A CONCEPTUAL PROPOSAL: ETHICAL LEADERSHIP MODERATES THE EFFECT OF ORGANIZATIONAL JUSTICE ON ETHICAL EMPLOYEE BEHAVIOR

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ABSTRACT

Within an organizational fairness is influenced through interpersonal relationship among employees, managers, colleagues and between other things. The primary goal of the current study was to investigate the role of ethical leadership on the relationship between organizational justice and employees’s ethical behavior. Based upon the previous studies and the theory as well the conceptual model has developed, the current paper integrated the factors such as distributive, procedural, and interactional justice in relation to ethical behavior of employees, and the moderating role of ethical leadership has been identified. By applying and adapted the propositions, have been formulated alignment with previous and recent studies, this revealed that distributive and procedural justice and interactional justice have a positive and significant impact on the ethical behavior of employees. In additional ethical leadership has an essential role on these relationship. This study, which may contribute to the literature on ethical behavior, organizational development and employee development, and leadership consideration.

KEYWORDS: Organizational Justice; Organizational Fairness; Distributive Justice; Procedural Justice; Interactional Justice; Ethical Leadership; Ethical Behavior.

1. INTRODUCTION

Due to the increasing numbers of business scandals worldwide (e.g., Tyco and Enron, WorldCom) researchers, practitioners, regulators and the government have raised the important questions in respect of ethics as an important issue. In 2008, the damages and economic crisis of many global firms (e.g., subprime mortgage and Lehman Brothers’ collapse) as being sound ethical problems rather than financial issues. Recently, more than 500 employees has participated in a survey conducted by National Business Ethics, which resulted that around 52% of the followers observed have misconduct (Ethics Resource Center 2012). Business scandals and unethical behavior have revealed that a better increased awareness among managers, proprietors, and followers as well, such as that unethical conduct eventually involves the long term benefits of the organizations; in the meantime, it’s destroying the reputations of the organizations (Further, Mulki et al., 2008). An organization does not support an ethical environment such as organization will lessen its values; maximize financial cost and risk (Neese et al., 2005; Mulki et al., 2008; Thomas et al., 2004). Furthermore, stakeholders are going to avoid dealing with such as organizations (Gilbert 2003; Babin et al., 2000).
Organizational justice is the major concerns of employees, justice is the central virtue and values of an organization (Rawls 1971). Treatment is the mainly grounded of employees’s ethical assumption, particularly employees’ concerns how will be treated in an organization (Skitka and Bauman 2008; Folger et al., 2005). Organizational justice consistess an important dimensions such as procedural, distributive, and interactional justice, that determines the perceived of organizational justice procedures which practically lead to whether positive or negative outcomes, treatment is the essential predictors of an ethical behavior which emphasized the reaction of employees towards their organizations (Konovsky 2000). For example, when an organization made fair decisions and the procedures are consistently and accurately applies, employees perceived that the decisions are made in a fair norms, and that will lead to high level of obligation, lessen turnover intention and show a positive behaviors among employees. Besides, Psychologically, the previous studies have ensured that injustice at any organization is related to the misconduct of employees (Cohen-Charash and Spector 2001; Colquitt et al., 2001).

Huge numbers of the researches have strongly addressed and becoming increasingly interested in the role of ethical leadership as a crucial factor to enhance employees’ ethical behavior (Neubert et al., 2009; Mayer et al., 2009; Brown and Trevino 2006; Sama and Shoaf 2008). Ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships,” and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making (Brown et al., 2005, p. 120). Ethical leader as role models in the workplace should set a good example for the followers to follow by displaying high ethical behavior, decision making, and moral conduct in everyday interaction with their subordinates (Toor and Ofori 2009). As proved by Brown et al., (2005) Toor and Ofori (2009) it’s important to understand the role of ethical leadership behavior as role models and as ethical guidance, because ethical leadership helps to build and shape the ethical behavior of employees.

To deal with complex problems and implemented an important decisions, mostly organizations rely on their employees to deal with such as difficult issues, one of the most fundamental part is to emphasize the factors or elements that influence employees’ ethical behavior. Organizational justice’s factors define to what extent employees will behave in an ethical manner, to date, the prior studies have provides little studies on examining organizational justice’s factors such as distributive justice, procedural justice and interactional justice towards employees’s ethical behavior (Wittmer, Martin, & Tekleab, 2010; Shah, Anwar, & Irani, 2017; Heslin & VandeWalle, 2011; Brockner, 2002; Greenberg, 2001).

Despite of the numbers of researches between organizational justice and employees’s ethical behavior, the past studies have neglected the role of ethical leadership behavior as crucial moderator on the relationship between organizational justice and ethical behavior of employees. The primary aim of this research is to contribute to the business ethics literature by investigated organizational justice’s factors such as distributive justice, procedural justice and interactional justice on the employees’ ethical behavior by using moderating role of ethical leadership.

2. THEORETICAL BACKGROUND AND PROPOSITIONS

2.1 Ethics and ethical behavior

Fraedrich, (1993, p. 207) defined “ethics is guidance or the correct behavior among individuals in particulars situations”. Ethical standards or correct behavior has been determined as “recognized social principles include fairness and justice” (Zabriskie & Browning 1983, p. 219). Ethics is the fundamental relationship among parties (e.i., members) in the organization such as managers, employees, stakeholders, competitors and others, the relationship among these parties based on the exchange process, each of these members have responsibilities and duties should be done in the right and in the proper way (Akaah 1992). Any an organization requires ethical environmental, due to employees are mostly to regard their organization as the legitimate source of the correct and wrong in the business environment consequently, ethical behaviors are defined and determine organization as the arbiter of which is ethically correct (Fraedrich 1993). Ethical behavior constructs are measured deviance of organizational norms. Fraedrich (1993) has used in his study that construct which originally developed by Ferrell and Skinner’s (1988) and found that certain retail managers, classified as rule deontologists, appeared to rank higher on the ethical behavior scale than other philosophy types examined.

Unethical behavior has been classified into some elements namely; divulging confidential information, padding out an expense account, bribing for preferential treatment, falsification of time and rules, falsification of time and rules, and misuse of company time and services (Newstrom and Rush,1975). However, today all business organizations and others industries are facing critical social problems which are ethical behaviors, further it’s requires comprehensive understating,
due to ethical issues are complex problems (Stead et al., 1990). Hence, with increasing numbers of the scandals, it becomes essential to determine the vital factors that contribute to employees’ decisions to behave ethically or unethically.

Based on the equity and social exchange theory. Equity is a fundamental human motivation (Adams, 1963) and social exchange theory is the basis of the desirable social relationship. Due to the central human motivation the need to belong (Baumeister & Leary, 1995). The essential elements of the equity theory are inputs and outcomes, the inputs as described the people perceived as their contributions to the exchange, to what degree they expect fairness returns (Adams, 1965). An outcome has been described by, Cohen & Greenberg, (1982) it’s the exchange receive that individuals obtain as rewards which involves factors such as satisfactions and payment. The crucial beliefs in the social behavior is that the allocation of rewards among people should be equally distributed, that benefits or the outcomes should be relative to their contributions (Adams, 1965). In other words, the argument of the equity theory is that, people compare the rations of their inputs and outcomes with others, inputs that the efforts or contributions that they put in the workplace, and the outcomes such as the rewards, promotions, and the payment that they receive as return to the that contributios. People will feel unpleasant and unsatisfactory when they perceived that inequity distribution in a certain situations (Folger & Cropanzano, 1998).

From the soical exchange perspective, individuals in different societies have created social exchange relationship between people (Gouldner, 1960). The social exchange relationship is interdependent and that depends on the actions of a person (Blau, 1964). Based upon the actions of two parties the commitment is generated and the quality of the relationship established in a certain conditions (Emerson, 1976). One of the best known exchange rules among the norms of the exchange is reciprocity (Cropanzano & Mitchell, 2005). The basic transaction of the exchange is that something should be given and the returned as results of that received, the exchange relationship develops and evolve in a slow process. The relationship among partner in the beginning requires trust (Blau, 1964). That trust will translate to the loyalty, commitment and positive feeling, thinking of behaviors between two partners over the time (Gilbert & Tang, 1998). A positive behavior and high level of employees’s commitment depends on the degree of the treatment (Cropanzano & Mitchell, 2005).

Similarly in the workplace, when the leaders acts ethically with their subordinates, employees returns and show a great level of behaviors. A positive, reflecting emerges from that social exchange relationship (Organ, 1988). Basically, the exchange process (manager) requires to establish the investment by constituting a commitment to the other party (employees) (Blau, 1964). After this investment the second partner (employees) starts to positively repayment and reciprocate to this investment. Hence, in this study, we argue that, equity is main basis of the employees’ satisfaction which leads to positive behaviors. Moreover, ethical leadership behavior is the initial steps of the social exchange process, which creates the feeling and reciprocity of employees. The evolving of the exchange process in an organization managers give a attention to their employees, meanwhile employees’ responses in a positive way, such as obligations and ethical behavior (Fehr & Gächter, 2000).

### 2.2 Organizational justice

Over the last four decades many studies have highlighted the importance of organizational justice towards work performance and work behaviors as well (Loi et al., 2006; Colquitte et al., 2001). However, to what extent these results would generalized with universal principles differences and also with across cultural, still need to explore further. A number of an empirical evidence revealed that subordinates from same socio-cultural background, although they are from the same background still have different value systems perception which leads to different reaction towards their organization (Loi et al., 2012; Li et al., 2012).

Organizational justice becomes an essential factor which may explains the role of fairness and it directly related to the workplace. Organizational fairness is an important determination which enable the followers to define whether the management treated them in fair manner, these determinations impact others work-related dimintions (Moorman,1991). Organizational justice constitutes of components that namely; distributive justice and procedural justice. Distributive justice is concerned with fairness’ perception such as allocation or pay of the salary, rewards, and promotion, while procedural fairness is related with practices or procedures of the allocation decisions (Adams, 1965). The most important criteria of procedural justice that employees’ opportunities of the viewpoints during the decision, a chance of control of the procedures and the outputs (Folger and Cropanzano, 1998). Moreover, as documented by (Leventhal, 1998) also there
are some others procedural justice features, following ethical, moral norms, such as utilizes of accurate information, lack of bias, and provides appeal mechanisms.

The first two elements of organizational fairness, distributive, and procedural justice was followed by introduced interactional justice concept (Bies and Moag, 1986). Interactional justice is concerned on the individuals treatment by manager/superior’s decisions to what extent they deal with their followers in a respectful way, dignity and debate with them information in a timely manner. Organizational justice dimensions have been divided into two elements. The basis dimension is the classical differences of fairness dealt either on process or outputs Greenberg (1993). The second element of the fairness defines to the principle basis either interpersonal or structural. Greenberg’ argument was distributive and procedural justice focusing more on the structural aspects. The concerns on the workplace context in which interaction happened such as the procedures utilized to emphasized an outcomes and the perceived fairness of the final outcomes. In regard interactional justice is focused on the individuals treatment and therefore, assurance is on the social norms. Organizational justice dimensions are detailed as followed.

Distributive justice is one of the most important factor in the workplace. Adam, (1965) Colquitt and Greenberg, (2003) have defined and explained distributive justice is combined of various values such as, equity; equality or need for the resources distribution. Distributive fairness is crucial and important with employees’ expectation of return to their efforts they have put in (Adam, 1965; Saunders et al., 2002). Organizations made decisions for the well being of their subordinates and communicated with them in regards the productive findings that the organization got because of the efforts that employees put, based upon the efforts that employees have contributed to the organization, the organizations distribute the rewards, in a fair manner.

The fundamental idea of distributive justice is that the comparisons among organizations and among individuals as well. The employees in various organizations may do compare of their values and benefits with others who work in the same sectors. A positive of negative influence on followers based on the replies that the employees obtained from individuals and organization. The performance of the organization’s management draw a positive feeling and satisfaction of employees, and again when there is a poor performance that will leads to a negative feeling due to the poor performance of the administration (Suliman, 2007; Tremblay and Roussel, 2001; Greenberg, 1987). Moreover, because of the weak performance of an organization the subordinates may be mistreated and draw absenteeism, that creates an issues of increasing unethical behavior and turnover intention (Folger and Cropanzano, 1998). Thus, the above-mentioned components have a high influence on the perception of employees and how individuals would react. Recently empirical results revealed that distributive justice has positive influence on the individuals ethical behavior (Tan and Tan 2000; u, G. W, et al., 2010; Rifai, H. A., 2005). Based upon the argument, the researchers propose the following proposition:

Proposition-1: Distributive justice has positive and significant affect on the employees’ ethical behavior.

Procedural justice is encompassing the procedures and polices that are employed by organizations for rewards distribution such as salaries payment and others benefits. Based upon, whether high or low rewards or incentive that employees obtained when the procedure that employed by organizations are consistent, accurate, justified and fair the employees feel positive and committed to the workplace (Thibaut and Walker, 1975; Leventhal, 1980; Greenberg, 1986, 1987, 1990). This produces from the reality which the approach and criterion for resource distribution and decision making are transparency applied. Employees concerns regarding to the procedures of organization to be clearly justified when they observed that the procedures are free of bias, and the others worthy consideration of employees is decision-making, does the informations, accurately, consistency provides to them (Stecher and Rosse, 2005). As noted by Greenberg, (1987) the consistent of the procedures that applied by the organization has become an essential factor, due to such as stability of accurate procedures ensure that fairness and decisions use across various circumstances. Hence, fair or unfair will define whether employees are going to behave ethically or unethically. Prior researches have revealed that procedural justice has positively and significantly influence toward employees’s ethical behaviors (Li et al., 2012; Loi et al., 2012; Nasurdin, et al., 2007). Accordingly the researchers have propose the following proposition:

Proposition-2: Procedural justice has positive and significant affect on employees’ ethical behaviour.

Interactional justice defines the degree of perception in how the followers will be treated in the workplace, also it refers more to the interpersonal relationship and treatment. Interactional fairness encompasses less formalized aspects of interaction. It includes individual’s relationship behavior of manager towards employees, such as honesty, sensitivity, and respectful between two partners (Bies and Moag, 1986).
The interactional justice is the concerns of perceived fairness or unfairness. However, interactional justice perceptions are related toward individual (Masterson et al., 2000). As documented by Masterson et al., (2000) and Roch and Shanock, (2006) in respect with interactional justice motivates social exchange relationship to be more formed. “Building a strong relationship requires an investments which involves obligation to the others party” (Blau, 1964 p. 98). When employees perceive that they have been treated fairly, most likely they will be more committed to the organization. In results employees who been treated well, they have positive intention to return that to the organization through behaving ethically (Colquitt et al., 2001). The empirical researches found that interactional justice has significant influence on employees’s ethical behavior. (He, W et al., 2017; Hart et al., 2016). Thus, the researcher proposed the following proposition:

Proposition-3: Interactional justice has positive and significant affect on the employees’ ethical behavior.

2.3 Moderating role of ethical leadership

We pick ethical leadership as a moderator for several reasons. First, as recommended by Baron and Kenny (1986), moderator variable may be introduces when there is weak or inconsistent relationship between predictors and the outcomes. However, the previous results of the prior studies on the relationship between organizational justice and employees’s ethical behavior have shown that organizational justice has a positive and significant impact on employee behaviors (Alomaim & Elamin, 2011). When fair is received by the subordinates, they are more likely to perceive, greater perceptions of organizational justice (Oshio & Kobayashi, 2009; Schyns, 2001). Furthermore, some others researchers found various results. For instance, as Koonmee (2009) has found that the first two factors of organizational justice have more importance with regard to fulfillment of employees behaviors and his findings explore the idea that the influence of distributive justice is greater than that of procedural justice and interactional justice. Recently, has been documented by Shah et al., (2017) their study has revealed that there was a particularly strong relationship between distributive and procedural justice on the ethical behavior of employees.

In contrast, interactional justice has less impact on the employees’s ethical behaviour. Moreover, De Cremer (2007) and Thau and Mitchell (2010) observed that distributive justice does not have a beneficial or a detrimental effect on the emotions of the employees. Additionally, as it has been observed that mistreatment and disrespectful behaviour (interactional justice) have a negative effect on the perception of employees” behaviours, resulting in negative feelings like frustration, stress, or anger (Chen & Spector, 1992; Fitness, 2000). As mentioned above that there are inconsistent correlation between organizational justice factors and employees’s ethical behavior. Hence, in this study, we identified that ethical leadership as essential moderator to modify the relationship between organizational justice factors such distributive, procedural and interactional justice and employees’s ethical behavior.

Second, as leaders have an important control over the organizational resources as well as they have legitimate power over the subordinates, managers in an organization has a unique position to give out justice (Brown et al., 2005). As mentioned by Loi et al., (2009a) the most important issue is that leaders usually considered as agents of the organization, and when the managers behave in ethical manner would strengthen the employees’ view of justice as a fundamental factor of dealing with ethical conduct in a certain workplace (Lind 2001). Ethical leader as a captain piloting a ship in the right direction (Brown, 2007). Ethical guidance and ethical framework generated and outline by the leader in the organization, so employees observed and witness their leader as role modeling in term of personal manager and professional manager who conduct the work in ethical manner within organizations (Brown et al., 2005).

According to Trevino and Brown (2007) personal leader who conduct things in the correct way. He or she caring of employees, making fair decisions, looking for the means rather than ends. Professional leader, who communicates and treats employees in a fair way. He or she give a clear standards and procedures which give a great expectations to the employees, proactively contacts those morals standards and expectations with employees, and utilizes rewards and punishment to encourage subordinates to engages and conduct ethical behaviors. Hence, ethical manager is crucial to shape ethical framework and build a positive ethical behavior among employees, such as organizational commitment and lessen the turnover intention (Brown and Trevino 2006; Brown et al., 2005). Ethical leadership is related to fairness process in term of leader listens to what employees have to say and implement fair decisions (Neubert et al., 2009).

In essence, we content that ethical leadership would moderate the relationship between organizational justice and employees’s ethical behavior, due to ethical managers conduct his/her work in a fair, honest, and trustworthy manner. As a results, employees working under such as leaders who conduct his/her work in ethical manner will perceive that the organization’s procedures in term of justice are credible, and they will have the confidence to rely on these processes to
reduce unethical behaviors. In contrast, leaders who show unfair, and dishonest behavior employess working under such as environment will perceive there in inconsistency between organization’s procedures and manager behavior. The query may arised to what extent fairness and ethical conduct in the workplace are accurate and consistent that may enable them to predict their future as employees in a organization, and whether they behave or react ethically or not (Brown and Trevino 2006; Brown et al., 2005).

Leaders who have strong sense of ethics, become an essential and important, because employees utilize it to refer will be treated well by their organization (Lin et al., 2009). An Open communication such as discussing business ethics and personal issues, is one of the expectations that ethical leader convey to employees in the workplace (Brown et al., 2005). Their emphasis on adherence to organizational policies and practices should draw employees’ attention to the organization’s fair policies, making practical fairness sufficiently salient to stand out in the organizational context. Therefore, justice perception of employees is an important because they will judged whether they will remain as employees in that particular organization or not. Besides, leader who has a poor ethical conduct in term of ethical discussions employees are most likey will have lack perception of ethical and fairness as well (Brown and Trevino 2006; Brown et al., 2005). Thus the researchers have formulated the following propositions:

**Proposition-5.a:** Ethical leadership moderates the relationship between disturbtive justice and employees’ ethical behavior such that the relationship is stronger under a high level of ethical leadership than under a low level of ethical leadership.

**Proposition-5.b:** In the ethical behavior, the ethical leadership moderates the relationship between procedural justice to the employees ethical behavior, such that the relationship is stronger under a high level of ethical leadership than under a low level of ethical leadership.

**Proposition-5.c:** The relationship between interactional justice and employees’ ethical behavior is moderated by the ethical leadership behavior, such that the relationship is stronger under a high level of ethical leadership than under a low level of ethical leadership.

**2.4 Proposed research framework**

![Figure 01: Proposed research framework](image-url)
3. IMPLICATIONS AND CONCLUSION

Nowadays, global organizations face the hurdle of downsizing or collapse because of unethical behavior. Organisational justice is the extent to which people perceive organizational events as being fair. Employees’ perception and reaction to the fairness with which they are treated can have a dramatic effect on absenteeism and turnover and increase employee job performance, job satisfaction, motivation and ethical behaviors. Recently, researchers have been debates in regards ethical behaviors because it’s an essential issue for discussion. In the current study we highlighted that the influence of organizational justice factors namely; distributive, procedural, and interactional justice, toward employees’ ethical behavior.

The previous empirical studies showed that organizational justice has a positive and significant impact on employees’ ethical behavior (e.g Kim, 2009; Wittmer et al., 2010; Alomaim, 2011; Koonmee, 2008; Shah et al., 2017). The important contribution of this study that may have a significant effect on employees working in organizations. This study also may enable the organizations to encourage their employees, thus that efforts would be use effectively for the achievement of organizational objectives. Moreover, the research implications can also be helpful in the reducing organizational injustice that causes dissatisfaction among employees, which can result in unethical behavior like fraud, stealing, betrayal and corruption. The study may also contribute to the literature on organizational behavior, organization employee development and ethical leadership behaviors.

In conclusion, the insights of this study provide theoretical support for the propositions that favourable distributive, procedural, interactional justice and the role of ethical leadership may have a positive impact on employees’ perception of fairness and manager ethical behaviors. Though these factors a high degree of job control protects employees against the development of adverse symptoms.

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