ETHICAL LEADERSHIP IN FIRMS: ANTECEDENTS AND CONSEQUENCES

by

CHENWEI LI

DIANE E. JOHNSON, COMMITTEE CHAIR

K. MICHELE KACMAR
JONATHON HALBESLEBEN
ADAM RAPP
THOMAS B. WARD

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ABSTRACT

Recent ethical misconduct of leaders, in some high profile firms, has drawn increased attention to the reality that, ignorance on the ethics of leaders could threaten the survival of companies, and that ethical leadership may be a critical piece for company success. This dissertation aims to further our knowledge of ethical leadership by examining moral emotions as the antecedents (Model I) and employee creativity as the consequence (Model II) in two separate models. Specifically, drawing on empathy literature and moral affect theory of gratitude, Model I hypothesized that leaders' moral emotions (empathy and gratitude) should predict ethical leadership behaviors. Based on ethical leadership literature and theories of creativity, Model II hypothesized that ethical leadership, both directly and indirectly, should create high levels of psychological safety and certainty, and have an effective and positive influence on promoting employee creativity. Data collected from two semiconductor companies in China were used in the dissertation. Theoretical and practical implications as well as limitations and directions for future research were discussed.

DEDICATION

This dissertation is dedicated to my family and my advisor Dr. Diane E. Johnson who encouraged me, guided me, and stood by me throughout the time taken to complete this masterpiece. Thank you for your support and belief in me.

LIST OF ABBREVIATIONS AND SYMBOLS

a	Cronbach's index of internal consistency
N	Sample size
df	Degrees of freedom
M	Mean
s.d.	Standard deviation
B	Unstandardized regression coefficients
β	Standardized regression coefficients
γ	Gamma coefficients
χ^2	Computed value of a chi-square test
R^2	Proportion of variance
ICC	Intraclass correlation coefficients
Rwg	Interrater agreement index
F	Computed value of an f-test
p	Probability associated with the occurrence under the null hypothesis of a value as extreme as or more extreme than the observed value
z	Sobel test z-distribution value
CFI	Comparative fit index
RMSEA	Root-mean-square error of approximation
HLM	Hierarchical linear modeling

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CHAPTER 1

INTRODUCTION

For decades, an unspoken but nevertheless widely held belief has permeated the business world. That is, ethical leadership is nice, but hardly essential to managerial practice. When times are tough and survival becomes an overriding priority for companies, ethical leadership appears to be a luxury that can be done without. Due in part to this belief, ethical leadership has taken a distant back seat to the other leadership styles in management literature (Yukl, 2006). However, recent ethical misconduct of leaders in some high profile firms has drawn increased attention to the reality that ignorance on the ethics of leaders could threaten the survival of companies, and that ethical leadership may be a critical piece for company success. So the question is whether ethical leadership is unnecessary.

Both researchers and practitioners suggest that the answer is probably no. Brown and Trevino (2006) point out that ethical leadership should be "nice and necessary" in today's business community. The belief on the conflict between ethics and performance or efficiency is outdated (Piccolo, Greenbaum, Den Hartog, & Folger, 2010); instead, ethical leadership denotes new ways of leading, necessary to create a competitive advantage for companies (Chun, Shin, Choi, & Kim, 2011). The idea of ethical leadership, which encompasses integrity, fairness, and morality, is therefore necessary in leadership development programs designed to enhance practical management skills (Bass and Steidlmeier, 1999).

As a specific construct, ethical leadership has received a great deal of popular press attention but little in the research environment. Only about a decade ago, Trevino, Brown, and

their colleagues (Brown & Trevino, 2006; Brown, Trevino, & Harrison, 2005; Trevino, Brown, & Hartman, 2003; Trevino, Hartman, & Brown, 2000) identified a measureable independent construct of ethical leadership. According to Brown et al., this new leadership paradigm is defined as a leader's "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" (2005: 120). Ethical leadership is a form of role-modeled ethical influence in the workplace. In other words, ethical leaders may promote moral behaviors through role-modeling, such as conducting their personal lives in an ethical manner, making fair and balanced decisions, setting an example of how to do the right things in terms of ethics, and disciplining employee who violate ethical standards (Brown et al., 2005).

Under this definition, contributions of ethical leadership to a number of employee outcomes have been articulated. For example, research has empirically linked ethical leadership to improved task performance (Piccolo, et al., 2010; Walumbwa, Mayer, Wang, Wang, Workman, & Christensen, 2011), increased extra-role behaviors (Avey, Palanski, & Walumbwa, 2011; Kacmar, Bachrach, & Harris, 2011; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Walumbwa & Schaubroeck, 2009), enhanced job satisfaction and affective commitment (Brown et al., 2005; De Hoogh, & Den Hartog, 2008; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009), reduced deviant behaviors (Avey et al., 2011; Mayer et al., 2009), improved leader-follower relationship (Ruiz, Ruiz, & Martinez, 2011; Tumasjan, Strobel, & Welpe, 2011; Walumbwa et al., 2011), and increased leader promotability (Rubin, Dierdorff, & Brown, 2010).

Given the practical importance of ethical leadership, studies have also examined the antecedents of ethical leadership. Brown and Trevino (2006) proposed several variables

concerning social influences (i.e. ethical role modeling, ethical context, and moral intensity) and individual characteristics (i.e. agreeableness, conscientiousness, neuroticism, and moral judgment level) as correlates of ethical leadership (for a review, see Brown & Trevino, 2006). Moreover, researchers have found empirical evidence for leaders' agreeableness and conscientiousness, cognitive moral development, and moral identity in predicting ethical leadership (Jordan, Brown, Trevino, & Finkelstein, 2013; May, Aquino, Greenbaum, & Kuenzi, 2012; Walumbwa & Schaubroeck, 2009). Indeed, the growing body of research has lent credence to ethical leadership as an effective leadership style and further signals the importance of ethical leadership to management literature.

<div align="center">Current Research Questions and Purpose of the Dissertation</div>

Nonetheless, researchers have been studying the occurrence of ethical leadership the same way they have studied other leadership styles: they have assumed rationality (e.g., Northouse, 2010; Yukl, 2006; Wren, 2005). It is assumed that leaders are able to rationally choose among the various leadership styles recommended by leadership theories, and that emotions do not play a role. Thus, research on ethical leadership, emphasizes a cognitive, moral judgmental process, wherein leaders choose to be ethical because of the impact of moral development, moral intensity (i.e. issue-related moral imperative), and moral climate (Aronson, 2001; Brown & Trevino, 2006). In other words, leaders choose to engage in ethical actions because they believe it is in their best interest to achieve a person, issue, or environment fit.

The problem is that leaders are not always rational. Emotions are beyond if not opposite to rationality and may play an important role in leadership development (Bono & Ilies, 2006; Connelly & Ruark, 2010; Fambrough & Hart, 2008; Gooty, Connelly, Griffith, & Gupta, 2010; Pearce, 2007). As such, the emotional aspect of leadership deserves more attention than it has

received. Unlike other leadership styles, ethical leadership may have a stronger connection to the leader's emotions, because of the value-based morality component of ethical leadership. The current inquiry therefore will focus on leaders' individual differences in moral emotions that may account for ethical leadership.

More specifically, Model I offers a new antecedent perspective by linking leaders' moral emotions to ethical leadership. In particular, the model suggests that leaders' moral emotions may predict their ethical leadership behaviors. Since moral emotions capture morality, the central element of ethical leadership, these emotions are likely to predict ethical leadership for their high relevance to leaders' tendencies to demonstrate such leadership style. As such, these moral emotions could enhance a leader's ethical salience. Given such advocacy of the connection between moral emotions and ethical leadership, a link between these two variables would be expected.

In order to conduct a focused investigation, two other-oriented moral emotions, empathy and gratitude, are studied, thereby contributing directly to recent calls for research into the antecedents of ethical leadership (Brown & Mitchell, 2010; Detert, Trevino, & Sweitzer, 2008; Mayer et al., 2012; Rubin et al., 2010) and an incorporation of moral emotions into studies of ethical leadership (Kish-Gephart, Harrison, & Trevino, 2010). Briefly, empathy refers to a generalized tendency of individuals to take others' points of view and to feel warmth, compassion, and concern for others (Davis, 1983a). Gratitude is defined as "a generalized tendency to recognize and respond with grateful emotion to the roles of other people's benevolence in the positive experiences and outcomes that one obtains" (McCullough, Emmons, & Tsang, 2002: 112). As suggested by researchers, emotions may increase an individual's ethical sensitivity or motivation to behave morally (Butterfield, Trevino, & Weaver, 2000; Connelly,

Helton-Fauth, & Mumford, 2004; Gaudine & Thorne, 2001; Jones, 1991; Mencl & May, 2009). Ethical leadership is characterized by morality. Therefore, both empathy and gratitude may enhance a leader's ethical salience by motivating leaders to engage in more ethical leadership behaviors. Literature on empathy (Davis, 1983a, 1983b; Tangney, 1990) and moral affect theory of gratitude (McCullough et al., 2002) will be used as the theoretical foundation for this study.

While my interest in the predictors of ethical leadership may be inspired by theory, my inquiry about creativity as an outcome of ethical leadership is driven by practice. With the lingering effects of the economic downturn, a salient fact making headlines has been companies' abilities to find a way out of the recession. It has been widely acknowledged that enhancing a company's ability on creativity and innovation represents a competitive advantage and is the "best way to grow" in an era of great turbulence and complexity (e.g. Baer & Frese, 2003; Shalley, Gilson, & Blum, 2009). Creativity, as a prerequisite for innovation, thus becomes desirable to companies.

However, creativity is stifled or even, rejected in some situations due to the unacknowledged negative associations with creativity (Staw, 1995). As Mueller, Melwani, and Goncalo (2012) suggest, creative ideas or solutions are sometimes rejected, due to the risks or uncertainties associated with the implementation of these ideas or solutions. On the part of individuals who carry out creative actions, rejection, to some extent, means that being creative is not without cost. Sternberg (2006) posits that creativity is an action anyone can take, but very few actually do, because of its high costs. One potential cost is that creative behaviors compete with routine behaviors for finite individual resources (Ford, 1996). Engaging in creative actions can thus reduce the participation of routine actions. Additionally, Mueller, Goncalo, and Kamdar (2011) have found evidence that open expression of creative ideas is negatively related

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to perceptions of leadership potential. In other words, being creative might be a career-limiting move for some individuals. As such, the possible conundrum is: creativity is very much desired by companies, but individuals are reluctant to carry it out due to potential high costs.

This dissertation argues that ethical leadership may offer a way out of this conundrum, as ethical leadership may be the missing link between company strategies and employee welfare associated with creativity. Stated another way, there may be a dark side of creativity that has been overlooked by researchers, and ethical leadership might be a perfect leadership style to help address that dark side. Because ethical leadership encourages individuals to express their creative ideas, it gives them confidence that no personal harm or unfair punishment would be attached to these expressions. In this way, ethical leadership makes it possible that the stimulations for creative ideas are there, while the risks are minimized. Model II therefore is designed to identify the direct and indirect influence of ethical leadership on employee creativity.

Specifically, Model II examines the impact of ethical leadership on employee creativity. Creativity refers to the generation of novel and useful ideas or problem solutions (Mumford & Gustafson, 1988). Firms now rely more on employee creativity for survival, adaptation, and competitive advantage, yet the management practices that may promote employee creativity have received little attention (Shin & Zhou, 2003). Thus this dissertation will add to the literature by testing a model that addresses how ethical leadership can directly or indirectly influence employee creativity. Ambile's (1988) componential theory of creativity holds that leadership, as one important aspect of the perceived work environment, is conducive to both the level and the frequency of employee creativity. As such, this theory provides the conceptual foundation for the main effect of ethical leadership on creativity.

Moreover, the model in Model II investigates perceived psychological safety and perceived uncertainty as two mediators in the ethical leadership-employee creativity link. Psychological safety refers to the belief that engaging in risk-taking behaviors is safe and will not lead to personal harm (Edmondson, 1999). Employee perceived psychological safety is examined as a mediator because the risk of failure is an essential part of creativity, and psychological safety may encourage creativity by reducing risk concerns and making followers more comfortable about the unfavorable outcomes associated with creativity. Perceived uncertainty refers to an individual's perceived lack of information, unsure of how to respond, or inability to predict the outcome accurately in any given situation (Duncan, 1972). Perceived uncertainty is examined as a mediator because an environment with a complex and dynamic set of underlying uncertainties may negatively influence followers' willingness attitude on being creative. In addition, these perceived uncertainties may place a premium on contextual factors, such as ethical leadership, that serve to reduce uncertainty. Specifically, according to uncertainty management theory (Lind & van den Bos, 2002), people rely on fairness cues to cope with uncertainty. Ethical leadership becomes one such fairness cue with its essence of moral and fair treatment. Using support from uncertainty management theory, this dissertation suggests that ethical leadership may help followers reduce uncertainty because uncertainty increases employees' fairness concerns, and ethical leadership may satisfy these concerns. It is therefore reasonable to expect that perceived uncertainty may transfer the impact of ethical leadership on creativity. Model II may add to the growing body of ethical leadership consequences literature. Figure 1 and Figure 2 present the two hypothesized models.

Figure 1: A Conceptual Framework of Model I
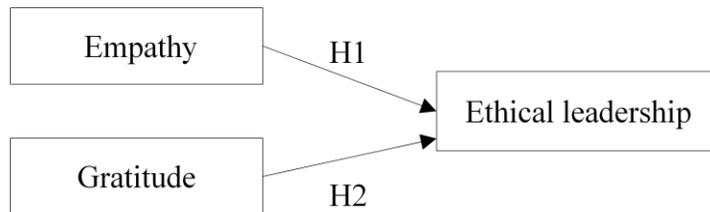
Figure 2: A Conceptual Framework of Model II
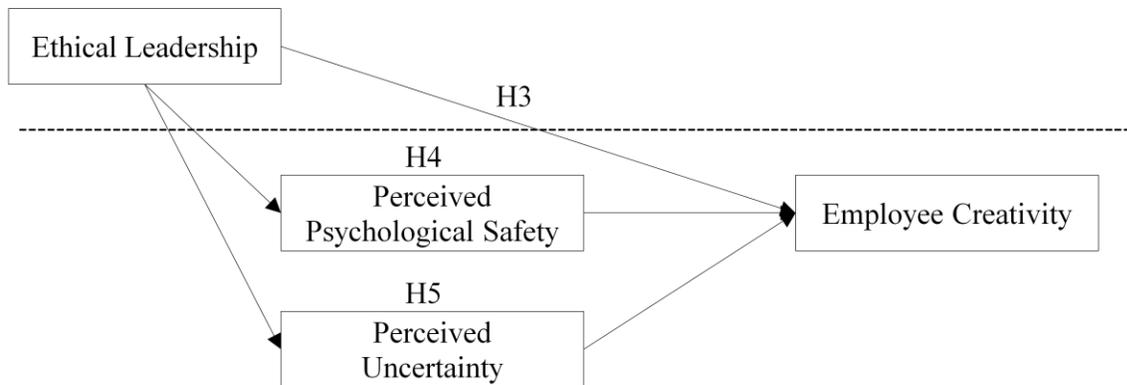
Significance of the Dissertation

The significance of the dissertation lies in the broader nomological network of ethical leadership. Drawing on empathy literature, moral affect theory of gratitude, and creativity theories, this dissertation investigates moral emotions as antecedents and employee creativity as a consequence of ethical leadership. This study provides new perspectives to both predictor and response variables of ethical leadership. Moreover, a lagged panel study, rather than cross-sectional, is designed to help establish the causal links in the proposed model. The current study is important to researchers who desire a better understanding of the origin of characteristics that

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ethical leaders possess and the impact ethical leadership has on creativity. The current study is also important to business firms that seek to develop effective ethical leaders and to improve employee workplace creativity.

Within this domain, this dissertation makes two contributions. First, from a leader perspective, it fills a knowledge gap by providing empirical support for theorized links among leader empathy, leader gratitude, and ethical leadership. It adds to the leadership literature, a new perspective on ethical leadership studies; that is, the emotional perspective related to leader traits. Second, from a follower perspective, it bridges the gap and contributes to research on both ethical leadership and employee creativity, by constructing and testing a model that addresses the operating mechanisms through which ethical leadership can influence employee creativity. Identifying the implications of this research therefore will help develop effective ethical leadership knowledge that can be used to encourage employee creativity.

<div align="center">Organization of the Dissertation</div>

There are five chapters planned. Chapter I provides a brief introduction to the key variables in the research framework, the theories used for arguments, and the purpose and contributions of the dissertation. Chapter II provides the literature review and hypotheses tested. First, the development of ethical leadership theory and research, in particular, a history of ethical leadership theory is discussed in order to provide an understanding of the emergence of this theory. Second, moral emotions literature is presented to build theoretical arguments for Model I. Finally, the creativity literature is presented to build arguments for Model II. Chapter III provides the methodology used in the dissertation. This section includes a description of the research context and research design, sample and procedures, measures and instruments, and control variables used in the dissertation. Chapter IV provides data analyses used and results from the

hypotheses tested. Finally, Chapter V presents a general discussion of the hypothesized

relationships, conclusions and implications drawn from the two separate studies, and limitations

and future research directions.

CHAPTER 2

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

An Overview of Ethical Leadership Theory

Earlier Perspectives on the Ethical Side of Leadership

Ethical leadership has gradually become the focus of much research. As its name implies, ethical leadership gives more attention to the ethical elements of leadership. According to Ciulla (1995), good leadership is not only characterized by effectiveness but also by ethics. Leadership studies that ignore values and ethical implications inherent in the leadership process always will be deficient (Ciulla, 1995). Moreover, in recent times, corporate scandals, caused by leaders' misuse of power, have created fear and insecurity among employees. Yukl (2006) suggested that the uncertainty and immorality of the current business environment contributes to a tremendous demand among employees for ethical leaders. Such demand makes the study of ethical leadership timely and worthwhile.

Unlike most of the other leadership styles (e.g., transformational leadership) that focus on one unified leadership theory, ethical leadership is included as a part of other leadership theories in its early developmental history. Burn (1978) is one of the first researchers who purports to link leadership behaviors and ethics. His proposed transformational leadership model places a strong emphasis on a mutual moral elevation between leaders and followers (Burn, 1978). Burn's view indicates that transformational leaders not only appeal to moral values themselves, but also attract followers to these values through proper forms of influence. Based on this morality emphasis, later scholars on transformational leadership such as Bass and Steidlmeier (1999) separate authentic transformational leaders, who possess moral values and transform in a positive way, apart from pseudo-transformational leaders, who are immoral and transform in a negative

way (i.e., placing leaders' own interest ahead of the interests of others). With a strong value orientation, Heifetz's (1994) approach describes leadership as a process in which leaders should be attentive to and help followers confront the conflicting values that exist among followers, organizations, and communities. This value centered overtone helps leaders influence followers in a moral fashion with the aim of bringing about meaningful changes. Greenleaf (1998) also offers a unique approach to ethical leadership. His servant leadership model emphasizes that, to be a servant leader, one should care for his/her followers, nurture them, and empathize with them. According to Greenleaf, serving others should be the essence of ethical leadership. Avolio and Gardner (2005) address the ethics of leaders through the development of authentic leadership theory. This theory posits that the way leaders lead others should be "in tune" with their basic nature and their accurate/honest understanding of themselves.

Although the above perspectives of ethical leadership provide valuable insights on ethical issues in the leadership domain, they only purport to conceptually link leadership to ethics from a normative perspective, stopping short of an independent construct by which ethical leadership could be defined and assessed. Moreover, it is suggested that ethical leadership may relate to other leadership styles (e.g., transformational leadership), but none of the other leadership styles encompass all the characteristics an ethical leader embodies (Brown et al., 2005). As such, Brown and his colleagues (2005) made a recent advancement in ethical leadership research by systematically describing what ethical leadership is as an independent construct, and how it connects to other constructs within its nomological network. Specifically, they have done so by explicitly defining ethical leadership, basing it on the well-founded social learning theory (Bandura, 1977), and providing a valid measure for ethical leadership through a panel of studies (Brown & Trevino, 2006; Brown, Trevino, & Harrison, 2005; Trevino, Brown, & Hartman,

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2003; Trevino, Hartman, & Brown, 2000). For the empirical nature of the current study, Brown

et al.'s (2005) notion of ethical leadership, based on a social learning framework, is followed.

A Social Learning Perspective on Ethical Leadership

Bandura's social learning theory (1977) emphasizes the importance of vicarious

experiences in learning processes. It is stated that these vicarious experiences should have as

much impact as direct experiences on shaping individuals' behaviors. Inherent in this viewpoint

is the acknowledgment that, individuals can learn new information and behaviors by observing

others (i.e., role models). As suggested by Bandura, "most human behavior is learned

observationally through modeling: from observing others one forms an idea of how new

behaviors are performed, and on later occasions this coded information serves as a guide for

action" (1977: 22). According to this theory, observational learning or role modeling is

recognized as a process that subsumes four cognitive elements: attention, retention, reproduction,

and motivation. First, the observer must pay careful attention to role models because attention

facilitates social learning. Bandura (1977) believes that the power and attractiveness of the model

may determine the observer's attention. The more attractive the model, the more attention the

observer should direct to the model. Second, the observer must not only recognize the observed

behaviors but also have good retention of these behaviors. An observer's ability to code or

organize the information may affect the retention process. Third, the observer must convert the

learned information into appropriate behaviors similar to role models. In other words, the

observer must reproduce the model's behaviors at a later time. Finally, the observer has to be

motivated to imitate or reproduce the modeled behaviors. Motivational strategies, such as

reinforcement or punishment, become critical for the observer's duration of a role modeling

experience.

Translated into the context of ethical leadership, the social learning perspective (Brown & Trevino, 2006; Brown et al, 2005) posits that the effectiveness of ethical leadership is a function of observational learning, i.e., the degree to which leaders (or the models) influence the ethical conduct of followers (or the observers) through role modeling. Brown and his colleagues (2005, 2006) believe that if role modeling is one of the important sources of learning information, it can also occur during dyadic exchanges between ethical leaders and their followers. In particular, of the four observational learning components (i.e., attention), two of these components are useful for identifying ethical leadership, because they are easily linked to the process of leading: attention and motivation. Consequently, for ethical leaders, attracting followers' attention to ethics and enhancing followers' motivation in the ethical conduct engagement becomes critical for the effectiveness of role modeling.

With this assumption, the social learning perspective suggests that ethical leadership should be a two-pillar concept composed of a moral person dimension and a moral manager dimension (Trevino et al., 2000, 2003). First, in order to attract followers' attention to ethics, ethical leaders should become *moral persons* themselves. Since social learning theory (Bandura, 1977) states that model attractiveness determines the observer's attention level, ethical leaders should enhance their attractiveness by being a person of strong character, possessing right values, and acting with an altruistic motive. In other words, to be effective and successful, ethical leaders must be fair, honest, and trustworthy. They have to be ethical persons who are reliable and accountable for their actions as well as their employees. Second, in order to motivate followers to participate in ethical behaviors, ethical leaders should turn themselves into *moral managers*. Specifically, ethical leaders should not only act as a person of integrity, but also make their principled values and behaviors explicit to followers by including these values in their

leadership agendas (Trevino et al., 2000). For example, one of the implicit tasks of ethical leaders is to set ethical norms, encouraging employees to interact with each other day to day in the right manner (Goleman, 1998). Ethical leaders should also serve as role models showing employees how to do the right things in the workplace, reward employees if they engage in ethical behaviors, and draw the line when they don't (Trevino et al., 2000). This social learning perspective of ethical leadership is in line with Palmer's (2009) ethical analysis on business leadership, which suggests that leaders may use a combination of ethic codes in the practice of leadership. Also, this view identifies with Moberg (2000) who asserts that role modeling should be a principal vehicle for acquiring moral virtues.

Formally, ethical leadership as social learning is defined as a leader's "demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown et al., 2005: 120). According to Brown et al., this definition consists of two themes. First, the words "demonstration of normatively appropriate conduct through personal actions and interpersonal relationships" indicate that ethical leaders are individuals who demonstrate excellence of character and behaviors and can be viewed as an attractive and credible role model (Brown et al., 2005). This theme is in line with the aforementioned moral person dimension. The next part of the definition, "the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" captures the aforementioned moral manager dimension. The term "two-way communication" refers to, not only conveying ethical information and making ethics a salient part of the leadership agenda, but also allowing followers to address both ethical and unethical behaviors through a true voice channel (Brown et al., 2005). The term "reinforcement" is used to convey the leader's

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commitment to setting ethical standards, rewarding ethical conduct, and punishing morally unacceptable actions (Brown et al., 2005). Finally "decision-making" refers to the importance of the leader's tendency to make fair decisions and carefully consider the ethical consequences of these decisions (Brown et al., 2005).

Given the above discussion on the developmental history of ethical leadership, the next step in my inquiry is to address research questions that link to ethical leadership and have yet to be answered empirically: (1) How do moral emotions predict ethical leadership behaviors? and (2) How does ethical leadership influence employee creativity? What are the intervening mechanisms that operate between ethical leadership and creativity? Accordingly, the purpose of this dissertation is twofold. In order to address the first research question, leader moral emotional traits will be examined as antecedents. Model I focuses in particular on two other-oriented moral emotional traits – empathy and gratitude. In order to answer the second research question, creativity will be chosen as the outcome variable for Model II. The two intervening mechanisms (i.e., psychological safety and perceived uncertainty) through which ethical leadership can influence employee creativity will also be investigated.

Model I: Moral Emotions and Ethical Leadership

Moral Emotions Defined

Emotions have attracted much research attention and have been connected to morality for the past two decades (Gooty, Connelly, Griffith, & Gupta, 2010). Following the conceptualization by Haidt, moral emotions are considered as those emotions "that are linked to the interests or welfare either of society as a whole or at least of persons other than the judge or agent" (2003: 853). Moral emotions are characterized by two features: disinterested elicitors and prosocial action tendencies (Haidt, 2003). Disinterested elicitors relate to the moral emotions that

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are usually observed in an event, a person, or an entity that do not involve self-interested appraisals (Haidt, 2003). Prosocial action tendencies indicate that moral emotions can provide individuals with the motivational force – the power and energy – to engage in actions that benefit others (Haidt, 2003).

Given this conceptualization, it is no surprise that moral emotions have been studied as they are related to moral decisions/behaviors (e.g. Connelly et al., 2004; Eisenberg, 2000; Gaudine & Throne, 2001; Haidt, 2001, 2003; Harris, 2003; Hoffman, 1982; Lurie, 2004; Mencl & May, 2009; Tangney, 1990, 1991; Tangney, Stuewig, & Mashek, 2007). However, only a few of the studies above were conducted in the organizational field. Most of them were focused on individual development and socialization by using student samples. Moral emotions remain an important yet overlooked element in the literature on ethical leadership (Kellett, Humphrey, & Sleeth, 2002). Since moral emotions capture morality, they are natural moral reactions to certain situation, and they are likely to provide for a more ethical leader for their high relevance to leaders' tendency to perform ethical leadership in the workplace.

While a specific moral emotion can be regarded as a fluid mental state that depicts context-specific emotional experiences that vary over time and across situations (Tangney, 1990; Tangney et al., 2007), it is also considered a stable trait that reflects one's propensity to experience a particular emotion across a range of situations. This is in line with Rosenberg's (1998) hierarchical framework of affective experience, suggesting that affective processes can be addressed at both trait and state levels. According to Rosenberg's framework, affective traits are "stable predispositions toward certain types of emotional responding" (1998: 249), and affective states are short-period emotional responses induced by a typical event, person, or context. The current dissertation focuses on moral emotions as a trait because ethical leadership is not posited

as a style that leaders display to accommodate the characteristics specific to a given situation. Rather, the demonstration of ethical leadership entails constant and consistent ethical cues, such as ethical behaviors and the promotion of such behaviors to employees over time and across situations. Following this reasoning, ethical leadership may need a stable trait foundation in the leaders. Walumbwa and Schaubroeck (2009), for example, find empirical evidence that personality traits such as agreeableness and consciousness predict ethical leadership, which implies that ethical leadership does require a stable dispositional foundation in the leaders. As the current discussion focuses on moral emotions as an individual difference that influences the practice of ethical leadership, moral emotions are presented as a trait-oriented construct that represents stable individual variances among leaders. Specifically, two other-oriented moral trait emotions, empathy and gratitude, will be the focus of the following discussion.

Empathy and Ethical Leadership

The conceptual discussion of empathy has undertaken three major approaches in the literature. The first approach identifies empathy as "the act of constructing for oneself another person's mental state" (Hogan, 1969: 308). This approach conceives of empathy as individuals' accurate predications of others' mental states and therefore defines empathy only in terms of cognition. The second approach posits empathy as a tendency to have a vicarious emotional experience of the perceived others' experienced feelings (Mehrabian & Epstein, 1972). This approach stresses vicarious affective experiences and defines empathy only in terms of affect. The third approach describes empathy as an emotion which encompasses both a cognitive and an affective component (Davis, 1980a; 1983b). Following this last approach, Davis (1980a; 1983b) conceptualized empathy in four distinct yet related dimensions – perspective taking, empathic concern, personal distress, and fantasy.

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Given the little agreement among researchers about whether empathy is a unitary or multidimensional construct (Wispe, 1986), the current discussion adopts Davis's (1983a, 1983b) idea of a multidimensional empathy construct, and presents empathy as a trait moral emotion which consists of a cognitive component, i.e., perspective taking, and an affective component, i.e., empathic concern. Specifically, perspective taking refers to how likely an individual is to take others' points of view; and empathic concern refers to a predisposition of the individual to feel warmth, compassion, and concern for others (Davis, 1983a, 1983b). It should be noted here that, Davis's original empathy model has another two dimensions, i.e. personal distress and fantasy, with personal distress relating to "feelings of personal anxiety and unease in tense interpersonal settings" (1983b: 114), and fantasy relating to "respondents' tendencies to transpose themselves imaginatively into the feelings and actions of fictitious characters in books, movies, and plays" (1983b: 114). However, theory ahead threw those two dimensions out.

Researchers have clearly demonstrated the differences between empathy and personal distress (Batson, O'Quin, Fultz, & Vanderplas, 1983; Batson, Fultz, & Schoenrade, 1987; Eisenberg & Strayer, 1990). Personal distress describes individuals' tendencies to experience "self-oriented" aversive feelings such as anxiety or worry (Davis, 1983b). Batson et al. (1987) have suggested and also found empirical support that personal distress and empathy are two distinct concepts with personal distress directed toward an egoistic motivation and empathy directed toward an altruistic motivation in helping. Following this line of thought, this dissertation adapts Davis's (1983a, 1983b) approach positing that personal distress may not serve as an aspect of empathy and therefore seems inappropriate for the current study.

With regard to fantasy, researchers have questioned its appropriateness as one component of empathy (Baron-Cohen & Wheelwright, 2004). Fantasy refers to individuals' tendencies to

imaginatively put themselves into the role of fictitious characters and experience these characters' feelings and actions (Davis, 1983b). Baron-Cohen and Wheelwright (2004) suspected that fantasy describes processes broader than empathy. Imagination may be related to empathy, but obviously it is not empathy itself. Fantasy is thus excluded from the definition of empathy in the current research.

In contrast to personal distress and fantasy, perspective taking and empathic concern have clearer connections with empathy. First, research has shown that empathy is more than sympathy, i.e. the ability to emotionally support others with compassion or sensitivity (e.g., Batson, 1990). Instead, it is argued that empathy is the ability to cognitively comprehend and emotionally relate to the thoughts, emotions, or experience of others (e.g., Davis, 1983a). Conveying empathy is therefore the ability to accurately understand what others are feeling (Duan & Hill, 1996), the ability to actively share emotions with others, and passively experience the feelings of others (Eisenberg & Strayer, 1990). In short, empathetic individuals should not only be moved by others and concerned with similarities between themselves and others' affective states, but also reach out to others and emphasize the accuracy of understanding others' affective situations. Since empathic concern only assesses "other-oriented" feelings of sympathy (Davis, 1986a), perspective taking is thus a necessary component for empathy to capture its inherent cognitive meaning (Duan & Hill, 1996).

Finally, an integration of perspective taking and empathic concern allows empathy to assume a "moral point of view." In other words, a willingness or tendency to put oneself in others' shoes and to modify one's behavior as a result, and to have a desire for others to feel better, clearly reflects the two features of moral emotions, i.e., disinterested elicitors and prosocial action tendencies (Haidt, 2003). In sum, both perspective taking and empathic concern

are essential defining elements of trait empathy and will be combined as a complete empathy construct.

Studies on empathy have largely been focused on the nature of empathy (Davis, 1983a, Davis, 1983b; Duan & Hill, 1996; Greif & Hogan, 1973; Hogan, 1969; Mehrabian & Epstein, 1972), the relationship of empathy with altruism (Batson, Dyck, Brandt, Batson, Powell, McMaster, & Griffitt, 1988; Batson, Batson, Griffitt, Barrientos, Brandt, Sprengelmeyer, & Bayly, 1989; Batson & Moran, 1999; Batson & Ahmad, 2001; Eisenberg & Fabes, 1990; Hoffman, 1975; Underwood & Moore, 1982), and the impact of empathy on individuals' moral development (Eisenberg-berg & Mussen, 1978) and prosocial and moral behaviors (Hoffman, 1990; Mencl & May, 2009; Munro, Bore, & Powis, 2005). In addition, the role of empathy in the contexts of negotiation (Cohen, 2010; Galinsky & Moskowitz, 2000), interpersonal relationships (Kellett, Humphrey, & Sleeth, 2006; Rogers, 1975), and intergroup relations (Batson & Ahmad, 2009; Stephan & Finlay, 1999) has also been identified. While these previous studies have enriched empathy literature, there has been little attention to the potential role of empathy when linked to ethical leadership. Thus, one primary goal of the current study is to examine how variances in empathy among leaders contribute to engagement in ethical leadership.

That a dispositional tendency to experience empathy may have an important influence on demonstrating ethical leadership seems a reasonable hypothesis. First, empathy may enhance leaders' salience as ethical persons. Empathy is regarded by researchers as a moral emotion that concerns the welfare of others and facilitates prosocial and moral behaviors (Haidt, 2003; Tangney, 1991). In an organizational study, Mencl and May (2009) found some empirical support that empathy is directed toward engaging in ethical decision-making because the presence of empathy increases individuals' moral awareness and moral intentions. Following this

reasoning, leaders who empathize are more likely to make ethical decisions, which is critical for leaders to establish themselves as ethical role models. Moreover, empathy, with its other-oriented nature (Batson et al., 1987; Tangney, 1990), enables leaders to handle the task of telling the truth and making decisions with followers' perspectives/welfare considered. Such consideration makes followers feel respected and valued as individuals and, consequently, enhances their perceptions of a leader's integrity and credibility (George, 2000; Lewis, 2000).

In addition, throughout the empathy literature, the role of empathy in producing a genuine altruistic motivation has been well documented (Batson & Moran, 1999; Batson & Ahmad, 2001; Haidt, 2003; Hoffman, 1975; Underwood & Moore, 1982). According to Haidt (2003), empathy is triggered by an event, person, or entity that does not involve self-interested appraisals. Batson and Ahmad (2001) suggest that empathy, felt for a particular individual, can be a source of motivation to benefit this individual as an ultimate goal. Translated into the context of leadership, as leaders' empathic experiences increase, the salience of such altruistic motivation increases as well. Such altruism may be the key enabler for leaders to serve as ethical role models. Brown et al. (2005) posit that altruism is very much part of the concept of ethical leadership. From their theoretical perspective, a person observing ethical leadership should also be viewing an altruistic motive. It is altruism that makes ethical leaders attractive and legitimate, and continuously enables followers to believe that ethical leaders balance achieving their own goals with a genuine regard for followers. As Resick and his associates (2006, 2011) suggest, ethical leadership is very similar to altruism when it comes to engagement in actions with the intention of helping others without expecting external rewards. As such, it is reasonable to argue that leaders' displays of empathy tend to highlight their altruistic motives and meanwhile enhance their salience as ethical persons (George, 2000; Lewis, 2000).

Second, empathy may enhance leaders' salience as ethical managers. Research has suggested that individuals reporting high levels of perspective taking and empathic concern lead to greater willingness to foster warm, close, interpersonal relationships, to facilitate beneficial behaviors, and to inhibit interpersonal aggression (Tangney, 1991). By definition, ethical leadership should promote ethical conduct in followers through two-way communication, reinforcement, and decision-making. Brown et al. (2005) propose that ethical leaders serve as role models through communicating regularly and persuasively with followers about expected moral standards, principles, and values. Empathic concern enables leaders to read followers and create resonance among them (Kellett et al., 2006), which should be critical for leaders to guide followers to more ethical behaviors and interpersonal harmony. Baron-Cohen and Wheelwright (2004) suggest that empathic concern allows leaders to predict followers' intentions and experience followers' emotions, drawing followers to help each other rather than hurt each other. Moreover, perspective taking enables ethical leaders to carefully consider the ethical consequences of leader decisions and work toward making fair decisions. According to Davis (1983a), empathy enables leaders to understand followers and sense what they are feeling. Consequently, leaders, who empathize more, should be more likely to consider the potential effects of their decisions on followers. With leaders' sensitivity to others' thoughts, feelings, and experiences, and their attention to the perspective and needs of their followers, they are more likely to make ethical decisions themselves, and promote ethical behaviors among employees. It stands to reason that such empathetic dispositions enable leaders to go a long way toward meeting the requirements of being ethical managers. As such, it is argued that perspective taking, along with empathic concern, offer benefits for practicing ethical leadership.

H1: Empathy is positively related to ethical leadership.

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Gratitude and Ethical Leadership

Gratitude is another type of moral emotion (McCullough et al., 2001; McCullough et al., 2002). Much of the recent work on gratitude has focused on the nature of gratitude (e.g., Adler & Fagley, 2005; McCullough, Emmons, & Tsang, 2002; McCullough, Tsang, & Emmons, 2004; Wood, Maltby, Stewart, & Joseph, 2008; Watkins, Woodward, Stone, Kolts, 2003; Wood, Maltby, Stewart, Linley, & Joseph, 2008), and the correlates of gratitude such as life satisfaction, individual well-being, spirituality/religiousness, and Big Five personality variables (e.g., Emmons & McCullough, 2003; Emmons & Crumpler, 2000; McCullough et al., 2002, 2004; Tsang, 2006; Wood, Maltby, Gillett, Linley, & Joseph, 2008; Wood, Joseph, & Linley, 2007). About the nature of gratitude, for example, McCullough et al. (2004) proposes that gratitude can be addressed at different levels, such as gratitude as a trait, gratitude as a mood, and gratitude as a context-specific emotion. As a trait, gratitude is defined as "a generalized tendency to recognize and respond with grateful emotion to the roles of other people's benevolence in the positive experiences and outcomes that one obtains" (McCullough et al., 2002: 112). This trait definition emphasizes gratitude as an affect personality trait and stresses the frequency, intensity, span, and density of being grateful. Therefore, a grateful disposition may reduce an individual's threshold for experiencing grateful moods or emotions (McCullough et al., 2002, 2004). In accord with McCullough et al.'s (2002) work, it is assumed, in the context of this dissertation, that gratitude, as a personality trait, points to a dispositionally grateful person's tendency to feel more gratitude than others, report gratitude more frequently, more intensely, and involves appreciation of a wider range of people and event.

Moral affect theory of gratitude (McCullough et al., 2001) posits that gratitude has three functions that can be conceptualized as morally relevant. Gratitude acts first as a moral

barometer, a response to the perception that one has been the beneficiary of another person's moral actions. Second, gratitude serves as a moral motive, motivating the grateful person to behave pro-socially toward the benefactor and other people. Finally, gratitude serves as a moral reinforcer, encouraging benefactors to behave morally in the future. Moral affect theory of gratitude (McCullough et al., 2001) suggests that gratitude is both a response to moral behavior and a motivator/reinforcer of moral behavior. In essence, trait gratitude is a moral affective disposition that directs individuals to engage in moral and prosocial actions, and in doing so, provides evidence for the role of gratitude in guiding a moral and ethical life. This view of gratitude is in line with Haidt's (2003) analysis on moral emotions, which suggests that disinterested elicitors and prosocial action tendencies are two essential features of moral emotions. McCullough et al.'s (2001) moral affect theory of gratitude lays the foundation for the proposed relationship between leaders' trait gratitude and ethical leadership behaviors.

First, as with the moral barometer and moral motive function, gratitude enables leaders to use a combination of moral codes in the practice of leadership, which helps establish a 'moral person' impression of the leaders. Specifically, with the moral barometer function, dispositionally grateful leaders tend to be sensitive to moral behaviors in the workplace. The presence of gratitude enhances leaders' moral awareness and recognition of a situation having ethical implications, particularly when others may suffer as a result of a decision leaders make. It is therefore plausible that grateful leaders are more likely to make ethical decisions, which is the key component of ethical leadership.

Moreover, with the moral motive function, research has suggested that gratitude tends to motivate people to reciprocate the benefits they have received by rendering further benefits (McCullough et al., 2004). From this perspective, gratitude enable leaders to possess a specific

action tendency to behave ethically and pro-socially toward their followers (McCullough et al., 2001; McCullough, Tsang, & Emmons, 2004; Tsang, 2006). Thus, by experiencing gratitude, leaders are motivated to carry out effortful helping behaviors, driven to sustain moral behaviors (Emmons, 2006), and are inhibited from committing destructive interpersonal behaviors (Baron, 1984), which all contribute to followers' perceptions of ethical leadership.

Empirical literature has documented such grateful dispositions as correlates of religiousness and spirituality for the reason that they all share a common core, e.g. value and morality (McCullough et al., 2004). Therefore, gratitude, as a morally relevant personality characteristic, makes leaders' ethical actions, traits, and standards more salient because leaders with high levels of gratitude tend to be persons of strong character, possessing the rights values, and acting with altruistic motives (Baron, 1984; McCullough et al., 2001). Simply put, grateful leaders are more likely to respect rather than take advantage of followers' inputs, respond with appreciation rather than "taken-for-granted" toward the inputs, and act in ways that promote followers' welfare based on an altruistic rather than an instrumental motive. All of these actions suggest a link between gratitude and behavior patterns that is required to be perceived as an ethical leader in the eyes of followers.

Second, as a reinforcer of moral behaviors, gratitude enables leaders to attract followers' attention to ethical standards and accountability, and to enhance followers' motivation in ethical conduct engagement, which helps establish a 'moral manager' impression of the leaders. Put in a simple form, the reinforcer function of gratitude suggests that gratitude encourages repeat performances. Leaders should remember that the behaviors they recognize will be repeated. Thus, gratitude enables leaders to draw the interest/attention of those with whom the leaders come in contact. When leaders display grateful emotions toward followers, these cues of

gratitude may be learned by followers and make them think that they are respected and cared for by their leaders. In turn followers' interest/attention is attracted to the ethical standards and accountability established by their leaders. According to a social learning perspective of ethical leadership (e.g. Brown et al., 2005), such interest and attention are critical for leaders to be effective ethical managers. In addition, the moral enforcer function posits that expressing gratitude to one's benefactors stimulates the benefactors to behave pro-socially in the future (Bartlett & DeSteno, 2006; McCullough et al., 2001). Since the social learning perspective of ethical leadership emphasizes the importance of the moral manager dimension (i.e. shaping ethical character and encouraging ethical behaviors among followers) (Trevino et al., 2000, 2003), leaders who always show gratitude toward followers for their inputs, produce greater efforts on the part of the followers to behave ethically in the future. As such, gratitude enables leaders to fulfill their roles as moral mangers through gratitude's function as a moral behavior reinforcer. That is, expressing gratitude could perhaps be a motivation-oriented approach that leaders can use to serve as moral mangers and ultimately enhance their visibility as ethical leaders.

McCullough et al. (2004) posit that gratitude is positively related to agreeableness, a personality found to be positively correlated with followers' perceived ethical leadership (Walumbwa & Schaubroeck, 2009). Their finding is indirectly suggestive of a positive link between gratitude and perceived ethical leadership.

H2: Gratitude is positively related to ethical leadership.

Model II: Ethical Leadership and Employee Creativity

Numerous researchers have suggested the importance of creativity in today's world of globalization and technological advances (e.g. Ambile, 1988; George & Zhou, 2001; Liao, Liu,

& Loi, 2010). However, as previously discussed, there is a conundrum surrounding the importance of creativity: companies need creativity, whereas individuals may be reluctant to carry it out due to its high costs. Model II therefore is designed to examine how ethical leadership might solve this puzzle. In addition, although ethical leadership has been documented to be associated with a number of employee outcomes, surprisingly, research to date has yielded little in the way of explanations for how ethical leadership could impact employee creativity. As such, it would be a promising direction for research to examine whether ethical leadership relates to employee creativity, and if so, the intervening mechanisms in the ethical leadership – creativity link.

Defining Creativity

Creativity refers to the generation of novel and useful ideas or problem solutions on a subject (i.e., products, processes, or services) (Amabile, 1997; Mumford & Gustafson, 1988; Oldham & Cummings, 1996). It involves decomposing and reorganizing the knowledge about the subject in order to gain unique and valuable insights into its nature (Zhou & Oldham, 2001). Creativity occurs when individuals are able to think in such a way that readily leads to an original and even better understanding of the subject. In simple words, challenging the status quo, in an appropriate way, is pretty much the definition of creativity.

With such a definition of creativity, Mumford, Scott, Gaddis, and Strange (2002) provided a detailed description about the nature of creative work. For example, creative work is first person centered (Mumford et al., 2002). It depends on individuals' knowledge and expertise for ideas/solutions generation. Second, creative work requires collaborative efforts (Mumford et al., 2002). Leadership and the partnership between teams or groups are critical to help facilitate creative work. Third, creative work is demanding and time consuming (Mumford et al., 2002).

Problems involved in creative work are always difficult, ill-defined, and novel-reasoning problems take time to solve. Long-term motivation and attention is therefore needed for creative work. Fourth, creative work is resource intensive (Mumford et al., 2002), requiring an integrated variety of resources. Human, financial, time, and utility resources are all needed for creative work. Finally, creative work is risky and uncertain (Mumford et al., 2002). Since creative ideas are often derived from novel rather than conventional thinking, they are not failsafe and risk free, instead, failure and risk are essential parts of creative work. The probability of financial, career, and time loss, attached to the experiment failure with unproven approaches, increases the uncertainty and unpredictability of creative work.

<div align="center">Significance of Creativity</div>

The importance of creativity to today's business has been well recognized by both practitioners and researchers. In business practices, it is believed that, if companies do not try things new or different in the next five or ten years, companies will be way behind in today's fast-paced business environment (George, 2007). Prompted in part by this belief, creativity has been placed high on the agenda at organizations, and required as an important competency for leaders today. For example, in its recent 14th year global survey of 1, 201 CEOs in 69 countries, PWC found that, as a key growth strategy for companies, innovation is an assurance of organization prosperity (*www.pwc.com*). Moreover, the survey report implies that, for CEOs today, relying on innovation as the engine for growth is not merely a consideration, it's an expectation. Also, in the 2010 IBM global study of more than 1,500 CEOs, creativity is recognized as the most important weapon that leaders can use to cope with complexity and uncertainty (*www.ibm.com*). Frank Kern, an IBM vice president, identifies with this point and suggests that it is creativity, not tactical excellence that makes CEOs successful (Kern, 2010).

Creativity has been singled out, by CEOs, as the necessary element for companies that want to challenge the status quo (Kern, 2010). As such, if companies today have to respond to disruptive changes in their environments, sticking with the status quo could be a losing strategy. Instead, creativity should be a winning strategy for companies that want to stand out and prosper.

One of major reasons for the growing interest in research on creativity is that it has been hypothesized to increase organizational effectiveness (e.g. Amabile, 1997; Burns & Stalker, 1961; Damanpour, Szabat, & Evan, 1989; El-Murad & West, 2003;George & Zhou, 2007; Gilson, Mathieu, Shalley, & Ruddy, 2005; Mumford, 2000; Shalley, Gilson, & Plum, 2000; Stokols, Clitheroe, & Zmuidzinas, 2002; Woodman, Sawyer, & Griffin, 1993). More specifically, creativity might increase organizational effectiveness by enhancing team performance (Gilson et al., 2005), by strengthening the organization's innovation ability to better cope with environmental changes and competitions (Burns & Stalker, 1961; Mumford, 2000; Scott & Bruce, 1994; Zhou & George, 2001), by increasing employees' job satisfaction and reducing their job stress (Shalley et al., 2000; Stokols et al., 2002), by enabling organizations to develop innovative products, services, and other business practices (Ambile, 1997; Damanpour et a., 1989; Woodman et al., 1993), and by increasing market share with creative advertising (El-Murad & West, 2003). Taken as a whole, it is the capacity of employees to be creative at work that enhances organizational effectiveness and gives research and theories on creativity such an important position in management literature.

In addition, the significance of creativity, in term of the theories developed on it, is also addressed here. Four different theories investigate the contributing factors of creativity: the componential theory (Amabile, 1988, 1997), the interactionist theory (Woodman, Sayer, and Griffin, 1993), the multiple social domains theory (Ford, 1996), and the investment theory

(Sternberg, 2006). Perspectives of these theories help address the nature of creativity and both personal and contextual factors conducive to creativity.

The componential theory (Ambile, 1988, 1997) suggests that individual creativity is a function of three components, expertise, creative thinking skills, and intrinsic motivation, which capture both the ability and motivational aspects of the creativity experience. Individual creativity should be reinforced when all three components are present. The central element of this theory posits that all three components, and especially the component of intrinsic motivation, can be influenced by the elements of the work environment, including organizational encouragement, supervisory encouragement, work group supports, sufficient resources, challenging work, and freedom (Amabile, 1997). It is important to note here that, among the various elements, the theory emphasizes leader behaviors as a particularly important predictor of creativity, because of the likely impact of leader behavior on shaping work environment. Amabile and her colleagues (Amabile, Conti, Coon, Lazenby, & Herron, 1996; Amabile, Schatzel, Moneta, and Kramer, 2004) suggest a variety of specified leader behaviors (e.g. consulting, recognizing, and supporting) that may influence intrinsic motivation and ultimately stimulate employee creativity. The componential theory, especially its intrinsic motivation view, has gained the most attention in the creativity literature.

Unlike the componential theory, which focuses more on the work environment, the interactionist theory (Woodman et al., 1993) focuses on an interactionist process in which the creative product, person, and situation are integrated at three different levels, i.e., individual, group, and organizational. Specifically, creativity, at the individual level, is affected by a person's past experiences, cognitive styles, personality factors, relevant knowledge, motivation, social influences, and contextual influences. Creativity, at the team level or group level, is

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shaped by the input of individual team member, team interaction, characteristics, processes, and situational influences. Finally, creativity, at the organizational level is reinforced by the contributions of its subunit teams and environmental influences. The essence of this theory is that to fully understand creativity, one needs to look at a variety of personal, social, and contextual factors to see how these factors interact with each other at different levels.

According to the multiple social domains theory, creativity is "a domain-specific, subjective judgment of the novelty and value of an outcome of a particular action" (Ford, 1996: 1115). The theory points out the inherent competition of creative action and routine action, and how situations or contexts may impact the choice between these two actions. Given the competing nature, and the limited individual resource that creative and routine actions must share, engaging in creative actions may reduce the participation of routine actions, and vice versa. It is suggested that even when the environment is favorable for creativity, individuals may tend to prefer routine actions over creativity based on past experience, relative ease, and certainty. As such, creativity is less likely to occur unless more positive associates (i.e. rewards, image, and status) are attached to creativity than to the routine action. The theory presents this entire choice process at four different levels of domain, i.e., group, organization, institution, and market.

From an investment theory perspective (Sternberg, 2006), creativity is a "buy low, sell high" behavior. Buying low means that, for individuals, creativity is a process, wherein ideas with growth potential, but unknown or disfavored by others, are pursued. Selling high means that individuals with creative ideas eventually make others buy into these ideas and put the ideas into the experimenting stage. Creativity requires various resources (i.e., intellectual abilities, knowledge, styles of thinking, personality, motivation, and environment), however, unlike other

creativity theories with a focus on how these resources may interact with each other, investment theory suggests that it is not these resources, but an individual's decision, that plays a more critical role in promoting creativity. In other words, this theory posits that creativity is a decision that anyone can make, whereas, people may not, given the chance, make the choice and take the creative route. Thus, people may have resources for creativity, but they may not decide to apply these resources to creativity given the odds of failure.

The "Dark" Side of Creativity

Given that creativity enhances effectiveness and makes organizations competitive in today's environment, it is therefore important in today's work environment. However, sometimes there might be a negative side of creativity. For example, for individuals who carry it out, is creativity always a good thing? In fact, it might not be a good thing for several reasons. One reason is that, on the part of individuals who carry it out, being creativity is not without cost. Few people really want to pay the price for creativity due to its high costs. Mumford et al.'s work (2002), multiple social domains theory (Ford, 1996) and the investment theory (Sternberg, 2006) have touched upon, though not addressed much of, this uncharted "dark" side of creativity, i.e. the involved high costs for individuals.

First, instead of receiving grateful acceptance, or even a fair hearing, speaking up with creative ideas is often ridiculed or otherwise ignored (Sternberg, 2006). As the definition implies, creative ideas are characterized by both novelty and usefulness, and it is this feature of novelty that distinguishes a creative idea from an ordinary one. While researchers have focused much on the positive association with novelty, and its benefits to organizations, they have neglected the negative association, which may lead to the rejection of creative ideas, or even the rejection of the person who proposed these creative ideas. Such rejection, according to Mueller et al. (2012),

is due, in part, to the existence of uncertainty about whether a creative idea is accurate, practical and reliable. These researchers have found empirical evidence that, such uncertainty makes people often ignore, or even reject novel solutions regardless of potential benefits (Mueller et al., 2012). In addition, creative ideas indicate the need for change and improvement of the status quo which others in the same group may be responsible for or personally attached to (Hirschman, 1970). Creative ideas are thus often rejected due to resistance from those people who want to maintain the status quo for personal interests.

Second, instead of enhancing overall performance, being creative may sacrifice routine job performance. Mumford et al. (2002) pointed out that creative work is resource intensive, demanding, and time-consuming, requiring individuals to use lots of resources, and put in long, hard hours. Ford's (1996) multiple social domains theory also suggests that creative actions compete with habitual, routine actions for resources. Given the limited resources that creative and routine actions must share, engaging in more creative action may thus deplete the resources for routine actions and affect one's performance in routine behaviors.

Third, instead of sitting back and relaxing, engaging in creativity may increase personal stress. Creative work is risky and uncertain. Most creative efforts are risk ventures because creativity involves the production of new ideas that deviate from the status quo (Mumford et al., 2002). When endorsing a novel idea, people can experience failure (Simonton, 1984), perceptions of risk (Rubenson & Runco, 1995), and uncertainty about when their idea will reach completion (Metcalfe, 1986). Failure, risk perceptions, and uncertainty may incur uncontrollable feelings, which in turn may increase personal stress or even chances of burnout.

Last but not least, instead of promoting one's career, expression of creative ideas may result in career stalls. Using experimental data from both the United States and India, Mueller et

al. (2011) found that the open expression of creative ideas was negatively correlated with observers' perceptions of leadership potential. Alternatively speaking, people who propose creative ideas were viewed as less likely to be effective leaders. This finding may be surprising; however, it may have its root in reality. Most companies, for example, tend to reward or promote people based on their tactical excellence, rather than on their creativity and innovation for the business. As Staw (1995) put it, though having a reputation for creativity may sound good, when companies are shown the path towards building such a reputation, (e.g. developing a creative management team), most companies just choose not to take the route.

While the majority of work on creativity focuses on the bright side, for example its beneficial effect for companies, the "dark" side of creativity has long been overlooked. It is argued here that, there is a negative side of creativity, and when that occurs, ethical leadership may be a perfect style to help address that. Creativity is very much desired by companies, but few people really want creativity (Staw, 1995). Sometimes individuals are not willing to engage in creativity, even when they are given chances to, and even when they have the ability to (Sternberg, 2006). Trying to solve this puzzle, earlier research has endorsed an "intrinsic motivation" view based on the componential theory (Amabile, 1988, 1997). It is suggested that intrinsic motivation increases individuals' risk taking tendency and in turn a willing attitude to take the creative route (e.g., Shin & Zhou, 2003; Zhang & Bartol, 2010). However, researchers have long been surprised by the finding that intrinsic motivation has mixed, or sometimes even a relatively weak effect in predicting creativity (e.g., Amabile, 1985; Amabile et al., 1986; Dewett, 2007; Eisenberger & Aselage, 2009; Grant & Berry, 2011; Perry-Smith, 2006; Shalley, Zhou, & Oldham, 2004; Shalley & Perry-Smith, 2001). For example, Grant and Berry (2011)

comprehensively review the paradoxical relationship of intrinsic motivation and creativity, making an effort to identify potential moderators in intrinsic motivation – creativity linkage.

While including moderators might be one approach to solve the inconsistent relationship between intrinsic motivation and creativity, another approach is to introduce alternative mechanisms. Stated another way, enhancing individuals' intrinsic motivation might not be enough to increase creativity, because of the existence of the "dark" side of creativity, i.e. its high costs. In situations where these high costs occur, people may back away from creativity even when they are intrinsically motivated. Shalley et al. (2004) suggests that more studies should be conducted on conditions under which individuals choose to be creative. Alternative views, besides intrinsic motivation, should be provided to understand, more thoroughly, the conditions under which individuals choose creative actions rather than routine actions. As such, by recognizing the existence of the "dark" side of creativity, this dissertation offers a new perspective by adding ethical leadership, psychological safety, and perceived uncertainty to the antecedent equation of employee creativity. It is argued that ethical leadership, through the operating mechanisms of enhanced psychological safety and reduced uncertainty perceptions, may reap the benefits of risk taking in contexts of creativity and at the same time find ways to sustain courage and motivation among creative workers who know they are likely to fail repeatedly before success.

<center>The Main Effect of Ethical Leadership and Employee Creativity</center>

As previously discussed, the componential theory of creativity suggests that individuals, with the presence of expertise, creative-thinking skill, and intrinsic motivation, are able to be at least moderately creative (Amabile, 1988, 1997). This theory suggests that creativity at such an individual level tells only part of the story. Work environment that allows and encourages

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creativity is another part of the story, and should be conducive to both the level and frequency of creativity (Amabile, 1988, 1997). Work environment factors, such as encouragement of creativity, autonomy or freedom, and resources are therefore examined and posited as correlates of creativity in this theory (Amabile, 1996). Given that leaders may create a facilitative or debilitative work environment for creativity, by providing or not providing supervisory supports, the prominence of leadership has been emphasized in the componential theory of creativity (Amabile, 1997).

Of particular interest here, is the relationship between ethical leadership and creativity. Although the original aim of ethical leadership is remote from promoting followers' creativity, as a form of supervisory support, ethical leadership is likely to provide resources, and cultivate a psychologically certain and safe environment, which, in turn, should boost creativity. Therefore, it is argued that ethical leadership may bring out employee creativity in a number of ways, with individual expertise, cognitive abilities, and intrinsic motivation controlled in the model. For example, ethical leadership encourages individuals to express their creative ideas, but it also gives them confidence that no personal harm or unfair punishment will be attached to these expressions. In this way, ethical leadership makes it possible that the incentives for creativity are there, while the risks are minimized.

First, by emphasizing long-term over short-term business goals, ethical leadership can influence employee creativity. Mumford et al. (2002) suggested that creativity is demanding, time consuming, and risky. Thus the input of sustained efforts over long periods of time to generate novel ideas is still no guarantee of success. Ethical leadership stresses business ethics and values. Therefore they may encourage employee creativity through articulating a vision that emphasizes long-term goals and even goals that are temporarily unprofitable but in the best

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interests of long-term health and value to the firm (Brown et al., 2005, 2006). Simply put, ethical leaders' willingness of taking risks for long-term goals is necessary for creativity as it fuels followers' motivation for the highest level of creative performance.

Second, by providing sufficient resources and information, ethical leadership facilitates employee creativity. Mumford et al. (2002) has suggested that creativity is resource intensive and resources such as sufficient time, adequate funds, necessary materials, relevant information, and available training opportunities are all required for creativity. Political problems or "turf battles" that can result in unfair distribution of these resources may undermine employee creativity (Amabile, 1996, 1997). Being an ethical work model (Brown et al., 2005), ethical leaders have the best interest of employees in mind. They are less likely to impede followers' access to resources and information or to set certain demands (e.g., high time pressure or competition within the work team) that are detrimental to employee creativity. Instead, they tend to clear political obstacles, discourage "turf battles," and provide resources and information based on job priorities/necessities rather than personal preferences.

Third, through two-way communication (Brown et al. 2005), ethical leadership promotes creativity. The sense of autonomy and self-determination play a pivotal role in creativity (Ambile, 1988; Oldham & Cummings, 1996; Liu, Chen, & Yao, 2010). Ethical leaders allow followers to participate in the decision-making process, listen to followers' voices and concerns, respect followers and pay attention to followers' feelings (Piccolo et al., 2010), thus engendering a greater sense of impact and control over their work, which in turn catalyze creativity.

Last but not least, by evaluating followers' work on a fair and moral basis, ethical leadership stimulates employee creativity. Although creative ideas are novel and valuable, they always deviate from the status quo and may not be appreciated by many others (Sternberg,

2006). Ethical leaders are moral and less likely to maliciously or willfully reject followers'

proposed creative ideas. Instead, they are likely to carefully review proposed creative ideas, and

if they disagree, ethical leaders tend to challenge followers' ideas in a constructive rather than a

destructive way. In addition, since creativity often occurs on highly complex problems, it is a

process characterized by risks of failure and uncertainty (Mumford et al., 2002). Ethical leaders

are fair and responsible and tend to define success not just by results but also by they way they

are obtained (Brown et al., 2005, 2006). Therefore, they are more likely to recognize and value

followers' contributions, however small, and take responsibility for the potential failure of

creative ideas. Such fair and supportive evaluations from ethical leaders reduce followers'

concerns of highly threatening and critical feedback that has been shown to inhibit creativity in

earlier research (e.g., Amabile, 1979; Amabile, Goldfarb, & Brackfield, 1990). As such, it is

proposed that:

H3: Ethical leadership is positively related to employee creativity.

While being creative may be potentially beneficial for companies, it tends to provoke

uncertainty or fear for individuals who carry it out given the existence of the "dark" side of

creativity. When individuals are overwhelmed by the uncertainty of how the job should be done,

or by the fear of being ridiculed, censored, or penalized when proposing a new idea, the potential

for creativity is reduced. As such, being creative, not only needs cognitive abilities, but also

entails a willingness attitude. In other words, it is important to consider what may increase

followers' willingness to engage in creative actions at work. Much of the effort on enhancing

such willingness in the workplace has focused on individuals' motivation (e.g. Ambile et al.,

1996; Shin & Zhou, 2003; Amabile, 1997; Shalley, Zhou, & Oldham, 2004; Reiter-palmon &

Illies, 2004). Conspicuously absent from current literature on increasing such a willingness

attitude, however, are mechanisms such as individuals' perceived psychological safety and perceived uncertainty, which provide a means of describing how individuals' safety and uncertainty perceptions might affect their willingness to engage in creative actions.

<div align="center">Perceived Psychological Safety as A Mediator</div>

Psychological safety refers to the belief that engaging in risk-taking behaviors is safe and will not lead to personal harm (Edmondson, 1999; Liang, Farh, & Farh, 2012). In other words, psychological safety is a belief that engaging in risk-taking behaviors will not lead to "negative consequences to self-image, status, or career" (Kahn, 1990: 708). It is argued that psychological safety should be a psychological mechanism promoting creativity since such safety perceptions assure no personal harm attached to the failure of risk-taking behaviors. This dissertation therefore applies a psychological safety perspective rather than an intrinsic motivation perspective (Ambile et al., 1996; Shalley et al., 2004) when examining the indirect effect of ethical leadership on employee creativity. This psychological safety perspective may add to the current creativity literature since intrinsic motivation has been found to have a relatively weak mediating effect and it has been suggested that alternative mediating conditions in context-creativity relation be examined (Shalley et al., 2004).

Both theoretical and empirical supports exist for the positive relationship between ethical leadership and follower perceived psychological safety. First, from a theoretical standpoint, social learning perspective argues that ethical leadership is a two-pillared concept composed of a moral person dimension and a moral manager dimension (Trevino et al., 2000, 2003). Being a moral person, ethical leaders enhance their attractiveness by being a person of strong character, possessing the right values, and acting with an altruistic motive. Being a moral manager, ethical leaders not only show integrity and make fair decisions, but also make their principled values

and behaviors explicit to followers by including these values in their leadership agendas (Trevino et al., 2000). Followers under the influence of such a leadership style will be more likely to perceive safety because they are assured that unfair punishment will be prohibited among ethical leaders when the results of risk taking fail. Second, from an empirical perspective, Walumbwa and Schaubroeck (2009) have found support that ethical leadership is positively associated with group psychological safety. Although these authors did not discuss psychological safety at the individual level, this evidence is suggestive of the importance of ethical leadership on individual perceptions of psychological safety.

The relationship between psychological safety and employee creativity is also examined. It is argued that perceived psychological safety is a psychological buffer for individuals, who choose to take a creative route even when they are aware of the existence of the "dark" side of creativity. As previously indicated, when individuals feel safe, they are assured that risk taking behaviors, i.e. creativity, will not lead to personal harm. Thus perceptions of psychological safety may reduce followers' risk concerns, which, in turn, may make followers feel more at ease to discuss problems and propose new ideas. Prior research has suggested that creative idea generation most likely occurs when individuals are free from psychological threats and feel safe in their work environment (West, 2002). Kark and Carmeli (2009) established a positive relationship between psychological safety and creative work involvement, an important predictor of employee creativity. Additionally, researchers have suggested that psychological safety encourages engagement in learning behaviors, which are essential for diverse information search and integration, problem redefinition, and ultimately followers' potential for novel idea generation (Baer & Frese, 2003; Edmondson, 1999). As such, it is proposed:

H4: Perceived psychological safety will mediate the relationship between ethical leadership and employee creativity.

Perceived Uncertainty as Another Mediator

For many years, uncertainty has been a variable of interest in management literature (e.g. Duncan, 1972; Ellis & Shpielberg, 2003; Garner, 1962; Knight, 1921; Lawrence & Lorsch, 1967; Lind & van den Bos, 2002; Luce & Raiffa, 1957; Miller, 1988; Milliken, 1987; Thompson, 1967). The history of uncertainty can be traced back to decision making researchers (e.g Knight 1921; Luce & Raiffa, 1957) who emphasized unknown probabilities for uncertain situations. Later on, at a broader and higher level, organization theorists (e.g. Burns & Stalker, 1961; Lawrence & Lorsch, 1967) conceptualized uncertainty as a characteristic of the external environment outside the boundaries of the organization, and suggested that such uncertainty can be assessed by "the rate of change, the certainty of information, and the time span of definitive feedback" (Lawrence & Lorsch, 1967: 14). To accommodate for the needs of operationalization of this construct, Duncan (1972) narrowed down and conceptualized uncertainty in terms of three components: (1) lack of information with regard to environmental factors, (2) lack of knowledge on how to respond to the effects of environmental factors, and (3) the inability to predict the outcome of a specific decision. Duncan (1972) suggested that uncertainty should be a feature of both the internal (within the boundaries of the organization) and external (outside the boundaries of the organization) environment. Moreover, researchers have argued that though environmental uncertainty can be conceived as either objective or subjective, the impact of uncertainty on organizations is filtered through individuals' perceptions of uncertainty (Duncan, 1972; Milliken, 1987). As a consequence, the characteristics of the environment, such as uncertainty, also may be perceptual in nature. Perceived uncertainty thus has been an indicator of the degree to which

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uncertainty is pervasive in an organization. For purpose of this dissertation, uncertainty is defined as an individual's perceived lack of information, lack of clarity of how to respond, or inability to predict the outcome accurately in any given situation (Duncan, 1972). As such, a job situation is uncertain when individuals perceive that information is insufficient or unavailable for problem solving, or the outcome of work efforts is in doubt, or the expectations of others are ambiguous, or problems encountered have no immediate and effective solutions (Duncan, 1972; Van de Ven & Ferry, 1980).

Ethical Leadership and Perceived Uncertainty

Following the above conceptualization, it is argued that ethical leadership may be negatively related to followers' perceived uncertainty because these ethical leaders are not only moral persons, but also moral managers, who are less likely to hide information from followers, take advantages of them, or set impractical expectations for them (e.g., Brown et al., 2005). Ethical leaders, instead, will treat followers fairly, address their concerns, and build confidence (e.g., Brown et al., 2005). The fairness, care, and confidence from leaders is a source of psychological comfort for the followers, which can be used to reduce their uncertain feelings.

Uncertainty management theory (Lind & van den Bos, 2002) concerns a salient reducing effect of fairness on individuals' uncertainty perceptions. Lind and van den Bos (2002) posit a psychological function that fairness may serve to cope with uncertainty. Specifically, fairness helps people manage uncertainty, both because it assures fair procedures, interpersonal treatment, or outcomes that people will receive, and because it reduces the anxiety attached to the possibility of loss or failure. As such, according to this theory, fairness makes people feel less uneasy and anxious, and ultimately, less uncertain (Lind & van den Bos, 2002).

Ethical leadership literature (e.g., Brown et al., 2005) indicates that ethical leadership could serve as an immediate source, from which employees may find fairness. By definition, fairness is a fundamental element inherent in ethical leadership construct. Masterson et al. (2000), for example, suggest that followers' perceptions of fairness treatment should be directly related to leader behaviors, because fairness treatment reflects the quality of the exchange between a leader and a follower. Also, Colquitt et al. (2001) found support that fairness procedures was related to evaluations of authority figures. There is evidence that ethical leadership enhances followers' perceptions of fairness in organizations. Fairness is an essential element of ethical leadership (Brown et al, 2005, 2006). Ethical leaders are likely to treat people with dignity and respect and provide explanations for managerial actions, which helps establish fairness as a part of ethical leadership (Brown et al., 2005, 2006). By definition, ethical leadership requires leaders to consistently lead with integrity, to provide true voice channels, and to make fair decisions (Brown et al., 2005). Therefore ethical leaders should naturally foster perceptions of fairness procedures among followers. Though ethical leaders may not directly determine outcome distribution, they, to some extent, may influence organizations' distribution processes, making sure that their followers are rewarded equally or in an equitable manner (Brown et al., 2005). In sum, fairness is, at some level, assured when ethical leadership is present.

Given the above discussion, it is reasonable to argue that ethical leaders should theoretically have a positive influence on followers and be able to promote certain rather than uncertain perceptions when expressing their personalities and behavioral inclinations. In other words, ethical leadership is beneficial to decrease followers' perceptions of uncertainty because followers under such a leadership style feel that they are being treated fairly. Moreover, such

perceptions of fairness then will be used to reduce the concerns they have about uncertainty. As such,

Perceived Uncertainty and Employee Creativity

Given the existence of the "dark" side of creativity, followers' engagement in creativity should be particularly sensitive to their uncertainty perceptions. Specifically, perceived uncertainty indicates followers' awareness of a risky environment, in which probabilities associated with outcomes are in doubt and the selection of appropriate behavior is difficult. Creativity, with its high rate of risk and unpredictability involved, may thus be less preferred by followers when they perceive uncertainty, because they are afraid that a wrong selection of the creative route could result in severe trouble or possibly put the personal career at risk (Mueller et al., 2011; Ford, 1996; Staw, 1995). Mueller et al. (2012) provided some empirical evidence that uncertainty makes people less likely to search for or recognize creative ideas. Hence, as perceived uncertainty increases, individuals' choices of creativity engagement are expected to decrease.

Perceived uncertainty creates stress, dependence, and insecure feelings, which make followers less likely to choose creative actions. West (2002) suggests that individuals should be given enough information and feedback, in a certain and unpressured environment, to generate creative ideas for improved products or innovative practices. It is also documented that useful feedback or informational cues from supervisors, coworkers, or environment are critical for individual creativity (e.g., Zhou & George, 2001; George & Zhou, 2001). However, perceived uncertainty indicates a feeling that the external environment is unable to provide followers with sufficient information for problem solving, to set clear and practical expectations for them, or to make timely feedback on their work efforts (Duncan, 1972; Van de Ven & Ferry, 1980). As

such, perceived uncertainty may make followers encounter greater difficulty in knowing the outcome of work efforts, the feasibility of new ideas, the possibility of failure on novel business explorations, and potential personal loss caused by such failure (Van de Ven & Ferry, 1980). These feelings may increase followers' concerns about the negative consequences of being creative, and thus decrease their creative performance aspirations.

In sum, it is contended that perceived uncertainty may make followers back away from creativity because of insufficient or unavailable information for problem solving, the doubtful link between work efforts and outcomes, or the concerns on potential negative consequences associated with being creative.

H5. Perceived uncertainty will mediate the relationship between ethical leadership and employee creativity.

CHAPTER 3

METHODS

Participants and Procedure

The data were collected from two semiconductor companies in China. The two

semiconductor companies belong to a large state-owned semiconductor group. The developing

Chinese semiconductor industry enhances the bargaining power of both supplier and customer

and attracts more and more new companies to join in, this industry is therefore a highly

competitive arena for this large semiconductor group to survive and prosper. Leadership and

creativity are two of the most critical strategies to both companies for their competitiveness and

sustainable growth. The participants in the study were chosen because of their involvement in

leadership positions or in projects that required creativity in firms. Therefore, this sample

provides a unique opportunity to study the antecedents of ethical leadership and its impact on

employee creativity. In addition, the use of information obtained from multiple sources at

multiple levels in a multiphase design allows the reduction of common method bias (Podsakoff,

MacKenzie, Podsakoff, 2012).

Phase I. In the first phase, the human resource department in each company was

contacted and asked to assign random control numbers to all of the 400 subordinates and 80

supervisors. To ensure confidentiality, all participants were asked to only use the assigned

control numbers as their identification numbers when they fill out the survey on Qualtrics. Then,

an email invitation was sent to all subordinates and supervisors asking for their participation. A

URL link with the subordinate survey and the assigned control number were sent to each

subordinate. The subordinates were instructed to fill out a survey that provided information,

using previously validated scales, about their demographics, perceived ethical leadership and

control variables such as intrinsic motivation, negative affectivity, and a marker variable (i.e.

shopping with friends) that is not related to any of our main study variables. A URL link with the

supervisor survey and the assigned control number were sent to each supervisor. The supervisors

were provided with a survey that provided information, using previously validated scales, about

their demographics, trait empathy, trait gratitude, and control variables. About 327 subordinates

and 76 supervisors responded resulting in an 82 percent response rate for subordinates and 95

percent response rate for supervisors.

Phase II. Two weeks later, all subordinates were again invited to fill out an online survey

that provided information on their perceptions of environmental uncertainty and psychological

safety. A two-week separation between *Phase I* and *Phase II* was chosen to reduce both memory

recall and attrition thus minimizing the intervening factors that might affect the criterion

variables (Podsakoff et al., 2012). To ensure confidentiality, all participants were asked to only

use the assigned control numbers as their identification numbers. About 309 subordinates

responded at *Phase II*, resulting in a 77 percent response rate. Together with the data collected

from *Phase I*, a final usable sample of 303 subordinates and 76 supervisors from the two

companies was retained.

The average group size per supervisor was 4 ranging from 2 to 17. Of the subordinates,

67 percent were male, the average age was 30 years old, 93 percent has associate degree or

above, 51 percent were married (nine respondents didn't report marital status), and tenure was 5

years (seventy two respondents didn't report job tenure). Of the supervisors, 66 percent were

male, the average age was 36 years old (three supervisors didn't report age), all, except two

supervisors who didn't report their education level, had a bachelor degree or above, 59 percent

were married (four supervisors didn't report marital status), and job tenure was 7 years (two supervisors didn't report job tenure).

Phase III. Three months later, the 303 subordinates who had participated in both *Phase I* and *Phase II* were again invited to complete an online survey. A three-month time lag was chosen between *Phase II* and *Phase III* because employees within the two companies had quarterly performance evaluation on new product development, introduction, and commercialization. To ensure confidentiality, all participants were asked to only use the previous assigned control numbers as their identification numbers. At this time, subordinates self-rated their own creative behaviors. About 257 subordinates self-rated their own creativity at *Phase III*, resulting in an 85 percent response rate. In addition, an excel sheet with all creativity items included, was sent to all 76 supervisors. All supervisors were asked to rate the 303 participating subordinates' creative behavior. All completed surveys were matched and there was no further questionnaire after the completion of the surveys at *Phase III*. Supervisor-rated creativity was used in the final data analysis.

Measures

A Chinese version of the psychological safety measure and a Chinese version of the creativity measure were obtained from the publishers of these measures (Farmer et al., 2003; Liang et al., 2012). The remaining measures were originally composed in English. They were first translated into Chinese, then back translated to English by a panel of bilingual experts, following the translation and back translation procedures advocated by Brislin (1980). Any resulting discrepancies were then discussed and resolved.

Empathy. Two perspectives of empathy, perspective taking and empathic concern, were measured using Davis's (1983a, 1983b) interpersonal reactivity index scale. The two

perspectives were combined to form a complete empathy construct. Given the limited length of the survey, a short version of the empathy scale was adopted. The one-factor measurement model fit for the short version empathy scale was good ($\chi^2 = 37.60$, $df = 26$, CFI = .92, IFI = .92, RMSEA < 0.08). Specifically, perspective taking was measured by a five-item subscale. Sample items are "I sometimes find it difficult to see things from the other guy's point of view" and "I believe that there are two sides to every question and try to look at them both." Empathic concern was measured by a 4-item subscale. Sample items are "When I see someone being taken advantage of, I feel kind of protective towards them" and "I would describe myself as a pretty soft-hearted person." Items were rated on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Cronbach's alpha for the nine-item empathy scale was 0.71.

Gratitude. Gratitude was measured by a six-item scale developed by McCullough et al. (2002). This measure was designed to assess individuals' general tendency about gratitude. Sample items are "I have so much in life to be thankful for" and "If I had to list everything that I felt grateful for, it would be a very long list." Items were rated on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Cronbach's alpha for gratitude was 0.75.

Ethical leadership. Ethical leadership was measured using a ten-item scale developed by Brown et al. (2005). The scale was composed to measure one's perceived ethical behaviors of his/her supervisor. Sample items are "My supervisor conducts his or her personal life in an ethical manner" and "My supervisor disciplines employees who violate ethical standards." Items were rated on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Cronbach's alpha for individual level perceived ethical leadership was .93. To assess the overall pattern of the leadership behaviors displayed to the entire group, group employees' evaluations of their supervisor were aggregated.

Perceived psychological safety. Individual level psychological safety was measured using Liang et al's (2012) 5-item scale. This scale was developed in Chinese. Sample items are "In my work unit, I can express my true feelings regarding my job" and "In my work unit, I can freely express my thoughts." Items were rated on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Cronbach's alpha for perceived psychological safety was 0.71.

Perceived uncertainty. Perceived uncertainty was measured using a 12-item scale developed by Duncan (1972) and revised by Sathe (1974). This scale was developed to assess individuals' uncertainty level towards the external environment. One item (i.e., "frequently encounter new or unusual problems") was not included in the perceived uncertainty mean score used for the hypotheses testing because the loading for this item was very low (<.40). Sample items are "uncertain about how to act" and "in doubt about how to obtain information." Items were rated on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Cronbach's alpha for perceived uncertainty was 0.75.

Creativity. Creativity was measured using a supervisor rated four-item scale developed by Farmer et al. (2003). This scale was developed in Chinese. This measure was developed to assess individuals' creativity level in the workplace. Sample items are "tries new ideas or methods first" and "seeks new ideas and ways to solve problems." Items were rated on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Cronbach's alpha for creativity was 0.76.

Control variables. Several control variables were included for both model I and model II. In model I, demographic variables (i.e., gender and position level) and supervisors' negative affectivity (Watson, Clark, & Tellegen, 1988) were controlled. In model II, variables including demographic variables (i.e., education level), subordinates' negative affectivity (Watson et al.,

1988), intrinsic motivation (Tienery, Farmer, & Graen, 1999), and job autonomy (Spreitzer, 1995) were controlled for analysis. Negative affectivity was controlled in both models because this variable would influence participants' responses and in turn deflate or inflate the relationships between the variables of interest (Podsakoff et al., 2012). Negative affectivity was measured using a seven-item scale developed by Watson et al. (1988). A sample item is "How many days during the past week (0-7) have you felt you just couldn't get going." Items were rated on a five-point scale ranging from 1 (never) to 5 (Always). Cronbach's alpha for negative affectivity was .90 in the supervisor sample and .89 in the subordinate sample. Supervisors' gender and position level were controlled in model I because both of them would influence subordinates' perception of supervisors' leadership behaviors (Mayer et al., 2009). Gender was dummy coded using1 for "male," and 2 for "female." Position level was coded as 1 for "top level managers," 2 for "middle level managers," 3 for "team leaders," and 4 for "employees." It had been documented that education level, intrinsic motivation and job autonomy are all related to an individual's creativity, both theoretically and empirically (e.g., Amabile, 1996; George, 2007; Shalley et al., 2004; Oldham & Cummings, 1996; Tierney & Farmer, 2002). Education level was coded using 1 for "high school or below," 2 for "associate degree," 3 for "bachelor degree," 4 for "master degree," and 5 for "doctorate." Intrinsic motivation was measured using a three-item scale developed by Tienery et al. (1999). A sample item is "I enjoy creating new procedures for work tasks." Items were rated on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Cronbach's alpha for intrinsic motivation was 0.70. Job autonomy was measured by a three-item scale developed by Spreitzer (1995). A sample item is "I have significant autonomy in determining how I do my job." Items were rated on a seven-point scale

ranging from 1 (strongly disagree) to 7 (strongly agree). Cronbach's alpha for job autonomy was 0.76.

Marker variable. A marker variable, completely unrelated to the substantive variables of interest (Lindell & Whitney, 2001), was included in the survey to control for common method bias. The smallest correlation between the marker variable and the substantive variables of interest was used as an estimate of the effects of method bias. If this marker variable is not significantly correlated with the study variables of interest, common method bias would not be a severe problem in the current study. A variable named shopping with friends was borrowed from the marketing research and included in the survey. This construct was measured using a 3-item scale developed by Manglebury, Doney, and Bristol (2004) to assess how frequently individuals go shopping with friends. A sample item is "how often do you shop with friends when making a purchase for yourself?" Items were rated on a 5-point scale ranging from 1 (Never) to 5 (Always). Cronbach's alpha for shopping with friends was .95 in the supervisor sample and .82 in the subordinate sample.

Analysis Strategy

Before hypothesis testing, structural equation modeling using LISREL 8.8 with maximum likelihood estimation was conducted to test the overall model fit for both Model I and Model II. The normal theory weighted least squares Chi-square index, the comparative fit index (CFI), and the root mean square error of approximation (RMSEA) were used to assess the model fit (Bollen 1989; Joreskog and Sorbom, 1999).

Due to the nested structure of the data, ethical leadership was treated as a group-level variable by aggregating ethical leadership scores reported by subordinates under the same supervisor. ICC(1), ICC(2), and Rwg were calculated to ensure aggregation. Hierarchical

regression approach was used for testing Hypotheses 1 and 2, because leader empathy, gratitude, and ethical leadership were evaluated at the same level of analysis (e.g., group level). Since Model 2, including Hypotheses 3-5, dealt with a multi-level framework and each supervisor provided ratings of creativity for an average of 4 subordinates, hierarchical linear modeling (HLM) was used for the analysis to account for cross-level and potential nonindependence effects. HLM explicitly accounts for the nested nature of the data and can simultaneously estimate the impact of factors at different levels on individual-level outcomes while maintaining appropriate levels of analysis for the predictors (Bryk & Raudenbush, 1992). All variables entered in HLM were grand-mean centered. This centering approach facilitated the interpretation of the HLM results (Hofmann & Gavin, 1998).

To test for mediation, Kenny, Kashy, and Bolger's (1998) four-step approach was followed in the HLM analysis: first, the independent variable should be significantly related to the dependent variable; second, the independent variable should be significantly related to the mediator variable; and third the mediating variable should be significantly related to the dependent variable. In the final step, both the independent variable and the mediator variable should be included to predict the dependent variable. If the independent variable remains significant, but the gamma value drops when the mediator is included, partial mediation is present. However, if the gamma value for the independent variable becomes non-significant when the mediator is included, full mediation is present. Given the criticism of this approach (e.g. MacKinnon *et al.*, 2002), it is acknowledged that the results of the current study only address the consistency between the hypothesized mediation model and covariances among measured variables (Stone-Romero and Rosopa, 2008). In order to test the significance of the mediated effect, a Sobel test (1982) was conducted with the aim of identifying whether the

indirect effects of the independent variable on the dependent variable through the mediator

variables were significantly different from zero.

CHAPTER 4

RESULTS

Confirmatory Factor Analyses

Before testing the hypotheses, the distinctiveness of the study variables was evaluated through a series of confirmatory factor analysis procedure. For Model I, empathy and gratitude were included as a baseline model. The overall measurement model fit for the baseline model was acceptable ($\chi^2 = 118.82$, $df = 85$, CFI = .90, RMSEA < 0.08). Then, the correlation between empathy and gratitude was set to 1.00 but this model did not fit very well ($\chi^2 = 144.77$, $df = 86$, CFI = .86, RMSEA = 0.10 > 0.08). A chi-square difference test was conducted between the baseline model and the model when the correlation was set to 1.00. The chi-square difference test was significant ($\chi^2_{\text{diff}}(1) = 25.95$, $df = 1$, $p < 0.001$), suggesting that discriminant validity was established between empathy and gratitude.

For Model II, intrinsic motivation, job autonomy, individual level perceived ethical leadership, psychological safety, perceived uncertainty, and creativity were included as a baseline model. The overall measurement model fit for the baseline model was very good ($\chi^2 = 1348.98$, $df = 579$, CFI = .96, RMSEA = 0.066). Discriminant validity was also examined by comparing the original six-factor measurement model in which the correlations were estimated, with a series of models that each had constrained the correlation of one pair of constructs to be 1.00. All chi-square differences were significant at the .01 level, indicating discriminant validity among the six variables of interest.

Aggregation Statistics

The individual scores of ethical leadership were aggregated to the group level. To support the aggregation, within-group agreement ($R_{\text{wg (j)}}$) and two intraclass correlations (ICC1 and

ICC2) were calculated. Following James, Demaree, and Wolf (1984) and Biemann, Cole, and

Voelpel (2012), within-group agreement was assessed by computing James et al.'s $R_{wg\ (j)}$, which

is based on uniform null distribution in the expected variance. The mean value of $R_{wg(j)}$ for

ethical leadership is 0.89, which is above the acceptable cut of of .70. Then a one-way analysis

of variance was conducted and significant between-groups variance was found for ethical

leadership (F (75, 227) = 4.29, $p < 0.001$). Using the results from the variance component

analysis, the value of Intraclass correlation (ICC1) was .45 and reliability of group mean (ICC2)

was .77 for ethical leadership. The value of ICC2 was higher than the recommended criteria of

.70 (Bliese, 2000). All these values were comparable to the median ICC values in prior ethical

leadership studies (e.g., Walumbwa & Schaubroeck, 2009; Walumbwa et al., 2011). Therefore,

aggregation of ethical leadership is justified.

The descriptive statistics, internal consistency reliabilities, and intercorrelations of all

variables for Model I are presented in Table 1 and variables for Model II are presented in Table

2. As shown in Tables 1 and 2, the marker variable (i.e., shopping with friends) was not

significantly related to any of the variables of interest, which suggests that the multi-phase data

collection design was effective in reducing common method bias.

Table 1: Means, Standard Deviations, and Correlations (Model I)

	Variables	Mean	s.d.	1	2	3	4	5	6	7	8
1	Company	---	0.50								
2	Gender	---	0.48	0.18							
3	Position level	---	0.53	0.31**	0.07						
4	Negative affectivity	2.02	0.68	0.23**	0.22	-0.04	(0.90)				
5	Shopping with friends	2.60	1.20	0.05	0.06	-0.08	0.17	(0.95)			
6	Empathy	4.85	0.73	-0.39**	0.02	-0.21	-0.10	-0.13	(0.71)		
7	Gratitude	5.03	0.98	-0.47**	-0.12	-0.15	-0.11	-0.03	0.48**	(0.75)	
8	Ethical leadership	5.04	0.82	-0.46**	-0.30*	-0.36**	-0.19	-0.15	0.44**	0.49**	(0.92)

$N = 76$. Listwise deletion. Cronbach's alphas appear in parentheses on the diagonal.
Company: 1 = "Beijing," 2 = "Shanghai;" Gender: 1 = "male," and 2 = "female."
Position level: 1 = "top level managers," 2 = "middle level managers," 3 = "team leaders,"
and 4 = "employees."
Ethical leadership evaluations for the same supervisor from multiple subordinates were
aggregated to group level.
* $p < .05$; ** $p < .01$.

Table 2: Means, Standard Deviations, and Correlations (Model II)

	Variables	Mean	s.d.	1	2	3	4	5	6	7	8	9	10
1	Company	---	0.49										
2	Education level	---	0.66	0.16**									
3	Negative affectivity	2.06	0.73	0.44**	-0.05	(0.89)							
4	Intrinsic motivation	4.60	1.08	-0.27**	0.21**	-0.29**	(0.70)						
5	Job autonomy	4.90	1.11	-0.36**	0.03	-0.32**	0.56**	(0.77)					
6	Shopping with friends	2.46	0.83	0.18**	0.06	0.10	-0.03	-0.07	(0.81)				
7	Ethical leadership	5.19	0.80	-0.56**	0.01	-0.46**	0.49**	0.51**	-0.10	(0.92)			
8	Psychological safety	4.74	0.91	-0.34**	0.12*	-0.35**	0.41**	0.51**	0.02	0.46**	(0.71)		
9	Perceived uncertainty	3.28	0.72	0.39**	0.01	0.43**	-0.41**	-0.62**	0.07	-0.48**	-0.56**	(0.70)	
10	Creative behavior	4.61	0.98	-0.29**	0.01	-0.17**	0.23**	0.25**	0.02	0.33**	0.28**	-0.29**	(0.76)

$N = 303$. Listwise deletion. Cronbach's alphas appear in parentheses on the diagonal.

Eduation level: 1 = "high school or below," 2 = "associate degree," 3 = "bachelor degree," 4 = "master degree,"

and 5 = "doctorate;" Company: 1 = "Beijing," 2 = "Shanghai."

Group means of ethical leadership were assigned to employees of the same group to calculate the

individual-level correlations.

** $p < .01$.

Hierarchical Regression Results for Model I

Hierarchical regression analysis was conducted in order to test Hypothesis 1 and Hypothesis 2. The control variables including company, gender, position level, and negative affectivity were entered in the first step and the independent variables of empathy and gratitude were entered in the second step. The four control variables entered in the first step explained 32% of the variance in ethical leadership ($p < .001$), with gender and position level each having a significant effect ($p < 0.05$). In the second step, the two independent variables (i.e. empathy and gratitude) explained an additional 12% of the variance in ethical leadership ($p < 0.01$). The results are shown in Table 3.

The first hypothesis proposed a positive relationship between leaders' empathy and their display of ethical leadership towards followers. Consistent with the previous expectation, empathy had a significant positive relationship with ethical leadership ($\beta = .21$, $p < .05$), supporting Hypothesis 1.

Hypothesis 2 proposed the same relationship between leaders' gratitude and their display of ethical leadership towards followers. As expected, gratitude was positively related to ethical leadership ($\beta = .26$, $p < .05$). Therefore, Hypothesis 2 was supported.

Table 3
Hierarchical Regression Results (Model I): Ethical Leadership as a Dependent Variable

Variables	*B*	*SE B*	β	*R2*	*ΔR2*
Step 1: Control Variables				0.32	0.32***
Company	-0.22	0.18	-0.14		
Gender	-0.37*	0.16	-0.21*		
Position level	-0.34*	0.15	-0.22*		
Negative affectivity	-0.09	0.12	-0.07		
$F(4, 71)=8.23, p < .001$					
Step 2: Independent Variables				0.44	0.12**
Empathy	0.23*	0.12	0.21*		
Gratitude	0.21*	0.10	0.26*		
$F(2, 69)=7.37, p < .01$					

N = 76. *B*: unstandardized regression coefficients from the last step.
SE B: std. Error for unstandardized regression coefficients.
β: standardized regression coefficients from the last step.
* $p < .05$, ** $p < .01$, *** $p < 0.001$.

HLM Results for Model II

Before testing the cross-level hypotheses in Model II, the significance of systematic

within- and between-work-group variance in supervisor-rated creativity, psychological safety,

and perceived uncertainty was assessed. Results of three different null models revealed that 36%

of the variance in supervisor-rated creativity resided between groups ($p < .001$), 27% of the

variance in psychological safety resided between groups ($p < .001$), and 31% of the variance in

perceived uncertainty resided between groups ($p < .001$). Thus, the use of HLM hypothesis

testing was warranted.

Hypothesis 3 predicted that ethical leadership would be positively related to employee

creativity. When testing Hypothesis 3, analysis with a HLM model having a random Level 1

coefficient for the five control variables (e.g, company, education level, negative affectivity,

intrinsic motivation, and job autonomy) was estimated, but no significant variance in the Level 1

slopes was found, meaning that the slopes relating to the control variables to creativity did not

vary significantly across groups. Thus, all five control variables were estimated as fixed Level 1 coefficients (Raudenbush, Bryk, Cheong, Congdon, & Toit, 2004). The same pattern of results was found in the test of Hypothesis 4 and 5, so Hypothesis 4 and 5 were tested using fixed Level 1 coefficients for all control variables. The HLM results for testing Hypothesis 3 are displayed in Table 4 (Model 1) and Table 5 (Model 1). The results show that after controlling for company, education level, negative affectivity, intrinsic motivation, and job autonomy as Level 1 predictors, ethical leadership scores aggregated to the group level significantly predicted followers' creativity ($\gamma = .25$, $p < 0.05$, $R^2 = .07$). This supports the cross-level main effect of ethical leadership on employee creativity. Therefore, hypothesis 3 was supported.

Hypothesis 4 predicted that the positive relationship between ethical leadership and supervisor ratings of creativity would be mediated by followers' perceived psychological safety. A four-step procedure developed by Kenny et al. (1998) was used to test the mediation. These results are shown in Table 4. As a first step, ethical leadership should be related to employee creativity. This requirement was supported by Hypothesis 3. Step 2 requires that ethical leadership should be related to psychological safety. As shown in Table 4 (Model 2), after controlling for company and negative affectivity, ethical leadership was positively related to psychological safety ($\gamma = 0.37$, $p < 0.001$). The third step requires that psychological safety should be related to creativity. As shown in Table 4 (Model 3), after company, education level, negative affectivity, intrinsic motivation, and job autonomy were controlled, psychological safety was not significantly related to supervisor ratings of employee creativity ($\gamma = 0.14$, *n.s.*), therefore not meeting the third requirement. These results suggested that psychological safety did not mediate the relationship between ethical leadership and supervisor ratings of creativity.

Table 4
Results of HLM Analyses: Psychological Safety as a Mediator

Variable	Creativity (Model 1)	Psychological safety (Model 2)	Creativity (Model 3)	Creativity (Model 4)
Intercept	4.59***			
Company	-0.32			
Education level	-0.01			
Negative affectivity	-0.05			
Intrinsic motivation	0.04			
Job autonomy	0.05			
Ethical leadership	0.25*			
Intercept		4.95***		
Company		-0.19		
Negative affectivity		-0.20*		
Ethical leadership		0.37***		
Intercept			4.63***	
Company			-0.38*	
Education level			-0.03	
Negative affectivity			-0.03	
Intrinsic motivation			0.08	
Job autonomy			0.03	
Psychological safety			0.14	
Intercept				4.59***
Company				-0.21
Education level				-0.03
Negative affectivity				0.06
Intrinsic motivation				0.06
Job autonomy				0.03
Ethical leadership				0.24†
Psychological safety				0.11

Note. These are estimations of Level 2 fixed effects (γs) with robust standard erros.

HLM = hierarchical linear modeling.

† p <0.1, * $p < .05$, *** $p < .001$.

Hypothesis 5 predicted that the positive relationship between ethical leadership and supervisor ratings of creativity would be mediated by followers' perceived uncertainty. Similarly, a four-step procedure developed by Kenny et al. (1998) was used to test the mediation. These results are shown in Table 5. As a first step, ethical leadership should be related to employee creativity. This requirement was supported by Hypothesis 3. Step 2 requires that ethical leadership should be negatively related to perceived uncertainty. As shown in Table 5 (Model 2), after controlling for company, negative affectivity, ethical leadership was negatively related to perceived uncertainty ($\gamma = -0.27$, $p < 0.001$). The third step requires that perceived uncertainty should be negatively related to creativity. As shown in Table 4 (Model 3), after company, education level, negative affectivity, intrinsic motivation, and job autonomy were controlled, perceived uncertainty was negatively related to supervisor ratings of employee creativity ($\gamma = -0.19$, $p < 0.05$), therefore meeting the third requirement. In the fourth step, both ethical leadership as a level 2 predictor and perceived uncertainty as a level 1 predictor were included in the regression model, once again controlling for all five control variables. The results for this step, shown in Table 5 (Model 4), indicated that perceived uncertainty was significantly related to creativity ($\gamma = -0.18$, $p < 0.05$). However, ethical leadership became marginally significantly related to employee creativity ($\gamma = 0.23$, $p = 0.06 < 0.1$) when perceived uncertainty was included. These results suggested that perceived uncertainty partially mediated the relationship between ethical leadership and supervisor ratings of creativity. A Sobel test confirmed that the indirect effect was significant ($z = 1.9$, $p < 0.05$).

Table 5
Results of HLM: Perceived Uncertainty as a Mediator

Variable	Creativity (Model 1)	Perceived uncertainty (Model 2)	Creativity (Model 3)	Creativity (Model 4)
Intercept	4.59***			
Company	-0.32			
Education level	-0.01			
Negative affectivity	-0.05			
Intrinsic motivation	0.04			
Job autonomy	0.05			
Ethical leadership	0.25*			
Intercept		3.34***		
Company		0.15		
Negative affectivity		0.23***		
Ethical leadership		-0.27***		
Intercept			4.63***	
Company			-0.46**	
Education level			-0.02	
Negative affectivity			0.05	
Intrinsic motivation			0.06	
Job autonomy			0.01	
Perceived uncertainty			-0.19*	
Intercept				4.60***
Company				-0.32
Education level				-0.01
Negative affectivity				0.03
Intrinsic motivation				0.03
Job autonomy				0.01
Ethical leadership				0.23†
Perceived uncertainty				-0.18*

Note. These are estimations of Level 2 fixed effects (γs) with robust standard erros.

HLM = hierarchical linear modeling.

† $p < 0.1$, * $p < .05$, ** $p < .01$; *** $p < .001$.

CHAPTER 5

DISCUSSION

The purpose of this dissertation was to better understand the antecedents (i.e. leader empathy and leader gratitude) that affect leaders' display of ethical leadership, and the influence of ethical leadership on employee creativity. In Model I, two types of moral emotional traits, leader empathy and gratitude, were found to be significantly and positively related to ethical leadership (H1 and H2). Leader empathy and gratitude accounted for 12 percent of the variance in ethical leadership. These results reinforced prior work on the leader traits suggesting that traits should be important for the establishment of a reputation for ethical leadership (Brown & Trevino, 2006; Walumbwa & Schaubroeck, 2009). In addition, this is important because none of the two moral emotional traits has been empirically examined in the ethical leadership literature and this dissertation provides an emotional perspective related to leader traits.

In Model II, ethical leadership was found to have a direct positive effect on employee creativity. In addition, employees' perceived uncertainty fully mediated the relationship between ethical leadership and creativity. Until now, the literature has focused mainly on how ethical leaders reduce employees' negative attitudes or deviant behaviors (e.g., Avey et al., 2011; Neubert et al., 2009). The relationship between ethical leadership and creativity has been neglected. However, the fact that being creative would be often ridiculed or otherwise ignored (Mueller et al., 2012; Sternberg, 2006), sacrifice routine job performance (Ford, 1996), increase personal stress (Rubenson & Runco, 1995), or even result in career stalls (Mueller et al., 2011) suggests the existence of a dark side of creativity. Ethical leadership, due to its nature, should be a perfect style to reduce the fear within employees caused by the high costs related to creativity. This dissertation therefore took a step further by examining both the direct and indirect effects of

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ethical leadership on employee creativity. The results suggest that employees indeed responded positively toward ethical leaders and engaged more in creativity, even when their cognitive abilities, emotional situations, and job characteristics were controlled and incorporated into the analysis. In addition, the results reinforce Ambile's componential theory of creativity (1988) which holds that leadership should be conducive to both the level and the frequency of employee creativity. The indirect influences of perceived uncertainty in the relationship between ethical leadership and employee creativity partially explained the total magnitude of this relationship. The establishment of a certain environment, where employees have enough information, is truly important for making employees more comfortable and confident in engaging in more creative behavior. However, due to the existence of other psychological states (i.e., trust, perceived justice, perceived supervisor support, or empowerment) that may be activated by ethical leadership, it makes sense that perceived uncertainty only plays a partial mediating role in the ethical leadership – creativity relationship. The mediating role of psychological safety was not found in this dissertation.

Theoretical Implications

There are three important theoretical implications of this dissertation. First, the results show that both empathy and gratitude enhance leaders' salience as ethical role models. The results suggest that moral emotions such as empathy and gratitude play important roles in leadership development, especially in ethical leadership development because of the value-based morality component of ethical leadership. The result that there is a positive relationship between empathy and ethical leadership coincides with the work of Daniel Goleman (1998) who posits that empathy makes a leader ethical and outstanding. According to Goleman, leaders with empathy are those who take the time to develop employee strengths, to give correct feedback,

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and who genuinely care about helping people get better and learn to do better. Moreover, the finding that there is a positive relationship between gratitude and ethical leadership provides empirical evidence for moral affect theory of gratitude (McCullough et al., 2001). Gratitude increases leaders' moral sensitivity and prosocial action tendencies toward employees and encourage repeat ethical performances among employees. This dissertation therefore broadens the nomological network of ethical leadership and contributes directly to recent calls for research into antecedents of ethical leadership (Brown & Mitchell, 2010; Detert, Trevino, & Sweitzer, 2008; Jordan et al., 2013; Mayer et al., 2012; Rubin et al., 2010) as well as incorporating of moral emotions into studies of ethical leadership (Kish-Gephart, Harrison, & Trevino, 2010).

Second, this dissertation suggests that ethical leadership has unique, independent effects on employee creativity. Ambile's componential theory of creativity (1988) suggests that leadership should be conducive to both the level and the frequency of employee creativity. While earlier research on creativity focused more on an intrinsic motivation approach (e.g., Shalley et al., 2004) and linked the relationship between transformation leadership and creativity (Gong et al., 2009) as well as empowering leadership and creativity (Zhang & Bartol, 2010), this dissertation provides empirical evidence for the positive relationship between ethical leadership and creativity by recognizing the dark side of creativity. The presence of the dark side of creativity indicates that creativity can lead to negative outcomes, such as reduced routine job performance and increased job stress, for the individuals who carry it out (e.g., Mueller et al., 2011). Therefore, sometimes individuals are not willing to engage in creativity, even when they are intrinsically motivated to, and even when they have the ability to (Sternberg, 2006). The results of this dissertation provide empirical evidence that ethical leadership is a perfect style to

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motivate creativity when the negative side of creativity occurs because ethical leaders ensure employees that the risks associated with creativity are minimized.

Third, the findings provide a richer understanding of the mechanisms through which ethical leadership behaviors are translated into employee creativity. Specifically, the findings in this dissertation suggest that employees evaluate their ethical leaders through the lens of perceived uncertainty. By reducing their perceived uncertainty, ethical leaders make information available and expectations clear, therefore employees feel more comfortable and confident to engage in creativity. These results imply that alternative psychological processes, besides intrinsic motivation, may govern employees' reaction to leadership and in turn their decisions about creativity engagement.

Practical Implications

The positive relationships between leader empathy and gratitude with ethical leadership have implications for human resource management. First, in the selection process for new leaders, companies should always try to identity and attract persons who can be developed into ethical leaders, in particular, those who are more empathetic and grateful towards others. Another practical implication is to train or influence current leaders to be more ethical by using empathy and gratitude training programs. Although this dissertation regarded empathy and gratitude as trait variables, positive psychology work has suggested that empathy and gratitude can be trained as management skills (Martinuzzi & Freeman, 2009). For many years, empathy trainers have been trying to develop individuals' skills in reading people, feeling compassion for others, and truly understanding the relationship with others. Empathy is both a process of thinking and of emotion. With empathy, leaders use their reasoning ability to understand employees' thoughts, feelings, reactions, concerns and motives (i.e. perspective taking); and then

leaders uses the emotional capacity to care for employees' concern, to respond spontaneously in a manner that will help employees out when they are in trouble (empathic concern). As suggested by this dissertation, increased empathy can enhance leaders' salience as ethical role models, which in turn makes leaders more likely to create bonds of trust and to promote positive behaviors among employees. In addition, it is also important to foster gratitude in work. As role models, leaders should always take a gratitude initiative by showing employees some appreciation. Gratitude is a two-way street. If leaders start making employees feel appreciated, employees will be more likely to perceive leaders as ethical and will start to show their appreciation for leaders. A grateful environment can really develop both leaders and employees to be more ethical.

The positive relationship between ethical leadership and employee creativity also has implications for managers. First of all, in encouraging employee creativity, ethical leadership does matter. Specifically, the dissertation results suggest that ethical leadership has the capacity to reduce the risks associated with the dark side of creativity. While managers are likely to focus on the positive outcomes creativity brings to companies, they also should understand why most employees are reluctant to engage in creativity even when they are intrinsically motivated. Being ethical leaders can increase employees' certainty feeling. Managers may find that employees, who perceive less uncertainty, are more likely to speak up with creative ideas. One reason is that feelings of certainty keep employees away from survival mode and enhance their ability to think clearly and creatively. While some employers are using uncertainty to spurn creativity (Audia & Goncalo, 2007), the results of this dissertation warn against this, especially in the current economic situation and tightening job markets where employees are more likely to take a routine approach rather than a creative approach that will increase stress and risks. As suggested by the

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findings in this dissertation, decreased uncertainty with sufficient information and support from ethical leaders is more likely to encourage employee creativity.

Limitations and Future Research Directions

A limitation of this dissertation is that the temporally lagged three-phase data collection design cannot rule out the possibility that employee creativity may already have been present when ethical leadership was measured. In order to test the relationship between ethical leadership and employee creativity more rigorously, it is required that employee creativity be measured at multiple points in time. For example, the effect of ethical leadership on employee creativity at *Phase III* (three and half months later) should be analyzed with the control of employee creativity collected at *Phase I* to rule out alternative explanations. The same reverse possibility also may apply to the relationship between psychological safety, perceived uncertainty, and creativity. Future research can collect creativity data at multiple points and incorporate them into the analysis to rule out alternative explanations.

A second limitation is that other leadership styles such as idealized influence (Bass & Steidlmeier, 1999) were not included as controls when examining the relationships among ethical leadership, psychological safety, perceived uncertainty, and creativity. Idealized influence has been documented to be related to ethical leadership (Brown et al., 2006). Future research should include some other leadership styles so a unique and incremental effect of ethical leadership on employee creativity could be found. Moreover, potential moderators such as employees' value congruence (Cheng, Chou, Wu, Huang, & Farh, 2004) and cynicism toward organizational change (Reichers, Wanous, & Austin, 1997) need to be examined between ethical leadership and creativity in the future research.

A third limitation is that this dissertation only used a Chinese data set and the results cannot be compared to those from western cultures. Some studies have shown that due to globalization, Chinese employees, especially those from younger generations, are more westernized in their nature, compared with their parents' generation (Hui, Lee, & Rousseau, 2004). However, cultural variables such as individualism and collectivism were not included in the survey. Future research can help extend the nomological network of ethical leadership by conducting studies in other cultures to see how these result hold.

Conclusions

In conclusion, this dissertation took a first step at understanding the antecedents (i.e., empathy and gratitude) and consequences (i.e. employee creativity) of ethical leadership in a business context. Most hypotheses were supported and the direction of the effect sizes indicated that leaders' empathy and gratitude level did have a positive effect on leaders' display of ethical leadership style; moreover, ethical leadership did have a positive effect on employee creativity partially through the mechanisms of employee perceived uncertainty. Therefore, the study is one of the early attempts to successfully fill a knowledge gap by providing empirical support for the theorized link among leader empathy, leader gratitude, and ethical leadership, and adds to the ethical leadership antecedent literature, a moral emotional perspective. Second, this dissertation bridged the gap and contributed to research on employee creativity by providing empirical evidence about the positive relationship between ethical leadership and employee creativity. Ethical leadership, both directly and indirectly, created high levels of certainty, and did have an effective and positive influence on promoting employee creativity in business firms.

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Zhou, J., & Oldham, G. R. (2001). Enhancing creative performance: effects of expected developmental assessment strategies and creative personality. *Journal of Creative Behavior,* 35, 151-167.

APPENDIX A

<u>Ethical leadership scale</u>

1. My supervisor listens to what employees have to say
2. My supervisor disciplines employees who violate ethical standards
3. My supervisor conducts his or her personal life in an ethical manner
4. My supervisor has the best interests of employees in mind
5. My supervisor makes fair and balanced decisions
6. My supervisor can be trusted
7. My supervisor discusses business ethics or values with employees
8. My supervisor sets an example of how to do things the right way in terms of ethics
9. My supervisor defines success not just by results but also the way that they are obtained
10. When making decisions, my supervisor asks "What is the right thing to do?"

Brown, M. E., Trevino, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes, 97*(2), 117-134.

APPENDIX B

<u>Empathy scale</u>

1. When I see someone being taken advantage of, I feel kind of protective towards them
2. Other people's misfortunes do not usually disturb me a great deal ®
3. I am often quite touched by things that I see happen
4. I would describe myself as a pretty soft-hearted person
5. I sometimes find it difficult to see things from the "other guy's" point of view ®
6. I try to look at everybody's side of a disagreement before I make a decision
7. I believe that there are two sides to every question and try to look at them both
8. When I'm upset at someone, I usually try to "put myself in his shoes" for a while
9. Before criticizing somebody, I try to imagine how I would feel if I were in their place

Davis, Mark, H. (1983a). The effects of dispositional empathy on emotional reactions and helping: A multidimensional approach. *Journal of Personality,* 51 (2), 167-184.

Davis, Mark, H. (1983b). Measuring individual differences in empathy: Evidence for a multidimensional approach. *Journal of Personality and Social Psychology*, 44 (1), 113-126.

APPENDIX C

<u>Gratitude scale</u>

1. I have so much in life to be thankful for
2. If I had to list everything that I felt grateful for, it would be a very long list
3. When I look at the world, I don't see much to be grateful for ®
4. I am grateful to a wide variety of people
5. As I get older I find myself more able to appreciate the people, events, and situations that have been part of my life history
6. Long amounts of time can go by before I feel grateful to something or someone ®

McCullough, M. E., Emmons, R. A., & Tsang, Jo-Ann. (2002). The grateful disposition: A conceptual and empirical topography. *Journal of Personality and Social Psychology*, 82 (1), 112-127.

APPENDIX D

Perceived psychological safety scale

1. In my work unit, I can express my true feelings regarding my job
2. In my work unit, I can freely express my thoughts
3. In my work unit, expressing your ture feelings is welcomed
4. Nobody in my unit will pick on me even if I have different opinions
5. I'm worried that expressing true thoughts in my workplace would do harm to myself ®

Liang, J., Farh, C. I., & Farh, Jing-lih. (2012). Psychological antecedents of promotive and prohibitive voice: A two-wave examination. *Academy of Management Journal,* 55 (1), 71-73.

Perceived uncertainty scale

The frequency with which the 12 items occur in one's job
1. Certain about which method is best ®
2. Have all necessary information ®
3. Difficult to determine if decision was correct
4. Environmental changes frequently affect decisions
5. Uncertain about how to act
6. Certain about job adjustments to deal with environmental change ®
7. Frequently encounter new or unusual problems.
8. Can tell if actions were effective ®
9. In doubt about how to obtain information.
10. Can tell if expectations of others were met ®
11. Difficult to determine whether method used was effective
12. Certain about how job is done ®

Duncan, R. B. (1972). Characteristics of organizational environments and perceived environmental uncertainty. *Administrative Science Quarterly*, 17, 313-327.

APPENDIX F

<u>Creativity scale</u>

This employee:

1. Tries new ideas or methods first
2. Seeks new ideas and ways to solve problems
3. Generates ground-breaking ideas related to the field
4. Is a good role model for creativity

Farmer, S. M., Tierney, P., & Kung-Mcintyre, K. (2003). Employee creativity in Taiwan: An
     application of role identity theory. *Academy of Management Journal*, 46 (5), 616-630.

APPENDIX G

<u>Negative affectivity scale</u>

How many days during the past week (0-7) have you_____?
1. Felt you just couldn't get going
2. Felt sad
3. Had trouble getting to sleep or staying asleep
4. Felt that everything was an effort
5. Felt lonely
6. Felt you couldn't shake the blues
7. had trouble keeping your mind on what you were doing

Watson, D., Clark, L. A., & Tellegen, A. (1988). Development and validation of brief measures of positive and negative affect: The PANAS scales. *Journal of Personality and Social Psychology,* 54 (6), 1063-1070.

APPENDIX H

<u>Intrinsic motivation scale</u>

1. I enjoy finding solutions to complex problems
2. I enjoy creating new procedures for work tasks
3. I enjoy improving existing processes or products

Tierney, P., Farmer, S. M., & Graen, G. B. (1999). An examination of leadership and employee creativity: The relevance of traits and relationships. *Personnel Psychology*, 52, 591-620.

APPENDIX I

<u>Job autonomy scale</u>

1. I have significant autonomy in determining how I do my job
2. I can decide on my own how to go about doing my work
3. I have considerable opportunity for independence and freedom in how I do my job

Spreitzer, G. M. (1995). Psychological, empowerment in the workplace: Dimensions, Measurement and Validation. *Academy of Management Journal*, 38 (5), 1442-1465.

Human Subjects Approval

June 29, 2012

Office for Research

Institutional Review Board for the
Protection of Human Subjects

THE UNIVERSITY OF
ALABAMA
R E S E A R C H

Chenwei Li
Department of Management & Marketing
College of Commerce & Business Administration
Box 870225

Re: IRB # 12-OR-231-ME: "Ethical Leadership in Firms: Antecedents and
        Consequences"

Dear Ms. Li,

The University of Alabama Institutional Review Board has granted approval for
your proposed research.

Your application has been given expedited approval according to 45 CFR part
46. You have also been granted the requested waiver of written documentation
of informed consent for the online survey participants.   Approval has been
given under expedited review category 7 as outlined below:

*(7) Research on individual or group characteristics or behavior (including, but
not limited to, research on perception, cognition, motivation, identity,
language, communication, cultural beliefs or practices, and social behavior) or
research employing survey, interview, oral history, focus group, program
evaluation, human factors evaluation, or quality assurance methodologies.*

Your application will expire on June 28, 2013. If the study continues beyond
that date, you must complete the IRB Renewal Application. If you modify the
application, please complete the Modification of an Approved Protocol form.
Changes in this study cannot be initiated without IRB approval, except when
necessary to eliminate apparent immediate hazards to participants. When the
study closes, please complete the Request for Study Closure (Investigator)
form.

Please use reproductions of the IRB-stamped consent forms.

Should you need to submit any further correspondence regarding this
application, please include the assigned IRB application number.

Good luck with your research.

Sincerely,

358 Rose Administration Building
            Box 870127
Tuscaloosa, Alabama 35487-0127
            (205) 348-8461
        FAX (205) 348-7189
    TOLL FREE (877) 820-3066

Carpantato T. Myles, MSM, CIM
Director & Research Compliance Officer
Office for Research Compliance
The University of Alabama