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How Leaders Drive Followers' Unethical Behavior

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Numerous organizational scandals have implicated leaders in encouraging employees to advance organizational objectives through unethical means. However, leadership research has not examined leaders' encouragement of unethical behaviors. We define leader immorality encouragement (LIE) as an employee's perception that their leader encourages unethical behaviors on behalf of the organization. Across four studies, we found, as hypothesized, that (1) LIE promotes employees' unethical behavior carried out with the intention to aid the organization (unethical pro-organizational behavior); (2) this relationship is mediated by employees' moral disengagement and the expectation of rewards; (3) LIE, via moral disengagement, enhances employees' self-serving unethical behavior; and (4) the relationship between LIE and unethical behavior is stronger when the leader has a higher quality exchange relationship with the employee and is perceived by the employee as having higher organizational status. Our set of findings contributes to an understanding of

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leaders' attempts to further organization objectives by encouraging the unethical behavior of subordinates.

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News reports of organizational scandals often include organizational *leaders' encouragement of subordinates to commit unethical acts on behalf of their organization.* Examples include leaders instructing accountants to inflate earning reports (Eichenwald, 2005; Kaplan & Kiron, 2004; Solieri, Felo, & Hodowanitz, 2008), asking employees to exaggerate benefits of medical products and services or hide aversive side effects (Carreyrou, 2018; Meier, 2018), ordering hospital personnel to falsify records to cover up shortcomings in healthcare services (Goudie, 2016), encouraging teachers to help students cheat to promote the school's performance on standardized tests (Le Coz, 2014; Rankin, 2014), requiring police officers to file bogus charges to improve crime statistics (Maing, 2018; Riotta, 2018), and asking auditors to destroy records that would shed light on corporate wrongdoing (Eichenwald, 2005). High-profile scandals—such as those at Enron, WorldCom, HealthSouth, Purdue Pharma, Theranos, Arthur Andersen, New York Police Department, VA Hospitals, and Atlanta Public Schools—reveal that leaders who encourage unethical acts inflict serious harm on clients, employees, the community, shareholders, organizations, and often themselves.

Such behaviors are not limited to a small number of scandals that make the headlines. A recent survey of 5,101 employees in 18 countries found a sizeable percentage felt pressured to compromise ethical standards, including 20% or more in the U.S., U.K., Germany, Italy, China, South Korea, Indonesia, and South Africa; 30% or more in France, Russia, and Turkey; and 40% or more in India and Brazil (Ethics & Compliance Initiative, 2018). Despite the commonality of leaders' encouragement of unethical behaviors and calls for more studies (e.g., Brown & Mitchell, 2010; Treviño, den Nieuwenboer, & Kish-Gephart, 2014), research in this area remains scarce. Instead, the literature regarding the "dark side of leadership" has predominantly focused on leaders' abusive behaviors toward employees (e.g., insulting them and treating them unfairly; Brown & Mitchell, 2010) without considering requests for unethical behavior.

To address this limitation, we introduce the concept of *leader immorality encouragement* (LIE), which we define as an employee's perception that a leader encourages him or her to engage in unethical behaviors on behalf of the organization. By unethical behaviors, we mean those that violate conventional morality regardless of their severity. As illustrated by the preceding scandals, LIE often involves leaders asking employees to exaggerate the good qualities of the organization to customers and the public or to hide information that may be damaging to the organization's reputation. Other examples include leaders encouraging employees in specific jobs (e.g., accountants, engineers, and salespeople) to cook the books, violate environmental safety standards, steal intellectual property, overcharge clients, bribe authorities, and engage in anticompetitive practices (e.g., price-fixing). LIE can promote mild ethical violations (e.g., incorrectly claiming a company's product is better than those of rivals) as well as severe misconduct (e.g., hiding fatal design flaws in airplanes or automobiles).

Our studies indicate that LIE can be a major driver of unethical behavior carried out with the intention to aid the organization (*unethical pro-organizational behavior, or UPB*; Umphress, Bingham, & Mitchell, 2010) and that LIE, albeit unintentionally, increases the likelihood of self-serving unethical behaviors. Employees often look beyond their convictions toward leadership for ethical guidance within the workplace (Bandura, 1986; Brown, Treviño, & Harrison, 2005; Kohlberg, 1969; Treviño, 1986; Treviño et al., 2014). According to social cognitive theory, individuals socially learn to act (un)ethically from authority figures such as organizational leaders (Bandura, 1986, 1991; Moore et al., 2019). We investigate two social cognitive mechanisms that may help explain the relationship between LIE and employees' unethical behaviors—namely, *moral disengagement* (i.e., deactivation of personal moral standards) and *anticipation of rewards* (Bandura, 1986, 1991). Moral disengagement encourages excuses for unethical behavior and, thus, inhibits negative feelings of shame or guilt that commonly ensue when contemplating whether to engage in unethical conduct (Bandura, 1991; Newman, Le, North-Samardzic, & Cohen, 2020; Welsh, Ordóñez, Snyder, & Christian, 2015). Because LIE signals that unethical behavior is an acceptable means of achieving success, employees may mobilize moral disengagement to justify unethical behaviors. Therefore, we examine whether moral disengagement mediates the relationship between LIE and unethical behaviors on behalf of, both, the organization and employees themselves.

Social cognitive theory also emphasizes the importance of anticipated rewards for behaviors promoted by role models (Bandura, 1986; Umphress et al., 2010). Employees attend to communications by leaders to extract information about behaviors that are likely to be rewarded (Brown et al., 2005). LIE suggests to employees that the leader prefers UPB, and this creates an expectation that UPB will be rewarded by the leader. Thus, we examine whether anticipated rewards mediate the relationship between LIE and UPB. Moreover, because leaders' influence is generally greater when they have more legitimacy, respect, and power (Bandura, 1991; Lian, Ferris, & Brown, 2012; Tu, Bono, Shum, & LaMontagne, 2018), LIE's association with employees' unethical behaviors may be stronger when the leader is perceived by the employee as having higher organizational status (Eisenberger, Stinglhamber, Vandenberghe, Sucharski, & Rhoades, 2002). Further, a high-quality leader-member exchange (LMX) relationship (Dansereau, Graen, & Haga, 1975; Dulebohn, Bommer, Liden, Brouer, & Ferris, 2012) may further enhance the relationship of LIE with unethical behavior by enhancing the employee's respect for the leader and their trust that the leader will reward the follower for UPB.

We make four contributions to theory and practice. First, we contribute to the research on the "dark side of leadership" by conceptualizing LIE to account for a common type of leaders' immoral behavior that has received very little attention in the empirical literature (Brown & Mitchell, 2010). We theorize and empirically investigate LIE's outcomes, mediators, and moderators. Overall, our studies show that LIE is distinct from other ethical and unethical leadership constructs and is related to unethical behaviors via two social cognitive mechanisms—namely, moral disengagement and reward expectancy. Our conceptualization of LIE and development of a reliable instrument to assess it should facilitate future research on ways to curb unethical organizational behaviors. Second, our research contributes to leadership theory by highlighting the potentially deleterious effects that high levels of LMX and leader status may have when associated with immorality-encouraging leaders. As such, we

amend the predominant view that higher levels of LMX and organizational status are generally associated with positive outcomes (e.g., Dulebohn et al., 2012; Eisenberger et al., 2002). Third, we theorize and find that LIE enhances employees' self-serving unethical behavior. Thus, we alert managers as well as management scholars to the irony that LIE, although intended by leaders to promote unethical actions that benefit the organization, may inadvertently promote unethical actions that harm the organization. Fourth, our findings suggest that organizations should attempt to reduce LIE and curb its harmful downstream effects. For example, organizations could use evidence of ethical lapses to inform decisions concerning leaders' hiring and promotion. In addition, management and employee training could stress the unacceptability of LIE and emphasize organization members' rights and responsibilities to dissent from leaders' unethical requests. Further, employees could be guaranteed protection from any retribution when they report LIE. These practices would lessen leaders' temptation to use their positions to promote unethical behaviors.

Theory and Hypotheses

Leader Immorality Encouragement

LIE involves leaders' *intentional* promotion of unethical behaviors to be carried out on behalf of the organization. LIE can pave the way for the creation of a corrupt organization in which unethical behaviors are systemic and institutionalized (Ashforth & Anand, 2003; Brief, Buttram, & Dukerich, 2001; Pinto, Leana, & Pil, 2008). Leaders may engage in LIE because subordinates' specialized roles may be required to take advantage of unethical behaviors that help the organization. Also, assigning unethical tasks to subordinates rather than doing them oneself may provide leaders with plausible deniability if unethical behavior comes to light.

LIE may be distinguished from *ethical leadership* (Brown et al., 2005). Low ethical leadership, in contrast to LIE, indicates a failure to promote ethical behavior rather than the encouragement of immorality (Brown & Mitchell, 2010). In other words, a leader who does not actively promote ethical values does not necessarily request unethical behaviors. Second, ethical leadership broadly encompasses leaders' ethical behaviors directed toward employees, whereas LIE pertains to a leader's specific requests of unethical behaviors on behalf of the organization.

LIE differs, also, from a leader's *bottom-line mentality*, involving the leader's single-minded focus on positive results while ignoring other priorities such as ethics and employee welfare (Greenbaum, Mawritz, & Eissa, 2012). Although leaders' bottom-line mentality may inadvertently promote unethical behaviors among employees due to the leaders' excessive emphasis on business results (Babalola, Mawritz, Greenbaum, Ren, & Garba, 2021; Greenbaum et al., 2012), leaders with a high bottom-line mentality do not necessarily advocate unethical behavior, as is the case with LIE. We empirically assess the distinctions of LIE with ethical leadership and bottom-line mentality.

The Role of LIE in Promoting Employees' UPB

Leadership scholars have frequently relied on social cognitive theory (Bandura, 1977, 1986) to understand the role of leaders in shaping followers' behaviors. For example, research on

ethical and transformational leadership have used social cognitive theory to explain how subordinates acquire an understanding of appropriate behaviors (Brown et al., 2005; Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Moore et al., 2019; Tucker, Turner, Barling, & McEvoy, 2010). Similarly, social cognitive theory has been used to explain the relationships of leaders' abusive and unethical behaviors and bottom-line mentality with followers' abusive and unethical behaviors (Fehr, Fulmer, & Keng-Highberger, 2020; Greenbaum et al., 2012; Lian et al., 2012; Liu, Liao, & Loi, 2012; Mawritz, Mayer, Hoobler, Wayne, & Marinova, 2012; Tu et al., 2018). These studies indicate that employees indeed learn a range of positive and negative behavior from their leaders. We rely on two mechanisms described by social cognitive theory—*moral disengagement* and *anticipation of rewards* (Bandura, 1986, 1991)—to explain how LIE promotes UPB.

Bandura (1991) argued that the social environment impacts an individual's moral functioning by facilitating activation or deactivation (disengagement) of moral self-regulation. Moral disengagement allows individuals to isolate their current context from usual moral strictures and thus experience less internal conflict and guilt when acting unethically (Welsh et al., 2015). Researchers have found moral disengagement to be positively related to various unethical decisions and behaviors, including cheating, lying, organizational deviance, and UPB (Chen, Chen, & Sheldon, 2016; Newman et al., 2020). In addition, moral disengagement has been shown to be a mechanism through which leaders influence the moral decisions and behaviors of their followers (e.g., Farasat & Azam, in press; Moore et al., 2019). LIE may activate cognitive defense mechanisms that mitigate self-sanctioning, which typically occurs when individuals' actions defy their personal standards. According to social cognitive theory, legitimate authorities, such as organizational leaders, may promote moral disengagement among individuals by reconstruing an unethical act as ethical or by shifting the responsibility to the leader (Bandura, 1991). Because LIE signals that unethical behaviors are needed for the organization's success, employees may mobilize moral disengagement mechanisms to justify unethical behaviors. The resulting moral disengagement is, thereby, likely to facilitate UPB.

In addition to moral disengagement, a second social cognitive mechanism that may mediate the LIE-UPB relationship involves employees' anticipation of rewards for UPB. Umphress et al. (2010) argued that employees would engage in UPB when they expect that UPB will be rewarded by their organization. Their argument was rooted in social cognitive theory's assertion that anticipated reward for immoral behaviors facilitates the performance of such behaviors (Bandura, 1986, 1991; Treviño & Brown, 2005). Unethical behavior, including cheating, has been found to be promoted by expected rewards (Kish-Gephart, Detert, Treviño, Baker, & Martin, 2014). Leaders usually control outcomes that are important for employees (e.g., financial rewards, promotion, favorable assignments). This makes employees attentive to cues from the leader that indicate which behaviors will be rewarded (Brown et al., 2005; Treviño & Brown, 2005). LIE may promote UPB by creating expectations of rewards for requested unethical behaviors. Thus,

Hypothesis 1: Leader immorality encouragement (LIE) is positively associated with employees' unethical pro-organizational behavior (UPB).

Hypothesis 2: The positive relationship between LIE and UPB is mediated by employees' moral disengagement (Hypothesis 2a) and reward expectancy (Hypothesis 2b).

Moderating Influences of LMX and Leader Status on the LIE-UPB Relationship

We argue that LIE may be more effective in promoting unethical behaviors when employees and their leader have a stronger LMX relationship and when the leader has higher status, involving the perception that the leader is valued and influential within the organization. Social cognitive theory maintains that the more respect, legitimacy, and power authorities command, the more likely people will be to defer to the authorities' moral standards (Bandura, 1991; Brown et al., 2005). Expanding this logic to the workplace, we argue that an employee is more likely to comply with LIE when two conditions are present: (1) the leader and the employee have a higher quality exchange relationship (LMX), which enhances the employee's respect, trust, favorable attitudes, and cooperativeness toward the leader (Dansereau et al., 1975; Dulebohn et al., 2012; Liden, Sparrowe, & Wayne, 1997) and (2) the leader is perceived by the employee to have higher organizational status, which boosts the legitimacy and credibility of the leader's instructions, however immoral these may be.

Past research supports our view that high LMX and leader status may make employees more prone to influence by LIE. For example, owing to the follower's trust in the leader in a high LMX relationship, studies have found that high LMX is related to employees' favorable perception of leaders' unethical behaviors (Pelletier, 2012; Shapiro, Boss, Salas, Tangirala, & Von Glinow, 2011). Shapiro et al. (2011) found that employees evaluate actions of transgressing leaders more favorably when such leaders were high in LMX, especially when these leaders also had higher perceived status. Also supporting the idea that LMX may enhance social learning of values from leaders, Weiss (1978) hypothesized and found that leaders' consideration (an antecedent of LMX) increased employees' modeling of leaders' values. Furthermore, research has also found that employees view high-status leaders as more representative of the organization (Eisenberger et al., 2002), which might increase the acceptability of high-status leaders' unethical requests. In addition, based on social cognitive theory's assertion that leader status enhances social learning from leaders, researchers have hypothesized and found that factors that boost the perceived status of supervisors (i.e., high performance and power distance) enhance followers' modeling of their supervisor's abusive behaviors (Lian et al., 2012; Tu et al., 2018).

Building on these findings, we argue that employees are more likely to respond to LIE with moral disengagement and UPB when the leader has higher levels of both LMX and perceived organizational status. When LIE comes from a leader with high LMX but low status, the employee will likely want to support the leader (given the positive attitudes and cooperativeness typically seen in high LMX relationships) but feel less certain about the moral justification of the requested action due to the leader's low legitimacy. Conversely, when LIE comes from a high status and low LMX leader, the employee's negative attitudes and low trust in the leader likely prevent employees from blindly justifying the requested unethical behaviors. Thus, the impact of LIE on employees' moral disengagement and, in turn, UPB is expected to be strongest when both LMX and leader status are high.

Furthermore, the influence of LIE on our second social cognitive mechanism, employees' reward expectancy for UPB, should also be stronger when both LMX and perceived leader status are higher. Based on the norm of reciprocity that characterizes social exchange relationships (Blau, 1964), employees with high LMX may expect their leaders to treat them favorably if they support the leader. Therefore, high LMX indicates the leader's *willingness* to

reward obedience to LIE; however, this alone does not guarantee that there will be a reward or that the reward will be valuable. In addition to willingness, the leader must have the *ability* to provide valuable rewards. Such ability will be enhanced when the leader has higher organizational status (Eisenberger et al., 2002; Venkataramani, Green, & Schleicher, 2010). Because leaders need to be both willing *and* able to provide valuable rewards, the impact of LIE on reward expectancy and, in turn, on UPB is likely to be strongest when both LMX and leader status are higher. Thus,

Hypothesis 3: The positive association between LIE and UPB is stronger when both LMX and leader status are higher.

The pattern of the conditional indirect effect we explained above is a first stage moderated mediation. We do not expect LMX and leader status to serve as second-stage moderators because, unlike LIE, the mediators (employees' moral disengagement and employees' reward-expectancy for UPB) are not leadership behaviors, and their influence is not dependent on leader status and LMX. Therefore,

Hypothesis 4: The indirect effect of LIE on UPB via (a) moral disengagement and (b) UPB reward expectancy is greater when both LMX and leader status, as first stage moderators, are higher.

The Role of LIE in Promoting Employees' Self-Serving Unethical Behavior

In addition to promoting UPB, LIE may inadvertently open the door to employees' self-serving unethical behaviors, such as taking credit for others' work, falsifying information to boost one's image, hiding one's mistakes or blaming others for them, and taking advantage of company property for personal use. According to social cognitive theory, social learning involves extracting behavioral principles from observations (i.e., generalization or abstraction) in addition to learning specific behaviors (Bandura, 1986; Lian et al., 2022; Moore et al., 2019). Such generalizations allow individuals to produce novel behaviors when they apply these abstract principles in future situations. As Bandura (1986, 1991) has argued, when individuals socially learn (un)ethical behaviors, such learning involves extracting moral principles that guide their future behaviors. The (un)ethical behaviors that such principles produce will not be limited to the specific (un)ethical behaviors modeled or advocated by leaders (Lian et al., 2022; Moore et al., 2019). When exposed to LIE, employees learn that unethical behavior brings success and can, therefore, be justified. This general principle promotes moral disengagement, which, in turn, allows employees to engage in new types of unethical behaviors to achieve success including self-serving unethical behaviors.

Furthermore, employees view leaders as agents of the organization (Kurtessis et al., 2017). Thus, employees ascribe leaders' actions, at least in part, to the organization itself (Eisenberger et al., 2010). LIE may lead employees to conclude that the leaders and the organization have forfeited the moral authority to prevent self-serving unethical behavior. Moreover, some employees may believe that LIE is used as an excuse by leaders to promote their standing in the organization rather than helping the organization to reach its goals. Thus, LIE may result in viewing leaders and organizations as immoral and as lacking the authority to regulate ethics. Such perceptions result in moral disengagement as

it would be easier for employees to justify immoral behaviors when the leaders and organizations are viewed as immoral. Moral disengagement, thereby, increases the temptation among employees to engage in self-serving unethical behaviors. Accordingly, past research has found that moral disengagement is related to a variety of self-serving unethical actions such as cheating, lying, stealing, committing fraud, workplace deviance, and undermining of coworkers (e.g., Detert, Treviño, & Sweitzer, 2008; Newman et al., 2020; Welsh et al., 2015). In summary, we argue that LIE is associated with self-serving unethical behaviors via moral disengagement. However, we would not expect our other mediational mechanism, reward expectancy, to influence self-serving unethical behavior because the expected reward is specific to UPB. Thus, we hypothesize:

Hypothesis 5: LIE is positively associated with self-serving unethical behavior via moral disengagement.

Previously, we argued that LIE is more effective in promoting moral disengagement among employees when both LMX and leaders' perceived status are higher. We also maintained that moral disengagement promotes self-serving unethical behaviors. Therefore, LIE should have a stronger influence on self-serving unethical behavior when employees have a stronger LMX relationship with the manager and perceive their manager as having higher status in the organization. The pattern of the conditional indirect effect we explained above is a first stage moderated mediation. Thus:

Hypothesis 6: The indirect effect of LIE on self-serving unethical behavior via moral disengagement is stronger when both LMX and leader status, as first stage moderators, are higher.

Research Plan

We develop a scale for LIE and test our hypotheses in four studies. Specifically, Study 1 develops a scale for LIE and assesses whether LIE explains variance in employees' UPB beyond related constructs. Study 2 tests whether the hypothesized LIE-UPB relationship is mediated by employees' moral disengagement and reward expectancy. Study 3 examines the prediction that the LIE-UPB relationship will be stronger when both LMX and leader status are high. Study 4 tests for positive relationships of LIE with UPB and immoral self-serving behavior as mediated by moral disengagement and moderated by LMX and leader status.

Study 1: Design and Assessment of the LIE Scale

Scale Development

We created eight descriptive statements guided by our definition and examples of LIE in corporations and public institutions. Consistent with our definition of LIE and the way other leadership constructs are measured (e.g., abusive supervision, ethical leadership), the LIE scale items measure subordinates' perception of leaders' observable behaviors (not motives). Each statement began with "My supervisor …" and referred to a requested unethical behavior. Guided by our findings (described below), we retained the seven items shown in Table 1a.

Table 1a
CFA Standardized Item Loadings (Study 1c)

Items	Loading
LIE (Factor 1; AVE = .69)	
1. My supervisor promotes misrepresenting the truth in order to paint a favorable image of the organization.	0.88
2. My supervisor pushes for covering up any wrongdoings by the organization.	0.86
3. My supervisor encourages the hiding of the organization's mistakes and failures.	0.86
4. My supervisor encourages painting an unrealistically positive image of the organization's performance.	0.81
5. My supervisor asks that the organization's effectiveness be exaggerated.	0.81
6. My supervisor emphasizes protecting the organization's prestige over being truthful.	0.80
7. My supervisor stresses putting the organization's success ahead of ethical considerations.	0.80
Ethical Leadership (Factor 2; AVE = .61)	
1. My supervisor sets an example of how to do things the right way in terms of ethics.	0.89
2. My supervisor has the best interests of employees in mind.	0.88
3. My supervisor defines success not just by results but also the way they are obtained.	0.86
4. My supervisor makes fair and balanced decisions.	0.85
5. My supervisor can be trusted.	0.82
6. My supervisor asks "What is the right thing to do?" when making decisions.	0.80
7. My supervisor listens to what department employees have to say.	0.75
8. My supervisor discusses business ethics or values with employees.	0.72
9. My supervisor conducts his/her personal life in an ethical manner.	0.66
10. My supervisor disciplines employees who violate ethical standards.	0.51
Leader Bottom-Line Mentality (Factor 3; AVE = .68)	
1. My supervisor treats the bottom line as more important than anything else.	0.89
2. My supervisor only cares about the business.	0.84
3. My supervisor cares more about profits than employee well-being.	0.83
4. My supervisor is solely concerned with meeting the bottom-line.	0.73
Abusive Supervision (Factor 4; AVE = .73)	
1. My supervisor puts me down in front of others.	0.91
2. My supervisor ridicules me.	0.87
3. My supervisor makes negative comments about me to others.	0.86
4. My supervisor tells me my thoughts or feelings are stupid.	0.84
5. My supervisor tells me I'm incompetent.	0.80
UPB (Factor 5; AVE = .58)	
1. Because it benefited my organization, I have withheld negative information about my organization or its products/services from others.	0.83
2. Because it helped my organization, I have misrepresented the truth to make my organization look good.	0.82
3. Because my organization needed me to, I have withheld from others a mistake the organization made that would damage its reputation.	0.81
4. Because it helped my organization, I have exaggerated the truth about my organization's products or services to others.	0.78
5. Because it was needed, I have concealed information from others that could be damaging to my organization.	0.72
6. Because my organization needed me to, I have spoken poorly of another individual who was a problem for my organization.	0.60

Note: $N = 419$. All items loaded significantly on their corresponding factors ($p < .001$). AVE = average variance extracted.

Study 1a. Content Validity

Using Anderson and Gerbing's (1991) subjective validity assessment technique, we asked knowledgeable judges (i.e., 13 doctoral students majoring in I/O psychology or management), all unfamiliar with our hypotheses, to assign items from different scales to their defining constructs. We provided the judges with the definitions of LIE, ethical leadership (Brown et al., 2005), abusive supervision (Tepper, 2000), bottom-line mentality (Greenbaum et al., 2012), and UPB (Umphress et al., 2010). Below these definitions, we listed items from these scales (44 in total) in random order and instructed the judges to independently match each item with a construct or to choose "none" if the statement seemed unrepresented by these construct definitions. After receiving all the judges' categorizations, we calculated two validity indices for *each* item (Anderson & Gerbing, 1991): (1) *the proportion of substantive agreement (P_{sa})*, which is calculated as the proportion of the judges who assign an item to its intended construct, and (2) *the coefficient of substantive validity* (C_{sv}), which is the proportion of judges who assign an item to its proposed construct more than any other construct. For each index, higher scores indicate a better fit between an item and the proposed construct definition.

Of the eight LIE items, six met the recommended cutoff of .75 or more for both P_{sa} and C_{sv} indexes (Hinkin, 1998), and a seventh item nearly met this cutoff (i.e., "My supervisor stresses putting the organization's success ahead of ethical considerations"). We chose to retain this item because it substantively matches our definition of LIE, it was correctly assigned to LIE by 11 of our 13 judges ($P_{sa} = .85$, $C_{sv} = .69$), and it was found in all subsequent studies to load highly with the other LIE items. The one item failing to meet the cutoff that we chose to exclude from the LIE scale is "My supervisor cares more about the organization's prestige than about doing the right thing." Overall, these results suggest that the seven retained LIE items match the construct's definition and are distinct from ethical leadership, abusive supervision, leader bottom-line mentality, and UPB.

Study 1b. Factor Structure and Reliability

We employed EFA and CFA to assess the factor structure of LIE (Hinkin, 1998) using two independent samples. We also assessed the reliability of LIE using these samples.

Samples 1 and 2. We administered the seven LIE items developed in Study 1a to 136 (Sample 1) and 263 (Sample 2) employees who were enrolled in management courses in a Midwestern U.S. university. Participants filled out our electronic survey in exchange for course credit. The mean age of Samples 1 and 2 was 26.38 ($SD = 8.69$) and 23.25 ($SD = 5.29$) years, respectively. The percentage of females in Sample 1 and Sample 2 was 54.4% and 57.03%, respectively. We used scale-anchors $1 = never$ to $7 = always$ to assess LIE in all data collections.

Results. We ran an EFA with oblimin rotation to examine the factor structure of the LIE items in Sample 1. Maximum likelihood was used to extract factors. One clear factor emerged based on eigenvalue ($\lambda > 1$) and a break in the scree plot. All item loadings were greater than .76. The factor accounted for 76.0% of the total variance. Next, we used Sample 2 to conduct

a CFA on the LIE items. For the current and all other SEM analyses in this paper, we used maximum likelihood estimation with robust standard errors (MLR) in Mplus, which does not assume normality (Muthén & Muthén, 2017). In all SEM analyses, we report χ^2, CFI, TLI, RMSEA, and SRMR. CFI and TLI values greater than .90 indicate acceptable fit while values greater than .95 show good fit (Hu & Bentler, 1999); RMSEA and SRMR values smaller than .08 are acceptable, while values smaller than .05 indicate a good fit (Byrne, 1998). Supporting the unidimensionality of LIE, the data fit the one-factor model well, $\chi^2(14) = 18.98$, *ns*; CFI = .99; TLI = .99; RMSEA = .04; SRMR = .02. All standardized item loadings were .79 or higher. Cronbach's αs was .95 in both samples. These findings suggest that LIE is a unidimensional and reliable scale.

Study 1c. Discriminant Validity

This study tests whether LIE is distinct from ethical leadership (Brown et al., 2005), leader bottom-line mentality (Greenbaum et al., 2012), abusive supervision (Tepper, 2000), and UPB (Umphress et al., 2010). We expected LIE to be negatively correlated with ethical leadership and positively correlated with the other constructs yet distinct from them.

Sample 3. Participants included 419 full- and part-time employees enrolled in management courses in a Midwestern U.S. university who filled out our electronic survey in exchange for course credit (*Mean age* = 24.54 years, *SD age* = 6.76; 48.7% female).

Measures. LIE was measured using the 7-item scale developed in Study 1a ($\alpha = .95$). Employees rated their supervisors' *ethical leadership* using Brown et al.'s (2005) 10-item measure on a 7-point agreement scale (1 = *strongly disagree* to 7 = *strongly agree*) ($\alpha = .94$). A sample item is "My supervisor discusses business ethics or values with employees." They rated their supervisors' *bottom-line mentality* using Greenbaum et al.'s (2012) 4-item measure on a 7-point agreement scale ($\alpha = .89$). A sample item is "My supervisor is solely concerned with meeting the bottom-line." *Abusive supervision* was measured via the 5-item version of Tepper's (2000) measure previously used by Mitchell and Ambrose (2007) on a 7-point agreement scale ($\alpha = .93$). A sample item is "My supervisor ridicules me." In addition, employees reported their engagement in *UPB* using Umphress et al.'s (2010, Study 2) 6-item scale on a response-scale, ranging from 1 = *never* to 7 = *always* ($\alpha = .89$). A sample item is "Because it helped my organization, I have misrepresented the truth to make my organization look good."

Results. We used CFA to evaluate the discriminant validity of LIE. We compared a model that considered each construct as a separate factor to a series of nested models that combined LIE with the other constructs, one at a time. Due to the nonnormal distribution of some of the scales, we used the MLR estimator in Mplus in this and subsequent SEM analyses in this paper to calculate model χ^2 (Muthén & Muthén, 2017) and used the formula provided by Satorra and Bentler (2001) to calculate $\Delta\chi^2$ of nested models. We found the hypothesized 5-factor model to fit the data well, $\chi^2(454) = 860.71$, $p < .001$; CFI = .94, TLI = .94; RMSEA = .05; SRMR = .05. The fit dropped significantly by at least $\Delta\chi^2(4) = 482.19$, $p < .001$ when we combined LIE with any other factor. Providing further evidence of

LIE's discriminant validity, the average variance extracted (AVE) for each factor (reported in Table 1a) was greater than the factor's squared correlation (i.e., shared variance) with any other factor (Fornell & Larcker, 1981). In the 5-factor model, all items loaded significantly on their constructs. All LIE items had standardized loadings of .80 or greater (see Table 1a). As predicted, LIE had a negative zero-order correlation with ethical leadership ($r = -.52$, $p < .001$) and positive zero-order correlations with leader's bottom-line mentality ($r = .45$, $p < .001$), abusive supervision ($r = .47$, $p < .001$), and UPB ($r = .61$, $p < .001$). These results provide evidence that LIE is distinct from ethical leadership, leader bottom-line mentality, abusive supervision, and UPB.

Study 1d. Criterion and Incremental Validities

This study examines the criterion and incremental validities of LIE by testing whether LIE predicts employees' UPB (Hypothesis 1) beyond other potential predictors of UPB, using two samples. First, using data from two time-separated surveys of employees (Sample 4), we present evidence that LIE predicts UPB beyond ethical leadership, leader bottom-line mentality, and employee organizational identification. In addition, using data from both employees and supervisors (Sample 5), we present evidence that LIE predicts UPB beyond leader's UPB.

Sample 4. To provide stronger evidence for the directionality of the relationship between LIE and UPB, we employed a cross-lagged panel design (Little, Preacher, Selig, & Card, 2007). Participants included 290 full- and part-time employees enrolled in undergraduate and graduate management courses in a Midwestern U.S. university. Participants worked in various jobs and organizations. They responded to two electronic surveys, roughly 2.5 months apart, in exchange for course credit (*Mean age* = 24.52 years, *SD age* = 6.95; 46.6% female).

To examine the incremental validity of LIE, we measured other potential predictors of UPB, including organizational identification (Chen et al., 2016; Umphress et al., 2010), ethical leadership (Miao, Newman, Yu, & Xu, 2013), leader bottom-line mentality (Babalola et al., 2021), and employees' moral identity (Wang, Long, Zhang, & He, 2019). We also measured leader production emphasis, which involves leaders pressuring subordinates for productivity (Stogdill, 1963), as such behaviors might inadvertently promote employees' UPB. In addition, we controlled for employee age, gender, tenure with supervisor, and employment status (full-time vs. part-time).

At Time 1, participants rated their supervisor's LIE, ethical leadership, and bottom-line mentality and their own UPB, organizational identification, age, gender, tenure with supervisor, and job status (full-time vs. part-time). At Time 2, participants rated their supervisor's LIE and production emphasis as well as their own moral identity and UPB.

Measures. LIE ($\alpha = .94$), *UPB* ($\alpha = .86$), *ethical leadership* ($\alpha = .94$), and *leader bottom-line mentality* ($\alpha = .89$) were measured using the same scales as in Study 1c. *Organizational identification* was measured using Mael and Ashforth's (1992) 6-item measure on a 7-point agreement scale ($\alpha = .91$). A sample item is "My organization's successes are my successes." *Leader production emphasis* was measured using six items from Stogdill's (1963) scale on a 7-point agreement scale ($\alpha = .89$). A sample item is "My supervisor pushes me for increased

production." *Moral identity* was measured using five items from Aquino and Reed (2002). The instruction listed 10 moral traits (e.g., honest, caring) and asked participants to indicate, via a 7-point scale, how strongly they agree with statements describing their desire to have these traits ($\alpha = .80$). A sample item is "I strongly desire to have these characteristics."

Analysis. Based on standard practice, we used SEM to analyze the cross-lagged panel model (Little et al., 2007). Given the complexity of the model and our relatively small sample size, we adopted the item-to-construct balance technique to create three parcels for the constructs with more than five items (Little, Cunningham, Shahar, & Widaman, 2002). Specifically, for LIE and UPB at Time 1 and Time 2, we divided the indicators into three parcels. We treated the other variables as observed indicators for the same reason. Before running the structural model, we examined whether the assumption of measurement invariance was met for repeated measurements of LIE and UPB using the steps outlined by Little et al. (2007). Consistent with standard practice, in the structural model, we allowed residuals of the identically worded indicators to be correlated and constrained the factor loadings and intercepts of the identically worded indicators to be equal across the repeated measurements (Little et al., 2007).

Results. First, we established strong factorial invariance showing that the identities of LIE and UPB constructs were consistent over the repeated measurements. Then, we proceeded to test the structural model. Table 1b presents the cross-lagged relationship between LIE and UPB. The results showed that LIE at Time 1 was related to UPB at Time 2 ($b = .23$,

Table 1b
Cross-Lagged SEM Results for the LIE-UPB Relationship (Study 1d)

	LIE (Time 2)		UPB (Time 2)	
	Coefficient (SE)	*p*	Coefficient (SE)	*p*
Covariates				
Ethical leadership	−.17** (.05)	.002	−.03 (.05)	.53
Leader bottom-line mentality	.004 (.04)	.93	.01 (.04)	.80
Organizational identification	−.02 (.04)	.66	.06* (.03)	.05
Leader production emphasis	.06 (.04)	.16	−.02 (.04)	.62
Moral identity	−.13 (.08)	.09	−.19* (.09)	.03
Age	−.01 (.01)	.20	−.01 (.01)	.08
Gender	.05 (.11)	.61	−.06 (.09)	.52
Tenure with supervisor	.02 (.05)	.70	−.04 (.04)	.39
Job status	.13 (.13)	.30	.12 (.12)	.28
Independent Variables				
LIE (Time 1)	.50*** (.11)	<.001	**.23* (.10)**	.02
UPB (Time 1)	.01 (.10)	.92	.30** (.11)	.01

Note: $N = 290$. Unstandardized path coefficients are reported. Standard errors are presented in the parentheses.
*$p < .05$, **$p < .01$, ***$p < .001$.

SE = .10, $p = .016$) after controlling UPB at Time 1, ethical leadership, leader bottom-line mentality, leader production emphasis, organizational identification, and moral identity. Because we controlled for UPB at Time 1, this relationship is interpretable as the effect of LIE on a temporal increase in UPB (Finkel, 1995: 27). In contrast, based on our data, UPB at Time 1 was unrelated to an increase in LIE ($b = .01$, *SE* = .10, *ns*). The model provided a good fit to the data, $\chi^2(114) = 151.435$, *ns*; CFI = .99; TLI = .98; RMSEA = .03; SRMR = .02. Excluding the predictors of UPB other than LIE and the control variables from the analysis did not change the pattern of findings. These results provide evidence for criterion and incremental validities of LIE and the directionality of the relationship between LIE and UPB. The results support Hypothesis 1.

Sample 5. To examine whether LIE is distinct from leader's engagement in UPB and whether it predicts UPB over and beyond leader's UPB, we surveyed 375 full-time employees and 97 supervisors from a hotel chain in China. Of the employees, 54.6% were female, with a mean age of 35.78 years (*SD* = 10.54). At Time 1, employees rated LIE and supervisors rated their own engagement in UPB. At Time 2 (2 months later), the employees rated their own UPB.

LIE ($\alpha = .97$), *leader UPB* ($\alpha = .95$), and *employee UPB* ($\alpha = .94$) were measured using the same items as with Sample 4. LIE was not significantly related to leader UPB ($r = .01$, *ns*). Because 83 of the supervisors had fewer than five subordinates who participated in the survey, we used the cluster-robust standard error approach by specifying the analysis type as "Complex" to account for the nesting in our data (Muthén & Muthén, 2017). As an alternative to multilevel analysis, the "Complex" approach accounts for the dependencies in nested data and is robust when cluster sizes are small (McNeish, Stapleton, & Silverman, 2017).

The model provided an adequate model fit, $\chi^2(42) = 117.01$, $p < .001$; CFI = .98; TLI = .97; RMSEA = .07; SRMR = .03. We found that LIE at Time 1 was significantly related to UPB at Time 2 ($b = .45$, *SE* = .04, $p < .001$) after controlling leader UPB at Time 1. In contrast, leader UPB at Time 1 was not significantly related to employee UPB at Time 2 ($b = -.004$, *SE* = .05, *ns*). Excluding the control variables did not change the findings. The results show that LIE is distinct from leader UPB and predicts employee UPB beyond leader UPB.

Study 1 Discussion

We developed and validated the LIE scale. Study 1a establishes that the items we developed measure LIE rather than other related constructs. Study 1b provides evidence for the unidimensionality and reliability of the LIE scale. Study 1c indicates that LIE is distinct from other related leadership constructs (ethical leadership, leader bottom-line mentality, and abusive supervision) and a measure of employees' unethical behavior (UPB). Finally, Study 1d provides evidence that LIE predicts employee UPB beyond other predictors of UPB. The results establish criterion and incremental validities of LIE and support Hypothesis 1.

Study 2

Having established the effect of LIE on UPB in Study 1d, Study 2 examines whether the positive LIE-employee UPB relationship is mediated by employees' moral disengagement and UPB reward expectancy (as predicted by Hypothesis 2).

Sample and Procedure

We recruited 247 employees who were enrolled in management courses in a Midwestern U.S. university to participate in three electronic surveys, with 5-week intervals, in exchange for course credits. Of these, 173 (70.0%) turned in complete responses to our Time 1 survey. Of these, 141 (81.5%) completed the survey at Time 2 and 130 (75.1%) at Time 3. The participants worked in various types of jobs and organizations; their average age was 25.00 years (*SD* age = 7.81); 66.5% of them were female; 41.0% were full-time employees and the rest were working part-time; 21.4% had worked for their organization for more than 4 years, 45.7% for 1–3 years, and 32.4% for less than a year (0.5% did not report their organizational tenure); and 21.4% reported working more than 40 h on an average week, 23.7% reported working 30−40 h, 26.6% reported working 20−30 h, 20.8% reported working 10−20 h, and 4.6% reported working less than 10 h (2.9% did not report their working hours).

Measures

Participants rated LIE at Time 1 and rated moral disengagement and UPB reward expectancy at Time 2. UPB was measured at both Times 1 and 3 to provide evidence for the directionality of the relationships. *LIE* ($\alpha = .95$) and *UPB* (T1 $\alpha = .87$; T3 $\alpha = .96$) were assessed using the same scales as in Study 1. *Moral disengagement* ($\alpha = .94$) was assessed on a 7-point agreement scale using the 3-item scale developed by Chen et al. (2016) and one additional item created by us to ensure measurement reliability: "It would be ok to exaggerate the truth about my organization's products or services to others." *UPB reward expectancy* ($\alpha = .97$) was measured on a 7-point agreement scale via six items that we created from the UPB scale; these items assess the perceived instrumentality of UPB for gaining reward and recognition. A sample item is "I would be recognized and rewarded in some way if I misrepresent the truth to make my organization look good."

Control variables. We controlled for gender, age, tenure with supervisor, and ethical leadership ($\alpha = .93$) due to their potential confounding relations with our focal variables (Kish-Gephart, Harrison, & Treviño, 2010; Miao et al., 2013). We also controlled for moral identity ($\alpha = .90$) as it has been found to be related to moral disengagement and unethical behavior (Detert et al., 2008; Wang et al., 2019). We measured these variables with the scales used in Study 1d.

Analysis

Hypotheses were tested using path analyses in Mplus 8.0 (Muthén & Muthén, 2017). We used full information maximum likelihood (FIML) to deal with missing data, an approach that provides less biased estimates than listwise deletion (Schafer & Graham, 2002). Thus, we included the responses from employees who participated at Time 1 but not Time 2 or Time 3. To estimate the indirect effects, we used the Monte Carlo resampling method, which is the recommended approach with MLR estimators (Preacher & Selig, 2012). Specifically, we used a tool developed by Selig and Preacher (2008) to obtain asymmetric confidence intervals (CIs).

Results

Table 2a presents descriptive statistics and correlations. We used CFAs to test the measurement model. As in Study 1d, we used parceling to keep the parameters-to-cases ratio low in this and subsequent CFAs. We found the hypothesized 4-factor model to fit the data well, $\chi^2(59) = 94.00$, $p < .001$; CFI = .97; TLI = .96; RMSEA = .06; SRMR = .03, and significantly better than the best-fitting 3-factor model [i.e., the model combining moral disengagement and UPB reward expectancy: $\Delta\chi^2(3) = 239.24$, $p < .001$].

Table 2b presents the path analysis results. Consistent with Hypothesis 2a, LIE at Time 1 was positively related to moral disengagement at Time 2 ($b = .35$, $SE = .13$, $p = .009$), which was, in turn, positively related to UPB at Time 3 ($b = .32$, $SE = .12$, $p = .006$) after controlling for the initial (Time 1) levels of UPB. In addition, consistent with Hypothesis 2b, LIE at Time 1 was positively related to UPB reward expectancy at Time 2 ($b = .37$, $SE = .15$, $p = .016$), which was, in turn, positively related to UPB at Time 3 ($b = .23$, $SE = .10$, $p = .016$) after controlling for the initial level of UPB. We then applied 10,000-repetition Monte Carlo tests to estimate the indirect effects. The results indicated that LIE had a significant indirect effect on UPB via moral disengagement (*unstandardized estimate* = .11, 95% CI [.02, .24]). The indirect effect of LIE on UPB via UPB reward expectancy was also significant (*unstandardized estimate* = .09, 95% CI [.01, .19]). Thus, Hypothesis 2 is supported. Excluding the controls did not change the results.

Study 2 Discussion

Relying on a diverse sample of employees, Study 2 provides evidence in support of Hypothesis 2. The results show that LIE is associated with UPB through employees' moral disengagement and reward expectancy.

Study 3

In Studies 1 and 2, we examined the LIE-UPB relationship and its mediators, respectively. In Study 3, we test the moderating influences of LMX and leader status on the LIE-UPB relationship.

Sample and Procedure

We collected data from 274 U.S. employees through Amazon MTurk who participated in a brief survey in exchange for monetary compensation. MTurk provides a diverse and representative participant pool (Aguinis, Villamor, & Ramani, 2021). As Aguinis et al. (2021) recommended, we implemented several measures to ensure data quality, including qualification questions, open-ended questions, response time, attention check questions, and statistical analysis of response patterns. In addition, we allowed only MTurkers with a minimum approval rating of 95% to participate in the survey. Participants held various jobs. Their average age was 38.04 years ($SD = 10.58$); 48.9% of them were female; 92.7% were working full-time and the rest were part-timers; and 62.0% had worked for their organizations for more than 4 years, 30.3% for 1–3 years, and 7.7% for less than a year. Of the participants,

Table 2a
Means, Standard Deviations, Correlations, and Reliabilities (Study 2)

		M	*SD*	1	2	3	4	5	6	7	8	9	10
1	Gender	0.67	0.47	—									
2	Age	25.00	7.81	−.02	—								
3	Tenure with supervisor	2.45	1.06	.15	.14	—							
4	Ethical leadership	5.32	1.25	.05	.01	.02	*(.93)*						
5	Moral identity	6.23	1.11	.30**	.05	.14	.21**	*(.90)*					
6	LIE	1.96	1.29	−.08	−.06	−.03	−.47**	−.41**	*(.95)*				
7	Moral disengagement	1.76	1.18	−.12	−.13	−.10	−.14	−.42**	.45**	*(.94)*			
8	UPB reward expectancy	1.86	1.35	−.11	−.13	−.12	−.45**	−.24**	.47**	.62**	*(.97)*		
9	UPB (Time 1)	2.13	1.15	−.14	−.07	−.05	−.38**	−.37**	.65**	.44**	.46**	*(.87)*	
10	UPB (Time 3)	1.71	1.21	−.14	−.02	.11	−.23*	−.36**	.57**	.63**	.61**	.49**	*(.96)*

Note: N ranges from 125 to 173. Reliabilities are on the diagonal. Gender was coded as 0 = male, 1 = female. Age is in years. LIE = Leader Immorality Encouragement; LMX = Leader-Member Exchange; UPB = Unethical Pro-Organizational Behavior.

Table 2b
Path Analysis Results for the Mediation Model (Study 2)

	Moral Disengagement (Time 2)		UPB Reward Expectancy (Time 2)		UPB (Time 3)	
	Coefficient (SE)	*p*	Coefficient (SE)	*p*	Coefficient (SE)	*p*
Covariates						
Ethical leadership	.08 (.09)	.36	−.25 (.16)	.11	.06 (.08)	.43
Moral identity	−.28* (.13)	.03	−.01 (.12)	.95	−.03 (.11)	.76
Age	−.02* (.01)	.04	−.02 (.01)	.07	.01 (.01)	.59
Gender	.07 (.22)	.74	.25 (.24)	.30	.16 (.19)	.40
Tenure with supervisor	−.03 (.08)	.70	−.09 (.10)	.37	.20** (.07)	.002
UPB (Time 1)					.08 (.09)	.36
Independent Variables						
LIE	**.35** (.13)**	**.01**	**.37* (.15)**	**.02**	.27 (.14)	.06
Moral disengagement					**.32** (.12)**	**.01**
UPB reward expectancy					**.23* (.10)**	**.02**

Note: $N = 173$. Unstandardized path coefficients are reported. Standard errors are presented in the parentheses.
*$p < .05$, **$p < .01$, ***$p < .001$.

39.4% had worked with their supervisors 4 years or more, 46.7% had worked with their supervisors 1–3 years, and 13.9% had worked with their supervisors 7 months to a 1 year. In terms of their working hours in an average week, 49.3% reported working more than 40 h, 44.5% reported working 30–40 h, 2.9% reported working 20−30 h, 2.6% reported working 10–20 h, and 7% reported working less than 10 h.

Measures

LIE ($\alpha = .95$) and *UPB* ($\alpha = .90$) were assessed using the same scales as in Study 1. Employees rated *LMX* ($\alpha = .94$) using LMX-7 (Liden, Wayne, & Stilwell, 1993) on a 7-point agreement scale. A sample item is "I have an effective working relationship with my supervisor." *Leader status* ($\alpha = .93$) was assessed using five high-loading items from Eisenberger et al. (2002). A sample item is "The organization holds my supervisor in high regard."

Control variables. We controlled for employees' gender, age, tenure with the supervisor, and ethical leadership, the latter measured using five items from Brown et al.'s (2005) scale ($\alpha = .90$).

Results

As in Study 2, we used path analysis. The "Model Constraint" command was used to estimate the simple slopes and examine the slope differences (Muthén, Muthén, & Asparouhov, 2017). Table 3a presents descriptive statistics and correlations. We performed CFAs to test the measurement model of the four latent variables: LIE, LMX,

Table 3a
Means, Standard Deviations, Correlations, and Reliabilities (Study 3)

		M	*SD*	1	2	3	4	5	6	7	8
1	Gender	0.49	0.50	—							
2	Age	38.04	10.58	.01	—						
3	Tenure with supervisor	3.46	0.97	.02	.27**	—					
4	Ethical leadership	5.05	1.44	−.03	.02	.14*	*(.90)*				
5	LIE	1.74	1.21	−.003	−.06	−.06	−.46**	*(.95)*			
6	LMX	5.34	1.39	−.04	.06	.26**	.69**	−.50**	*(.94)*		
7	Leader status	5.70	1.26	−.13*	.08	.27**	.53**	−.27**	.58**	*(.93)*	
8	UPB	1.53	0.83	.08	−.05	.08	−.14*	.49**	−.07	−.10	*(.90)*

Note: $N = 274$. Reliabilities are on the diagonal. Gender was coded as 0 = male, 1 = female. Age is in years. LIE = Leader Immorality Encouragement; LMX = Leader-Member Exchange; UPB = Unethical Pro-Organizational Behavior.
*$p < .05$, ** $p < .01$.

Table 3b
Path Analysis Results for the Moderation Model (Study 3)

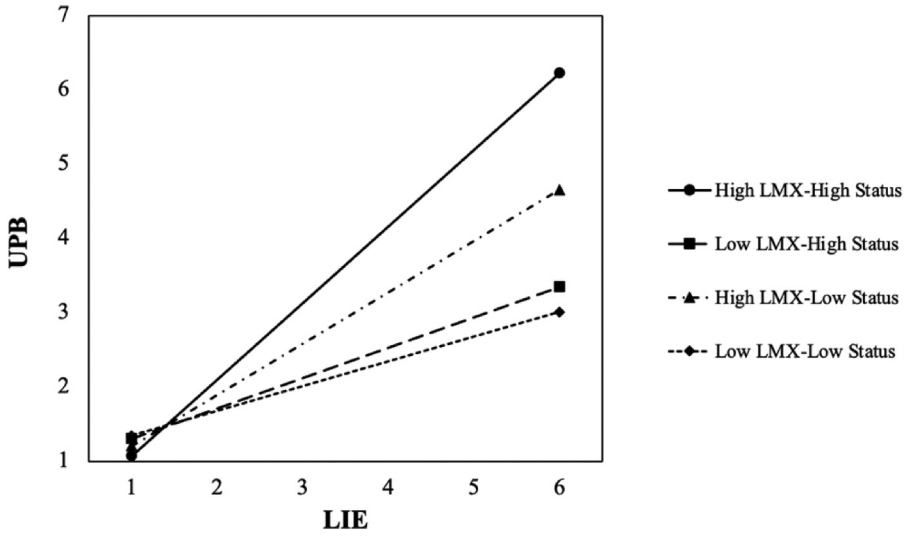
	UPB	
	Coefficient (SE)	*p*
Covariates		
Ethical leadership	.02 (.04)	.60
Age	−.003 (.003)	.42
Gender	−.03 (.08)	.65
Tenure with supervisor	.09* (.04)	.03
Independent Variables		
LIE	.62*** (.05)	<.001
LMX	.06 (.04)	.15
Leader status	.03 (.05)	.62
LIE × LMX	.18*** (.02)	<.001
LIE × Leader status	.08 (.04)	.06
LMX × Leader status	.01 (.02)	.41
LIE × LMX × Leader status	**.04* (.02)**	**.02**

Note: $N = 274$. Unstandardized path coefficients are reported. Standard errors are presented in the parentheses.
*$p < .05$, **$p < .01$, ***$p < .001$.

leader status, and UPB. We found the hypothesized 4-factor model to fit the data well, $\chi^2(71) = 119.60$, $p < .001$; CFI = .97; TLI = .97; RMSEA = .05; SRMR = .04, and significantly better than the best-fitting 3-factor model (i.e., the model combining LMX and leader status), $\Delta\chi^2(3) = 97.26$, $p < .001$.

In order to test Hypothesis 1, we first ran a path analysis without the interaction terms included to estimate the main effect of LIE on UPB. Supporting Hypothesis 1, LIE was

Figure 1
Three-way Interaction between LIE, LMX, and Leader Status in Predicting UPB (Study 3)



Note: $N = 274$. The simple slope for high LMX-high leader status condition was significant ($b = 1.03$, $SE = .10$, $z = 10.34$, $p < .001$) and significantly higher than the three other conditions (the smallest *t value* for slope difference was 2.24, $p = .027$).

positively related to UPB ($b = .41$, $SE = .07$, $p < .001$). Next, we tested Hypothesis 3. As shown in Table 3b, the three-way interaction among LIE, LMX, and leader status was significantly related to UPB ($b = .04$, $SE = .02$, $p = .018$). We plotted the simple slopes at +1 *SD* of LMX and leader status covering the full range of LIE scores in the sample (i.e., 1–6). Figure 1 presents the interaction plot. Simple slope tests revealed that when both LMX and leader status were high, the LIE-UPB relationship was significant ($b = 1.03$, $SE = .10$, $p < .001$) and significantly greater than to the other conditions—namely, low LMX-high status ($b = .41$, $SE = .06$, $p < .001$), high LMX-low status ($b = .69$, $SE = .11$, $p < .001$), and low LMX-low status ($b = .33$, $SE = .05$, $p < .001$). The smallest t value for slope difference was 2.24 ($p = .027$). These results support Hypothesis 3. Excluding the control variables did not change the findings.

Finally, because LIE, LMX, and UPB were rated by employees, we statistically examined whether our results are susceptible to common-method bias. As recommended by Podsakoff, MacKenzie, and Podsakoff (2012) and Williams, Cote, and Buckley (1989), we used the common latent factor test to detect the presence of common method variance in LIE, LMX, and UPB. We found that, on average, the common latent factor explained 13.3% of the variance in the items, which is well below the median of 25% in previous studies (Williams et al., 1989). Therefore, the findings were not likely biased by common method variance.

Study 3 Discussion

Using a diverse sample of employees, Study 3 supports Hypotheses 1 and 3. The results show that employees who are exposed to LIE are more likely to engage in UPB. Moreover, we found this tendency to be strongest when both LMX and leader status are higher.

Study 4

Studies 2 and 3 tested the mediators and moderators of the LIE-UPB relationship separately. Study 4 tests all mediators and moderators of the LIE-UPB relationship and also examines the conditional indirect effect of LIE on employees' self-serving unethical behavior via employees' moral disengagement.

Sample and Procedure

We recruited 359 employees who were enrolled in management courses in a Midwestern U.S. university to participate in three surveys, with 5-week intervals. The participants earned course credits in exchange for their participation. We received complete responses to our Time 1 survey from 236 (65.7%) of them. Of these, 204 (86.4%) participated at Time 2, and 176 (74.6%) participated at Time 3. The participants had a variety of jobs and worked in different types of organizations; their average age was 25.89 years (*SD* age = 7.85); 55.1% of them were female; 48.0% were full-time employees and the rest were working part-time; and 26.3% had worked for their organizations for more than 4 years, 36.9% for 1–3 years, and 35.6% for less than a year. Of the participants, 10.2% had worked with their supervisors 4 years or more; 28.0% had worked with their supervisors 1–3 years; 18.6% had worked with their supervisors 7 months to a 1 year; and 14.4% had worked with their supervisors less than 6 months. In terms of their working hours, 28.4% reported working for their organization more than 40 h on an average week, 23.7% reported working 30−40 h, 28.8% reported working 20−30 h, 14.4% reported working 10−20 h, and 2.5% reported working less than 10 h (2.2% did not report working hours).

Measures

Participants rated LIE, LMX, and leader status at Time 1 and rated moral disengagement and UPB reward expectancy at Time 2. We asked participants to rate their UPB and self-serving unethical behavior at both Time 1 and Time 3 to provide evidence on the directionality of the indirect relationships. *LIE* ($\alpha = .95$) and *UPB* (T1 $\alpha = .87$; T3 $\alpha = .95$) were assessed using the same scales as in Study 1. *Moral disengagement* ($\alpha = .94$) and *UPB reward expectancy* ($\alpha = .97$) were measured using the same scales as in Study 2. *LMX* ($\alpha = .93$) and *Leader status* ($\alpha = .90$) were assessed using the same scales as in Study 3. *Self-serving unethical behavior* (T1 $\alpha = .80$; T3 $\alpha = .81$) was assessed with seven items from Akkah (1996) on a 7-point response scale (1 = *never*, 7 = *always*). A sample item is "I have claimed credit for someone else's work."

Control variables. We controlled for gender, age, tenure with supervisor, ethical leadership, and moral identity due to their potential relationships with the focal variables. We used the same scales as in Study 1d for ethical leadership ($\alpha = .93$) and moral identity ($\alpha = .89$).

Results

We used the same analytical approach as in Studies 2 and 3b. Table 4a presents descriptive statistics and correlations. We performed CFAs to test the measurement model, including seven latent variables: LIE, LMX, leader status, moral disengagement, UPB reward expectancy, UPB, and self-serving unethical behavior. The results indicated that the hypothesized 7-factor model fit the data well, $\chi^2(231) = 347.56$, $p < .001$; CFI = .96; TLI = .95; RMSEA = .05; SRMR = .05, and significantly better than the best-fitting 6-factor model (i.e., the model combining UPB and self-serving unethical behavior: $\Delta\chi^2(6) = 192.23$, $p < .001$).

In order to test the indirect effects of LIE on employees' UPB and self-serving unethical behavior (Hypotheses 2a and 5), we first ran a model without the interaction terms. Our model controlled for the initial (Time 1) levels of UPB and self-serving unethical behavior. Consistent with Hypotheses 2a and 5, as shown in Table 4b, LIE at Time 1 was positively related to moral disengagement at Time 2 ($b = .36$, $SE = .10$, $p < .001$), which was, in turn, positively related to UPB at Time 3 ($b = .19$, $SE = .08$, $p = .016$) and self-serving unethical behavior at Time 3 ($b = .17$, $SE = .05$, $p < .001$). We then applied a 10,000-repetition Monte Carlo test to estimate the indirect effects. The results indicated that LIE had significant indirect effects, via moral disengagement, on both UPB (*unstandardized estimate* = .07, 95% CI [.004, .10]) and self-serving unethical behavior (*unstandardized estimate* = .06, 95% CI [.02, .11]). These results support Hypotheses 2a and 5.

In addition, consistent with Hypothesis 2b, LIE at Time 1 was positively related to UPB reward expectancy at Time 2 ($b = .45$, $SE = .10$, $p < .001$), which was, in turn, positively related to UPB at Time 3 ($b = .16$, $SE = .08$, $p = .040$). The Monte Carlo test showed that the indirect effect of LIE on UPB via UPB reward expectancy was significant (*unstandardized estimate* = .07, 95% CI [.004, .16]). Thus, Hypotheses 2b is supported. Although not predicted by our model, we examined the relationship between UPB reward expectancy and self-serving unethical behavior at Time 3 and found it insignificant ($b = -.03$, $SE = .05$, *ns*).

In order to test the conditional indirect effect of LIE on the outcomes (Hypotheses 4 and 6), we ran a path model that included the interaction terms. As shown in Table 4c and Figure 2, and consistent with Hypotheses 4 and 6, the three-way interaction among LIE, LMX, and leader status was significantly related to moral disengagement at Time 2 ($b = .09$, $SE = .05$, $p = .050$) and UPB reward expectancy at Time 2 ($b = .15$, $SE = .04$, $p = .001$). Figure 3 depicts the interaction plots. Simple slope tests indicated that the LIE-moral disengagement relationship was significant when both LMX and leader status were high ($b = .86$, $SE = .21$, $p < .001$) and was significantly stronger than the other conditions (low LMX-high status: $b = .28$, $SE = .18$, *ns*; high LMX-low status: $b = .31$, $SE = .15$, $p = .035$; and low LMX-low status: $b = .27$, $SE = .12$, $p = .032$). The smallest *t value* for slope difference was 2.41 ($p = .017$). Similarly, when both LMX and leader status were high, the relationship between LIE and UPB reward expectancy was significant ($b = .95$, $SE = .23$, $p < .001$) and significantly stronger than the other conditions (low LMX-high status: $b = .17$, $SE = .19$, *ns*; high

Table 4a

Means, Standard Deviations, Correlations, and Reliabilities (Study 4)

		M	*SD*	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Gender	0.55	0.50	—													
2	Age	25.89	7.85	.03	—												
3	Tenure with supervisor	2.51	1.03	.03	.16*	—											
4	Ethical leadership	5.53	1.14	.18**	.02	−.004	*(.93)*										
5	Moral identity	6.33	0.94	.29**	.19**	.12	.26**	*(.89)*									
6	LIE	1.78	1.10	−.15*	−.18**	−.03	−.38**	−.38**	*(.95)*								
7	LMX	5.61	1.20	.19**	−.08	.11	.60**	.25**	−.26**	*(.93)*							
8	Leader status	5.45	1.22	.10	.15*	.11	.46**	.40**	−.32**	.31**	*(.90)*						
9	Moral disengagement	1.69	1.17	−.09	−.17*	.04	−.06	−.39**	.40**	−.02	−.15*	*(.94)*					
10	UPB reward expectancy	1.63	1.22	−.07	−.20**	−.06	−.12	−.37**	.47**	−.09	−.25**	.64**	*(.97)*				
11	UPB (Time 1)	1.93	1.05	−.16*	−.18**	−.01	−.22**	−.35**	.57**	−.03	−.31**	.50**	.48**	*(.87)*			
12	Self-serving unethical behavior (Time 1)	1.77	0.78	−.16*	−.10	.00	−.13*	−.37**	.44**	−.10	−.18**	.43**	.35**	.40**	*(.80)*		
13	UPB (Time 3)	1.50	0.91	−.09	−.18*	.07	.01	−.16*	.47**	−.04	−.15	.54**	.53**	.47**	.40**	*(.95)*	
14	Self-serving unethical behavior (Time 3)	1.60	0.71	−.02	−.04	.11	−.14	−.11	.29**	−.15*	−.06	.42**	.30**	.30**	.60**	.54**	*(.81)*

Note: N ranges from 168 to 235. Reliabilities are on the diagonal. Gender was coded as 0 = male, 1 = female. Age is in years. LIE = Leader Immorality Encouragement; LMX = Leader-Member Exchange; UPB = Unethical Pro-Organizational Behavior.

*$p < .05$, **$p < .01$.

Table 4b
Path Analysis Results for the Mediation Model (Study 4)

	Moral Disengagement (Time 2)		UPB Reward Expectancy (Time 2)		UPB (Time 3)		Self-Serving Unethical Behavior (Time 3)	
	Coefficient (SE)	*p*	Coefficient (SE)	*p*	Coefficient (SE)	*p*	Coefficient (SE)	*p*
Covariates								
Ethical leadership	.15 (.10)	.13	.13 (.12)	.27	.23*** (.07)	<.001	−.03 (.05)	.60
Moral identity	−.46** (.14)	.001	−.35** (.13)	.01	.11 (.08)	.19	.09 (.07)	.15
Age	−.01 (.01)	.16	−.01* (.01)	.04	−.01 (.01)	.07	.001 (.004)	.90
Gender	−.02 (.17)	.93	−.07 (.17)	.69	.08 (.10)	.46	−.12 (.08)	.14
Tenure with supervisor	−.11 (.09)	.23	−.02 (.09)	.79	.10* (.05)	.05	.06 (.05)	.19
UPB (Time 1)					.17 (.09)	.06		
Self-serving unethical behavior (Time 1)							.50** (.14)	。001
Independent Variables								
LIE	**.36*** (.10)**	**<.001**	**.45*** (.10)**	**<.001**	.20* (.09)	.03	.01 (.04)	.88
LMX	.05 (.08)	.59	.01 (.10)	.91	−.12 (.07)	.10	−.08 (.05)	.13
Leader status	−.04 (.09)	.51	−.12 (.10)	.22	−.06 (.05)	.20	.004 (.04)	.91
Moral disengagement					**.19* (.08)**	**.02**	**.17*** (.05)**	**<.001**
UPB reward expectancy					**.16* (.08)**	**.04**	−.03 (.05)	.62

Note: $N = 236$. Unstandardized path coefficients are reported. Standard errors are presented in the parentheses.
*$p < .05$, **$p < .01$, ***$p < .001$.

LMX-low status: $b = .31$, $SE = .14$, $p = .025$; and low LMX-low status: $b = .39$, $SE = .11$, $p = .001$). The smallest *t value* for slope difference was 2.23 ($p = .027$). Furthermore, moral disengagement was positively related to UPB ($b = .18$, $SE = .08$, $p = .020$) and self-serving unethical behavior ($b = .18$, $SE = .05$, $p < .001$) at Time 3 after controlling for their initial levels. Also, reward expectancy was positively related to UPB at Time 3 ($b = .17$, $SE = .08$, $p = .027$) but not to self-serving unethical behavior ($b = -.01$, $SE = .05$, *ns*).

To test the conditional indirect effects that were described by Hypotheses 4 and 6, we centered LMX and leader status at ±1 *SD* from their means to yield the parameters needed to estimate the conditional indirect effects using the Monte Carlo method (cf., Schaubroeck, Shen, & Chong, 2017). Table 4d summarizes the results. Consistent with Hypotheses 4a and 6, a 10,000-repetition Monte Carlo test indicated that when both LMX and leader status were higher, the indirect effects of LIE, via moral disengagement, on employees' UPB (*unstandardized estimate* = .16, 95% CI [.02, .34]) and self-serving unethical behavior (*unstandardized estimate* = .15, 95% CI [.06, .28]) were both significant and stronger than in the other conditions. Consistent with Hypothesis 4b, when both LMX and leader status are higher, the indirect effect of LIE on UPB via reward

Table 4c
Path Analysis Results for the Moderated Mediation Model (Study 4)

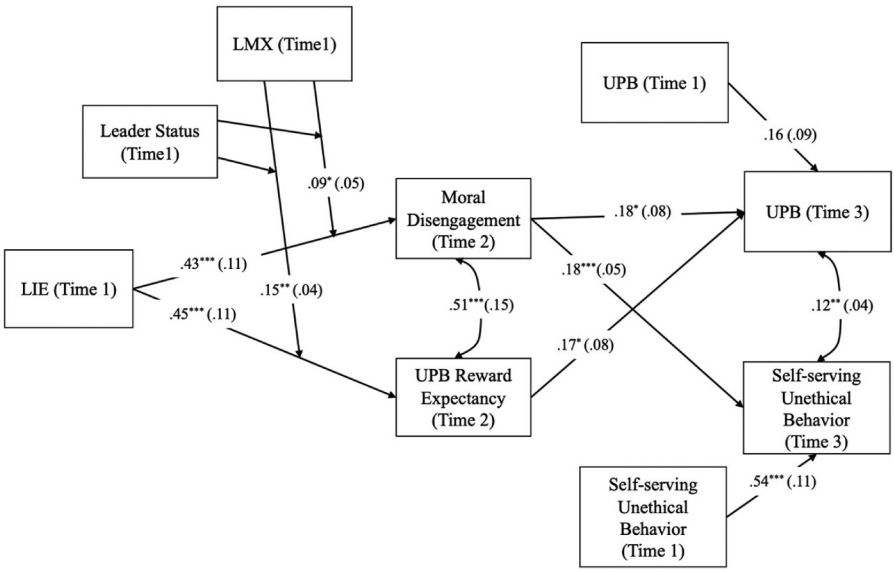
	Moral Disengagement (Time 2)		UPB Reward Expectancy (Time 2)		UPB (Time 3)		Self-Serving Unethical Behavior (Time 3)	
	Coefficient (SE)	*p*	Coefficient (SE)	*p*	Coefficient (SE)	*p*	Coefficient (SE)	*p*
Covariates								
Ethical leadership	.12 (.18)	.12	.13 (.27)	.36	.23** (.07)	.001	−.04 (.05)	.43
Moral identity	−.48** (.14)	.001	−.38** (.13)	.002	.10 (.08)	.21	.10* (.05)	.05
Age	−.01 (.01)	.25	−.01 (.01)	.06	−.01 (.01)	.10	−.001 (.004)	.88
Gender	−.01 (.17)	.97	−.06 (.17)	.72	.06 (.10)	.54	−.15* (.07)	.04
Tenure with supervisor	.10 (.08)	.23	−.05 (.06)	.58	.11* (.05)	.03	.07 (.04)	.08
UPB (Time 1)					.16 (.09)	.07		
Self-serving unethical behavior (Time 1)							.54*** (.11)	<.001
Independent Variables								
LIE	.43*** (.11)	<.001	.45*** (.11)	<.001	.20* (.09)	.02	−.08 (.06)	.14
LMX	.11 (.07)	.14	.01 (.10)	.21	−.10 (.07)	.15	−.05 (.04)	.25
Leader status	.01 (.09)	.96	−.12 (.10)	.44	−.07 (.05)	.18	−.03 (.04)	.49
LIE × LMX	.13* (.06)	.03	.15* (.07)	.03	−.07 (.06)	.22	−.17*** (.04)	<.001
LIE × Leader status	.12 (.07)	.10	.09 (.07)	.21	.04 (.04)	.34	−.03 (.03)	.31
LMX × Leader status	.09 (.06)	.13	.07 (.06)	.26	.003 (.04)	.95	−.002 (.03)	.94
LIE × LMX × Leader status	**.09* (.05)**	**.05**	**.15** (.04)**	.001	−.02 (.04)	.58	−.04 (.02)	.10
Moral disengagement					**.18* (.08)**	**.02**	**.18*** (.05)**	**<.001**
UPB reward expectancy					**.17* (.08)**	**.03**	−.01 (.05)	.79

Note: $N = 236$. Unstandardized path coefficients are reported. Standard errors are presented in the parentheses.
*$p < .05$, **$p < .01$, ***$p < .001$.

expectancy was significant (*unstandardized estimate* = .16, 95% CI [.02, .36]) and stronger than in the other conditions.

To test whether the indirect effects were significantly stronger in the high LMX-high leader status condition than in the other three conditions, we estimated the index of moderated mediation using 95% CIs. We found that the indirect effect of LIE on UPB via moral disengagement was significantly stronger in the high LMX-high status condition than in the other three conditions (high LMX-low status: index = .10, 95% CI [.004, .25]; low LMX-high status: index = .11, 95% CI [.005, .25]; low LMX-low status: index = .11, 95% CI [.006, .26]), supporting Hypothesis 4a. In addition, the indirect effect of LIE on UPB via UPB reward expectancy was significantly stronger in the high LMX-high status condition than in the other three conditions (high LMX-low status: index = .11, 95% CI [.01, .28]; low LMX-high status: index = .13, 95% CI [.001, .25]; low LMX-low status: index = .10, 95% CI [.13, .31]), supporting Hypothesis 4b. Moreover, the indirect effect of LIE on self-serving

Figure 2
Path Analysis Results of the Moderated Mediation Model (Study 4)

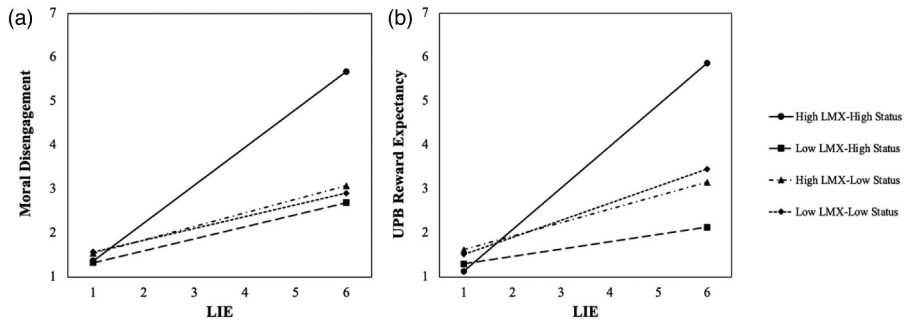


Note: $N = 236$. Control variables included ethical leadership, moral identity, age, gender, tenure with supervisor. Unstandardized coefficients are shown in the figure. Standard errors are presented in the parentheses.
*$p < .05$, **$p < .01$, ***$p < .001$.

unethical behavior via moral disengagement was significantly stronger in the high LMX-high status condition than in the other three conditions (high LMX-low status: index = .10, 95% CI [.01, .22]; low LMX-high status: index = .11, 95% CI [.02, .25]; low LMX-low status: index = .10, 95% CI [.02, .22]), supporting Hypothesis 6.

Excluding the control variables did not change the findings of the mediation analysis (when moderators were excluded) but made slight changes in the findings of the full model (including all moderators and mediators). In other words, prior to adding the moderators, all the mediation findings remained the same after removing the control variables. For the model that included the moderators, after excluding the control variables, the relationship between reward expectancy and UPB became marginally significant ($b = .16$, $SE = .09$, $p = .076$); and the three-way interaction of LIE, LMX, and leader status on moral disengagement became nonsignificant ($b = .07$, $SE = .07$, *ns*). These changes may be due to confounding variances that were suppressed when theoretically relevant control variables were included, allowing existing relationships to be observed. However, the significance of the other path coefficients did not change. LIE still contributes to employee UPB and self-serving unethical behavior via moral disengagement, and the effect of LIE on UPB reward expectancy still depends on LMX and leader status.

Figure 3
Three-way Interactions between LIE, LMX, and Leader Status in Predicting Moral Disengagement and UPB Reward Expectancy (Study 4)



(a) Interaction plot for moral disengagement. (b) Interaction plot for UPB reward expectancy.
Note: $N = 236$. For moral disengagement, the simple slope for high LMX-high leader status condition was significant ($b = .86$, $SE = .21$, $z = 4.03$, $p < .001$) and significantly higher than the three other conditions (the smallest *t value* for slope difference was 2.41, $p = .017$). The other slopes were not significantly different from one another. For UPB reward expectancy, the simple slope for high LMX-high leader status condition was significant ($b = .95$, $SE = .23$, $z = 4.12$, $p < .001$) and significantly higher than the three other conditions (the smallest *t value* for slope difference was 2.23, $p = .027$).

Table 4d
The Conditional Indirect Effects of LIE (Study 4)

Path	Conditional Indirect Effect	95% *CI*
High LMX – High Leader Status		
LIE→Moral Disengagement→UPB	0.16	[.02, .34]
LIE→Moral Disengagement→Self-serving Unethical Behavior	0.16	[.06, .28]
LIE→ UPB Reward Expectancy →UPB	0.16	[.02, .36]
High LMX – Low Leader Status		
LIE→Moral Disengagement→UPB	0.06	[− .001, .14]
LIE→Moral Disengagement→Self-serving Unethical Behavior	0.06	[.004, .12]
LIE→ UPB Reward Expectancy →UPB	0.05	[− .001, .13]
Low LMX – High Leader Status		
LIE→Moral Disengagement→UPB	0.05	[− .01, .17]
LIE→Moral Disengagement→Self-serving Unethical Behavior	0.05	[− .01, .13]
LIE→ UPB Reward Expectancy →UPB	0.03	[− .04, .12]
Low LMX – Low Leader Status		
LIE→Moral Disengagement→UPB	0.05	[.01, .15]
LIE→Moral Disengagement→Self-serving Unethical Behavior	0.05	[.004, .10]
LIE→ UPB Reward Expectancy →UPB	0.07	[.01, .15]

Note: $N = 236$. The high and low conditions are calculated as ±1 SD around variable means. CI = Confidence Interval.

Study 4 Discussion

Replicating and expanding our prior studies, Study 4 supports Hypotheses 2, 4, 5, and 6. The results indicate that LIE is associated with employee UPB via employees' moral disengagement and reward expectancy. We also found that LIE is associated with employee self-serving unethical behaviors via moral disengagement. Furthermore, the results show that these indirect relationships are strongest when both LMX and leader status are high.

General Discussion

Using four studies, we examined leader immorality encouragement (LIE) and its role in promoting unethical behaviors. This common form of pressure by leaders on employees to engage in unethical behavior on behalf of the organization has frequently been commented on by scholars (e.g., Ashforth & Anand, 2003; Brief et al., 2001; Pinto et al., 2008) and the popular press (e.g., Carreyrou, 2018; Eichenwald, 2005; Maing, 2018; Meier, 2018; Riotta, 2018) but has not received enough research attention (Brown & Mitchell, 2010; Treviño et al., 2014). Study 1 provides evidence for the reliability, discriminant validity, and predictive validity of LIE. Notably, the results indicate that LIE is associated with an increase in employees' unethical pro-organizational behavior (UPB) beyond related constructs. Study 2 supports our prediction that the LIE-UPB relationship is mediated by employees' moral disengagement and reward expectancy. Study 3 provides evidence for our prediction that the LIE-UPB relationship is strongest when leaders have higher status in the organization and higher quality exchange relationships with employees. Study 4 replicates our prior finding that moral disengagement and reward expectancy mediate the relationship between LIE and UPB. Additionally, the results support our prediction that moral disengagement mediates the relationship between LIE and self-serving unethical behavior. Further, the findings indicate that these indirect effects of LIE on self-serving and pro-organizational unethical behaviors are strongest when LMX and leader status are higher. The present studies further our understanding of how leaders foster UPB and self-serving unethical behavior in organizations.

Theoretical Contributions

Our findings make several theoretical contributions to understanding the "dark side of leadership" (Brown & Mitchell, 2010). First, we conceptualize and examine LIE, a common form of leaders' unethical behavior in organizations that has yet to be systematically studied. Although scholars have argued that leaders play an important role in promoting corrupt behaviors on behalf of organizations (Ashforth & Anand, 2003; Brief et al., 2001; Brown & Mitchell, 2010; Pinto et al., 2008), theory and empirical research fall short of examining such leadership practices. Drawing on social cognitive theory, we identify moral disengagement and reward expectancy as mechanisms through which LIE impacts unethical behaviors.

Second, we find that LMX and leader status enhance the association between LIE and unethical behaviors. This is in stark contrast to the typically desirable outcomes of LMX and leader status, such as employee performance and citizenship behaviors (Dulebohn

et al., 2012; Eisenberger et al., 2002; Tangirala, Green, & Ramanujam, 2007). Research on LMX finds that owing to the reciprocity norm, partners in high LMX relationships usually refrain from treating each other in harmful ways and act generously toward one another (Dulebohn et al., 2012). Similarly, research shows that high organizational status helps leaders build stronger relationships with their employees (Venkataramani et al., 2010) and enhances the impact of LMX and leader support on employees' positive attitudes and behaviors (Eisenberger et al., 2002; Tangirala et al., 2007). However, evidence also suggests that LMX and leader status may promote employees' favorable evaluations of leaders' unethical behaviors (Pelletier, 2012; Shapiro et al., 2011). Extending past research, our results suggest that LIE contributes to subordinates' unethical behavior even more when leaders have a strong LMX relationship with subordinates and possess high status.

Third, our findings indicate that LIE may inadvertently encourage employees' *self-serving* unethical behavior, which is antithetical to the leader's intended goal of advancing organizational objectives. LIE's association with self-serving unethical behavior indicates that leaders may not be able to restrict the types of unethical behaviors that they promote to UPB. Although from leaders' perspective this may be paradoxical, such unintended consequences are not uncommon in organizations. Prior research has identified other situational factors that produce similar unintended consequences. For example, difficult performance goals and bonus opportunities—tools that organizations use for enhancing performance—have been found to also, albeit inadvertently, promote unethical behaviors via morally disengaging employees (Kish-Gephart et al., 2014; Welsh & Ordóñez, 2014). Even the intended outcome of LIE (i.e., UPB) is in the long run harmful to organizations given the tendency for initially small ethical violations to, often after producing seemingly positive outcomes, grow into larger and out of control violations (Welsh et al., 2015)—as has been the case in Ponzi schemes and accounting scandals (e.g., Henriques, 2018; McLean & Elkind, 2003; Welsh et al., 2015).

Fourth, our studies contribute to research on social cognitive theory in organizations. Past research has used social cognitive theory to explain subordinates' social learning from ethical, transformational, abusive, and bottom-line focused leaders (e.g., Brown et al., 2005; Greenbaum et al., 2012; Lian et al., 2012; Mayer et al., 2009; Tu et al., 2018; Tucker et al., 2010). Extending past research, we apply social cognitive theory to explain how LIE promotes employees' unethical behaviors. Specifically, our studies confirm the social cognitive theory's prediction that moral disengagement and reward expectancy are mechanisms for social learning of unethical behaviors (Bandura, 1991; Farasat & Azam, in press; Umphress et al., 2010). Furthermore, we validate the social cognitive theory's general assertion that authorities' legitimacy, respect, and power enhance social learning of (un)ethical behaviors from them (Bandura, 1991; Brown et al., 2005) by examining the moderating roles of LMX and leader status in LIE's relationships.

Methodological Advantages and Limitations

Our construct development and subsequent studies of mediating and moderating factors involving LIE included systematic replications. Our samples included employees from various jobs and companies, bolstering our confidence in the generalizability of the findings. Additionally, Study 1d (Sample 4) provided evidence on the directionality of the LIE-UPB

relationship using a cross-lagged panel design. Nevertheless, our set of studies has limitations. Our studies did not include an experimental design, and thus, we cannot provide strong evidence for causality. In addition, in our studies, the ratings of LIE and its outcomes came from employees, thus creating the possibility of same-source bias. Our Study 3 relied on a single survey, which potentially increases this type of bias. However, in Studies 1d, 2, and 4, we measured LIE and its outcomes at different time points, which minimizes the likelihood that common source bias explains the relationships (Podsakoff et al., 2012); and in Study 3, we statistically showed that common-method variance is not likely to have influenced the findings. Moreover, the interaction relationships are not susceptible to inflation due to method bias (Podsakoff et al., 2012). Our measuring of LIE from the subordinates' perspective is consistent with how other leadership constructs (e.g., abusive supervision) are measured. Also, our use of self-report measures for employees' unethical behaviors, which are often hidden from observers, is a common practice that has been shown to produce results that are closely related to those based on other-reported unethical behaviors (Berry, Carpenter, & Barratt, 2012). Nevertheless, future research can assess LIE from the perspectives of both leaders and subordinates to examine potential differences as a result of different perspectives. For example, what subordinates consider LIE (unethical) may be viewed by leaders as normal and necessary job behavior (ethical). Thus, the leaders may rate themselves lower on LIE.

Studies 1d (Sample 4), 2, and 4 rely on samples that consisted of part-time as well as full-time employees who were University students. To bolster confidence in the generalizability of our findings, Studies 3 and 1d (Sample 5) used samples that mainly consisted of full-time employees in the U.S. and China, lending further support for parts of our theoretical model. In addition, controlling for employment status did not change our findings in any of the studies. Taken together, the methodological strengths plus consistent patterns across studies with different samples suggest empirical support for our theorizing.

Suggestions for Future Research

There is a need for future research to examine antecedents of LIE. Leaders may have motives for LIE in addition to helping or protecting the organization. Leaders may want credit for perceived positive outcomes resulting from LIE (Pinto et al., 2008). Also, highly competitive business environments and excessive demands for productivity increase pressures felt by managers to engage in ethical shortcuts, including LIE, as a matter of self-preservation (Daboub, Rasheed, Priem, & Gray, 1995). Additionally, higher level managers may model LIE, which is transmitted by social learning to lower level managers. Furthermore, dispositions that reduce individuals' ethical constraints, such as Machiavellianism, narcissism, and psychopathy, may enhance LIE.

Future research may also examine additional consequences of LIE. For example, because the manager is an agent of the organization (Eisenberger et al., 2010), employees may attribute LIE partly to the organization's endorsement of unethical activities to increase profits or hide organizational failures. Such a perception of the organization's lack of fidelity to ethical values may contribute to employees' cynicism and negative attitudes toward the organization. Personal treatment as a recipient of LIE and knowledge of others' similar experiences may cause employees with strong moral standards to quit the organization or blow the whistle

on the organization, as often occurs when employees perceive their values to be incongruent with those of their organization (e.g., Carreyrou, 2018; Kaplan & Kiron, 2004; Maing, 2018).

We studied LMX and leader status as two moderators that *enhanced* the employees' compliance to LIE. There is also a need to study factors that may *weaken* such compliance. It seems likely that LIE will be less effective in promoting unethical behaviors in organizations whose cultures stress ethics and respect employees' moral agency (Treviño, 1986). In an ethical culture, LIE may be viewed as deviation from organizational values so that employees may be less likely to conform to a leader's importuning of unethical behavior. Also, as we suggested before, the transparency and fairness of reward and promotion systems may reduce employees' expectation that conforming to LIE is required for success in the organization.

Practical Implications

In a recent survey, 10–47% of employees in the world's largest economies reported they had been pressured to compromise ethical standards. In addition, 29–74% reported that they had experienced retaliation for reporting misconduct, with the majority of retaliations occurring within 3 weeks of reporting (Ethics & Compliance Initiative, 2018). Because of the negative outcomes of LIE on organizations and their stakeholders, it is important for organizations to reduce LIE and curb employees' compliance with it. First, organizations should consider integrity as a criterion for hiring, evaluating, and promoting leaders. This can be accomplished during the hiring process by looking for information on ethical lapses in the background checks of prospective leaders. Organizations could also receive input on existing leaders' ethical conduct and integrity from peers, subordinates, and superiors during performance appraisal and promotion processes. While relational skills are helpful for leaders, organizations should be aware of the danger of placing individuals in a position of leadership who are effective in forming high-quality relationships and gaining status yet prone to using their relationships and status to foster unethical ends. Therefore, we concur with the recommendation by prior researchers (e.g., Mayer et al., 2012) that organizations' criteria for hiring and promotion of leaders should incorporate moral standards.

A second practical implication regards the need to educate employees about ethical conduct and to make it safer for them to resist (i.e., decline or report) LIE (Brief et al., 2001). Our research identified moral disengagement and reward expectancy for UPB as mechanisms through which LIE promotes UPB. Therefore, by promoting moral engagement among employees and increasing the transparency and fairness of promotion and reward systems, organizations can encourage employees to disobey LIE. In addition, organizations also need to make resistance to LIE safe, as subordinates who try to resist LIE often receive poor evaluations or even dismissals enforced by a tradition-bound power structure (Ethics & Compliance Initiative, 2018; Hamilton & Sanders, 1992). To encourage and empower employees to resist LIE and to offer them protection after they have done so, we recommend that organizations (1) sensitize employees to the possible occurrence of LIE and emphasize the organization's firm commitment to protecting employees who resist it, (2) create transparent and fair reward and promotion systems that allow gaining valued outcomes via ethical means, (3) publicize explicit means for safely reporting of LIE (e.g., ethics

hotline), (4) praise and reward employees who resist LIE, (5) take decisive disciplinary action against leaders who engage in LIE, and (6) create effective grievance mechanism for employees who feel they have been targets of retaliation.

Conclusion

Numerous organizational scandals have implicated leaders who promote unethical behaviors on behalf of the organization. However, prior to the present studies, leadership research has not examined this form of unethical leader behavior. Our studies indicate that leader-immorality encouragement (LIE) promotes employees' unethical pro-organizational behavior (UPB) and that employees' moral disengagement and reward expectancy mediate this relationship. We also found that LIE morally disengages employees and thereby has the unintended consequence of promoting self-serving unethical behavior. In addition, our studies show that these effects of LIE are stronger when the employee and the leader have a higher quality exchange relationship and the employee perceives the leader to have higher organizational status. Our set of findings contributes to an understanding of leaders' attempts to further organization objectives by encouraging the unethical behavior of subordinates.

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