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The Psychology of Ethical Leadership in Organisations

Implications of Group Processes

Catarina Morais
Georgina Randsley de Moura

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Contents

1 An Introduction to Decision-Making and Leadership in Groups 1

2 What Ethical Leaders Do for Organisations? 13

3 A Group Approach to Ethical Leadership in Organisations 27

4 The Dark Side of Leadership—What Happens When Leaders Behave Badly? 41

5 How to Improve Ethicality Within the Organisation 57

6 Conclusion 71

Index 83

CHAPTER 1

An Introduction to Decision-Making and Leadership in Groups

Abstract Globalisation has forced organisations to restructure their views on employment and how jobs are undertaken. This explains why organisations have become more dependent on teams to complete the different demands. In the current job market, employers are increasingly looking for employees who are able to work in teams and, ultimately, who have leadership abilities. But this does not necessarily mean that groups are better than individuals in making decisions. In this chapter, we discuss under which circumstances individuals are better than teams at making decisions, and which factors contribute to increasing the quality of group decision-making, and what is the role of leaders in this process—how they emerge within groups and how leaders can be effective in order to achieve organisational goals.

Keywords Individual vs. group decision-making · Effective leaders

Globalisation forced organisations to restructure their views of the job and the way they execute it. This phenomenon explains, at least in part, why groups are formed within organisations, as they became more dependent on groups and teams to complete the different demands. In the current job market, being competent is no longer sufficient, and employers are increasingly looking for employees who are able to work in teams and, ultimately, that have leadership abilities. As such, to

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understand organisational leadership—including ethical leadership—it is critical to introduce information on how groups make decisions, and how leaders emerge within group. There is a long history in social psychology of understanding whether groups are better than individuals in making decisions, and also into why groups need leaders to be most effective.

In this chapter, we discuss the circumstances under which individuals are better than groups at making decisions, and which factors contribute to increase the quality of group decision-making, as well as how leaders emerge within groups and how they can be effective in order to achieve the organisations' goals. This provides a focus on group processes and a critical background into understanding how individuals respond to leaders within organisations—including ethical and unethical leaders.

The Problem of Decision-Making in Groups

People often question whether it is individuals or groups who make better decisions (Davis, 1992). Research is not conclusive, as many different factors come into play. Also, individuals working alone and in groups use cognitive heuristics—like mental shortcuts—and are prone to biases when it comes to making decisions.

One of the main arguments in favour of the superiority of groups in decision-making is related to the fact that, by working in teams, individuals can build on each other's ideas, correct other's mistakes and, therefore, increase the quality of the decision-making (Arnold et al., 2010). For example, previous research has shown that employees who work in teams and are exposed to other people's ideas and diversity have their creativity enhanced, and that, when working in teams, individuals recall more information and make more rational decisions when compared to individuals alone, outperforming them (e.g. Fahr & Irlenbusch, 2011; Martell & Borg, 1993; Masclet, Clombier, Denant-Boemont, & Lohéac, 2009; Michaelson, Watson, & Black, 1989; Paulus, 2000; Vollrath, Sheppard, Hinsz, & Davis, 1989).

The challenge is that, working in groups and making group-based decisions is not perfect. One could easily assume that work teams would be better at freely generating ideas (brainstorming). However, science has not completely backed up this prediction: on the one hand, previous research has indeed shown that individuals in groups can think up twice as many ideas as they could on their own (Osborn, 1957; cf. also

Madsen & Finger, 1978), but, on the other hand, some studies showed that when individuals are stimulated and encouraged to generate as many ideas as they can think of, they can actually produce more ideas per individual than do groups (e.g. Lamm & Trommsdorf, 1973; Mullen, Johnson, & Salas, 1991). Several explanations have been suggested to justify this phenomenon, including production blocking, that is, the possibility of people forgetting or suppressing their own ideas whilst other team members are talking (Diehl & Stroebe, 1987); or that individuals might be afraid of what others think about them when they are exposing their ideas (evaluation apprehension; Diehl & Stroebe, 1987); or simply because they feel and believe that other team members might do the work for them (free-riding, Williams, Harkins, & Latané, 1981).

Another frequent situation that exposes the difficulties of deciding in groups refers to tasks in which there is a correct answer. Under these circumstances, it is not enough for the group to have one member who is capable of finding the solution, as it requires at least two people to convince the remaining members (Arnold et al., 2010). This means that for these types of tasks, groups are, on average, better than individuals but also inferior to the best individuals or, in other words, the group is "as good as its second-best member" (Arnold et al., 2010, p. 503).

Previous research has also shown that groups often do not seek the best solution to a problem and would rather settle for a consensus instead. If the group's motivations for consensus is stronger than its motivation to carefully evaluate the advantages and disadvantages of a decision, groupthink can result. Therefore, groupthink occurs when individuals' main concern refers to achieving consensus instead of finding the best available way of solving a problem or situation (Janis, 1982). Moreover, groups can be prone to the social loafing effects, whereby the effort of each group member decreases as the number of group members increases (cf. Ringelmann effect; cf. also Kravitz & Martin, 1986; Latané, Williams, & Harkins, 1979). That is, the larger the group is, the more individuals perceive their single contribution cannot be identified, and the less the effort they make to achieve the group goal (Kerr & Brunn, 1983). Social loafing effects can be minimised by providing groups with a specific goal (Erez & Somech, 1996), for which leaders play a crucial role. Moreover, when group membership and identification with the group are made more salient (e.g. uniform), individuals are less likely to engage in social loafing and will actually produce more for the group (Giske, Rodahl, Haugen, & Hoigaard, 2017; Karau & Williams, 1993; Worchel,

Rothgerber, Day, Hart, & Butemeyer, 1998). Moreover, increased identification with a group is more likely to enhance motivation and performance within groups (van Knippenberg & Ellemers, 2003).

Working in groups may bring other challenges such as rivalry between group members or other problems of communication that block this potential associated with having different people (with different knowledge, skills, and competencies) making the decision (cf. Arnold et al., 2010; Hoffman & Maier, 1961; Janis, 1982; Latané et al., 1979).

In sum, there is not yet a clear answer regarding whether individuals working alone or in groups are superior in decision-making, suggesting that it truly depends on the individual characteristics of the group members (e.g. their training and ability to work in teams; Arnold et al., 2010), the task (e.g. generating ideas and plans, solving problems that have correct answers; McGrath, 1984) and the context (e.g. social identity, motivation gain; cf. also Larson & LaFasto, 1989). So, if groups are not necessarily the best alternative to make decisions, why do organisations rely on groups and teams so much?

Why Do Organisations Rely on Groups?

Many important decisions in organisations are made by groups of individuals, and most organisational processes will rely on boards, committees and groups. To understand why it is important to reflect on the context in which business occurs, specifically, it is crucial to understand the demands organisations must respond to. The development of technology and resources (such as the Internet) has made businesses global, and globalisation has played an important role by having a remarkable impact on financial systems and organisations. The phenomenon of globalisation made business highly competitive (Nilesh & Shiney, 2016), forcing organisations to restructure their views of jobs, and especially the way organisations execute them in order to adapt (cf. Hedge & Borman, 2008).

Globalisation has also brought with it new challenges to organisations. For example, the workplace become progressively more diverse (with teams incorporating employees from different cultures and backgrounds), more multifaceted, with expanded markets (increasing the workload and competition) and increased standards, among others (cf. Bachmann, 2006; Binsiddiq & Alzhami, 2013; Hedge & Borman, 2008). As a consequence, organisations have restructured and adapted,

and working in groups and teams, including virtually, has become increasingly important to respond to the requirements of a demanding, diverse, and competitive market.

A longer standing reason that explains why organisations rely on groups and team-working is related to the fact that, although not always groups constitute assets, their features such as confidence, pleasures of social interactions, and the diffusion of cost or risk may be positive to the organisation and minimise the potential disadvantages (Davis, 1992). On the whole, individuals enjoy working in groups and there are social benefits including job satisfaction, well-being and commitment—all of which positively contribute to productivity (cf. Gong, Law, Chang, & Xin, 2009; Wright, Cropanzano, & Bonett, 2007). Relatedly, involving employees in the decision-making and through team structures allows organisations to increase employee engagement and participation which will in turn increase employee commitment to decisions made. This can justify the extra time, and therefore costs, associated with group decision-making (Arnold et al., 2010; Davis, 1992). Therefore, work groups serve, simultaneously, a functional and a social function.

In summary, organisations increasingly rely on groups and teams to get the work done (Devine, Clayton, Philips, Dunford, & Melner, 1999; Sauer, 2011). This increasing importance of teams within organisations also helps to explain the shifting on company's recruiting paradigm: human resources are not only looking for competent employees, but also employees who fit the organisation's values, possess teamwork abilities and, ultimately, leadership qualities (cf. Bartram, 2004 for a review).

Once work groups represent the massive task force of organisations, it is only expected for organisations to need someone to lead those groups. Indeed, leadership reflects the individual ability to enable and maximise the contribution of others towards the effectiveness and success of the organisation, by influencing and motivating them (House et al., 2004).

Leadership in Groups and Teams

Several approaches have been used to explain how leadership emerges and is effective. Some of the older theories argued that leadership depends on the set of characteristics that leaders possess, arguing that a certain combination of personality traits is what allows them to be effective (e.g. great person theory of leadership; cf. Borgatta, Bales, & Couch, 1963). Although this approach has not found greatly support

from empirical research, some patterns have consistently been found: emerging leaders appear to be more charismatic and socially skilled, as well as presenting themselves with confidence (Stogdill, 1974). A different approach (e.g. contingency theory of leadership) focus not only the personality of the leader, but also accounts for the characteristics of followers and of the situation—in other words, consider context (e.g. Hollander, 1961; Sternberg & Vroom, 2002; Vroom & Jago, 2007). Other theories have focused on the style of leader instead, for example transformational and transactional leadership (see Chapter 2 for more detail). These theories consider the leader–follower relationship in detail, but whilst transformational leadership focuses on the ability of leader to exert influence by inspiring followers, the transactional leadership argues that followers are motivated to behave in a certain way because of the exchanges of rewards given to followers who contribute with skills and efforts to the group (cf. Kanungo & Mendonça, 1996; Treviño, Brown, & Hartman, 2003).

These more recent approaches emphasise the interdependence of the group and the leader instead, reflecting the idea that one of the main functions of leadership in organisations is to offer guidance and a direction for employees to follow. One example that portrays this approach is outlined in Case Study 1.

Case Study 1

"Berian manages a team of 17 in a Tesco in-store bakery. One of the key challenges of Berian's job is to ensure his team produces the right products to meet demand at key times. His usual management approach is to allow the team to take responsibility for achieving the desired result. In this way, the team not only buys into the activity, but also develops new skills. For example, when the bakery expanded its product range and Berian needed to ensure that all the products would be on the shelves by 8am, rather than enforce a solution, he turned to the team for ideas. The team solved the problem by agreeing to split break times so that productivity could be maintained. Berian's approach produced a positive outcome and increased team motivation".

Source: Business Case Studies website: Developing appropriate leadership styles: A Tesco case study

Case Study 1 illustrates how leaders are a vital part of goal-setting and is part of their role to communicate strategies to achieve those goals. In other words, good leadership is crucial to keep teams and employees motivated and make the team work together towards the broad strategy and specific goals (Kozlowski, Chao, & Jensen, 2010; Kozlowski & Salas, 2010). Leaders shape opinions, work methods, and transform and inspire others (cf. Kozlowski & Ilgen, 2006).

Team-based success is often related to the capabilities and effectiveness of the team leader, whose actions and decisions must be continuously informed by the team's needs in order to maximise its potential (cf. Kozlowski & Ilgen, 2006). It is, therefore, undeniable that leaders are an essential part of effective and efficient groups and teams, especially in organisations.

The importance of leadership is reflected in a report published by Deloitte (2014), which presents the results of a study conducted with 2532 Business and Human Resources Leaders from 94 different countries around the globe. Regarding the top global trends, the vast majority of these leaders (86%) considered leadership as one of the most important and/or urgent issues for organisations. In this survey, participants were also asked to identify the top 5 most important trends for each region of the globe. In 5 regions (out of 7), leadership appeared as the top priority or highly important in developed and growing economies around the globe.

This highlights the emphasis that organisations and businesses are putting on leadership and reflects that businesses are aware of the positive impact that good leaders have on teams in their organisations. By contrast, just as employees and organisations benefit from having great leaders, leaders can also produce the *reverse* effect and harm the business and damage the relationship between employees and the organisation. For example, in 2015, Gallup surveyed 7272 US employees and found that about 50% of employees reported leaving their jobs due to a bad relationship with their manager (leader).

In sum, there is no doubt that leaders' behaviours affect employees and relationships within and between teams and/or organisations. Because of the important and central role leaders play within the organisation, leaders are perceived as role models and their behaviours are under particular scrutiny. The moral component of behaviours in organisations is particularly salient as organisations are increasingly sensitive to ethical and unethical issues and, consequently, more sensitive to ethical

and unethical behaviour, particularly from leaders. Therefore, this book focuses on leaders' ethicality, outlining the impact of ethical leaders in organisations (Chapter 2), and, using group dynamics and social identity as a theoretical framework (Chapter 3), we explain how groups (such as teams and organisations) respond and react towards unethical leaders (Chapter 4). In Chapter 5, we explore the practical implications of unethical leadership and provide some specific suggestions of what might be done to improve ethicality and, consequently, the leader–employee and the employee–organisation relationships and outcomes.

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CHAPTER 2

What Ethical Leaders Do for Organisations?

Abstract Numerous factors such as recent scandals (e.g. Volkswagen, FIFA) and the strong pressure of a competitive environment for organisations to embrace corporate social responsibility have influenced the growing focus given to ethics in organisational contexts. Thus, leaders are under pressure to behave ethically and make ethical decisions. This chapter discusses the two major concepts of ethical leadership: one more focused on the individual and the other on the context aspects that make the leader ethical/unethical. Moreover, we also differentiate it from other common studied leadership styles: transformational and transactional leadership. In the second part of the chapter, we address the issue of the impact of ethical leaders in organisations, explaining why and how organisations profit from having ethical leaders.

Keywords Impact · Consequences of ethical leadership · Organisations

In 2015, one of the biggest car manufacturers in the world—Volkswagen—admitted cheating on cars' emissions tests in the USA, when the Environmental Protection Agency found that a lot of VW cars sold in America had a software in the diesel engines that detected when the cars were being tested and automatically changed the performance to improve the results (e.g. Hotten, 2015). In the same year, the biggest football organisations—FIFA and UEFA—saw some of their top executives

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accused of corruption. FIFA's President, Sepp Blatter, and UEFA's President, Michel Platini, were found guilty of breaches over £1m. The FIFA's ethics committee argued that both executives had shown an abusive execution of the positions they held at the time (e.g. BBC, 2015).

It is not only due to the recent scandals, but also due to the establishment of big business, and the stronger pressure of a competitive environment for organisations to embrace the corporate social responsibility, among other factors, that have led to a growing focus given to ethics, particularly in organisational contexts (cf. Vardi & Weitz, 2004). In Chapter 1, we described the importance of leadership and how leaders are central to all aspects of organisational life, especially in relation to team and group relationships (e.g. Arnold et al., 2010; House et al., 2004; Kanungo & Mendonça, 1996). In this chapter, we extend this to ethical leadership and explore the positives of enhancing ethical leadership in organisations.

In fact, a societal conjuncture leads to an increase in recognition for social responsibility and a focus on the importance of public good, contributing to the harmony, stability and strength of society (Kanungo & Mendonça, 1996). This focus on "doing good" may have exerted pressure on large corporations to regulate the practice of their organisations and set, for example, an ethics code for this purpose (cf. Berenbeim, 1987). The growing awareness regarding the impact that business and organisational decisions have on society has also contributed to the current shift of attention to ethics (Vardi & Weitz, 2004). Nowadays, is quite common to see organisations considering the environmental impact of their business transactions, as exemplified by Case Study 2.

Case Study 2

Acknowledging the increasing concern for sustainability, Coca-Cola has recently planned to invest in their packaging to make its bottles and cans more sustainable and recyclable. Recently, Coca-Cola's CEO James Quincey announced on the company's website that Coca Cola aims to "help collect and recycle a bottle or can for every one we sell by 2030". The leader of Coca-Cola stated that "consumers around the world care about our planet. They want and expect companies like ours to be leaders and help make a litter-free world possible". In a recent interview to *The Telegraph* (2018), James Quincey said that "The world has a packaging problem – and, like all companies, we have a responsibility to help solve it".

Sources: Quincey (2018) and *The Telegraph* (January, 2018)

Case Study 2 portrays the idea that although it is undeniable that business needs to be profitable, society no longer accepts an exclusive concern with profit without a concurrent concern for high standards in terms of ethical performance (Kanungo & Mendonça, 1996). We explore this through leadership because leaders set the example and inspire others as central members of groups, teams, and organisations.

Leaders have a crucial role in the communication of the organisation's mission and values which, as good as they may look on paper, are useless if the leaders' behaviours are not consistent with them (Kanungo & Mendonça, 1996). For example, if an organisation says that they value employees' ideas but actual employees perceive that every time one of them communicates an idea the leader disregards them, the organisation's message and the leader's behaviour are not congruent and, therefore, a different message is perceived by the employees (e.g. that the organisation does not value their ideas after all). On the other hand, if the leader makes the time to hear the employee and discuss the idea (even if not implemented), the message portrayed by the organisation and the leader's behaviour will be consistent. As a consequence of their position within the organisation and the growing awareness of the impact of organisational decisions on society, leaders are under increasing pressure to be ethical and to guide their decisions in an ethical manner.

In this chapter, we will outline two major concepts behind this idea of ethical leadership—ethicality as more of an individual or a social aspect of the self. We review the proposed theories that frame the conceptualisations and differentiate ethical leadership from other leadership styles. The practical consequences of ethical leadership to organisations will also be explored.

Ethical Leadership: Concepts and Theoretical Frameworks

Ethical leadership was first defined by Brown, Treviño, and Harrison (2005) as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (p. 120). This is a complex definition, as it encompasses several meanings and assumptions, which we explain further.

The first segment of the definition—*the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships*—implies that ethical leaders, by behaving in a "normatively appropriate" manner, become legitimate and credible role models and, simultaneously, influence what followers deem to be normatively appropriate (Brown et al., 2005). The established norm in a certain context informs individuals regarding the most frequent opinions and behaviours in a particular situation, as well as which opinions and behaviours are socially approved (cf. Cialdini & Trost, 1998). Therefore, an important caveat of the term "normatively appropriate" is that it is intentionally vague to express the assumption that appropriate behaviour is closely linked and intrinsically connected to the context in which it occurs (Brown et al., 2005). The same behaviour (e.g. recycling) can be more or less normative according to the context in which it takes place: the recycling expectations of the CEO of an environmental charity would probably be very different from the recycling expectations of the CEO of an oil company. Thus, the context sets what is normative.

The second segment—*the promotion of normatively appropriate conduct to followers through two-way communications*—refers to the assumption that ethical leaders draw attention to ethics-related topics, making it socially salient (Brown et al., 2005). Ethical leaders emphasise ethics not only by talking about it, but by engaging in discussions about ethics with the employees, providing them with the vital opportunity of expressing what leadership looks and feels like, and suggesting a more procedurally and interpersonally just process (Brown et al., 2005; Howell & Avolio, 1992).

Furthermore, a third dimension—*the reinforcement*—reflects the idea the leaders not only set the ethical standards, but also that part of their roles is to reward employees whose behaviour is consonant with such standards, and discipline those whose conduct violates the ethical standards (Brown et al., 2005; Treviño, Brown, & Hartman, 2003). The final component of the definition—the *decision-making* component—reinforces the assumption that the leader's behaviour is deliberate and that ethical leaders take into account the consequences of their decisions and, consequently, make principled choices that can be both observed and replicated by employees (Avolio, 1999; Howell & Avolio, 1992).

Taken together, these different segments reflect one of the underlying assumptions of the concept of ethical leadership defined by Brown and colleagues: individuals learn by observing others. In other words,

employees learn how to behave ethically by observing the leader to display such conduct: they learn through vicarious experiences. Indeed, Brown and colleagues' (2005) definition of ethical leadership has social learning perspective as theoretical framework. The social learning theory was proposed by Bandura (1977, 1986), who argued that individuals not only learn from their direct experiences, but also through observing other people's behaviour and its consequences; that is, they learn through vicarious experiences. Therefore, by observing how the leader behaves, employees learn the kind of behaviours that are expected from them and, consequently, which behaviours are likely to be punished and which behaviours are more likely to be rewarded (Brown et al., 2005).

Indeed, a powerful dimension of leadership is related to the leaders' ability to influence (Yukl, 1998). Brown and colleagues (2005) proposed that leaders influence employees' ethical conduct via social modelling and because of the power that leaders have over the behaviours and outcomes of employees, and due to the status acquired within the organisations, leaders are likely sources of modelling (Brown et al., 2005). It is important to note that the effectiveness of modelling the behaviour of followers is not solely related to the inherent status of leaders, but also to their ability of controlling rewards (cf. Bandura, 1986). Moreover, for leaders to be respected as role models in terms of ethics, they need to be perceived as attractive, credible and legitimate, which can be achieved by engaging in behaviours that are simultaneously evaluated by employees as being normatively appropriate and that imply an altruistic (opposed to a selfish) motivation (Brown et al., 2005; see also Kanungo, 2001). In conclusion, the leader's ability to exert influence over employees is dependent on the perception that their behaviours are motivated by the groups or organisations' best interests. For example, Sustrans recently communicated regarding its appointment of top people (Sustrans, 2017) and emphasised that appointees were selected based on their commitment to the vision and purpose of Sustrans as an organisation (sustainable transport) rather than the appointees' personal career ambitions. This aspect of fitting in with norms aligns well with social identity approaches to leadership (see Chapter 3) although that is not the emphasise of Brown and colleagues' theory of ethical leadership.

An alternative definition of ethical leadership was proposed by De Hoogh and Den Hartog (2008). The authors argued that the definition presented by Brown and colleagues (2005) lacked the inclusion of leader's personal characteristics. Under the umbrella of "leader social

responsibility", De Hoogh and Den Hartog (2008) focused their approach on the leader's individual attributes, such as concern for others (engage in virtuous acts), moral-legal standard of conduct, self-judgement and concern about consequences (refraining from evil acts), and an internal obligation of "doing the right thing" (De Hoogh & Den Hartog, 2008).

Whilst the definitions vary in emphasis—social or individual—both definitions of ethical leadership share a significant number of features. For instance, both Brown and colleagues and De Hoogh and Den Hartog's definitions propose fair and moral behaviour are core components of ethical leadership. However, the former defines this in terms of the leader being trustworthy and fair, and the latter in terms of concern for morality and fairness. Moreover, both definitions include some kind of power-sharing in the decision-making process, reasoning that ethical leaders give employees a voice in this process, listening what they have to say and what their concerns are (cf. Brown et al., 2005; De Hoogh and Den Hartog, 2008). Another common component to both definitions encompasses the importance of open communication—however, Brown and colleagues (2005) proposed that leader's engagement in open communication promotes ethical conduct by rewarding ethical and punishing unethical behaviours from employees, showing them what sorts of behaviours are expected and which ones are not tolerated (respectively). On the other hand, De Hoogh and Den Hartog (2008) relabelled this component as role clarification and argued that the open communication includes a clarification of responsibilities which leads employees to a clear idea of what is expected.

It seems plausible that a *key difference* between the two proposed conceptualisations of ethical leadership relies on the researchers' focus in terms of the leader–follower dynamic; whilst Brown and colleagues (2005) focused on the impact of the position that the leader occupies in itself (allowing the leader to become a role model and employees to learn from observation), De Hoogh and Den Hartog (2008) highlighted the personal characteristics of leaders, arguing that they are expected to have a higher inner obligation of being morally right.

Another important difference among the two definitions refers to the frameworks chosen by the authors to explain ethical leadership. In the definition proposed by Brown and colleagues, the relationship between leader and employees is described in terms of how the leader constitutes a role model to the employee, who learns how to behave ethically.

On the other hand, in the definition proposed by De Hoogh and Den Hartog, this relationship is conceptualised as a behavioural transaction between leader and employees.

In this book, we will take the Brown and colleagues' (2005) definition of ethical leadership, as it is still the most used definition in the literature to date (see Kaptein, 2017 for an overview). Moreover, our approach to ethical leadership is based on the social identity theory of leadership, and we focus on intra- and intergroup processes to analyse and interpret the relationship between leaders and employees. The Brown and colleagues' (2005) definition is congruent with our approach, due to a focus on social relationships and context rather than an emphasis on idiosyncratic characteristics.

One important criticism of approaches to ethical leadership is that it might just be good leadership (e.g. Levine & Boaks, 2014). Therefore, it is important to understand how ethical leadership differs from other leadership styles. Indeed, an important part of any conceptualisation is differentiating the concept from others that might be close related or even overlapping. Thus, in the case of ethical leadership, it is important to distinguish it from other types of leadership, and particularly from transformational and transactional leadership, two of the most common and broadly studied styles of leadership.

Ethical Leadership vs Transformational and Transactional Leadership

Ethical leadership and transformational leadership appear to be strongly related (cf. Bass & Avolio, 2000; Brown & Treviño, 2006). According to Burns (1978), transformational leadership is a type of leadership that is moral, with followers being inspired by transformational leaders to work together for a shared and collective goal. By focusing on a superordinate goal, followers would act beyond self-interest. Kanungo and Mendonça (1996) explored this idea and proposed that transformational leadership encompasses an ethical influence process. More recent research presented some support to this assumption by showing that transformational leadership is positively related to moral reasoning and leader integrity (Parry & Proctor-Thomson, 2002; Turner, Barling, Epitropaki, Butcher, & Milner, 2002).

The existence of some overlap between ethical and transformational leadership is undeniable. Indeed, both constructs—ethical and transformational leadership—argue that leaders act as role models and the definitions of both styles encompass dimensions such as concern to act consistently with moral principles, concern for others and deliberately taking ethical consequences into account (Brown & Treviño, 2006). Furthermore, transformational leadership also includes an idealised influence dimension that comprises explicit ethical content, which has been found to be weakly correlated with ethical leadership (Brown et al., 2005).

Nevertheless, there is also research supporting the distinctive validity of these two concepts. For instance, the concept of ethical leadership does not include the visionary dimension, which is key for transformational leadership (Brown & Treviño, 2006). Additionally, whilst transformational leadership seems to be closely related to followership dependence on the leader, ethical leadership has, in turn, been more meaningfully associated with work and stronger sense of duty (cf. Hannah, Avolio, & Walumbwa, 2014; Kark, Shamir, & Chen, 2003; Piccolo, Greenbaum, Den Hartog, & Folger, 2010).

Brown and colleagues (2005) interviewed employees from different organisations and showed that ethical leadership predicts numerous outcomes beyond the effects of the idealised influence dimension of transformational leadership. The authors argued that this result is a consequence of ethical leadership including a "moral management" dimension that is more consistent with the representations associated with transactional leadership perspective than actual transformational leadership. This moral management dimension is illustrated, for example, by the use of discipline and rewords to hold employees accountable for meeting the ethical standards, which is more similar to transactional leadership than to a transformational style of leadership (cf. Treviño et al., 2003). On the other hand, ethical leadership also includes some important features that distinguish it from transactional leadership. A key difference is that ethical leaders set ethical standards for employees and make principled decisions (Avolio, 1999; Treviño et al., 2003).

Although ethical leadership presents some overlaps with other characteristics and leadership styles, such as transformational leadership and fair treatment, these concepts are not broad enough to encompass all constructs that have been associated with ethical leadership.

The Impact of Ethical Leaders on Organisations

Ethical leadership has received a lot of attention from researchers in the areas of psychology, business and management. And one of the main reasons why academics study it is related to the fact that ethical leadership has very practical consequences to organisations.

Previous studies have shown that ethical leadership positively predicts several outcomes, both associated with the relationship between leader and employees, but also between employees, the organisation and the job itself. Indeed, employees who have ethical leaders report higher satisfaction with the leader have more positive perceptions of leader effectiveness, report strong job dedication (by being more willing to make an extra effort for the organisation), and are also more willing to report problems to management (cf. Brown et al., 2005). Moreover, Brown and Treviño (2006) proposed that employees who are led by an ethical leader would have stronger commitment, satisfaction and motivation, as well as making more ethical decision-making and having more prosocial and less counterproductive behaviours. Similarly to these results, Den Hartog and Belschak (2012) demonstrated that, in fact, by increasing work engagement, ethical leadership reduced counterproductive behaviours. In other words, ethical leaders promote altruistic behaviour via role modelling and, in turn, group members/employees are expected to become more committed to the organisation (De Hoogh & Den Hartog, 2008; Kanungo & Conger, 1993). Overall, these studies show that employees tend to respond positively to ethical leaders, especially if they pay particular attention to moral cues (van Gils, Van Quaquebeke, van Knippenberg, & De Cremer, 2015).

Nevertheless, ethical leadership does not impact only on employees' daily experiences in organisations. Another important outcome to organisations is related to affective commitment, which is the degree of identification and emotional attachment that one has with the organisation (Meyer & Allen, 1991). Following this idea, Den Hartog and De Hoogh (2009) conducted a study in which they revealed that ethical behaviour displayed by the leader was associated with stronger levels of trust (of employees on the leader) and affective commitment. Neves and Story (2015) explored the impact of ethical leadership on affective commitment and found that the positive relationship between ethical leadership and affective commitment was even stronger when leaders/supervisors

had a high reputation for performance. Interestingly, employees whose leaders were not presented as being ethical were the ones who had the lowest levels of affective commitment, regardless of the leaders' personal reputation for performance. It can, therefore, be concluded that ethical leadership appears to be a necessary but not sufficient condition for employees to express a strong emotional bond with the organisation (Neves & Story, 2015).

Exploring this idea that ethical leadership impacts employees' relationship with the whole organisation, De Hoogh and Den Hartog (2008) interviewed 73 CEOs about their role and how they function as managers. Additionally, these CEOs also handed over questionnaires to six employees who worked directly with them. The study results revealed a positive relationship between ethical leadership and employees' optimism about their future and top management team effectiveness. In other words, the authors proposed that leader's ethical behaviour has a positive impact on how their employees feel about the organisation, arguing that when leaders are ethical, employees hold more positive feelings and feel more helpful, and are more optimistic about the organisation and, consequently, are more willing to remain (less turnover) and to contribute to its success.

Moreover, ethical leaders have also a very important role in the ethical climate established in the organisation. In fact, they are responsible for shaping employees' perceptions regarding ethical climate which results in a maximised job satisfaction and affective commitment towards the organisation (cf. Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009). Indeed, recent research suggests that employees display a tendency to present a stronger engagement (by feeling more dedicated, vigour and absorption at work) when they perceived their leaders to behave ethically (Den Hartog & Belschak, 2012). On the other hand, this engagement with the organisation would also result, simultaneously, in less counterproductive behaviour and more personal initiative, which suggests that a strong identification-related motivational component is involved in the process of ethical leadership (cf. Den Hartog & Belschack, 2012). Indeed, van Gils, Hogg, van Quaquebeke, and van Knippenberg (2017) found that when employees perceived the organisation's climate as ethical, organisational identification increased their moral decision-making.

This positive impact that ethical leaders have on employees is general illustrated by the positive evaluations that these leaders receive from the team members (Brown et al., 2005). However, this idea was only

theoretical until very recently. Morais, Randsley de Moura, Leite, and Abrams (2018) empirically tested this idea, and compared the evaluations that ethical and unethical leaders received from employees. Indeed, and as theoretically stated, ethical leaders had a more positive impact on organisational outcomes (such as employees' perceptions of team effectiveness and their optimism about the future of the organisation), and this positive impact was illustrated by the positive evaluations that ethical leaders received, especially when compared to unethical leaders.

Taken together, the aforementioned results support the idea that ethical leadership is a social and group phenomenon, and leaders can directly influence employees' job satisfaction and their commitment with the organisation by displaying ethical behaviour.

In Sum…

- Due to the central role leaders occupy in the organisation, leaders are perceived as role models;
- Ethical leaders have a positive impact in the organisation and affect employees' relationship with the organisation;
- Ethical leaders are associated with higher levels of employees' job dedication, commitment, team effectiveness and motivation;
- Ethical leaders are associated with less turnover intentions from employees;
- Ethical leadership does not only impact on the leader–employee relationship (predicting, e.g., employee satisfaction with leader), but it also impacts the employees' relationship with the organisation affecting, for example, employees' motivation and commitment with the organisation.

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CHAPTER 3

A Group Approach to Ethical Leadership in Organisations

Abstract This chapter makes the case for why ethical leadership can be best understood considering group processes. Particularly, we focus on the social identity theory of leadership, which highlights that leadership influence relies on the leader's ability to be the best exemplar of the group (prototypical). From this group process approach, the best leader will be the individual that is the most prototypical as he/she better represents the group identity. As the ability to influence others is a central part of being a leader, leaders need to render themselves socially attractive to their followers by being normative, loyal, and generally behaving in ways that favour the group. Arguably then, an ethical leader will be more effective in exerting influence on the organisation.

Keywords Social identity theory of leadership · Group processes · Ethicality

The previous chapter highlighted the importance of ethics for organisational leadership. Indeed, ethical leadership has several positive consequences for organisations, such as promoting employees' commitment, job satisfaction and less counterproductive behaviours. Nevertheless, it is important to consider that leaders' behaviours and their relationship with employees occurs in a specific context, and people's relationship with the

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group/organisation itself can also influences this relationship; therefore, these group processes need to be taken into consideration.

In this chapter, we make the case that ethical leadership can be best understood considering group processes—namely, we will explain one of the main processes by which people emerge in leadership positions within the context of groups, whilst highlighting how their role can be reinforced in terms of ethical conduct.

Social Identity Theory

Initially developed by Henri Tajfel, the social identity theory proposed that human behaviour is placed in a continuum that ranges from the interpersonal (e.g. I) to the intergroup (e.g. us) (Tajfel, 1978; Tajfel & Turner, 1979, 1986). On one end of the continuum interpersonal behaviour occurs, which is a result of the interaction between two or more individuals, which is affected and characterised by the individuals' personal characteristics, experiences and interpersonal relationships (Tajfel, 1974). For example, when two friends meet for a coffee and catch up, interpersonal behaviour occurs.

Interpersonal interactions should be, in theory, isolated from group memberships; however, and as Tajfel (1974; Tajfel & Turner, 1979) noted, one's personal characteristics are influenced by group membership. Therefore, our self-concept, that is, our notion of self, is also affected by the groups we belong to and, consequently, interpersonal interactions may not be possible to occur without the influence of group memberships (Tajfel & Turner, 1979) which, in turn, occur in a specific group context. In other words, the awareness of belonging to a specific group, such as an organisation or business, may affect the way employees interact with others.

On the other side of the continuum, intergroup behaviour occurs. This is when the interaction of two or more individuals is based on their group membership, not their own personal characteristics within that context (Tajfel & Turner, 1979). For example, if two individuals interact because they are friends, interpersonal behaviour is displayed. However, if the two same individuals interact in a different context in which their group membership (e.g. organisation they work for) is salient—for example, a business negotiation meeting, they are in a situation in which they are representing their companies, and, consequently, it can be considered an intergroup interaction. A common definition of intergroup

behaviour was proposed by Sherif (1967): "any behaviour displayed by one or more actors towards one or more others that is based on the actors' identification of themselves and the other as belonging to different social categories" (p. 40). This definition highlights the role of social categories (i.e. group memberships). Social identity theory emphasises that the more the context makes these categories salient (i.e. the more people think of themselves and others with respect to group memberships), and the higher the level of identification, the more individuals move from interpersonal to intergroup behaviour (cf. Tajfel & Turner, 1979).

It is important to understand that both constructs—interpersonal and intergroup behaviour—are strongly and intrinsically related to one's self-concept system, which includes two components, each one related to each extreme of the continuum, and vital to understand group processes as a framework for ethical leadership: personal identity and social identity. Personal identity refers to the personal traits, idiosyncrasies and individual characteristics, and is closely related to interpersonal behaviour (Turner, 1984). On the other hand, social identity is strongly related to intergroup behaviour, refers to the part of individual's self-concept that results from group membership and relevant social categorisations (Tajfel, 1978), that is, the part of the self-concept that is derived from the awareness of belonging to a group.

Social identity theory proposed that individuals' social identity encompasses three distinctive components, namely: cognitive, evaluative and emotional (Tajfel, 1978). So, for a social identity to be formed, individuals need to be aware and acknowledge that they belong to a certain group (cognitive component), to perceive that group as having a positive or negative value (evaluative component) and, consequently, to develop their own feelings regarding the membership (emotional component).

The cognitive component of social identity was mainly explored by the self-categorisation theory, developed by Turner, Hogg, Oakes, Reicher, and Wetherell (1987). According to this theory, self-categorisation was defined as the "cognitive groupings of oneself and some class of stimuli as the same (identical, similar, equivalent, interchangeable, and so on) in contrast to some other class of stimuli" (Turner et al., 1987, p. 44). This process of self-categorisation involves two important features: prototypicality and depersonalisation. The word prototype, in this context, refers to the embodiment of attributes (including beliefs, feelings and behaviours) that are, simultaneously, important to characterise

the group and distinguish it from other groups (Hogg & Terry, 2000). Thus, by self-categorising themselves in terms of the social category, individuals make comparisons between group members and the prototype of the group and, consequently, depersonalise themselves towards the prototypical characteristics (Hogg, Abrams, Otten, & Hinkle, 2004). As a consequence of this depersonalisation, individuals share the prototypical characteristics, and group members become interchangeable within the category (Turner, 1984). This means that instead of using personal characteristics to make the assessment, the evaluation of, and attraction to, others is based on the group membership, and group members are more appreciated the closer they are to the group prototype (Hogg, Hardie, & Reynolds, 1995).

The second component of social identity, the evaluative component, refers to the value of the group and results from a process of social comparison between the individual's group (in-group) and the other salient and relevant out-groups (i.e. groups that the individual does not belong to, Tajfel, 1978). It can, therefore, be concluded that the social comparison process constitutes, simultaneously, a way of attributing value to the in-group, but also an attempt to differentiate the in-group from the out-groups (Tajfel, 1982). The positive or negative value of the group to the individual derives from a favourable or unfavourable outcome of the social comparison, respectively. Thus, a positive social identity is strongly dependent on a favourable social comparison (Tajfel & Turner, 1986). Because individuals' social identity is an important part of individuals' self-definition, the value attributed to the group affects their self-esteem—therefore, individuals strive to achieve or maintain a positive social identity and, consequently, they tend to seek for a positive value and distinctiveness, which leads them to incur in different biases, such as in-group favouritism (Tajfel, 1978; Tajfel & Turner, 1986).

Social Identity Theory of Leadership

Based on the work developed in the social identity theory, Hogg (2001) proposed the social identity theory of leadership, arguing that there are three processes that operate together and explain why prototypicality becomes "an increasingly influential basis of leadership process as a function of increasing social identity salience" (p. 188). These three processes are prototypicality, social attraction, and attribution and information processing.

As aforementioned, prototypicality operates when group membership is psychologically salient and, consequently, group members depersonalise themselves in terms of the in-group prototype. The more salient the group, the stronger the effect because group members conform to the prototype and are influenced by it (Hogg, 2001). In sum, when the in-group is salient, prototypicality becomes the basis of perception and evaluation of both the self and other group members (Hogg, 2001). It is, however, important to note that the construct of prototypicality is not conceptualised in a dichotomous perspective (prototypical *vs* non-prototypical), but rather as a continuum.

Therefore, categories, and particularly social categories, possess an internal grade structure, meaning that, within the context of that specific group/category, some group members are more prototypical than others (Haslam, Oakes, McGarty, Turner, & Onorato, 1995; Hogg, 1993). Consequently, category membership is dependent on a certain degree of similarity with the best exemplar of the category: the prototype (Haslam et al., 1995). So, those members who occupy the most prototypical position—the more prototypical members—exert more influence in the group than less prototypical members, as the former are perceived as embodying the behaviours expected from in-group members and the latter only as conforming to those same behaviours (Hogg, 2001). An important feature of this theory is related to the argument that the influence exerted by these members is a result of the prototype embodied and not the prototypical person itself. Nevertheless, if the prototype remains unchanged over time, and the longer that specific person occupies the prototypical position, then the stronger the perception that the member actively influences other is (Hogg, 2001).

The second process, social attraction, is explained by the self-categorisation theory, which argues that depersonalisation is the basis of attraction within groups (Turner, 1984), providing an explanation to why more prototypical members are more liked than less prototypical members (Hogg, 1992, 1993). Considering also previous research that show known that individuals are more easily influenced by other people that they like (cf. Berscheid & Reis, 1998; Hogg, 2001), it is understandable that group members who occupy the most prototypical position are more liked, acquire or possess the ability of actively influence others and, consequently, have their ideas accepted more easily, resulting in a stronger ability to exercise leadership (Barreto & Hogg, 2017;

van Knippenberg, 2011). The whole cycle imbues the leader with status and prestige, empowering him/her, and reinforcing and increasing the role of leadership and the differential status between the leader and the followers/employees (Hogg, 2001).

A complementary explanation regarding social attraction is based on the assumption that more prototypical members will display a tendency to strongly identify with the group (organisation) and, therefore, being normative, present group behaviours, and show a strong and pronounced loyalty towards the in-group (van Knippenberg & Hogg, 2003). At the same time, these group behaviours will support the leader's prototypicality and increase social attraction. In other words, leaders who display strong in-group favouritism and intragroup fairness will, simultaneously, become more socially attractive and influential (Hogg, 2001).

The third process that helps to explain prototypicality refers to attributions and information processing. Attribution processes are used by individuals to make sense of behaviours that they are observing in others. Thus, when observing the behaviour of others, people make attributions about the causes of that behaviour, attributing it to either internal factors (such as personality or other characteristics of the person that is performing the behaviour and that are under their control) or external factors (such as social context, or other causes that are not under control of the actor) (cf. Heider, 1958). According to research in social cognition, prototypical members receive a particular amount of attention, as individuals are more sensitive to differences in prototypicality among members in a group context (see Turner, 1991). At the same time, people who are distinctive and subjectively important—such as leaders—are disproportionately influential, and there is a tendency to attribute the behaviour of these individuals to dispositional factors (cf. Erber & Fiske, 1984; Hogg, 2001).

To summarise, members who are highly prototypical seem to exert more influence over other members because they fit the group prototype which, in turn, increases their social attraction and, consequently, enables them to exert more influence and gain compliance (Hogg, 2001). Taken together, these processes are likely to enhance internal attributions of behaviour, concentrated on leadership abilities that are intrinsic to the leader, such as charisma (Hogg, 2001).

In fact, Meindl, Ehrlich, and Dukerich (1985) showed that individuals who observe leaders' behaviour display a tendency to overestimate the amount of control that leader exert over the situation. This phenomenon

helps to explain why, over time, highly prototypical members (such as leaders) have their behaviour mainly attributed to internal dispositions (e.g. personal characteristics, aspects of the personality) instead of to the prototypicality associated with the position they occupy within the group (cf. Hogg, 2001; Randsley de Moura et al., 2011). Another explanation is drawn based on Susan Fiske's (1993) argument that individuals pay more attention to other who occupy the powerful positions (such as leaders) because these people control the outcomes of those individuals and, therefore, individuals pay more attention to them in an attempt of having some influence over what is going to happen to them. At the same time, and because they pay more attention to the person that occupies the powerful position, individuals also gather more information about that person and, consequently, individuals are more predisposed to attribute leader's behaviour to internal dispositions arise, tending to create a charismatic-leadership personality (Fiske, 1993; Hogg, 2001).

It can, therefore, be concluded that charismatic-leadership results from a relational and perceptual phenomenon, meaning that charisma is an attributional phenomenon (Conger & Kanungo, 1987, 1988; see Fiske, Neuberg, Beattie, & Milberg, 1987). To provide a clearer understanding of the relationship between prototypicality and attributions of charisma to leaders, Platow, van Knippenberg, Haslam, van Knippenberg, and Spears (2006) conducted a study in which they found that individuals perceived in-group prototypical leaders as possessing higher levels of charisma and as exerting more influence (being more persuasive) when compared to in-group but non-prototypical leaders.

A passive connotation of prototypicality seems to be reflected on the fact that leaders are attributed personal characteristics (such as charisma) and on the idea that, if the comparative social context remains stable, so does the prototype and, consequently, the person that occupies the most influential (prototypical) position will be the same. However, leading other people involves more than just being prototypical, and leaders need to active exercise power (Fielding & Hogg, 1997). According to the authors, there are at least two different ways that explain why individuals who occupy the prototypical position (leaders) gains influence and is able to exert it over others:

1. Because leaders are socially attractive, they are liked and, at the same time, other group members (e.g. employees) are more likely to conform with their suggestions and requests (cf. Hogg, 1993);

2. As aforementioned, group members tend to make attributions regarding leader's behaviour based on the person itself (perceiving leaders as possessing charismatic-leadership personalities) instead of considering and attributing the behaviour to the prototypicality underlying the position that leaders occupy (Fielding & Hogg, 1997).

An interesting feature of leadership prototypicality was tested by Hains, Hogg, and Duck (1997), who tested the attribution of leadership characteristics (particularly leadership effectiveness) in terms of prototypicality, and found that, as expected, in-group members who strongly identify with the group consider prototypical leaders more effective. A different study demonstrated that group prototypicality predicted perceived leader effectiveness, especially among members who highly identify with their groups (cf. Fielding & Hogg, 1997).

Ulrich, Christ, and van Dick (2009) extended the importance of prototypicality among highly identified group members by showing that although these members, who are particularly concerned about procedural fairness (i.e. whether they are given a voice or not in the decision-making process), endorse more prototypical leaders. In other words, highly identified group members are more accepting of reducing their voice within the group if that means supporting a prototypical leader.

Generally, these studies are consistent and coherent around the assumption that there is some interdependence between group identification, prototypicality, and social attraction. In other words, the more employees identify with the organisation, and the more prototypical the leader is, the more liked and the stronger the influence the leader exerts, the more effective the leader is perceived to be which, in turn, may also contribute to the identification with the organisation.

Sustained by a significant amount of experimental work, the social identity theory proposes that the more employees identify with the organisation, the more their perceptions and evaluations of the leader and its endorsement are influenced by prototypicality. Therefore, prototypical group members are more likely to become leaders and to be perceived as more effective leaders (cf. Giessner & van Knippenberg, 2008; Giessner, van Knippenberg, & Sleebos, 2009; Hogg, 2001; Leicht, Crisp, & Randsley de Moura, 2013; Leicht, Randsley de Moura, & Crisp, 2014; van Knippenberg, 2011). On the other hand, the more prototypical the leader of the organisation is, the better will represent

the identity of the organisation, and the more positively evaluated the leader is (e.g. Abrams, Randsley de Moura, & Travaglino, 2013; Hains et al., 1997; Haslam & Platow, 2001; Haslam et al., 2001; Hogg, Hains, & Mason, 1998; Hogg & van Knippenberg, 2003; Hogg, van Knippenberg, & Rast, 2012; Platow & van Knippenberg, 2001; Platow et al., 2006; Reicher, Haslam, & Hopkins, 2005; Turner, 1991; van Knippenberg & van Knippenberg, 2005).

In Sum…

- Individuals define themselves in terms of traits and characteristics (e.g. gender, nationality) but an important part of the way they define themselves is related to the way they interact with others and, more importantly, to the groups they belong to (e.g. organisations). Thus, when belongingness is salient, individuals define themselves according to the attributes of the group (social identity theory).
- Working in an organisation then becomes a part of individuals' self-concept, and individuals are motivated for the self-concept to be positive.
- According to social identity theory of leadership, the central process of leadership relies on the leader's ability to be the best representative of the group, that is, the ability to embody the context-specific prototype, becoming the best exemplar of the group.
- Leadership emerges as a group process, in the way that the best leader will be the individual that is the most prototypical as he/she better represents the group identity.
- In order to influence their followers, leaders need to render themselves attractive to their followers by being normative, loyal and generally behave ways that favour the group. Arguably then, an ethical leader will be more effective in exerting influence on the group/organisation, as this person is likely to embody those characteristics.

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CHAPTER 4

The Dark Side of Leadership—What Happens When Leaders Behave Badly?

Abstract If ethical leaders reinforce the bond between employees and the organisation and receive support from the group, it seems reasonable to expect that unethical leaders will weaken this bond and be derogated by the group. In this chapter, we present evidence that this is not necessarily true and that unethical leaders can, under specific circumstances, be allowed not only to deviate from norms but also strategically endorsed by the group. In particular, where unethical leaders make a positive contribution to the group, they are perceived as more competent and are more endorsed; even if that means group members have to overlook unethical behaviour. This potential for leader-driven slippage in ethical standards highlights the importance of organisations establishing procedures to ensure that leaders sustain their ethical standards.

Keywords Deviance · Unethical leader's endorsement

In Chapter 2 we discussed the ways in which ethical leaders can maximise their contributions to the organisation and enhance employees' bond with the organisation. Naturally, one would expect that as employees support an ethical leader, they would derogate an unethical one. Yet, the pattern is not necessarily the opposite, as unethical leaders

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do not necessarily weaken bonds and employees may, under certain circumstances, even support an unethical leader (cf. Case Study 3). In this chapter we examine under which circumstances leaders are allowed to deviate from group norms, and knock on implications for the organisation. Our approach is based on the social identity theory of leadership described in Chapter 3.

Case Study 3
Brazil's former President, Lula da Silva, saw himself involved in one of the biggest corruption scandals in the history of Brazilian politics. In early 2018, he was condemned to twelve years in prison for allegedly committing passive corruption. Nevertheless, in June 2018 Lula da Silva initiated his 2018 Presidential campaign from prison. Although it is yet unclear whether he will be allowed to run for presidency (and being banned from the run seems to be the most likely outcome at this point), his party has constantly shown its support to Lula da Silva. Even more interestingly, the recent polls showed that, despite the conviction, Lula da Silva is the favourite candidate (39% of the surveyed people showed their support, 20% more than the second favourite candidate).

Sources: Broadle & Brooks (2018) and RTP (2018)

The Unexplored Unethical Leadership

The "dark side" of leadership has been mainly investigated under the umbrella of destructive leadership, which is a wider expression that has been used and involves a broad range of "bad" leader behaviour (Thoroughgood, Sawyer, Padilla, & Lunsford, 2016). These behaviours can include, for example, bullying, abusive, tyrannical, incompetent, narcissistic or other toxic behaviours which overall have been associated with negative consequences to both employees and organisations (cf. Erickson, Shaw, Murray, & Branch, 2015; Krasikova, Green, & LeBreton, 2013; Schyns & Schilling, 2013; Shaw, Erickson, & Harvey, 2011).

An important feature of destructive leadership is related to the fact that for a leader to be considered destructive, the inappropriate and toxic

behaviour must occur in a systematic way and be repeated over time, not just occasionally (Erickson et al., 2015). A key difference between destructive and unethical leadership lays on the fact that destructive leadership (as opposed to the construct of unethical leadership) refers to any general bad behaviour that a leader displays, without encompassing a specific moral component.

On the other hand, little is known about unethical leadership, even though ethical leadership has recently become a "hot topic" in the literature, not much attention has been given to unethical leadership—what characterises it and what are the implications of such behaviour to both employees and organisations. It has been an accepted practice to draw some conclusions regarding unethical leadership by contrasting it with the outcomes of ethical leadership (e.g., Celik, Dedeoglu, & Inanir, 2015; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009). In other words, there has been a tendency to assume, especially when establishing correlational relationships, that ethical and unethical leadership are associated with the opposite outcomes. For example, if ethical leadership is associated with less deviant behaviours from employees, then it would follow that unethical leadership would also be associated with more deviant behaviours from employees.

Even though the idea that ethical and unethical leadership constitute two opposing poles of the same continuum seems reasonable, Brown and Treviño (2006) argued that this is not necessarily true, reasoning that being high on ethical leadership may not automatically mean being low on unethical leadership, and vice versa. For example, a leader may simply not display ethical leadership behaviour but also not do anything considered unethical: a leader simply may not have an ethics-related agenda (e.g., ethically neutral leadership; cf. Brown & Treviño, 2006).

Only a very small body of research has focused on the study of ethical and unethical leadership in terms of group processes, even though it has been established that leadership involves the ability of influencing others and achieving group goals (cf. Hogan, Curphy, & Hogan, 1994). Moreover, when assessing (un)ethical leadership behaviour, previous research has not fully acknowledged the role of intergroup processes, such as group membership. Therefore, this chapter is dedicated to explaining and exploring how social identity theory, and particularly social identity theory of leadership, provides a suitable framework to fill this gap in the literature.

Group Reactions to Normative Deviance

As described in detail in the previous chapter, social identity theory proposes that individuals possess an intrinsic motivation to achieve or maintain a positive social identity. Therefore, individuals seek to maintain and maximise a positive intergroup differentiation (McPherson & Smith-Lovin, 2002; Tajfel, 1978) and to validate the normative standards and values of the in-group (Abrams, Randsley de Moura, Hutchinson, & Viki, 2005) to maintain this positive sense of group membership. In-groups are particularly important to the mechanism of reducing uncertainty, as when individuals validate the normative standards of the in-group, their uncertainty about the world is reduced (Abrams & Hogg, 1988, 1990; Abrams et al., 2005; Hogg, 2001; Hogg & Abrams, 2001; Marques & Paéz, 1994). This happens because the individual's perception that the self and the in-group share the same norms and values reinforces both certainty and intragroup uniformity, this in turn provides a clear sense of how group members should think, feel, and behave (Abrams et al., 2005). Consequently, when a group member acts against these norms—deviates—their actions may threaten this validation and jeopardise positive social identity. When such situations occur, group members engage in a process of subjective group dynamics, whereby they simultaneously differentiate on two levels: intergroup (between in-group and out-group) and intragroup (between normative and deviant group members) (Marques, Abrams, Páez, & Martinez-Taboada, 1998). Group members who deviate from norms can be responded to in different ways (cf. Kerr & Levine, 2008) and deviance needs to be psychologically managed to avoid the potentially negative impact on the group.

When members from the group violate the norms, the validity of those norms is threatened and, consequently, the uncertainty of group members increases. Once intragroup consensus is perceived as at risk, this threatens the positive image of the group; that is the image that the group is correct and, consequently, better than the relevant out-groups (Abrams et al., 2005; Marques, Abrams, Páez, & Hogg, 2001; Marques, Abrams, & Serôdio, 2001). Two different types of norms can be violated: the descriptive norms, which have the purpose of informing individuals regarding the opinions and behaviours that are more frequent in a specific situation; and the prescriptive norms, which function as a guide that informs individuals regarding the opinions and behaviours that are

socially approved, regardless of their frequency (Cialdini & Trost, 1998; Reno, Cialdini, & Kallgreen, 1993). Depending on whether the descriptive or the prescriptive norm was violated, individuals adopt a descriptive or a prescriptive focus, in an attempt, respectively, to either differentiate the in-group from the out-group, or to differentiate specific group members (e.g., deviants, leaders) whose opinions or behaviours legitimise or undermine the belief of the in-group being superior (Marques & Páez, 2008). So, in other words, group members who conform with the norms are contributing to a positive social identity and, as a consequence, receive approval from the group; and members who deviate from the norms, threaten this positivity and, therefore, trigger negative reactions from the group (Abrams et al., 2005; Hogg & Abrams, 1988).

These processes mean that group members who deviate from the norms are perceived by the group as having a strong threatening potential to disturb the subjective validity of the in-group norms (Marques, Abrams, Páez, & Hogg, 2001). As a result of that threatening potential, in-group leaders or other members who occupy a central status within the group and who deviate from the norms are especially derogated when those norms are highly salient (Marques, Páez, & Abrams, 1998; Pinto, Marques, Levine, & Abrams, 2010). This happens because the positivity of the group is threatened by the deviant and, therefore, group members need to react towards that individual to restore the validity of the group (Marques, Abrams, Páez, & Martinez-Taboada, 1998; Marques, Abrams, & Serôdio, 2001). Thus, when deviance emerges within the group, the first reaction from group members is to direct their efforts to change the deviant members' opinions towards the group consensus (Kerr & Levine, 2008; Marques, Abrams, & Serôdio, 2001; Schachter, 1951). When, or if, changing the deviant opinions is not achievable, the deviant member is derogated by the group, so the group can maintain positive social identity.

This phenomenon of in-group derogation is perfectly illustrated by the black sheep effect (Marques, Yzerbyt, & Leyens, 1988), which demonstrates that group members simultaneously evaluate a normative in-group member more positively than a normative out-group members; and derogate more an in-group deviant member than an out-group deviant member. Moreover, this differentiation is more severe among in-group than out-group members (Abrams, Randsley de Moura, & Travaglino, 2013). These strong negative reactions that in-group deviant members receive are considered as an expression of commitment towards the violated

norms and, subsequently, towards the in-group (cf. subjective group dynamics approach; Marques & Páez, 1994, 2008). It can therefore be concluded that reaction to deviance encompasses two different purposes: on one hand, it aims to reinstate the uniformity within the group (achieved by pressuring the deviant member); and, on the other hand, it aims to restore the positive value of the violated norm (Marques, Abrams, Páez, & Martinez-Taboada, 1998).

Biernat, Vescio, and Billings (1999) proposed an alternative explanation for the black sheep effect, arguing that the phenomenon occurs as a result of violated expectancies. In other words, the authors proposed that in-group deviant members are more derogated than out-group deviants because in the case of the former the expectancy violation is more noticeable for group members than the latter; and the same justification would apply to explain why more central members (such as leaders) are more derogated than marginal members of the group.

Regardless of their differences, both explanations for the occurrence of the black sheep effect (subjective group dynamics and expectancy violation) assume the when the member who deviates from the norm is a leader, that should also trigger more negative reactions than regular group members who commit the same deviance. However, more recent research has shown that this might not always be the case and that, under some circumstances, leaders may receive a special treatment.

Leader's Special Exemption

It is well-established that leaders possess a special status that differentiates them from other members of the group. As a consequence, they attract more attention and other members of the same group (or organisation) are particularly sensitive to the behaviour of the leader. On the other hand, leaders also enjoy a role that gives them more latitude to define, change and possibly even deviate from the group norms.

This idea that leaders are given a special latitude was originally developed by Hollander (1958), who proposed idiosyncrasy credit model of innovative leadership. According to this model, leaders (and individuals in general) accumulate credits, during the course of membership, by behaving in a way that causes positive impressions on others within the group. Hollander (1958) argued each member of the group has a credit balance and that when the balance is positive (i.e., the more credits accumulated, the more positive the balance), leaders are allowed to behave in

a different way from what the group expected before being sanctioned. On the other hand, the individual's affiliation with the group ceases when the balance reaches zero (Hollander, 1958).

To summarise, this latitude that allows leaders to bring innovation and change to the group is a consequence of the accumulation of credits or, in other words, is dependent on the leader's behaviour over time. It is, however, important to note that leaders only receive credits if followers perceive leaders to be trustworthy, loyal and competent (cf. Hollander, 1992), which means that not only the leaders' behaviour is at stake, but also the underlying intentions, motivations and consequences of such behaviour are taken into account by followers when it comes to attribute or discount credits to the leader. Importantly, positive motivations are more likely to be attributed to prototypical members which, consequently, makes prototypical members more accepted when introducing changes or exerting influence (Packer, Miners, & Ungson, in press). Thus, individuals who act or look like the group majority would be more likely to earn idiosyncrasy credits when compared to non-prototypical leaders (Packer et al., in press). This is particularly important because the accumulation of credits is what permits leaders to introduce change and innovation, provides them with the latitude to deviate, and allows leaders to display behaviours that would be otherwise perceived as unacceptable, or that would be unacceptable for those members who did not accumulate such credit (Hollander, 1992).

Drawing on Hollander's ideas, Abrams, Randsley de Moura, Marques, and Hutchison (2008) expanded his contributions by demonstrating some boundaries of innovation credits. Indeed, the authors showed that the evaluation that group members who display anti-normative opinions receive from other members depends on the role that the deviant member plays within the group (leader vs. regular member) and on the phase of leadership (past vs. established vs. future). The results revealed that in-group leaders with anti-normative opinions may not be less favourably judged and, interestingly, future leaders who challenge the norms may be given more innovation credit (Abrams et al., 2008). This innovation credit refers to the latitude given, under certain circumstances, to in-group leaders when they express and support anti-normative opinions, when compared to other group members (cf. Abrams et al., 2008; Randsley de Moura, Abrams, Marques, & Hutchison, 2011).

At this point, the literature reviewed has focused on leaders whose opinions diverge from the norm, and showed that these leaders might be accepted by the group. However, it is not always the case that leaders only violate the norm by displaying different opinions—sometimes, their actions are more severe, and they even present anti-normative behaviour, such as transgressing or breaking the law. When in-group leaders transgress, group members face a strong dilemma: on one hand, they want to preserve the standards and norms within the group, but on the other hand, group members will also need to express their loyalty to the group and supporting the leader of the group is a way of doing so. Based on this assumption, Abrams and colleagues (2013) developed a series of studies which showed that innovation credit might also be extended to leaders that transgress, with group members applying a double standard. The results of their studies showed that until the moment in which leaders' transgressions become public knowledge, leaders can be immune to criticism, and they are less severely and/or immediately punished when compared to other regular members of the group who commit the same transgressions. In other words, leaders receive a transgression credit (Abrams, Randsley de Moura, & Travaglino, 2013).

The two constructs—transgression credit and innovation credit—are different to the extent that the innovation credit argues that leaders accumulate idiosyncratic credits in their relations with followers over time, and those credits are received because of their loyalty to the group, which allows them to innovate (cf. Abrams et al., 2008; Hollander, 1958). However, whilst innovation credit only applies whilst leaders' actions are perceived to be consistent with the leadership role and whilst those behaviours contribute to the goals of the group (cf. Hollander, 1961), transgression credit considers the intergroup context and how it strongly affects the evaluations that leaders receive and also extends the former by showing whether idiosyncrasy credit applies to other situations in which leaders transgress, regardless of leaders' motivation and the damage they cause to the group (Abrams et al., 2013).

To investigate these issues and to address the limitations of Hollander's idiosyncrasy credit model, Abrams and colleagues (2013) conducted a series of experiments and found that group members apply a double standard when they judge transgressive in-group leaders, as they evaluate more positively the in-group transgressive leader than (1) an out-group transgressive leader and (2) an in-group transgressive

member. From their studies, the authors concluded that in-group transgressive leaders received a transgression credit, and demonstrated that this phenomenon also happens when the leader's actions damage the group. Nonetheless, for a transgression credit to be granted to the leader, group members need to perceive the leader's actions to be motivated by the group's best interests—that is, leader's behaviour needs to be group-serving (even if it results in negative consequences to the group), as transgression credit will not be granted if group members perceive the leader's motivation to behave to be of self-interest (cf. Abrams et al., 2013). Indeed, deviance can also be socially oriented (see also normative conflict model of dissent, Packer, 2008). However, it is important to note that, the group acceptance of a deviant leader is not exclusively dependent on the leaders' perceived motivation—research has shown that, under particular circumstances, leaders who behave unethically can be supported by their own team members.

A Strategic Approach to the Acceptance of Unethical Leaders

One of the circumstances that reflects the group acceptance of a leader who behaved against the group norms is when those norms pose as an obstacle to the group's success. According to the social identity theory (cf. Chapter 3), highly identified group members display an extreme motivation to derogate deviant members in order to preserve the integrity of the group norms (Marques, Abrams, & Serôdio, 2001). However, because they are highly identified with the group, their own self-evaluations are closely tied with the fortunes of their group and, therefore, these members are extremely committed with achieving in-group success (e.g., de Cremer & van Vugt, 2002; Ellemers, Spears, & Doosje, 1997; Morton, Postmes, & Jetten, 2007; Scheepers, Spears, Doosje, & Manstead, 2003; Tajfel & Turner, 1979; van Vugt & de Cremer, 1999). Morton and colleagues (2007) conducted two studies to show that group members are strategic when it comes to success, and that may decide not to act against deviance if they perceive that the violated norms undermine the group's chances of success (e.g., Case Study 3). In other words, group members tend to tolerate deviance when they perceive that such behaviour benefits the in-group, becoming flexible towards the norm.

In Morton and colleagues' (2007) research, highly identified group members supported the normative candidate only when they perceived the public opinion to be supportive of the group. In the opposite condition, that is, when group members perceived the public opinion to be against the group, they supported the deviant candidate instead. This is because the primary concern of highly identified group members is the collective welfare of the group and, therefore, they become willing to accept deviance (Morton, 2011).

A series of other studies were conducted in a university setting and achieved a similar result, showing that although normative members were more positively evaluated when compared to the deviant members, the evaluation of the latter was upgraded when deviant members provided a high contribution to the group, especially when the out-group was salient (Leite, 2013; Experiments 3 and 4). Interestingly, highly contributing deviant members were evaluated more positively when the group's social identity was threatened (uncertainty conditions), revealing that under these circumstances group members take advantage of deviant but contributing members and their potential to help the group achieve its goals (Leite, 2013; Experiment 5). These results are consistent with previous studies conducted by Rast, Gaffney, Hogg, and Crisp (2012), who showed that there is a tendency for the support of prototypical leaders to disappear under uncertainty.

Taken together, the literature suggests that group members, and particularly highly identified members, make the strategic and opportunistic decision of accepting deviant members and deviant leaders when they perceive that these members and leaders favourably contribute to the group and its goals. Nevertheless, and apart from the strategic considerations, the process by which in-group members tend to support deviants is yet to be explained. Across two studies conducted with American workers, Morais (2018; Experiments 6 and 7) suggested that leaders who benefited the organisations were perceived by employees as more competent, even if they were unethical. Interestingly, the evaluation that ethical leaders received from employees did not differ based on whether the leader's behaviour benefited or harmed the organisation, but unethical leaders who benefited the organization were upgraded in terms of evaluation and employees were more willing to support them (Morais, 2018; Experiment 7). These results suggest that under specific circumstances, group members may be willing to sacrifice ethicality over in-group profit: based on the contribution from the leader to the group, employees may

be willing to overlook ethicality. That is, an unethical leader who brings a positive contribution to the group is more likely to be perceived as more competent and, therefore, more likely to be supported.

Recently, Morais, Abrams, and Randsley de Moura (2018) conducted a longitudinal study to test the idea that when unethical leaders help the group to achieve success, group members become more willing to accept unethical leadership and are less willing to exert social control. Using a political campaign as framework, the authors found that when an ethically questionable leader lost the election (in-group failure), in-group members believed that a stricter electoral process should be put in place, whilst the members of the opposite party (in-group success) supported more relaxed ethical standards for political candidates. This potential for leader-driven slippage highlights the importance of establishing and maintaining procedures to ensure that leaders are held to account and sustain their ethical standards (Morais et al., 2018). Some possible procedures are discussed in the next chapter.

In Sum…

- People define themselves in the terms of their groups' attributes, the perceived exemplar of which is the leader. Therefore, negative reactions towards deviant leaders (i.e., leaders who violate the group norms) would, to a certain extent, imply negative reactions towards the group itself.
- Empirical evidence has demonstrated that judgments of deviant leaders were more lenient when compared to deviant members whilst in some cases, leaders were completely justified for their transgressions (transgression credit).
- Given our need for belonging, we need to maintain a positive image of ourselves and so, are motivated to protect a positive social identity, so by preserving the value of the leader group members avoid disrespecting the group.
- Group members tend to strategically support deviant leaders when they perceive that it will benefit the group, increasing its chances of success.
- Leaders whose contribution is positive to the group are perceived as more competent and are more endorsed, and this might even trump unethical behaviour resulting in it being overlooked or not negatively evaluated.

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CHAPTER 5

How to Improve Ethicality Within the Organisation

Abstract Leaders are role models, they set the direction for the group, and their behaviours function as guidelines, with employees tending to reproduce their behaviours. Thus, having an ethical leader is important to set the tone within organisations—including as regards to ethical standards. However, besides the ethicality of the leader itself, there are also other factors external to the leader which can help to explain how leader's behaviours are perceived and evaluated within the organisation. Some of these factors include the role of ethical climate and organisational culture. Understanding these factors is important when designing interventions to reduce unethicality within a specific organisation, and crucial to determine the efficacy of such interventions. Therefore, in this chapter, we provide suggestions of possible interventions to improve organisational ethicality.

Keywords Intervention · Improve ethicality · Organisation climate

In the previous chapter, we made the case that organisational behaviour, as any group behaviour, occurs within a specific context which encompasses social identity motives and important group dynamics and, therefore, intergroup processes are important to assess ethical and unethical leaders. We have also explored that unethical leaders may not necessarily have a negative impact on the group (e.g., the perception of the group might not be affected and success may continue) nor be downgraded by

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group members (e.g., group members may not leave and may continue to identify). Nevertheless, we have only focused on the ethicality of the leader so far. There are, however, other factors that are external to the leader and that help to explain how leader's behaviours are perceived and evaluated within the organisation. Ultimately, understanding these factors is important when designing interventions to improve ethicality within a specific organisation. Organisational climate and culture are two of these factors and the focus of the first part of this chapter, as understanding the role of ethical climate and organisational culture is crucial to understand and assess the efficacy of interventions to increase ethicality within organisations, which we will also address in this chapter.

The Role of Ethical Climate and the Organisation's Ethical Culture

Although leaders are perceived as role models and, therefore, their actions set an example to employees, reinforcing their status and their importance on establishing ethicality within the organisation, there are other external factors to the leader important to consider. In other words, groups and organisations possess attributes that can also influence employee's behaviours and attitudes at work (cf. Ambrose, Arnaud, & Schminke, 2008; Mayer, Kuenzi, & Greenbaum, 2010; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009; Neves & Story, 2015; Schaubroeck et al., 2012; Shin, 2012). The focus of this line of research is directed to the ethical characteristics of the organisations, such as ethical policies, codes of ethics and ethical climate (cf. Chen, Sawyers, & Williams, 1997; Cowton & Thompson, 2000; Schwartz, 2002; Treviño, Weaver, Gibson, & Toffler, 1999), and how they affect individual's ethical behaviour. Indeed, the role of contextual factors needs to be taken into consideration, as leaders (e.g., managers) possess more control over the work environment than they do over individuals' moral development and values (Treviño, Butterfield, & McCabe, 1998). Therefore, two important mechanisms that help to explain how ethical leadership affects employees' conduct are related to (1) the ethical climate and (2) the ethical culture of the organisation.

Victor and Cullen (1987) defined the ethical climate of an organisation as "the shared perceptions of what is ethically correct behaviour and how ethical issues should be handled" (p. 51; cf. Treviño, 1990;

Victor & Cullen, 1988). Therefore, employees' and leaders' behaviours and ethical decision-making are also influenced by the perception that the organisation's climate is ethical/virtuous or not (Brown & Treviño, 2006). Wimbush and Shepard (1994) proposed that (un)ethical behaviours would be related to different climate types, suggesting that a climate characterised by egoism would be associated with unethical behaviour, whilst principled climates would be more associated with ethical behaviour. Martin and Cullen (2006) conducted a meta-analysis to explore the impact of ethical climate and found support to the assumption that ethical climate affects employees' job satisfaction and organisational commitment. More specifically, previous research has shown that when the organisation's ethical climate is characterised by concern for others, it is associated with stronger organisational commitment (cf. Cullen, Parboteeah, & Victor, 2003). These results are consistent with recent literature which describes a positive association between an ethical work environment and organisational outcomes; that is, working environments characterised by concern for others, honesty, ethical conduct, and interpersonal fairness are associated with employees more satisfied with their jobs and more committed to the organisation they work at and less willing to lie (cf. Brown & Treviño, 2006; Flannery & May, 2000; Neubert et al., 2009; Neves & Story, 2015; Ross & Robertson, 2000; Treviño et al., 1998). Ambrose and colleagues (2008) took a step further and analysed the fit between employees' personal ethics and the organisational ethics. The results of their study revealed that the more the personal ethics of an employee and the organisational ethics fit, the higher the employee's commitment with the organisation, the higher the job satisfaction and the lower the turnover intent is.

The second mechanism—ethical culture—was firstly proposed by Treviño (1986), who defined it as a sample or subset of the overall organisation's culture with can serve as a moderator between the individual's moral reasoning level and the ethical/unethical behaviour, suggesting that employees who possess high levels of moral reasoning (i.e., principled individuals) would be less susceptible to be influenced by the organisational culture. This definition of ethical culture was later evolved to a concept referring to subset of organisational culture which encompasses different formal and informal behavioural control systems which interplay with each other and promote either ethical or unethical behaviour (cf. Treviño, 1990; Treviño & Nelson, 2007). The formal cultural systems

include factors such as policies and codes of ethics, rewards systems, leadership or training programs for example (Treviño et al., 1998). On the other hand, the informal systems encompass factors such as ethical norms and peer behaviour (Treviño et al., 1998). Because this formal and informal behavioural control systems support either an ethical or unethical behaviour in the organisation, individual's behaviour is expected to comply with these systems (cf. Brown & Treviño, 2006; Treviño, 1990; Trevinõ & Nelson, 2007). That is, organisations in which norms and leaders encourage and support ethical conduct, and in which unethical conduct is punished and ethical conduct rewarded, employees are more expected to display more ethical behaviour when compared to organisations which do not possess such characteristics (Treviño et al., 1998).

Treviño and colleagues (1998) conducted a study with 1179 alumni of two private colleges in the USA who characterised the organisations in which they worked at the time. They compared organisations who had or did not have a formal ethics code. Interestingly, in organisations which possessed an ethics code, more participants reported observing unethical behaviour the more the environment was focused on self-interest. In these organisations, less unethical behaviour was observed the higher the focus on strict obedience to authority. When analysing organisations which did not have an ethics code, and similarly to the other organisations, more participants reported observing unethical behaviour the more the ethical environment was focused on self-interest, and less participants reported observing unethical behaviour the higher the focus on law and professional codes.

Consistent with these results, subsequent research on ethical culture found that cultural factors—such as leadership and reward systems that support ethical conduct—positively contributed to the appearance of ethics-related attitudes and behaviours (cf. Ashkanasy, Windsor, & Treviño, 2006; Brown & Treviño, 2006; Treviño et al., 1999).

In conclusion, organisational climate and culture are crucial to establish what is considered acceptable, legitimate and normative within a specific organisation (Treviño et al., 1998). Overall, the aforementioned research is consistent with both the social learning perspective and the social identity theory of leadership, which argue that leaders act as role models and play an important role in setting the normative behaviour. At the same time, by rewarding and punishing ethical and unethical behaviour (respectively), employees learn the behaviours that are desirable and

expected from them, contributing to the ethical environment (see also, Bandura, 1986; Brown & Treviño, 2006).

Improving Ethicality in Organisations

Different interventions have been suggested to improve ethicality in organisations, which can generically be classified into two groups: one more focused on the unethical employee/leader itself, and the other more focused on acting on the organisation's climate. These interventions are complementary and they are not separate: they can be implemented simultaneously.

Reducing Unethical Behaviour

Bell and Cantarelli (2017) conducted a meta-analysis to summarise the causes of unethical behaviour. Their research included 137 experiments from 73 different articles. They concluded that social influence was one of the main causes, particularly the examples of unethical behaviour displayed by in-group members or the fact that other individuals would benefit from one's unethical actions. These findings are congruent with the social identity theory (cf. Chapter 3; Tajfel, 1978, Tajfel & Turner, 1986), which suggests that individuals stand for the in-group norms because of their need to maintain the positivity of the in-group, and, for the same reason, they might transgress those norms (cf. Chapter 4). The results also suggested that greed, egocentrism, exposure to incremental dishonesty, self-justification, loss aversion, time pressure and challenging performance goals are factors that may increase unethical behaviour within organisations (Bell & Cantarelli, 2017). Therefore, acting on these causes may help to decrease unethical behaviour within the organisations, for example:

Provide Ethical Role Models. Knowing that belonging to a group (e.g., organisation) is an important part of individuals' self-concept and, consequently, they strive to maintain a positive sense of the group (and, therefore, of their own self-concept; cf. Chapter 3), groups give individuals guidelines of how to behave. Indeed, previous research found that it also applies for when in-group members provide unethical examples; that is, individuals tend to imitate unethical examples if the actor is a member

of the in-group, but not if the unethical person is from the out-group (cf. Gino, Ayal, & Ariely, 2009). In the same line of reasoning, providing ethical examples helps reduce unethical behaviour, as employees focus their attention on them, because leaders are central to the group and provide cues of how individuals are expected to behave (Brown, Treviño, & Harrison, 2005). Therefore, to ensure that the impact of the role model is more efficient, is it important that the role model leader's behaviour is *congruent* with the organisation's policies and *consistent* over time (Crossler, Long, Loraas, & Trinkle, 2017; Gino & Margolis, 2011).

Monitor Employees. Previous research has compared the likelihood of individuals engaging in unethical behaviour when they are being controlled or not, and when there are circumstances of visibility (vs. low visibility) (cf. Ploner & Regner, 2013; Rixom & Mishra, 2014). The findings suggest that individuals are less likely to engage in unethical behaviour when they are not being monitored. Literature suggests that monitoring employees is an efficient way of reducing unethical behaviour because, on the one hand, it decreases employees' perceptions that their unethical behaviour will go unnoticed, and, on the other hand, it also reduces their perceptions that they will not be held accountable for those actions (cf. Mazar & Aggarwal, 2011; Welsh & Ordóñez, 2014; see also, Ma'ayan & Carmeli, 2016). It is likely that monitoring will need to be implemented in a way which does not threaten in-group belonging, and enhances intrinsic motivation to comply with ethical group norms.

Moral Reminders. Providing employees with moral reminders, for example, by exposing them to a code of ethics may be an effective way of reducing unethical behaviour. This will communicate clearly to employees which behaviours are accepted and expected from them and which behaviour will not be tolerated (cf. Bing et al., 2012; Cialdini, 2007; Cialdini et al., 2006; Gino et al., 2009). At the same time, by reminding individuals of their own moral standards, they will not be able to behave unethically without updating their self-concept (cf. Bell & Cantarelli, 2017; Mazar, Amir, & Ariely, 2008; Shu, Mazar, Gino, Ariely, & Bazerman, 2012). Social identity theory suggests that moral reminders will be more powerful if they are provided as being for the overall good of the group, and from a source perceived as part of the group to avoid an "us" and "them" dynamic.

Discipline Unethical Behaviour and Reward Ethical Behaviour. The definition of ethical leadership, based on the social learning theory (cf. Chapter 2), already highlighted the importance of leaders disciplining unethical behaviour and rewarding ethical behaviour from employees, as a form of setting the expectations, so employees know clearly what kind of behaviours are expected from them and, more specifically, which behaviours will be rewarded and which ones will be punished (Brown et al., 2005; Treviño, Brown, & Hartman, 2003). This discipline/reward system, based on the principles of operant conditioning (cf. Skinner, 1963), is a simple way for organisations to reinforce the behaviours they want their employees to display and eliminate unwanted behaviours. For example, one way of reinforcing ethical behaviour is by offering recognition (e.g., awards) or other types of social reinforcements to employees who behaved in the desired way.

Improving Ethical Climate

In this chapter, we have described how ethical climate contributes to ethicality within the organisation, and how it shapes leaders and employees' behaviours and attitudes. There are numerous practices to embed the values and priorities of organisations that leaders can implement with employees and their daily decision-making that help to create the climate of the organisations (cf. Schein, 2016). Therefore, building an ethical climate will make the appearance of ethical behaviours from employees more likely. Below are some aspects and practical suggestions that can help organisations to improve their ethical climate and, consequently, leader's and employees' ethical behaviours:

Improve Communication. This is a vital factor to the success of every organisation's norms, values and codes (cf. Leung, 2008; Stevens, 2008). Lack of communication has been associated with corporate scandals (cf., Kuhn & Ashcraft, 2003; Seeger & Ulmer, 2003). One possible explanation is the fact the absence of, or difficulties in, communication (and leader's reactions) provides employees with the power to interpret the values of the organisation and can result in informal norms and rules that may encourage members to feel that unethical behaviour is acceptable (cf. Schein, 2016; Suchan, 2006). Therefore, communicating smoothly and efficiently policies and procedures will help establishing an ethical climate, in other words: *communicate ethical expectations.* One way

of ensuring this communication is effective is, for example, gathering a series of situations that commonly occur within the organisation and assign a manager (or other leader) to create training scenarios based on these situations and using them to teach employees what is "the right thing to do" when facing such circumstances (cf. Bianca, 2018; Parboteeah et al., 2010). This is likely to also provide team members a chance to socially engage with the ethical norms and internalise them.

In sum, leaders (e.g., managers) can use communication as a tool to transmit to employees the organisation's underlying ethical values, expectations, rules and codes, and when these values and expectations innate in the organisation's codes and rules and their daily decisions are embraced by employees, a principled climate is created (Parboteeah et al., 2010).

Provide Ethics Training. Robbins and Judge (2009) suggested that the use of training sessions and programs (e.g., seminars, workshops) reinforces the organisations' codes of conduct and standards. At the same time, according to the authors, these training sessions help employees to clarify which practices are expected from them and how they should handle ethical dilemmas.

Provide Protective Mechanisms. If, for some reason, communication is not the most effective, a vacuum is created and employees are more likely to feel less guilt when behaving unethically, and the lack of openness supports a tendency to mask problems of ethics (Parboteeah et al., 2010). On the other hand, they may not feel comfortable to expose openly unethical situations. Therefore, providing formal mechanisms that allow employees to report unethical behaviour without fearing a reprimand, or simply a space where they can discuss ethical dilemmas, may help to create an ethical climate (cf. Robbins & Judge, 2009).

Empower Employees. Spreitzer (1995) defined empowerment as a motivational mechanism that, when provided to employees, gives them the ability to affect their work and work context. According to the author, empowerment encompasses four different dimensions: meaning, competence, self-determination and impact. Empowerment is commonly expressed by assigning employees to responsibilities that are usually given to supervisors (Leach, Jackson, & Wall, 2001; Valadares, 2004). In this section, we are specifically referring to the self-determination dimension

of empowerment, which refers to extent to which employees perceive themselves to have choice and autonomy in their daily job activities (Butts, Vandenberg, Dejoy, Schaffer, & Wilson, 2009; Parboteeah et al., 2010). Previous research has shown that individuals respond more positively when they are given voice and control over decision-making and, therefore, support more leaders who act accordingly with these values (cf. procedural fairness; van den Bos, 1999; van Dijke & Cremer, 2010).

By empowering employees, leaders and organisations are more likely to make them feel that they are able to control and determine their work outcomes and make an impact on the work environment, whilst showing them that their judgements and decisions are trusted (Butts et al., 2009; Spreitzer, 1995). As a result, employees are more likely to feel that the organisation and their leaders value their contributions and, consequently, tend to reciprocate by acting in ways that increase organisation's and others' well-being and decrease the amount of decisions made based on their self-interests because they feel favourably treated by the organisation and, therefore, have more positive attitudes towards it (Addae, Parboteeah, & Davis, 2006; Parboteeah et al., 2010; cf. Eisenberger, Fasolo, & Davis-LaMastro, 1990).

In conclusion, giving employees more control over their daily job activities produces positive effects to organisations because they tend to reciprocate that trust with ethical and organisation-interested actions. A complementary action that organisations can take is involving employees in the process of establishing the organisational codes and rules. Indeed, employees who are empowered and involved in the process of improvement of ethical standards are more willing to achieve and maintain those standards (VanSandt & Neck, 2003). As employees who are not accountable for their decisions are more likely to behave unethically, by empowering employees, organisations are putting pressure on them to make ethical decisions because they are responsible for the consequences of such actions (VanSandt & Neck, 2003).

In Sum…

- Contextual factors are important to explain organisations' ethical characteristics (e.g., ethical policies, codes of ethics) influence employee's behaviours.
- Not only the leader sets the example, but also the organisational climate and culture are crucial to establishing what is considered acceptable, legitimate and normative within a specific organisation.

- In order to improve ethicality within an organisation, it is important to act on the causes of unethical behaviour, which can include the lack of ethical role models, monitoring of employees, sanctions towards unethical behaviour, among others.
- Intervening on the organisation's climate is also a common approach. Improving communication within the organisation, providing ethics training to employees, and empowering them are some of the actions that can be taken to improve ethicality within organisations.

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CHAPTER 6

Conclusion

Abstract Most organisations are characterised by group working with team processes and structures in place. This fact reflects why a social psychological approach has so much to offer to understanding organisations. We argue that group processes are crucial to the understanding of ethical leadership and also to how group members respond to unethical leaders, and specify recommendations for providing an ethical organisational context. We expect this work to act as a springboard for future research unpacking the complex processes underlying how unethical leadership emerges and unravels in groups, teams and organisations. This chapter will provide a summary of our contribution and key principles, and outline how these can inform future research and practice.

Keywords Group processes · Leadership · Ethicality

People in organisations do not solely work alone as individuals, in fact most organisations are characterised by group-working with team processes and structures in place. This fact characterises why a social psychological approach has so much to offer to understanding organisations, and the people and behaviours within them. The arguments and recommendations made in this book are underpinned with theory and empirical research in social psychology related to leadership processes in groups. As such, we contribute an advance in the understanding of

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ethical and unethical leadership in the workplace, particularly the role of social cognition and emergent group processes.

Specifically, we provide an introduction to the role and impact of groups in decision-making and we outline the role of ethical leadership in organisations. Furthermore, we argue that group processes are crucial to the understanding of ethical leadership and also to how group members respond to unethical leaders. We move on to provide recommendations for providing an organisational context which will facilitate a more ethical approach. We expect this work to act as a springboard for future research unpacking the complex processes underlying how unethical leadership emerges and unravels in groups, teams and organisations. This chapter will provide a summary of our contribution and key principles, and outline how these can inform future research and practice.

Summary of Contribution and Key Principles

Leadership as a Group Process

In Chapter 1, we summarise evidence related to decision-making in groups and the importance of leadership in groups. Working in groups is universal in organisations, and most are organised around formal and/or informal team structures with team leadership (e.g., Kowlowski & Bell, 2001, 2013). This remains the case in an environment which is becoming increasingly reliant on digital technology, where evidence suggests workplaces are using technology to boost social communication and working collaboratively (e.g., Colbert, Yee, & George, 2016). In fact, with the boom in artificial intelligence and increased automation of work there is likely to be an increased importance for training in interpersonal skills like teamwork (e.g., Kosbie, Moore, & Stehlik, 2017). As such, research into the psychological mechanisms which operate in groups and teams is key to understanding workplace attitudes and behaviours, as well as leadership.

Understanding the impact of ethical and unethical leadership for organisations has grown in importance. This is driven by a business case as well as a social case for ethics and integrity in organisations, especially for longer term sustainability (e.g., Taylor, 2017). Leaders have a pivotal role to play as central members of the organisation. Leaders will set the direction and tone, and are also likely to enhance the visibility of any ethics agenda internally within the organisation, and externally

to stakeholders and other organisations. Chapter 2 explores the concept of ethical leadership and the theoretical frameworks used to understand it. As outlined in Chapter 2, there are two major theoretical approaches to the study of ethical leadership, a social learning approach (Brown, Treviño, & Harrison, 2005) and a more individual differences approach (De Hoogh & Den Hartog, 2008). Our analysis contrasts these approaches and we highlight that both focus predominantly on the leader and whilst both acknowledge social dynamics (to differing degrees) neither takes full account of the impact of the followers nor of the context.

Our analysis of predominant existing approaches to understanding ethical and unethical leadership highlight that what is lacking is an approach bound by theory and research into *group processes*. Leadership is a group phenomenon and can only be fully understood when considering how the leader, the follower(s), and the context interact. For example, Thomas and colleagues explain that leaders exist by their social influence and the extent to which they can persuade others to follow their direction (Thomas, Martin, & Riggio, 2013). The social identity approach to leadership developed by Michael Hogg (2001a) posits that the leader and follower roles are interdependent and are bound by a context of belonging to a common group. The usefulness of this approach to our understanding of ethical leadership is analysed in Chapter 3.

The Dynamics of Ethical and Unethical Leadership in Organisations

Ethics are increasingly important in organisational contexts for several reasons. Not least there are greater consequences societally as business has become increasingly multinational, and as organisations have consequently grown in scale and scope. Moreover, these same factors result in greater competition with other organisations and wider communication networks. These factors result in organisations having much more to lose if they are subject to a scandal—which can likely "go viral" with strong consequences for the brand, the organisation and the leader, as well as for the individual(s) involved. Moreover, there is an increasing awareness of the importance of sustainability and this has been used by organisations as a proxy for ethics and as a mechanism for distinctiveness and competitive advantage. As we highlight in Chapter 2, there are daily examples of where these things matter in organisations, where they have gone well (e.g., the rise of Brandix "garments without guilt" due to the

incorporation of ethics as a value; see, Smart, Barman, & Gunasekera, 2010) and where problems arise (e.g., very high profile recent cases include the VW emissions scandal).

The analysis in this book contributes insights into the dynamics of ethical and unethical leadership in organisations. A major complexity for such an analysis is that it is difficult to untangle leadership from other factors in organisations as the two will be so closely interlinked. This is greater reason to ensure we have a theoretical approach, such as the social identity approach, which can better understand the impact of the leader, the followers, and the context and how these factors coexist and interact to drive (un)ethical leadership as a social psychological and dynamic phenomenon.

The examples, analysis, and arguments contributed by this book highlight various complexities. For example, we often consider factors on a single scale with individuals being a leader or a non-leader, ethical or unethical. However, this is not the case as all leaders will be followers in some circumstances, and ethical behaviour can vary. For example, take leadership. Leadership can be emergent or positional (i.e., a specific role), it can be intragroup or intergroup, and it is often time bound. This matters for our understanding of ethical and unethical leadership the leaders influence afforded with group members is likely to be driven by different processes. For example, positional leaders are likely to also be managers so they can set the ethical tone through resources, setting priorities, strategic enablers. Whereas emergent leaders will have great influence over group members but not necessarily with the access to "control and command" resources. Evidence suggests that this emergent leadership will be the most powerful for setting the group norms and encouraging others to follow the way (e.g., Souza & Klein, 1995; Hogg, 2001b)—whether ethical or unethical. The existing predominant theoretical approaches to ethical leadership are not able to fully account for these important differences, but rather are based on the assumption of an ethical leader as an individual in a formal leadership position who governs the ethical norms and tone for the group.

Similarly, the concept of ethics is not fixed in stone but has flex. Individuals can be very ethical in some ways but not others. For example, vegans do not consume animal produce, ethical by most standards. However, some vegans will engage in criminal activity to support the vegan cause—unethical by most standards. This counts true for leaders too, for example, Joanne Lee leader of the animal rights group Direct

Action Everywhere who argues that non-peaceful protest is required to enhance animal rights (cf. Duncan, 2018). But arguably sometimes these "unethical" actions are for a greater good—so still "ethical"? Interpretation of this will vary among individuals and groups and across different times in history. Such an example highlights that the dynamics of ethical and unethical leadership are socially constructed and context driven. We argue that the social identity approach to leadership can also be relevant to the study and understanding of ethical and unethical leadership because it can better account for some of these complexities, with an approach which does consider the leader, followers and context.

In Chapter 4, this group process approach is used to help clarifying why whether followers support, condone or condemn a specific negative behaviour from a leader is context-dependent phenomena. For example, the level of identification that a particular worker has with the organisation where he/she works shapes the way they interpret a specific situation and, therefore, their willingness to condemn unethical behaviour. When facing a leader who violates the norms, workers who are strongly identified with the organisation will probably be more prone to support that leader if they perceive that such behaviour can enhance the chances of the organisation being successful (cf. Morton, 2011; Morton, Postmes, & Jetten, 2007). Thus, group processes are vital to enhance the field's understanding of the psychology of ethical and unethical leadership and, consequently, to help organisations finding new and creative ways of promoting ethical behaviour and efficiently dealing with unethical behaviour.

Future Research and Practice

Promoting ethical behaviour whilst dealing with and reducing unethical behaviour, from both leaders and co-workers, is one of the biggest challenges of organisations nowadays. Chapter 5 provides recommendations for businesses to deal with this challenge, focusing on the social aspects that can contribute to enhance ethicality within organisations. Some of the aspects include the leader, the organisations' culture and the organisation's climate as, together, they contribute to establishing what is considered normative, legitimate and acceptable in a specific organisation.

Leaders behaviour is particularly important to establish norms, as they embody group norms and are perceived as role models. Therefore, leaders set the example and their behaviour is vital so followers (employees)

are able to understand what is expected from them (Brown et al., 2005; Treviño, Brown, & Hartman, 2003). Thus, providing ethical role models, who display a positive and consistent behaviour over time, will give employees guidelines about how to behave themselves and which behaviour they are expected to reproduce (Crossler, Long, Loraas, & Trinkle, 2017; Gino, Ayal, & Ariely, 2009; Gino & Margolis, 2011). Moreover, if the organisation rewards ethical behaviour and disciplines unethical behaviour, it is reinforcing the norm and setting an ethical culture, by showing that unethical behaviour will not be tolerated. In other words, the ethical characteristics of the organisation influence employee's behaviours and attitudes at work (cf. Ambrose, Arnaud, & Scminke, 2008). Thus, it is important that organisations have ethical policies, code of ethics and an ethical clime so ethical behaviour can be enhanced (cf. Schaubroeck et al., 2012; Schwartz, 2002). Indeed, research has shown that employees who work in an environment characterised by honesty, ethical conduct and interpersonal fairness are less willing to display unethical behaviour and, at the same time, report feeling more satisfied and committed with the organisation (e.g., Brown & Treviño, 2006; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009).

Interestingly, previous research has shown that employees punish less harshly other employees who imitate a leader (high-status member) and commit a similar unethical behaviour (cf. Bauman, Tost, & Ong, 2016). One can argue that this is because the leader already set the tone regarding to ethics by behaving unethically and, therefore, the same behaviour displayed by employees is excusable. Moreover, Kennedy and Anderson (2017) found that high-status individuals are less likely to engage in actions that stop unethical behaviour within the organisation because they are more identified with the group and, consequently, fail to see the unethicality. These findings provide some grounds to expect employees to have different reactions towards unethical behaviour and unethical leadership that occurs within an organisation that reinforces unethicality as its norm or modus operandi. However, little is known regarding the impact of unethical climate on employees' reactions to unethical leadership and whether unethical leadership would be particularly acceptable if displayed within an organisation that reinforces an unethical culture.

Our social identity approach to unethical leadership would provide a useful theoretical framework to further investigate these issues. For example, there is evidence that how team members are rewarded in order to set the group norms and expectations can affect group members;

with a focus on "stars" as opposed to average team members leading to perceptions of greater status dispersion and poorer intragroup relationships (Kim & Wiesenfeld, 2017). As such, organisational leaders will have a role to play in setting the exemplars for the group. In organisations, this can be through pay levels, promotion or provision of opportunities. To set an ethical climate and culture ethical behaviours and standard will need to be front and centre of such reward and recognition processes to highlight that ethicality is prototypical.

In the same line of reasoning, the impact of other organisational characteristics, such as its structure, on employees' acceptability of unethical leadership remains unanswered. We know that employees react differently to an unethical behaviour displayed by another employee or by a leader (e.g., Abrams, Randsley de Moura, & Travaglino, 2013). However, we do not know exactly what is the role of power relationships between employees and leaders within the organisation itself (e.g., vertical vs. horizontal structures). It seems reasonable to expect different reactions from employees based on the whether the organisational structure is horizontal or vertical, as one attenuates and the other exacerbates power imbalance between leaders and employees (cf. Ayree, Sun, Chen, & Debrah, 2008). Therefore, it can be speculated that employees would accept unethical behaviour more easily in a vertical organisation, where more power distance is expected. However, it is also possible that leaders in more horizontal organisations will have greater leeway to set the direction of the group—as "entrepreneurs of identity" (see, Reicher, Haslam, & Platow, 2018). This could be in ethical or in unethical directions. Future research could assess the extent to which power distance as a relevant social context in organisations moderates the acceptance of unethical leadership by prototypical and non-prototypical group leaders.

Although the ethical characteristics of a particular organisation are definitely important to understand employees' ethical behaviour, it is also important to consider the broader context. In a competitive business environment, organisations are constantly aware of what other companies and leaders are doing. However, little is known about the impact of out-group ethical and unethical leaders on employees' ethical behaviour, and on the ethical climate of competing organisations. For example, did other companies followed the Coca-Cola actions (cf. Chapter 2) on reducing plastic because they wanted to "look good" or because they are sensitive of the underlying ethical principle? And what is the impact that such actions have on employees from other companies in the drinking

business? Another interesting question is whether behaviour performed by an in-group leader is perceived as more ethical than a similar behaviour performed by an out-group leader, which would reinforce the perspective that ethicality is context and culture specific. These questions remained unanswered and will need to be the focus of future research.

In this book, we explored some circumstances under which the negative impact of unethical leaders might be attenuated and they may even be supported. A different approach would be focusing on under which circumstances a leader is too ethical. Following the work of Stouten, van Dijke, Mayer, De Cremer, and Euwema (2013), it would be interesting to explore whether employees would stand up for ethical leader whose behaviour harms the group and support that leader or, instead, downgrade their actions.

Perhaps most critical is the importance of additional evidence to untangle ethical vs unethical leadership. Our analysis in this book based on a group processes perspective and framed by social identity theory, highlights that the distinctiveness of ethical leadership is still unclear. Moreover, based on the evidence and examples we have presented the reactions to unethical behaviour is bound by the social context (e.g., leader or non-leader; intergroup context; e.g., Abrams et al., 2013; strength of societal norm; Abrams, Travaglino, Randsley de Moura, & May, 2014), and there is not a simple dichotomy of ethical vs unethical. It remains unclear what is distinctive about ethical leadership as opposed to other forms of "good leadership" (Levine & Boaks, 2014). Further research is required to understand the distinctive validity of unethical leadership as a construct, and the extent to which this can be separated from group processes, social norms and social contexts.

Whilst the increasing importance of ethics in business settings is overall accepted, the processes that explain *why* it happens and *how* individuals interpret and react towards it is not fully understood. In this book, we made a case for why group processes are crucial to understanding and how social identity theory can provide a framework to study this phenomenon, and we provided an updated overview of the research's contributions to understanding the practical impact of ethical and unethical leaders on employees and organisations. Indeed, important implications for organisations can be drawn from the overall findings, as the role of leaders in setting normative boundaries is substantial, and their behaviour has an important impact on employees' performance and well-being.

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Index

A
acceptance, 49
altruistic, 17, 21
attributions, 32–34

B
black sheep effect, 45, 46
brainstorming, 2
business(es), 4, 7, 14, 21, 28

C
charisma, 32, 33
commitment, 5, 21–23, 27, 45, 59
communication, 4, 15, 18, 63, 64, 66
competitive, 4, 5, 14
consensus, 3, 44, 45
consequences, 15–18, 20, 21, 27, 42, 47, 49, 65
context, 4, 6, 16, 19, 27–29, 31–33, 48, 57, 64
corruption, 14
counterproductive behaviours, 21, 27

D
damage. *See* harm
decision-making, 2, 4, 5, 15, 16, 18, 21, 59, 63
deviant, 43–47, 49–51
deviate, 42, 45–47

E
effective, 2, 5, 7, 34, 35, 62, 64
effectiveness, 5, 7, 17, 21–23, 34
employee(s), 1, 2, 4–7, 15–23, 27, 28, 32–34, 41–43, 50, 58–60, 62–66
employers, 1
engagement, 5, 18, 21, 22. *See also* commitment
ethical climate, 22, 58, 63, 64
ethical culture, 58–60
ethical leadership, 15, 17–22, 27, 43

C. Morais and G. Randsley de Moura,
The Psychology of Ethical Leadership in Organisations,
https://doi.org/10.1007/978-3-030-02324-9

ethical standards, 16, 20, 51, 65
ethics, 14, 16, 17, 27, 43, 58–60, 62, 64–66
ethics code, 60
ethics committee, 14
evaluation, 3, 30, 31, 47, 50

F
fairness, 18, 32, 59
free-riding, 3

G
globalisation, 1, 4
goal, 3, 7, 19
group members, 3, 4, 21, 30, 31, 33, 34, 44–51, 58
group membership, 28–31, 43, 44
groups, 1
groupthink, 3

H
harm, 7, 78

I
identification, 21, 22, 29, 34
idiosyncrasy credit, 46, 48
influence, 6, 16, 17, 19, 20, 23, 28, 31–35, 58, 61, 65
in-group, 30–34, 44–51, 61
innovation credit, 47, 48
intergroup processes, 19, 43, 57
interventions, 58, 61

J
job dedication, 21, 23
job satisfaction, 5, 22, 23, 27, 59

L
leadership, 1, 5–8, 14–23, 27–35, 42, 43, 46–48, 51, 58, 60, 63
  contingency theory of leadership, 6
  great person theory of leadership, 5
  leader(s), 2, 3, 5–8, 14–23, 27, 32–35, 41–43, 45–51, 58–65
  social identity theory of leadership, 43
  transactional leadership, 6, 19, 20
  transformational leadership, 6, 19, 20
  unethical leadership, 43

M
modelling, 17, 21
moral, 18–20, 43, 58, 59, 62
moral management, 20
motivation, 3, 4, 6, 17, 21, 23, 44, 48, 49

N
norm, 16, 45, 46, 48, 49
normative, 16, 32, 35, 44, 45, 47, 48, 50, 60

O
organisations, 1, 2, 4–7, 13–15, 17, 21, 27, 35, 42, 43, 58, 60, 61, 63–66
outcome, 6, 21, 30
out-group, 44–46, 48, 50, 62

P
performance, 5, 13, 15, 22, 61. *See also* productivity
production blocking, 3
productivity. *See* performance

R
role models, 7, 16, 17, 20, 23, 58, 60, 61, 66

S
social identity, 4, 8, 19, 28–30, 34, 35, 43–45, 49–51, 57, 60, 61
social identity theory, 42
social loafing, 3
social responsibility, 14, 17
status, 17, 32, 45, 46, 58
success, 5, 7, 22, 49, 51, 63
support, 5, 19, 23, 32, 41, 47, 50, 59, 60

T
teams, 1, 2, 4, 5, 7
teamwork, 5
transgression credit, 48, 49, 51

U
unethical behaviour, 8, 18, 51, 59–64

W
well-being, 5, 65