2008), we utilized the 95% bias-corrected bootstrap confidence interval (CI) analyses with 5,000 bootstrap samples to further examine the statistical significance of the mediation effect. The results of the bootstrapping tests showed that the 95% CI around the mediation effect of moral disengagement (indirect effect = -0.09 , $SE = 0.04$, 95% CI = $[-0.18, -0.03]$, $p < 0.05$) did not contain zero, indicating that the mediation effect of moral disengagement was significant. Hence, H2 was supported.

Model	χ^2	df	CFI	NNFI	SRMR	RMSEA	$\Delta\chi^2(\Delta df)$
1. Four-factor model	695.11	246	0.93	0.92	0.07	0.08	–
2. Three-factor model 1 ^a	941.65	249	0.89	0.88	0.09	0.11	246.54** (3)
3. Three-factor model 2 ^b	1071.85	249	0.87	0.85	0.12	0.14	376.74** (3)
4. One-factor model	3269.50	252	0.67	0.64	0.19	0.22	2574.39** (6)

Note(s): $\Delta\chi^2$ and Δdf denote differences between the four-factor model and other models. CFI, comparative fit index; NNFI, nonnormed fit index; SRMR, standardized root mean square residual; RMSEA, root mean square error of approximation

^aThis model combines ethical leadership and coworker ethical behavior into one factor

^bThis model combines ethical leadership and moral disengagement into one factor

** $p < 0.01$

Table 1.
Results of
confirmatory factor
analyses

H3 proposed that coworker ethical behavior moderates the positive effect of moral disengagement on employee UPB. As shown in model 4 of Table 3, the interaction of moral disengagement and coworker ethical behavior significantly predicted employee UPB ($b = -0.30$, $SE = 0.08$, $p < 0.001$; $\Delta R^2 = 0.05$, $p < 0.001$). We followed Aiken and West's (1991) approach to plot the interaction effect in Figure 2, which shows that the positive effect of moral disengagement on employee UPB is weaker when coworker ethical behavior is high. Simple slope tests showed that moral disengagement was positively related to UPB at the low level of coworker ethical behavior ($slope = 0.52$, $SE = 0.11$, $t = 4.59$, $p < 0.001$), but was unrelated to UPB at the high level of coworker ethical behavior ($slope = -0.07$, $SE = 0.13$, $t = -0.56$, ns). Thus, H3 was supported.

H4 posited that coworker ethical behavior moderates the indirect effect of ethical leadership on employee UPB via moral disengagement. Following the procedures suggested by Preacher et al. (2007), we examined the conditional indirect effect of ethical leadership on employee UPB via moral disengagement at two values of coworker ethical behavior: one standard deviation above the mean score of coworker ethical behavior (a high-level condition) and one standard deviation below the mean score of coworker ethical behavior (a low-level condition). The

Table 2.
Means, standard
deviations, reliability
and correlations
among study variables

Variable	<i>M</i>	<i>SD</i>	1	2	3	4
1. Ethical leadership (time 1)	5.13	0.84	(0.96)			
2. Coworker ethical behavior (time 1)	5.43	0.99	0.49**	(0.85)		
3. Moral disengagement (time 2)	2.50	0.96	-0.29**	-0.24**	(0.81)	
4. UPB (time 2)	3.11	1.38	-0.17**	-0.03	0.22**	(0.91)

Note(s): Numbers in parentheses are coefficient alphas. UPB, Unethical pro-organizational behavior
** $p < 0.01$

Table 3.
Results of hierarchical
regression analyses

	Moral disengagement (time 2)				UPB (time 2)			
	Model 1 <i>b</i>	<i>SE</i>	Model 2 <i>b</i>	<i>SE</i>	Model 3 <i>b</i>	<i>SE</i>	Model 4 <i>b</i>	<i>SE</i>
<i>Independent variable</i>								
Ethical leadership (time 1)	-0.33***	0.07	-0.28**	0.10	-0.26*	0.12	-0.26*	0.12
<i>Mediator</i>								
Moral disengagement (time 2)					0.27**	0.09	0.22*	0.09
<i>Moderator</i>								
Coworker ethical behavior (time 1)					0.12	0.10	0.10	0.10
<i>Interaction</i>								
Moral disengagement (time 2) × Coworker ethical behavior (time 1)							-0.30***	0.08
R^2	0.08		0.03		0.06		0.11	
ΔR^2					0.03		0.05	
F	23.08***		7.46**		5.75**		7.78***	
ΔF					4.78**		13.05***	

Note(s): Unstandardized regression coefficients are reported. UPB, Unethical pro-organizational behavior
* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

results showed that the conditional indirect effect was significantly negative at the low level of coworker ethical behavior (indirect effect = -0.17 , $SE = 0.06$, 95% $CI = [-0.31, -0.08]$, $p < 0.05$), but it was nonsignificant at the high level of coworker ethical behavior (indirect effect = 0.02 , $SE = 0.04$, 95% $CI = [-0.06, 0.12]$, ns). The aforementioned results indicated that a moderated mediation had occurred, providing support for H4.

Discussion

Theoretical implications

The present research provides a number of implications for theory. First, this study justifies a negative linear relationship between ethical leadership and employee UPB through the lens of social learning theory (Bandura, 1986). This finding is inconsistent with the results of Miao *et al.* (2013), who found that ethical leadership has an inverted U-shaped (curvilinear) relationship with UPB. Since Miao *et al.* (2013) examined the ethical leadership–UPB relationship using data collected from the same respondents, it is likely that the survey respondents may feel that doing good for organizations but not for others is partially ethical and corresponds with their assessment of moderate levels of ethical leadership. Thus, the same source of information about ethical leadership and UPB may result in the finding of an inverted U-shaped relationship. In this study, we proactively examined the same relationship using paired data from employees (employee-rated ethical leadership) and their coworkers (coworker-rated UPB) and confirmed that ethical leadership had a negative linear rather than curvilinear relationship with employee UPB. By avoiding the cognitive association of the moderate level of ethical leadership and UPB occurring within the same respondents, this study includes objective assessments of employee UPB by their coworkers, which is more appropriate for validating the exact relationship between ethical leadership and UPB, and our findings should thus be more credible.

Second, this study is the first to examine the mediating effect of moral disengagement on the ethical leadership–UPB relationship. In line with Bandura's (1999) moral disengagement theory, an extension of his social learning theory, our findings demonstrate that moral disengagement can function as a cognitive mechanism to explain the relationship between ethical leadership and employee UPB. This suggests that ethical leaders need to conduct behaviors that are normatively appropriate in the eyes of employees and thus build up credit as ethical role models (Brown *et al.*, 2005). The more employees are exposed to ethical role models, the less they are morally disengaged, ultimately reducing the extent to which they engage in UPB. The significant mediating effects of moral disengagement in this study will advance our understanding of the mechanisms through which ethical leaders prevent their

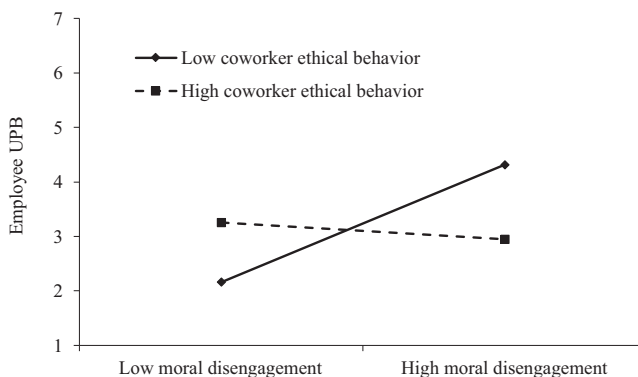


Figure 2.
The moderating effect
of coworker ethical
behavior on the
relationship between
moral disengagement
and employee
unethical pro-
organizational
behavior (UPB)

followers from displaying UPB, thereby highlighting the importance of developing employees' moral cognitions in the ethical leadership process.

Third, theoretical (Bandura, 1986; Robinson *et al.*, 2014) and empirical studies (O'Fallon and Butterfield, 2011, 2012; Robinson and O'Leary-Kelly, 1998) have suggested that coworkers can serve as role models because their behavior and its subsequent consequences provide opportunities for employees to learn what behaviors are socially appropriate. Consistent with this notion, our results showed that coworker ethical behavior, as a situational moderator, can mitigate the positive effect of moral disengagement on employee UPB. This suggests that working environments characterized by high coworker ethical behavior can signal moral cues that prevent morally disengaged employees from engaging in UPB. Thus, our study can respond to the call of Miao *et al.* (2013) for an empirical examination of the role played by coworkers in influencing employee UPB. Our findings also align with the social learning arguments (Bandura, 1986), demonstrating the importance of social influence from coworkers in reducing employees' unethical behaviors in organizations.

Fourth, our results showed that the indirect effect of ethical leadership on employee UPB via moral disengagement was significantly negative when employees perceived low levels of coworker ethical behavior, but it was nonsignificant when employees perceived high levels of coworker ethical behavior. This suggests that the ethical leadership process works even better when employees are exposed to an ambient environment characterized by low coworker ethical behavior, because ethical leaders in such an environment serve as the one and only ethical role model that can provide ethical guidance and support for reducing employees' moral disengagement, in turn preventing them from engaging in UPB. On the other hand, when employees are exposed to an ambient environment characterized by high coworker ethical behavior, they can learn appropriate ethical standards and practices and develop their moral cognitions through witnessing or learning from coworkers' ethical behaviors. In such cases, the ethical milieu shaped by coworkers' ethical behavior may substitute ethical leadership for attenuating the influence of employees' moral disengagement on their UPB. By showing that coworkers matter morally as much as leaders, our study not only supports the similar findings of Moore *et al.* (2018) but also coincides with the substitution argument about replacing weak managerial leadership by strong organizational contextual forces in the literature (Manz and Sims, 1980).

Finally, it is noteworthy that our findings might be subject to the contextual impact of cultural values. Zhang (2020) argued that the Chinese cultural context may encourage employee UPB more easily, because collectivist cultures place greater emphases on social conformity and harmony and the obligation to maximize the organization's benefits than the individual's interests. Given that our study was conducted in a collectivist culture (i.e. Taiwan; Hofstede, 1997), it may be possible for collectivist employees to adjust their personal ethical beliefs and cognitions to achieve the goals of the organization, even tending to view morally questionable behaviors as a necessary part of their job. That is, collectivist employees are more likely to engage in UPB for the benefit of the organization. Hence, in our research, it is possible that the effect of moral disengagement on employee UPB may have been intensified because of the attributes of collectivism. Future research could simultaneously collect data from both collectivist and individualistic cultures to empirically examine whether different cultural values may moderate the moral disengagement–UPB relationship.

Practical implications

The findings of this study have several important practical implications. First, according to our findings, ethical leadership is one essential way of restraining employees from becoming involved in UPB. As employees may engage in UPB for the sake of their organizations, ethical leadership is important for preventing such behavior. Thus, organizations should pay more

attention to ethical management practices and invest in ethical leadership interventions to help their managers become ethical leaders in order to prevent the occurrence of employee UPB.

Second, our results show that moral disengagement mediates the relationship between ethical leadership and employee UPB. This suggests that managers behaving ethically themselves are the most immediate and effective way to reduce employee moral disengagement, for instance, managers need to establish clear standards to evaluate and sanction unethical behaviors, even when conducted in favor of the organization. Furthermore, organizations should assess employees' levels of moral disengagement and provide morally disengaged employees with appropriate interventions, such as mindfulness meditation training (Sevinc and Lazar, 2019), to improve their moral cognitions and reduce their morally disengaged cognitions. Once employees' moral disengagement is lessened, they will be less likely to engage in UPB in their organizations.

Last, our results show that coworker ethical behavior can prevent morally disengaged employees from engaging in UPB. This suggests that organizations should regularly monitor organizational members' unethical behaviors in the workplace and can facilitate their ethical behaviors by implementing an ethics training program. In addition, organizations may strive to create an ethical work environment to get everyone behaving ethically in the workplace. As Victor and Cullen (1988) argued, an organizational context will be considered as more ethical if its members emphasize the minimization of self-interest (noninstrumental) and show more caring for others, independence in decision-making and rules or law and code abiding in their decision-making and behavior. An ethical climate is beneficial to prevent employees' deviant or unethical behaviors in the workplace (Martin and Cullen, 2006). Thus, organizations could create an ethical work environment by cultivating noninstrumental, caring, independence, rules and law and code ethical climates in an organization and integrate them into employees' work procedures in order to make ethical climates more relevant to employees' cognitions and feelings. Nurturing an ethical atmosphere in an organization can induce a perception of organizational morality in organizational members, which will be useful in reducing the occurrence of UPB, even for those who have high levels of moral disengagement.

Limitations and future research

Our study has some limitations that should be noted. First, since our data of ethical leadership and moral disengagement were collected from the same participants, we cannot completely exclude the concern of common method bias. Second, we cannot make causal inferences from the finding of the positive relationship between moral disengagement and employee UPB, because we collected the data of employee-rated moral disengagement and coworker-rated UPB at the same point in time. Future studies could replicate the present model with a longitudinal design in order to avoid common method bias and to draw confident causal conclusions. Furthermore, previous research (Miao *et al.*, 2013) has suggested that subordinates' identification with the leader can strengthen the leader's influence on subordinates, because subordinates who strongly identify with their leader tend to exhibit greater sensitivity to the expectations of their leader and share similar values and beliefs with their leader. It is likely that employees' identification with the ethical leader could strengthen the effect of ethical leadership on employee moral disengagement. We encourage future researchers to validate this proposition, which can enrich our understanding of how employees' identification with ethical leaders influences the ethical leadership process.

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