THE EFFECTS OF AUTHENTIC LEADERSHIP, MORAL POTENCY, AND LEADERSHIP VIRTUES ON ETHICAL LEADERSHIP AMONG MANAGERS WORKING IN FINANCIAL SECTOR ORGANISATIONS

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DECLARATION

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ABSTRACT

The challenges unfolding in the business environment, such as the financial sector, demand the enforcement and practising of ethical leadership. The current study examines the effects of authentic leadership, moral potency, and leadership virtues on ethical leadership among managers in the financial sector. The study, which also investigates several mediating effects (in parallel and serial), draws on data gathered through a cross-sectional technique and analysed using a statistical modelling approach (stepwise multiple regression analysis and variance-based structural equation modelling). Four questionnaires (Ethical Leadership Scale, Authentic Leadership Questionnaire, Moral Potency Questionnaire, Leadership Virtues Questionnaire) were used to collect the data. All constructs had acceptable levels of reliability, as evident from the values obtained from Cronbach's alpha. A convenient sampling method was used to recruit respondents for the study, and the sample comprised 310 managers from organisations in the financial sector.

The study arrives at various findings and suggestions. The stepwise multiple regression analysis led to the finding that five sub-dimensions (self-awareness, moral ownership, justice, moral courage, and moral efficacy) explained 62% variance in ethical leadership. Of the three indirect paths that were investigated, the strongest indirect path reported in the model was from leadership virtues through moral potency ($\beta = -0.558$) to authentic leadership ($\beta = 0.498$). Therefore, moral potency mediates the relationship between leadership virtues and ethical leadership and can be used to better understand the relationship between these two variables.

This thesis suggests several theoretical implications. The study expands our understanding of the combined effect of authentic leadership, moral potency, and leadership virtues on ethical leadership. In terms of managerial implications, the study addresses the importance of developing and promoting a culture of ethical leadership in the workplace to achieve positive organisational outcomes. Therefore, the interaction between the various constructs (authentic leadership, moral potency, and leadership virtues) experienced by managers will influence the extent to which they will engage in ethical leadership in the organisation. As a result, incorporating ethical leadership when exploring positive psychology principles will go a long way to provide solutions to the challenges faced by managers/employees in the financial sector.

One of the limitations of the study is that there is not sufficient research done on ethical leadership in South Africa. Also, there have been no studies done on the combined effects of authentic leadership, moral potency, and leadership virtues on ethical leadership, thus, a challenge when testing the model as it was difficult to compare hypothesised directions for some of the proposed paths. One of the limitations of the current study was that it focused mostly on the financial sector and used a convenience sampling method. This implies that the findings can only be generalised in the financial industry. Therefore, to have a wider understanding of the interaction between the various variables, future research should consider adopting a multi-sample or use a probability sampling method that is more representative and can permit generalisation. In addition, considering that self-awareness was the highest contributor to ethical leadership, followed by moral ownership, then moral courage, justice and moral efficacy, future research should explore possible ways that organisations can use to intervene when boosting self-awareness, moral ownership, moral courage, justice and moral efficacy; therefore, continuously positively impacting ethical leadership levels.

Keywords: *Ethical leadership, authentic leadership, moral potency, and leadership virtues.*

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CHAPTER ONE

INTRODUCTION AND PROBLEM STATEMENT

1.1 INTRODUCTION

There has been a rise, recently, in both the public and researcher discussions on ethical leadership (Brown & Trevino, 2006). This has been partly motivated by corporate scandals involving ethical malpractices by top executives in leading global organisations that stirred reactions from both the academic and practitioner communities (Lawton & Paez, 2015). Notwithstanding these concerns, the relationship between ethics and leadership has also been investigated by scholars (Barnard, 1938; Burns, 1978, & Selznick, 1957). Ethical leadership is "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, Treviño & Harrison, 2005, p. 120). Drawing from this definition, an ethical leader exhibits personal conduct, which is considered ethically appropriate, when making decisions and developing relations with and in a manner that inspires others.

Ethical leadership has been called for owing to the latest credit crisis, devastating world global recession since the 1930s and several scandals in renowned corporate organisations (Bello, 2012). In the global north, Enron, Arthur Andersen, WorldCom, Tyco, Parmalat and HealthSouth are among the businesses where leaders failed ethically for several reasons that include pressure to achieve, perform and "win at all costs". In addition, fraudulent decisions made by some top executives of corporate organisations to falsely inflate profits to increase revenue contributed to the recent credit crisis (Berenbeim, 2009; Victor & Soutar, 2005).

A 2010 survey carried out on some companies in the United Kingdom (UK) and continental Europe discovered that the most critical issues organisations face are related to bribery, corruption, facilitation payments, whistleblowing/speaking up and discrimination, and harassment or bullying (Webley, Basran, Hayward, & Harris, 2011). For example, Texaco made a $176 million settlement for racial discrimination while Louisana-Pacific Corporation paid a fine of $37 million for customer and

environmental malpractices among other unethical practices in 1998 (Webley et al., 2011). More so, in that same year, Mitsubishi Motor Corporation paid $34 million after a government investigation for persistent sexual harassment (Bello, 2012).

The world is currently facing a global pandemic and unethical leadership appears to be taking the lead in such crucial times. Inequality in access to COVID-19 vaccines has raised concerns globally. Research and development by pharmaceutical firms are substantially supported by government subsidies, yet the price cited for most medical products is multiple times the production cost (OECD, 2021). For instance, Gardasil-4 (Merck Sharp & Dohme, Kenilworth, NJ, USA), one of the vaccines against human-papillomavirus-related cancers, is estimated to cost US$4·50 per dose but was initially sold for $150–190 (Clendinen, Zhang, Warburton and Light, 2016). Even when Merck Sharp & Dohme provided a reduced rate to GAVI for $4·50, a cost estimation exercise showed that the true manufacturing cost was likely to be between $0·48 and $0·59, not $4·50 (Binagwaho, Mathewos & Davis, 2021). Keeping in mind that subsidies given to big pharmaceutical companies comprise of taxes paid for by citizens including vulnerable groups, this exorbitant pricing of drugs and vaccines is unethical and denies vulnerable groups their right to health.

Unethical practices arising from poor ethical leadership are not confined to the global north only. There are various cases of unethical practices in the global south and particularly in Africa. For example, three banks failed in Nigeria due to financial indiscretions by company managers and these banks were later placed under the Central Bank of Nigeria following an attack on the banking industry (Minja, 2011). In Kenya, it was reported that provincial administrators steal and sell relief food for personal gains (Minja, 2011). South Africa reported cases of corruption in the public service and incidences of corporate collapses as well as abuse of power and office post-1994 (Van Vuuren, 2014).

Unethical practices in private, public, and political platforms have indeed been widely reported in South Africa owing to various high-profile management and financial scandals (Moloi, 2012). There have been reports of government officials embezzling funds and using them to build massive and luxurious houses and buy super-luxury cars (Hollands, 2007). Funds meant for public service delivery have been used inappropriately just as tenders meant to be awarded to skilled individuals have been

awarded to wrong individuals based on nepotism, tribalism and corruption (Van Vuuren, 2014).

More recently in SA, during the Covid19 pandemic, allegations of Covid-related corruption have been doing the rounds. Various government officials and their family members have allegedly been involved in corrupt activities. Food parcels meant to be delivered to the less privileged were not handed out. Also, a R350 Covid-19 relief grant which was to be paid to recipients was only paid once to many of the recipients (Luthuli, 2020). The above-noted cases place leaders under constant examination because of their position in managing ethical conduct and modelling ethical behaviour in public and private institutions.

It should be noted that bad leadership yields various negative consequences. A bad leader can lead to an increase in employee turnover and reduce the influx of new employees. In the same light, this can also increase the costs associated with increased employee supervision, employee turnover, and decreases in both job satisfaction and employee productivity (Bello, 2012). Thus, unethical practices cost individuals, organisations, and society a lot of problems, and if not rectified, will lead to more devastating consequences.

Nonetheless, authentic leaders can judge ambiguous ethical problems, tackle them from various perspectives, and ensure that decisions made are aligned with their moral values (Brown & Trevino, 2006). Authentic leadership has been identified as a means to make leaders ethical. Authenticity refers to terms such as real, genuine, reliable, concern for others, role-modelling, ethical decision-making, and being trustworthy (Brown & Treviño, 2006). An authentic leader is expected to preach what he/she practices and thus, a person thinking of an authentic leader should imagine someone who behaves in a manner that they expect others to behave. This indicates that authentic leaders lay out rules and guiding principle for others to abide by and follow the same rules/principles. Research indicates that ethical leaders are more likely to be authentic (Brown, Treviño, & Harrison, 2005; Brown & Treviño, 2006). A leader who is authentic and ethical tends to draw respect and trust from subordinates and peers working with/for them, and in turn, the subordinates can anticipate their actions, decision-making, and thought processes. Hence, authentic leadership is a product of comfortable and conducive working environments.

According to Avolio, Gardner, Walumbwa, Luthans, and May (2004, p.4) authentic leadership is “a process by which leaders are deeply aware of how they think and behave, of the context in which they operate, and are perceived by others as being aware of their own and others’ values/moral perspectives, knowledge, and strengths”. The above definition indicates that an authentic leader is true to his or her values. Furthermore, what is considered ethical is greatly influenced by one’s values. Authentic leaders also develop and use moral capacity, efficacy, courage, and resiliency to tackle ethical disputes and attain authentic and continued moral actions (May, Chan, Hodges, & Avolio, 2003). Therefore, authentic leaders tend to be ethical leaders as the two concepts are interrelated.

Moral potency also influences ethical leadership. Moral potency is a “psychological state marked by an experienced sense of ownership over the moral aspects of one’s environment, reinforced by efficacy beliefs in the capabilities to act to achieve moral purpose in that domain, and the courage to perform in the face of adversity and persevere through challenges” (Hannah & Avolio, 2010, p.3). A leader may be cognisant of something not being ethical but having the drive to act on that judgement depends on his/her moral potency. Moral potency focuses on knowing the right ethical decision or action to take and making the necessary moves towards the achievement of the set decision.

Thus, a leader’s character does not only consist of their thoughts but also of their effort to act to handle ethical challenges. Ethical leader behaviours are partially the product of the moral values held by the leader. Moral courage (a component of moral potency) instigates action when leaders are confronted with tough ethical issues and auxiliary roles or pro-social behaviours are necessary where there is low risk (Hannah et al., 2011). According to Schminke, Ambrose, and Neubaum (2005), when the levels of moral reasoning of a leader and follower are on par, followers obtain higher levels of satisfaction, commitment, and lower turnover.

Furthermore, leadership virtues (such as prudence, fortitude, temperance, and justice) can also influence ethical leadership. Riggio, Zhu, Maroosis, and Reina (2010) hold the view that ethical leaders live according to the four cardinal virtues of prudence, fortitude, temperance and justice. According to Chan (2005), virtues are admirable character traits desired by individuals which lead to social cohesion. Riggio et al (2010)

note further that ethical leadership characterises what makes up the individual, his/her virtues, and the self-knowledge and willpower that guides the leader's moral actions. Virtuous leaders behave ethically because they endeavour to do things in the right manner, and even though it may be challenging to determine leaders' true characters, followers will form opinions and attitudes about the character of the leader and how ethical they are. Virtues are indeed essential characteristics or attributes valued by moral individuals and religious scholars (Peterson & Seligman, 2004).

The next section will focus on the problem statement.

1.2 PROBLEM STATEMENT

Very little research has been done on the combined effects of authentic leadership, moral potency and leadership virtues on ethical leadership. Failure by leaders and executives to practice ethical leadership has resulted in a series of major scandals in the recent past. This has also led to the expression of disappointment by citizens as national goals have not been met. Ethical practices must commence at the uppermost part of the organisation as leaders are the main determinants of the outcome of organisational goals. Once leaders are careless and unethical with the way they conduct business with others, employees are more likely to recognise that and act accordingly (Crane & Matten, 2004). Employees tend to associate with managers that are honest, respectful, credible, fair, and credible (Collins, 2010). Thus, leaders should be at the forefront of promoting ethical practices in the workplace.

Leaders in the financial sector are not excluded from these malpractices. According to Remišová, Búciová and Lašáková (2015), the need for ethical leadership in the private sector is becoming more prevalent due to the existence of ethical misbehaviour in the business environment. After the 2008 financial crisis, there have been problems of ethical leadership in financial institutions, which have drawn the attention of the daily news (Fichter, 2018). There have been cases such as the manipulation of energy markets, money-laundering, and price-fixing foreign currency, such that financial establishments around the world are battling to help their employees "do the right thing" (Fichter, 2018). These cases have also been witnessed in South Africa. For example, the Competition Commission for South Africa (2017) found that over 17 banks (among which are Standard Bank of South Africa Ltd, Barclays, and ABSA Bank Ltd) manipulated the currency exchange price bids and offers through agreements in

which they stayed away from trading and created fabricated bids and offers at specific times using a trading platform, such as Reuters currency trading. They were charged to pay a governmental penalty equal to 10% of their yearly turnover (Competition Commission of South Africa, 2017). This is worrisome as these are some of the most prestigious banks in South Africa. Furthermore, KPMG South Africa experienced a scandal in early 2018 in which some of its auditors breached certain ethical and technical standards during audits (ENCA news, 29 January 2018). Thererefore, the question is on how motivated towards ethical leadership are financial institutions. Ethical leadership is regarded as very significant because of the influence leaders tend to have on the ethical conduct of the organisation and eventually, on organisational performance (Aronson, 2001; Kanungo, 2001; Treviño et al, 2003). The proper management of ethics in the private sector (including the financial sector) can lead to a positive spillover effect on other parts of the organisation and the society at large.

The existing negative effects of ethical malpractices positions ethical leadership as the solution to society's aims to have organisations that are morally grounded by their leaders. Moreover, the reality that very little research has been done on ethical leadership as well as the combined effects of authentic leadership, moral potency, and leadership virtues on ethical leadership, means that this construct must be explored to generate ways through which leaders can be equipped with the skills needed to run organisations ethically. This will spare organisations of the negative consequences suffered due to the lack of ethical leaders.

As a result, the aim/purpose of this study is to determine whether authentic leadership, moral potency, and leadership virtues have an effect on ethical leadership among managers working in financial sector organisations. It is anticipated that if leaders are authentic to themselves and others, possess high levels of moral potency, and possess leadership virtues, they will end up as ethical leaders.

1.3 RESEARCH OBJECTIVES

To achieve the above aim, the following research objectives are proposed:

- To determine, by means of a non-experimental research design, the effect of authentic leadership, moral potency, and leadership virtues, on ethical leadership (as proposed by the theoretical model) among managers working in financial sector organisations.

- To theoretically explain the relationship between the predictor variables and outcome variable (ethical leadership) culminating in a proposed theoretical model to be tested.
- To determine the predictive validity of the proposed theoretical model in financial sector organisations.

1.4 RESEARCH QUESTIONS

The present study has four research questions that will facilitate the achievement of the above objectives. The research questions to be answered (research questions 1 to 4) are theoretical and empirical in nature, which will be answered through the literature review and empirical evidence reported in the present study. The four research questions provide the theoretical basis for the proposed model (see Chapter 6). Thus, the following research questions are identified from the preceding problem formulation:

- What are the effects of authentic leadership, moral potency, and leadership virtues on ethical leadership among managers working in financial sector organisations?
- Does moral potency mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations?
- Does authentic leadership mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations?
- Do moral potency and authentic leadership (in serial) mediate the relationship between leadership virtues and ethical leadership among managers in financial sector organisations?

1.5 RESEARCH HYPOTHESES

The current study explores four research hypotheses, with the theoretical foundations for each of the four hypotheses to be provided in the relevant theoretical chapters (more specifically Chapter 6).

Hypothesis 1 provides an overarching hypothesis for the complete theoretical model (research objective 1, research 1). It also relates to the predictive validity of the proposed model (research objective 3).

Hypotheses 2 to 4 guide the detailed empirical testing of the theoretical model. More specifically, hypotheses 2 to 4 provide a detailed explanation of the theoretical model and hence, emphasize research questions 2, 3, and 4.

Therefore, the following research hypotheses are investigated in this study as resulting from the above-mentioned objectives and questions:

Hypothesis 1

Null hypothesis (*H0)*: The variance in ethical leadership cannot be statistically explained by authentic leadership, moral potency, and leadership virtues among managers working in financial sector organisations.

Alternative hypothesis (HI): The variance in ethical leadership can be statistically explained by authentic leadership, moral potency, and leadership virtues among managers working in financial sector organisations.

Hypothesis 2

Null hypothesis (*H0)*: Moral potency does not mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

Alternative hypothesis (HI): Moral potency mediates the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

Hypothesis 3

Null hypothesis (*H0)*: Authentic leadership does not mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

Alternative hypothesis (HI): Authentic leadership mediates the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

Hypothesis 4

Null hypothesis (*H0)*: Moral potency and authentic leadership (in serial) do not mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

Alternative hypothesis (HI): Moral potency and authentic leadership (in serial) mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

1.6 OUTLINE OF THE STUDY

This section outlines the contents covered in each chapter of this thesis.

Chapter 1: This section introduces the study as well as provide a background to the topic under discussion. The chapter also lays out the problem formulation under which the importance of the study is explained, the objective, research questions and the research hypotheses formulated for the study.

Chapter 2: The chapter describes the dependent variable (ethical leadership). It explains the types of ethics, discourse on ethics and morality, and defines the nature of ethical leadership. The chapter also explores some ethical leadership theories, models of ethical leadership and outcomes associated with ethical leadership. Finally, the chapter concludes with training interventions that can be used to promote ethical leadership behaviours and ethical leadership among managers working in financial institutions.

Chapter 3: This is made up of the second chapter in the literature review. The chapter concentrates on the first independent variable, which is authentic leadership. It identifies and discusses the tenets of the authentic leadership theory and framework, and that of the authentic leadership model. The chapter also considers the outcomes associated with the construct, how authentic leadership can be developed and explains the relationship between authentic leadership and ethical leadership.

Chapter 4: This is an extension of the literature review that specifically focuses on moral potency. A broad discourse of the variable is given from an introduction of morality to exploring the nature and definition of moral potency. The chapter also

explores the components that make up moral potency and some morality theories, and model for moral development as well as how to develop moral potency. Finally, the chapter explores some outcomes associated with moral potency and concludes with a discussion on the theoretical commonalities between moral potency and ethical leadership.

Chapter 5: This chapter comprises the literature on the last independent variable, leadership virtues. The chapter discusses the nature and definition of the concept, the four cardinal virtues of leadership, leadership virtue theory, and some leadership virtues models. It also considers how leadership virtues can be developed, the relationship between leadership virtues and ethical leadership, and integration of all constructs as well as present the proposed model. Finally, some outcomes associated with leadership virtues are discussed.

Chapter 6: This chapter presents the study's proposed model and highlights the anticipated indirect relationships in the study. It also attempts to answer the relevant research questions and objectives.

Chapter 7: This chapter discusses the research methodology used for the study. This includes the research approach and design, selection of test persons, data gathering, sampling methods, and describes the questionnaires used to collect data, and the statistical methods used to analyse the data.

Chapter 8: The chapter presents the results as well as the interpretation of the results. It focuses on the results on the reliability of the instruments used and descriptive statistics indicating the demographic characteristics of the sample. Then, presents the results for the research question. The chapter presents diagrams, discussions and an interpretation of the research findings.

Chapter 9: This is the last chapter of the study which includes the conclusions, recommendations, and limitations of the study. It also provides recommendations for future research in this field.

1.7 SUMMARY

The chapter introduced the concept of ethical leadership and explained why the lack of ethical leadership among leaders is a prominent issue in the workplace and society

at large. This was followed by an outline of the problem statement, research question, objectives, hypotheses, and an outline of the study.

The next chapter focuses on ethical leadership.

CHAPTER TWO

ETHICAL LEADERSHIP

2.1 INTRODUCTION

Ethics has gained so much attention due to several scandals concerning organisational malpractices all over the world. One of the conditions to be listed on the stock exchange in New York is that businesses need organisations to show their willingness under US-American law to comply with ethical guidelines (Steinmann, Nubold, & Maier, 2016). Companies indeed face severe negative effects, such as a loss in reputation, when involved in unethical conduct while more people are drawn to organisations with good ethical practices (Karpoff, Lee, & Martin, 2008; Keith, Pettijohn, & Burnett, 2003). Organisations must develop good ethical guidelines and make sure employees behave accordingly. Ethical leaders play the role of putting in place integrity guidelines, as well as promote an ethical culture and conduct among employees (Mayer Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Schaubroeck, Hannah, Avolio, Kozlowski, Lord, Treviño, et al., 2012). In addition, Mayer, Aquino, Greenbaum and Kuenzi (2012) argue that unethical behaviour and conflicts in the workplace can be greatly reduced by ethical leadership. Hence, leaders are more likely to shape the ethical attitudes and actions of employees through role modelling. (Brown et al., 2005).

This chapter focuses on types of ethics and morality, the nature and definition of ethical leadership, theories and models of ethical leadership, some outcomes associated with ethical leadership, similar forms of leadership, and identifies and explains training interventions that promote ethical leadership behaviours in the workplace. Finally, the chapter considers ethical leadership among managers working in financial institutions.

The following section outlines the background, nature and definition of ethical leadership.

2.2 BACKGROUND AND NATURE OF ETHICAL LEADERSHIP

It is important to understand its background and concepts underpinning ethical leadership to understand it. The following section discusses ethics as a foundation for understanding ethical leadership and the various types of ethics.

2.2.1. ETHICS

Ethics is a philosophical term derived from the Greek word ethos, which means custom or character. Ethics can be defined as “the science of morals or rules of behaviour” (British Psychological Society, 2009, p.6). It identifies and prescribes moral requirements and behaviours that show that there are appropriate and inappropriate ways of acting that exist as a feature of philosophical principles (Minkes, Small, & Chattered as cited in Mihelič, Lipičnik, & Tekavčič, 2010). Several ethical/moral codes exist across various fields. For example, the Golden Rule states “Do unto others as you would have them do unto you” while the Hippocratic Oath has, as one of its code of professional conduct, “First of all, do no harm”, and a religious creed like the Ten Commandments instructs Christians, “Thou Shalt not kill”. It is thus clear that ethics are the rules of behaviour that separate reasonable behaviour from inappropriate behaviour (David & Resnik, 2013). If it is morally recognised as "good" and "right" as opposed to "bad" or "wrong" in a given instance, then the behaviour is considered ethical (Sims, as cited in Mihelič et al. 2010). Thus, ethical behaviour is usually legally and morally acceptable in most communities (Trevino, 1986).

Ethical norms are learnt at school, in church, at home, and in other social environments. While most people learn how to distinguish right from wrong from childhood, moral development takes place in the course of one’s life and people go through different stages of growth as they mature (Peters, 2015). Ethical norms are very much present in society to the extent that people might perceive them as simply common sense. However, if morality is only a matter of common sense, why are there so many ethical disputes in organisations and society? In an attempt to explain this, Gonorazky, (2015) mention that everyone recognises that there are some universal ethical principles and yet, following their beliefs and personal experiences, various people perceive and apply these norms in different ways.

There are legal rules regulating behaviour in most countries, but ethical norms are wider and more informal than laws. Most societies use laws to implement commonly accepted moral standards with ethical and legal rules using similar concepts. However, it is imperative to note that ethics and law are not the same because an action may be legal but unethical, or illegal but ethical. More so, ethical concepts and

principles can be used to criticise, evaluate, propose, or interpret laws (Svara, 2021). There have been instances where social reformers encouraged citizens to disobey laws to protest what they considered immoral or unjust laws. Moreover, peaceful civil disobedience is an ethical way used by people to express their political viewpoints.

Ancient Greek philosophy placed focus on how to act well and rightly, and personal/individual qualities that are essential to achieving this. In essence, ethics include the entire range of human action and personal preconditions. Nevertheless, ethical directives are not evident all the time and people are often at loggerheads over what is right and wrong (Rich, 2013). This has led some people to believe that ethics can be based merely on personal opinions.

2.2.1.1. TYPES OF ETHICS

Ethics is considered a sub-discipline of philosophy and can be divided into three facets: descriptive ethics, meta-ethics, and normative ethics. These three sub-branches are explained below.

2.2.1.2. Normative Ethics

Normative ethics is concerned with the origins and justifications of our moral intuitions. In other words, it is a branch of philosophical ethics that seeks to answer the question of how we ought to live and act morally. *Norms* are rules or standards that people are expected to comply with. The term 'normative' means "action-guiding" and thus, normative ethics enlightens us on what to do (which is what individuals consider when thinking of ethics). Tzafestas (2016) believes that normative ethics provides a system of values, guidelines and measures for establishing what (morally speaking) a person should or should not indulge in, or provides admissible and consistent principles to define what is moral (and immoral) behaviour. In normative ethics, the individual extrapolates from several other cases what it is that makes something right or wrong. Normative sentences generally include commands, prohibitions, and permissions (Tzafestas, 2016).

Ethical leadership can be viewed highlighting the importance of a "normatively appropriate conduct" (Brown & Trevino, 2006, p.595) and thus normative ethics. Ethical leadership, just as normative ethics, requires leaders to behave according to set norms. An ethical norm in such an instance would entail acting in a fair, trustworthy

and honest way both in the leader's personal and professional lives (Trevino, Brown, & Hartman, 2003). Furthermore, the normatively appropriate thing to do as an ethical leader entails being concerned for others, setting clear ethical standards, and using reward and punishments to foster ethical conduct (Brown et al., 2005). In the same light, the Ethical Leadership Scale (ELS) designed by Brown et al (2005) seeks to assess whether an ethical leader exhibits the above stated 'norms'.

According to Tanner, Brügger, Van Schie, and Lebherz (2010), moral norms are guides that promote ethical conduct. May et al. (2003) highlight that sometimes, leaders know how to act ethically, or are aware of the 'norms', but still act contrary to the norms in an attempt to avoid unpopularity or preserve their careers. It is for this reason that Tanner et al. (2010) stress that leaders must consistently apply moral standards and values daily to earn the attributes of an "ethical leader". For Thomas (2001), ethical leaders follow a more universal standard of moral behaviour, in other words, they stick to set norms. Thus, normative ethics also encompasses the "moral person" component of ethical leadership whereby the observers'/subordinates' perceptions of the leader's traits, character, behaviour, and altruistic motivation are taken into consideration (Brown & Trevino, 2006). So, a moral person will make decisions based on ethical standards/norms set by the organisation.

2.2.1.3. Descriptive Ethics

Descriptive ethics implies "how the world is". From the viewpoint of sociologists, historians and psychologists, the theory explains moral views, attitudes and behaviour throughout history as part of the process of recognizing what people do or have believed about moral norms. Although normative ethics attempts to address "what" individuals should do, descriptive ethics explains what and "how" individuals do it (Valdez-Martinez, Turnbull, Garduño-espinosa, & Porter, 2006). As the word goes, Descriptive ethics *describes* the actions of individuals and/or the form of moral principles they claim to uphold. Hence, Descriptive ethics is about what inspires pro-social behaviour, the opinions of people on ethics, what people think is really necessary and how societies influence behaviour (such as reprimanding people for behaving in certain ways).

Within the context of ethical leadership, descriptive ethics describes activities carried out by ethical leaders that makes them ethical or moral persons. Gini (1997) states

that ethical leaders set clear guidelines and develop an accountability framework for workers that must be used. This also entails rewarding and punishing good/bad behaviours. By so doing, the ethical leader influences the ethical conduct of followers through role modelling, which is considered as an essential leader behaviour. The notion of role modelling has its foundation from the social learning theory (Bandura, 1986) that stipulates that learning takes place through direct experience, observing others' behaviour and its consequences, and through imitation.

One of the pillars of ethical leadership requires leaders to be moral persons. Being a moral person includes acts such as doing the right thing, caring for individuals, being transparent, and possessing personal morality (Trevino, Hartman, & Brown, 2000). These actions have an element of descriptive ethics in them as they embody activities that make them ethical leaders or moral persons.

2.2.1.4. Meta-ethics

Meta-ethics appear to have the most blurred definitions among all the other types of ethics. The Greek word *meta* means *after* or *beyond* (Allan, 2015*)*. Meta-ethics, unlike normative ethics, deals with questions about normative inquiry (Sayre-McCord, 2014). In addition, normative ethics asks questions about what constitutes good or bad, what people should or should not do and why, while meta-ethics is more concerned with answering questions such as what it means to say that something is "good" or "bad", whether such assertions correspond to facts about the world, and how we manage to talk or think about such facts if there happen to be any (Schroeder, 2015). Therefore, meta-ethics seeks to understand the basic assumptions behind moral theories and involves a broad range of questions around how we know what moral truth is (whether moral truth even exists), and how we learn about moral facts (Schroeder, 2015).

In light of ethical leadership, Guy (1990) postulates that leading ethically entails a process of inquiry that requires asking questions about what is right and what is wrong, about a mode of conduct, and about setting the example for followers and others about the rightness or wrongness of particular actions. This might also compel organisations to ask questions on what to consider/what not to consider as ethical behaviour when setting up a moral code of ethics. Questions on what punishment or reward should be enforced after a misconduct/good conduct should also be asked, as well as the extent to which punishments are perceived as fair. These are typical questions incorporated

in meta-ethics that leaders should consider when creating ethical frameworks for organisations.

2.2.2. ETHICS AND MORALITY

There have been several arguments on whether “ethics” and “morality” are two sides of the same coin or not. Some researchers are of the view that ethics and morality are the same while others state that they are different (Phaneuf, 2008). Both terms are used synonymously even in some philosophical texts. “Morality” originates from the Latin words *mos*, *moris* which is essentially the same as “*ethos*”, the Greek word for ethics. According to Gammel (2009), morality implies the customs and the dos and don’ts that are commonly accepted as a standard in society as the basis of life that does not have to be rationally questioned. Thus, morality comprises specific beliefs, behaviours, and ways of being derived from doing ethics (Rich, 2013). In addition, by systematic ethical examination, one's values can be defined as good or evil.

Immorality is the opposite of morality. This means that the behaviour of an unethical person is contradictory to established ethical norms and values of society, faith, culture, or career. Immorality includes qualities such as dishonesty, fraud, murder, and sexually abusive acts. Actions are perceived as non-moral if moral standards do not apply to the acts. For instance, choosing between steak and fish and pork for lunch is a non-moral decision.

Furthermore, ethics is a methodological approach to recognising, examining and separating problems of right and wrong, good and evil, and noble and deplorable concerning the welfare of individuals and their relationships (Rich, 2013). Ethical determinants are applied using formal theories, methods, and standards of conduct, such as codes established for occupations and religions (Gilman, 2005). Ethics is an active rather than a static process; thus, some ethicists use the term *doing ethics* (Rich, 2013).

It is thus essential that people “doing ethics” support their beliefs and assertions with thorough reasoning (Rich, 2013). This implies that even though people assume that ethics is purely subjective, they must, by rational and theoretically based arguments, provide justifiable proof. Emotions are also used and play an important role in the practice of ethics regularly. Nevertheless, people often let their feelings go beyond sound judgment and this does not provide a plausible ground for ethics-related

decisions when this happens. Hence, ethical leaders with high emotional intelligence tend to strive better in their interactions with others and the process achieve desired results due to the competitive advantage of easily adapting and using their emotions and emotion-focused behaviours (Cabral, & de Oliveira Carvalho, 2014).

In a nutshell, practising ethics requires a balance of emotion and reason. Ethical leaders also need to be high on emotional intelligence when making ethics-related decisions, to avoid compromising personal and organisational values. Research shows that emotionally intelligent individuals who uphold ethical issues are highly likely to be heard and have more followers (Rubin & Riggio, 2005). In the same light, the persuasion of employees to support organisational change is most effective through affective rather than cognitive appeals (Van Kleef, van den Berg, & Heerdink, 2015).

According to Billington (2003), there are several important factors, which come to play as far as morals and ethics are concerned. Some of these factors are highlighted below.

- One of the most important aspects of ethics and morality is that no one can avoid making moral or ethical choices because it allows individuals to consider moral and ethical behaviour in social interaction with others. This points to the notion of ethical leaders and their followers.
- Moral decisions are imperative because all decisions affect other peoples' lives, self-esteems and even happiness levels.
- People are involved in others' moral and ethical decisions. There is no such thing as private morality.
- Moral reasoning should not be exercised in the field of morality and ethics without the option of choice. That is, one should be able to choose an option from many options to make a moral decision.
- There cannot be a clear-cut conclusion or resolution with ethical debates.
- Individuals use moral reasoning to make morally sound decisions or to behave rightly.

Ethical leadership varies from other forms of leadership because the concept does not include vision, self-awareness or religious orientation, which are qualities that may be correlated with many other constructs of leadership (Brown & Trevino, 2006). According to research carried out by Resick, Martin, Keating, Dickson, Kwong Kwan,

and Peng (2011) among managers in six different cultural societies, there are six characteristics of ethical leadership and these are accountability, consideration and respect for others, fairness and non-discriminatory treatment, character, collective orientation, organisation, openness and flexibility. To sum up, ethical leadership is perceived as an important factor in the management of an organisation's reputation externally and with its competitors (Blanchard & Peale, 1996; Kanungo & Mendonca, 1996).

The following section outlines some definitions and presents an extensive overview of this construct.

2.3 DEFINITION AND NATURE OF ETHICAL LEADERSHIP

The following definitions of ethical leadership have been identified:

There are various definitions of ethics with the overarching one stating that ethics are the values, beliefs and principles that determine what is right and wrong behaviour. Leadership is the process of influencing others to achieve goals and as such, ethical leadership can be defined as the process of influencing people through principles, convictions, and values that accept what is described as correct behaviour. (Mihelič, Lipičnik, & Tekavčič, 2010). In addition, Guy (1990) notes that ethical leadership is a process of investigation whereby questions on rightness or wrongness are asked and, in that way, set the example for followers and others about the rightness or wrongness of their actions. Guy's definition seems to be rooted in normative ethics that seek to comprehend ethics/moral behaviours by asking questions on what to consider as good or bad. This also means that defining ethical leadership would entail assessing the pros and cons of behaviours to come up with normative standard behaviour that every ethical leader should live/abide by.

Meanwhile, Zuma (2000, p.6) and Ciulla (2004) believe that ethical leadership implies leading in a manner that respects the rights and dignity of others. Leadership comes with followership, and a leader that respects and treats fellow workers with dignity will facilitate positive communication between both parties. The position of being leaders offers such people the social power to act and take decisions that influence others. How leaders use social power given to them is very important (Zuma, 2000). Ethical leaders possess integrity, which is vital in stimulating a sense of trustworthiness

needed by followers to agree/support the leader's vision. This is consistent with Brown et al. (2005) who are also of the opinion that the key aspects of ethical leadership are leading by example and treating people fairly.

Furthermore, Thomas (2001) proposes that an ethical leader is a person who lives according to principles of conduct that are fundamental to him or her. Ethical leaders also adhere to a more universal standard of moral behaviour and these universal standards are emphasised in normative ethics where ethical leaders are expected to follow set rules or standards instituted by the laws of the government/organisation. Van Buren (2015) asserts that ethical leadership is a process of influencing people through principles, values and beliefs that describe what is considered right behaviour. Yukl, Mahsud, Hassan, and Prussia (2013, p.38) also define ethical leadership as consisting of "altruism, compassion, honesty, fairness, and justice…. (and the) behaviours reflecting these values."

A further definition by Brown et al. (2005, p.120) considers 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." The term "normatively appropriate" refers to universal values such as honesty, fairness, and respect and these are reemphasised in normative ethics with ethical leaders tasked with following set standards/rules as stipulated by the organisation/government under which they operate. It is also imperative to note that norms and values determine the appropriateness of behaviour. More so, an ethical leader's "promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown et al., 2005, p.120) can be carried out through social learning. In social learning theory, followers learn appropriate ways of behaviour by imitating the actions of their leaders. At the same time, constant communication between the leader and follower provides a safe environment for two-way communication and the fostering/discouragement of good/bad behaviours through punishments/rewards. For the purpose of this study, this definition will be used as it contains the underlying components of morals, authenticity, and virtues. The definition also addresses two important components of ethical leadership which are: the moral person and the moral manager (for the purpose of this study, we shall only focus on the moral person) (Brown & Treviño, 2006). This is because the current study aims at analysing an

observer's perception of a leader's traits, character, and altruistic motivation that makes him/her ethical. Primarily leaders ought to be authentic moral persons for them to lead ethically (Treviño et al., 2000). Ethical leaders are upright, fair, and sincere as moral persons. While making decisions, they focus on firm ethical principles and take into consideration the society at large (Steinmann et al., 2016).

It should be underscored that ethical leaders are required to possess certain moral characteristics such as trustworthiness, integrity, honesty, and fairness to be effective leaders. Ethical leadership is assessed based on the leader's ability to stick to normatively appropriate behaviours. The above-presented definitions also place ethical leadership among the positive forms of leadership and focus on leader positive behaviours that lead to productive and satisfactory outcomes. It has two facets, and these are the moral manager and the moral person (Brown & Treviño, 2006). According to Trevino, Hartman, and Brown (2000), as well as Brown and Treviño (2006), there is a distinction between the moral person and the moral manager. However, is a good manager necessarily a good person and vice versa? Based on this question, the ethical leader, in terms of individual values such as fairness and integrity, reflects both as a moral person, while the moral manager leads by example and expresses ethical principles. Nevertheless, for the purpose of this study, we shall focus on the moral person since it is more related to our proposed construct.

Ethical leaders are thought to embody qualities such as honesty, integrity, fairness, trustworthiness, and humility (Brown, Treviño, & Harrison, 2005; Kouzes & Posner, 2008). It is worthwhile focusing on the moral person's component of ethical leadership. In the same light, followers observe leaders with specific traits and behaviours which in turn influences them on how to act when faced with various situations (Yates, 2014). Furthermore, the moral person is a mixture of behaviours, attributes, and decisions that all make up the credibility of the leader for ethical leadership.

The moral person component of ethical leadership indicates how the leader is likely to behave (Treviño & Nelson, 2011). That is, ethical leadership is rooted in the person of the ethical leader. Just as someone who calls him/herself an ethical leader is expected to make ethical decisions and behave accordingly when describing examples of ethical leadership, it is the "moral person" aspect that stands out when referring to an individual as an ethical leader. Moreover, by comparison, the moral supervision of

employees is unique to ethical leaders (Treviño et al., 2000; Brown & Trevin˜o, 2006; Toor & Ofori, 2009). This aspect is indicative of the leaders' efforts to emphasise the importance of ethics and promoting followers' ethical conduct. This is necessary for the leader's reputation as he or she has the credibility for leading ethically (Treviño et al., 2000; Brown & Treviño, 2006; Brown & Mitchell, 2010). Leaders who show honesty, integrity, and respect effectively make their employees compliant and increase their ethical conduct (Mayer et al., 2009). In a nutshell, for ethical leaders to be recognised as effective, they need to be moral persons. The next section will address some ethical leadership theories.

2.4. ETHICAL LEADERSHIP THEORIES

The section examines some ethical leadership theories, and these are virtue ethics theory, social learning theory, utilitarianism theory, and social contract theory.

2.4.1. Virtue Ethics Theory

If leaders are to be provided with the resources necessary to make ethically good decisions and develop subordinates to become good ethical leaders, constructing an ethics theory that shows what good character is and how it can be formed is imperative. Virtue ethics deals mainly with character problems and is a good place to begin. As indicated earlier, virtue ethics is necessary even within the context of ethical leadership because, in the face of ethical dilemmas, leaders with the right character make-up are likely to make the right decisions (Elliot & Engebretson, 2001). This theory is used as the backbone of this study in describing ethical leadership. This is because it has both elements of ethics in it and one of the components (virtue) which is also discussed and measured in this study.

A virtue is an exceptional trait of character. It is a disposition, well ingrained in a person, unlike a habit, one notices, expects, desires, values, feels, acts, chooses, and reacts in certain characteristic ways when one possesses virtue (Hursthouse & Pettigrove, 2016). To possess virtue, an individual need to behave in a certain way and uphold a certain type of mindset. Virtue is also a multi-track trait, so it would not be prudent to assign it to a leader based on one interaction experienced or even a few similar interactions, especially if one does not know the reasons why the leader did as he/she did (Sreenivasan, 2002).

Possessing a virtue varies from degree to degree. The full possession of virtue means holding full or perfect virtue, which is very rare, and there are several ways of falling short of this ideal (Athanassoulis, 2000). Even people who are described as fairly virtuous have blind spots in instances where they do not act for the reasons one would expect (Hursthouse & Pettigrove, 2016). A leader who is kind or honest in most situations, and remarkably so in demanding ones, may nevertheless be slightly affected by snobbery, considered to be insincere by witnesses and may be less than kind to strangers with the wrong accent (Hursthouse & Pettigrove, 2016).

Virtue-based ethics stress moral development and moral education. Under this theory, the character of an individual and not their nature or the consequences of their action matters when judging the rightness or wrongness of their action (Han, 2015). For example, in terms of lying, the focus of this theory will be placed mostly on the character of the leader who lies rather than the act of lying itself. Thus, on a case-by-case basis, the morality of deception is decided, which in turn is based on variables such as personal gain, community benefit and intentions (that is whether they are kind or unkind). If the character of a leader is great, then this will be seen by their actions. Finally, actions do not function individually but are focused on who we are as individuals.

The theory also focuses on the need for people to learn how to break bad habits of character, such as greed or rage while fostering temperance, fortitude, justice, and prudence. These bad habits are called vices and prevent individuals from becoming good/ethical leaders (Aristotle, 2005). According to Aristotle (2005) when people develop good character habits, they are in a greater position to manage their feelings (temperance) and their intent. This allows them, by doing so, to make morally sound decisions when faced with tough choices. This proposition is consistent with Brown and Trevino (2006) as well as Den Hartog and De Hoogh (2009) who agree that the degree to which a person can manage their emotions is an antecedent to ethical leadership. Thus, in the face of ethical dilemmas, leaders with the right character make-up are likely to make the right decisions (Elliot & Engebretson, 2001).

According to Hursthouse and Pettigrove (2016), it is the responsibility of a person to consider virtues or outstanding character qualities that promote human well-being and to cultivate these virtues within oneself. This is done through practice. The more the

individual practices them, the more ingrained they become and become habits (Ainley, 2017). Hence, in an instance in which a person faces a moral decision, they will act naturally, maybe unconsciously, by choosing the virtuous course of action. Therefore, virtue ethics focuses on being a virtuous person rather than on individual acts.

Virtue ethics is also faced with a lot of criticisms from researchers. Some researchers claim that the virtue ethics theory does not provide any guidance on how one can act, especially in morally confusing situations. However, the emphasis on virtue within the theory is what separates virtue ethics from deontology or consequentialism (Watson, 1990; Kawall, 2009). In conclusion, individuals should act in ways that reflect these values (temperance, fortitude, justice, and prudence), even if it means doing what is commonly perceived as bad or having unwanted consequences.

2.4.2. Social learning/Social cognitive theory

The social learning or social cognitive theory, postulated by Bandura (1986), explains that humans learn appropriate behaviours by observing or imitating others in their social environment. The suggestion is that people take cues on how to behave from people in power. Individuals prefer to pay attention to and mimic actions from trustworthy and attractive role models in selecting models for appropriate behaviour (Mayer et al., 2012). Individuals in leadership positions need to be ethical because employees come to the organisation with different knowledge of and commitment to ethical conduct. The culture the employee finds him/herself in also affects his/her actions, and that influence tends to be stronger if it comes from the leader (Brown et al., 2005). Via experiences, both leaders and employees will learn what behaviour is desired, rewarded and punished (Brown et al., 2005). Employees learn what is allowed or not by paying attention to how other employees are praised or punished and regulate their actions as a consequence. This is because ethical leaders affect the relationships in the organisation as well as other organisational outcomes (Engelbrecht, Heine, & Mahembe, 2014).

The social learning theory describes how ethical leaders influence their followers (Brown & Trevino, 2006). For leaders to be perceived as ethical, and as individuals who influence employees' behaviour, they must be truthful and reliable ethical role models. This is because, particularly in a negative business climate, employees may be wary of ethical remarks coming from certain organisational leaders.

According to Tuna, Bircan, and Yeşıltaş (2012), the Ethical Leadership Scale originated from the social learning theory to enable the measurement of ethical leadership to make a structural and empirical definition of the ethical leadership concept. According to Brown et al. (2005), the concept of ethical leadership defines ethical leadership as operating within the perimeter of personal acts and interpersonal relationships, as well as fostering adequate behaviour through a two-way contact system for followers. The theory of social learning focuses on the context and implications of ethical leadership and suggests that people learn the standards of acceptable behaviour in two ways, both of which are their interactions and watching others (Bandura, 1986; Bedi, Alpaslan, & Green, 2016). Besides direct observation, employees are impacted by their leader because they would be in charge of rewarding and punishing them. Thus, leaders are by their positions in organisations perceived as legitimate models for normative behaviour.

The implication is that ethical leadership is learnt or developed through socialisation. Within the context of the social learning theory, a leader can be considered as an ethical leader by followers if they are credible and attractive role model (Brown & Trevino, 2006). It might be challenging for an individual to distinguish between what is ethical and not if they do not belong or exist within a social structure. Accordingly, individuals must concentrate on imitating credible and attractive role models to learn such norms of appropriate conduct (i.e. how to be ethical) (Brown & Trevino, 2006). A further observation by Hassan, Wright, and Yukl (2014) underscores that Ethical leaders participate in actions that favour others and set simple and high expectations for others and that they meet these standards. The social cognitive theory also focuses on the ethical leadership element of the moral person, which relates to the perceptions of the leader's character, personal attributes, and altruistic motivation by the observer. (Brown & Trevino, 2006).

The social cognitive theory can be used to better understand the moral person facet of ethical leadership because leaders who are transformational, authentic, spiritual, or ethical, tend to focus more on their behaviour and attempt to align their behaviour with moral standards (Detert, Trevino, Burris, & Andiappan, 2007). That is, the leader cares about their followers' or subordinates' perceptions of their actions as this could affect how their followers will act/emulate their behaviour. Employees indeed learn that unethical behaviour is morally unacceptable from observing their leaders' behaviours

and, therefore, do not justify it, while ethical behaviour is morally acceptable (Brown & Trevino, 2006; Brown et al., 2005). More so, it should be noted that all four forms of leadership (transformational, authentic, spiritual, or ethical) identify leaders as moral persons (Detert et al., 2007).

The social learning theory has been criticised by some researchers for various reasons. Some of these reasons are that:

- The social learning theory, as postulated by biological theorists, ignores an individual's biological state. It is argued that the theory opposes individual differences due to differences in biology, brain, and learning (Jeffrey, 1985, p. 238). For instance, if an individual receives information about an upcoming company redundancy, he/she might respond in different ways and are more likely to experience a normal response emanating from the autonomic system. In a typical situation, the individual would respond by experiencing symptoms such as an increase in the heart rate, blood pressure, or even nausea. All these responses that come from the individual's autonomic nervous system are normal responses that they might exhibit in this particular situation. Therefore, the symptoms and behaviour are not taught but partly inherited.
- The theory of social learning is often criticised for opposing the methods of classical and operative conditioning. The biological readiness of a person to learn and the role of the brain in the processing of social environment knowledge is vital to learning theory, but social learning theory does not pay attention to these (Jeffrey, 1985, p. 238). In addition, "Social reinforcement is conditioned reinforcement based on the relationship of the conditioned stimulus to an unconditioned stimulus" (Jeffrey, 1985, p. 239). Therefore, the reality that employees view certain behaviours around them does not mean that they are prone to imitating such behaviours.

Summarily, the social learning theory fosters employee moral behaviour through the interactions employees have with leaders who model the right ethical behaviours. As a result, this theory contributes to the current study by emphasizing the importance of role modelling ethical behaviours that can have a spillover effect on others, as well as the organisation as a whole.

2.4.3. Utilitarianism theory (consequence-based)

The theory of utilitarianism stipulates that the consequences of actions depend on whether they are morally right or wrong (Mill, 1861). Utilitarianism, like the one that maximises utility, is a normative ethical theory that stresses the right moral behaviour. Utilitarianism is a type of consequentialism. It is the product of actions, laws and policies which decide whether they are correct or incorrect, and good or bad (Baron, 1993; Gaus, 2001a, b). Utility can be defined in several ways and it is usually related to the well-being of individuals. Bentham founded utilitarianism and defines it as an accumulation of pleasure after deducting the misery of everyone involved in any action (Loizides, 2019). Meanwhile, his student Mill (1806-1873) redefined utility as happiness while emphasizing rules, instead of individual moral actions (Mill, 1996). Some other theorists define utility in relation to preference satisfaction (Preference utilitarianism) which has been adopted by present-day economics (Den Hartogh, Jacobs, & Van Willigenburg, 2013).

According to utilitarianism, goodness is measured by the amount of happiness in the world. Thus, the right action is the one that maximises overall happiness (Mill, 1863/1979 as cited in Mill, 1996). Utilitarianism requires individuals to consider the impact of the consequences on everyone affected. The morally right action, the one individual must perform, is that which produces the greatest overall positive consequences for everyone. In addition, leaders in utilitarian organisations focus on structure and the improvement of performance, promotion, reaching a targeted level of excellence, as well as monitoring and enforcement of rules.

Ethical leadership in a utilitarian organisation requires compliance with internal and external rules through remuneration (Etzioni, 1975; Viet, 2015). In defining ethical leadership, Brown, Trevino and Harrison (2005, p.120) state that it is “the demonstration of normatively appropriate conduct to followers through two-way communication, reinforcement, and decision-making.” Normatively appropriate conduct may refer to treating self and others with decency and justice while in utilitarian organisations, normatively appropriate conduct refers to compliance with the internal and external rules of the organisation (Viet, 2016).

Ethical leaders are required, within the context of ethical leadership, to take into consideration all employees when making decisions. This ensures fairness and avoids

instances where ethical principles apply to only specific individuals in the organisation, thus causing dissatisfaction among subordinates. When leaders fail to act ethically, their actions later reflect the negative consequences involved in stakeholders. Sometimes, actions that are not ethical do not reveal themselves immediately when the leader is partaking in an unethical practice. However, such negative practices later come to light and eventually have drastic effects on the leader involved and eventually the organisation as a whole. Following the utilitarianism theory of doing what produces the best outcome, leaders are encouraged to act ethically (rightly) because it is only when they do so that the outcomes are likely to produce good ethical leaders, employee satisfaction and high productivity for the organisation.

Subsequently, the outcome of a leader's ability to implement/act on laws and policies rightly or wrongly will determine whether they can be called ethical leaders or not. It is the consequences of actions, laws and policies that determine whether they are good or bad, and right or wrong. Hence, this theory contributes to the current study by encouraging leaders to behave in the right way to avoid the negative consequences that ethical misconducts might bring to the organisation and its employees.

2.4.4. Social contract theory

The Social Contract theory (SCT) was first postulated by Thomas Hobbes during the era of the English Civil War between 1642 and 1648 (Hobbes, 1961a). The contract theory states that "morality consists in a set of rules governing behaviour that rational people would accept, on the condition that others accept them as well" (Rachels, 1999, p.145). Thus, a moral system comes into existence under certain contractual agreements between individuals.

The theory of social contracts indicates that people existed in a natural state with no government and no law to rule them from the beginning and that in different areas of society there were difficulties and injustice such that they entered into such agreements to escape such hardships (Elahi, 2005). Human competitive nature and the opportunity (absent moral rules and laws) made individuals continuously attempt to take advantage of each other to increase power and/or wealth, and their sense of security (Hobbes, 1985). As a result, it would be fair for the parties to agree on some basic moral rules and laws to stick by, and for which there are sanctions and punishments in the case of any violation. A government was then created to ensure

that humans respect the rules and laws of society and ensure that every individual can fairly pursue their self-interests. Thus, the social contract theory proposes that universal rules can be agreed upon by human beings, especially between individuals and the state.

In addition, individuals accepted, under the social contract theory, the idea that society's utilisation of the government, laws and social pressure gave the right to limit and interfere with individuals. However, these limitations and interferences must be based on certain moral or legal principles that are generally in the best interest of the people, rather than of the majority at a particular moment.

When applying the social contract theory within the societal context of today, one would understand that the theory seeks to unite the conflicting perspectives that organisational leaders, their followers and stakeholders have on what is right or ethical (Dunfee & Donaldson, 2002). This theory, as applicable in ethics, is comprised of moral principles set by individuals to govern behaviours. It nonetheless, differs from the other ethical leadership theories in that it strives to explain the origin of codes of conducts, behaviours considered as morally appropriate/acceptable, and the importance of instituting laws to guide businesses and the society at large. The theory also seeks to promote organisation and standardisation of actions and their consequences.

Every organisation has ethical codes of conduct that employees ought to abide by. Accordingly, for a leader to act ethically, he or she must be guided by some moral/ethical social contract enforced by both the society and organisation. Ethical leadership in effect entails that leaders act by the set code of ethics enacted by the organisation to foster an ethical climate. This theory contributes to the current study by asserting that ethical codes and norms are necessary for the effective functioning of organisations and that implementing these code of practices leads to organisational success and avoids ethical malpractices.

2.4.5. Deontology theory

The term deontology is derived from the Greek word "duty," and logos, "science." The Deontology theory, which focuses on the act being performed, emphasises that regardless of their effects on human welfare, certain actions are morally valid (Van Gerwen, Verstraeten & Van Liederkerke, 2007; Van Peperstraten, 2011; Den Hartogh,

Jacobs & Van Willigenburg, 2013). Some of the typical expressions that highlight this viewpoint are “virtue is its reward,” “Let justice be done though the heavens fall,” and “duty for duty’s sake.” This is contrary to the consequentialist theory, which explains that what an action brings into being is specifically the value of the elementary norm of morality. Hence, deontological theories are sometimes referred to as formalistic, as their primary focus is on the compliance of action to certain laws or regulations. The theory postulates that certain acts are intrinsically good or bad in themselves and that they are not to be performed irrespective of the consequences. Deontology has five main principles to be followed and these are:

- The individual has a set of moral codes outside the government code.
- The individual has rules to follow.
- The individual must trust the authority.
- The individual has many moral duties that they believe are more imperative than the general amount of happiness that can lead to behaviour that violates that duty.
- The individual feels that universal moral rules are objective.

Just like most theories, deontology has also experienced several criticisms. Deontology, unlike consequentialism and virtue ethics that emphasized the general amount of happiness resulting from exhibiting a behavioural pattern and the character of the person committing the act, focuses more on “following the rules,” and proposes that there is a universal moral wrong like lying which is always wrong (Buha, 2010). The first problem with deontology is that it puts too much trust in authorities when it comes to following rules. This notion does not consider the idea that authorities could be wrong and have been on several occasions (Mack, 2014). For example, there are cases where a leader uses his/her position to persuade followers to carry out unethical practices in an organisation. Thus, a consideration of the social learning theory here where employees tend to imitate the leader would mean that an unethical practice carried out by the leader might lead to his/her followers copying such practices.

Another criticism of deontology is that it has moral absolutes (Van Staveren, 2007). Moral absolutes refer to statements such as “lying is wrong”. Lying, killing, and adultery are considered wrong. However, are they always wrong? Lying sometimes to make

people happy is necessary. Also, killing a person sometimes for the greater good is necessary. For example, there is a runaway train, which will, if it continues on its current course, kill fifty people. However, if a switch is thrown and alters its course, the train will only kill one person. According to Kantian deontology, throwing the switch is not allowed because that would be murder, and unless the thrower is willing to permit everyone to murder for any reason, he/she cannot commit murder just because they believe there should be some special circumstances justifying such behaviour. The Kantian theory of deontology proposes that in such an instance, the person who does not throw the switch is morally blameless for the deaths of the fifty other people because intervening would have led to the violation of the categorical imperative, which is a rule that must be followed universally (Mack, 2014). Accordingly, deontological theories postulate that, in some cases, the “right” is given priority over the “good,” as opposed to consequentialists who define the right as whatever maximises the good (White, 2009).

There is, however, a school of thought that does not agree with the above deontological criticism and explains that in such a situation, the thrower cannot be termed as a murderer, but a killer. This is because killing someone is morally right within a specific context (for example, in the case of self-defence), while murdering them is intrinsically wrong irrespective of the consequences. Besides, if killing is wrong and an individual finds him or herself in a circumstance where killing a person would aid to save the lives of a hundred others, would he or she not reconsider the rule and look at its consequences in this specific situation? What of a situation where one has to choose between two evils, for example lying in court and betraying a friend? (Van Staveren, 2007). Thus, deontology is a good universalist ethical approach, but it is flawed when applied to concrete and complex real-life situations.

Moral absolutes tend to demean the ability of individuals to make decisions. Deontology has been criticised because it is often based on religion. All in all, the Deontology Theory of Permissible Harm purposely rules not to throw a switch to kill one person, but the outcome is that fifty innocent people die (which also infringes the Principle of Permissible Harm).

Just as the theory of deontology holds those in authorities in very high regard, organisations also perceive leaders as such. This is because leaders have the power

to make ethical/ unethical decisions that affect/influence employees. More so, people look outside themselves for ethical guidance (Alzola, 2008; Trevino, 1986). Organisational members are interested in the behaviour of managers who have positional and personal power. Thus, the way ethical leaders use their powers to engage in and influence others go a long way to reveal their true character (Gini, 1997). This theory contributes to the current study by emphasizing the importance of following organisational principles and policies to foster ethical behaviour.

2.5. ETHICAL LEADERSHIP MODELS

Two ethical leadership models have been identified and these are used for this study. They include a model for ethical leadership by Brown et al. (2005), as well as the Four V model of ethical leadership by Grace and Grace (1998). Each of these models will be explored below.

2.5.1 A model for Ethical Leadership by Brown et al.

A model developed by Brown et al. (2005), Trevino, Hartman, and Brown (2000), and Treviño et al. (2003) is used to map the ethical leadership construct. The definition of ethical leadership indicates the carrying out of normatively appropriate behaviours through individual actions and interpersonal relationships (Brown et al. 2005; Trevino et al., 2000; Treviño et al., 2003). In the same light, this model of ethical leadership explains the various situational influences, moderating influences, individual characteristics, and outcomes that influence the process of ethical leadership. The model highlights what constitutes normatively appropriate behaviours and actions, and the way interpersonal relationships influence ethical leadership. Figure 2.1 below illustrates this concept.

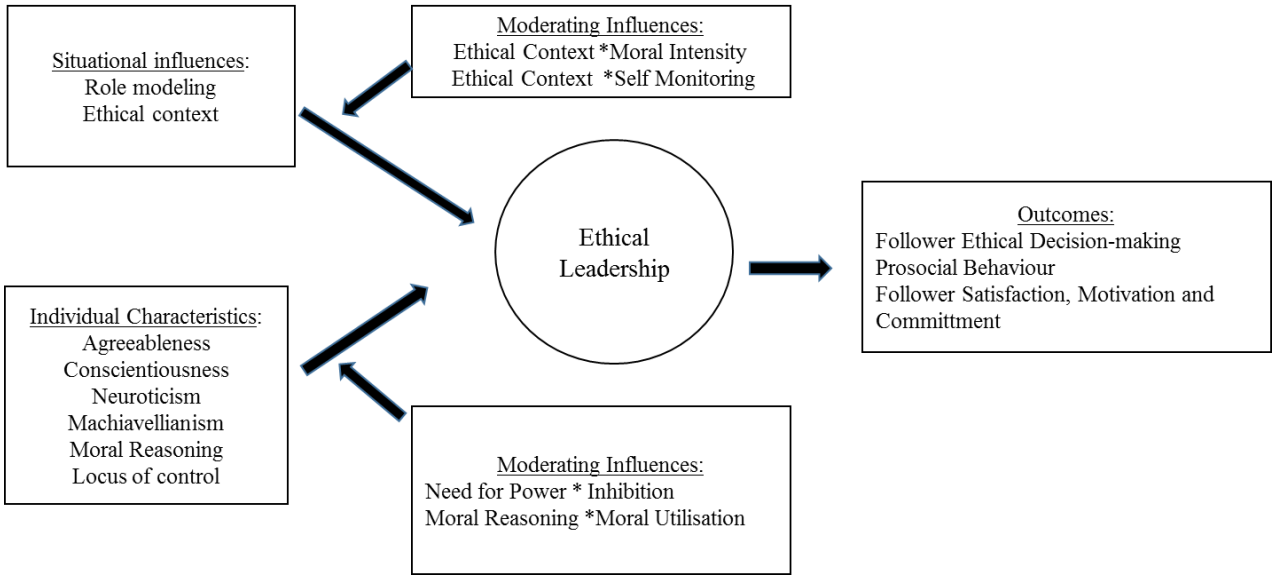

Figure 2. 1: A model for Ethical Leadership (Brown et al., 2005; Trevino et al., 2003, Trevino et al., 2000)

As seen in figure 2.1 above, ethical leadership can be influenced by situational factors such as role modelling and the ethical context within which leaders operate. Followers/subordinates tend to emulate what the leader communicates in the organisation through actions or behaviours. This indicates that having an ethical role model in one's career contributes to the development of ethical leadership (Brown et al. 2006) - as underscored earlier, emulating/role modelling a leader's actions is reflected in the social learning theory.

In this regard, the ethical context relates to the ethical environment or ethical culture, which more or less defines the organizational characteristics that encourage attitudes and behaviours related to ethics or do not support them (Victor & Cullen, 1988; Trevino, 1990; Trevino, Butterfield, & Mcabe, 1998). The ethical context in which the ethical leader operates is reflective of the deontology theory which emphasises the importance of the act being performed and argues that regardless of their implications for human wellbeing, certain actions are morally essential (Van Gerwen, Verstraeten & Van Liederkerke, 2007; Van Peperstraten, 2011; Den Hartogh, Jacobs & Van Willigenburg, 2013). Thus, based on deontology, supporting ethics-related attitudes and behaviours is the morally obligatory thing expected from ethical leaders.

An ethical climate refers to the "prevailing perceptions of typical organisational practices and procedures that have ethical content" or "those aspects of work climate

that determine what constitutes ethical behaviour at work" (Victor & Cullen, 1988, p. 101). There have been nine types of ethical environments proposed based on three philosophical approaches (principle, benevolence, and egoism). Research shows that the dimensions of ethical climate can positively influence managers' ethical decision-making intention (Flannery & May, 2000) and that ethical climate dimensions have a negative relationship with the willingness to lie (Ross & Robertson, 2000).

Research also shows that a relationship exists between authentic leadership and ethical climate or leadership. Generally, organisational leadership facilitates the ethical climate of an organisation when leaders concentrate on imparting organisational principles and creating harmonious cultures that share shared values and thoughts among members. According to Gardner, Avolio, Luthans, May, and Walumbwa (2005); Walumbwa, Avolio, Gardner, Wernsing, and Peterson (2008), as well as Nelson, Boudrias, Brunet, Morin, De Civita, Savoie, and Alderson (2014); Authentic leadership is seen as a potential factor affecting the ethical climate. This is because the use of transparency, honesty, loyalty and high moral values creates an ethical environment, and this creates and fosters healthy organisations. In authenticity (Kernis & Goldman, 2006), and the conceptualisation of authentic leadership, these characteristics can also be found. (Avolio et al. 2004; Gardner et al., 2005; Ilies, Morgeson & Nahrgang, 2005; Luthans & Avolio, 2003; Walumbwa et al., 2008). This demonstrates that authentic leadership, due to the characteristics of authenticity that facilitate open communication and behave according to core values, can establish an ethical climate within an organisation. Authentic leadership also promotes employees' potential and intention to behave ethically. It is worthwhile knowing that authentic leadership involves a positive moral perspective characterised by high ethical standards that guide decision making and behaviour (Avolio & Gardner, 2005; Luthans & Avolio, 2003; & May et al., 2003).

Figure 2.1 above also illustrates the individual characteristics of ethical leadership. Based on the social learning theory, agreeableness, openness, extraversion, conscientiousness, and neuroticism, often called the Big Five traits, have been identified as likely to be possessed by ethical leaders (Brown et al, 2006). A person who is creative, curious, artistic, and insightful is characterised by openness. A person who is active, assertive, enthusiastic and outgoing is characterised by extraversion.

Agreeableness describes a selfless, trusting, caring and cooperative individual. Agreeableness is related to ethical leadership through the concern people have for others. Leaders high on agreeableness strive to maintain social relationships (Jensen-Campbell & Graziano, 2001). These leaders are also attentive to the needs of followers. Since ethical leaders are often characterised as altruistic, compassionate and concerned for employee well-being, agreeableness may have a positive relationship with ethical leadership (Kanungo, 2001; Trevino et al., 2003).

Neuroticism often relates to a person who is anxious, hostile, depressed, stressed, moody and impulsive (Kalshoven, Den Hartog, & De Hoogh, 2011) and less likely to be perceived as a role model (Bono & Judge, 2004). More so, neuroticism is related to low self-esteem and low self-efficacy (Judge, Erez, Bono, & Thoresen, 2002). Taking Bandura's (1986) theory of social learning into account, individuals with low self-esteem and self-efficacy appear to have low levels of trust in their abilities, are less likely to be regarded as role models, and are also less able to direct others. A suitable behaviour and an essential part of ethical leadership is role modelling (Brown et al., 2005; Treviño et al., 2003), subsequently, there is probably a negative relationship between ethical leadership and neuroticism.

Conscientiousness describes an individual as dependable, accountable, loyal, and determined. Less conscious people are more careless, unreliable, and irresponsible, and therefore less likely to be good ethical leaders (Digman, 1990; McCrae & John, 1992). Meanwhile, conscientious leaders may more likely come across as trustworthy because they can be depended on, and are very consistent in their actions (McAllister, 1995; Whitener, Brodt, Korsgaard, & Werner, 1998). Leaders high on conscientiousness are possibly portrayed as role models for proper behaviour by behaving diligently. This is also illustrated in the social learning theory that was implemented in the ethical leadership framework by Brown et al. (2005).

Agreeableness and conscientiousness are related to ethical leadership (Kalshoven, et al., 2011). Followers exercise agreeableness when they are kind, trusting, and take the needs of others into account. Also, individuals high on conscientiousness take time to think before acting, morally do things rightly for themselves and others, and treat co-workers the right way (Kalshoven, et al., 2011)

Figure 2.1 also shows moderating influencers on ethical leadership that includes moral intensity, self-monitoring, need for power (inhibition), and moral reasoning (moral utilisation). The moral aspect of a given situation is defined by moral awareness. If an issue is not regarded as having moral substance, then mechanisms for ethical judgment are less likely to be followed. Self-monitoring refers to the attentiveness of a person to and control of how they portray themselves to others. Moral utilisation/potency stresses that people vary in terms of moral reasoning capacities, but to the degree to which they use their capacities in ethical decision-making for principled reasoning.

The outcomes of ethical leadership include; follower ethical decision-making, pro-social behaviour, counterproductive behaviour, follower satisfaction, motivation and commitment. A leader who leads effectively and consistently the outcome and enables employees' higher job satisfaction in their organisation (Philipp & Lopez, 2013). Job satisfaction is linked to job performance, and that in turn leads to higher productivity which is vital for every organisation to survive. These outcomes will subsequently be explored after the next model had been discussed in the following section of the study.

2.5.2 Four V Model of Ethical Leadership

The Four V ethical leadership model is based on the leadership research of Dr Bill Grace on personal interests around faith and ethics (Kar, 2014). This model is a system that integrates internal (beliefs and values) with external (behaviours and actions) to achieve the common good (Grace & Grace, 1998). According to Brown et al.'s (2005) definition of ethical leadership, the word "reinforcement" that is used implies establishing a belief or pattern of behaviour. In the same light, the Four V model of ethical leadership emphasises that there is a need for ethical leaders to exhibit their values and beliefs through actions. This means that if an ethical leader values or believes in transparency, then, he or she should act and behave in a way that encourages or reinforces such internal beliefs or values. Figure 2.2 below shows a diagrammatic illustration of the Four V model of ethical leadership.

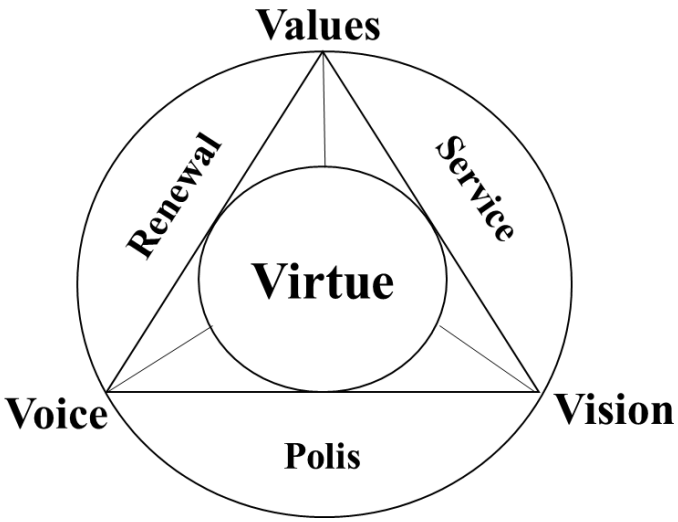

Figure 2. 2: Four V Model of Ethical Leadership (Grace & Grace, 1998)

It is often said that change begins from within just as our actions and behaviours are a reflection of our thoughts (that is, beliefs and values). For this reason, it is imperative to use the Four V model of ethical leadership in an attempt to understand ethical leadership. Kar (2014) further explains that leaders need to practice integrity as part of their inner journey and be outwardly committed to the common good. This begins when the ethical leader embarks on an inner journey that assists them to discover and claim their core values, develop a vision on how the world could be different, find a voice to express their vision, and realise the wisdom that leads to the outer commitment of living and behaving in ways that serve the organisation/community and advance the common good (Grace, 2006). According to Kar (2014), there are four pillars of this model of ethical leadership which include the following:

Values: Ethical leadership begins when the leader has an understanding of and commitment to his/her core values. First of all, the leader discovers the values at the core of their identity. By so doing, they begin the process of integrating their unique values with their choice-making on all levels of their personal and civil lives. According to Aghiorghiesei, Poroch, and Perțea (2015), ethical leadership starts with people because a leader can only exist if he or she has followers. Hence, the moral character of the leader indicates to others that he or she is a “genuine human being”. In the same way, followers will only follow a leader if they are of the view that he or she has authentic ethical values which defend their dignity and interests (respect, empathy, openness); which are all powerful sources of self-trust for subordinates. The values of

an ethical leader who provides the vision and mission for organisational strategy are a fundamental part of strategic decision-making (Bai, 2012). It is apparent that an ethical leader's value system is a very important aspect when leading. Values are meant to serve others, and this implies a latent vision (Grace, 2006).

Vision: Vision refers to the ability to frame our actions - especially concerning service to others - with an idea of what should be. Based on the values (respect, empathy, openness) an ethical leader possesses, he or she will choose a path together with his or her followers by formulating a vision for integrating these moral values to their benefit and for the common good of the organisation. A vision can only be communicated using a voice (Grace, 2006). A poorly crafted vision can lead to unethical decisions that can affect the organisation.

Voice: Being in control of one's voice relays a process of articulating the ethical leader's vision to others authentically and convincingly and thus animate and motivate them to action i.e. undertaking public action based on the vision (Grace & Grace, 1998). This leads the passage from work to *polis* (city: an engagement in the art of politics) which can be expressed orally, in written form or through inaction and requires an ongoing process of value renewal. An ethical leader is known to role model good behaviour. Part of role modelling also includes the way the leader speaks, especially in challenging situations. Followers tend to emulate not only what an ethical leader does, but also what he says.

Virtue: Virtue develops when leaders understand that they become what they practise. Virtue is fostered when virtuous behaviour is practised - attempting to do what is right and good (Grace & Grace, 1998). To always keep actions in place, ethical leaders often ask questions such as "How are my values, vision and voice in keeping with the common good?" Virtue implies the Common Good and suggests that the ethical leader reflects on his/her values, vision and voice to sustain the virtue (Kar, 2014).

As earlier discussed in the virtue theory, virtue ethics deal with issues of character and it is a good place to start because leaders who have the right character make-up are likely to make the right choices when faced with ethical dilemmas (Elliot & Engebretson, 2001). Hence, the virtue theory is the underpinning theoretical foundation for the four V model of ethical leadership. The four V model of ethical

leadership is considered in this study. According to Bai and Roberts (2011), in the Daoist view, whenever there are inconsistencies between organisational contexts and leaders' virtues, this leads to an imbalance of internal forces in the organisation and would eventually result in organisational or leadership failures - besides a temporary success that might occur in some instances.

To conclude, the demand for ethical leadership continues to grow, and ethical leaders distinguish themselves by doing that which is inconvenient, not popular and sometimes unprofitable to achieve long-term benefits and value for the organisation and society at large (Kar, 2014). Some of these unpopular ideas come in the form of the leader's values, vision, voice, and virtues. Possible outcomes associated with ethical leadership will be discussed in the next section.

2.6 OUTCOMES ASSOCIATED WITH ETHICAL LEADERSHIP

Ethical leadership impacts individuals and the organisation in various ways. Some of the outcomes that will be discussed below include job satisfaction, trust, lower levels of unethical behaviour/culture, organisational commitment, harmonious work environment, ethical decision-making, lower level of counterproductive work behaviours, and Organisational Citizenship Behaviour (OCB). Research also shows that ethical leadership has an impact on the final product of followers' work (Bedi, Alpaslan, & Green, 2016). Each of these factors is explained below.

2.6.1 Job satisfaction

For any organisation to be efficiently productive, job satisfaction is very important. According to Judge, Thoresen, Bono, and Patton (2001), job satisfaction is the underpinning factor of how employees perceive an organisation. Job satisfaction has also been found to be positively related to job performance (Judge et al., 2001). Qing, Asif, Hussain and Jameel (2019) further explain that ethical leadership has a strong relationship with a subordinate's satisfaction with his or her leader. This happens when the leader puts in extra effort and is willing to report ethical problems. Ethical leadership is also positively linked to job satisfaction and the psychological well-being of employees (Philipp & Lopez, 2013). This is because people are more prepared to endure hardship and challenges if they are sure that the leader is acting in ways that are not selfish and are ethical in the process. However, if the perception is that the leader has concerns only for him or herself and his or her career advancement, then

even good deeds might be affected by this perception, leading to a toxic culture marked by dissatisfaction and withdrawal.

Employees working for ethical leaders are typically satisfied with the leader and organisation, and this can greatly increase their moral conduct (Toor & Ofori, 2009). Moreover, there exists a positive relationship between a leader's ethical behaviour and employees' level of commitment (Mize, Stanforth, and Johnson, 2000). Commitment to a common mission and vision that is ethically grounded and socially responsible goes the extra mile to creating harmony within an organisation (Mayer et al., 2012). When this happens, a conducive work environment and there is a likelihood that an ethical leader's interaction with subordinates would also lead to higher job satisfaction.

2.6.2 Trust

Trust is an essential component that is often minimised due to the ethical misconducts practised by several well-known leaders. It is often said that "people do not leave a bad job, they leave a bad boss." Ethical leadership is positively related to the extent to which followers trust the leader, and it is negatively related to turnover intentions (Eisenbeiss, 2012, p.799). That is, it is less likely that followers will quit an organisation that is characterised by ethical leadership. Ethical organisations focus on ensuring the good of those who have committed to advancing the organisation's goals in ethical and socially responsible ways (Eisenbeiss, 2012, p.799). Employee trust in the organisation might diminish once they begin to feel that their work holds no meaning or value.

Moreover, ethical leaders follow through with their words by behaving accordingly. Besides displaying integrity, fairness, and caring for others, this consistency in ethical leadership inspires trust among followers (Zhu, May, & Avolio, 2004). The trust employees have in their leader is associated with positive follower attitude and behaviours (Den Hartog & Hoogh, 2009). Therefore, it is plausible to assert that ethical leadership yields increased levels of trust, employee job satisfaction, organisational commitment, and organisational citizenship behaviour (Yates, 2014).

2.6.3 Lower level of unethical behaviour/culture

When leaders behave in an ethical manner, employees are less likely to be involved in unethical behaviour (Mayer et al., 2012). The CEO usually sets the culture and so if they are unethical then an unethical culture spread drastically. Ethical leaders send

clear signals about how the undertakings of a business should be carried out. They also handle ethical conducts fairly, wisely and decisively (Mayer et al., 2012). The promotion of an ethical culture by ethical leaders helps them to become successful in maintaining organisational growth, providing good services demanded by the society, competing with others, and with the ability to address problems before they become disastrous (Madu, 2012). Leaders who take part in, facilitate, or promote unethical behaviour in the organisation do not display ethical leadership (Brown et al., 2005). Instead, leaders who encourage and promote unethical behaviour among followers exhibit unethical leadership (Pinto, Leana, & Pil, 2008).

2.6.4 Organisational Citizenship Behaviour (OCB)

Organisation Citizenship Behaviours (OCB) are proactive behaviours that are mostly motivated by employees' willingness to voluntarily contribute to the organisation (Lavelle, 2010). Organisation Citizenship Behaviours include actions considered as part of formal job descriptions and that facilitating an effective functioning of the organisation (Lu, 2014). Examples of such OCB actions include volunteering, helping co-workers, staying up to date with organisational affairs, and displaying a positive image of the organisation to outsiders (Lee & Allen, 2002; Williams & Anderson, 1991). Research shows that the effects of ethical leadership on organisations promote positive attitudes and behaviours among members (Brown et al, 2005; Piccolo, Greenbaum, den Hartog, & Folger, 2010; Walumbwa et al., 2011). Leaders are people in power and status, and are in effect, models for employees. As a result, employees are aware of appropriate behaviours and will copy such (ethical) behaviours. Another significant point is that when followers consider ethical figures as role models of ethical behaviour, they emulate their ethical norms and positive acts (Brown and Treviño, 2006). Furthermore, employees tend to display OCB when they perceive the procedures in the organisation as fair (Alotaibi, 2001).

According to Kacmar, Andrews, Harris, and Tepper (2013), ethical leadership plays an important role in employee organisational citizenship behaviour. In addition, there is a positive relationship between ethical behaviour and organisational citizenship behaviours (Kacmar, Bachrach, Harris, & Zivnuska, 2011; Mayer, et al., 2009). A leader's fairness encourages employees to engage in OCB, which stems from the psychological contract that exists between the leader and his or her employees. Although there is a positive relationship between ethical leadership and OCB, Philipp

and Lopez (2013) found that ethical leadership cannot directly predict OCB. Another study found ethical leadership not to have a direct impact on OCB (Yates, 2014). Meanwhile, other studies indicate that the relationship between ethical leadership and OCB is directly related (Cyril & Girindra, 2009; Michael & Linda, 2006; Silke, 2012).

2.6.5 Organisational commitment

Most managers and researchers are aware that that organisation must compete in the market to retain their employees. Employees who feel committed to the organisation can greatly reduce the rate of employee intention to leave (Naqvi, Hashmi, Raza, Zeeshan, & Shaikh, 2011). Leaders can influence, lead, and manage employees, however, it would be difficult for them to retain employees should they be not ethical, honest nor reliable (Ulrich, O'Donnell, Taylor, Farrar, Danis & Grady, 2007; Toor & Ofori, 2009; Brown & Mitchell, 2010). Studies have shown that open (clear) ethical behaviour from managers has a positive effect on job satisfaction and organisational commitment (Viteel & Singhapakdi, 2008). As a result, employees tend to listen to the leader because of his or her ethical practices, which in turn makes employees confident and committed as they work in a fair working environment (Deconinck, 2010; Schwepker, 2001). This shows that employee commitment is imperative for all kinds of businesses.

2.6.6 Harmonious work environment

The happiness of a person at work and how it influences their satisfaction with life has always been reflected on since work has become a big part of our lives (Yang, 2014). Ethical leaders have a positive influence on employees' prosocial behaviour and ethical conduct, which means that they have the ability to influence the work environment negatively or positively (Brown et al., 2005; Mayer et al., 2009). According to Christian, Bradley, Wallace, and Burke, (2009); and Nahrgang, Morgeson, and Hofmann (2011), positive leader behaviours can play a huge role in promoting workplace wellbeing. Equally significant, a collective environment is generated by the moral climate of a workplace where workers feel the warmth of peers when faced with moral decisions (VanSandt & Neck, 2003). Support for ethical behaviour by the manager can improve levels of job satisfaction (Koh and Boo, 2001), which is a deciding factor for the well-being of employees, as well as a harmonious work climate. In addition, two-way contact provides a favourable work climate in an ethical leadership setting (Mayer, Aquino, Greenbaum, & Kuenzi, 2012).

2.6.7 Ethical decision-making

Research has shown that ethical leadership behaviour influences ethical decision-making (Bagdasarov, Johnson, MacDougall, Steele, Connelly, & Mumford, 2016). More often, the complexity related to ethical decision-making stems from the competing motivations of professionals and managers, levels and types of competition, and individuals' tendency to overestimate their ability to make ethical decisions (Winston, 2007). A study carried out by Valentine, Nam, Hollingworth, and Hall (2014) indicates that an organisation's overall ethical context affected ethical decision-making. Thus, the practice of ethics by ethical leaders influenced decision-making. According to Winston (2007), organisations with the most ethical track records generally tend to be the most successful organisations. Even though ethical leadership influences decision-making, the outcome of ethical decision-making could depend on the thought processes, organisational context and perceptions on ethical behaviour.

Ethical decision-making is also influenced by cultural perspectives. In ethical decision-making, where the focal point on ethics is a long-term social good, Mexican employees demonstrate an inclination towards rule utilitarianism. In addition, Chinese workers are geared towards utilitarianism, where the emphasis on ethics points to the immediate results of behaviour over the potential for long-term benefit (Erdener, 2013). Whatever the case may be, it is important to note that it is possible to have two leaders who "do the right thing" but who make decisions differently on an issue based on their ethical perspectives. It is for this reason that there is a relationship between ethical perspectives and leadership style (Groves & Larocca, 2011; Kanungo, 2001; Preskill & Brookfield, 2009).

2.7. SIMILAR FORMS OF ETHICAL LEADERSHIP

Various styles of leadership have been investigated by researchers. Most often, transformational (Bass, 1985; Bass & Avolio, 1993) and charismatic leaders (Conger, 1999; Conger & Kanungo, 1998) are perceived as ethical leaders who model ethical conduct (Avolio, 1999), positively ethically influence followers, (Kanungo & Mendonca, 1996), function with higher levels of moral reasoning (Turner, Barling, Epitropaki, Butcher, & Milner, 2002), and transform followers into moral leaders (Burns, 1978). Both transformational and charismatic leaders have been extensively studied (Avolio, Walumbwa, & Weber, 2009; Judge & Piccolo, 2004) with findings suggesting that transformational and charismatic leadership are positively related to essential ethical

outputs such as the perceived trust followers have for their leader (Pillai, Schriesheim, & Williams, 1999) and organisational citizenship behaviours (Podsakoff, MacKenzie, Moorman, & Fetter,1990). However, both forms of leadership are not the same as ethical leadership. Outcomes such as employee violence (Hepworth & Towler, 2004) and organisational deviance are also negatively correlated with transformative and charismatic leadership styles (Brown & Trevino, 2006). In addition, Aaltio-Marjosola and Takala (2000) note that ethics plays a "guardian's role" when evaluating the outcomes of the charismatic leadership processes. Though the two forms of leadership are not the same as ethical leadership, they, however, possess certain characteristics of ethical leaders.

Transactional leadership originates from the leader-member exchange leadership theory. Under the transactional leadership style, rewards and incentives are provided when followers put in the required effort by complying with organisational norms and objectives, which is also a characteristic of ethical leaders (Pastor & Mayo, 2008). This shows that transactional leaders attain results through organisational processes, including reward practices and the implementation of organisational policies and procedures (Sarros & Santora, 2001). For example, qualitative research indicates that leaders who reward short-term results, model aggressive and Machiavellian behaviour, do not punish followers' wrongdoing, and promote like-minded individuals, heighten unethical behaviour within organisations (Sims & Brinkmann, 2002). In addition, transformational leaders assist their followers to perform beyond organisational expectations. They focus on the moral development of followers (Dion 2012). Sama and Shoaf (2008) believe that transformational leaders strive to transform their followers into ethical leaders. Thus, the reason why some researchers affirm that ethical leadership is derived from transformational leadership models.

Furthermore, Kanungo (2001) asserts that transformational leaders are characterised by deontological orientation (Kantianism): behaving with a sense of duty towards others. However, this does not mean that transformational leaders are necessarily ethical (Banerji & Krishnan, 2000). According to Bowie (2000), a Kantian leader promotes the independence of their followers and teaches them to be leaders. Hence, transformational leadership is more or less associated with Kantian leadership.

Some leadership and ethics researchers also indicate that the transformational leadership process is based on a set of ethical values when compared to transactional leadership (Groves & LaRocca, 2011). Furthermore, theory shows that deontological ethics is probably related to transformational leadership, while transactional leadership is related to teleological ethics. Nevertheless, there is very little empirical research to support these claims. However, data from 122 organisational leaders and 458 of their followers shows that leader deontological ethical principles (altruism, human rights, Kantian principles, etc.) were closely related to follower ratings of transformational leadership. In addition, leader teleological ethical values (utilitarianism) were associated with follower ratings of transactional leadership (Groves & LaRocca, 2011).

Even though there are several positive outcomes of transformational leadership, including positive results on follower effort, job satisfaction, organisational commitment and performance (Lowe, Kroeck, and Sivasubramaniam, 1996), the literature remains incomplete in research that explore the ethical standards and moral foundations of transformational leadership. Authentic leadership has also been found to be related to transformational leadership (Luthans & Avolio, 2003; Walumbwa et al., 2008) and emphasises more on the ethical dimension of leadership. There is ongoing research that aims to link authentic leadership to important ethics-related outcomes.

2.8. INTERVENTIONS TO PROMOTE ETHICAL LEADERSHIP BEHAVIOURS

Leaders play a very important role in determining the moral quality of a society and organisation by influencing them positively or negatively. Leaders who fail to act and behave in line with shared moral values created moral cynicism which is “like cancer” that “corrodes the moral health of society” (Kanungo & Mendonca, 1996, p.6). While ethics and leadership are important contributors to organisations and society, without ethics in leadership, organisations may take on a role that could negatively hurt the entire world (Derr, 2012).

The business environment continues to struggle to maintain high ethical standards as organisations strive to achieve success amid a competitive business environment, even if it means bending the rules at any cost. However, winning at any cost is not winning at all. Taking “shortcuts” is not a plausible thing to do either. Research suggests that firms with strong ethical cultures outperform those with poor ethical cultures (Raymond, 2011). Data released by the Corporate Executive Board,

according to Raymond (2011), revealed that organisations with sound ethical cultures, transparent communication, and managers who model corporate values produced shareholder returns that were 5 per cent higher on average than their peers, and more than 12 per cent increased worker productivity. Such organisations were 67 per cent less likely than those in organisations with environments of low integrity to suffer workplace misconduct. Several ways on how to promote ethical conduct in the work will be subsequently discussed.

2.8.1 Train employees

For employees to act ethically within an organisation's code of ethics, they first need to know what the code is or why it is important. It is imperative that organisations hold regular training sessions on ethics and how to approach ethical dilemmas among employees (Lloyd & Mey, 2010). This can be accomplished by setting up and promoting a structured ethics program that includes a written code of conduct, ongoing training, an ethics hotline with anonymous reporting (where permitted), annual corporate policy reviews, processes and internal controls, dynamic internal communications, and allowing the ethics organisation the required independence to fulfil its obligations (Raymond, 2011). Training and tools should be given, and greater focus should be put on being ethical and behaving appropriately so that employees can develop a clearer understanding of the organisation's standards. Dorasamy (2012) adds that management should organise organisational ethics programs that support whistleblowing and high ethical standards.

2.8.2 Reward Ethical Behaviour

Research suggests that there is a link between rewards and ethical behaviour (Mitchell, Schaeffer, & Nelson, 2005). Ethical behaviour is driven by the way it is encouraged and rewarded. Serious organisations need to define ethical behaviour in the business context and develop strategies to reward desired behaviours. Most often than not, organisations expect ethical behaviour; however, promoting this as a prominent behaviour among employees requires the leader/employer to show and prove this by providing rewards for good ethical behaviour (Belcher, 2017). An employee who goes beyond expectations to do what is best for his or her customers, for example, is deemed to be an ethical act and should be compensated and celebrated to set the tone for others to aspire to do the same. The more employees are recognised for good moral choices, the more likely other colleagues would follow

suit. Not only should incentives be based on what objectives are met, but also on how the requirements are met.

Ethical behaviours are observable and the instances when employees demonstrate them or not can be tracked, and positive reinforcement or corrective feedback provided (Mitchell et al., 2005). As a result, employees can be held accountable for behaviours and achievements, and success in both of these areas can be as well rewarded. There are consequences also for failure to act ethically and for failure to achieve results.

2.8.3 Modelling ethical leadership

According to the social learning theory, role models facilitate the acquisition of moral and other types of behaviour (Brown & Trevino, 2014). Managers who are held to a higher ethical standard tend to be credible when communicating expectations to subordinates with subordinates also exhibiting some credibility. It is necessary to ensure that management frequently talks with employees who work through possible ethical concerns that might occur and figure out ways to solve them as a team. This shows that a movement in the same direction by everyone would most likely lead to the entire team's adoption of the same type of ethical behaviours (Bello, 2012). More so, it is important to keep promises and commitments to one's team, one's clients and one's shareholders, particularly when there is pressure to sacrifice values.

Organisations where employees firmly believed their leaders kept their promises and exemplified the ideals they preached were substantially more successful than those whose leaders ranked average or lower, according to Tony Simon's comment in the Harvard Business Review (2002). It is also worthwhile knowing that ethical behaviour is reciprocal and thus, employees are more likely to reciprocate when their managers exhibit trustworthy behaviour, which makes it important to demonstrate fairness and transparency in all your decisions (Bello, 2012; Trevino, Brown, & Hartman, 2003). Furthermore, role modelling has been related to ethical behaviour in the workplace and pro-social behaviour in children (Moberg, 2000; Sims & Brinkmann, 2002; Weaver, Treviño, & Agle, 2005). Exposure to ethical role models can contribute to the growth of an individual's ethical leadership (Brown & Trevino, 2006; Weaver et al., 2005).

2.8.4 Consider a work-life balance

Research conducted by Twenge (2010) found that employees associate more with organisations that focus on work-life balance. Cowart, Gilley, Avery, Barber, and Gilley (2014) suggest that the key enforcers of work-life balance are managers. According to a Deloitte and Touche 2007 Ethics and Workplace report, 91% of employees surveyed indicated they were most likely to make good ethical decisions at work when they had a better sense of work-life balance. Research shows that management support, collaboration, and comprehension are essential to the achievement of work-life balance by employees (Anderson, Coffey, & Byerly, 2002; Eversole & Crowder, 2020). Furthermore, Eversole, Venneberg, and Crowder (2012) add that inflexible and insensitive leaders increase tension, decrease productivity, and negatively affect work-life balance. Employers need to pay attention to signs of burnout or discontentment among employees and take steps to address such situations where necessary. Considering that one of the most crucial predictors of work-life problems is the supervisor-subordinate relationship (Watkins & Marsick, 1995), Collins, Hair, and Rocco (2009) indicate that this relationship can be improved with awareness of generational differences and each generation's contrasting work values. Managers/leaders are encouraged to be supportive and sensitive towards employees as well as their family responsibilities (Thompson, Beauvais, & Lyness, 1999).

2.8.5 Setting clear employee ethical behaviour expectations

Setting clear expectations to employees on what is expected of them in terms of ethical behaviour and explaining company values and desired conduct is an essential aspect of ethical leadership. Managers should ensure that the necessary tools and training are provided to assist employees to make the right decisions. The right policies and procedures should be stipulated and made accessible. In addition, ethics and compliance individuals who can guide and coach employees with ethical challenges or questions should be made available especially in instances where international customs or business practices are ambiguous to understand (Raymond, 2011).

2.8.6 Maintaining vigilance to avoid ethical risks

Paying attention to avoid ethical risks can be done by including a structured risk assessment process, especially in developing economies. Policies and procedures must be occasionally reviewed to ensure compliance with current local and global laws. With such an outline in place, organisations can assist members to properly

handle the pressure to win business, and the requirement to effectively conduct business. Leaders must reinforce a strong ethical culture that reminds employees about what is important and what should be done. Managers should also exercise sensitivity towards the laws and customs of a diverse global clientele environment, which can provide them with a competitive edge in the market. This is an advantage that is sustainable and important considering the realities of the global defence market today (Raymond, 2011).

2.8.7 Promoting a culture of openness and transparency

A culture of openness and transparency can be promoted by making intentions and motives known. If possible, share business information with team members. Leaders should provide an environment where employees can express their concerns and ask questions (Avolio & Gardner, 2005). Leaders can gain trust from followers by being transparent and accountable. They should be open with information about strategies and performance, keep to their promises and commitments, openly make decisions, own up to their mistakes, and reward behaviour that encourages transparency and truthfulness (Vogelgesang, 2008). Transparency also includes being open to give and receive feedback and aligning words with actions (Vogelgesang & Crossley, 2006). When a leader is transparent, "followers come to know what the leader values and stands for, and that the leader understands who they are as well. Furthermore, if such insights reveal high levels of congruence between the attributes, values, and aspirations of both parties, the level of trust will deepen" (Avolio, Gardner, Walumbwa, Luthans, & May, 2004, p. 811). Therefore, the establishment of higher levels of transparency and openness creates an equally higher degree of trust between leaders and followers (Walumbwa et al., 2008).

2.9 ETHICAL LEADERSHIP IN FINANCIAL INSTITUTIONS

Ethical leadership continues to present itself as a challenging issue for most organisations, and more recently, with specific reference to financial institutions. Financial institutions are vital in the accomplishment of financial developmental goals, initiatives, and stability. Financial institutions, such as banks, have an imperative role to play in the development of a successful society (Monga, 2016) because every country's financial systems are necessary to their economy (Suh, Shim, & Button, 2018). Global development also requires adherence to business ethics and societal values (Revelli, 2016).

Since the 2008 financial crisis, financial institutions within the globe continue to struggle with ethical problems. Some of such challenges include the manipulation of energy markets, money laundering, mortgage-backed securities fraud, and the price-fixing of foreign currency. A report on “Banking Conduct and Culture” recently called for the need for financial institutions “to repair the damage done by failures in culture, values, and behaviours, and…tackle the challenge with renewed vigour and purpose to achieve tangible improvements in outcomes and reputation” (Group of Thirty, 2015, p. 5). As a result, research on organisational culture and employee behaviour in the financial industry has been increasing (Baxter, 2015; Tarullo, 2014).

Despite some initiatives by certain organisations to enforce codes of conducts, some financial institutions have failed to improve on ethical malpractices (Group of Thirty, 2015). Research on ethics in the workplace focuses on the importance of aligning systems and processes with organisational values and the role leaders play in creating ethical cultures (Fichter, 2018). Not much is known about how individual managers/employees experience the ethical decision-making process, particularly in risky organisational environments where there are differences between formal and informal ethical practices. What is important is how employees/managers apply personal judgement as they partake in the decision-making process in an ambiguous corporate environment; and how they handle possible inconsistencies between an organisation’s formal codes of conduct or statements of organisational culture and that organisation’s actual practices.

As managers and employees in financial institutions attempt to reach monthly profit goals, they may engage in unethical acts to meet or exceed these goals. Their moral beliefs may influence their perception of money (Cohn, Fehr, & Marechal, 2014). Therefore, for businesses to survive and derive long-term successes, there is a need for an ethical business environment to be created besides other legislative and political structures put in place (Remisova, Lasakova, & Kirchmayer, 2016).

2.10. SUMMARY

Anyone can be an ethical leader when the economy is good and when there is less pressure from outside, but making a challenging decision that is morally and ethically correct, even when it is not popular is what differentiates ethical leaders (May et al., 2003). This behaviour may displease those looking for the easy way to get things done;

nevertheless, it will ultimately benefit the manager in charge. As managers begin to establish reputations as ethical leaders, they will attract those who have similar belief systems and win others over to their values. This will reinforce ties with followers, encourage greater performance outcomes, and not compromise the managers' moral beliefs.

This chapter focused on ethics and morality, nature and definition of ethical leadership, theories and models of ethical leadership, the outcomes of ethical leadership on individuals and the organisation, similar forms of leadership, as well as training interventions to promote ethical leadership behaviours in the workplace. Finally, the chapter also considered ethical leadership among managers working in financial institutions and ethical leadership among managers in the financial sector.

The next chapter focuses on authentic leadership.

CHAPTER THREE

AUTHENTIC LEADERSHIP

3.1 INTRODUCTION

The concept of authentic leadership is becoming more prominent following the emergence of highly publicised corporate scandals, management malpractices, and extensive changes in societal perceptions of public and private organisations (Walumbwa et al., 2008). The presence of these challenges has drawn attention to more positive forms of leadership in institutions and organisations to re-boost confidence in all leadership levels (Avolio & Luthans, 2006; Brown, Treviño, & Harrison, 2005; George, 2003; Lorenzi, 2004). In an attempt to address these repeated and remarkable lapses in ethical judgement by highly visible leaders, the public constantly demands greater accountability from organisational leaders (Dealy & Thomas, 2006). Part of the expectation is for leaders to exhibit positive attributes such as being more authentic with their dealings. More so, research demonstrates that a true leadership style is desirable and successful in advancing human capital and producing meaningful results in organisations (George, 2003; George, Sims, McLean, & Mayer, 2007).

This chapter focuses on the independent variable, authentic leadership. It introduces and defines the concept, unpacks the authentic leadership theory and framework and links it to a discussion on the authentic leadership model. The chapter also considers the outcomes associated with the construct, how authentic leadership can be developed and ends with an examination of the relationship between authentic leadership and ethical leadership. The nature and definition of authentic leadership will be discussed next.

3.2. NATURE AND DEFINITION OF AUTHENTIC LEADERSHIP

The concept of authenticity has its origin from Greek philosophy, whereby the term authenticity means “to thine own self be true” (Avolio & Gardner, 2005, p.319). Being true to oneself is the main component of authenticity, and it is found in several definitions of authentic leadership. In 1938, Chester Barnard was the first to refer to the word authenticity in management and organisational studies. During that period,

he used the authenticity of a leader as a blueprint to determine the qualities of an executive leader. Due to the shift to positive psychology, there has been more interest in this construct (Kliuchnikov, 2011). Research on Positive Organisational Behaviour (POB) has gradually facilitated the development of the construct of authentic leadership (Luthans & Avolio, 2009). Both constructs, positive organisational behaviour and positive organisational context, reveal human strengths and psychological resources that can be developed, measured and successfully managed for the improvement of workplace performance (Novicevic, Davis, Dorn, Buckley, & Brown, (2005). According to Avolio and Gardner (2005), the main feature of any positive leadership is authentic leadership. Avolio (2005) states that authentic leadership is "the highest end of leadership" (p.12). In addition, Bishop (2013) affirms that when people hear the word "authentic", they associate it with the "real thing", a genuine article and not an imitation or knockoff.

The transition from an authentic person to an authentic leader can be explained by processes whereby the individual integrates the leader's role in their identity. Identity or working self-concept comprises a complex interaction of the self-system where the individual saves information and categorises self-concepts, and information about various roles important to them that include the role of a leader (Lord & Brown, 2004). In addition, Chan, Hannah, and Gardner (2005) state that authenticity in leadership encompasses leaders who are capable of thoroughly processing information about themselves (their beliefs, goals, values, and feelings), leaders who can adjust their behaviour in leadership according to themselves, as well as leaders who are aware of their identity and have the ability to merge their preferences with the requirements of society. It further encompasses making the most of their strengths, recognising and working on their weaknesses, and taking accountability for how their actions affect others (Robinson & O'Dea, 2014). Finally, authentic leadership is not about replicating the styles or traits of other leaders.

It should be noted that authentic leadership displays itself in three forms and these are interpersonal, intrapersonal, and developmental (Northhouse, 2016). Authentic leadership is quite complex and as the theory gains credibility, the definition may require some changes to further enhance understanding. Researchers' definitions of authentic leadership in an *interpersonal* manner shows that authentic leadership is a two-way process that takes into consideration both the leader's actions and the

follower's responses (Pennsylvania State University, 2015). This implies the need for a team effort from both parties involved. In an interpersonal relationship, the leader maintains strong and honest relationships with his/her followers. The focus is to be open with followers and to practice what you preach. In return, followers will recognise the leader's authenticity and work with him/her towards the common goal. While this appears to be easy, several business executives have failed to meet these characteristics.

Being an authentic leader in an interpersonal relationship entails sharing challenges and risks with followers while being honest and transparent with them. When followers see that a leader's actions do not correlate with their stated values, they will not consider the particular leader as genuine and his/her attempts to lead will likely fail (Vogelgesang & Crossley, 2006). This is also emphasised in the social learning theory where importance is placed on a leader who acts as a role model while followers imitate his or her behaviour (Hannah et al., 2011). For the purpose of this study, the interpersonal dimension of authentic leadership is considered because it is included in the authentic leadership questionnaire which measures followers' responses to the manager's leadership orientation/style. It should be noted that a leader cannot describe him or herself as an authentic leader because authenticity is only perceived by others (Goffee & Jones, 2005). It is only the employees or followers who can describe the leader as sincere, real, or honest. Thus, no one can state, "I am authentic" as such a characteristic must be attributed by others (Goffee & Jones, 2005).

Furthermore, the *intrapersonal* approach attempts to describe the qualities of an authentic leader. This approach suggests that an authentic leader is genuine, does not hide his or her true self, he or she is self-aware, and can regulate his/her actions and emotions (Pennsylvania State University, 2015). In addition, such a leader leads from conviction (Northouse, 2016). Emphasis is placed on how the authentic leader's development emanates from life experiences and how he or she makes meaning of such events.

The last way to define authentic leadership is through the *developmental* approach, which explains that authenticity can be learned and developed as individual experiences and major life events such as critical illnesses, tragedy, or new career paths (Avolio, Griffith, Wernsing, & Walumbwa, 2009). The developmental approach

takes place through the course of an individual's lifetime and has a foundation in positive psychological qualities and strong ethics. This perspective is an attribute that can be "nurtured in a leader rather than a fixed trait" (Northouse, 2016). The developmental approach will also be used in the current studies because the definition of authentic leadership also emphasises the importance of self-development in the process.

The following definitions of authentic leadership have been identified:
Simpson and Weiner (1991, p. 796) define authenticity "as being what it professes in origin or authorship, as being genuine". An authentic leader is true to themselves. Instead, being true to oneself is reflective of authentic leadership, which focuses on those behaviours that show that leaders are self-aware and can regulate their behaviours accordingly (Leroy, Palanski, & Simons, 2012).

According to Harter (2002, p.382), authentic leadership refers to "owning one's personal experiences, be they thoughts, emotions, needs, wants, preferences, or beliefs, processes captured by the injunction to "know oneself" and further implies that one in accord with the true self, expressing oneself in ways that are consistent with inner thoughts and feelings." Luthans and Avolio (2003, p.243) define authentic leadership as "a process that draws from both positive and psychological capacities and a highly developed organisational context, which results in both greater self-awareness and self-regulated positive behaviours on the part of leaders and associates, fostering positive self-development". They use the word authentic to describe "very basic, genuine elements of positive leadership development" (p.303). Since then, several studies on authentic leadership have been carried out.

For George (2003), authentic leadership means, "being your own person" (p.12). George et al. (2007, p. 23) indicate that authentic leadership is "based on what is most important to you, your most cherished values, your passions and motivations, the sources of satisfaction in your life." At the same time, Avolio, Luthans, and Walumbwa (2004, p.4) state that authentic leaders are "those who are deeply aware of how they think and behave and are perceived by others as being aware of their own and others' values/moral perspectives, knowledge, and strengths; aware of the context in which they operate; and who are confident, hopeful, optimistic, resilient, and of high moral character". Walumbwa, Avolio, Gardner, Wernsing, and Peterson (2008, p.94) define

authentic leadership further as “a pattern of leader behaviour that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalised moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development.”

Leroy, Polanski, and Simons (2012, p. 255) define authentic leadership as the behaviours of a leader that show that they are self-aware and regulate themself accordingly. According to Robinson and O’Dea (2014), authentic leadership involves every aspect of the leader, and a leader cannot be authentic only in some instances or in good times. Robinson and O’Dea (2014) further emphasise that authentic leadership takes place when a leader demonstrates their behaviour in every circumstance, and not just in selected instances. Finally, an authentic leader shows their ability to display the right behaviours, especially when required in times of change and adversity.

For the purpose of this study, the definition by Walumbwa et al. (2008) will be focused on. Walumbwa et al. (2008, p.94) provide an operational definition of authentic leadership stating that it is “a pattern of leader behaviour that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalised moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development.” This definition is also considered in this study because it contains the various components of authentic leadership (self-awareness, internalised moral perspective, balanced processing of information, and relational transparency) which can be used to predict authentic leadership among leaders. Moreover, it also incorporates the intrapersonal approach that focuses on perceiving an authentic leader as one who is self-aware and can regulate his or her actions and emotions. The definition also mentions an aspect of the interpersonal approach that speaks to relational transparency, as well as the developmental approach where self-development is emphasised.

Self-awareness and internalised moral perspectives in this definition can allude to the intrapersonal aspect of authentic leadership as earlier explained. This is because they focus on what is going on in the leaders’ heads i.e. being true to themselves and being

able to self-regulate their behaviours and develop accurate self-concepts. In addition, relational transparency alludes to the interpersonal aspect of authentic leadership as the focus is on honest relationships between the leader and his or her followers.

Walumbwa et al.'s (2008) definition of authentic leadership also differs from other definitions of authentic leadership in that it contains all the constructs used in measuring authentic leadership as opposed to the other definitions which do not. The definition and the theory of authentic leadership were developed to define these four components (self-awareness, balanced processing, relational transparency, and internalised moral perspective) of authentic leadership (Walumbwa et al., 2008).

While most definitions of authentic leadership focus more on the individual, according to Novicevic et al. (2005, p.1404), authentic leadership is "a process that draws from both positive psychological capabilities and a highly developed organisational context, which results in both greater self-awareness and self-regulated positive behaviours on the part of both leaders and associates, fostering positive self-development." Positive behaviour is highlighted as a characteristic of authentic leadership in this definition which raises the issue of ethics and values, and how a leader is required to act (Bishop, 2013).

Shamir and Eilam (2005) propose four characteristics of authentic leaders: (1) they do not fake their leadership, but are true to themselves (instead of conforming to the expectations of others); (2) authentic leaders are motivated by personal convictions, rather than the attainment of status, honours, or other personal benefits; (3) "authentic leaders are originals, not copies" (p. 10) and thus lead from their subjective point of view; and (4) authentic leaders' actions are based on their values and convictions. Personal values imply the virtues of prudence, temperance, fortitude, and justice, which the leader possesses as well as their ability to be morally potent when faced with challenges.

According to Avolio and Gardner (2005), Shamir and Eilam's (2005) description of an authentic leader did not describe the leader's style nor the content of the leader's values or convictions in their proposition, thus, they found it as incomplete. They argued that authentic leadership is also made up of a positive moral perspective (Luthans & Avolio, 2003; May, Chan, Hodges, & Avolio, 2003).

The attainment of authenticity brings about “optimal” levels of self-esteem and a sense of wellbeing for the leader and those associated with the leader (Ilies, Morgeson, & Nahrgang, 2005; Kernis, 2003). Individuals who are more knowledgeable and accepting of themselves and their strengths and weaknesses, display high levels of stable, as opposed to fragile, self-esteem. Ryan and Deci (2003) add that authenticity is achieved when individuals enact internalised self-regulation processes - that is, their conduct is guided by internal values and not to external threats, inducements, or social expectations and rewards. The following section will discuss an authentic leadership theory and framework.

3.3 THE AUTHENTIC LEADERSHIP THEORY AND FRAMEWORK

This section explores the authentic leadership theory (behavioural theory) and theoretical framework of authentic leadership. The behavioural theory will be addressed first.

3.3.1 Behavioural Theory

The behavioural theory describes leadership based on the actions of leaders. The theory stipulates that leadership is the result of effective role behaviour. Denison, Hooijberg, and Quinn (1995) believe that the test of a first-rate leader may be the ability to demonstrate contrary or opposing behaviours (as appropriate or necessary) while still exhibiting some measure of credibility, integrity, and direction. Leadership is demonstrated by a person’s actions rather than his or her traits. An authentic leader can be observed based on his or her actions. This means that effective leaders have the cognitive and behavioural ability to respond appropriately to a wide scope of situations that may arise. Also, authentic leaders display authentic behaviour that translates to consistency between their values, beliefs, and actions (Kernis, 2003). Furthermore, Ryan and Deci (2003) add that authenticity can be achieved when leaders put in place internalised self-regulation processes - that is, their behaviour is regulated by internal values and not external circumstances.

The behavioural theory also emphasises that specific behaviours differentiate leaders from non-leaders. Here, various patterns of actions used by different individuals determine leadership potential. Kotter (1990) and Yukl (1989) assert that the leadership position requires extensive interaction hierarchically and laterally within the organisation, as well as extensive interaction with networks outside the organisation.

The behavioural demands of such networks and their potential for complexity might grow as leaders develop in their careers.

The definition of authentic leadership also includes a “pattern of leader behaviour” which infers that authenticity cannot exist without a behavioural pattern (Walumbwa et al., 2008, p. 94). Thus, an authentic leader can be easily recognised based on his or her ability to exhibit a pattern of openness and clarity in his or her behaviour towards others by sharing the information needed to make decisions (balanced processing). More so, the internalised moral perspective also stresses the importance of a leader’s behaviour as it concerns the leader’s behaviours that are guided by internal moral standards and values, rather than external pressure such as peers, organisational and societal pressures (Gardner et al., 2005). Leaders who behave in a self-aware way are perceived to utilise both self-knowledge and reflect self-image to enhance their effectiveness as leaders. Moreover, the way leaders relate to others (relational transparency) is demonstrated through their actions/behaviours. Therefore, behavioural studies centre on identifying crucial behavioural determinants of leadership that can be used to train people to become leaders.

3.3.2 Authentic leadership theoretical framework

The authentic leadership theoretical framework comprises four dimensions (self-awareness, relational transparency, balanced processing, and internalised moral perspective) that are used in measuring authentic leadership. Following the conceptualisation of authentic leadership by researchers (Avolio & Gardner, 2005; Gardner et al., 2005; Gardner, Avolio, & Walumbwa, 2005), a theoretical framework, which also serves as a basis for the definition of the construct, was developed. This framework is used for the purpose of this study because it provides the underpinning concepts that define authentic leadership. Below is the authentic leadership theoretical framework followed by a discussion on each dimension.

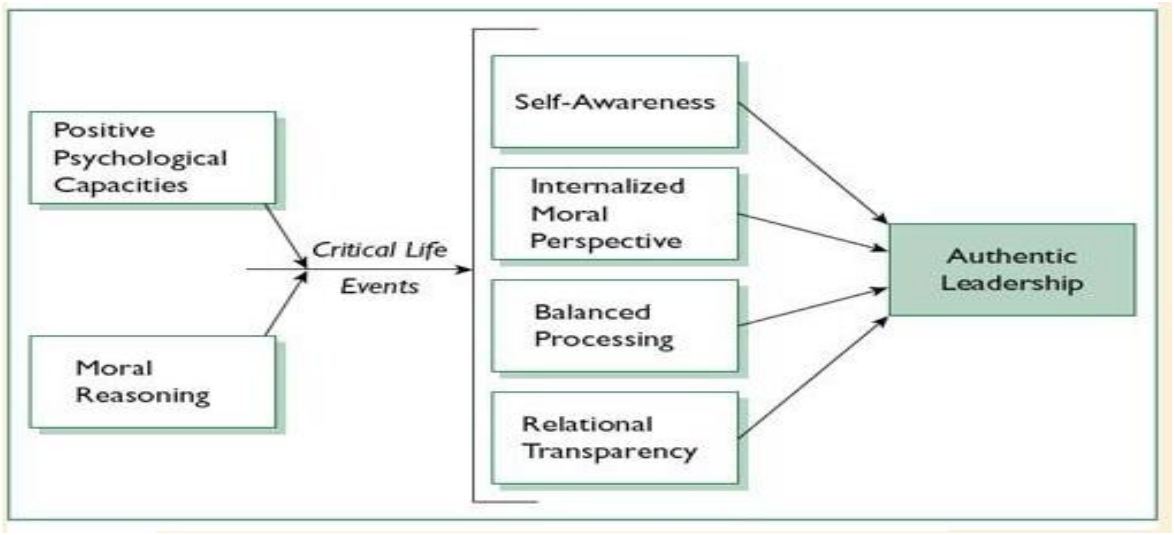

Figure 3. 1: Authentic leadership development theoretical framework (Redmond & Murray, 2015)

Figure 3.1 shows the theoretical framework of authentic leadership. It indicates that one's moral reasoning and psychological capacities influence their propensity to become an authentic leader (i.e. through self-awareness, relational transparency, balanced processing, and internalised moral perspective). Authentic leadership is a pattern of leader behaviour that draws upon and promotes a positive psychological capacity as well as an ethical culture through these four factors that promote positive self-development (Walumbwa et al., 2008). A discussion on the various factors that make up this framework follows.

3.3.2.1. Positive Psychological Capacities

According to the authentic leadership model, several variables influence the acquisition of self-awareness, balanced processing, internalised moral perspective, and relational transparency that are all needed to reach authenticity. The first factor that is believed to impact authentic leadership is positive psychological capacities such as confidence, hope, optimism, and resilience (Northouse, 2016). Confidence is an individual's belief that they are capable of doing a job. Confidence generates higher levels of motivation and determination in the face of adversity (Northouse, 2016). Hope is a positive motivational state that comes from willpower and goal planning and it inspires followers to trust and believe in their goals. Optimism reflects positive future orientations and beliefs about one's capabilities at accomplishing goals (Northouse, 2016). Finally, resilience involves the ability to

positively adapt to and swiftly recover when experiencing challenges (Northouse, 2016).

Luthans and Avolio (2003) indicate that by paying attention to how one exhibits positive leadership behaviours daily, leaders can promote self-reflection and changes to their behaviours. For instance, if a leader is unable or unwilling to acknowledge how low levels of confidence or optimism might affect the way they behave, they will likely continue to act in ways that discourage their followers' confidence, engagement, and performance, and thus hindering not only the leader's development but also that of the followers.

A combination of all these personal resources of an authentic leader within a positive organisational context together with some trigger events/challenges created positive psychological states that increase the self-awareness and self-regulatory behaviours of the leader as part of a process of positive self-development (Luthans, Luthans, & Luthans, 2004). Thus, the promotion of adaptive self-reflection, self-awareness, and subsequent development of core positive psychological resources is an essential part of authentic leadership development.

3.3.2.2. Moral Reasoning

Moral reasoning is also another factor that can influence authentic leadership. Moral reasoning describes an individual's decision-making process when confronted with a situation of moral conflict (Rest, 1986). This reasoning allows for ethical decision-making about issues of right and wrong or good and bad. Moral reasoning may take a long time to acquire and helps to align individuals toward a common goal. Enhanced levels of moral reasoning are necessary, as they enable leaders to look past personal gain and make decisions that lead to the greater good of society (Daniels, 2009).

3.3.2.3. Critical Life Events

Critical life events comprise of one's memorable life experiences that would have resulted in life changes (Avolio et al., 2009). Such life events could be negative, like acquiring a serious illness, or positive, such as obtaining a new job (Avolio et al. 2007; Northouse, 2016). It is postulated that as individuals journey through life, they are likely to experience these life events at different times and periods. The events trigger a moment or state of self-focused attention which presents an opportunity for self-reflective activity beneficial for the development of authentic leadership. Trigger

moments might occur naturally when the leader interacts with others during leadership incidences, or they may be induced through self-reflection and formal training exercises (Roberts, Dutton, Spreitzer, Heaphy, & Quinn, 2005). Trigger events act as a form of others' surprising feedback, critical life events, or a perceived accomplishment or failure. Developing authentic leadership is therefore a lifelong process that is likely to evolve over time (Northouse, 2016). Trigger events (both negative and positive) can initiate self-awareness in leaders.

3.3.2.4. Self-awareness

Self-awareness refers to the demonstration and understanding of how one makes meaning of one's surroundings and how that meaning-making process eventually affects the way one views his or herself (Walumbwa et al., 2008). This shows that self-awareness is knowing one's values, strengths and weaknesses, identity, emotions, objectives and goals while being cognisant of how people respond to them by becoming aware of the impact on others (Kernis, 2003). According to Robinson and O'Dea (2014), a high level of self-awareness is imperative, and it is the foundation required to be an authentic leader. Robinson and O'Dea (2014, p.1) note that "A leader cannot be authentic with others if they do not understand what this looks like to them". In addition, Silvia and Duval (2001) note that self-awareness takes place when individuals are cognizant of their existence and what constitutes that existence within the context in which they operate over time.

Among the nine components of authentic leadership proposed by Avolio and Gardner (2005), self-awareness is considered the most important pillar as it embeds the leader's true self to their followers and helps leaders connect with their followers to inspire them to deliver positive results. Ladkin (2008) adds that successful leaders portray their "true-self" to followers through self-awareness, as this forms a congruence between leader aspirations and follower performance. Several other studies have also examined the importance of self-awareness in successful leadership (Bratton, Dodd, & Brown, 2011; Higgs & Aitken, 2002; Higgs, 2003; Kinsler, 2014; Weischer, Weibler, & Petersen, 2013).

Kernis (2003) asserts that achieving authenticity yields "optimal" levels of self-esteem. That is, individuals that o know and accept themselves, including their strengths and

weaknesses, exhibit high levels of stability. Furthermore, leaders who invest time and energy educating themselves about their strengths and perceptual biases help themselves to see circumstances clearly, and this capacity equips them in a better way to adapt to new challenges and opportunities quickly and effectively (Avolio, et al., 2009).

Prati, Douglas, Ferris, Ammeter and Buckley (2003) believe that personal attributes such as self-awareness and social skills (intrapersonal and interpersonal approaches) are crucial for successful leaders because the work environment is made up of social interactions where leaders, through self-awareness, can be conscious of their own emotions and those of others in promoting teamwork, as well as encouraging and motivating employees to increase performance and effectively leading. This reinforces the importance of introspection (intrapersonal) and building quality relationships between the leader and the follower, which is a part of the interpersonal aspect of authentic leadership. Self-awareness provides a firm foundation to enable leaders to act consistently and ethically in challenging circumstances that need serious intervention (Walumbwa et al., 2008). Higher levels of self-awareness foster self-understanding of values, principles and beliefs, as well as strengths and weaknesses (Hannah et al, 2011). Authentic leaders are thus, more likely to be receptive to constructive criticism from their followers.

Finally, Gardner et al. (2005) highlights the importance of self-awareness and concludes that self-awareness delineates how leaders are constantly mindful of how they come across to their followers in body and language. They also mention that leaders require a high level of maturity and introspection to understand and accept that their past experiences can affect their existing behaviour, and hence, must manage this in their present leadership roles.

3.3.2.5. Internalised moral perspective

Internal moral perspective refers to an internalised and integrated form of self-regulation (Ryan & Deci, 2003). It is linked to the way individuals or leaders use their values, ethics and beliefs to guide their behaviour even when situations might seem difficult or when their internal or external surroundings place certain pressures on them (Tapara, 2011). Internalised moral perspective provides the moral foundation for authentic leadership. While self-awareness allows leaders to understand what beliefs

and values are important to them, internalised moral perspective necessitates leaders "must be totally immersed in their core beliefs and values" (May et al., 2003, p.249).

Authentic leaders are primarily guided by internal high moral standards and values and are resilient in the face of external pressure to compromise those values (Walumbwa et al., 2008). According to Wherry (2012), staying committed to and living by a deep moral perspective has proven challenging for most now-fallen leaders and organisations that yielded to such pressures. George (2003) adds that values must be tested "in the crucible of life's experiences" (p.37), where the consequences may not be known until experiencing the challenge. For Northouse (2010), these challenges are called "trigger events" and these can assist leaders to evolve into authentic leaders.

Researchers have also argued that the internal moral perspective of an authentic leader is aided by the positive ethical dimension behind the intended purpose for the outcome of his or her actions (Gardner et al., 2011). Nevertheless, there is no law obliging individuals to act generously. According to Werhane (1999), leaders with higher levels of moral perspective are expected to think more broadly and deeply about ethical issues when faced with difficult ethical challenges. Authentic leaders are often required to behave in a more ethical manner because they appear to act in accordance with their internal value systems (Hannah, Lester, & Vogelsang, 2005).

May et al. (2003, p.257) perceive moral capacity as a concept that can partly be developed by "discussion and self-reflection about the role of leaders in organisations and the moral responsibility associated with their actions". In a nutshell, authentic leaders stand strong even when they dissatisfy others, forfeit a reward, or administer punishment (Kernis, 2003). The adage, "every man has his price" means that most rewards may cause even the best-intentioned leaders to compromise their principles. However, authentic leaders accept the material consequences for leading from the highest moral level, knowing that greater accomplishments will eventually occur.

3.3.2.6. Balanced processing

Balanced processing describes situations where leaders can demonstrate that they are capable of objectively analysing all relevant data before making a decision (Walumbwa et al., 2008). The leader in such an instance also listens to views that

challenge their deeply held positions. He or she analyses these facts and data both internally (doing introspection of oneself - which is the intrapersonal aspect of authentic leadership) and externally (taking into account constructive criticism from peers or even their leaders – interpersonal aspect of authentic leadership). The leader considers the viewpoint of subordinates and does not ignore any information before making a final decision (Avolio & Gardner, 2005). This helps to reduce the presence of any sort of bias. Leaders who exhibit balanced processing usually spend time trying to understand what would have caused problems and outcomes and in that, help followers understand what should be internal and external causes of ethical behaviour and performance (Gardner et al., 2005).

Since obstacles in the contemporary business environment seem to be beyond the capabilities of employers and employees, authentic leaders are recognised when they do not have all the answers and are cognisant that they must also create an environment that fosters cooperation (Wherry, 2012). This means that authentic leaders are willing to acknowledge that they do not have all the answers and do not worry about being considered weak or incapable due to that.

3.3.2.7. Relational transparency

Relational transparency refers to presenting one's authentic self (as opposed to a fake or distorted self) to others (Walumbwa et al., 2008). Here the leader shows his or her true feelings and beliefs openly and does not hide anything. Such actions foster trust through disclosures that include openly sharing information and expressions of one's true thoughts and feelings while attempting to reduce displays of inappropriate emotions (Kernis, 2003). The relationship between a leader and his or her subordinates should be one where honesty and sincerity are primary. Relational transparency involves a leader's engagement and commitment to demonstrate their positive and negative attributes to followers.

According to Avolio et al. (2004), authentic leaders are more likely to transparently express their authentic and true feelings and emotions to their subordinates, unlike unauthentic leaders. Authentic leaders also attempt to manage their regular emotions and avoid inappropriate or extreme emotions towards other people, while maintaining peace within their hearts. For the purpose of this study, this theory will be considered

because it comprises all four components that make up authentic leadership, and that can be used to measure authentic leadership. The next section will discuss an authentic leadership model.

3.4. AN AUTHENTIC LEADERSHIP MODEL

Several models can be used to explain authentic leadership. One of these models includes the self-based model for authentic leader and follower development. This model is discussed below.

3.4.1. A self-based model of authentic leader and follower development

According to the self-based model of authentic leader and followership development, authentic followership is a fundamental part and consequence of authentic leadership development (Gardner et al., 2005). Authentic followership development reflects the developmental processes of authentic leadership while authentic followership development is based on the authentic leader's ability to positively model the right behaviour, which leads to an increased level of followers' self-awareness, and self-regulation and leads to a positive follower development and outcomes (Walumbwa et al., 2010; Zhu, Avolio, Riggio, & Sosik, 2011). This is in line with the definition of authentic leadership which also highlights the interaction between leaders and followers to promote positive self-development.

The heart of authentic leadership goes beyond the authenticity of the leader as a person who fosters authentic relationships with followers (Avolio & Gardner, 2005; Gardner et al., 2005). The relationship between the leader and the followers is characterised by (a) transparency, openness and trust, (b) guidance towards objectives, and (c) an emphasis on follower development (Gardner et al., 2005).

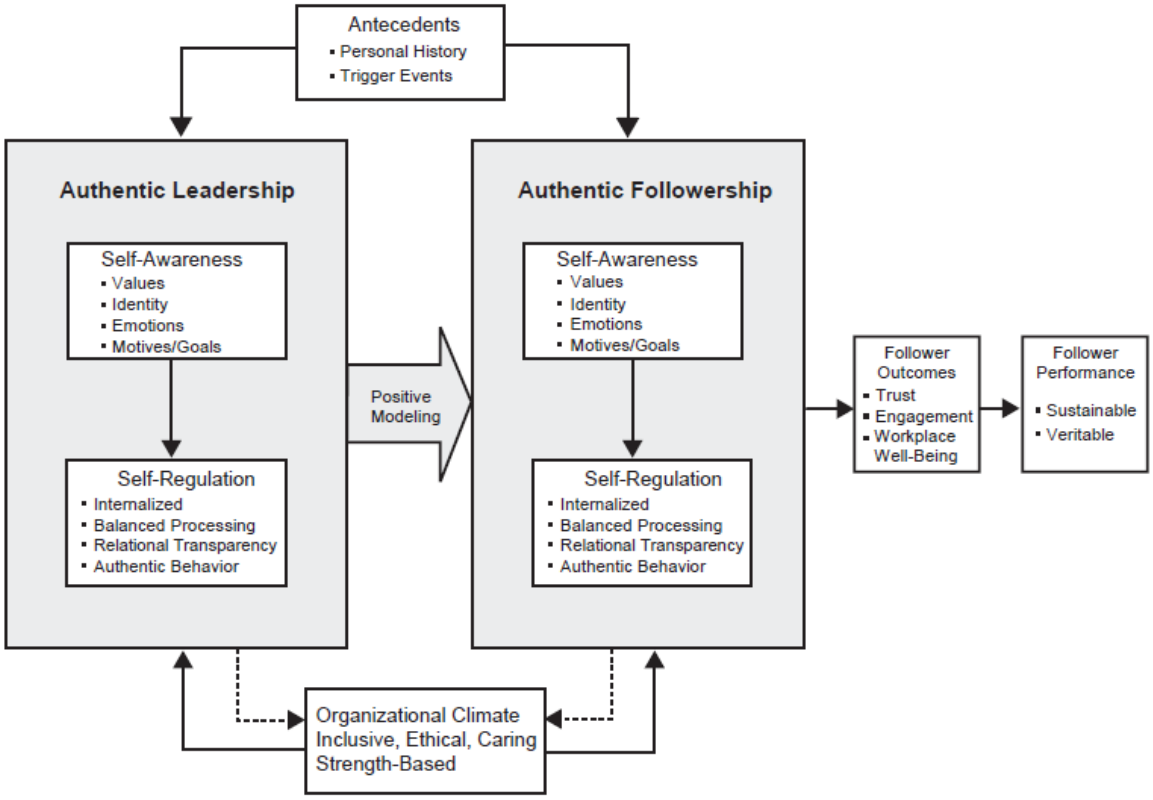

Figure 3. 2: The Conceptual Framework for authentic leader and follower development (Hoyle, Kernis, Leary, & Baldwin, 1999; Leary & Tangney, 2003)

Followership is an important feature of authentic leadership, which makes it imperative for authentic leaders to serve as positive role models because they "serve as a key input for the development of authentic followers (Gardner et al., 2005, p. 347). In addition, as the authentic leadership framework indicates above, the self-based model of authentic leadership and follower development considers the leader's personal history and key trigger events as catalysts for authentic leadership development.

Values are "conceptions of the desirable that guide the way social actors, such as policymakers, organisational leaders and individual persons, select actions, evaluate people and events and explain their actions and evaluations" (Schwartz, 1999, p. 24-25). Value provides the foundation for promoting actions that conform to the needs of others and the society at large (Lord & Brown, 2001). Values can be learned through socialisation (social learning theory) and tend to be advantageous in groups and large social units. Once a value is internalised, it becomes an important part of one's self. Hence, when one talks about authenticity, they mean that one is true to the self and

one's core values in particular, and resistant to social and situational pressures that may compromise one's values (Erickson, 1995a, 1995b). More so, insight and knowledge of one's values (self-awareness) are required to be true to them. Therefore, self-awareness, in light of one's values, is a criterion for authentic leadership (Bennis, 2003; George, 2003).

Identity describes how an individual interrelates and explains his or her relevant features, characteristics, and experiences (Schlenker, 1985). In addition, social identity is based on the extent to which an individual perceives themselves as belonging to a particular social group, as well as their evaluation of the emotional and valuable implication of this membership (Hogg, 2001). At the interpersonal level, self-concepts explain roles that describe one's relationship with others (e.g. leader-follower, parent-child) (Brewer & Gardner, 1996; Lord, Brown, & Freiberg, 1999).

Leader identification describes a process where people come to incorporate the role of the leader in their interpersonal identities. Similarly, follower identification is a process whereby individuals come to define themselves through reflected self-appraisals as followers of a leader (Gardner & Avolio, 1998). In addition, Gardner et al. (2005) point out that these processes can be operative only when an authentic relationship is created between a leader and his or her followers because the associated roles are integrated into their respective identities through interactions characterised by openness, transparency, loyalty and trust. The focal point concerning the leader's interpersonal level identity is that the authentic person perceives him or herself as a leader and a positive role model who can be trusted to respect, honour and develop his or her followers, which then become internalised aspects of the self-concept of the leader (Gardner et al., 2005).

Knowing one's self is more than being aware of one's thoughts, values and motives. Self-knowledge also entails awareness of one's *emotions* (Salovey, Mayer, & Caruso, 2002). Emotional intelligent people are aware of both their emotions and the causes and effects of their emotions on cognitive processes and decision-making, and how they change in the course of their lifetime (George, 2000, Salovey & Mayer, 1990; Salovey et al., 2002). Emotional self-awareness is therefore a component of emotional intelligence, which is proposed to be a determinant of effective leadership (Avolio, 2003; Caruso, Mayer & Salovey, 2001; George, 2000).

As a root construct fundamental to transformational leadership and some other positive forms of leadership, Gardner et al. (2005) propose that authentic leaders are in touch with their emotions and that these emotions affect themselves and others. Such recognition enables authentic leaders to consider their emotions when making value-based decisions. The consequence of this for authentic leadership development is that a heightened level of self-awareness will assist leaders to be cognisant and consider their own and others' feelings without being compelled to succumb to emotional impulses triggered by the moment (Ashkanasy & Daus, 2002; Ashkanasy & Tse, 2000; George, 2000).

In terms of working self-concepts, *goals* are "contextualised schema that direct current information processing" (Lord et al., 1999, p. 180). Leaders may consider goals to be superordinate (idealised vision to specific performance benchmark e.g. quarterly sales quotas) or as personal strives (i.e., the goals one seeks to accomplish as part of one's everyday behaviour) (Emmons, 1986). There is a need to make a distinction between self-views and possible selves in the discussions on goals and motives (Lord & Brown, 2004). Self-views relay one's viewpoints on certain attributes made significant by the context, while possible selves reflect who one could be and one's hopes and fears for the future emerging context (Markus & Wurf, 1987).

According to Gardner et al. (2005), an authentic leader's hoped-for self should reflect the leader's role as an agent for positive change for themselves and others. Such a leader may feel discouraged when they fail to live up to the core values they proposed to followers. People develop self-views as a way to make sense of the world, organise their behaviour and predict the responses of others, which could be referred to as self-clarity. As future-oriented individuals who strive for self - (and follower) development, Gardner et al. (2005) allude that authentic leaders should be driven by self-verification motives (desire to verify, validate and sustain one's existing self-concepts (Swann, Rentfrow, & Guinn, 2003), as they attempt to receive accurate feedback from their target audiences (e.g. followers, peers, superiors, customers) in order to confirm current self-views and detect loopholes from self-relevant standards (Avolio, 2003).

Other factors are important for authentic leadership to flourish. *Self-awareness* or the leader's insight fosters the development of authentic leadership (Gardner et al., 2005). *Self-regulation* also has a focal point to play in the development of authentic

leadership. Some features found in the authentic self-regulation process include internalised regulation, balanced processing of information, authentic behaviour, and relational transparency. Internalised self-regulation describes a regulatory system that is driven by the leader's intrinsic or core self, and not external forces or expectations. Self-awareness is connected to self-reflection. When authentic leaders reflect through introspection, they gain clarity and concordance in terms of their core values, identity, emotions, motives and goals. They make meaning of the world around them based on introspective self-reflecting, and the testing of their hypothesis and self-schemas (Gardner et al., 2005).

Balanced processing requires an unbiased collection and interpretation of self-related information be it negative or positive, such as trigger events. An authentic leader in such an instance does not exaggerate, alter or ignore externally based evaluations and internal experiences that may promote self-development of him or herself. Authentic behaviour is reflected in actions that are guided by the leader's true self as reflected by their core values, beliefs, thoughts and feelings, contrary to environmental factors or pressures from others (Gardner et al., 2005).

Relational transparency shows that the leader displays high levels of openness, self-disclosure and trust in intimate relationships. It also demonstrates that followers gain trust in the leader when they see the leader displaying knowledge of self-awareness and engaging in transparent decision-making that portrays integrity and a commitment to core ethical values, Gardner et al., (2005) note that this follower acquisition of trust owing to their leader's positive qualities promotes open and authentic behaviour on their part, and which could eventually lead to group norms for an ethical culture.

Authentic behaviour refers to actions that are led/controlled by the leader's core values, beliefs, thoughts and feelings, contrary to environmental occurrences or pressures from others (Kernis, 2003). Internal conflict will arise when environmental events prompt behaviours that are not consistent with the leader's authentic behaviour. How the leader goes about solving such conflicts impacts his or her integrity and authentic leadership development. In effect, authenticity happens in situations where the leader's needs and end values are incompatible with the rest of the team's when the leader responds to internal cues, contrary to societal pressures (Deci & Ryan, 1995; Ryan & Deci, 2003).

Authenticity consists of mutually interdependent components. This makes it imperative to consider the interactive effects that self-awareness, balanced processing, and environmental factors have on the leader's behaviour (Kernis, 2003). As followers perceive the leader to be self-aware and engaging in transparent decision-making that translates integrity and a commitment to core ethical values, they develop trust in the leader that promotes open and authentic behaviour on their part, which could eventually lead to group norms for an ethical culture.

Authentic leaders also influence follower development through *positive modelling*. The authentic leader models positive values, psychological states, behaviours and self-development that followers often learn through observing the leader. Positive role modelling is reinforced in Bandura's (1997) social learning theory. The core behaviours that leaders seek to model include confidence, high moral standards, innovative problem solving, commitment, and self-sacrifice, which may cut across various organisational levels when followers imitate the behaviours and actions of the leaders (Luthans & Avolio, 2003).

Moreover, authentic leadership has also been observed to foster an ethical climate in an organisation (Gardner et al., 2005; Nelson et al., 2014; Walumbwa et al., 2008). According to Gardner et al. (2005), authentic leadership can lead to an ethical climate, which in turn promotes the development of authentic leadership. This is because an ethical climate stems from the use of certain characteristics, such as integrity, transparency, trust and high moral standards, and these create and sustain a healthy organisation.

Kernis and Goldman (2006) add that the above characteristics are present in the construct of authenticity, and in the conceptualisation of authentic leadership (Avolio et al., 2004; Gardner et al., 2005; Ilies, Morgesin & Nahrgang, 2005; Luthans & Avolio, 2003; Walumbwa et al., 2008). This also indicates that authenticity and authentic leadership are not only an ideal state but a sustainable one for all individuals in the organisation. Walumbwa et al. (2008) also note that authentic leadership draws upon positive psychological capacities and a positive ethical climate, as both of these factors are at the forefront of their definition of authentic leadership.

According to Hannah, Avolio and Walumbwa (2011), authentic leadership together with its characteristics of relational transparency, leading by example, and role

modelling, affects subordinates, which in turn, act as an important element to uplift their moral courage and reinforce their capacity and intent to act morally. Cianci, Hannah, Roberts, and Tsakumis (2014) found that authentic leadership decreases both unethical behaviours and the temptation to think and act unethically. Thus, these researchers show that authentic leadership draws upon an ethical climate and psychological capital (Walumbwa et al., 2008) and fosters an ethical climate. Neubert et al. (2009) also indicate that ethical leadership has a positive effect on the perception of ethical climate within an organisation. As a result, followers demonstrate increased awareness of ethical issues, which enhances their desire to uphold higher ethical standards.

In an attempt to measure authentic leadership, the current study seeks to understand followers' perceptions of their leader as an authentic leader. Thus, the self-based model of authentic leadership is well suited to address this as it focuses on both, the leader and followers' development. It also has all the sub-dimensions used in measuring authentic leadership which are also found in the definition of the construct. In addition, the model refers to the interpersonal and intrapersonal aspects of authentic leadership. Therefore, the theoretical approach to authentic leadership asserts that authentic leadership works because leaders exhibit self-awareness, an internalised moral perspective, balanced processing, and relational transparency (Avolio & Gardner, 2005). These are inspired by several critical life events and growth through an enduring "lifelong process". The next section addresses possible outcomes associated with authentic leadership.

3.5. OUTCOMES ASSOCIATED WITH AUTHENTIC LEADERSHIP

Although authentic leadership is still at a very infant stage, there is a growing amount of research demonstrating the potential importance of authentic leadership in terms of employee engagement, satisfaction, performance and well-being for groups and organisations. (Fusco, O'Riordan, & Palmer, 2016). For example, Clapp-Smith, Vogelgesang, and Avey (2009) established that as measured by sales growth, authentic leadership positively impacts group performance. More so, Peus, Wesche, Streicher, Braun, and Frey (2012); Rego, Sousa, Marques and Cunha (2012); Rego, Vitoria, Magalhaes, Riberio, and e Cunha (2013); Leroy, Palanski and Simons (2012); Peterson, Walumbwa, Avolio and Hannah (2012); and Walumbwa, Luthans, Avey and

Okey (2011), all found that authentic leadership improves the efficiency of a task and the productivity of a team.

Some studies show that there is a relationship between authentic leadership and organisation performance (Hmieleski, Cole & Bacon, 2012). Research also indicates that authentic leadership has a relationship with work engagement and job satisfaction (Hassen, & Ahmed, 2011; Jensen & Luthans, 2006; Walumbwa et al, 2011; & Wong & Cummins, 2009). Therefore, it seems that emerging research is beginning to indicate a link between authentic leadership and a wide variety of organisational benefits and positive organisational citizenship behaviours (Walumbwa et al, 2010).

Authentic leadership fosters trust. According to Avolio et al. (2004, p. 806), "authentic leaders act by following deep personal values and convictions to build credibility and win the respect and trust of followers by encouraging diverse viewpoints…and thereby lead in a manner that followers recognise as authentic". Theory on authentic leadership postulates that trust is built on the transparency of authentic leaders to followers regarding their values, aspirations and their weaknesses (Avolio et al., 2004). This awareness can disclose the similarities between the leader's and the follower's values and so increases the trust level (Avolio et al., 2004). The authentic leader develops a relationship with his or her followers based on trust, which in turn has positive consequences for performance (Dirks & Ferrin, 2002).

However, to gain followers' trust, the leader must be regarded as authentic in both words and actions (Conley, 2016). Nelson Mandela is a great example of a leader who led authentically from his character, values, and was recognised by people for what he stood for. Though the South African government saw his actions as treacherous and put him in prison, this did not change or affect his values. He was at some point persuaded to renounce his movement for equality in exchange for an early release from prison. But Mandela stayed true to himself and remained in prison. Mandela's actions were authentic which built trust with his followers who ultimately elected him as their president (A+E Networks, 2009).

An authentic leader is true to him or herself and is worthy of being accepted by others (Williams, 2018). Trust is an important component of any relationship and being a leader entails building relationships to achieve goals (an interpersonal component of

authentic leadership). Leaders who do not have their followers' trust will find it difficult to achieve their goals.

Follower engagement has also been found to be an outcome of authentic leadership. According to Harter, Schmidt, and Hayes (2002, p. 269), employee engagement is the "individual's involvement and satisfaction with, as well as enthusiasm for work". The authentic leader's integrity and sustained performance (Luthans & Avolio, 2003), coupled with developmental experiences, psychological safety, and meaningful work (May et al., 2004) increase the level of engagement among followers. This might be so because authentic leaders promote the experience of engagement by assisting followers to discover their true talents by themselves, and enable the use of those talents, to assist them in creating a better fit between the work roles and self-goals of their authentic selves (May et al., 2004).

Waterman (1993) is of the opinion that there is a connection between well-being and authentic leadership. According to Waterman (1993), the eudaimonic conception of well-being requires people to live according to their true self, thereby linking authenticity with well-being. There is also sufficient empirical evidence indicating the causal relationships between authenticity, vital engagement and eudaimonic well-being (Kahnemann, Diener, & Schwartz, 1999; Kernis, 2003; Ryan & Deci, 2000; Sheldon & Eliott, 1999; Sheldon, Elliot, Ryan, Chirkov, Kim, Wu, et al., 2004).

It has been suggested that job satisfaction is also linked to authentic leadership because job satisfaction is connected to behaviour linked with authentic leadership such as self-determination, high-quality relationships (Deci & Ryan, 2000; Ilies et al., 2005), and ethical behaviour (Brown et al., 2005). Moreover, job satisfaction is considered a subcategory of individual well-being, which has always been associated with authentic leadership (Fisher, 2010; Judge & Watanabe, 1993; Turner, Barling, & Zacharatos, 2002).

Research also indicates that there is a significant positive correlation between authentic leadership and subordinates' organisational citizenship behaviours (Podsakoff, MacKenzie, Paine, & Bachrach, 2000). Authentic leadership has been revealed to trigger organisational citizenship behaviours (Walumbwa et al., 2008). This is because authentic leadership motivates subordinates to easily identify with the organisation through relational transparency by sharing information openly and thus

making subordinates understand how these can contribute to the general organisational success (Avolio et al., 2004; Yammarino, Dionne, Ukchun, & Dansereau, 2005).

Open communication between subordinates and the authentic leader results in an increased level of trust when opportunities for subordinates' self-development arise. In the same light, a relationship based on openness, trust and honesty between leader and subordinates leads to higher levels of organisational citizenship behaviours in subordinates who are cognisant of the importance of mutual support within the organisation (Organ, Podsakoff, & MacKenzie, 2006; Walumbwa et al., 2008). As a result, the trust and commitment that would have been developed will positively impact subordinate's willingness to exhibit organisational citizenship behaviours (Wong & Cummings, 2009).

Team performance is perceived to be related to authentic leadership directly or indirectly through aspects such as job satisfaction and trust (Ilies et al., 2005). The social identification process, where an individual comes to identify with a group and feels a sense of pride for belonging to the group, is considered stimulated by the authentic leader. In turn, this process results in shared values among group members and influences group experience and positive behaviours linked to performance (Avolio et al., 2004). The next section will discuss how authentic leadership can be developed.

3.6 DEVELOPING AUTHENTIC LEADERSHIP

As earlier mentioned, authentic leadership is made up of four components: self-awareness, relational transparency, balanced processing, and internalised moral perspective. The following section will seek to explain how some positive resources, as well as some of these components, can be used to develop authentic leadership.

Self-awareness, a core component of authentic leadership, requires leaders to understand themselves and how their perceptions affect their judgements of people, as well as the situations they often encounter (Avolio et al., 2009). To develop self-awareness, leaders are encouraged to spend a reasonable amount of time and energy to study/learn their strengths, weaknesses, developmental goals and perceptual biases as this assist them to view circumstances more clearly and equips them to better adapt to new challenges and opportunities quickly and effectively (Avolio,

Wernsing, Chan, & Griffith, 2007). Such learning can be initiated through external trigger moments or events, which can cause the leader to focus inward and examine core beliefs, assumptions, and perceptions of the world around them, including their working self-concept (Avolio & Hannah, 2008). These events trigger a “moment” or state of self-focused attention, which sparks an opportunity for longer-term self-reflective activity conducive for authentic leadership development. Self-aware leaders spend time in adaptive self-reflection which stimulates further development and performance as a leader. Adaptive reflection is a process that entails constructively and critically assessing one’s own beliefs and behaviours to learn more about one’s leadership (Schon, 1984).

The more self-aware a leader is, the more opportunity he or she has to enhance his or her self-knowledge and capacities for self-regulation (Avolio, 2005; Van Velsor & Drath, 2004). A lack of self-awareness can cause the leader to become fixed on one script or a particular way of thinking that prescribes how to handle certain events and, in the process, lacking the ability to interrupt automatic patterns of behaviours and responses. New situations and challenges may require new responses that are not obvious at first with the absence of self-awareness, self-reflection and self-regulation having the potential to reduce the leader’s performance over time. Subsequently, self-awareness can determine a leader’s behaviour and performance (Brutus, Fleenor, & Tisak, 1999; Church, 1997; Fletcher, 1997).

According to Avolio and Gardner (2005), a leader’s *positive resources/psychological capital* can contribute to authentic leadership development. Authentic leaders are known to be very positive about who they are and what they can achieve through others. A high level of positivity is related to a leader’s involvement in adaptive self-reflection. In order to develop these positive resources, the leader needs to be more self-aware of their current levels of confidence, optimism, hope, and resilience. By focusing on how they exhibit positive leadership behaviours daily, leaders can provoke self-reflection and eventually, changes in behaviours (Luthans & Avolio, 2003). Moreover, if a leader is unwilling or unable to recognise how low confidence levels and optimism might influence the way they behave, they are more likely to continue to behave in ways that discourage their followers’ confidence, engagement, and performance, therefore, limiting not only the leader’s development but also that of the

followers. Thus, the promotion of the development of core positive psychological resources forms part of authentic leadership development.

Psychological resources (optimism, confidence, hope, and resilience) are “energies” that can affect peoples’ actions and behaviour (Hobfoll, 2002). Leaders who have high levels of these psychological resources are more likely to be successful at difficult tasks, have a more positive perspective on their work, and are capable of recovering faster from devastating events or challenging situations (Luthans, Avolio, Avey, & Norman, 2007). These psychological resources can therefore be used to assist leaders in facing crucial developmental challenges that can increase their effectiveness.

Relational transparency can also be used to develop authentic leadership. Authentic leaders communicate shared values through open and transparent communication, balanced processing, and a developed sense of awareness of leadership identity and strengths (Avolio et al., 2009). It takes both the leader and the follower, in an authentic relationship, to achieve relational transparency (Eagly, 2005). This means that for relational transparency to be developed, the leader and his or her followers must be actively engaged in the process. Authentic followers transparently engage with their leader by offering feedback and advice that could be instructive to the leader’s development and vice versa (Avolio et al., 2009). Sparrowe (2005) indicates that self-regulation helps to promote transparency and consistency in leadership, where the leader’s behaviour is a reflection of his or her inner standards. It is this process of self-regulation that also helps the leader to withstand external pressures and influences (Gardner, Fischer, & Hunt, 2009; Ilies et al., 2005).

According to Gardner et al. (2005), *authentic followership* is another important component of authentic leadership development. Through modelling authentic behaviours, authentic leaders motivate and transform their followers. As a result, followers become more authentic (Avolio et al., 2004; Gardner et al., 2005). Increased self-awareness, self-regulation and positive modelling enable authentic leaders to promote the development of authenticity in followers (Avolio & Luthans, 2006; Luthans & Avolio, 2003). When leaders and followers help to direct each other’s focus to aspects corresponding to their best possible selves, there is a high chance that each will incorporate those aspects into their development and follow a path toward more

genuine or authentic leadership development. Hence, authentic leadership development does not happen in isolation, as through trigger events and working with more authentic followers, it is possible to increase the positive development of authentic leadership at the individual, group, and organisational levels (Avolio et al., 2009).

Furthermore, *personal history and trigger events* are crucial to authentic leadership development. Personal history is made up of a leader's family influences, role models, early life challenges, and educational and work experiences that mould the individual's identity. Trigger events describe dramatic and subtle changes in a person's environment that trigger self-reflection and lead to positive growth and development (Gardner et al., 2005). Trigger events could also be positive events such as a significant job assignment, an inspirational role model, or a cultural event that causes the individual to reflect on and re-evaluate their values and beliefs (Avolio, 2005; Avolio & Hannah, 2008; Avolio et al., 2009; Gardner et al., 2005; Luthans & Avolio, 2003; Shamir & Eilam, 2005).

Life experiences and defining events act as trigger for the development of self-awareness and growth. Through self-reflection, the individual becomes more self-aware and creates a coherent identity which also incorporates the role of leader (Gardner et al., 2005; May et al., 2003; Shamir & Eilam, 2005; Sparrowe, 2005; Walumbwa et al., 2008). The distinct feature of an authentic leader's life story is that the authentic leader chooses the experiences from which to deduct meaning and uses these to create new definitions of the self. This means that the occasions and experiences are not as important as the meaning that the leader ascribes to those experiences (Shamir & Eilam, 2005). The leader's life story or narratives makes them more knowledgeable about themselves and enables them to decide what motivates them. In addition, leadership development experiences can be used as an opportunity to process and interpret an event, and to stimulate a re-assessment that can lead to growth and development (Avolio & Hannah, 2008).

Furthermore, Ryan and Deci (2003) are of the opinion that authenticity is achieved when individuals put in place self-regulatory processes, for instance, when their conduct is guided by internal values contrary to external threats, incentives, or social expectations and rewards. Moreover, it is proposed that a high level of moral

development is required for a leader to attain authenticity (Chan, Hannah, & Gardner, 2005; Eigel & Kuhnert, 2005; Hannah et al., 2005; Luthans & Avolio, 2003; May, Chan, Hodges, & Avolio 2003). Also, a leader's moral capacity, moral courage, moral efficacy, and moral resiliency assist in the development of authenticity (May et al., 2003). The next section will address the relationship between authentic leadership and ethical leadership.

3.7 THE RELATIONSHIP BETWEEN AUTHENTIC LEADERSHIP AND ETHICAL LEADERSHIP

According to Luthans and Avolio (2003, p.4), authentic leadership is a "root construct" that "could incorporate …ethical leadership." Self-awareness, transparency and consistency are the main components of authentic leadership and thus, authentic leaders can judge ambiguous ethical problems, tackle them from various perspectives, and align decisions with their own moral values (Brown & Trevino, 2006). Authentic leadership has been proposed to influence follower ethical behaviours and other positive outcomes such as well-being (Avolio, Gardner, Walumbwa, Luthans, & May, 2004; Gardner, Avolio, Luthans, May, & Walumbwa, 2005; Ilies, Morgeson, & Nahrgang, 2005). This section expands on the relationship between each sub-dimension of authentic leadership (self-awareness, relational transparency, internalised moral perspective, and balanced processing) and ethical relationship.

For a leader to find and support potential in others, he or she must first find and cultivate potential through *self-awareness* and self-study. A self-aware individual is aware of their personality, strength and weaknesses, identity, triggers, and emotions (Levy, 2013). According to Sur and Prassad (2011), self-awareness involves understanding one's role and relationships, and the ability to be authentic in representing oneself and ethically dealing with others. Ghigiarelli (2018) suggests that a self-aware leader knows when to be cautious against being agreeable with individuals who are not ethical. Thus, having an understanding of one's traits and how they can impact one's behaviour is a step towards developing ethical leadership because ethical leaders have a desire to explore facets of themselves, their followers, and their environment.

Moreover, self-awareness helps leaders to develop a clear understanding of their strengths and weaknesses, which in turn assist in equipping them to be in a better

position to manage themselves, their followers, and their organisations in an ethical manner (Ghigiarelli, 2018). Self-awareness requires the integration of responsibility and control in leading oneself (Ross, 2014). This is consistent with Brown et al. (2005) who state that the ability to think through the consequences of one's actions and take responsibility for them is an integral part of ethical leadership. In addition, Maslow (1970) notes that self-aware people have strong ethical conviction.

Relational transparency involves leader behaviours that foster positive relationships through the disclosure and sharing of information openly, involving what constitutes the leader's true thoughts and feelings (Avolio & Luthans, 2006; Hannah et al., 2011). In this way, a leader can create an open, transparent and safe culture where discussing and reporting ethical issues is rewarded or even required, thereby boosting followers' moral courage, which in turn, positively influences the likelihood of followers behaving ethically (Hannah et al., 2011). This relationship is characterised by openness, accountability and honesty (also characteristics of ethical leaders) between leaders and followers. To build relationships with people, trust is required, and with trust comes the assumption and responsibility to do things the right way, which is what ethical leaders do.

Usually, when there are ethical failures in organisations, fingers tend to be pointed towards the leader (Ciulla, 2004). However, if the relationship between leaders and followers is open, honest, and transparent, this will, to an extent, hinder people's wrong perceptions of the leader when unethical situations arise. Leaders that are transparent to their followers influence the people to keep their behaviour in check and ethically conduct themselves. Thus, when faced with ethical dilemmas, followers functioning in a more open and transparent environment are more likely to stand up and act in line with their beliefs despite the pressures to do otherwise (Bandura (1991). Authentic leaders set the conditions for relational authenticity where both leader and followers feel free to disclose and act according to their thoughts and ideas, which in turn promotes moral courage and ethical behaviour.

Internalised moral perspective refers to "higher levels of moral development and leader behaviours that are guided by internal moral standards and values as opposed to being driven by external pressure from peers, higher-level leaders, or other social forces" (Hannah et al., 2011, p. 13). Leaders with higher levels of moral perspective

are expected to think deeply about ethical issues when confronted with difficult ethical encounters (Werhane, 1999). Authentic leaders are also expected to behave in a more ethical manner as they tend to act in line with their internal value structures (Hannah, Lester, & Vogelsang, 2005). In an attempt to act according to their internal value structures, leaders are also expected to behave in a more ethical manner (Hannah, et al., 2005). Schminke, Ambrose, and Neubaum (2005) are of the opinion that when leaders and followers have the same level of moral reasoning, followers report higher levels of satisfaction and commitment, as well as lower turnover intentions. Consistent with this, Avey, Palanski, and Walumbwa (2011); Brown et al. (2005); Walumbwa and Schaubroeck (2009); and Walumbwa et al. (2011) state that the extent that leaders are perceived as ethical is also related to follower organisational commitment, job satisfaction, and their propensity to report ethical issues and problems.

Balanced processing seeks to openly and objectively analyse available relevant information before drawing conclusions or making decisions (Hannah et al., 2011). A further argument by Hannah et al. (2011) is that leaders who practise balanced processing tend to listen to their followers' opinions, which also shows that they are ready to have their beliefs and positions challenged before coming to a decision. By listening to followers' opinions, leaders can better understand abstract principles and ethical standards, and engage followers in ethical processes, thereby raising their agency. The leaders' engagement in balanced processing enables them to spend time trying to understand what caused problems and outcomes, which in turn helps followers understand what should be attributed to internal and external causes of ethical behaviour and performance (Gardner et al., 2005).

To conclude, authentic leaders can judge ambiguous ethical problems, tackling them from various perspectives, and aligning decisions with their own moral values (Brown & Trevino, 2006). Research states that authentic leadership influences follower ethical behaviours (Avolio, Gardner, Walumbwa, Luthans, & May, 2004; Gardner, Avolio, Luthans, May, & Walumbwa, 2005; Ilies, Morgeson, & Nahrgang, 2005). A leader who is authentic can also be considered ethical because they garner respect and trust. As a result, their subordinates and peers can anticipate their actions, decision-making and thought processes (Dion, 2012).

3.8. SUMMARY

This chapter considered the nature and some definitions of authentic leadership. It also explored the study's theoretical framework and presented a model of authentic leadership. This was followed by some possible outcomes of authentic leadership in the organisation and how authentic leadership can be developed. Finally, the chapter discussed the relationship between authentic leadership and ethical leadership.

The next chapter discusses moral potency.

CHAPTER FOUR

MORAL POTENCY

4.1. INTRODUCTION

Contemporary organisations are considered as morally complex environments that impose substantial ethical demands and challenges on employers and employees. Research indicates that for individuals to meet such demands, they need high levels of character to promote ethical behaviour (Hunter, 2003). More empirical research evaluating ethical behaviour and the individual, as well as contextual factors that lead to ethical behaviour in organisations, needs to be done (Hannah et al. 2011).

Why do leaders know what the right ethical decision or action to take is; yet, fail to act when action is needed? According to Hannah and Avolio (2010), the gap between knowing and doing what is right can be partly explained by the concept of moral potency. A leader may be conscious that something is not ethical, but it is still not clear whether he or she has the drive or incentive to act on that decision. (Hannah & Avolio, 2010). The absence of a link between a leader knowing what is right and doing what is right is a challenge, since it is known that attitudes, judgements (Ajzen, 1991), and ethical judgement in particular (Bebeau, 2002; Blasi, 1980; Trevino & Youngblood, 1990), have produced relatively weak relationships when predicting actual behaviour. Moral potency was initially introduced to describe the development of business leaders who are motivated to act on their beliefs in the area of organisational behaviour (Hannah & Avolio, 2010).

This chapter presents the definition of morality and the nature and definitions of moral potency. The components of moral potency and some theories of morality/moral decision-making used to better understand moral potency are also explored. This is followed by a model for moral development, and how to develop moral potency. The chapter also states the possible outcomes associated with moral potency and explains the influence of moral potency (of ethical leaders) on followers and the relationship between moral potency and ethical leadership.

4.2. DEFINING MORALITY

There is a constant rise of moral problems in numerous areas of life and the demand for a solution, especially in the business environment. The word “morality” is very ambiguous as it is often differentiated from etiquette, law, and religion, which are codes of conduct proposed by society (Wong, 2013). Morality derives from the word "moralis" in Latin, meaning customs or manners. “Moral” is an acceptable way of behaving, and a moral individual behaves in a way that is right, proper, or acceptable (Wilson, 1969). “Morality” is therefore defined as that which involves concepts such as rightness and wrongness, guilt and shame. In addition, the word “ethical” applies to acts that are considered to be right based on the system of beliefs about right and wrong (Sinclair, 1987).

Based on different eras and situations, many definitions of morality have arisen. For example, St Paul suggests that morality is the work of something natural in humanity -possibly the expression of innate knowledge of right and wrong (Frankena, 2007). Kant is of the opinion that morality, the good of the voluntary action - does not rely on factors external to the individual (God and the material world), but on the individual himself (Composta, 1988). According to the great French Philosopher Jean-Paul Sartre, the foundation of morality is authenticity (Composta, 1988). For some researchers, the word “morality” has some notions of moral standards concerning behaviour, while others suggest that it speaks to the moral identity or one who is capable of right or wrong action.

There are two major approaches to morality and are the Scientific Approach or Descriptive Approach, and the Philosophical Approach (Fink, 1977). The Scientific or descriptive approach is often used in social sciences to deal with human behaviour and conduct. It seeks to observe and collect data on human behaviour to make inferences. For example, a psychologist might conclude that human beings often act in their own self-interest after meticulously observing the way humans behave in various settings (Thiroux, 1977).

The Philosophical approach has two parts: normative or prescriptive ethics and meta-ethics or analytical ethics (Gewirth, 1960). Normative ethics is considered to be the opposite of the scientific or descriptive approach because it is dominantly concerned with what and how an individual should act or behave by prescribing, rather than

describing how people behave (Thiroux, 1977). It establishes norms or provides appropriate behaviours with regards to the way people should act. Normative ethics mostly deals with moral standards through means of creating and evaluating them. This means that it is a way of determining what people should do or whether their existing moral behaviour is reasonable (Bauer, 2020).

Based on the previous example, a normative ethical philosopher goes beyond the description and conclusion of the psychologist and will want to know whether people should or ought to act in their own self-interest. Normative ethical philosophers may often consider three options in such an instance - Egoism (people should always act in their own self-interest) or Altruism (people should always act in the interest of others) or Utilitarianism (people should always act in the interest of the greater number) (Bauer, 2020). In light of the current study, the utilitarianism approach is the most viable as true leadership requires the leader to focus not only on themselves but on what is beneficial to the followers and the organisation as a whole.

It is worthwhile noting that traditionally, most fields of moral philosophy involved normative ethics and to name a few Plato, Aristotle, Kant, Mill, etc. were all normative ethical philosophers. These philosophers discussed challenges on ethical issues that were normative and were imperative in setting up ethical systems prescribing what a good or virtuous person is required to do or required not to do (Wu, Belak, & Rozman, 2012).

Finally, a formal definition of morality depicts moral judgement to be prescriptive, universal (applicable to relevant similar individuals in relevantly similar situations) and considered by the speaker as very important. Morality could partly be of a culture that arises to facilitate and structure social cooperation, and a great way to achieve this end is by influencing socialisation processes, thus, shaping individual drive (Wong, 2006).

4.3. NATURE AND DEFINITION OF MORAL POTENCY

Most ethical development programs focus more on training participants and how to interpret and judge ethical cases instead of determining how to increase the motivation to act once a moral judgement has been decided (Bebeau, 2002; Hartwell, 1995). It is for this reason that moral potency reflects an individual’s ethical psychological

resources and includes moral ownership, courage and efficacy components. These components are the key indicators of moral potency. They instil in leaders the notion that they are in a position to act (i.e., ownership), they can be successful when they act (i.e., moral efficacy), and can overcome fears to persevere and execute those actions through to resolution (i.e., moral courage) (Hannah & Avolio, 2010).

A leader's character is defined by what the leader thinks and their enthusiasm to act in order to address ethical dilemmas. Moral potency provides leaders with the psychological resources that connect moral thought to moral actions (Hannah & Avolio, 2010). Research on character, moral potency and virtue describe the moral limits of what leaders are expected to do in the field of social science (Bright, Stansbury, Alzola, & Stavros, 2011; Folger, 2012; Folger, Ganegoda, Rice, Taylor, & Wo, 2013; Hannah, Jennings, Bluhm, Peng, & Schaubroeck, 2014; Peterson & Seligman, 2004). Hence, high a high level of moral potency leads individuals to engage in behaviour consistent with their ethical beliefs. It should be noted that this chapter emphasizes an individual's views of morality (as conceptualised in terms of moral potency).

Several definitions of moral potency will be discussed below.

Hannah and Avolio (2010) define moral potency as a psychological state marked by leaders' sense of ownership (agency) over the moral aspects of their environment, beliefs in their capabilities to perform the behaviour (efficacy), and moral courage to act ethically in the face of adversity. This definition provides the desire or urges for a leader to act ethically as reflected in the three psychological states (moral ownership, moral efficacy, and moral courage) that drive ethical self-regulation.

According to Hannah, Avolio, and Walumbwa (2011) add another important factor- perseverance in times of adversity- to the definition, In their modification of the definition of moral potency, Hannah et al. (2011, p. 664) note that it is "the capacity to generate responsibility and motivation to take moral action in the face of adversity and persevere through challenges". Therefore, Hannah et al.'s (2010) definition and the (2011) definition expansion to include the components of moral potency informs this study because it contains the main constructs used in measuring moral potency, which are moral ownership, moral efficacy, and moral courage.

Pettit (2012, p.1) defines moral potency as the “central element in exercising evidence-based leadership for moral agency…which can impact on one’s willingness and perceived ability to act, as well as the capacity to make a real difference”. He considers moral potency as an instrumental factor in the process of translating moral concerns into moral action. Pettit (2012) also describes three elements discussed by Bezzina and Tuana (2011) that should exist for individuals to be willing to choose a moral action. Firstly, individuals must be convinced of its importance. Secondly, they must have the capability to act in the way required by the situation, and lastly, they must possess the courage to act. These three elements are closely related to the three components of moral potency already stated above. Importantly, each component needs to be developed for an individual to possess moral potency (Hannah & Avolio, 2010). It should be noted that moral potency is a fairly new concept and so there is hardly enough literature on its definitions and concepts. The next section will focus on the components of moral potency.

4.4. COMPONENTS OF MORAL POTENCY

There are three components of moral potency: moral ownership, moral efficacy, and moral courage. Hannah and Avolio (2010) are of the opinion that each of these elements needs to be developed for an individual to possess moral potency. All three components of moral potency will be discussed below.

4.4.1. Moral ownership

Moral ownership is the sense of psychological responsibility an individual feel for his or her actions and that of others around them (Hannah et al, 2011). The higher the individual’s perceived moral ownership, the less likely the individual will be able to disengage from their actions (Hannah and Avolio, 2010). This inability to disengage renders it more difficult to get involved in unacceptable behaviours without experiencing dissonance and negatively updating their self-concept (Mazar, Amir, & Ariely, 2008). Such an individual is so devoted that he or she is unwilling to let the situation pass by without taking action to set it right (Hannah et al., 2011).

Similarly, individuals who are high on moral ownership are less prone to exhibit moral disengagement and are also less likely to rationalise their thoughts into thinking that an unethical decision is correct. The concept of moral disengagement started from Bandura’s (1986, 1991, 1999) research which was called the social cognitive theory

of moral thought and action, social cognitive theory of moral agency, or socio-cognitive self-theory (Newman, Le, North-Samardzic, & Cohen, 2019). According to Weaver, Treviño, and Agle (2005), managers who are considered good ethical role models reflect on their progress and are prepared to do the right thing even though it is against the interests of the organisation. The ability to know what the right thing to do is and to pursue that route despite the challenges is the core of moral ownership.

Bandura (1991;1999) defines agency as the capacity to exercise control over the nature and quality of one's life. The focal principle of the social cognitive theory notes that agency reflects a person's engagement in their experiences. Bandura (1999) asserts that interactions happen between the individual (e.g. cognition, identity, and affect), his or her behaviour, and his or her environment.

The social cognitive theory in this regard attempts to explain an individual's capacity to control the nature and quality of their life through exercising individual agency. This is done by carrying out ethical acts fostered by moral courage to right or wrong such that they are not just products of their environment, but also producers (Bandura, 1999, 2001). Due to such reciprocity, the environment, in turn, influences the extent to which the individual builds and exercises agency through mechanisms such as influencing levels of courage, efficacy and a psychological sense of ownership or responsibility.

Walker and Henning (2004) argue that social learning, through observing moral role models will more likely enhance observers' moral cognitions as well as their moral courage. It is for this reason that Lester, Vogelgesang, Hannah, and Kimmey, (2010) propose that leaders impose significant influence on followers' thoughts and behaviours related to moral courage and ethical behaviour. Overall, moral ownership promotes the desire to act since leaders with higher levels of ownership are less able to turn a blind eye.

4.4.2. Moral efficacy

Moral efficacy is "an individual's belief in his or her capabilities to organise and mobilise the motivation, cognitive resources, means, and courses of action needed to attain moral performance within a given moral domain, while persisting in the face of moral adversity" (Hannah et al., 2011, p.675). Thus, it is the confidence an individual has in his or her ability to influence a situation positively. Moral efficacy, just as self-

efficacy, relates to the extent of the situation being encountered and the individual's assessment of his or her ability to succeed.

Moral efficacy gives a decision-maker the feeling of confidence that they can accomplish the goals that they set for themselves. A decision-maker has high moral efficacy when his or her abilities are adequately judged to overcome the magnitude of the situation. For example, a leader in an organisation going through an economic crisis may undoubtedly know the right decision to make in such a situation where difficult choices need to be made. Yet, with various conflicting interests arising as a result of the crisis, they may choose not to act because they feel they would not have the support of management, or that not possess the personal skills to confront their senior leader. Research shows that moral efficacy is developed over time. The more successful one can deal with moral situations, the more efficacious they become (Hannah et al., 2011). Moral potency builds on itself and becomes a self-fulfilling prophecy. Bandura (1986, 1997) is of the opinion that ethical leaders may promote followers' moral efficacy by acting as role models who represent integrity, ethical awareness and a people orientation. In addition, Hannah et al. (2011) state that an individual's belief that they can efficiently handle what is necessary to attain moral performance helps them to truly express their concerns about moral issues.

4.4.3. Moral courage

According to Sekerka and Bagozzi (2007, p.135), moral courage is the "ability to use inner principles to do what is good for others, regardless of threats to self, as a matter of practice." For Kidder (2005), it is a commitment to moral principles, an awareness of the danger involved in supporting those principles, and a willingness to endure the danger involved. Moral courage is essential because it helps to determine whether an individual will rise and act while another who arrives at the same ethical judgement in the same situation will standby and fail to act according to their judgements and beliefs (Hannah et al., 2011).

A leader's moral courage may be one vital factor that predicts the ethical leadership behaviours that are perceived by his or her followers (Kopp & Sobral, 2014). A leader's moral courage can also be described as his or her professional moral courage, which includes understanding formal, informal, stated and expected standards of ethical conduct. Monin, Pizarro and Beer (2007) argue that being ethical requires one to act

both in pursuit of right or wrong and to restrain themselves from the action when faced with moral temptations.

A leader may feel responsible to act (moral ownership) and believe they have the efficacy to do so (moral efficacy), and yet do nothing about it due to the lack of courage to face the risk involved (Hannah & Avoilio, 2010). Thus, Osswald, Greitemeyer, Fischer and Frey (2009) caution that before a leader can act with moral courage, he or she has to recognise an occurrence as a situation of moral courage and feel competent to act as well as take responsibility for the incident. Therefore, moral courage enables a leader to be virtuous irrespective of the external factors that might influence their beliefs (Hannah & Avolio, 2010; Sekerka & Bagozzi, 2007).

Furthermore, it is argued that there is a relationship between moral courage and the social cognitive theory (Hannah et al., 2011). Moral courage is a personal factor that influences ethical behaviour by affecting the involvement of the leader with others and having an influence on his or her environment (Hannah et al., 2011). A leader's observation of their behaviours and expected positive impacts around their surroundings enables them to eventually develop moral courage. In effect, social learning through observing moral role models will promote leaders' moral cognition as well as their moral courage (Walker & Henning, 2004).

Summarily, a sense of moral ownership needs to be created before an individual can carry out a specific behaviour (Kohlberg & Candee, 1984). However, a person can take moral ownership over action and have the strong moral courage to abide by their ethical beliefs and yet remain inactive because of a lack of moral efficacy – a lack of confidence in performing the behaviour (Hannah et al. 2011). Moreover, an individual might feel highly responsible to act through a high perception of moral ownership, and believe that they have the capability i.e. moral efficacy to do so, but may fail to act due to lack of moral courage (Sekerka and Bagozzi, 2007). The following section will explore some theories of moral potency.

4.5. THEORIES OF MORALITY/MORAL DECISION-MAKING

This section addresses two theories of moral reasoning and development. These are Kohlberg's theory of cognitive moral development and moral conation theory.

4.5.1. Kohlberg's theory of Cognitive Moral Development

Kohlberg expanded on the earlier work of the cognitive theorist Jean Piaget to explain the cognitive moral development of children, which to him occurs in several stages. According to Kohlberg (1984), people progress in their moral reasoning (i.e., their bases for ethical behaviour) through a series of six identifiable stages of moral development, which could be generally classified into three levels. These levels are; the pre-conventional level (made up of stage one and two), the conventional level (made up of stage three and four), and the post-conventional level (made up of stage five and six) (Kohlberg, 1984). These levels are discussed in detail below.

The first level which is the *pre-conventional morality* is a level of moral thinking usually found at the elementary school (i.e. most nine-year-olds and younger, some over nine). There is no personal code of morality for this age group. Rather, their moral code is guided by the norms of adults and the implications of following or breaching prescribed laws. (Kohlberg, 1970). The first stage in this level proposes that people behave according to socially acceptable norms because they are told to do so by some authority figure (e.g. a parent or teacher). For example, the individual is good to avoid being punished. If they are punished, it is because they must have done something wrong. Thus, authority at the first stage is outside the individual and reasoning is based on the physical consequences of actions.

The second stage is defined by the assumption that acting in one's own best interests implies the right action. This means that there is not just one right view that is handed down by the authorities. Different individuals have different viewpoints. This second level is called *conventional morality* because it is generally found in society. At this level, individuals (mostly adolescents and adults) begin to internalise the moral standards of valued adult role models (Kohlberg, 1970). Authority is internalised but not questioned and reasoning is based on the norms of the group to which the person belongs. This level begins in stage three and reflects an attitude, which seeks to do what will gain the approval of others. For example, the individual seeks to be seen as being a good person by others and thus provides answers aimed at receiving the approval of others. Stage four is focused on obeying the law and responding to the obligations of duty and here, the individual becomes aware of the wider rules of society and so judgments concern obeying the rules to uphold the law and avoid guilt.

The third level is called *post-conventional morality*. According to Kohlberg (1970), most adults do not reach this level. He reiterates that only 10-15% of adults are capable of the kind of abstract thinking required for stage 5 or 6 (post-conventional morality). This means that most people acquire their moral views from those around them and only a few think through ethical principles for themselves. This level begins at stage five and is characterised by the understanding of social support and a genuine interest in the welfare of others. Individual judgment is based on self-chosen principles and moral reasoning is based on individual rights and justice. For example, the individual becomes aware that while rules/laws might exist for the good of the greatest number, there are times when they will work against the interest of particular individuals. The issues are not always well defined. Consistent with this, ethical leaders create open, transparent and safe environments where talking about and reporting ethical issues, as well as rewarding good behaviour and punishing bad behaviour is used as a means to foster a good working climate, which in turn promotes the welfare of followers (Hannah et al., 2011). According to Bandura (1991, 1999), ethical leaders will own their behaviour to the extent that they realise the ethical nature of actions as the very part of themself, not of others. Moreover, such leaders use moral ownership to make judgements on moral issues.

The last stage (stage 6) stems from respect for the universal principle and the demands of individual conscience. At this stage, individuals develop their own set of moral guidelines, which may or may not fit the law. The principles apply to everyone. For example, in the case of human rights, justice and equality, the individual is prepared to act to defend these principles even if it means going against the rest of society in the process and having to pay the consequences of disapproval and or imprisonment (moral courage). Kohlberg doubted whether a few people reached this stage.

An ethical leader also exhibits some of these characteristics when he or she behaves in a certain way because it is morally right to do so (and not because he or she wants to avoid punishment). This also highlights the leader's moral efficacy as it takes someone confident in their ability to influence a situation to do so (Hannah et al., 2011). Moreover, individuals at these stage view laws as valid as long as they include justice to all members with a commitment to justice entailing an obligation to disobey unjust laws. This shows that the leader has a degree of moral ownership to uphold justice

and disregard any unjust acts. Ethical leaders who are at the forefront of organisations exhibit justice as they lead. The definition of moral potency describes moral potency as consisting of an attribute such as taking the responsibility to act when faced with challenges. This is also consistent with the last stage of Kohlberg's theory which emphasises that individuals should take the responsibility and moral ownership for creating their own set of moral guidelines.

According to Kohlberg, individuals could only go through these stages one stage at a time. They could not "jump" stages. For example, they could not move from stage 1 to stage 3 without passing through stage 2. Individuals can only come to an understanding of a moral rationale one stage above their own. Below (figure 4.1) is a diagrammatic demonstration of Kohlberg's cognitive moral development model.

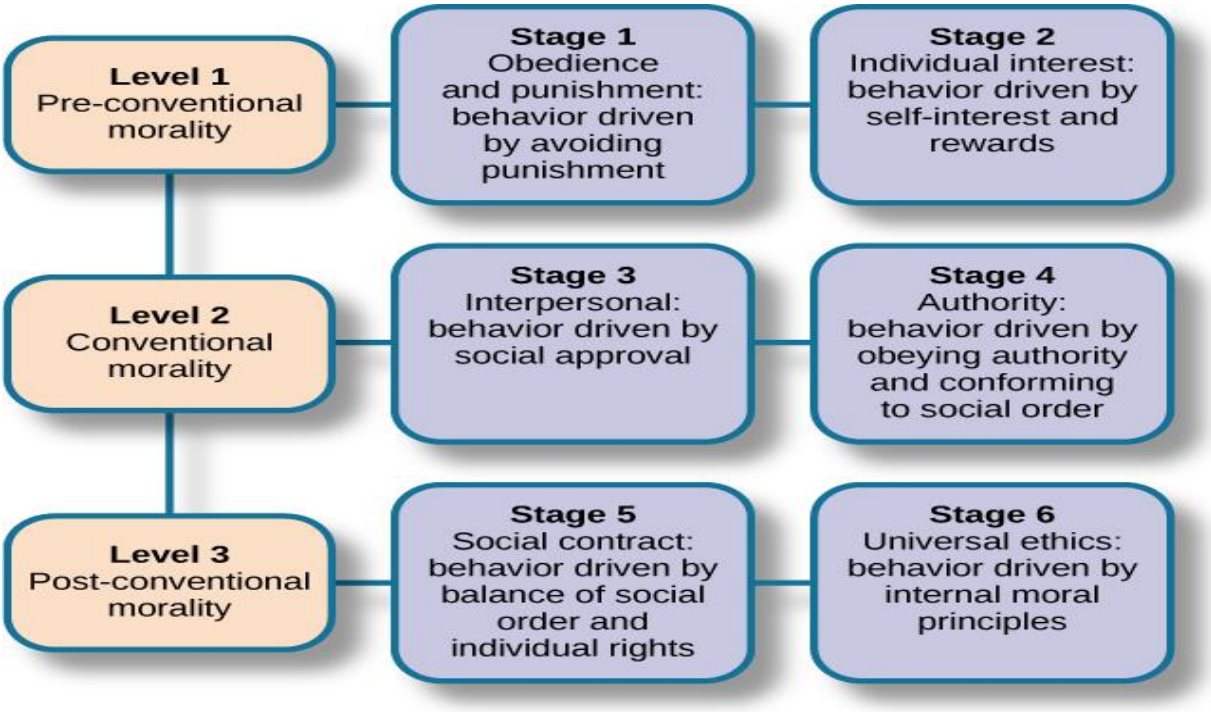

Figure 4. 1: Kohlberg's stages of Cognitive Moral Development (Kohlberg, 1970)

Kohlberg's theory is ground-breaking and yet it has been criticised for its cultural and gendered bias toward white, upper-class men and boys (since all his subjects for the study were males). It also fails to account for inconsistencies within moral judgments. According to Wimalasiri (2004) and Gilligan (1992), the moral development theory is male-centred in that it focuses on a justice perspective and does not consider other values such as the ethic of care and nurture, which is linked

more with women. Women are more likely to focus their explanations for moral dilemmas on concepts such as caring and personal relationships (scored at the stage three-level) whereas men are more likely to base their decisions for moral dilemmas on justice and equity (scored at stage five or six). Nowadays, women are actively involved in the workforce in organisations and so not involving women in such a study might affect its application on the female population in organisations concerning moral decision-making processes.

Secondly, Kohlberg's theory emphasises moral thinking, but there is a huge difference between knowing what we ought to do versus our actual actions (which is an aspect of moral potency). Moral reasoning may not lead to moral behaviour (Woolfolk, 1993). For example, just because a leader claims to act ethically when faced with a certain moral dilemma does not necessarily mean that he or she will behave in a way that is consistent with what he or she said in a real-life dilemma.

Stage five of Kohlberg's Moral Development theory relates more to moral potency as it focuses on the aspect that the individual's behaviour is governed by moral principles that have been decided by the individual and which may be in disagreement with accepted social norms. Such leaders are likely to stick to ethical/moral decisions when faced with adversity even if no one decides to stand with them (Hannah et al., 2011). This aspect relates to the moral courage component of moral potency, which is a very important component because it helps to determine whether an individual will rise and act while another who arrives at the same ethical judgement in the same situation will standby and fail to act according to their judgements and beliefs (Hannah et al., 2011). In addition, moral courage may be used to predict ethical leadership behaviours that are perceived by the leader's followers (Kopp & Sobral, 2014).

It should be underscored that Kohlberg's philosophy of moral development emphasises understanding what is right and doing it. despite the negative consequences that await one. The underscored action is the main underlying quality of an ethical and morally potent leader. Moreover, the theory reinforces the idea that social learning processes enable leaders to form both a global self-concept of themselves as leaders (Lord & Brown, 2004) and a self-concept of their self-view relating to their morality.

Therefore, Kohlberg's Moral Development theory addresses moral potency and suggests that an individual's stage of intellectual development and social and educational climate enables or prevents their moral development (Kohlberg, 1978). This indicates that a social climate within the organisation facilitated by freedom of thoughts and communication, which also encourages discussion and accepts opposition is expected to create a climate where moral reasoning is promoted. More so, a leader's level of moral reasoning can influence their followers' moral reasoning through role modelling, observation or instructions (Dukerich, Nichols, Elm, & Vollrath, 1990).

4.5.2 Moral Conation Theory

Existing empirical research on ethics indicate that ethics focus more on aspects of ethical cognition and judgement as opposed to ethical behaviour (Reynolds, 2006; Tenbrunsel & Smith-Crowe, 2008; Trevino, Weaver, & Reynolds, 2006). Based on accumulated evidence, more work needs to be done to determine what factors drive individuals beyond moral judgements to enact actual ethical behaviour. Thus, Hannah, Avolio, and May (2011) developed the moral conation theory, which demonstrates the urge to act with moral purpose. This theory originates from moral ownership, moral efficacy, and moral courage, which enhance an individual's moral cognition and propensity to take ethical action. Moral conation is the motivation to act ethically, which requires assuming the responsibility and agency to act (moral ownership) and the fortitude to face challenges and overcome fear (moral courage) to exercise that responsibility (Hannah et al., 2010). Hence, the theory also aligns with the definition of moral potency.

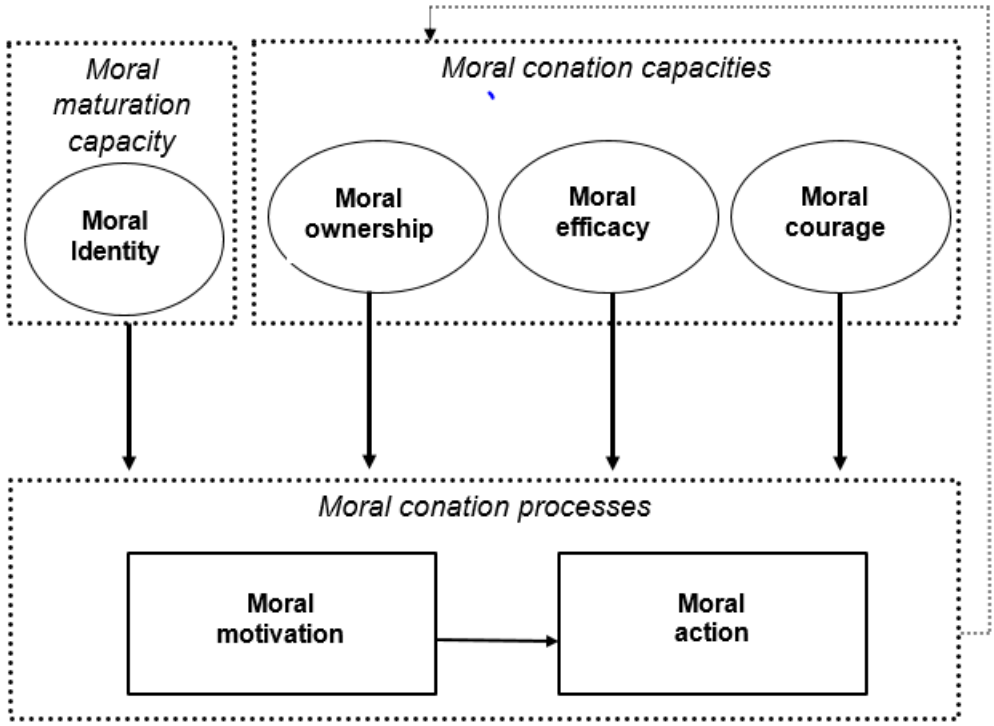

Figure 4. 2: A Diagrammatic demonstration of the Moral Conation Theory (Adapted from the Framework for Moral Maturation and Moral Conation by Hannah et al., 2011)

Moral conation encompasses moral ownership, moral courage, and moral efficiency, and some underlying psychological processes such as moral motivation and moral action. *Moral motivation* involves processes that aim at gaining commitment to a given action and the weight assigned to specific moral values over other values. *Moral action* entails persistence in carrying out moral tasks as well as overcoming fatigue and different temptations and challenges to take the required action. According to Pierce, Kostova and Dirks (2003), people hold different levels of psychological ownership for various aspects of their environment. Unlike the typical belief system in which people can control events in their life (as reflected in concepts like locus of control), people will vary in the extent to which they want to or feel a sense of responsibility to take ethical action in a given situation and not in others (Bandura, 1991, 1999). Moral ownership reflects an individual's sense of responsibility and drives to stand up and act to influence morality in their surroundings. An absence of moral ownership would likely predict negative outcomes such as a failure to act when moral action is needed, or subtler forms of poor organisational citizenship such as loafing (Hannah et al., 2011). Therefore, moral ownership will foster conation to act since those with higher

levels of ownership are less likely not to pay attention (Janoff-Bulman, Sheikh, & Hepp, 2009; Ryan & Riordan, 2000).

Based on studies carried out by Bandura (1997), moral efficacy involves the magnitude (level of difficulty a person expects to succeed in performing tasks in a given moral situation) and strength (the extent of certainty a person has in their ability to perform to that level of difficulty). People hold different levels of moral efficacy across different aspects of their self-identity (that is, efficacy as a leader to discuss ethical issues with their group as opposed to a peer), creating a level of variability in choices and behaviour.

A repeat of successful experiences in terms of moral action enables the likelihood of moral efficacy being generalised across a wider set of moral contexts over time (Hannah et al, 2011). Moral efficacy, developed through an extensive span of rich personal mastery and modelling/vicarious experiences, might consistently generalise across a widening span of moral tasks and contexts (Bandura, 1997). In addition, individuals must believe that they do not only have the personal capability to address a specific moral issue (i.e., to disclose unethical practices) but that supporting resources (such as peers/leader support or whistle-blower reporting systems and protection) are available to assist them to behave successfully. Hannah, Sweeney and Lester (2010) propose that efficacy is needed to reinforce an individual to act with courage. This is partly because courage is often relative to experienced fear with negative emotions such as fear occurring when people assess that a given threat exceeds their perceived ability to confront it (Beck, Emery & Greenberg, 1985). Therefore, moral efficacy would likely bolster perceived capability and thereof, moral courage, with both working together to produce higher levels of moral conation.

Moral courage is the last capacity underlying moral conation. According to Hannah et al. (2011, p. 560), moral courage in the workplace is “a malleable character strength, that provides the requisite conation needed to commit to personal moral principles under conditions where the actor is aware of the objective danger involved in supporting those principles, that enables the willing endurance of that danger in order to act ethically or resist pressure to act unethically as required to maintain those principles”. Overcoming threats and fear because of morals, virtue, or a higher purpose is inherent in defining courage (Gould, 2005; Kidder, 2003). According to

Sekerka, Bagozzi and Charnigo (2009), the strength of will is required to withstand and resolve ethical issues and confront barriers that may prevent the ability to progress toward the right action, and therefore, moral courage is a quality or attribute needed for ethical behaviour in organisations.

Moral identity is the degree to which being a moral person is essential to an individual's identity (Hardy & Carlo, 2011). Individuals' knowledge about themselves as moral actors (i.e., moral identity) is crucial in fostering moral conation and moral cognition (Aquino, Freeman, Reed, Lim, & Felps, 2009). This because self-identity constitutes the most accessible and extensive knowledge structures that individuals hold (Hannah, Woolfolk, & Lord, 2009; Kihlstrom, Beer, & Klein, 2003) and therefore, has a significant influence on how individuals regulate thought and control behaviour (Carver & Scheier, 1998; Lord & Brown, 2004). As a result, identity cannot be separated from moral processing, especially since moral and immoral actions all affect one's self-evaluations (e.g., "Am I a good person?") and sense of self-consistency (e.g., "What ethical action is most in line with my beliefs about myself?") (Aquino & Reed, 2002; Weaver, 2006). Moreover, Reynolds and Ceranic (2007) note that moral identity is a crucial construct that assists in explaining the link between moral judgements and behaviour.

This theory is considered for the purpose of this study because it contains all the constructs used in measuring moral potency and moral action, which is driven by internal moral principles and form the basis for moral potency. Moreover, the theory makes mention of moral identity, which appears to influence individuals' self-evaluation and how they regulate thoughts and control behaviours.

Both Kohlberg and Rests' theories focus only on the cognitive processing of moral dilemmas, i.e. the complex intellectual choices on right versus wrong, or right versus right. However, both theories do not tackle how individuals process moral temptations (Monin, Pizarro, & Beer, 2007), where the individual knows what is best but a personal value conflicts with the other. In such an instance, the individual requires a reasonable level of self-regulatory capacity to resist one action in favour of the other. Thus, while Kohlberg and Rest et al.'s theories and models attempt to address one aspect of the cognitive capacities that individuals need to recognise and judge moral issues, they do not help explain the self-regulatory capacities that promote how an individual

engages his or her full cognitive capacities in a given moral dilemma (Hannah et al., 2011). It is for this reason that the moral conation theory seeks to examine how individuals process and respond to moral problems, and also how moral capacities can be developed.

To conclude, behaviour can be considered moral only by knowing both the observable behaviour and the psychological processes that lead to it (Walker, 2002). The conceptualisation of moral conation offers insight into the transference of moral judgements, through intentions, into action. All three components of moral conation are mutually supporting. Moreover, the integration of moral conation constructs, moral ownership, moral efficacy and moral courage provides necessary contributions to moral conation and should be studied and developed together (Hannah et al., 2011). Rest's model for moral development, which can be considered as an integral part of the moral conation theory, is explored next.

4.6 A MODEL FOR MORAL DEVELOPMENT

Rest, Barnett, Bebeau, Deemer, Getz, Moon and Spickelmeier (1986) developed a Neo-Kholbergian approach to the development of morality. They analysed two factors in personal thinking; how expectations about rules are known and shared, and how the interests of all involved are balanced. Rest et al. (1986) introduced a four-component (moral sensitivity, moral reasoning, moral integrity, and moral courage) model for moral development that is considered one of the best attempts to explain the process that individuals undergo when faced with moral issues. According to Rest and his colleagues, individuals need to go through these four psychological processes to act morally.

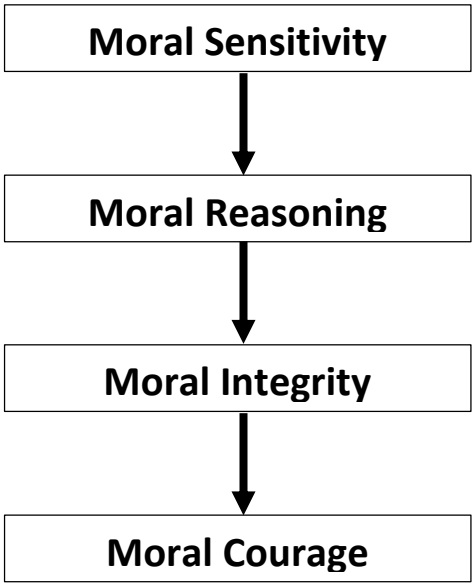

Figure 4. 3: A Four- component Model for Moral Development (Rest et al., 1986)

The *first stage* (moral sensitivity) is to recognise the moral issue i.e. determine what actions are possible, who is affected, and how the affected parties may be impacted by certain actions. The *second stage* (moral reasoning) entails making a judgement as to which course of action is morally right. In the *third stage,* the emphasis is placed on choosing to place moral concerns over other concerns (establishing moral intent) i.e. focusing on the moral aspects of situations above the personal aspects of the decision. Also, individuals in this step decide to do what is morally right.

The *third stage* (moral integrity) focuses on the extent to which the inclination to act morally is an inherent part of one's makeup. For example, if an employee notices that a colleague was continually carrying out an unethical/immoral act that violates the organisation's moral principle, but felt that this was not their concern but perhaps a matter for somebody else, he or she would be considered as possessing a low level of integrity. This third component of Rest's model is commonly called "motivation," "character" or "commitment" (Bebeau, 1994). The *last stage* (moral courage) of the model involves taking moral action. Individuals need perseverance, skill, and strength of character to follow through on their decision to act morally. Even though they may face obstacles such as a lack of will at this point, they must be able to overcome them (moral courage) (Heyler, 2014; Rest, 1986).

Rest (1986) argues that each component in the process is conceptually distinct and that success in one stage does not translate to success in any other stage. For example, an individual with a well-developed sense of moral reasoning (stage 2) will not always have a great resolve to act morally (stage 3). Some issues can be worked through in a stepwise way, involving each component in turn; others may vary on one or two components; while many involve looping and repetitions through the components (Chambers, 2011). Most empirical studies on this model have involved either stage 2 (i.e. moral development) by Kohlberg (1976) and Rest (1979, 1986), or the relationship between stage 2 and 4 (moral development and action). Also, all four components are considered as part of effective moral behaviour (Chambers, 2011).

The connotation of moral behaviour also reinforces the definition of moral potency, which focuses on carrying out moral action in the face of adversity. In Rest's (1986) model, cognitive moral development is an important element in the judgement phase. Rest (1986) also included a step whereby the ethical decision-maker establishes moral intent before engaging in moral behaviour. Moral judgement is expected to affect ethical and unethical behaviour when moderated (Jones, 1991).

After analysing several studies, Good and Cartwright, (1998, p. 3) conclude that "people who develop moral judgements are those who love to learn, who seek new challenges, who enjoy intellectually stimulating environments (moral efficacy), who are reflective, who make plans and sets goals, who take risks (moral courage), who see themselves in the larger social contexts of history and institutions and broad cultural trends, who take responsibility for themselves and their environs (moral ownership)". The next section will explore how moral potency can be developed.

4.7 DEVELOPING MORAL POTENCY

Developing moral potency entails building on each of the components that make up moral potency (moral ownership, moral courage, and moral efficacy) among other factors. Organisations seeking to develop moral potency in their leaders can utilise these measures. It should, however, be noted that due to the possible lack of previous research on the development of moral potency, the subsequent discussion mainly focuses on the work done by Hannah and Avolio (2010).

4.7.1 Developing moral ownership

It is generally more common to blame others for one's own inactions. In ethically important situations requiring action, the inquiry of who will act (me vs. somebody else) becomes crucial for the attainment of actual ethical behaviour (Sweeney, Imboden, & Hannah, 2015). People tend to shun away from doing what is right by diffusing a sense of responsibility and personal accountability (Bandura, 1999). There is often a perception that everyone is responsible. Hannah and Avolio (2010) believe that an individual is likely to act on his or her moral understanding and judgement when he or she assumes a specific nature of ownership (i.e. moral ownership). This emphasises that employee moral ownership must be thought of as an important determinant of employee ethical behaviour because waiting for someone else to act in a situation would further delay the required action and thus, instigating negative consequences.

An individual who possesses moral ownership feels accountable for taking responsibility for moral or ethical issues because of his or her perceived roles and responsibilities. Developing accountability in light of moral ownership requires individuals to know what is expected of them in their very roles and recognising each individual for stepping up and taking appropriate responsibility or action (Avey, Avolio, Crossley, & Luthans, 2009). Through constant interactions with one's leader, an individual learns what is within and outside of their scope of responsibilities as far as moral and ethical issues at work are concerned. Clarifying an individual's accountability would assist to reduce certain types of self-deception regarding moral ownership (Gangestad, 2011). Thus, an auditor may be trained to alert others to ethical violations falling within his or her scope of responsibilities based on the standards set by the organisation for mandatory reporting. Moreover, an individual may develop a deeper form of moral ownership by identifying who they are within the justification for moral actions in terms of self-identity (Hannah & Avolio, 2010). The reality here is that several years of education and training are expected to enable individuals to uphold certain moral standards as stipulated by their various professions. Ultimately, individuals who demonstrate such a level of ownership are expected to exhibit greater efficacy or confidence levels, as well as a responsibility to themselves and others while perceiving their success or failure as part of who they are and what they represent to others when discussing their profession (Avey et al., 2009).

Higgin's (1998) Regulatory Focus Theory can also be used in developing a leader's levels of moral ownership. According to Higgins (1998, p. 6), "individuals who are more promotion-oriented will experience feelings regarding targets of ownership that are quite different from those who are prevention-oriented". A prevention-oriented person may be cognizant of what the ethical versus unethical choice is but may not act because they have been developed by leaders in their organisation not to involve themselves with issues outside their scope of responsibility. Such territorial views of moral ownership would clash with a person feeling more or less accountable to take action based on their prescribed roles and responsibilities. One way to reduce such a prevention-focused view is by using real incidents where leadership development consists of debriefing prior incidents to indicate how leaders can and should act to broaden the scope of their ethical actions. By so doing, the transfer of learning is maximised, while the reinforcement for taking the right action is not some intangible notion, but rather tackling real moral and ethical issues (Hannah & Avolio, 2010).

In the highest level of moral ownership, an individual's self-concept is considered important as it is linked to doing what is right to create a moral organisation as the organisation becomes a referent for how the person views him or herself (Hannah & Avolio, 2010). According to Jones and Ryan (1998), the level of responsibility that a person attributes to themself arises from the referent group to whom the individual is psychologically attached or from which the individual anticipates approval or feedback. Thus, organisations are considered as morally responsible for employees' actions and have the authority to provide necessary job-related physical and psychological resources (Levinson, 2009) and thus, it is expected that employees' perceptions of organisational support will influence employee moral ownership to positively affect their ethical behaviour (Jino & Dyaram, 2019).

4.7.2 Developing moral efficacy

Moral efficacy refers to people's beliefs in their abilities to positively deal with ethical issues at work and handle challenges to developing and applying ethical solutions to ethical problems (May, Luth, & Schwoerer, 2014). According to Escolar-Chua (2018), an individual needs to feel competent first before they can act with moral courage with moral efficacy being the key psychological determinant of the levels of moral motivation and action (Hannah et al., 2011). Self-efficacy helps individuals to regulate their coping abilities and emotional states, and through the right guidance, individuals

can increase their levels of self-efficacy. There are four ways through which individuals can increase their levels of self-efficacy (and moral efficacy) and these are (1) mastery experiences; (2) social modelling; (3) social persuasion and feedback; and (4) monitoring emotional states i.e. psychological and emotional arousal.

By implementing *mastery experiences*, the leader aims to successfully overcome challenges by enforcing similar strategies to address future ethical challenges (Bandura, 1997). The experience of mastery influences one's perspective about their abilities as successful experiences lead to greater feelings of self-efficacy. However, failing to deal with a task or challenge can also undermine and weaken self-efficacy. Thus, building self-mastery requires resilience to manage expectations about success and accept failure positively. Individuals who succeed after overcoming obstacles and recuperating from them are more likely to have a stronger sense of self-efficacy.

Another way of building self-efficacy is through *vicarious experience*. In this instance, the individual observes others overcoming challenges by performing a task or handling a situation, and by so doing, assist them to perform the same task themself through imitation (Bandura, 1997). If the individual succeeds in performing a task, they are likely to think that they will succeed as well. Thus, observing people similar to themselves succeed will likely increase their beliefs that they can master a similar activity. This highlights that the actions, principles and achievements of the leader indirectly teach and persuade the followers to replicate the leader's actions.

Research shows that reflection on factors present during the past performance, such as the level of resources available, amount of physiological or psychological danger and amount of autonomy will affect the development of an individual's efficacy beliefs and how the person interprets the context in which similar challenges are located in the future (Bandura, 1997). Therefore, by analysing the context through debriefing sessions, individual levels of moral efficacy can be increased by determining what could and could not have been done in a particular situation. In addition, Hannah et al. (2008) state that leaders' interactions with their followers can facilitate the transfer of a greater sense of confidence in followers to among other issues take on moral and ethical issues. Finally, a leader that exhibits confidence while addressing a moral issue boosts their followers' confidence and establishes norms in the group for displays of moral confidence (Hannah et al., 2010).

A person can also develop their level of self-efficacy through *social persuasion and feedback*. Individuals tend to believe that they are more capable of performing a task when others encourage and convince them to perform the task (Bandura, 1994). The provision of constructive feedback enables an individual to maintain a sense of efficacy as it may help overcome self-doubt. A persuasive boost in perceived self-efficacy leads people to try hard enough to succeed and this promotes the development of skills and a sense of personal efficacy. On the contrary, people who have been persuaded that they lack capabilities tend to avoid challenging activities that grow potentialities and give up quickly in the face of adversities (Bandura. 1994). The leader, in addition to raising the follower's beliefs in their capabilities, structures situations for them in ways that bring success and avoids placing followers in situations where they are likely to fail often (Bandura. 1994). The leader measures success in terms of self-improvement rather than by triumphs over others.

Finally, *monitoring the emotional state* of an individual can assist with the development of self-efficacy. Moods, emotions, physical reactions and stress levels may influence how individuals feel about their abilities. If an individual is extremely nervous, they might start doubting and develop a weak sense of self-efficacy. On the contrary, if they are confident and feel no anxiety or nervousness at all, they might experience a sense of excitement that fosters a great sense of self-efficacy. The extent to which individuals interpret and evaluate emotional states will determine the extent to which they develop self-efficacy beliefs (Bandura, 1977). Individuals who have a high sense of efficacy are more likely to perceive their state of affective arousal as an energising facilitator of performance, whereas those who are consumed by self-doubts perceive their arousal as an inhibitor (Bandura, 1994).

4.7.3 Developing moral courage

A morally courageous person consistently makes decisions in the light of what is good for others and despite the personal risk involved (Serkerka et al., 2007). Developing moral ownership and efficacy is vital for developing moral courage (Hannah & Avolio, 2010). For example, role models/leaders displaying courage have a contagious effect on others such that observers/followers believe that they too can successfully meet threats (Worline, Wrzesniewski, & Rafaeli, 2002). Followers often perceive the leader's behaviour as a prototype that serves as a basis for them to identify with the leader and subsequently emulate the leader's behaviour (Hogg, 2001). For example, self-

sacrificing leaders are known to activate pro-social goals in their followers, making them more willing to self-sacrifice themselves (De Cremer & Van Knippenberg, 2002).

Moreover, if organisational leaders are encouraged to exhibit moral courage, this will create conditions to promote courageous moral actions in followers, while also reinforcing a culture and climate that supports such actions in the future (Hannah & Avolio, 2010). Thus, the development of moral courage takes place through the cues that the leader signals to followers to think and act morally and the norms they set for courageous actions.

Some training programmes have also been used to develop moral courage by teaching individuals specific behaviour routines to use when faced with threats (Osswald et al, 2009; Jonas, Boos, & Brandstätter, 2007). These programmes could serve as a means for developing scripts that help guide appropriate ethical decision-making and action as required by the situation. Individuals could be provided with specific actions and techniques that can be used to address transgressions. In addition, high fidelity simulations can also be used to develop moral courage. In such instances, participants in the simulation are asked to step into the roles their senior leaders assumed in certain events and given the data the leaders had at the time the event took place (Hannah & Avolio, 2010). While the actual leaders involved in these events serve as instructors in the simulation, participants are challenged to step up and improve their performances. Afterwards, the simulation moves to the current time, where participants have to make decisions based on scenarios that may be implemented. Therefore, the current simulation serves as an incubator for making real choices, in which leaders can create real ethical challenges where participants must have moral courage, as well as ownership and efficacy, and do so in front of their leaders.

Another way to develop moral courage is for a person to identify a role model in or outside their profession, who has shown exemplary ethical behaviour. The individual should study what shaped the moral courage in that individual to take the moral actions they did to face ethical challenges (Hannah & Avolio, 2010). The situation leading up to and involving where moral courage was displayed is discussed, as well as the antecedents of the leader's development to take such an action, the parameters of the context and action itself, and whether the moral courage demonstrated was reflective

of the leader's behaviour or a mere isolated incident. Using a highly respected role model is important as it helps to guide the observer's development and draws into their inner level of conation needed to exhibit similar courage (Bandura, 1997; Worline et al., 2002).

4.8. OTHER OUTCOMES ASSOCIATED WITH MORAL POTENCY

Hannah and Avolio (2010) indicate that moral potency (moral ownership, moral courage, and moral efficacy) provides leaders with the psychosocial resources that bridge moral thought to moral action and also assist them to consistently take ethical actions. Individuals with moral potency are more likely to accept responsibility and do not transfer responsibility to others for taking action or neglect the repercussions of omitting action. Leaders who exhibit moral potency tend to reduce the impact of unethical behaviours and influence ethical actions. Moreover, unethical behaviour can be decreased, and virtuous behaviour increased if moral capacity is developed (Hannah et al., 2011). Thus, moral potency helps to transform moral concerns into moral actions.

Leaders who possess moral potency tend to also have a sense of agency. Agency requires an individual assuming responsibility for personal character development, believing that they can guide this development (self-efficacy) and also committing to live according to their core values and beliefs (Bandura, 2001; Cloninger, Svrakic, & Przybeck, 1993). Leaders with agency actively engage in the continuous development of their character through reflection, study and intentionally seeking out development experiences that might broaden their perspectives (Sweeney & Fry, 2012). Agency provides leaders with a sense of control over their moral functioning and environmental events (Bandura, 2001). Moreover, agency promotes psychological autonomy and self-efficacy, which are crucial for the integration of core values and beliefs as well as moral and ethical standards into self-identity and the development of a more varied and coherent world view (Deci & Ryan, 1995, 2000; Kegan, 1982; Maslow, 1970).

According to Kegan (1982) and Kohlberg (1984), an individual's capabilities to conduct moral reasoning at more complex levels increase as the complexity of their perspectives develops. As the individual's cognitive complexity increases, they tend to have a better understanding of their internal environment (i.e. values and beliefs, self, needs, motives, etc.). Interacting and interdepending with the social worlds leads

to greater capabilities of reasoning abstractly about moral and ethical issues (Hannah & Sweeney, 2007). Furthermore, knowledge about moral and ethical issues also contributes to an individual's ability to think more abstractly about issues and recognise, store, retrieve, process and make meaning of moral information.

Hannah et al. (2011) propose that in a community, a strong collective moral potency can provide the requisite tools and opportunities for members to disclose ethical wrongdoing. This raises the impression of group members being in charge of reporting and increases their incentive to do so (Park & Blenkinsopp, 2009). Moral potency appears to be very important to the extent that it determines an individual's mind, intention, belief, courage and efficacy. As a result, moral potency can assist in dealing with ethical issues and leaders should be moral exemplars to their followers and organise training programmes to increase their subordinates' collective moral potency.

The next section addresses the influence that the moral potency of ethical leaders has on followers.

4.9. THE INFLUENCE OF MORAL POTENCY (OF ETHICAL LEADERS) ON FOLLOWERS

Ethical leaders hold followers responsible (moral ownership) for ethical outcomes by rewarding those who uphold ethical behaviour and punishing those who breach ethical principles (Mayer, Kuenzi, & Greenbaum, 2010). By so doing, ethical leaders show and encourage moral responsibility in the organisation. Employees in such groups tend to have a sense of obligation to act in an attempt to address ethical problems and respond to group norms.

The definition of ethical leadership suggests that ethical leaders determine what actions are right or wrong and communicates them to followers (Brown et al., 2005). They model the behaviour and standards they advocate and lead followers in a caring and fair manner (Schaubroeck et al., 2012). This also means that ethical leaders consider the voices of others, especially their followers, and listen to the needs of their followers (Gini, 1998). Zhu, May and Avolio (2004) assert that ethical leadership behaviour is positively related to followers' organisational commitment and trust in leadership. Ethical leaders create a shared understanding with followers in the organisation by influencing the ethical cultures of the organisation with these shared understandings, in turn, influencing both the thought processes and behaviours of

followers in the organisation (Schaubroeck et al., 2012). It is for this reason that leaders are encouraged to be ethical and maintain high levels of moral potency to pass these qualities to their followers (Heyler, 2014).

Since leaders are in highly visible positions, they are better positioned to their followers and influence their behaviour through policy and their actions. This means that morally potent leaders are more likely to role model this behaviour to their followers who will also replicate such behaviours. One way through which ethical leaders can role model morally potent behaviour is by practising conditioning whereby followers learn how to respond to various situations by watching their leader handling difficult situations (Sanderse, 2013). Another way could be through emulation which allows the leader to illustrate appropriate conduct to their followers by giving examples of others who have acted morally and allowing discussions on how certain scenarios should be handled. By so doing, followers come to their own understanding of what behaviours are moral, while the leader guides them down the path to ethical behaviour and gives them examples of how to behave along the way. Employees who witness instances of moral behaviour and get the opportunity to discuss moral dilemmas are more likely to develop these characteristics in themselves (Hannah & Avolio, 2010). As proposed by Bandura's (2005) social cognitive theory, people learn through modelling the behaviours of others.

It should be underscored that the absence of ethical leadership has negative impacts on followers and the organisation. This absence might lower morals and cause followers to perform poorly and question the long-term viability of the organisation (Brown & Mitchell, 2010). Unethical leaders can also lead to low productivity (Detert et al., 2007), negative follower attitudes (Tepper, Henle, Lambert, Giacalone & Duffy, 2008), and negative employee/follower well-being (Tepper et al., 2007). Followers in organisations where ethical leadership is not practised feel unsafe and have unclear expectations that might directly affect their performance and lead to increased turnover rates (Brown & Mitchell, 2010).

Therefore, ethical leaders can assist followers to acquire ethical dilemma management techniques and develop the confidence of followers to address potential ethical challenges. (Hannah et al., 2011). In a group, a clear sense of collective moral efficacy will equip followers with critical tools and opportunities required to disclose

wrongdoing. This strengthens the sense that followers are in charge of reporting and increases their incentive to do so (Park & Blenkinsopp, 2009). Even though an organisation may work to showcase the ethical conduct of its leaders, most followers will look to their immediate supervisors for guidance on how to behave (Treviño et al., 2006). The next section explores the relationship between moral potency and ethical leadership.

4.10 THE RELATIONSHIP BETWEEN MORAL POTENCY AND ETHICAL LEADERSHIP

Moral potency as previously discussed comprises three components: moral ownership, moral efficacy, and moral courage (Hannah et al., 2011). Each of these factors and how they relate to ethical leadership will be discussed in the following section.

Moral ownership is known to be related to ethical leadership as one of the components of moral potency. According to Hannah and Avolio (2010), an individual's perception of moral ownership is linked to their sense of taking responsibility for ethical consequences, which in turn supports ethical behaviour as they aspire to live with dignity. Ethical leaders ensure that followers are in charge of ethical outcomes by rewarding those who participate in ethical actions and punishing those who oppose ethical principles. (Zhang, Liao & Yuan, 2016). By so doing, ethical leaders demonstrate and encourage moral responsibility among followers (Mayer et al., 2010). Individuals must recognise and take responsibility (moral ownership) for opportunities to do good and avoid wrong, and also be cognizant that they have the skills, knowledge, and influence to perform the required ethical behaviours (Santarosa, 2015). Equally, individuals that lack moral ownership can be mentally disengaged or not concerned with their ethical duty to achieve good ends. (Tenbrunsel, Diekmann, Wade-Benzoni & Bazerman, 2010). A few obstacles to moral ownership include incentives for disengagement such as positive outcomes from unethical actions, as well as misguided goals (Bazerman & Tenbrunsel, 2011).

By practising moral ownership, a responsible leader is less likely to allow unethical circumstances to occur in their sphere of influence or allow others to act unethically without intervention (Hannah & Avolio, 2010). This is because the leader believes that their work and organisation is theirs and that they have the responsibility to act in a

way that is in the best interest of the organisation (Van Dyne & Pierce, 2004). Furthermore, Bandura (1991, 1999) argues that individuals with high moral ownership use self-regulation strategies when their behaviour or environment is inconsistent with their identity and values. In such an instance, the individual tends to change their behaviour to be consistent with their identity, or through their behaviour, seek to influence their environment to be self-consistent. According to Bandura (1991, 1999), it is this identity-based self-regulatory function that is responsible for moral ownership.

Employees will take responsibility for their behaviours to the extent that they recognise the ethical aspect of their behaviours as a part of themselves, not of others. Besides, moral ownership has a non-static capacity that internally motivates an individual to act with a moral purpose (Hannah & Avolio, 2010; Hannah, Avolio & May, 2011). Therefore, as an important psychological capacity related to moral functioning, a person is more likely to get involved in ethical behaviour to the point that he or she feels the sense of responsibility to take up ethical action in a given situation (Bandura, 1991, 1999; Jennings, Mitchell, & Hannah, 2015).

Moral efficacy refers to the belief that a person has in him or herself the ability to deal positively with ethical issues that may arise at work and overcome obstacles to develop and implement ethical solutions to ethical challenges (Hannah et al. 2011). This definition aims at promoting positive ethical resources in people and the organisation. Research conducted by May et al. (2013) shows that engagement in a course on business ethics has contributed to substantially higher levels of moral efficacy and moral courage. In addition, Palmer (2013) found that a leader's ethicality is positively related to follower's moral efficacy beliefs. This means that ethical leaders will help followers master strategies to solve ethical challenges and develop the confidence of followers to resolve future ethical challenges (Hannah et al., 2011).

Leaders' belief in their abilities, skills, motivation and efficacy, converts their ethical intentions into action, especially when surrounding situations may present opposing or pressures that conflict with attaining that goal (May et al., 2003). Moreover, Lee, Choi, Youn and Chun (2017) suggest that ethical leadership is positively related to followers' moral efficacy and moral voice. The relationship between moral efficacy and ethical leadership also depends on high leader-follower value congruence. Ethical

leaders promote followers' moral efficacy by acting as role models who stand for ethical awareness, integrity and people-orientation (Bandura, 1986, 1997). According to Schaubroeck et al. (2012), ethical leadership is indirectly related to followers' moral efficacy through shaping ethical culture. A strong collective moral efficacy in an association can provide the requisite tools and opportunities for members to disclose ethical violations. (Zhang et al., 2016).

Ethical leaders can foster followers' moral efficacy by acting as role models who represent integrity, ethical awareness, and a people orientation (Bandura, 1986, 1997). The social cognitive theory postulates that once followers learn the rules and strategies that their models/leaders use, they develop the firm belief that they can carry out those rules and strategies "to generate new instances of behaviour that go beyond what they have seen or heard" (Bandura, 1997, p.93). Thus, followers' observation of what is ethical from their leaders and learning how to perform their jobs in ethical ways (Walumbwa et al., 2011) enables them to realise that they do not only need to be sensitive to moral issues at work but also need to speak up when observing practices against established moral standards (Lee et al., 2017). The existence of the afore-mentioned environment means that the organisation is more likely to be an ethically sound one. Moreover, moral efficacy increases the leader's level of confidence related to their ability to perform ethical/moral tasks/actions.

Moral courage is the ability to use inner principles to do what is good for others, regardless of threats to self, as a matter of practice" (Sekerka & Bagozzi, 2007, p. 135). Research shows that moral courage is very important when promoting ethical behaviour (Kidder, 2005; Kidder & Bracy, 2001). Monin, Pizarro and Beer (2007) suggest that being ethical also requires having the inner fortitude not to act when confronted with moral temptations and not just acting in the pursuit of right over wrong. Pro-social behaviour is influenced by an individual's moral courage because moral courage involves invoking inner standards to do what is good for others (Serkerka & Bagozzi, 2007). Thus, Lester et al. (2010), as well as Walker and Henning (2004) propose (ethical) leadership as a means to bolster followers' moral courage. In other words, a leader can create an open, transparent and safe culture where talking about and reporting ethical issues is rewarded or requested for, thereby strengthening followers' moral courage, which in turn influences the likelihood of followers to behave in a positive ethical manner (Hannah et al., 2011). Moral courage is thus, crucial in

linking judgements to ethical actions as far as ethical challenges are concerned (Kidder, 2005). When moral courage is perceived as a character strength, it provides leaders with the required psychological resources that facilitate agency when confronted with ethical challenges.

Ethical leaders have the moral courage and competence to withstand controversial issues that organisations face daily (Sekerka, Bagozzi, & Charnigo, 2007). They also possess the courage to make such decisions and the strength to overcome negative feelings while still behaving and identifying as ethical managers. According to Kopp and Sobral (2014), a leader's moral courage may be a vital factor that predicts the ethical leadership behaviour that is perceived by followers. If a leader has a higher degree of feelings of guilt and shame, then he or she has lower moral flexibility. Eventually, he or she will respond with less courage to ethical dilemmas. On the other hand, if the leader has a lower degree of guilt and feelings of shame, then, he or she has higher moral flexibility, thus, enabling the relationship of perceived ethical leadership and the leader's moral courage (Kopp & Sobral, 2014). The existence of a strong collective moral courage enables employees to summon the courage to meet ethical threats (Zhang et al., 2016).

Therefore, ethical leaders promote both an ethical climate and collective moral potency which provide followers with the psychological resources that fill the gap of knowing what is right and doing what is right. Satisfactory levels of all three components (moral ownership, moral efficacy, and moral courage) promote ethical action. Moral potency thus instils in leaders the sense that it is their place to act (ownership), they can be successful in those actions (i.e., moral efficacy), and that they can overcome fears to persevere and see those actions through to solutions (i.e., moral courage) (Hannah & Avolio, 2010).

4.11. SUMMARY

This chapter introduced and defined morality and moral potency. The components of moral potency were addressed, as well as some theories and models of morality and moral decision making. This was followed by a model for moral development and a discourse on how moral potency can be developed, as well as some possible outcomes associated with moral potency. The chapter also explained the influence of

moral potency (of ethical leaders) on followers and the relationship between moral potency and ethical leadership.

The next chapter discusses the construct of leadership virtues.

CHAPTER FIVE

LEADERSHIP VIRTUES

5.1. INTRODUCTION

The highly publicised business and political scandals plaguing the business environment have resulted in the pronounced spotlight on leadership ethics and on how leaders' ethical behaviours can be improved and sustained (Hackett & Wang, 2012). Since codes of conduct, regulations, and audits have failed to stop the malpractices of contemporary leaders (Bragues, 2008), more and more leadership researchers (Bass and Steidlmeier, 1999; Whetstone, 2003; Ali, 2009) are focusing their attention on investigating leader virtues. However, there is limited research on leadership virtues (Green, Wheeler, & Hodgson, 2012). Furthermore, several studies have been conducted in which virtue has been empirically explored (Bright, Cameron & Caza, 2006; Cameron & Caza, 2004; Caza, Barker & Cameron, 2004; Den Hartog & De Hoogh, 2009; Rego, Ribeiro, & Cunha, 2010; Sison, 2006). Recently, research has focused on virtue ethics and virtue theory (Timpe & Boyd, 2013). Hence, this chapter addresses the nature and definitions of leadership virtues, discusses how leadership virtues can be developed and outlines the outcomes of leadership virtues, the relationship between leadership virtues and ethical leadership, as well as some possible outcomes of leadership virtues.

5.2. NATURE AND DEFINITION OF LEADERSHIP VIRTUES

The Greek word used by Aristotle that is commonly translated as virtue is *arete´*, which was later translated to mean "goodness" or 'excellence" (Rachels, 1999). According to Aristotle, (Beier, 2016, p. 151), virtue means "excellence in the human soul." The dictionary equates virtuous to righteousness and morality. Virtue is sometimes likened to character strengths (Grant & Schwartz, 2011; Peterson & Seligman, 2004), but character strength and virtue are not the same. One can have too much or too little strength, and by so doing, it may become a weakness or yield a negative outcome (just as too much tolerance can become bigotry). On the contrary, virtuousness cannot be exceeded (Cameron, 2011).

MacIntyre (1984) defines virtue as a personal disposition that forms basic components of good character, sustains practices and enables people to achieve the good internal and external to the practices, and furnishes people with increasing self-knowledge and knowledge of good. According to Aristotle, a virtue is “the mean between extremes” reflecting a state of human character and it is expressed knowingly, neither accidentally nor constrained by external forces (Hacket & Wang, 2012, p. 870).

For Moberg (1997) virtue is a disposition to desire an action that is favourable for the wellbeing of the society or the flourishing of self for its own sake. Tjeltveit (2003) defines virtue as a fairly stable, admirable personal quality and about the excellence of the person’s qualities. Cameron (2003) defines virtue further as the best of the human condition, the most dignifying behaviours and outcomes, the excellence and core of humankind, and the highest ambitions of humans. According to Dawson (2005) also, a virtue is a character trait that, like psychological dispositions, is distinctive to a person’s personality but not absolute, so it can be modified or trained by habit and education.

According to Riggio et al. (2010, p. 237), a virtue is “something practised at all times.” A return to a virtue approach to ethics and the idea of human flourishing and well-being that underlines such an approach can promote the future flourishing of ethics (Timpe & Boyd, 2016). Temperance, fortitude, and justice are moral virtues that involve the “means between doing too much and too little in a given situation” (Aquinas, 2005, p. 162). This approach to virtues, however, is very broad as besides moral virtues, there is also intellectual virtues (according to Aristotle), and theological virtues (according to Aquinas). Nonetheless, virtue is often considered as one of the pivotal ethical concepts and it is used as a basis for morally right actions.

Research shows that followers equate effective leadership with behaving in an ethical way. Leader virtue is a construct found to be related to leadership ethics (Green, Wheeler & Hodgson, 2012). According to Green et al. (2012), leader virtue is related, but somehow different approach to ethics. This might be because the fundamental premise behind a virtue is that it is something that is practised at all times, both personally and professionally. Hence, Riggio et al. (2010) use virtue ethics as a theoretical framework to create a character-based measure of ethical, or virtuous leadership. It is for this reason that they describe an ethical leader as a leader whose

personal attributes and actions align with the four cardinal virtues of prudence, temperance, fortitude and justice. Moreover, it is easier for leaders to focus on building virtues (. i.e. prudence, temperance, fortitude and justice) if they approach ethical leadership from a virtue ethics perspective (Riggio et al., 2010).

Aristotle initially suggested 15 virtues (courage, temperance, generosity, magnificence, magnanimity, mildness, wit, friendliness, prone to shame, proper indignation, prudence, wisdom, truthfulness, and justice) (Irwin, 1999). These were later narrowed down to four. The reason why only four have been considered as the principal virtues is because they represent all the other existing virtues, and are closely related with Plato's structure of the human soul, that is, the thing which makes human beings what they are (Jernej, 2015). These four cardinal leadership virtues are Prudence, Temperance, Fortitude and Justice (Aquinas, 2005). They are termed cardinal virtues because all other virtues are closely aligned with them (Arjoon, 2000). They are also the underpinning foundation and precondition for all other virtues. Dyck and Kleysen (2001) also emphasise that virtues play a vital role in community leadership and business activities (Bragues, 2006) and highlight that virtues are needed for "excellent" leadership. Newstead, Dawkins, Macklin, and Martin (2020a), (2020b) add that virtues are learnable and developable.

To an extent, virtues are considered to be present at birth, though they can be acquired through education, self-learning and repetitive practice until their expression become habitual (Hacket & Wang, 2012). Virtues are expressed voluntarily, and once lost, can be re-acquired through self-learning and practice. The Aristotelian virtues are described according to specific situations. For instance, courage is mentioned concerning situations that provoke fear, meanwhile, justice addresses situations that call for the distribution of resources (Hacket & Wang, 2012).

Virtue ethics proposes that the correct actions are accomplished not by following laws or taking into account the results that can be achieved (although these are also important), but rather by encouraging virtue-based behavioural practices, including being just, temperate, courageous and wise (Audi, 2012; Crockett, 2005; Riggio, Zhu, Reina, & Maroosis, 2010). It is also worth noting that literature on virtues has been found to be linked to moral leadership (Sison, 2003; Walker, Haiyan, & Shuangye, 2007) and ethical leadership (Brown and Trevino, 2006; De Hoogh & Den Hartog,

2008). Nonetheless, Aristotle argues that virtues play an important role in leadership as they enable leaders to perform their roles successfully.

Organisational theorists, sociologists and psychologists who research institutional behaviour are especially interested in attributes, beliefs and virtues linked to good leadership (Crossan, Mazutis & Seijts, 2013). Virtuous leaders are most often influenced by their traits and values, but they balance and incorporate them in ways that are appropriate to the circumstances in which they operate. For instance, while a leader may be transparent by nature, he or she can maintain confidence or discretion when it is apt to do so. Also, while they may be courageous, they will know which battles to fight and which to avoid. Several definitions of leadership virtues are discussed below (Crossan et al., 2013).

According to Pearce, Waldman, and Csikszentmihalyi (2006, p. 62), virtuous leadership is "distinguishing right from wrong in one's leadership role, taking the necessary steps to ensure justice, and honesty, influencing and enabling others to pursue righteous and moral goals for both individuals and the organisations in which they work." Chan (2008) and Wong (2008) propose that a virtue is a state of human character (linked to the mind) that guides people to do "good." According to Riggio et al. (2010), a virtuous leader is an ethical leader whose personal characteristics and actions align with each of the four cardinal virtues of prudence, temperance, fortitude, and justice. For the purpose of the present study, Riggio et al.'s (2010) definition will be focused on because it comprises the four cardinal virtues of leadership which can be used to measure leadership virtues.

Virtues are like behavioural habits – something that is consistently displayed. Aristotle notes that "we are what we repeatedly do. Excellence, then, is not an act, but a habit" (Nicomachean Ethics, p. 87). Excessive courage is recklessness while insufficient courage is cowardly. Too much humility can lead followers to doubt the strength of the leader and lead to a lack of trust/confidence (Nichomachean ethics 1106a26 - 1106b28).

However, Cameron (2003) argues that virtue cannot be considered as being in excess, as virtuousness is a positively deviant attribute, with the mean or normal behaviour – being ethical behaviour, and the deficiency being unethical behaviour. That is, individuals are predisposed to be virtuous (Sadler-Smith, 2012), and are persistently

fighting the temptation to contravene and thus remain true to their virtuous selves (Crossan et al., 2013). Nonetheless, without humility, leaders make wrong decisions and are unable to learn. Hursthourse (2007) also points out that virtues are not culture-specific but can be understood differently from one culture to another. The four cardinal virtues of leadership are discussed next.

5.3. FOUR CARDINAL VIRTUES OF LEADERSHIP

There are four cardinal virtues of leadership according to Aquinas (2005). These are Prudence, Fortitude, Temperance, and Justice. These cardinal virtues are the centrepiece upon which all other virtues are built (Pieper, 1975). They are also considered as the midpoint between doing too much and too little in any given situation. These virtues are explored below.

5.3.1. Prudence

Prudence is the ability to see different perspectives and gather the evidence before making a decision or moving ahead (Riggio et al., 2010). It is a virtue that causes good because of carefully considered reasons. A prudent leader exercises objectivity and reflectivity before choosing a course of action. Prudence is often related to knowledge, practical wisdom and insight (Brocato, De Simone & De Simone, 1995). Prudence is developed through consultation with knowledgeable others, avoidance of automatic responses and decisions, a reflection on the reason for one's success, and learning from one's mistakes (Riggio et al., 2010). It is a virtue that can be developed with the help of mentors. In addition, a leader cannot be considered ethical unless he or she is prudent (Aquinas, 2005). According to Aristotle (2005), a prudent leader knows how to apply honesty. They also know when to tell the truth and when to lie depending on the situation. It might not be prudent, to be honest with an informant threatening one to provide confidential organisation information. Nonetheless, prudence is considered the mother of all virtues because it shows the way, manages and lead people in the right direction (Cotton, 2003; Jacobs, 2002; Schiller, 2013). Without prudence, fortitude might be perceived as foolhardiness, temperance may appear as fanaticism, and justice might transform into weakness (Aristotle, 2005; Riggio et al., 2010). Furthermore, Zeuschner (2014) and Crossan, Byrne, Seijts, Reno, Monzani and Gandz, (2017) believe that prudence is the central and the most important virtue.

Prudence is exercised through three mental actions: taking counsel carefully with oneself and others, making the right decision from information provided, and focusing one's attention on the judgements made from thoughtful deliberation (Aquinas, 2005). Seeking good counsel entails spending time and energy to discover which action in a given instance will achieve the best end. Once this "morally correct" decision has been made, it must be put to action, therefore finalising the third and final stage in making a prudent decision (McManaman, 2006a). More so, a prudent leader is capable of developing workforce relationships and increasing performance (Bai & Morris, 2014; Zacher, Pearce, Rooney, & McKenna, 2014).

5.3.2. Temperance

Temperance is the ability to control one's emotions (and appetites) by accepting his or her deficiencies (Riggio et al., 2010). Temperance assist leaders admit when they have gone wrong and causes them to work to correct them. Leaders who possess strong temperance have control over their bodies and do not practice acts of self-indulgence or self-denial. The absence of temperance gets many leaders into trouble with excessive greed, sexual appetites, lack of self-control, etc. A temperate leader shows a restrained (and prudent) desire for physical gratification. Temperance can be developed through learning to control one's emotions. An antecedent to ethical leadership is the extent to which an individual can control their emotions (Brown and Trevino, 2006; De Hoogh and Den Hartog, 2009).

One characteristic of a temperate leader is humility. A humble leader does not focus excessively on what they cannot achieve. A temperate person knows his or her own deficiencies and/or weaknesses and accepts them (McManaman, 2006b). In other words, they possess self-awareness. Leaders who always want to know everything about everyone and everything in their organisation (in effect, micromanage) have an unhealthy desire for knowledge and could be considered intemperate. Furthermore, leaders may be too preoccupied with themselves to the extent that they become too materialistic and attached to the pleasure that outward possessions provide them (McManaman, 2006b). It is also imperative to note that leaders who attempt to act in a falsely humble way by neglecting themselves or their appropriate needs, maybe seeking negative attention. This false humility would portray them as intemperate leaders.

5.3.3. Fortitude

Fortitude, often called courage, is made up of characteristics that include persistence, perseverance, patience, endurance and courage that are directed towards adversity on behalf of a noble cause (Riggio et al., 2010). Individuals with fortitude can succeed, but it is prudence and temperance that helps them to be cognisant of the paths to success and not to allow their emotions and passions to get the most of them (Pieper, 1975; Riggio et al., 2010).

Fortitude can be developed through overcoming fear because sometimes fear can be the place of reason and thus, discourage one from pursuing what is right (prudent) (Yearley, 2003). However, it should be noted that some things should be feared (e.g. a premature death and a bad reputation (Aristotle, 2005), because, without fear, there is no need for courage. Courage works with fear to enable people to do the right thing (Wang & Hackett, 2016). It is only when fear interferes with one's ability to do the right thing that it works against reason (Floyd, 2006).

Leaders act with fortitude when they persevere in the face of adversity (Messick, 2006). According to Aristotle (2005, p. 30), "it is for a noble end that the brave man endures and acts as courage directs." This is imperative because it is only when leaders face death or the loss of their leadership position for a noble cause that they can be considered courageous (Darwall, 2003). If the cause is not a noble cause, then they shall be considered as daring and not courageous. Addressing the African leadership challenge, Adewale (2020) introduced a virtuous leadership model underpinned by four primary virtues in African cultures among which, courage/fortitude is included.

Leaders who are courageous act prudently and "stand immovable in the midst of dangers" (Aquinas, 2005, p. 109). If one is prudent in their decision-making, they are most likely on the right path. However, it is also important to realise that this does not mean one will always succeed. Therefore, perseverance, patience and endurance play great roles in ensuring an individual behaves courageously, even though without prudence, there can be no courage. Kidder (2005, p. 72) adds that leaders must have "the quality of mind and spirit that enables them to face up to ethical challenges firmly and confidently, without flinching or retreating." In other words, fortitude is required to

make challenging ethical decisions. It is worth noting that the greatest leaders all failed at one point or the other but had the fortitude to keep going and eventually succeeded.

5.3.4. Justice

Justice is the continuous willingness to give others what they deserve (Riggio et al., 2010). It encompasses the Golden Rule - treats others fairly. Very successful leaders bring followers along with them on their journey to success and do not succeed for themselves. That is, successful leaders, their followers and society also benefit (Riggio et al., 2010). It is worth noting that leaders are required to develop all four cardinal virtues as they are interconnected.

Aristotle mentions two types of justice - *general justice* that deals mostly with following laws (something is unjust if it is unlawful), and *particular justice* which deals with fairness (something is unjust if it is not fair) (Aristotle, 2005). Aristotle mostly focuses on particular justice which he describes an unjust action as one that is motivated by unjust gains (Aristotle, 2005). That is, any leaders behaviour that seeks to benefit themselves at the expense of others is considered unjust. Sison (2003) states that justice is a sustained or constant willingness to give others what they deserve (e.g. basic human rights). The difference between the other three virtues and justice is that each of the other three specifies a particular end beyond contributing to the others' welfare (Riggio et al. (2010).

According to Aristotle (2005), good judgement is very important in ethics, and the ability to carefully scrutinise how a virtuous person would act when confronted with an ethical dilemma is key to developing a virtuous character (Cameron, 2011; Nyberg, 2007; Solomon, 1992). Riggio et al. (2010) add that an ethical leader is one whose personal characteristics and actions align with each of the four cardinal virtues of prudence, temperance, fortitude and justice. All leaders need to practice justice when faced with situations of conflict of interest, when tasks are allocated amongst subordinates (Kohlberg, 1976), and when valuable assets such as money, offices, property, power, and status are assigned (Bragues, 2006).

Even though there has been credible research on the four cardinal virtues, some researchers, such as Kohlberg, do not agree with Thomas Aquinas and claim that cardinal virtues do not exist. Kohlberg (1970) notes that virtues can be broken down into two components: intellectual and moral. He further agrees with Plato that there

are not many virtues but only one ultimate virtue: Justice (Kohlberg, 1970). To answer Kohlberg's concerns, the present study explores the moral and intellectual aspects of virtues to make extrapolations on why the other three cardinal virtues are also considered as important virtues.

To conclude, prudence does what is just, while temperance and fortitude protect prudence from internal and external threats (Floyd, 2006). Temperance and fortitude seek to make someone a good person, while the only purpose of justice is to make a person a good citizen (Floyd, 2006). The following section discusses the leadership virtue theory.

5.4. A LEADERSHIP VIRTUE THEORY

The virtue-based ethics theory is explained below as a theoretical base for leadership virtues.

5.4.1. Virtue-based Ethics theory

Virtue-based ethics emphasises moral development and moral education. Under this theory, the character of an individual and not their nature nor consequences of their action matters when judging the rightness or wrongness of their action (Han, 2015). For example, in terms of lying, the focus of this theory will be placed mostly on the character of the liar rather than the act of lying itself. Thus, the morality of lying is determined on a case-by-case basis, which is in turn based on factors such as personal benefit, group benefit, and intentions (as to whether they are kind or unkind) (Annas, 2006).

The theory focuses on the need for individuals to learn how to break bad habits of character such as greed or anger while encouraging temperance, fortitude, justice, and prudence. These bad habits are called vices and prevent individuals from becoming good/ethical leaders (Aristotle, 2005). According to Aristotle (2005) when people acquire good habits of character, they are in a better place to regulate their emotions (temperance) and their reasoning. This helps them to reach morally correct decisions when faced with difficult choices. This is consistent with Brown and Trevino (2006), as well as De Hoogh and Den Hartog (2009) who agree that an antecedent to ethical leadership is the extent to which an individual can control their emotions. Thus, leaders who have the right character make-up are likely to make the right choices when faced with ethical dilemmas (Elliot & Engebretson, 2001). This study draws on

this theory too because it is the fundamental theory used to create the leadership virtue questionnaire, and it also relates to the chosen definition by highlighting the importance of the leader's personal attributes/character. The next section addresses some models for leadership virtues.

5.5. LEADERSHIP VIRTUES MODELS

Two models of leadership virtue, the character/virtue model and the Aristotelian model of virtue ethics, are addressed in this section.

5.5.1. A Character/virtue model

The character/virtue model emanates from the Judeo-Christian worldview through the study of character and virtues in the Bible's Old and New Testaments (Lanctot & Irving, 2007). It also serves as a common ground for the majority of virtue constructs from other world religions and writings in the field of virtue ethics. Thus, this model comprises a summary of virtues put together from various fields of studies. Each category contains a set of examples of attributes that clarify the scope of the category but do not fully represent its definition.

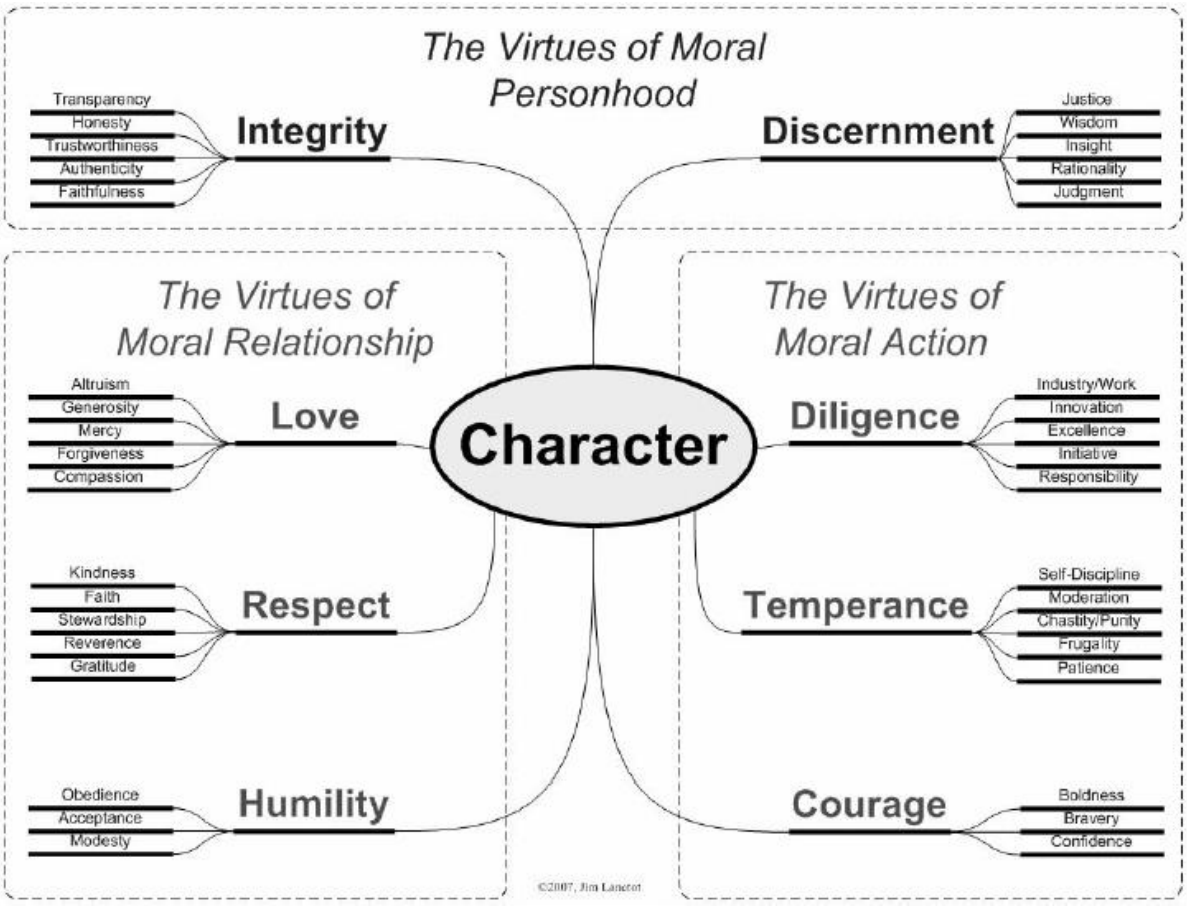

Figure 5. 1: Character/virtue Model (Lanctot & Irving, 2007)

Figure 5.1. above shows a summary of virtues found in most virtue theories. This model is made up of three main virtues (love, respect and humility) that form the basis of a virtue moral relationship (diligence, temperance, courage) which form virtues of moral actions and finally, virtues of moral personhood (integrity, discernment) (Lanctot & Irving, 2007). Definitions were developed for each of the categories by using related terms from the original languages in the Old Testament (Hebrew) and the New Testament (Greek) consistent with the comparative work done by Wallace (2006). The following are definitions of the various virtues as presented by Lanctot & Irving (2007):

- *Integrity* – Personal attributes related to the consistent alignment of motives, words, actions, and reality over time. Examples of attributes in this category include transparency, honesty, trustworthiness, authenticity and faithfulness.
- *Discernment* – Personal attributes related to accurate moral perceptions and distinction. Examples of attributes in this category include justice, wisdom, insight, rationality and judgment.

- *Love* – Personal attributes related to unselfish concern for the needs, best interests, and wellbeing of others. Examples of attributes in this category include altruism, generosity, mercy, forgiveness and compassion.
- *Respect* – Personal attributes related to correctly estimating the value of everything external to one's self. Examples of attributes in this category include kindness, faith, stewardship, reverence, and gratitude.
- *Humility* – Personal attributes related to correctly ascertaining one's place in life and one's value concerning others. Examples of attributes in this category include obedience, acceptance, and modesty.
- *Diligence* – Personal attributes related to timeliness and excellence in outcomes. Examples of attributes in this category include industry, work, innovation, excellence, initiative and responsibility.
- *Temperance* – Personal attributes related to restraint in appetites, desires, attitudes, thoughts, words and actions. Examples of attributes in this category include self-discipline, moderation, chastity, frugality and patience.
- *Courage* – Personal attributes related to confidently advancing or defending what is true or right in the face of opposition or uncertainty. Examples of attributes in this category include boldness, bravery and confidence.

Each of these main virtues is further divided into sub-categories with characteristics of the main virtues. A combination of all virtues forms the character of an individual. This idea arose in an attempt to reconcile lists of virtues from a variety of sources into a single comprehensive set (Lanctot & Irving, 2010). This model is used in this study because it comprises the components used in measuring leadership virtues (i.e. temperance, courage (fortitude), Justice, prudence and diligence/rationality), which are also found in the definition of leadership virtues.

The character/virtue model also has a few challenges. Firstly, identifying virtues is to some extent a subjective task (Lanctot & Irving, 2010). Several virtue models have been proposed over the last two millennia and none appears as a standard. Thus, several of these models have been considered and the present model can be considered as a work in progress as there will be a constant improvement. Secondly, the current model faces the challenge of a lack of agreement on the definitions of various virtues. The definitions used in the character/virtue model may serve as a

foundation for further research. However, definitions will always be a challenge as the nature of language varies from one person's understanding to the other (Lanctot & Irving, 2010). The next section addresses the way leadership virtues can be developed.

5.5.2 Aristotelian Model of Virtue Ethics

According to Aristotle (1966) ethics is about making practically wise decisions or exercising the right virtues to attain goodness, and eventually happiness, because what matters at the end is for action to take place. Aristotle uses teleology in his thought process to explain that understanding the nature of a thing will entail understanding its purpose or function. For example, the function of a businessperson is to provide quality goods and services that add value for customers and other stakeholders. In terms of human agents, teleology describes the idea that human beings are goal-oriented and purpose-driven individuals who act in a way that the end goal is kept in mind (Wittmer & O'Brien, 2014). Therefore, in order to understand the nature of a human being and what it means to be a good person requires understanding one's goals and purposes, as well as one's unique natural qualities.

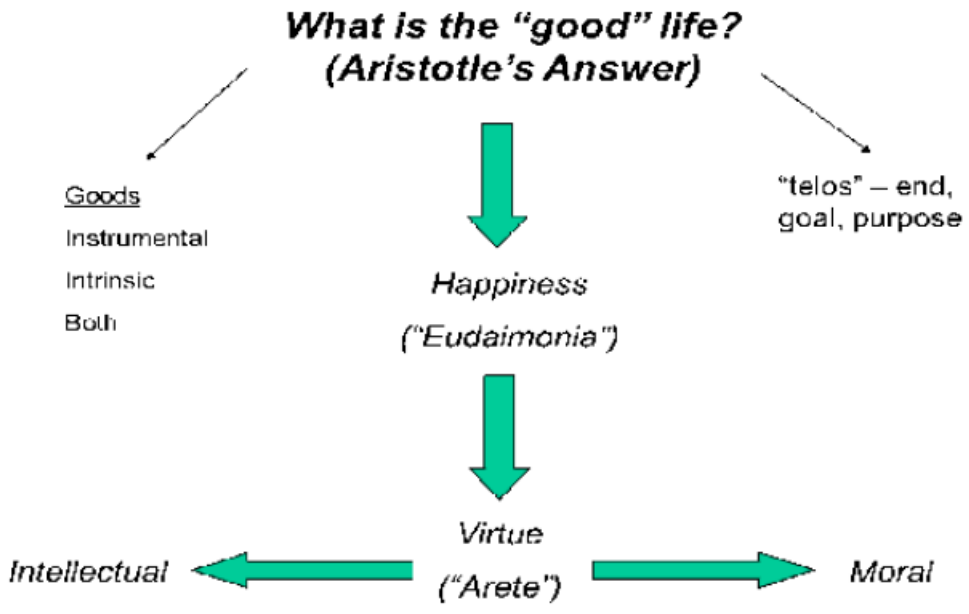

Figure 5. 2: Aristotelian Model of Virtue Ethics (Wittmer & O'Brien, 2014)

As indicated in Figure 5.2 Aristotle asserts that human beings value or seek some goods instrumentally while also valuing other things such as intrinsic goods. For

example, love and friendship are examples of intrinsic goods. There are also other goods that humans value both instrumentally and intrinsically. For instance, even though an MBA degree is valued instrumentally, it is likely that the knowledge and understanding derived from the course of the study may be valued both instrumentally and intrinsically.

Aristotle views “eudaimonia” as associated with virtue or excellence (“arête). The Greek word for happiness is “eudaimonia” which to Aristotle means “doing well” or “living well”. It is “human flourishing” which means doing, action and accomplishment. Happiness is an active exercise (doing and thinking) of the distinctive and natural capacities most distinctively exercising human reason. Happiness is the consistent exercising of virtue or excellence. If that is the case, habit and discipline develop the virtues and vices that form one’s “character” to the extent that when a leader, who is known for his or her actions as an honest leader behaves dishonestly, a colleague might not agree that he or she acted in such a manner, or may say that was totally “out of character”.

Aristotle considers virtues as well-developed dispositions to act, choose and behave according to the expected excellence such as honesty and inspiration. Virtuous leaders tend to consistently apply these virtues to situations and create a track record of reliance and dependability. These dispositions are a product of practice and habit. We know more by behaving the way we do and how we choose than by what we say. The most insignificant decisions to practice create the reputation of a leader who can be “relied on” to be transparent. Therefore, virtue is perceived through the actions of a leader and how they choose to make certain decisions when confronted with ethical dilemmas. Also, when a leader consistently seeks to exercise virtuous attributes, it is only then that he or she might be able to act morally when making ethical decisions.

5.6. DEVELOPING LEADERSHIP VIRTUES

According to Crossan, Mazutis and Seijts (2013), one way to develop leadership virtues is by increased training in ethical decision-making skills, experiential methods that challenge implicit cognitive biases and on reflection exercises designed to surface dissonance between the type of person one is and the type of person one might wish to become. According to Falkenberg and Woiceshyn (2008), the use of case methods creates awareness of the ethical issues, allows for the critical judgement of

alternatives, and encourages the formulation of an intention to act ethically. Increased training in ethical decision-making skills can affect a person's level of moral development positively and in turn lead to more ethical behaviours connected with positive character strengths (Byrne, Crossan, & Seijts, 2018).

Moreover, mentoring can also be used to develop virtue/character. Mentors usually share their experiences both good and bad - and convey personal knowledge in areas that are challenging for followers such as situations that include ethical dilemmas (Crossan, Gandz & Seijts, 2012). Followers can learn from such real-world experiences and also receive hands-on support and coaching to practice and develop the necessary skills to do the right thing in challenging situations. Several studies have indicated that developing strong mentoring relationships is an effective way to develop leaders (Allen, Eby, Poteet, Lentz, & Lima, 2004; O'Brien, Biga, Kessler & Allen, 2010).

Another way to develop virtue is through the reinforcement of good character. The acknowledgement, praise, recognition or reward being bestowed on people for doing the right thing or acting in the right way are crucial to character development, especially when performed during an individual's formative years (Byrne et al., 2018). A reward for a job well done within the organisation strengthens certain habits and hence the cultivation of virtue/character (Crossan et al., 2012). Furthermore, everyday occurrences offer the opportunity for character development, since it is not something separate from one's job or life, but rather a part of them. For example, reflecting on why a person might be impatient, excessive, stubborn or careless provides an avenue to examine and develop character/virtue.

Furthermore, leaders in the organisation can develop character/virtue in others by simply talking about it (Crossan et al., 2013). Leaders who talk about virtue and make it a legitimate and valued topic of conversation stimulate discussion and promote individual reflection. Organisations that develop leadership profiles and address leadership character in those profiles emphasise the importance of leadership and promote discussion on it, especially within the context of developmental coaching. In addition, leadership profiles that only address competencies and commitment implicitly suggest that virtue/character is not important. Anything ignored is marginalised, as a result, values and virtues need to be addressed explicitly in the organisation's coaching and mentoring, and reinforced through training and

development, as well as actively used in recruitment, selection and succession management.

Finally, on addressing how character/virtue can be developed, Aristotle (1999) and Arjoon (2000) argue that character is habitual i.e. acquired through the consistent application of the virtues throughout one's lifetime. It is, in the same light with learning other new skill, only by practising virtuous acts that people develop character. Furthermore, Aristotle (1999) notes that character is not formed by one's self, but rather, requires relationships and community where sharing one's interests and goals with others establish the bonds of kinship and allows individuals to develop social virtues like temperance, friendliness and generosity (Horvath, 1995; Solomon, 1992). Thus, people learn what is right and good by observing good folks doing the right thing and then aspiring to exhibit similar characteristics (social cognitive theory). It is the responsibility of social institutions, such as educational institutions, to teach character by providing an environment that promotes virtuous behaviour and where behaviours can be observed and discovered (Sadler-Smith, 2012).

However, another school of thought proposes that character cannot be learned as even good people are willing to commit bad acts under particular circumstances, and one cannot easily change people's core dispositions (e.g. you cannot make a narcissistic person humble) (Doris, 2002; Harman, 2003). Whatever the case may be, character/virtue development is a lifelong journey (Hannah & Avolio, 2011; Hannah & Jennings, 2013). The next section discusses the relationship between ethical leadership and leadership virtues.

5.7 THE RELATIONSHIP BETWEEN LEADERSHIP VIRTUES AND ETHICAL LEADERSHIP

Individual and organisational ethics is based on how people react when confronted with ethical issues and not on what they say (Axline, 1996). Ethics and values are the starting point and non-negotiable in building a virtuous leader and engaged followers (Brown, 2008). According to Brown (2011), learning about ethics is very crucial in building virtuous leaders because it is while discussing ethics that people have the platform to explore virtues (principles or values), their behaviours, the behaviours of others and that of their organisation. Furthermore, Cumbo (2009) states that a leader is considered ethical when inward virtues direct the leader's decision-making process.

It is worth noting that people desire to work for leaders whose virtues are modelled in their daily behaviour (Brown, 2011).

According to Riggio et al. (2010), an ethical leader is one who abides by the four cardinal values of prudence, fortitude, temperance and justice. From this definition, we can extract that ethical leadership and leadership virtues are intertwined. That is, certain components of ethical leaders and leadership virtues are more or less the same or complement each other. Riggio et al. (2010) note further that ethical leadership is best represented by what makes up the individual, his or her virtues, and the self-knowledge and self-discipline that guided the leader's moral actions. Since virtue is "something practised at all times" (Gardiner, 2015; Virtue, 2007, para 5), this means ethical leadership cannot be practised outside of leadership virtues. Virtuous leaders act and behave ethically as they strive to do the right thing (Zhu, Zheng, Riggio & Zhang, 2015). Although it may be difficult to assess the true character of leaders, followers will develop attitudes and opinions about their leaders' character and ethicality. For Neubert, Carlson, Kacmar, Roberts and Chonko (2009) ethical leaders are agents of virtue that help build collective employee perceptions of a virtuous and ethical organisation. Finally, empirical research indicates the positive relationships between virtues and ethical leadership (Khuntia & Suar, 2004; Brown et al., 2005; De Hoogh & Den Hartog, 2008; & Riggio et al., 2010).

Furthremore, Brown (2011) notes that virtues shape the way leaders perceive and behave and as a result, being virtuous makes them sensitive to ethical issues and encourages them to act morally. Wang and Hackett (2016) agree that ethical leaders often strive to cultivate virtues and abstain from vices. Furthermore, Neubert et al. (2009) assert that ethical leaders are agents of virtue that help build employee perceptions of a virtuous and ethical organisation. Alzola (2012) and Johnson (2009) also note that virtuous leaders are naturally inclined to enjoy behaving ethically, which is aligned with the idea that they grasp and are especially sensitive to the morally salient features of the situation.

Prudence is one of the four cardinal virtues. According to Riggio et al. (2010), the fact that prudence is a vital component means that a leader cannot be ethical except he/ or she is prudent. Prudence describes the ability to find a balance between two extremes and make the necessary decision that will minimise harm and maximise

good (Aristotle, 2005). This quality can also be spotted in the lives of ethical leaders who have the responsibility of making decisions for the better good of the organisation, and not just for personal gains. Prudence is considered the mother of all virtues because it lights the way and measures the arena for the exercise of the other virtues (Delaney, 1911). Without prudence, the exercise of fortitude may seem a lot like foolishness, temperance may become fanaticism, and justice might become weakness (Goller, 2015). It is therefore imperative that leaders be prudent to possess any of the other three cardinal virtues.

Fortitude (often called courage) is walking with fear to do the right thing (Dierickx, 2017). Aristotle mentions, with regards to fortitude that, “it is for a noble end that the brave man endures and acts as courage directs” (Aristotle, 2005, p.30). This means that it is only when a leader, for example, faces the loss of their leadership position for a noble cause that they can be considered courageous. This also transcends to ethical leaders as they are sometimes faced with making ethical decisions that might have very drastic consequences for them, their subordinates, or the organisation as a whole. However, staying courageous (fortitude) in such adversaries and doing the right thing is what separates the ethical/virtuous leaders from the others (Aristotle, 2005). Brown and Trevino (2006) also point out that ethical leaders are courageous, fair, honest, trustworthy and full of integrity. It is also worth noting that without prudence there is no courage. Ethical leadership is knowing your core values and having the courage (fortitude) to live them in all parts of your life in service of the common good (Kar, 2014). More so, ethical leaders are known to lead with courage, respect, sensitivity, honesty and integrity in building an ethical organisation (Khuntia & Suar, 2004; Spangenberg & Theron, 2005).

Temperance (one of the four cardinal virtues) is the ability to control one’s emotions (Aristotle, 2005). Leaders with strong temperance have control over their bodies and do not practice acts of self-indulgence or self-denial. The ability to control one’s emotion (emotional stability) is a very important skill for leaders to possess. Tension may arise in the attempt to promote an ethical culture, especially when dealing with employees whose values may slightly differ from that of the ethical leader’s. Communicating such ethical values to subordinates in a manner whereby the leader does not allow his or her emotions to get the best of them shows the true character of an ethical leader. Sometimes, leaders’ inability to control their emotions might lead to

unethical behaviours, which may transpire in the form of unpleasant words or actions (which in turn may cause a leader to act unethically).

There are two types of justice, general justice (which deals mostly with following the law where something is unjust if it is unfair), and particular justice (which deals with fairness where something is unjust if it is not fair) (Aristotle, 2005). For Aristotle (2005), an unjust leader is someone who behaves in a way that seeks to benefit themselves at the expense of others. He or she is motivated by unjust gains. It is very difficult for a leader to be ethical, yet, be unjust at the same time. Justice and ethicality are more or less two sides of the same coin. The Erasmus Centre for Behavioural Ethics (2007) confirms this by stating that the practice of justice is an important aspect of ethical leadership. Ethical leaders are concerned about issues of fairness and justice. Trevino et al. (2000, 2003) state further that ethical leaders are seen as fair and principled decision-makers who care about people and the broader society, and who behave ethically in their personal and professional lives. They make it a priority to treat all of their subordinates equally. For example, in an instance where an individual is treated differently, the grounds for different treatment must be clear and reasonable and must be based on moral values. According to Schminke, Arnaud and Taylor (2015), ethical leaders are expected to promote group ethical conduct, which in turn, eases a climate of justice and peer justice. King (2008) also states that ethical leadership is commonly exhibited by social justice, among other principles.

Virtuousness can promote positive consequences and its buffering qualities can protect the organisation from negative consequences such as ethical malpractices (Fredrickson, 2001; Dienstbier & Zillig, 2002). Executives/managers who talk the virtuous ethical talk but do not back this up by walking the virtuous ethical walk influence subordinates, especially those equipped with knowledge of what makes a virtuous and ethical leader to disengage and/or leave in repulsion (Brown, 2011). People want to be ethical and work for ethical people and ethical organisations that are led through clearly articulated and shared core values. It is of primary importance that one's own virtues, values, or principles are firstly well understood before one can embark on such a journey. Virtuous Leaders who practice the six core virtues of courage, temperance, justice, prudence, humanity, and truthfulness, are ethical leaders who find leader happiness, leader life satisfaction, and leader effectiveness (Hackett & Wang, 2012). Thus, leadership virtues and ethical leadership share a lot in

common. The following section explores some possible outcomes associated with leadership virtues.

5.8. OUTCOMES ASSOCIATED WITH LEADERSHIP VIRTUES

Leadership virtues are traits often linked to “good” character which influence people in one way or the other. Research on virtue ethics identifies four major effects of virtues on leaders and these are behaving ethically, enhancing performance, enhancing organisational effectiveness and experiencing happiness (Hackett & Wang, 2012).

5.8.1 Behaving ethically

Virtue ethics research has confirmed that virtues guide individuals to behave ethically. Aristotle in “The Nicomachean Ethics” (Irwin, 1999) points out that actions that are in line with virtues are good and pleasant, and virtuous people are enduringly right. Furthermore, Cavanagh and Bandsuch (2002), as well as Hartman (1998) believe that virtuous people naturally tend to behave in an ethical manner and enjoy behaving that way. Thus, virtuous actions are ethical.

Moreover, according to Hackett and Wang (2012), contemporary ethics research indicates four criteria used to judge whether or not an action is ethical, which are:

- The character of the person acting (i.e. an ethical action must be carried out by a person with “good character”; Taylor, 2006).
- The motive of the action (i.e. an ethical action must be motivated for the sake of emphasising and reinforcing the common good of the community rather than the desires to satisfy one’s own interests; Broadie & Rowe, 2002).
- The action itself (i.e. an ethical action in and of itself must be morally right in nature; Resick et al., 2006).
- The consequence of the action (i.e. an ethical action must lead to positive consequences in terms of the greatest happiness; Aronson, 2001).

The criteria are all incorporated in a virtuous act. That is, virtues are the character traits that build good character, virtuous actions are voluntary (i.e. the motive underlying the action is simply that it is virtuous and it’s aimed for the common good of the community), virtuous actions are morally right (Irwin, 1999), and that practising virtue maximises on the goodness and happiness in an individual’s life (Arjoon, 2000;

Hanbury, 2004; Flynn, 2008). Therefore, the more a leader practices virtuous actions like courage, temperance, justice, prudence, humanity and truthfulness, the more prone they are to behave ethically (Hackett & Wang, 2012).

5.8.2 Enhancing Performance

Virtue ethics propose that virtues help individuals to perform their jobs well. Aristotle in "The Nicomachean Ethics" (Irwin, 1999, p.9) states that "It should be said, then, that every virtue causes its possessors to be in a good state and to perform their functions well". In addition, Ciulla (2004) suggests that virtuous people become excellent at performing their jobs because they endeavour to be competent and do what is required in the job in the right way.

Virtues can positively influence leadership effectiveness in three avenues. Firstly, leadership effectiveness can be influenced by the amount of power leaders have and the means through which they exercise such power (Yukl, 1989). Practising virtues increases a leader's referent power in a significant way. Virtues guide leaders to exercise power responsibly in terms of maintaining a balance between power and self-glorification (Bass & Steidlmeier, 1999) and in particular between the individual's needs and those of the community (Kouzes & Posner, 2003). Hence, when leaders practise the cardinal virtues, they enhance their effectiveness through increasing their referent power and their responsible exercising of the power with which they are entrusted.

Secondly, according to Bass and Riggio (2010), leaders who have their followers trust and respect have an influence over them, which in turn leads to their effectiveness. It has been mentioned that practising virtues enable people to gain others' trust and respect. Therefore, leaders who practise virtues can attain desired effectiveness through idealised influence on their followers.

5.8.3 Organisational Effectiveness

The cardinal virtues have several positive outcomes for the organisation. Justice promotes the use of diversity, good employee relations, understanding and support. Courage encourages decisions to be made under conditions of uncertainty, confidence to act, opposition to potentially bad decisions and innovation. Temperance enables the leader to make quality decisions and reduce risk in the organisation. Judgement brings about quality decisions, calculated risk-taking, commitment, support

and trust (Crossan et al., 2013). Flynn (2008) and Cameron and Winn (2012) suggest that virtuous leaders are often effective leaders and that often, there is no trade-off between effective and virtuous leadership, contradicting the fear or conviction among many leaders that virtuous leadership comes at the expense of effectiveness. Thus, the positive influences of virtuous leadership reinforce calls for promoting virtuous leadership in organisations.

5.8.4 Experiencing Happiness

One of the fundamental aspects of virtue ethics is that practising virtues help people achieve the greatest happiness. Aristotle suggests, in "The Nicomachean Ethics" (Irwin, 1999) that, practising virtues makes people happier than mere amusement and that anyone with a happy life lives according to virtues. MacIntyre (1984) is also of the opinion that virtues help people to achieve happiness. Hanbury (2004) and Flynn (2008) add that virtuous actions lead to happiness in a person's life. Therefore, virtue ethics literature underscores that the practice of virtues enables people to achieve happiness.

Practising virtues can produce affective happiness - a non-cognitive evaluation of a person's life situation represented by positive moods and emotions over negative moods and emotions (DeNeve & Cooper, 1998) and life satisfaction - a cognitive evaluation of the quality of a person's experiences over their entire life span. According to Diener, Suh, Lucas and Smith (1999), prompt satisfaction of individual needs and the attainment of personal goals are the two sources of affective happiness and life satisfaction.

Practising virtues can lead to both sources of happiness. Virtues assist in satisfying a person's holistic need for self-understanding and developing the moral capacities to live and work well in all situations (Whetstone, 2001). Bass and Steidlmeier (1999) also suggest that practising virtues can provide meaning to one's work and life. This suggests that practising virtues provides people with meaning in both their work and non-work environments and thereby enabling them to fulfil their personal holistic needs (Hackett & Wang, 2012). This should in turn increase their affective happiness and life satisfaction.

Furthermore, MacIntyre (1984) and Arjoon (2000) believe that practising virtues assists people to accomplish personal goals that are intrinsically important to them

and also helps them to achieve their external goals (e.g. profit, fame, honour, prestige and material wealth). Therefore, practising virtues can assist a person to accomplish their intrinsic and extrinsic goals, and in turn, increase their affective happiness and life satisfaction.

To conclude, practising virtues (virtuous actions) can lead to affective happiness and life satisfaction. The virtuous character can be promoted by verbally acknowledging the virtuous behaviour of leaders (Alfano, 2013), role modelling virtuous behaviours, encouraging leaders to explain the rationale behind their virtuous decisions to employees, and offering training programs and workshops to promote and develop virtuous character traits (Crossan et al., 2017; Newstead et al., 2020a, 2020b). Hence, the more a leader practises the cardinal leadership virtues, the more likely they are to experience happiness and life satisfaction.

5.9. SUMMARY

The chapter explored the nature and definitions of leadership virtues. It also explained the four cardinal leadership virtues and the leadership virtue models. The chapter also discussed how leadership virtues can be developed, outcomes of leadership virtues, the relationship between leadership virtues and ethical leadership, and some possible outcomes of leadership virtues.

The next chapter presents the study’s proposed theoretical model.

CHAPTER SIX

PROPOSED THEORETICAL MODEL

6.1 INTRODUCTION

Literature on ethical leadership, authentic leadership and moral potency was the focus of the previous chapters. These also explored the relationships between each of the independent variables and the dependent variable. This chapter presents theoretical support for the current study's second research objective: To theoretically explain the relationship between the predictor variables (authentic leadership, moral potency, and leadership virtues) and the outcome variable (ethical leadership) in the proposed model, using previous literature.

Although the proposed theoretical model suggests direct relationships between the three independent variables (leadership virtues, moral potency and authentic leadership) and ethical leadership (the dependent variable), this chapter only focuses on the theoretical foundations of the three indirect relationships. The theoretical basis of the proposed direct relationships between the three independent variables and ethical leadership are discussed in the proceeding chapters. Chapter 8 reports on the results of the evaluation of the proposed conceptual model.

6.2 PROPOSED MODEL FOR THE DIRECT RELATIONSHIP BETWEEN ALL THE VARIABLES

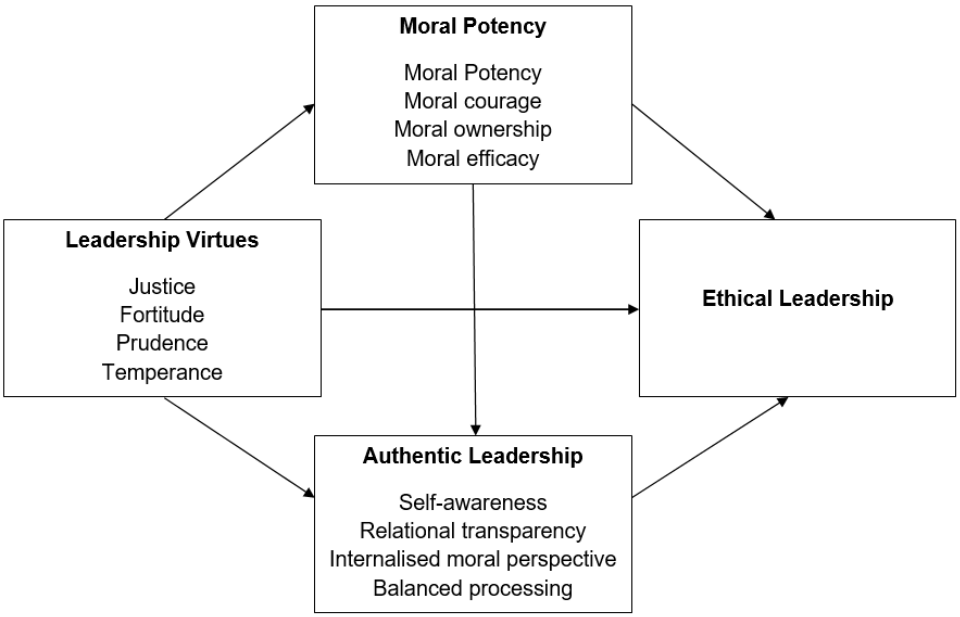

Figure 6. 1: Proposed model for the direct relationships (Source: Self-elaboration based on previous literature)

6.2.1 Leadership Virtues through Moral Potency to Ethical Leadership

The proposed theoretical model suggests that moral potency mediates the relationship between leadership virtues and ethical leadership (research question 2, hypothesis 2). The following discussion provides a theoretical basis for this indirect relationship.

Leadership virtues through moral courage to ethical leadership

Virtues contribute to the moral good of individuals and society (Kristjansson, 2015). The right behaviour is acquired not by following rules or contemplating the results one could achieve (although they are vital), but by encouraging the virtue-based habits of behaviour such as being just, temperate, brave and wise (Audi, 2012; Crockett, 2005; Riggio, Zhu, Reina, & Maroosis, 2010). According to Gahl (1984), having high moral beliefs assists as a guide against bad judgement and corrupt leaders. Bailey (in, Gahl, 1984) asserts that courage is a moral quality because it entails the zeal to stay away from special favours, and enables the making of decisions that are not popular, having the ability to decide under pressure, acting in a just manner, and placing principle above personal needs for recognition, status and power. Leaders who are not courageous make their followers lose touch with their own sense of moral purpose. However, virtuous leaders do not abandon their moral principles/obligations to follow followers. In fact, Riggio et al. (2010) state that leaders need to develop virtues in order to develop follower moral capabilities such as moral courage and other positive outcomes. Wright and Quick (2011, p.20) also propose that character/virtue is present when leaders exercise moral discipline, moral attachment, and moral autonomy which makes them “an agent of social change.”

Courage is required to function as an ethical leader because ethical leaders recognise that carrying out a moral act might be sometimes risky and yet, they continue to model such ethical behaviour despite the danger involved (The Leader’s Character, 2017). The reality is that a leader’s systems of beliefs about virtues and values influence the way they perceive, judge, and eventually, their behaviour when confronted with ethical issues (Avolio, 2005; Hannah & Avolio, 2010; Peterson, 2006; Rest, 1994). Thus, ethical leaders do not put aside their values to please others or keep silent when customers are hurt or lie to investors. They create conducive ethical environments

even when confronted by others such as their superiors and subordinates. This confidence that leaders have the strength/courage to act morally and ethically leads to the development of trust, which increases group members' willingness to follow.

Justice through moral ownership to ethical leadership

Justice involves a sense of obligation to the common good and fair and equal treatment of others (Smith, 1999). A just person has a sense of responsibility (ownership) to do his or her part as a member of a team, group, organisation, or society as a whole. Even though justice appears to be an important virtue for every individual, it is highly necessary for those in leadership positions. This is because leaders have the moral obligation to take into consideration the needs and interests of their subordinates by practising moral ownership (The Leader's Character, 2017). Leaders take moral ownership to correct injustice and inequality in the organisation (Cohen-Charash & Spector, 2001).

According to Skitka, Bauman and Mullen (2016), morality shapes people's justice reasoning. The extent to which a leader just depends on his or her moral actions (among which includes moral ownership). A leader that practices justice and takes moral ownership with his or her business dealings encourages his followers to follow suit (Brown, 2011). In the process of practising justice, an individual also takes moral responsibility (ownership) to do the right thing. Therefore, moral ownership/responsibility and respect are by-products of justice (Starratt, 1999).

Prudence through moral efficacy to ethical leadership

Prudence is, on the one hand, the ability to see different perspectives and gathering evidence before making a decision or moving ahead (Riggio et al., 2010). On the other hand, moral efficacy is the confidence an individual has in his or her ability to influence a situation positively (Hannah et al., 2011). To properly make decisions, especially risky decisions, there must be some degree of confidence involved. Also, prudent individuals are capable of establishing great relationships at work (Bai & Morris, 2014; Zacher, Pearce, Rooney, & McKenna, 2014) because they know how to be sensitive to the views of others and act in a manner that is satisfactory to all parties involved.

Temperance through moral ownership to ethical leadership

Temperance is the capacity to manage one's feelings (and appetites) by recognising one's shortcomings (Riggio et al., 2010). Meanwhile, moral ownership is the sense of psychological responsibility an individual feel for one's actions and the actions of others around them (Hannah et al, 2011). Emotions enhance moral cognitive processes because they send signals regarding where to focus attention (George & Brief, 1996), facilitate making choices (Bagozzi, Dholakia, & Basuroy, 2003), or assist individuals to select the best options and anticipate situations and their consequences (Damasio, 1994).

To be temperate, one must have the ability to take responsibility for their actions. This is the reason why a temperate leader who can control his or her emotions is also more likely to take moral ownership in situations that require his or her attention. Moreover, temperate leaders are willing to admit when they have shortcomings, which also means that they take responsibility for their actions (a characteristic of moral ownership).

Fortitude through moral courage to ethical leadership

Fortitude and moral courage help nurture mindful organisational environments where groupthink, hypocrisy and "nod-and-wink" cultures are mitigated (Asian Development Bank, 2017). They also minimise conformity and compliance, bridge organisational silos, and check irregularities, misconduct, injustice and corruption. A leader with fortitude has the moral courage to criticise ethical malpractices in the organisation. According to Kidder (2005), the virtue of fortitude and moral courage are in sync because they both involve living out one's values even when the price for doing so may be high. It is for this reason that several researchers consider virtues to be linked to moral leadership (Sison, 2003; Walker et al., 2007).

The development of the desire to act with moral courage is influenced by personal factors that depend on social forces like social norms, organisational principles, social pressure, perceived rewards or punishments and other situational and contextual factors (Sekerka et al., 2007). Morally courageous leaders are more likely to act in a way that will lead to personal and organisational success. Courage symbolises a state of mind that enables one to confront challenges and fear with confidence (Sekerka et al., 2007). As individuals struggle with their desires and reasoning, sustained fortitude

enables them to withstand their own internal battles (Miller, 2005). Therefore, moral courage entails consistently practising the virtue of fortitude. In fact, moral courage is considered a form of character strength because it provides people with the required psychological resources needed when confronted with ethical challenges (Fredrickson, 2001). Research shows that there is a relationship between recognising an ethical challenge and having the desire to act with moral courage (Sekerka et al., 2007).

In summary, the indirect relationship from leadership virtues through moral potency to ethical leadership aims at addresses the second research hypothesis of the current study. More specifically it seeks to address:

H2(0): Moral potency does not mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

H2(A): Moral potency mediates the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

6.2.2 Leadership Virtues through Authentic Leadership to Ethical Leadership

The proposed theoretical model suggests that authentic leadership mediates the relationship between leadership virtues and ethical leadership (research question 3, hypothesis 3). The following discussion provides a theoretical basis for this indirect relationship.

Prudence through balanced processing to ethical leadership

Prudence is the ability to see different perspectives and gather the evidence before making a decision or moving ahead (Riggio et al., 2010). This definition is similar to that of balanced processing that describes leaders who demonstrate that they are capable of objectively analysing all relevant data before making a decision (Walumbwa et al., 2008). Prudent and authentic leaders who process data in a healthy (balanced) manner exercise both objectivity and reflectivity before choosing a course of action. These leaders take into consideration the viewpoints of their followers and do not ignore any information before making a final decision (Avolio & Gardner, 2005).

The virtue of prudence is developed through consulting with others to discover which action in a given instance will achieve the best outcome. This is similar to how

authentic leaders process information in a balanced manner behave. An authentic leader spends time trying to understand what caused problems and outcomes and thereby assist followers to understand what could be internal and external causes of ethical behaviour and performance (Gardner et al., 2005). The ability to successfully process information is a significant skill to possess as a leader because leaders constantly make ethical decisions that affect employees and the organisation at large on a daily basis. It is for this reason why prudence is considered the mother of all virtues because it leads people in the right direction (Cotton, 2003; Jacobs, 2002; Schiller, 2013).

Fortitude through Internalised moral perspective to ethical leadership

Fortitude requires perseverance in the face of challenges (Messick, 2006) while having an internalised moral perspective requires leaders to use their values, ethics and beliefs to guide their behaviour even when situations might seem challenging or when their internal or external environment place certain pressures on them (Tapara, 2011). Fortitude, which is often referred to as courage, is necessary to stand up for the right thing, especially in situations that require ethical decisions to be made. Knowing the right thing to do and yet failing to do so may be partly due to the lack of fortitude (Hannah et al., 2011). However, an individual's actions are guided by his or her values ethics and beliefs. This means that having the fortitude/courage to act in an unethical situation stems from one's perceived beliefs, values and ethics about the situation. Authentic leaders are primarily guided by internal high moral standards and values and are resilient in the face of external pressure to compromise those values (Walumbwa et al., 2008).

Aristotle (2005, p. 30) describes individuals who act with fortitude as "noble" and "brave". Kidder (2005) urges leaders to have the quality of mind and spirit that will make them withstand ethical dilemmas steadfastly and confidently without backing out. This is because acting with courage and from a moral place requires making challenging ethical decisions. After all, staying committed to and living by a deep moral perspective has proved challenging for most now-fallen leaders and organisations that yield to the pressures (Wherry, 2012). Besides, such ethical challenging moments or trigger events indicate how leaders can evolve as authentic leaders as a result of these life events.

Justice through relational transparency ethical leadership

Justice entails doing the right thing and treating others fairly. For this to take place, there must be some sort of a relationship or rapport between the person standing for justice and those he or she is fighting for. When an authentic leader relates to followers in a transparent way, he or she shows his or her true feelings and beliefs openly and does not hide anything (Walumbwa et al., 2008). Justice also requires transparency and honesty for the truth to prevail. Lopez and Rice (2006) state that expressing oneself openly and honestly is considered a virtue and thus, a component of acting authentically. Leaders whos seek to obtain justice by openly sharing information and expressing their true thoughts and feelings while attempting to refrain from displaying inappropriate emotions, build trust in subordinates, who in turn will model such behaviour (Kernis, 2003).

Kernis and Goldman (2006) describe relational authenticity as being honest and genuine in one's relationship with others. Authentic leadership involves self-disclosure from both parties, which leads to the development of mutual intimacy and trust (Reis & Patrick, 1996). For this reason, individuals with high relational authenticity have healthier and more successful relationships than their counterparts who possess a low relational authenticity (Kernis & Goldman, 2006). In a nutshell, justice involves truthfulness and fairness among other things, and a leader high in relational transparency tends to say what he or she means and admits to his nor her mistakes openly (Yukl et al., 2013). Furthermore, leaders who are just and open are more likely to be ethical leaders because these qualities are unique to ethical leaders.

Temperance through self-awareness to ethical leadership

Good leaders have high emotional intelligence and easily respond when faced with ethical challenges (characteristic of a temperate leader) (Marques, Dhiman & Biberman, 2011). A self-aware leader knows his or her values, strengths and weaknesses, identity, emotions, objectives and goals, and is also aware of how people respond to him/her through an awareness of the impact he/she has on others (Kernis, 2003). Moral sensitivity involves the awareness of moral problems before choosing the right action to take (Morales-Sánchez & Cabello-Medina, 2013). A leader needs to be in touch with their emotions, as well as knowledgeable of their strengths and

weaknesses to identify and solve ethical matters. Goleman (1998) asserts that self-awareness demands emotional awareness, self-assessment and self-confidence.

Ethical leaders can self-regulate behaviour which means they have a high level of self-control, responsibility and accountability (Mordhah, 2015). Temperance assists leaders to admit when they have gone wrong and causes them to work to correct the errors (Riggio et al., 2010). One can only do this if one is self-aware and can effectively control one's emotions. Moors (2009) and Barrett (2006) describe emotions as a process that begins with feelings and is followed by cognitive processes whereby the individual judges the actions and understands the situation. In the same light, Kohlberg's Cognitive Moral Development theory emphasises the importance of psychological processes, such as moral awareness, moral judgement, and moral intention, in the generation of moral behaviour. Mayer and Salovey (1993) explain that emotional intelligence begins with self-awareness and other's emotional awareness resulting in the regulation of those emotions, which continues with the process and ends with the use of the emotion to express an appropriate action or decision. Ultimately, leaders who have high levels of self-control (temperance) tend to have high levels of self-awareness (Mordhah, 2015).

In summary, the indirect relationship from leadership virtues through authentic leadership to ethical leadership aims at addressing the third research hypothesis of the present study. More specifically it addresses the following:

H3(0): Authentic leadership does not mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

H3(A): Authentic leadership mediates the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

6.2.3 Leadership Virtues through Moral Potency and Authentic Leadership to Ethical Leadership

The proposed theoretical model suggests that both moral potency and authentic leadership (in serial) mediate the relationship between leadership virtues and ethical leadership (research question 4, hypothesis 4). The following discussion provides a theoretical basis for this indirect relationship.

It can be perceived in the relationship between leadership virtues and moral potency that virtues become visible when moral behaviour or reasoning is involved (Guilliford et al., 2020). According to Hannah et al. (2005), any moral behaviour that is not supported by genuine virtue can be considered as inauthentic. More so, virtue-based leaders have the moral discipline (self-control) to act selflessly in their own terms (moral autonomy/moral ownership) to motivate, withstand, and change their attitudes and beliefs as well as those of their followers by behaving in a morally appropriate way (Wright & Quick, 2011) to attain ethical results. Thus, a leader's systems of beliefs about virtue and value influence their perceptions and judgements on moral and ethical issues, and create intentions to behave according to their own values, as well as those of the organisation, and bring about moral and ethical actions (Avolio, 2005; Hannah & Avolio, 2010; Peterson, 2006; Rest, 1994).

Northhouse (2013), in the consideration of the indirect path between moral potency and authentic leadership, holds the opinion that individuals will only take responsibility for their moral actions (moral ownership) when the internal moral standards (internalised moral perspective) and moral values that guide their behaviour are intact. Leaders achieve authenticity when they develop and become aware of their core moral self, and then showcase that true self in control of their surroundings through acting with moral agency (Hannah et al., 2005). Leaders show their authentic moral self when exposed to situations that require them to demonstrate their leadership skills. Thus, authentic leaders are moral agents who take ownership of and responsibility for the consequences of their moral actions and that of their followers. More so, moral leaders are open (relational transparency) and invite others to participate in their deliberations on moral issues. As such, the positive effects of transparency partly become evident through open discussions of moral issues (Kernis, 2003).

Furthermore, it takes moral courage to own up to one's weaknesses or fault when one is at fault. Moral courage constitutes an understanding that a decision has to be made followed by moral action and pulling courage to do that which is right despite opposition and backlash from colleagues or subordinates (Hannah et al., 2011). When a leader is aware of their strengths and weaknesses (self-awareness), they can summon the moral courage needed to handle ethical issues in the workplace. Moral courage facilitates moral behaviour which happens when individuals have an understanding of their identity, emotions, goals and motivation (Hannah et al., 2011; Kernis, 2003).

Therefore, a morally courageous leader can approach others whenever they have gone wrong and courageously approach colleagues in instances where he or she acted out of character.

In summary, the indirect relationship from leadership virtues through moral potency and authentic leadership to ethical leadership aims at addressing the fourth research hypothesis of the present study. More specifically it addresses the following:

H4(0): Moral potency and authentic leadership (in serial) do not mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

H4(A): Moral potency and authentic leadership (in serial) mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

6.3 SUMMARY

This chapter focused on leadership virtues, its nature and defined the four cardinal virtues. It also outlined models for leadership virtues, how leadership virtues can be developed, the relationship between leadership virtues and ethical leadership, as well as some possible outcomes of leadership virtues. The literature attempted to answer the first research question “What is the effect of authentic leadership, moral potency, and leadership virtues on ethical leadership among managers working in financial sector organisations?” by providing theoretical discourses including theories and models, as well as establishing the relationships between the dependent variable and each independent variable, and also providing a discourse on the integration of the constructs using a proposed model.

The next chapter addresses the research methodology used in the study.

CHAPTER SEVEN

RESEARCH METHODOLOGY

7.1. INTRODUCTION

The chapter describes the methodology used in this study. It explains how the research problem is addressed using specific measuring instruments and statistical methods. This consists of a selection of the sample, the method of data gathering, and the statistical methods used in analysing the data for this study. Finally, a description of the ethical considerations involved in carrying out this study is presented.

7.2. RESEARCH APPROACH AND DESIGN

A research design is a clear plan to collect data in an empirical research study (Bhattacherjee, 2012). It aims to answer specific research questions or test hypotheses. This study uses a quantitative research design to collect survey data and analyse the obtained quantitative data using various techniques. Quantitative research focuses on gathering numerical data to explain a particular phenomenon (Bhattacherjee, 2012). This design suits the nature of this study, which evaluates the effects of authentic leadership, moral potency and leadership virtues on ethical leadership among managers working in financial sector organisations.

Reliability and replicability are two characteristics associated with quantitative research. Reliability is the consistent and stable measurement of data (Welman & Kruger, 2001). Replicability entails properties of test results that allow future researchers to investigate whether the findings of the study can be replicable in other sectors using different samples. However, the current study is not aimed at replicating the findings of previous studies. Quantitative research emphasises the amount/number of cases and the result analysis is frequently based on statistical significance (Argyrous, 2000). In addition, specific measurement instruments are used to collect data (Welman, 2006).

7.2.1 Survey Research

Survey research is part of quantitative research, which necessitated the carrying out of a survey using questionnaires to answer the research questions and hypothesis stated earlier in the thesis. Questionnaires are used to get information from people

regarding their attitudes, behaviours, opinions and beliefs (Polland 1998; 2005). Ethical leadership, authentic leadership, moral potency and leadership virtues were measured through the use of questionnaires. Data obtained from these questionnaires were used to establish predictions and relationships between the variables and determine the predictive power of the various independent variables. The study comprised a survey of employees working in the financial sector who have any form of supervision. It also sought to gain insight into how the employees experience their leader's (i.e. supervisor, manager, team leader) ethical leadership, authentic leadership, moral potency and leadership virtues styles. The study is also descriptive (Mouton & Marais, 1996) because it seeks to outline the target group - managers.

Quantitative research, using questionnaires, is suitable for this study because quantitative data information gathered was precise and familiar to the participants taking part in the study. Moreover, the researcher has some information on possible responses likely to surface from the results of other previous studies and theoretical suggestions that have been made by other researchers (Bhattacherjee, 2012). Survey research is advantageous because the findings can be generalised especially when there is a larger number of respondents as is the case with this study.

An electronic survey was administered. The electronic survey method was the most feasible, time-efficient and quicker way to accomplish the study. The questionnaires were structured using a computer survey software called EvaSys. The advantages of this method, in comparison with other data collection techniques, is that it is more cost-saving, produces more candid responses and has a high response rate (System for Survey-Based Evaluation in Education, 2004).

A drawback of this method, based on the current study, was that it took a lengthy amount of time to get responses from employees because of their busy and hectic work schedules. A solution that worked sending reminder emails to employees who were still to complete the questionnaires. A non-experimental research design was used in the study. This design was used because the researcher cannot manipulate the independent variable because he or she only studies what naturally takes place or has taken place, and how variables are interconnected (Blalock Jr., 2018).

7.3. SAMPLING METHOD

Sampling is the statistical process of selecting a group of respondents that will be used to collect data from in the research study to make observations and statistical inferences about that group (Bhattacherjee, 2012). Non-probability sampling, specifically convenience sampling was used. Convenience sampling occurs when the sample is drawn based on the availability of the test persons. This sampling method was chosen because it does not require the availability of a sampling frame. The employees were very busy and as a result, the questionnaires were emailed to those who were easily accessible and willing to partake in the survey. One disadvantage of this method is that it is not representative of the total population (Strangor, 2011). It is also considered to be biased and could have low external validity since the results of the study might not speak for the entire population. More so, it is not representative of the total population (Strangor, 2011). However, some of the advantages of using convenient sampling are that it is inexpensive, easy and the respondents are easily accessible (Etikan, Musa & Alkassim, 2016).

7.4. SELECTION OF TEST PERSONS

Managers working in financial services institutions in Bloemfontein, South Africa that the researcher had access to were selected for the purpose of the research. The sample size included 310 first-line/top-level managers (supervisors, line managers and office managers), middle-level (department heads, project leaders, plant managers, regional manager and division managers) managers and junior level employees (those who oversee employees without a managerial title). Questionnaires were issued to persons in over 35 financial institutions which were accessible to the researcher (based on proximity and acceptance to partake in the study). The largest financial institutions provided over 46 respondents each, while the smallest provided just about seven respondents each. A financial institution is any public or private institution that collects funds (from the public or other institutions) and invests them in financial assets. Financial institutions in this study include banks, credit unions, insurance companies, pension funds, and asset management firms among others. The population (N) for the current study comprises 400 managers (including supervisors, team leaders, line managers, etc). According to Sekaran and Bougie (2016), an N of 400 should probably be represented by 196 respondents for it to be regarded as representative. Some questionnaires were also sent to respondents on

LinkedIn based on their voluntary/personal interest to take part in the study (an informed consent form was administered). Therefore, for the purpose of this study, a sample size of 310 managers is representative of the total population and is subsequently applicable to the research hypothesis.

7.5. DATA GATHERING METHODS

This section describes the data gathering process, various measuring instruments used in the study and the reasons for using these instruments. The administration of the questionnaire, the scoring and interpretation of the data, as well as the reliability and validity of the results are also discussed in this section.

The following should be noted: all the questionnaires required the respondents to rate their perceptions of their supervisor/manager's levels of leadership virtues, moral potency, authentic leadership and ethical leadership.

7.5.1 Data gathering process

Electronically administered questionnaires were used to gather data for this study. Informed consent letters (soft copies) were issued out to organisations (HR managers) requesting permission for persons to take part in the study, as well as the reason for the survey and its contribution to the field of research. Participation in the study was voluntary and confidentiality and anonymity were prioritised as indicated in the consent letter. An approximated time required to complete the questionnaire was also indicated. Heads of departments in some organisations were contacted and approval was granted for employees to take part in the studies. The questionnaire link was emailed to the Head of Department, HR manager, or the person in charge to sent the link to their respective employees. This then ensured that the appropriate respondents completed the questionnaires online. Employees were notified of the significance of the study and encouraged to take part voluntarily. A post was created on LinkedIn requesting for interested parties in the financial sector in Bloemfontein to answer the questionnaire. Thus, some questionnaires were sent to respondents on LinkedIn via private messages after they showed interest to partake in the study. Consent forms were sent to them, as well as the questionnaire link.

Out of over 400 questionnaires that were electronically issued out, the researcher only obtained responses from 310 respondents. Most respondents did not take part in the

study because of their tight work schedules and time constraints. A few respondents did not answer a few questions on the biographical questionnaire. A few participants requested the outcome of the study, which will later be sent to them after the study is completed.

7.5.2 Measuring instruments

The questionnaires that were administered to gather data include:

- Ethical Leadership Scale (ELS) (Brown et al., 2005)
- Authentic Leadership Questionnaire (ALQ) (Walumbwa et al., 2008)
- Moral Potency Questionnaire (MPQ) (Hannah & Avolio, 2010)
- Leadership Virtues Questionnaire (LVQ) (Riggio et al, 2010)
- Biographical Questionnaire

7.5.2.1. Biographical Questionnaire

A Biographical Questionnaire was administered to determine the biographical characteristics of managers in terms of gender, age, home language, marital status, educational information and name of the position (level in the organisation). It should be noted that all the scales that were used measured participants' perceptions regarding their supervisors' levels of authentic leadership, moral potency, leadership virtues and ethical leadership.

7.5.2.2. The Ethical Leadership Scale (ELS)

7.5.2.2.1 Nature and composition

The Ethical Leadership Scale (ELS) by Brown et al. (2005) is a ten-item instrument that measures Ethical leadership behaviours in an organisation. Respondents indicate whether they agreed with statements on a 5-point scale beginning from 1 (Highly unlikely) to 5 (Highly likely). An example of a sample item on the ethical leadership scale is: "*My leader conducts his or her personal life in an ethical manner*."

This scale is positively correlated with other constructs; especially, leader honesty, fairness, consideration behaviour and the influence of a dimension of transformational leadership, which Brown and Trevino (2006) propose is "the existing leadership construct that is conceptually closest to ethical leadership" (p. 597). The scale also predicts followers' satisfaction with the leader, job commitment, leader efficiency, affective trust in the leader and the followers' readiness to report wrongdoings to

supervisors (Brown et al., 2005). The ELS has also been broadly used in experimental research (Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Schaubreck et al., 2012).

7.5.2.2.2 Reliability

Reliability describes the consistency and accuracy of measurement over time and shows the degree of impartiality in the measurement (Zikmund, Babin, Carr & Griffin, 2013). The reliability estimates indicate that the ELS show a high-reliability coefficient with Cronbach's alpha equivalent to or greater than α=0.89 (Avey, Wernsing, & Palanski, 2012; Walumbwa & Schaubroeck, 2009). According to Brown et al. (2010), the ELS has a high-reliability score of (0.97). Furthermore, research done by Brown and Trevino (2002) indicates that the ELS instrument indicates an excellent internal consistency and yields a coefficient alpha of 0.92. The reliability estimates of the ELS also showed excellent internal consistency as follows: <=0.92, N=127; <=0.91, N=184; <=0.94, N=87 respectively (Ponnu & Tennakoon, 2009).

7.5.2.2.3 Validity

Validity indicates the extent to which a concept under study is accurately measured by a measuring instrument (Zikmund et al. 2013). ELS has good content validity and reliability (Brown & Trevino, 2002). According to Ponnu and Tennakoon (2009) results from previous research on exploratory factor analysis (EFA) for validity have shown a one-factor explanation with all items loaded strongly on this factor, 0,5 and above. Therefore, ethical leadership, measured using 10 items, consist of a comprehensible construct, and the ELS measure ethical leadership in a way that is harmonious with the specifications of ethical leadership.

7.5.2.2.4 Rationale for inclusion

The Ethical Leadership Scale (ELS) is used to measure the behaviours of ethical leaders and is a combination of diverse leader behaviours such as acting in a fair manner and honestly, rewarding ethical conduct and allowing followers' voice (Brown et al., 2005). Thus, this scale was used because it measures what the definition of ethical leadership entails.

7.5.2.3. The Authentic Leadership Questionnaire (ALQ)

7.5.2.3.1. Nature and composition

The Authentic Leadership Questionnaire (ALQ) is a leadership measuring instrument created to measure the components that have been conceptualised to form authentic

leadership (Walumbwa et al., 2008). The Authentic Leadership Questionnaire is made up of 16 items measured on a five-point Likert scale (from 0-never to 4-frequently, if not always), which are distributed into four dimensions: relational transparency (items 1 to 5, e.g., "*My supervisor clearly states what he/she means"*), internalised moral perspective (items 6 to 9, e.g., "*My supervisor uses his/her core beliefs to make decisions"*), balanced processing (items 10 to 12, e.g., "*My leader asks for ideas that challenge his/her core beliefs*"), and self-awareness (items 13 to 16, e.g., "*My supervisor is clearly aware of the impact he/she has on others*") (Walumbwa, Avolio, Gardner, Wernsling, & Peterson, 2008; Cervo, Monico, Santos, Hutz, & Pais, 2016). The maximum score that can be obtained on the Authentic Leadership Questionnaire is 64.

7.5.2.3.2. Reliability

The estimated internal consistency alphas (Cronbach's alpha) for each measure of the (ALQ) are proven to be at satisfactory levels: Self-awareness, 0.92; Relational transparency, 0.87; Internalised moral perspective, 0.76; and Balanced processing, 0.81 (Walumbwa et al., 2008). Two South African studies found the Authentic Leadership Questionnaire (ALQ) as having reliability of above 0.7 on all constructs (Kotze, 2016; Towsen, Stander, & van der Vaart, 2020). Therefore, the construct is reliable and hence its use in the current study.

7.5.2.3.3. Validity

Walumbwa et al. (2008) established discriminant validity regarding authentic leadership. Walumbwa also confirmed predictive validity by endorsing that authentic leadership accountable for subordinate's actions and attitudes revealed in organisational citizenship behaviour, organisational dedication and satisfaction with supervisors. Two South African studies found the Authentic Leadership Questionnaire (ALQ) as having reliability of above 0.7 on all constructs (Kotze, 2016; Towsen, Stander, & van der Vaart, 2020). The results from one South African study also shows adequate validity of the ALQ (Kotze, 2016).

7.5.2.3.4 Rationale for inclusion

The Authentic Leadership Questionnaire has been proven to measure authentic leadership among managers and as such appropriate for use in this study (Walumbwa,

2008). The ALQ also provides an accurate measure of the definition of authentic leadership as chosen in the present study.

7.5.2.4. The Moral Potency Questionnaire (MPQ)

7.5.2.4.1. Nature and composition

The Moral Potency Questionnaire (MPQ) is a 12-item scale that measures an individual's moral potency based on three dimensions: moral ownership (3 items – e.g. "*assume responsibility and take action when they see an unethical act*"), moral efficacy (5 items e.g. "*confident to determine what needs to be done when facing moral/ethical dilemmas*"), and moral courage (4 items – e.g. "*confront their peers if they commit an unethical act*") (Hannah & Avolio, 2010). Respondents read and answer each statement by picking the suitable response (1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree, or 5= strongly agree).

7.5.2.4.2. Reliability

All three scales of the MPQ (moral ownership, moral efficacy and moral courage) were found to have satisfactory internal consistency (moral efficacy α = 0.95; moral ownership and moral courage = α 0.93) (Hannah & Avolio, 2010). The total score can be attained by summing up all the subscale scores. The total score defines the level of moral potency respondents have, the higher the score, the higher the moral potency the respondent have. The average score in a study was M= 50.70 (SD=7.56), with the utmost score being 60 and the lowest score being 30 (Hannah & Avolio, 2010).

7.5.2.4.3. Validity

A study carried out by Hannah and Avolio (2010) confirmed concomitant convergent validity for the 2-factor moral potency construct in their data analysis.

7.5.2.4.4. Rationale for inclusion

Research carried out on moral potency reveals that the construct is positively associated with ethical behaviours and negatively associated with tolerating the mistreatment of others (Hannah et al., 2011). The MPQ has also previously been used to predict ethical thought patterns and behaviours (Hannah et al., 2011). More so, the instrument's self-ratings predict several individual ethical attitude and behaviour (Hannah et al., 2011). Therefore, based on its probable relationship with the ELS, the MPQ was worth using in this study.

7.5.2.5. The Leadership Virtues Questionnaire (LVQ)

7.5.2.5.1. Nature and composition

The LVQ measures four leader virtues namely, prudence, fortitude, temperance, and justice (Riggio Zhu, Maroosis, & Reina, 2010). This instrument was developed after four consecutive pilot tests carried out among over 1000 managers. Nineteen questions were used to develop the questionnaire used for exploratory and confirmatory factor analyses. The LVQ is highly positively correlated with key dimensions of authentic leadership (r = 0.90, p = 0.01), ethical leadership (r = 0.93, p = 0.01), and transformational leadership (r = 0, 85, p = 0.01) (Riggio et al., 2010). This 19-item scale was developed by Riggio et al. (2010) to measure virtue-based ethical leadership. Five of these items are used to measure prudence (e.g. "*Does as he/she ought to do in a given situation*"), five items measure fortitude (e.g. "*fails to make the morally best decision in a given situation*"), six items assess justice (e.g. "*Gives credit to others when credit is due*"), and three items measure temperance (e.g. "*seems to be overly concerned with his/her own accomplishments*"). A five Likert point scale was used in measuring the variables. The scale had a response format as follows: (1= "Not at all," 2= "Once in a while," 3 = "Sometimes," 4 = Fairly often," 5 = "Frequently, if not always").

7.5.2.5.2. Reliability

Several studies have established the reliability of the LVQ. The LVQ is highly positively correlated with authentic leadership and the ELS (Riggio et al, 2010). The LVQ has a high internal consistency level with an alpha of 0.97. In addition, the alpha scores for the various sub-dimensions were as follows: justice (0.94), fortitude (0.94), prudence (0.92) and temperance (0.92) (Riggio et al, 2010).

7.5.2.5.3. Validity

The LVQ indicates a construct/discriminant validity (Riggio et al, 2010). Exploratory Factor Analysis carried out showed that one main factor was responsible for 66.29% of the variance. In addition, the Confirmatory Factor Analysis focusing on the goodness-of-fit indexes revealed that one factor best fits the data (x^2 = 687.62, $p < .01$, CFI = 0.96, TFI = 0.95, RMSEA = 0.07, SRMR = 0.02). According to Bagozzi and Yi, (1988); Brown and Cudeck, (1992), these indexes are above the recommended criteria.

7.5.2.5.4. Rationale for inclusion

The LVQ has an extremely strong and positive relationship with authentic leadership and the ELS. Hence, it is a fitting instrument for use in this study (Riggio et al, 2010). Moreover, the instrument also provides an accurate measure of the definition of leadership virtues as chosen by the present study.

7.5.3. Ethical consideration

To pursue this study, ethical clearance was obtained from the University of the Free State (The General/Human Research Ethics Committee (GHREC) and approved as evidenced by the clearance number - UFS-HSD2019/0698/2507. This procedure aimed at ensuring that the study was conducted in accordance with the ethical guidelines and standards. It also sought to guarantee that the study was feasible among the chosen group of participants. Participants were also notified of the aim of the study and an informed consent which highlighted the reason for the study and possible beneficial outcomes it would have on the private sector provided as well.

The participants were told about their rights to partake in the study and how the data obtained would be used. They were informed that taking part in the study was voluntary and anonymous. They also had the freedom to withdraw at any point if they felt they wished not to take part further in the study. The questionnaires were administered using software called EvaSys, access to the completed questionnaire was granted only to the researcher and the supervisors involved. Participants were also informed that they were free to ask for the results of the study if they wished.

7.6. Statistical methods

The descriptive and inferential statistical methods used to analyse and obtain results from the research questions and hypotheses earlier stated in this study are now under focus.

7.6.1. Descriptive statistics

Descriptive statistics is a collection of methods used in organising and summarising data (Lombard, Van der Merwe, Kele, & Mouton, 2010; Strangor, 2011). However, descriptive statistics do not involve inferences or generalisations that are used to describe the data. It includes the mode, median, mean, range and variance (Huysamen, 1998). The mode is the observed data that appears the most. The mean

is the average of the numbers. The median is the midpoint of the observations when they are arranged in increasing order and splits the observations into two equal proportions. The range is the highest value minus the lowest value. The variance measures how far an observation differs from the mean. These methods are used in this study.

7.6.2. Inferential statistics

Inferential statistics are used to test hypotheses and test theories (Salkind, 2007). The postulated research seeks to find whether authentic leadership, moral potency and leadership virtues affect ethical leadership. Inferential statistics are used in the current study to establish differences, test relationships that exist between variables and make predictions. This section focuses on the various techniques used to obtain information to answer the research questions. These techniques include reliability coefficients, multiple regression analysis, Pearson moment product correlation and the variance-based method of structural equation modelling.

7.6.2.1. Reliability coefficients

Reliability is the ability of a measure to consistently perform its intended or required purpose on demand without failure. A measure is considered to have high reliability if it yields comparable results under stable conditions. The current study uses Cronbach's alpha to determine the reliability of ethical leadership, authentic leadership, moral potency, and leadership virtues. The reliability coefficient ranges from 0.00 to 1.00 and has four types (Strangor, 2011). These are inter-item, test-retest, split-half, alternative forms and inter and intra-scorer reliability. Table 7.1 below shows some general guidelines used to interpret reliability for measures (Deardorff, 2011; Ursachi et al., 2015).

Table 7. 1: General Guidelines for interpreting reliability coefficients

Reliability coefficient values	**Interpretation**
Below 0.60	Limited applicability
0.60 – 0.69	Acceptable
0.70 – 0.79	Adequate
0.80 – 0.89	Good
0.90 and above	Excellent

Table 7.1 above indicates reliability measures from below 0.60 and above 0.90.

6.6.2.2. Pearson Product Moment Correlation

The Pearson product-moment correlation coefficient often called the Pearson correlation coefficient measures the strength of an association between two variables (Harring & Wasko, 2011). The Pearson correlation coefficient is represented by r, which shows how distant data points are to the line of best fit (Mukaka, 2012). The Pearson correlation ranges from +1 to -1, with a value of 0 indicating that there is no relationship between the two variables. A value above 0 shows a positive relationship; that is, an increase in the value of one variable also leads to an increase in the value of the other variable. On the contrary, a value less than 0 shows a negative relationship; that is, a decrease in the value of one variable also leads to a decrease in the value of the other variable (Mukaka, 2012). The Pearson correlation coefficient is used in this study to investigate the relationship that exists between authentic leadership, moral potency, leadership virtues and ethical leadership. Guilford (1956) provides a guideline on how to interpret correlation values as shown below.

Table 7. 2: Determining the strength of correlations (r)

Value of r (+/-)	**Interpretation**
Less than 0.20	Slight, almost no relationship
r = 0.21 to 0.40	Low, correlation, definite but small relationship
r = 0.41 to 0.70	Moderate/acceptable correlation, substantial relationship
r = 0.71 to 0.90	High correlation, strong relationship
r = 0.91 to 1.00	Very high correlation, very dependable relationship

Guilford (1956) indicates that these guidelines work in both positive and negative directions. However, the negative sign only pertains to the relationship's direction, and not its strength. Therefore, the strength of a correlation r = 0.4 and r = -0.4 is similar but have different directions. A high correlation means a strong relationship exists, while a low correlation means a weak relationship exists.

7.6.2.3. Stepwise Multiple Regression Analysis

Stepwise multiple regression is a semi-automated process of constructing a model by successfully including or excluding variables based primarily on the t-statistics of their

estimated coefficients (Zhou, Member, Pierre & Trudnowski, 2012). Stepwise multiple regression If it is statistically significant, it can be achieved either by testing and adding one independent variable at a time in the regression model, or by including all possible independent variables in the model and excluding non-statistically relevant variables, or by combining the two approaches. For the purpose of this study, all the independent variables (Authentic leadership, moral potency, and leadership virtues) were incorporated in the model to compute the stepwise multiple regression. Stepwise multiple regression is very useful when interpreting a collection of dependent variables from a broad set of independent variables (Jin, & Xu, 2012). In the present study, stepwise multiple regression is used to determine the extent to which various dimensions of authentic leadership, moral potency, and leadership virtues predict or contribute to Ethical leadership.

7.6.2.4. Structural Equation Modelling (SEM)

Structural equation modelling is a method of multivariate statistical analysis used for the analysis of structural relationships. The approach is a combination of factor analysis and multiple regression analysis and is used to evaluate the structural association between observable variables and latent constructs. (Kline, 2015). In this study, two types of variables are used, endogenous variables and exogenous variables. Endogenous variables are likened to the independent variable while exogenous variables are equivalent to the dependent variable. The measurement/outer model represents the measurements used to evaluate the proposed theory. Meanwhile, the structural model demonstrates the theory of how constructs are associated with other constructs. (Byrne, 2013). The two SEM families include covariance-based techniques represented by LISREL and variance-based techniques, whereby the common representative is the Partial Least Squares (PLS) path modelling (Henseler, Ringle, & Sinkovics, 2009). Finally, Lowry and Gaskin (2014) suggest that as it could provide distinctive theoretical perspectives, PLS should be used.

Thus, the proposed model was evaluated with the variance-based structural equation modelling software SmartPLS in the current analysis (Ringle, Wende & Becker, 2015). In the current research, PLS path modelling was used as a parallel analysis to verify how well the measures apply to each construct and whether hypothesized relationships are empirically appropriate at the theoretical level. The PLS pathway

modelling was considered acceptable because it is suitable for prediction-oriented research and is important for exploratory models to be tested and validated (Lowry and Gaskin (2014), as is the case in the current research study.

7.6.2.5. Partial Least Squares Path Modelling (PLS)

PLS is a family of least square alternating algorithms that expand the principal component and study of canonical correlation (Henserler et al., 2009). Wold (1985) developed it for the study of high-dimensional data in a low-structure setting and has undergone numerous extensions and modifications to date. Two collections of linear equations determine the essence of the PLS path model: the inner model and the outer model (also known as the measurement model). The inner model explicates the relationships between unnoticed or latent variables, while the outer model elucidates the relationships between a latent variable and its measures that are observed or manifest. (Henseler et al., 2009). The purpose of the PLS is to clarify the relationships and predictions of the model criterion variables (Henserler et al., 2009). With several latent and manifest variables, it can approximate any complex model and has less stringent assumptions about the distribution of variables and error terms. The two-step method guidelines for evaluating the measurement model with regard to reliability and validity are given by Henseler et al. (2009).

7.6.2.5.1 Assessing the outer model

The outer model is the first one to be assessed in this approach. The accuracy and validity of reflective constructs and the validity of formative constructs are indicated by the outer model. Composite reliability assumes that indicators have distinct loadings and can be viewed as Cronbach's alpha, while composite reliability is not Cronbach's alpha. In a previous study, an internal reliability value above 0.7 and values greater than 0.8 or 0.9 in more recent phases of research are considered acceptable. (Albers, 2009). Since the reliability of indicators varies, each indicator needs to be evaluated. Latent variables can clarify a significant part of the variance of each indicator, according to Henseler et al. (2009) (typically at least 50 per cent). Therefore, the absolute correlation should be greater than 0.7 ($\approx\sqrt{0.5}$) between a construct and any of its manifest variables. A recommendation to remove reflective indicators from measurement models if their uniform loads are lower than 0.4 is established to complete reliability checks in the model evaluation (Henseler et al., 2009).

By concentrating on convergent validity and discriminant validity, PLS assesses validity. Convergent validity means that a set of metrics reflect the same underlying construct shown by their derived uni-dimensionality and average variance (AVE) as the convergent validity criterion (Götz, Liehr-Gobbers & Krafft, 2010). The AVE of each variable should be greater than the highest square correlation of the latent variable to any other latent variable (Henseler et al., 2009). An AVE value greater than 0.5 is applicable. Reliable and valid outer model estimates assess the estimates of the inner path model (Henseler et al., 2009).

Construct validity is evaluated by testing the measurement model for convergent and discriminant validity to evaluate the outer model. It is also possible to test the convergent validity using the external loadings, average variance derived (AVE), composite reliability and Cronbach's α. The uniform loadings (outer loadings) in the measurement model are tested to determine if they are above the cut-off of 0.70 to show convergent validity. The AVE is checked by determining if it is 0.50 or higher. The composite reliability value and the Cronbach's α value of each latent variable, meanwhile, should both be above 0.50, which is the cut-off point. In Chapter 8, comprehensive outcomes for the outer model are given.

7.6.2.5.2 Assessing the inner model

The inner model illustrates the interactions between the constructions. It explains the variances in endogenous constructs, the effect sizes and the predictive relevance of the measurement (Henseler, Hubona, & Ray, 2016). To evaluate the inner model, the coefficient of determination (R^2) of the endogenous latent variables is necessary. Chin (1998) indicates that R^2 can be represented in three ways: the substantial, the moderate and the weak. This is shown in the table below.

Table 7. 3: Interpreting the coefficient of determination (R^2)

R^2	**Description**
0.67	Substantial
0.33	Moderate
0.19	Weak

(Source: Chin, 1998)

Substantial results show good representation. However, Henseler et al. (2009) note that if only a few exogenous latent variables clarify an endogenous latent variable

through some inner path model constructs, moderate R^2 may also be acceptable. However, the R^2 value should exhibit a significant level if the endogenous latent variable depends on multiple exogenous latent variables. Lower results pose questions about the theoretical underpinnings and indicate that the model is unable to clarify the latent endogenous variable.

The inner model is also evaluated in the structural model via the approximate values of path coefficients, which are evaluated in terms of the sign, magnitude and significance (Henseler et al., 2009). With an increased number of indirect relationships, standardised inner path model coefficients decline, especially when mediating latent variables have a suppressor effect on the direct path; this can result in direct relationships being negligible after additional indirect relationships have been included. (Henseler et al., 2009). In such a situation, in order to have more logical grounds for conclusions on their inner path model, the total impact should remain constant and sizeable. The paths are evaluated in terms of their statistical significance.

7.7. SUMMARY

The chapter outlined the various computing descriptive and descriptive statistics and emphasised descriptive statistics' mean, mode, median, range and variance that are used in this study. Emphasis on inferential statistics was also indicated in terms of Pearson product-moment correlation, stepwise multiple regression analysis, variance-based structural equation modelling (SEM), with an underscoring of Partial Least Square Path Modelling (assessing outer and inner models). Finally, the chapter also described the ethical issues that were considered during this study.

The next chapter discusses the results of the current study and its findings.

CHAPTER EIGHT

RESULTS AND FINDINGS

8.1 INTRODUCTION

Chapter seven reports on the results and findings of the study. The chapter presents the results of descriptive statistics containing the respondents' biographical details (diagrammatically presented using bar charts, pie charts, and tables) and the averages and standard deviations of the different variables used in the analysis. It also presents the results of inferential statistics consisting of correlations, measurement reliability coefficients, stepwise multiple regression, and structural equation modelling dependent on variance. Finally, the chapter tests the model and examines the effects of statistical modelling using the path modelling of partial least squares (PLS). A discussion of the empirical testing of the proposed theoretical model ends with the chapter.

8.2 DESCRIPTIVE STATISTICS

This section focuses on descriptive statistics, average means and standard deviations of the data obtained from the biographical variables used in the analysis. Summaries of the data obtained for this analysis are described using descriptive statistics. (Lombard et al., 2010; Strangor, 2011). In addition, tables (used to demonstrate the mean averages and standard deviations of the variables' dimensions), bar charts (used to illustrate sample frequency distributions) and pie charts are used to graphically illustrate the distribution of the research sample information calculated using ALQ, MPQ, LVQ and ELS.

8.2.1 Biographical characteristics of the sample

Biographical information based on the respondents' age, gender, marital status, ethnicity, qualification, level of management, division name, length of service and language was obtained. The results are summarised below using tables and graphs.

8.2.1.1 Distribution of respondents according to age

Table 8.1 shows the distribution of the respondents according to age.

Table 8. 1: Distribution of respondents according to ages

Age (years)	Frequency	Percentage	Valid Percentage	Cumulative Percentage
20 – 30	85	27.4	27.7	27.7
31 – 40	176	56.8	57.3	85.0
41 – 50	37	11.9	12.1	97.1
51 – 60	6	1.9	2.0	99.0
61- 65	3	1.0	1.0	100.0
Total	307	99.0	100.0	

Table 8.1 presents the age distribution of the respondents. The table shows that most employees (56.8%) belonged to the 31-40 years age group while only a few (1%) were between the ages 61 and 65. This indicates that most respondents belonged to the energetic and most productive age group who are in the early and middle adulthood career stages.

8.2.1.2 Distribution of respondents according to names of divisions

Table 8.2 shows the distribution of the respondents based on the name of divisions.

Table 8. 2: Distribution of respondents' name of division

Name of Division	Frequency	Percent	Valid Percent	Cumulative Percent
Human Resources	80	25.8	26.1	26.1
Accounting	16	5.2	5.2	31.3
Marketing	21	6.8	6.8	38.1
Finance	35	11.3	11.4	49.5
Information Technology	33	10.6	10.7	60.3
Logistics	16	5.2	5.2	65.5
Research & Development	35	11.3	11.4	76.9
Other	71	22.9	23.1	100.0
Total	307	99.0	100.0	

Table 8.2 above shows that most (25.8%) of the respondents who took part in the study came from the Human Resources division. Meanwhile, the division in charge of logistics had the least respondents who stood at 5.2% of the respondents.

8.2.1.3 Distribution of respondents according to qualifications

Table 8.3 shows how the respondents were distributed according to qualification.

Table 8. 3: Distribution of respondents' qualifications

Highest Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
Matric	4	1.3	1.3	1.3
Diploma	26	8.4	8.4	9.7
Certificate	12	3.9	3.9	13.6
Bachelor's Degree	136	43.9	44.2	57.8
Master's Degree	113	36.5	36.7	94.5
Doctorate	17	5.5	5.5	100.0
Missing system	2	0.6		
Total	308	99.4	100.0	

The findings reflected in Table 8.3 are that most of the respondents (43.9%) have a bachelor's degree while very few (1.3%) had Matric certificates. This shows that most of the respondents who took part in the studies were educated and thus, able to provide informed responses to the questions asked.

8.2.1.4. Distribution of respondents according to gender

Figure 8.1 depicts the gender distribution of the sample.

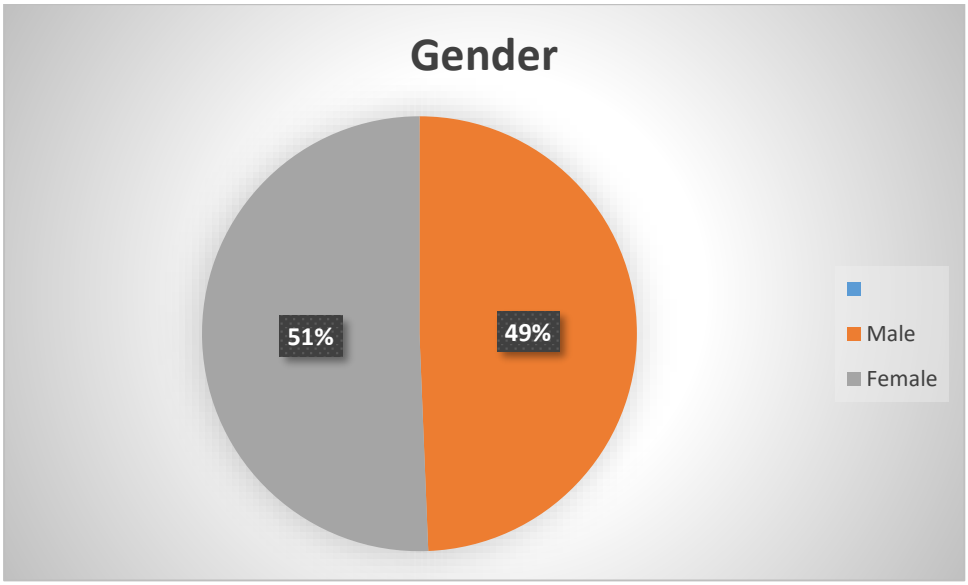

Figure 8.1: Distribution of the respondents according to gender

The pie chart, Figure 8.1, illustrates the gender distribution of the sample where most (51%) of the respondents were females while (49%) were males. The figure reflects that gender was almost equally distributed among the respondents.

8.2.1.5. Distribution of respondents according to managerial level

Figure 8.2 depicts the distribution of the sample according to managerial levels.

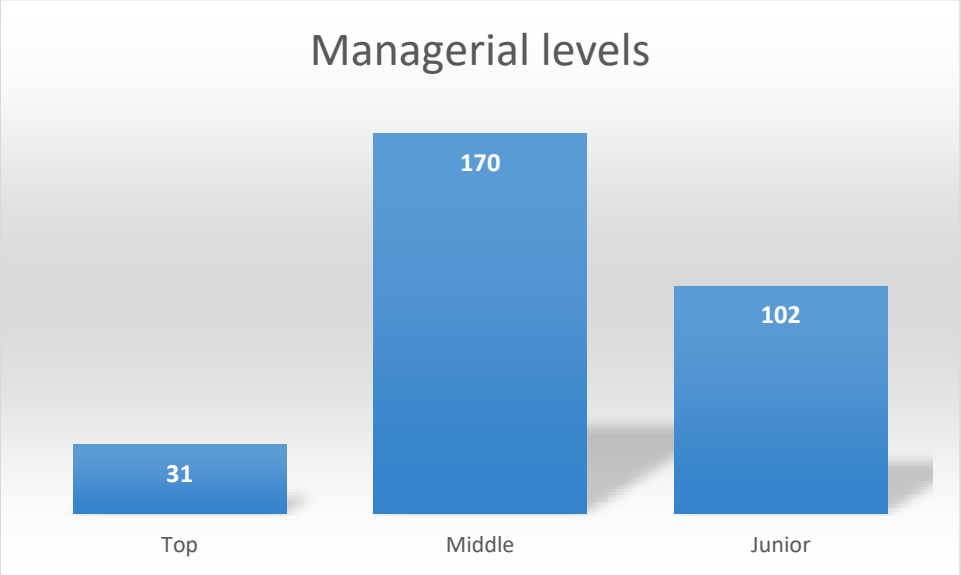

Figure: 8. 2: Distribution of the respondents according to managerial levels

It can be observed from figure 8.2 above that most respondents belong to the middle level (56.1%), while some (33.6%) came from the junior level, and others (10.2%) from the top level of various organisations.

8.2.1.6. Distribution of the respondents according to race

Figure 8.3 depicts the distribution of the sample according to race.

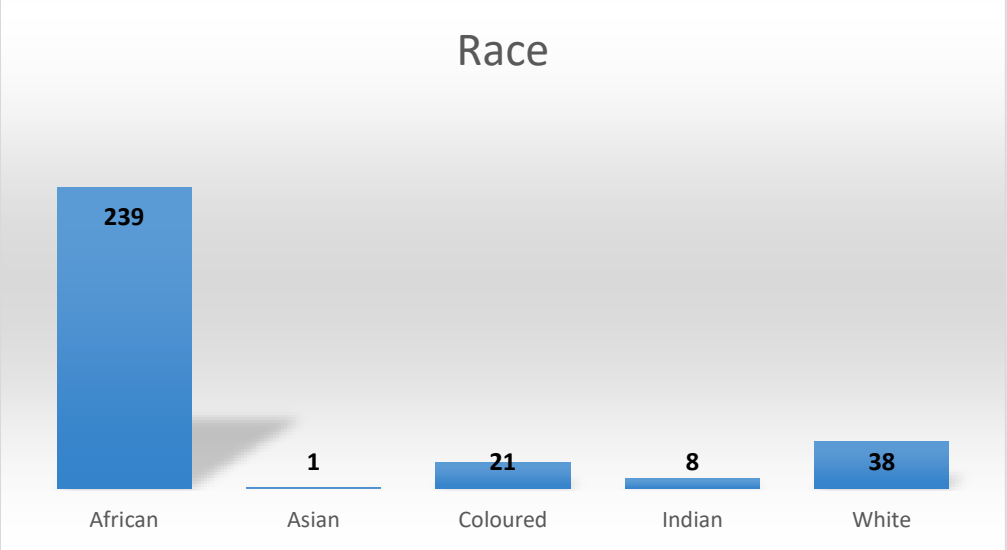

Figure 8.3: Distribution of the respondents according to race

It is apparent from figure 8.3 that the majority (77.8%) of the respondents were Africans while the other races stood at (12.3%) whites, (6.8%) Coloured, (2.6%) Indians and (0.3%) Asians. The high number of African respondents might be a result of the fact that South African is mostly populated by Africans.

8.2.1.7. Distribution of the respondents according to marital status

The distribution of the sample according to marital status can be seen in Figure 8.4.

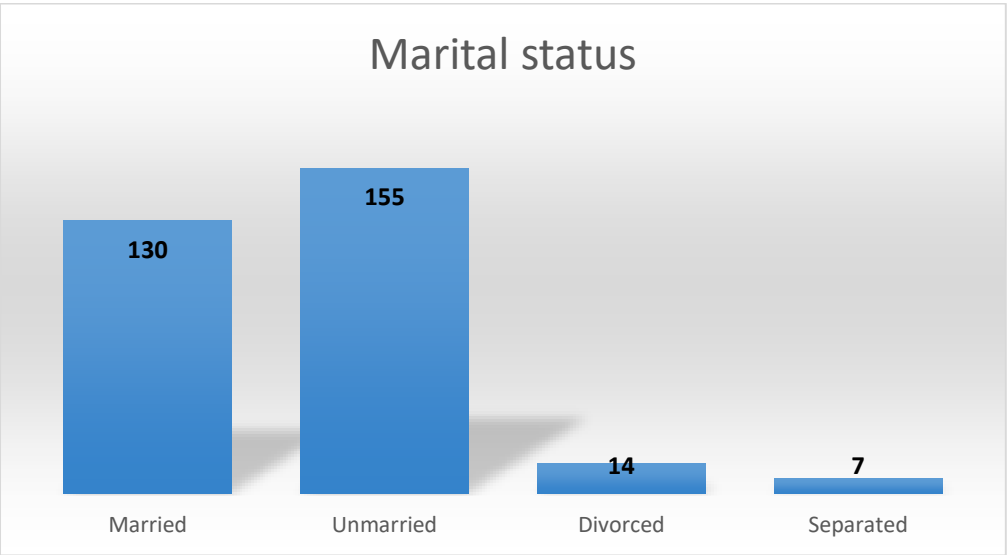

Figure 8.4: Distribution of the respondents according to marital status

Figure 8.4 indicates that most (50.4%) of the respondents are unmarried while some (42.3%) are married and others (4.5%) are divorced and separated (2.2%).

8.2.1.8. Distribution of the respondents according to home language

Figure 8.5 shows the distribution of the sample according to home language.

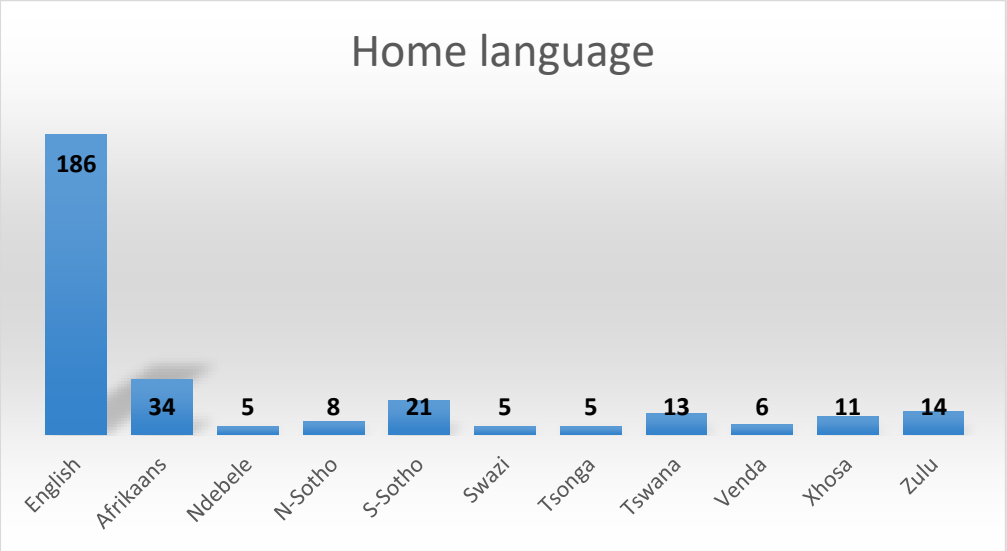

Figure 8.5: Distribution of the respondents according to home languages

Figure 8.5 demonstrates how the respondents were distributed based on home language. Most (60.5%) of the sample was made up of English speakers while the respondents who spoke Tswana (4.2%) were the least.

8.2.2 Cronbach Alpha

This section addresses Cronbach's alpha, which is used to assess the reliability of the measuring instruments used in the study. Usually, the accepted Cronbach's alpha value for research in social sciences could range from 0.60 (Ursachi, Horodnic & Zait, 2015) to 0.70 and above (Tavakol & Dennick, 2011). Table 8.4 presents the Cronbach's alpha of ethical leadership, authentic leadership, moral potency and leadership virtues.

Table 8. 4: Cronbach's alpha test on the reliability of ethical leadership, authentic leadership moral potency, and leadership virtues

Variable	Number of items	Cronbach's alpha	Reliability
ETHICAL LEADERSHIP			
Ethical leadership	10	0.935	High internal consistency
AUTHENTIC LEADERSHIP			
Self-awareness	4	0.863	High internal consistency
Relational transparency	5	0.865	High internal consistency
Internalised moral perspective	4	0.902	High internal consistency
Balanced processing	3	0.901	High internal consistency
MORAL POTENCY			
Moral courage	4	0.848	High internal consistency
Moral ownership	3	0.835	High internal consistency
Moral efficacy	5	0.904	High internal consistency
LEADERSHIP VIRTUES			
Prudence	5	0.739	High internal consistency
Fortitude	5	0.749	High internal consistency
Temperance	3	0.630	Low internal consistency
Justice	6	0.829	High internal consistency

Table 8.4 above shows the reliability of ethical leadership, authentic leadership, moral potency and leadership virtues. According to Ursachi et al. (2015), a Cronbach alpha that ranges from 0.6 to 0.7 can be considered as reliable. The reason for this is that Cronbach's Alpha is widely used as an estimator for reliability tests and it has been criticized for its lower bound value which underestimates the true reliability (Peterson & Kim, 2013). Cronbach's alpha scores show that the three constructs, ethical leadership, authentic leadership and moral potency, have high internal consistencies. Thus, the data from these dimensions are considered reliable with the lowest alpha value being $\alpha = 0.630$ and the highest being $\alpha = 0.935$.

Inferential statistics were used to answer the research questions and achieve the objectives of the study. The results are discussed next.

8.2.3 Descriptive statistics for ethical leadership, authentic leadership, moral potency, and leadership virtues

The following section presents results with regards to the respondents' perceptions of their supervisor/manager's levels of ethical leadership, authentic leadership, moral potency, and leadership virtues. Using descriptive statistics, these results were obtained precisely by evaluating the minimum, maximum, mean and standard deviation for the dimensions of each variable. The mean score in a data set is the average score, while the standard deviation represents the degree to which the scores vary from the mean. The more the data spread apart, the higher the deviation and vice versa. A description of the results is presented below.

Table 8. 5: Mean levels of ethical leadership, authentic leadership, moral potency and leadership virtues

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Ethical Leadership	310	1.000	5.00	3.8542	.80270
Prudence (LVQ)	310	1.00	4.00	2.2715	.86590
Fortitude (LVQ)	310	1.00	5.00	2.3309	.90331
Temperance (LVQ)	310	1.00	5.00	2.5377	1.09235
Justice (LVQ)	310	1.00	4.83	2.2614	.96885
Self-Awareness (ALQ)	310	1.00	5.00	3.8320	1.00234
Relational Transparency (ALQ)	310	1.00	5.00	3.6007	.95226
Internalised Moral Perspective (ALQ)	310	1.00	5.00	3.7096	1.03841
Balanced Information Processing (ALQ)	310	1.00	5.00	3.5882	1.15673
Moral Courage (MPQ)	310	1.00	5.00	3.6274	.84486
Moral Ownership (MPQ)	310	1.00	5.00	3.7814	.81419
Moral Efficacy (MPQ)	310	1.00	3.00	2.4368	.54228
Valid N (listwise)	310				

The results from the respondents' preceptions, as shown in Table 8.5 above, show the mean and standard deviation scores for all the variables (ethical leadership, Authentic leadership, moral potency and leadership virtues). Ethical leadership has a mean

score of 3.85. Temperance (mean = 2.53) had the highest mean score for leadership virtues while justice also had a high mean score (mean = 2.26). It should be noted that based on the LVQ, the lower the score, the higher the level of leadership virtues. The results on authentic leadership show that self-awareness (mean = 3.83) had the highest mean score while balanced processing had the lowest score (mean = 3.58). For moral potency, moral ownership (mean = 3.78) had the highest mean score while moral efficacy had the lowest mean score (mean = 2.43). Such mean scores show that most respondents are reasonably optimistic/moderately positive about the ethical leadership levels of their supervisor/manager. The dimensions in each variable with the most standard deviation scores are Justice (SD = 2.26), balanced processing (SD = 1.15), and moral efficacy (SD = 0.54).

The findings of the current study indicate that authentic leadership levels are marginally higher compared to other variables in which levels of moral potency are moderate and levels of leadership virtues are also high. Therefore, it is obvious that their managers' marginally high levels of authentic leadership and leadership virtues suggest that individuals in the financial sector use internal tools to develop their ethical leadership levels.

8.3 INFERENTIAL STATISTICS

This section focuses on the results of the current study using correlations and stepwise multiple regression analysis to answer research question 1. To address the objective of the study, both sets of inferential statistics were used. The following discussion focuses on the results of research question 1.

8.3.1 Results related to research question 1

The first research question was mentioned in Chapter 1 as follows: What are the effects of authentic leadership moral potency, and leadership virtues on ethical leadership among managers working in financial sector organisations? Correlations were used to address this question by determining whether a relationship exists between the variables in question. To test the influence of the independent variables on the dependent variable, a stepwise multiple regression analysis was later used. Ethical leadership was correlated with the dimensions of each independent variable and the findings are discussed below.

Table 8. 6: Correlation between authentic leadership and ethical leadership

Correlations		
		Ethical Leadership
Self-Awareness (ALQ)	Pearson Correlation	.680**
	Sig. (2-tailed)	.000
	N	310
Relational Transparency (ALQ)	Pearson Correlation	.575**
	Sig. (2-tailed)	.000
	N	310
Internalised Moral Perspective (ALQ)	Pearson Correlation	.626**
	Sig. (2-tailed)	.000
	N	310
Balanced Information Processing (ALQ)	Pearson Correlation	.660**
	Sig. (2-tailed)	.000
	N	310
**. Correlation is significant at the 0.01 level (2-tailed).		

Table 8.6 above shows that all the dimensions of authentic leadership have a statistically significant positive correlation with ethical leadership. All four dimensions of authentic leadership had moderate correlations, as well as a substantial relationship with ethical leadership.

Table 8. 7: Correlation between moral potency and ethical leadership

Correlations		
		Ethical Leadership
Moral Courage (MPQ)	Pearson Correlation	.651**
	Sig. (2-tailed)	.000
	N	310
Moral Ownership (MPQ)	Pearson Correlation	.680**
	Sig. (2-tailed)	.000
	N	310
Moral Efficacy (MPQ)	Pearson Correlation	.605**
	Sig. (2-tailed)	.000
	N	310
**. Correlation is significant at the 0.01 level (2-tailed).		

The above Table 8.7 demonstrates that all dimensions of moral potency (moral courage, moral ownership, and moral efficacy) have positive correlations with ethical leadership. This means that the more leaders practice these attributes, the more likely their chances will be of becoming ethical leaders. They all also have both moderate

correlations with ethical leadership and a substantial relationship with ethical leadership.

Table 8. 8: Correlation between leadership virtues and ethical leadership

Correlations		
		Ethical Leadership
Prudence (LVQ)	Pearson Correlation	-.498**
	Sig. (2-tailed)	.000
	N	310
Fortitude (LVQ)	Pearson Correlation	-.466**
	Sig. (2-tailed)	.000
	N	310
Temperance (LVQ)	Pearson Correlation	-.304**
	Sig. (2-tailed)	.000
	N	310
Justice (LVQ)	Pearson Correlation	-.593**
	Sig. (2-tailed)	.000
	N	310
**. Correlation is significant at the 0.01 level (2-tailed).		

Table 8.8 above shows that all dimensions of leadership virtues (prudence, fortitude, temperance, and justice) have a negative relationship with ethical leadership. Lower scores on the LVQ suggest higher levels of leadership virtues. This means that most managers had high levels of leadership virtues and are more likely to be ethical leaders. Temperance has the strongest negative relationship with ethical leadership. All four dimensions have high correlations with ethical leadership.

The following section reports the results of the stepwise multiple regression.

Table 8.9: Stepwise multiple regression analysis

Coefficients[a]					
	Unstandardized Coefficients		**Standardized Coefficients**		
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	1.739	.245		7.085	.000
Self-Awareness (ALQ)	.174	.046	.217	3.739	.000
Moral Ownership (MPQ)	.214	.065	.217	3.301	.001
Justice (LVQ)	-.186	.040	-.224	-4.610	.000
Moral Courage (MPQ)	.191	.058	.201	3.290	.001
Moral Efficacy (MPQ)	.152	.077	.103	1.970	.050

a. Dependent Variable: Ethical Leadership

Table 8.9 above shows that there were only five significant predictors of ethical leadership, which include, self-awareness, moral ownership, justice, moral courage and moral efficacy. These five variables explain 62.1% of the variance in ethical leadership. An analysis of all the dimensions indicates that justice has the strongest influence on ethical leadership. The regression model, which is of great importance here as well, is statistically significant (F = 99.498; P = 0.000).

In addition, both self-awareness (β = 0.217, *p* = 0.00) and moral ownership (β = 0.217, *p* = 0.001) have significant positive relationships with ethical leadership. This implies that individuals who scored high on both dimensions also scored high on ethical leadership. Meanwhile justice (β = -0.224, *p* = 0.00) has a significant negative relationship with ethical leadership. An examination of the means associated with leadership virtues shows that they were all low. A lower LVQ score, however, is indicative of higher levels of leadership virtues. The negative relationship between justice and ethical leadership implies that those with lower scores on justice are more likely to have higher levels of ethical leadership. Moral courage (β = 0.201, *p* = 0.01) and moral efficacy (β = 0.103, *p* = 0.05) also have a significant positive relationship with ethical leadership. This means that individuals who scored high on moral courage and moral efficacy also scored high on ethical leadership. It can therefore be inferred that all five variables are significant ethical leadership predictors.

Table 8. 10: Stepwise regression analysis individual variable contribution to R^2

Model Summary					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Contribution to R^2**
1	.680[a]	.463	.461	.58937	0.46
2	.761[b]	.580	.577	.52212	0.11
3	.775[c]	.601	.597	.50935	0.02
4	.785[d]	.616	.611	.50076	0.02
5	.788[e]	.621	.614	.49841	0.01

a. Predictors: (Constant), Self-Awareness (ALQ)
b. Predictors: (Constant), Self-Awareness (ALQ), Moral Ownership (MPQ)
c. Predictors: (Constant), Self-Awareness (ALQ), Moral Ownership (MPQ), Justice_R (LVQ)
d. Predictors: (Constant), Self-Awareness (ALQ), Moral Ownership (MPQ), Justice_R (LVQ), Moral Courage (MPQ)
e. Predictors: (Constant), Self-Awareness (ALQ), Moral Ownership (MPQ), Justice_R (LVQ), Moral Courage (MPQ), Moral Efficacy (MPQ)

The regression model describes an estimation of the variance in the dependent variable (ethical leadership). The R2 values were examined here to explore the contribution towards ethical leadership of each of the independent variables. The findings indicate that the biggest contribution to the variance in ethical leadership was self-awareness (R^2 = 0.46 which is 46%). This means that when the variance explained by all other variables in the model is accounted for, self-awareness makes the greatest unique contribution to explaining ethical leadership.

The second strongest predictor of ethical leadership in the model is moral ownership (R^2 = 0.57 – 0.46 = 0.11). Moral ownership makes an 11% contribution to ethical leadership in the model. Only a modest 2% of the variance in ethical leadership is explained by justice (R^2 = 0.59 – 0.57 = 0.02) and moral courage (R^2 = 0.61 – 0.59 = 0.02).

Finally, moral efficacy made the least contribution (R^2 = 0.01). Together, these five variables explain 62% of the variance in ethical leadership.

It is obvious that only five variables made a major contribution to the variance explained in ethical leadership from all eleven dimensions of the independent variables. Relational transparency, internalised moral perspective, balanced processing, prudence, fortitude and temperance were not significant contributors to the variance of ethical leadership. Self-awareness had the highest contribution in explaining 46% of the variance in ethical leadership, followed by moral ownership that contributed 11%, then justice and moral courage 2%, and moral efficacy, which had the least contribution (1%) to ethical leadership. Consequently, the correlations show that all the dimensions of the three independent variables (leadership virtues, moral potency and authentic leadership) were significantly related to ethical leadership. The results of the stepwise multiple regression indicate that only some dimensions

associated with all three independent variables (leadership virtues, moral potency and authentic leadership) were significant predictors of ethical leadership. However, the identified significant predictors explained approximately 62% of the variance in ethical leadership. The above therefore suggest that there is (partial) support for Hypothesis 1(A).

8.3.2 Discussion of results related to research question 1

The following sections provide a theoretical explanation for the results reported in the previous section.

8.3.2.1 Relationship between Authentic Leadership and Ethical Leadership

The relationship between all components of authentic leadership (self-awareness, relational transparency, internalised moral perspective, and balanced processing) and ethical leadership are explored below.

Relationship between self-awareness and ethical leadership

One major dimension of authentic leadership, self-awareness, was a predictor of ethical leadership. The model showed that self-awareness contributed a great deal to the extent to which individuals can become ethical leaders. This variance ($R^2 = 0.46$) suggests that this dimension of authentic leadership (self-awareness) does affect ethical leadership.

Sur and Prassad (2011) conclude that self-awareness requires both knowing one's position and relationships, and the willingness to be authentic in representing oneself and communicating ethically with others. According to Ghigiarelli (2018), a self-aware leader knows when to be cautious against being agreeable with individuals who are not ethical. Thus, having an understanding of one's traits and how they can impact one's behaviour is a step towards developing ethical leadership because ethical leaders have a desire to explore facets of themselves, their followers, and their environment. In addition, self-awareness helps leaders gain a good understanding of their shortcomings and strengths, which in turn assist in equipping them to be in a better position to manage themselves, their followers and their organisations in an ethical manner (Ghigiarelli, 2018). Self-awareness happens when people are conscious of their own life and what that existence constitutes in the sense in which they work overtime (Silvia & Duval, 2001). A significant aspect of emotional

intelligence is the ability to regulate one's reactions in a particular relationship (Goleman, 2007), and also an important element for leadership success (Sturm, Taylor, Atwater & Braddy, 2014). A universal personality trait linked to self-awareness is the desire for control (Burger, 1992). Self-awareness requires responsibility and control to be incorporated into guiding oneself. (Ross, 2014). This is consistent with Brown et al. (2005) who state that the ability to think through the consequences of one's actions and take responsibility for them is an integral part of ethical leadership. Maslow (1971) also indicates that self-aware people have strong ethical conviction. The theoretical perspective found in the conceptual framework for the creation of authentic leaders and followers suggests that self-awareness is one of the factors leading to follower outcomes such as trust, loyalty and well-being in the workplace (Hoyle, Kernis, Leary, & Baldwin, 1999; Leary & Tangney, 2003).

Relationship between relational transparency and ethical leadership

Relational transparency, as previously addressed in Chapter 3, encompasses leadership behaviours that encourage healthy relationships through open disclosure and information exchange, including what represents the true thoughts and feelings of the leader. (Avolio & Luthans, 2006; Hannah et al., 2011). This relationship is characterised by openness, accountability and honesty between leaders and followers (which are also characteristics of ethical leaders). In order to build relationships with people, trust is required and with trust comes the assumption/responsibility to do things the right way, which is what ethical leaders do.

The present study found that a significant positive relationship exists between relational transparency and ethical leadership. ($r = 0.575$; $p = 0.000$). Results also show that relational transparency was not among the dimensions which predicted employees' perceived levels of ethical leadership of their managers. Usually, when there are ethical failures in organisations, fingers tend to be pointed towards the leader (Ciulla, 2004). However, if the relationship between leaders and followers is open, honest and transparent, this will, to an extent hinder the wrong perception of the leader when unethical situations arise. Also, leaders' transparency to their followers assists them to both keep their behaviour in check and conduct themselves ethically. Thus, the extent to which a leader is ethical is greatly influenced by their values (e.g. transparency, honesty and trust) (Joyner & Payne, 2002).

Relationship between internalised moral perspective and ethical leadership

There was a significant positive relationship between internalised moral perspective and ethical leadership (r = 0.626, p = 0.000). The current study's results indicate that internalised moral perspective did not predict employees' perceived level of ethical leadership of their managers. As previously indicated in Chapter 3, internalised moral perspective refers to "higher levels of moral development and leader behaviours that are guided by internal moral standards and values as opposed to being driven by external pressure from peers, higher-level leaders, or other social forces" (Hannah et al., 2011, p. 13). Leaders with a high degree of moral perspective are likely to think about ethical issues more broadly and profoundly when confronted with challenging ethical circumstances (Werhane, 1999). In an attempt to act according to their internal values structures, it is also anticipated that leaders will act in a more ethical way. (Hannah, Lester & Vogelsang, 2005). Schminke, Ambrose and Neubaum are of opinion that followers report higher levels of satisfaction and commitment and lower turnover intentions when leaders and followers have the same degree of moral reasoning. Consistent with this, Avey, Palanski and Walumbwa (2011), Brown et al. (2005), Walumbwa and Schaubroeck (2009), and Walumbwa et al. (2011) note that the degree to which leaders are viewed as ethical is often connected to follower loyalty to the organisation, work satisfaction, and their ability to disclose ethical problems and issues.

Relationship between balanced processing and ethical leadership

A significant positive correlation exists between balanced processing and ethical leadership (r = 0.660; p = 0.000). Just like the two other dimensions of authentic leadership, balanced processing was not one of the predictors of ethical leadership in the model used. Balanced processing seeks to openly and objectively analyse available relevant information before drawing conclusions or making decisions (Hannah et al., 2011). In addition, Hannah et al. (2011) argue that leaders who practise balanced processing tend to listen to their followers' opinions, which also shows that they are ready to have their beliefs and positions challenged before coming to a decision. Leaders who listen to the views of followers can better appreciate abstract concepts and ethical practices, involve followers in ethical processes and thereby improve their agency's understanding. The participation of leaders in balanced

processing encourages them to spend time seeking to understand what caused issues and results, which in turn helps followers understand what can be attributed to internal and external causes of ethical behaviour and performance. (Gardner et al., 2005).

8.3.2.2 Relationship between Moral Potency and Ethical Leadership

The relationship between all the components of moral potency (moral courage, moral ownership, and moral efficacy) and ethical leadership are explored below.

Relationship between moral courage and ethical leadership

A significant positive correlation exists between moral courage and ethical leadership ($r = 0.651$; $p = 0.000$). Results from the current study show that moral courage ($R^2 = 0.61 – 0.59 = 0.02$) was the fourth-best predictor of employees' perceived levels of ethical leadership of their managers. Moral courage is typically formed in situations where one is faced with ethical issues or threats (Sekerka & Bagozzi, 2007). In support of the results presented, moral courage has been identified to play a part in fostering involvement in ethical behaviours and also restricting moral disengagement, which can arise when individuals attempt to explain their avoidance of ethical or unethical actions (Bandura, 1999). In addition, Hannah et al. (2011) also found that the degree to which followers behave ethically and shun unethical behaviour is positively related to moral courage. Moral courage is also linked to both externally rated ethical and pro-social behaviours in a dynamic environment. In addition, when confronted with an ethical dilemma, Hannah and Avolio (2010) believe that moral courage is necessary because a leader may feel responsible for acting (moral ownership) and believe that they have the efficacy to do so (moral efficacy), but do not act because of the lack of courage to face the risk and overcome their fears. All in all, moral courage has been perceived as very important to ethical actions in the workplace, that is, it drives action when faced with ethical issues in the workplace (Kidder, 2005).

Relationship between moral ownership and ethical leadership

A significant positive correlation exists between moral ownership and ethical leadership ($r = 0.680$; $p = 0.000$). Moral ownership is a sense of psychological responsibility for the ethical nature of one's actions of others in the organisation and the organisation itself (Hannah & Avolio, 2010). Results from the current study show that moral ownership ($R^2 = 0.57 – 0.46 = 0.11$) was the second-best predictor of employees' perceived levels of ethical leadership of their managers. Hannah and

Avolio (2010) agree that moral ownership is very necessary for ethical leadership debates to support this result because ownership is central in that even though a leader might not be able to perform an immoral act himself (i.e., ethical commission), a lack of moral ownership can make room for unethical things to happen in their spheres of authority or for others to act. When leaders take responsibility (ownership) in their work, they are more likely to build powerful motivational forces to act ethically once an ethical judgement has been made. In the face of ethical obstacles, leaders with high levels of moral ownership are less likely to be morally disengaged and more likely to get involved. Employee moral ownership must be taken into account as a critical factor in deciding the ethical conduct of the employee, according to Jino and Dyaram (2019), since waiting for another person to act in a situation will further prolong the necessary action and produce negative consequences. Furthermore, Hannah and Avolio (2010) state that employees only own their actions based on the degree to which they understand the ethical value of behaviours as part of themselves, not as part of others. A person is therefore likely to participate in ethical behaviour to the degree that he or she feels the sense of responsibility to take ethical action in a given situation. (Bandura, 1991; 1999; Jennings, Mitchell, & Hannah, 2015).

Relationship between moral efficacy and ethical leadership

A significant positive correlation exists between moral efficacy and ethical leadership ($r = 0.605$; $p = 0.000$). Moral efficacy is “one’s belief (confidence) in his or her capabilities to organise and mobilise the motivation, cognitive resources, means and courses of action needed to attain moral performance, within a given moral domain, while persisting in the face of moral adversity” (Hannah & Avolio, 2010, p. 15). Results from the current study show that moral efficacy ($R^2 = 0.61 – 0.61 = 0.01$) was the last predictor of employees’ perceived levels of ethical leadership of their managers. Consistent with this result, Lee et al. (2017) state that moral efficacy seems to be a crucial cognitive pathway mediating the effect of ethical leaders’ behaviours on followers’ moral voice. In terms of ethical behaviour, Moral efficacy gives leaders a sense of assumed power over their actions and their ability to perform (Bandura, 2002). For Sekerka and Bagozzi (2007), when faced with ethical challenges and difficulties, moral efficacy can increase the degree of perseverance of an individual, which would help foster a desire to behave in a morally courageous manner. Afsa, Shahjehan, Afridi, Shah, Saeed and Hafeez (2019) also clarify that workers with high

moral efficacy are more likely to uphold their dedication to moral and developmental goals and act bravely even when abused by their supervisors to impose ethical standards. It is thus, ultimately clear that ethical leadership has a positive impact on followers' moral efficacy (Lee et al., 2017).

8.3.2.3 Relationship between Leadership Virtues and Ethical Leadership

The results from an analysis of the relationship between all components of leadership virtues (prudence, fortitude, temperance and justice) and ethical leadership are explored below.

Relationship between prudence and ethical leadership

A significant negative moderate correlation exists between prudence and ethical leadership ($r = -0.498$; $p = 0.000$). Prudence did not predict ethical leadership according to the regression model used. Generally, higher levels of leadership virtues are still associated with higher levels of ethical leadership. As mentioned earlier, a lower score on prudence is indicative of higher levels of leadership virtues. According to Sison (2003, p. 161), prudence is a positive character trait that "disposes of practical reason to discern the true good in every circumstance and to choose the right means of achieving it". Consistent with this result, Riggio et al. (2010) state that the significance of prudence means that a leader cannot be ethical unless they are prudent. Prudence describes the ability to find a balance between two extremes and make the required decisions to mitigate harm and maximise good. (Aristotle, 2005). This quality can also be spotted in the lives of ethical leaders who have the responsibility of making decisions for the better good of the organisation, and not just for personal gains. Prudence is considered the mother of all virtues because it lights the way and measures the arena for the exercise of the other virtues (Aristotle, 2005).

Relationship between fortitude and ethical leadership

A significant negative moderate correlation exists between fortitude and ethical leadership ($r = -0.466$; $p = 0.000$). Fortitude did not predict ethical leadership in the regression model that was used. A lower score on fortitude is indicative of higher levels of leadership virtues. According to Yearley (2003, p. 144), fortitude (or courage) is a personal quality "that allows people to overcome or control fear, especially those fears that impede people from doing what they wish to do or think they should do". Consistent with the current result, Kidder (2005) explains that Leaders must have the

quality of mind and spirit that helps them to cope strongly and confidently (courage) with ethical challenges (courage) without flinching or withdrawing. Spangenberg and Theron (2005) note further that, ethical leaders build an ethical organisation by leading with courage and practice this courage among other virtues (Khuntia & Suar, 2004). Brown and Trevino (2006) also point out that ethical leaders are courageous, fair, honest, trustworthy and of high integrity. De Hoogh and Den Hartog (2008) found that ethical leaders' behaviours are positively related to the leader virtues of fortitude (among other virtues). Furthermore, Peterson and Seligman (2004) report that the virtues of courage and compassion (among others) have been shown to be cross-culturally universal in several historical studies. Finally, Hackett and Wang (2012) conclude that the more a leader practices virtue, such as courage, the more likely it is that the leader will behave ethically.

Relationship between temperance and ethical leadership

A significant negative moderate correlation exists between temperance and ethical leadership ($r = -0.304$; $p = 0.000$). Temperance did not predict ethical leadership in the regression model that was used. A lower score on temperance is actually indicative of higher levels of leadership virtues. Thus, implies that the more individuals are temperate, the more likely they will practice ethical leadership. Temperance is the capacity to regulate one's thoughts and emotions. (Riggio et al., 2010). Irwin (1999) suggests that "a temperate person's appetites are for the right things, in the right ways, at the right times, which is just what reason also prescribes." Such characteristics are reflective of ethical leaders who strive on a daily basis to do the right thing by following organisational laws, values and processes. Moreover, ethical leaders are known to be emotionally stable (Brown & Trevino, 2006; De Hoogh & Den Hartog, 2009; Walumbwa & Schaubroeck, 2009), thus, it is fair to assert that temperate individuals are likely to be considered as ethical leaders. Some scholars have proposed that leaders should exercise temperance in many ways, including avoiding and resisting the urge to overindulge in hedonistic activities (Kanungo & Mendonca, 1996); avoiding searching for immediate short-term benefits in sacrificing long-term goals; and restraining one's instincts and tendencies within the limits of what is honourable (Sison, 2003). Ethical leaders tend not to give in to temptation when faced with ethical challenges in the workplace, nor indulge in inappropriate behaviours when the need arises to make ethical-related decisions.

Relationship between justice and ethical leadership

A significant negative moderate correlation exists between justice and ethical leadership (r = -0.593; p = 0.000). Justice was the third predictor of ethical leadership in the regression model that was used. A lower score on justice is actually indicative of higher levels of leadership virtues. This implies that the more individuals are just, the more likely they will practice ethical leadership. According to Sison (2003), justice is a positive quality of character that encourages an individual to respect the rights of others and to maintain peace in human relationships in order to promote equality and the common good. Consistent with the results presented, Gonzalez and Guillen (2002), as well as Spangenberg and Theron (2005), assert that ethical leaders are considered to lead with fairness, honesty and integrity, which are character traits of a just person. Thus, an organisation's leaders have a major effect on the work conduct of their followers with a positive impact generated when the leaders are truthful, rational and principled, using a technique of reward and punishment and various communication methods to influence the ethical behaviour of employees (Brown et al., 2005).

Riggio et al. (2010) also state that ethical leader behaviours are positively related to justice among other virtues. According to Brown and Trevino (2006), employees who believe they are treated fairly are more likely to feel compelled to return the favour by displaying more acceptable behaviour, loyalty and performance (ethical leadership). Therefore, the action of justice provided by an organisation will require the need for ethical behaviour in return (Al Halbusi, Tehseen, & Ramayah, 2017; Lewicki, 1995).

Furthermore, Xu, Loi and Ngo (2016) believe that employees working in organisations where justice and ethical leadership are practised are more likely to support and believe in the organisation and have more trust in the equal distribution of organisational rewards. Loi, Lam and Chan (2012) observed that employees who work with ethical leaders are more likely to notice greater procedural justice (procedural justice describes the processes and procedures that are involved when making decisions). Even though there is extensive research to prove that there is a relationship between justice and ethical leadership, there is also research indicating otherwise. Some studies show a significant negative relationship between procedural

justice and ethical climate (Burton, Peachey, & Wells, 2016; Fein, Tziner, Lusky, & Palachy, 2013).

8.3.3 Results related to the evaluation of the proposed theoretical model

The following section presents the results associated with the evaluation of the proposed theoretical model. These results assist the present study in answering research questions 2, 3 and 4. Firstly, the results related to the outer (i.e. measurement) model will be presented and these are followed by the results of the inner (i.e. structural) model.

8.3.3.1 Theoretical model testing

From an exploratory and non-confirmatory point of view, the following findings seek to verify the nature of positive relationships and the influence of authentic leadership, moral potency and leadership virtues on ethical leadership. A conceptual model of the potential relationships between the four variables was proposed after a comprehensive literature review. Partial least squares path modelling (PLS) was used to test the model. In this study, the model will be tested using a two-step process - the assessment of the outer model, as well as the assessment of the inner model.

8.3.3.1.1 Assessing the outer model

Below are the results from the outer model, beginning with the quality criteria.

Table 8. 11: Quality criteria

	Cronbach's Alpha	Rh_A	Composite Reliability (CR)	Average Variance Extracted (AVE)
EL	1.000	1.000	1.000	1.000
AL	0.933	0.937	0.952	0.834
MP	0.873	0.874	0.922	0.798
LV	0.805	0.835	0.870	0.629

The composite reliability for the four variables was satisfactory for the current analysis, as shown in Table 8.11, and the following composite reliability scores were obtained: ethical leadership (ρc)= 1.00, authentic leadership (ρc) = 0.95, moral potency (ρc) = 0.92 and leadership virtues (ρc) = 0.87. The composite reliability for ethical leadership

is 1 because the ELS is unidimensional, and a composite score was used as an indicator of ethical leadership. All the values for the composite reliability were above 0.6 and, according to Latan and Ghozali (2012), the cut-off factor loading is the same as the reliability of the indicator, which means that the value of the composite reliability is ≥ 0.6 for the exploratory data and ≥ 0.7 for the confirmatory features. The composite reliability scores, therefore, suggest that the model is well-fitted.

The outer model was also evaluated to assess convergent validity in order to further demonstrate the model's quality. Convergent validity was evaluated using the Average Variance Extracted criterion (AVE). An AVE value of at least 0.5 indicates adequate convergent validity, according to Götz, Lierhr-Gobbers and Krafft (2010). The following scores were obtained, as stated in Table 8.12 above: ethical leadership (AVE = 1.00) authentic leadership (AVE = 0.83), moral potency (AVE = 0.79) and for leadership virtues (AVE = 0.62). It should be noted that the AVE score of ethical leadership is 1 because the ELS is unidimensional and a composite score was used as an indicator for ethical leadership.

Based on the AVE ratings, it can be concluded that in terms of convergent validity, the current model is well suited since all the AVE values are above the 0.5 cut-offs as advised by Henseler and Chin (2010). This implies that more than half of the variance of its measures can be explained on average by the latent variables in the model. To summarise, the current model has good composite reliabilities, all of which are above 0.6, all outer loadings are above 0.7, and all the AVE values are above 0.5. Therefore, all the conditions for a good fit were fulfilled by the outer model.

The outer model illustrates the relationship between the indicators and their latent constructs, as shown in Chapter 7. (Hansler et al., 2009).

Table 8.12: Outer loading

	Original Sample (O)	**T Statistics (|O/STDEV|)**	**P Values**
BPS_ALQ <- AUL	0.930	102.965	0.000
ELS <- EL	1.000		
FORT_LVQ <- LV	0.829	38.773	0.000
JUST_R_LVQ <- LV	0.810	36.358	0.000
MC_MPQ <- MP	0.896	66.028	0.000
MEFF_MPQ <- MP	0.856	40.583	0.000

MORAL_ALQ <- AUL	0.930	105.736	0.000
MOW_MPQ <- MP	0.927	105.720	0.000
PRUD_LVQ <- LV	0.865	45.324	0.000
REL_ALQ <- AUL	0.876	39.498	0.000
SA_ALQ <- AUL	0.915	83.052	0.000

The PLS method found high loadings on all factors, which implies that items within all constructs are highly converged. Hair, Ringle, and Sarstedt (2013) recommend that standardised loading estimates should be 0.5 or higher and 0.7 or higher, ideally. This is consistent with the outer loading results, balanced processing (0.93), fortitude (0.82), justice (0.81), moral courage (0.89), moral efficacy (0.85), moral ownership (0.92), prudence (0.86), relational transparency (0.87), and self-awareness (0.91), which are all above the 0.7 scores on their respective latent variables. In addition, the moral component of authentic leadership has a significant loading of (0.93) on the latent variable authentic leadership.

The Heterotrait- Monotrait (HTMT) ratio of correlations helps to understand the issues associated with discriminant validity. Table 8.13 shows the results associated with the HTMT ratio.

Table 8. 13: Outer model (HTMT-ratio of correlations)

	AL	EL	LV	MP
AL				
EL	0.720			
LV	0.781	0.653		
MP	0.813	0.773	0.639	

As shown in Table 8.13 above, the reliability of each indicator was evaluated and all the outer model items met the above status by means of the reliability of their indicators. Discriminant validity can be examined through the correlation ratios of HTMT, which is a newly proposed discriminant validity evaluation criterion (Henseler et al., 2016). According to this criterion, the HTMT ratio should not exceed the threshold value of 1. This means that the HTMT should be smaller than 1 to clearly discriminate between the two variables. As indicated in Table 8.14 above, all

correlations or HTMT values are less than the stated cut off score and comply with the criterion.

With a clear indication that the outer model has fulfilled the recommended quality criteria, the study continued to evaluate the inner (structural model).

8.3.3.1.2 Assessing the inner model

The inner model was tested using the endogenous latent variable's coefficient of determination R2 as well as the degree to which the proposed paths were statistically significant. The endogenous latent variable (ethical leadership) depended on three exogenous latent variables in the current study. Table 8.14 presents the results of the inner model.

Table 8. 14: Path coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
AUL -> EL	0.240	0.241	0.073	3.297	0.001
LV -> AUL	-0.424	-0.428	0.043	9.856	0.000
LV -> EL	-0.193	-0.190	0.052	3.682	0.000
LV -> MP	-0.558	-0.556	0.042	13.232	0.000
MP -> AUL	0.498	0.495	0.042	11.839	0.000
MP -> EL	0.438	0.438	0.085	5.146	0.000

The results for the inner model are presented in Table 8.15 above.

It is clear from the table above that all the paths in the model have statistically significant path coefficients.

Table 8. 15: R Squared

	R Square	R Square Adjusted
AUL	0.664	0.662
EL	0.601	0.597
MP	0.312	0.310

The main objective of the PLS path model was to describe the variance of the endogenous latent variable and the path coefficients that link the variables under investigation. At level R2 = 0.601, the key construct’s (ethical leadership) level of R2

was high or substantial. This means that authentic leadership, moral potency and leadership virtues explain the 0.601 variances in the financial sector's ethical leadership.

As shown in Table 8.15, the coefficient of determination for the endogenous latent variable (ethical leadership) is R2= 0.601, which is substantial according to (Chin, 1998). The coefficient of determination mentioned above is almost identical to the results of the stepwise regression and thus suggests that 62% of the variance in ethical leadership is explained by the exogenous latent variables in the current study. Henseler et al. (2009) note that if the endogenous latent variable is dependent on many exogenous latent variables, at least a significant level should be present in the R2 value, which was the case for the current study. The results, therefore, support the theoretical foundations and show that the model may explain the endogenous latent variable (ethical leadership).

The PLS inner model's individual path coefficients were interpreted as standardized beta coefficients of ordinary least squares. The coefficients for the following path are reported: authentic leadership to ethical leadership β = 0.240, leadership virtues to authentic leadership β = -0.424, leadership virtues to ethical leadership β = -0.193, leadership virtues to moral potency β = -0.558 (note that lower scores on leadership virtues are indicative of higher levels of moral potency), moral potency to authentic leadership β = 0.498 and the path from moral potency to ethical leadership β = 0.438. None of the paths is non-significant, as shown in Table 8.15, or display indications contrary to the hypothesised direction.

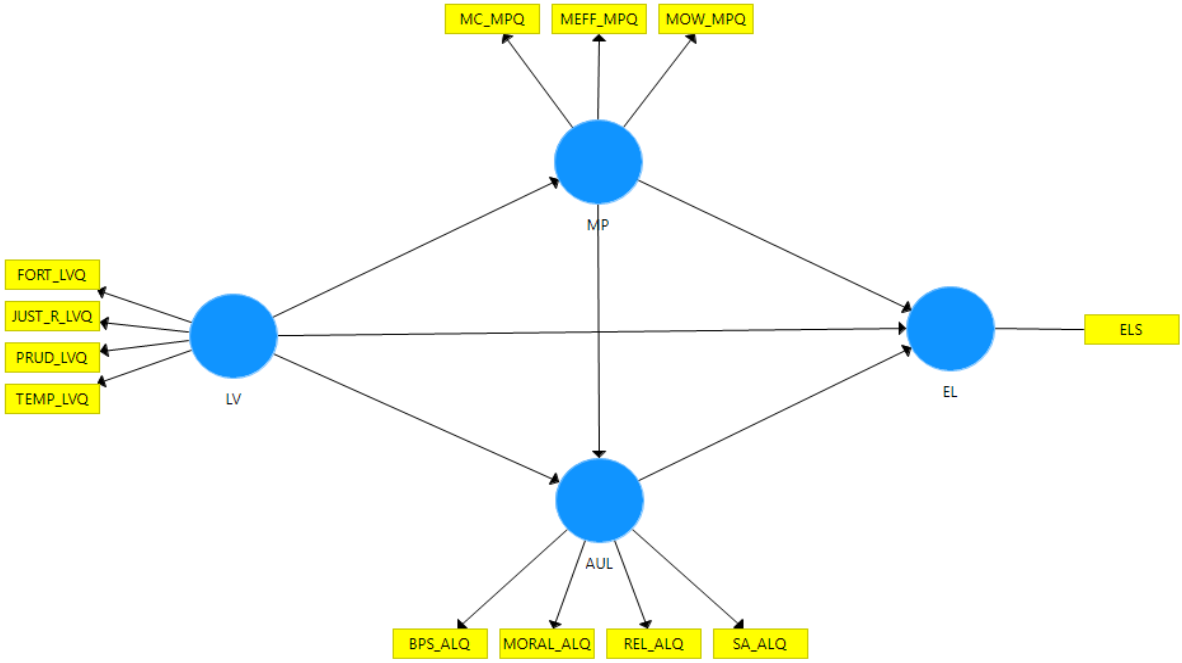

Figure 8. 6: Full specification of the theoretical model

8.4 Discussing the direct paths

Moral Potency to Ethical leadership

The strongest direct path reported in the model is from moral potency to ethical leadership. The model results show that moral potency had a statistically significant positive influence on ethical leadership and with a stronger positive influence than authentic leadership and leadership virtues. Thus, the strongest direct path to the endogenous variable (dependent variable) reported on the model is from moral potency to ethical leadership level (β = 0.438), which is moderately highly significant. The results confirmed the predictive ability of moral potency on ethical leadership and this is consistent with the findings of other studies (Hannah & Avolio, 2010; Hannah et al., 2011; Hannah et al., 2011; Mayer, Kuenzi, & Greenbaum, 2010) that show that moral potency has a significant positive relationship with ethical leadership. In the current study, moral potency had a significant effect on ethical leadership and was the highest contributor to ethical leadership.

The results from the multiple regression analysis show that moral ownership (β = 0.217, *p* = 0.001), moral courage (β = 0.201, *p* = 0.01), and moral efficacy (β = 0.103, *p* = 0.05) (all components of moral potency) also had significant positive relationships with ethical leadership. This means that individuals who scored high on moral ownership, moral courage and moral efficacy also scored high on ethical leadership. Therefore, it can be concluded that moral potency is a significant predictor of ethical leadership.

In the current study, one of the key reasons why moral potency is the greatest contributor to ethical leadership could be the fact that moral potency represents the ethical psychological capital of a person and involves components of moral ownership, courage, and efficacy. These components are the key indicators of moral potency. They make the leaders aware that they are in a position to act (i.e., ownership), can be successful when they act (i.e., moral efficacy) and can conquer fears of persevering and performing these ethical acts through overcoming them (i.e., moral courage) (Hannah & Avolio, 2010). Ethical leaders among the group also show and encourage moral responsibility. This usually occurs when ethical leaders hold followers responsible for ethical outcomes by rewarding employees who participate in ethical behaviour and punishing those who breach ethical standards. (Mayer et al., 2010).

More so, employees appear to have more confidence to face threats when moral courage is high in a group, which may, in turn, increase the risk of employees reporting unethical behaviour. (Hannah et al., 2011). An observation by Palmer (2013) indicates that a leader's ethicality is positively related to follower's moral efficacy beliefs. Ethical leaders have the moral courage and competence to withstand controversial issues that organisations face on a daily basis (Sekerka, Bagozzi, & Charnigo, 2007), to make such decisions and the strength to overcome negative feelings while still behaving and being identified as ethical managers. Kopp and Sobral (2014) reiterate that a leader's moral courage may be a vital factor that predicts the ethical leadership behaviour that is perceived by followers.

Authentic Leadership to Ethical leadership

Another direct path reported in the study was from authentic leadership to ethical leadership. This was the second strongest direct path to the endogenous variable reported in the model that is from authentic leadership to ethical leadership (β = 0.240)

which is moderately highly significant. This is consistent with Brown and Treviño (2006) who state that authentic leaders can judge ambiguous ethical concerns, approaching them from different points of view and aligning decisions with their own moral principles. (Brown & Treviño, 2006). Furthermore, authentic leadership has been proposed to influence follower ethical behaviours (Avolio, Gardner, Walumbwa, Luthans & May, 2004; Gardner, Avolio, Luthans, May & Walumbwa, 2005; Ilies, Morgeson & Nahrgang, 2005). An authentic leader is also ethical as he or she garners respect and trust from his or her subordinates and peers who anticipate their actions, decision-making, thought processes, etc. (Dion, 2012).

Consistent with this, results from the stepwise multiple regression analysis confirm that self-awareness, which is a component of authentic leadership, made the largest contribution to the variance in ethical leadership (R^2 = 0.46 which is 46%). Self-awareness helps leaders to be cognizant of their strengths and weaknesses and in turn assist in equipping them to be in a better position to manage themselves, their followers and their organisations in an ethical manner (Ghigiarelli, 2018). The results from the stepwise multiple regression analysis also indicate that self-awareness (β = 0.217, *p* = 0.00) is a predictor of ethical leadership. This implies that individuals who scored high on self-awareness also scored high on ethical leadership. This is consistent with Brown et al. (2005) who suggest that the ability to think through the consequences of one's actions and take responsibility for them is an integral part of ethical leadership.

Leadership Virtues to Ethical Leadership

The last direct path reported in the study was that on leadership virtues to ethical leadership. The path coefficient from leadership virtues to ethical leadership was (β = -0.193), which is negative and statistically significant. Note that a low score in leadership virtues means high levels of leadership virtues. In line with these results, the study by Riggio et al. (2010) study indicated that a relationship exists between leadership virtues and authentic leadership. Consistent with this, Cumbo (2009) notes that, when inner virtues guide the decision-making process of the leader, the leader is deemed ethical. Many employees like to work for leaders whose virtues are influenced by their everyday actions. (Brown, 2011). As they aspire to do the right thing, virtuous leaders act and behave ethically. (Riggio et al., 2010). A further observation by

Neubert, Carlson, Kacmar, Roberts and Chonko (2009) presents ethical leaders as agents of virtue who help create a virtuous and ethical organisation's collective employee expectations. Furthermore, empirical research indicates positive relationships between virtues and ethical leadership (Khuntia & Suar, 2004; Brown et al., 2005; De Hoogh & Den Hartog, 2008; Riggio et al., 2010). Brown (2011) believes that being virtuous makes leaders sensitive to ethical problems and helps them to act morally because virtues form the way leaders view and behave.

Results from the multiple regression analysis show that only a modest 2% of the variance in ethical leadership is explained by justice (a component of leadership virtues) ($R^2 = 0.59 – 0.57 = 0.02$). Justice was the third predictor of ethical leadership in the model that was used. Justice ($\beta = -0.224$, $p = 0.00$) also has a significant negative relationship with ethical leadership. Thus, those with higher scores on justice are more likely to have higher levels of ethical leadership. Consistent with the results presented, Riggio et al. (2010) suggest that ethical leader behaviours are positively related to justice among other virtues. Gonzalez and Guillen (2002), as well as Spangenberg and Theron (2005), assert that ethical leaders are considered to lead with fairness, honesty and integrity, which are character traits of a just person. Therefore, the action of justice provided by the organisation will require the need for ethical behaviour in return (Al Halbusi et al., 2017; Lewicki, 1995).

It is important to note the following: the results of the proposed theoretical model (as discussed above) indicate clearly that all three variables have a direct (and significant) relationship with ethical leadership. Taken together (correlations, stepwise multiple regression, and variance-based structural equation modelling) make clear support for H1(A).

8.5 Indirect paths (presentation of results and discussion)

The following three research questions necessitated the present study to investigate three proposed indirect paths:

- Does moral potency mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations?
- Does authentic leadership mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations?

- Do moral potency and authentic leadership (in serial) mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations?

Table 8.16 below presents the various indirect effects associated with the proposed theoretical model.

Table 8.16: Indirect effects

	Indirect effect	**Sample Mean (M)**	**Standard Deviation (STDEV)**	**T Statistics (|O/STDEV|)**	**P Values**
LV -> MP -> AUL	-0.278	-0.275	0.029	9.580	0.000
LV -> AUL -> EL	-0.102	-0.103	0.032	3.158	0.002
MP -> AUL -> EL	0.120	0.120	0.039	3.067	0.002
LV -> MP -> AUL -> EL	-0.067	-0.066	0.022	3.105	0.002
LV -> MP -> EL	-0.245	-0.244	0.052	4.682	0.000

Only three of the indirect effects from Table 8.16 are discussed below. In short, the three indirect paths are related to how moral potency and authentic leadership mediate the relationship between leadership virtues and ethical leadership both in parallel and in series. All three of the relevant indirect effects were statistically significant. It should also be noted that the strength of the indirect effect determined the order in which the three indirect relationships are discussed.

Leadership Virtues through Moral Potency to Ethical Leadership

The above indirect path had the strongest indirect effect (-0.245), which was also statistically significant. The direct relationship between leadership virtues and ethical leadership was also statistically significant. Thus, moral potency partially mediates the relationship between leadership virtues and ethical leadership. This outcome lends partial support for the following hypothesis:

- H2(A): Moral potency mediates the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

The first part of the proposed indirect path is from leadership virtues to moral potency (β = -0.558). Consistent with this, virtues are very important because they contribute to a person's own moral good and in turn, the society's own good (Annas, 2011; Kristjansson, 2015). Similarly, research on virtue ethics reveals that virtue ethicists

pay less attention to moral behaviour, interpret it in isolation, and concentrate more on the moral character of individuals whose feelings, emotions, motivations and behaviours are governed by the virtues they embody (Gulliford, Morgan & Jordan, 2020). For example, it is not dependent on a universal rule or general prosocial consequences (as the moral theories of deontology or consequentialism assume) to consider whether it is morally permissible to lie or steal, but on whether the individual behaved on the virtues that they model. This implies that virtues become “visible” in moral behaviours/reasoning. Hannah and Avolio (2010, p. 291) introduced moral potency as “a key missing element in the research on ethical and character-based leadership”. Steidlmeier (1999) also observes that ethical leadership partly depends on the moral character of the leader. Hannah and Avolio (2010) perceive virtue/character to be both what a leader thinks and their (moral) motivation to act to address ethical dilemmas. Virtue-based leaders have the moral discipline (self-control) to behave selflessly on their own accord (moral autonomy/moral ownership) to encourage, maintain and transform their attitudes and values and those of their followers by acting to achieve ethical results in a morally acceptable manner (Wright & Fast, 2011). The leaders' systems of beliefs about virtue and value, therefore, influence their views and decisions on moral and ethical issues, and establish intentions to behave according to their own principles as well as those of the organisation, and bring about moral and ethical actions (Avolio, 2005; Hannah & Avolio, 2010; Peterson, 2006; Rest, 1994).

Virtues may also manifest themselves in ethical behaviours (i.e. ethical leadership). However, character/virtue alone may not be enough to exhibit behaviours associated with ethical leadership. The importance of other ethical psychological resources (i.e. moral potency) facilitates this process (Hannah & Avolio, 2010). Hence, both character (virtues) and ethical psychological resources (i.e. moral potency) are likely to manifest themselves in ethical leadership behaviours (Sweeney & Fry, 2012). It is almost as if moral potency is the “active” use of virtues in order to behave ethically as a leader. More importantly, leaders that behave in moral and ethical ways to uphold internal alignment with their values and beliefs and to foster common good would be demonstrating good character/virtue.

Moreover, the concept of virtuous leadership by Pearce et al. (2006) highlights the value of influencing and allowing others to follow moral goals for themselves and their organisation. This suggests that for virtuousness to effectively function, moral reasoning must be enforced. An employee's moral identity interacts with the ethicality of his or her leader, which can subsequently lead to more virtuous outcomes (Moore, Mayer, Chiang, Crossley, Karlesky & Birtch, 2019). Research on character, moral potency and virtue suggest an effort to establish the moral limits of what leaders are expected to do in the sense of social science terminology (Bright, Stansbury, Alzola & Stavros, 2011; Folger, 2012; Folger, Ganegoda, Rice, Taylor & Wo, 2013; Hannah, Jennings, Bluhm, Peng & Schaubroeck, 2014; Peterson & Seligman, 2004). Virtues likely provide these boundaries for moral behaviour.

According to Hannah et al. (2005), Any moral behaviour that is not accompanied by true virtue may be deemed to be inauthentic. Virtues do not occur in isolation, they exist mainly through cultural and social factors within moral norms and can be better explained through social learning theory or processes (Bandura, 1977). Therefore, even though there are common moral truths across cultures, morality is only generalisable across cultures. More so, just as virtues can be developed over time based on individual experiences, Kohlberg's (1981) cognitive moral development model proposes that moral reasoning resources are malleable and that life experiences or trigger events can drive an individual through different moral stages across their life span. There is therefore the likelihood that leadership virtues and moral reasoning develop concomitantly.

Leaders with a sense of virtuousness also tend to possess highly developed moral capacities over their moral domain (Hannah et al., 2005). This is because virtue (and altruism) is triggered as part of the self-concept of moral work (Mark & Wurf, 1987) and expressed as behaviours during leadership scenarios. The incorporation of moral debate and action into life (Prillenltensky, 1997) and the exercise of moral agency are encouraged by virtues. Certain core virtues like courage, justice, temperance, wisdom, humanity and transcendence (Peterson & Seligman, 2004) are conceptualised as moral strengths that inspire resilience in meeting life's challenges. Eventually, consistently virtuous behaviour can make the virtue of a leader appear as a predisposition to behave in ways that create accepted human excellence. (Yearley, 1990).

Furthermore, for the construction of a moral society, teaching people about virtues is very necessary, and it is a deliberate effort to cultivate virtue. (Chowdhury, 2018). Virtues consist of an individual's attributes characterised by moral excellence (Anderson, 2000; Cameron & Spreitzer, 2011). According to Athanassoulis (2018), the propensity to generate positive results is what makes these attributes moral virtues. Virtue relies on a decision regarding the correctness or incorrectness of behaviours. Similarly, morality is perceived as the most important basis upon which individuals should evaluate themselves and others positively. Morality is thus, a very important aspect as far as human virtues are concerned (MacIntyre, 1984). For Aristotle, certain virtues can only be virtuous when expressed through a moral character that makes them sincere and trustworthy. Mattingly (2012) also notes that developing a virtuous character acts as a basis for carrying out moral action. Chan et al. (2005) state further that it is imperative to recognise the construct of commitment-to-self, which is inherently virtuous, to fully understand the conception of moral behaviour. Internal virtues promote self-commitment and a willingness to create moral behaviour compatible with one's values, regardless of the social costs of such virtuousness.

It can also be explained that it is more likely for an individual who has fortitude (leadership virtue) to be morally courageous (moral potency) when executing ethical tasks (Sekerka & Bagozzi, 2007). This is because courageous people are more likely to stand firm in the face of ethical dilemmas. More so, temperate (leadership virtue) individuals are generally in control of their actions, which propels them to accomplish goals faster. If this is the case, this also means such individuals tend to take moral ownership (moral potency) for their actions. Riggio et al. (2010) mention that leaders act with fortitude (leadership virtue) when they persevere in the face of adversity (characteristic of moral courage). It takes (moral) courage to practice justice because one requires courage to stand firm for what they believe in, which can be quite a challenging thing to do especially when ethical issues are concerned and when one is the only person standing up to speak against injustice (Hannah et al., 2010).

Moreover, understanding what is right must be combined with the courage to resolve one's fears and step up and do what is right, particularly in the face of difficulties. (Goud, 2005; Sekerka & Bagozzi, 2007; Worline, Wrzesniewski & Rafaeli, 2002). When a person pursues virtue or a greater cause than his or her own self while facing

fears to do so, moral courage is achieved (Kidder, 2003). In other words, leaders are more likely to act in unethical ways when faced with ethical dilemmas and in difficult situations, but possession of moral courage enables them to be more courageous and stand for the truth despite what may come with it.

The second part of the indirect path is from moral potency to ethical leadership (β = 0.438). Consistent with this, Hannah et al. (2010) assert that moral potency represents an individual's ethical psychological resources. Lee et al. (2017) note too that moral efficacy (a component of moral potency) serves as a psychological mechanism that encourages employees to make their voices to be heard on ethical issues. That is, leaders with high levels of moral efficacy have the confidence related to their ability to perform ethical behaviours. While leaders with low levels of self-efficacy are less likely to report peers for unethical behaviours. Generally, the extent to which a leader will report a close co-worker versus someone less close to the leader for ethical malpractices is dependent on the leader's level of moral efficacy (Peterson, 1994; Stahlberg, Petersen, & Dauenheimer, 1999). Moral efficacy can increase the degree of perseverance of a person when faced with ethical challenges and problems, which can encourage a willingness to behave in a morally courageous manner (Sekerka & Bagozzi, 2007). The relationship between moral efficacy and ethical leadership depends on leader-follower value congruence. In fact, Palmer (2013) found out that a leader's moral efficacy beliefs are positively related to follower's ethicality.

Furthermore, previous research has shown that self-efficacy has a key role in driving human purpose and actions (Stajkovic & Luthans, 1998). In light of ethical behaviour, research shows that social and empathetic efficacy influences people to carry out more prosocial behaviours such as helpfulness, cooperation and sharing (Bandura, 2002). This is because efficacy gives leaders a sense of perceived control over their behaviour and their competencies to perform. This sense of capability in turn assists in explaining the link between intentions and behaviour (Ajzen, 1991). Therefore, moral efficacy may also help to clarify the rates of moral decisions leading to moral action and ethical behaviours. (Hannah & Avolio, 2010). In addition, ethical leadership was positively related to moral voice, and moral efficacy mediated the relationship (Lee et al., 2017).

Tenbrunsel et al. (2010) also indicate that leaders lacking moral ownership may be psychologically disengaged from ethical obligations or not concerned about their responsibility to pursue good ends. On the contrary, leaders with high levels of moral ownership will be more likely to morally engage with ethical challenges. This is consistent with research, which indicates that while some people focus on avoiding doing wrong, others are more proactively oriented on doing good in terms of ethical behaviour and choices. (Janoff-Bulman, Sheikh & Hepp, 2009).

Leaders need adequate levels of all three components of moral potency (moral efficacy, moral courage and moral ownership) to exhibit consistent ethical actions (Hannah et al., 2010). People first make the judgement of responsibility before partaking in moral judgements and actions (Kohlberg & Candee, 1984). A sense of control (moral ownership) over the ethical actions of oneself, leaders, and even teams in terms of shared leadership over others in their sphere of influence is the psychological mechanism that facilitates such decisions of obligation. Ownership is important in that, while a leader may not want to perform an immoral act on their own (i.e. ethical commission), if they do not have moral ownership, they may allow unethical things to happen in their sphere of influence or act unethically without interference from others (i.e. ethical commission) (Hannah et al., 2010). In addition, leaders with high moral potency are more likely to commit ethical acts. Hence, moral ownership involves the degree to which leaders feel a sense of psychological responsibility for the ethical nature of their own behaviours, those of others around them and their organisation.

Moral agency is the ability to exert control over the nature and quality of one's life, which comes from the interconnection between a person, his or her behaviour, and the environment (Bandura, 2002). High moral agency prompts individuals to change their behaviour to be compatible with their identity or through their behaviour seek to influence their surroundings to be self-consistent. Targets of ownership can get so connected with one's self-identity to the extent that they can be perceived as an extension of one's self (Dittmar, 1992). Hence, once an ethical decision has been created, moral ownership will build powerful driving forces to behave ethically.

According to Kopp and Sobral (2014), a leader's moral courage (a component of moral potency) may be a vital factor that predicts the ethical leadership behaviour that is

perceived by followers. Ethical leaders have the moral courage and competence to withstand controversial ethical issues that organisations face on a daily basis (Sekerka et al., 2007) and make decisions while still behaving and being identified as ethical managers. Moral courage is an important factor in ethical actions in the workplace (Hannah et al. 2010). According to the social learning theory, moral courage is a personal attribute that influences ethical behaviour, with those behaviours also influencing the leader's engagement with, and impacts on their environment (Bandura, 2001; Hannah et al., 2011). This is because the ability to resolve one's doubts and step up to do what is right (courage) in the face of hardship or ethical dilemmas must also involve understanding what is right (Goud, 2005; Sekerta & Bagozzi, 2007; Worline, Wrzesniewski & Rafaeli, 2002). More so, by observing individuals' behaviours and their perceived positive impacts on the environment, actors can then develop moral courage over time. To conclude, in the face of complex ethical problems, leaders with high levels of moral perspective think more generally and profoundly about ethical issues (Mathooko, 2013)

Leadership Virtues through Authentic Leadership to Ethical Leadership

The above indirect path had the second strongest indirect effect (-0.102), which was also statistically significant. However, the path between leadership virtues and ethical leadership was also statistically significant. Hence, authentic leadership only partially mediates the relationship between leadership virtues and ethical leadership. This, therefore, lends partial support for the following hypothesis:

- H3(A): Authentic leadership mediates the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

The proposed indirect path is from the exogenous latent variable - leadership virtues through authentic leadership (β = -0.424) to ethical leadership (β = -0.102). Note that a low score in leadership virtues means high levels of leadership virtues. In line with these results, a study by Riggio et al. (2010) indicates that a relationship exists between leadership virtues and authentic leadership. St. Thomas Aquinas (2005) adds that prudence (leadership virtues) requires thorough counselling for oneself and others, appropriately judging from the facts at hand (balanced processing), and guiding the rest of one's actions based on careful consideration of the judgments

collected. Coleman (1998) and Baker (2000) also suggest that virtuousness nurtures interpersonal connections (attribute of relational transparency) and social capital and it functions as a cure to dissolution when an organisation is being downsized. When leaders use internalised self-regulation mechanisms, authenticity is achieved - that is, their behaviour is driven by internal values as opposed to external challenges and rewards (Ryan & Deci, 2003). Leadership virtues can exist as an individual's core values. Besides, authentic leaders make decisions based on their core values (internalised moral perspective), which consist of virtues (Avolio, 1999; Onyalla, 2018).

As already indicated, virtues can manifest themselves in ethical behaviours (ethical leadership). It is also likely that virtuous leaders are authentic when carrying out ethical behaviours because virtuous leaders use internalised moral perspective to carry out ethical acts. As such, authentic leaders display virtue and altruism when exercising leadership, and this activates morally laden working self-concept within followers (Hannah et al., 2005) and in turn, makes them act in an ethical manner. Furthermore, research shows that all four dimensions of authentic leadership (self-awareness, relational transparency, internalised moral perspective and balanced processing) promote ethical follower behaviour and also activate the ability to resist temptations and make more ethical decisions (Hannah et al., 2011; Walumbwa et al., 2008).

According to research carried out by Walumbwa et al. (2008) ethical leadership is positively related to all four dimensions of authentic leadership (self-awareness, relational transparency, internalised moral perspective, and balanced processing). A key distinction of ethical leadership is its emphasis on internalised moral perspective (authentic leadership) (Brown & Trevino, 2006; Walumbwa et al., 2008). Authentic leaders can judge ambiguous ethical problems, tackle them from various perspectives, and align decisions with their own moral values (Brown & Trevino, 2006). Self-awareness (authentic leadership) requires not only recognising one's position and relationships, but also the capacity to be authentic in ethically representing oneself and communicating with others (Sur & Prassad, 2011). In addition, Ghigiarelli (2018) suggests that a self-aware leader knows when to be cautious against being agreeable with individuals who are not ethical. Thus, having an understanding of one's self and how one can impact one's own behaviour is a step towards developing ethical leadership because ethical leaders have a desire to explore facets of themselves, their followers and their environment (Gardner et al., 2011). Authentic leadership focuses

on self-aware leaders who have ethical intentions, make sound ethical choices and become role models in the process for others. (Trevino & Brown, 2007). In terms of self-awareness, ethical leaders are more aware of others and themselves.

Bass and Steidlmeier (1999), Avolio and Gardner (2005), and Brown and Trevino (2005) believe that authentic and ethical behaviour in leaders is essential to avoid the ethical and moral leadership failures that occurred in the past two decades. According to Trevino et al. (2003), ethical leadership behaviour reduces anxiety in people in times of job uncertainty, and they do this by being considerate, honest, open, trustworthy, and by emphasising the importance of adhering to high ethical principles. A person with such a behavioural pattern is inherently authentic too because authenticity also embodies characteristic traits such as honesty, openness and trustworthiness. These core ethical and authentic qualities in a person lead to improved leadership outcomes. Furthermore, Brown and Trevino (2006, p. 600) assert that just like authentic leaders, ethical leaders are "altruistically motivated, demonstrating a genuine caring and concern for people" and are "thought to be individuals of integrity who make ethical decisions and who become models for others". As earlier mentioned, authentic leaders are positive leaders who are trustworthy, honest, reliable and credible. Hence, they are strong on the "moral person" dimension of ethical leadership (Toor & Ofori, 2009).

When leaders demonstrate balanced processing (authentic leadership), they spend time trying to understand what caused ethical problems and outcomes, thereby allowing themselves and their followers to understand what should be labelled as internal and external triggers of ethical actions and performance. (Gardner et al., 2005). Ethical leaders are characterised as honest, principled and caring individuals who make fair and balanced decisions (Brown & Trevino, 2006). Authentic leaders are moral exemplars (internalised moral perspective) who dare to model ethical behaviour and address ethical challenges because they believe they have observers who watch to emulate these authentic and ethical behaviours (Walker & Henning, 2004). When confronted with difficult ethical challenges, leaders with higher levels of moral perspective (authentic leadership) are expected to think more broadly and deeply about ethical issues (Werhane, 1999). In other words, ethical leaders base their decisions on moral principles as well as ethical decision guidelines and concerns for various stakeholders (Trevino & Brown, 2007). Moreover, leaders who are more authentic and ethical are more effective and can lead their organisations more

successfully (Copeland, 2016). When a leader is authentic and ethical, this means that their values are morally uplifting because authentic leaders behave more ethically as they tend to act according to their internal values structures (Burns, 1978; Hannah et al., 2005). After all, a moral person behaves ethically in their personal and professional lives, cares for others, and makes ethically principled decisions in the interest of others (Trevino & Brown, 2007).

Ladkin (2008) believes that "leading beautifully" has three main facets: "mastery" – in understanding the self and the context (self-awareness), "coherence" - congruence between different forms of self and with one's purpose and message, and "purpose" – pursuing one's goals. Ladkin (2008, p. 33) also points out that leading beautifully "brings into play the ethical dimension of a leader's endeavour" and questions whether an individual's purpose "serves the best interests of the human condition". Kanungo (2001) asserts that ethical leaders partake in activities and behaviours that do not only benefit them but others at the same time (relational transparency). They also stay away from behaviours that can cause any harm to others. Leaders can build a positive organisational culture and the ethical environment by positive role modelling and passing through clear messages about ethical actions that can inspire the growth of ethical and authentic leaders and followers (Gardner et al., 2005). Some researchers suggest that higher levels of moral perspective and personal agency in followers are enabled by making significant and authentic leadership decisions through ethicality (Ilies, Morgeson & Nahrgrang, 2005; Kahn, 1990; Kernis & Goldman, 2005) which would increase the probability that they partake in self-reactive control processes and not get morally disengaged when faced with ethical dilemmas. Thus, authentic leadership is important as it influences ethical choices (Trevino & Youngblood, 1990; Kish Gephart, Harrison & Treviño, 2010).

Leadership Virtues through Moral Potency and Authentic Leadership to Ethical Leadership

The above indirect path had the third strongest indirect effect (-0.067) which was also statistically significant, but not as strong as the previous two indirect paths. However, the direct path between leadership virtues and ethical leadership remained statistically significant. This outcome, therefore, lends partial support for the following hypothesis:

- H4(A): Moral potency and authentic leadership (in serial) mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

This section addresses the following two issues:

- The previous discussions on the two indirect paths already done regarding the proposed paths alluded to by the present indirect path. Hence, this section only discusses the path between moral potency and authentic leadership.
- The second issue is related to possible reasons why this third indirect path has a weaker mediating effect (although statistically significant) compared to the previous two indirect paths.

In the previous section, the relationship between leadership virtues and moral potency was elucidated. It showed that virtues become visible in moral behaviour or reasoning (Guilliford et al., 2020). Hannah et al. (2005) also state that any moral behaviour that is not supported by genuine virtue can be considered as inauthentic. More so, the moral discipline (self-control) of virtue-based leaders is to act selflessly on their own accord (moral autonomy/moral ownership) to encourage, maintain and change their attitudes and values as well as those of their followers by acting in a morally acceptable manner (Wright & Quick, 2011) to attain ethical results. Thus, the principles of virtue and value systems of a leader influence their views and decisions on moral and ethical problems and establish intentions to behave according to their own values, as well as those of the organisation, and to bring about moral and ethical behaviours (Avolio, 2005; Hannah & Avolio, 2010; Peterson, 2006; Rest, 1994).

In terms of the indirect path between moral potency and authentic leadership, Northhouse (2013) believes that individuals will only take responsibility for their moral actions (moral ownership) when the internal moral standards (internalised moral perspective) and moral values that guide their behaviour are intact. Leaders achieve authenticity when they grow and become conscious/aware of their core moral selves, and then demonstrate that true self in control of their surroundings through acting with moral agency (Hannah et al., 2005). Leaders show their authentic moral self when exposed to situations that require them to demonstrate their leadership skills. Authentic leaders, therefore, are moral agents who take ownership of the consequences of their moral actions and those of their followers and are responsible

for them. More so, moral leaders are open (relational transparency) and invite others to participate in their deliberations on moral issues. Thus, the positive effects of transparency partly become evident through open discussions of moral issues (Kernis, 2003). Avolio et al. (2004), as well as Avolio and Gardner (2005), argue that followers appear to view leaders who show high levels of moral potency as more authentic because they take responsibility and have the courage and confidence to transcend the influence of community norms and authority to take the required action based on their moral principles and judgment to do it.

This is also in line with literature from moral ownership which describes a person with moral ownership as one who has a sense of psychological responsibility (self-awareness included) over the ethical nature of their organisation, their own actions and the actions of others around them (Hannah et al., 2011). A leader with high levels of self-awareness and who is self-committed behaves in a way that is consistent with his or her true self. Hannah et al. (2005, p.44) define the moral component of authentic leadership as "the exercise of altruistic, virtuous leadership by a highly developed leader who acts in concert with his or her self-concept to achieve agency over the moral aspects of his or her leadership domain." The developmental experiences and processes that promote authenticity in people such as increased cognitive complexity and self-awareness in the leader, promote increased levels of moral judgement and reflection, which subsequently have a positive effect on both the leader and the followers' moral behaviour. Such moral capacities enable the leader to take ownership over situations (Kegan, 1994).

With the above discussion of the third indirect path, the following question needs to be answered: why does this indirect path have a weaker mediating effect on the relationship between leadership virtues and ethical leadership compared to the previous two indirect paths?

It should be noted that authentic leadership only has one moral (. i.e. internalised moral perspective) and perhaps two (self-awareness) sub-dimensions related to ethics/morality compared to moral potency (moral courage, moral efficacy, moral ownership). Authentic leaders can judge and manage complex ethical issues in multiple ways and make decisions that are often consistent with their own moral principles (Brown & Trevino, 2006). For example, only a self-aware person can lead

and manage people rightly. If a leader does not know his/her own strengths and weaknesses, or what drives him/her, it will be difficult for him/her to lead or manage others (Riggio et al., 2010) in an ethical manner. Thus, self-awareness helps leaders to develop a clear understanding of their strengths and weaknesses, which in turn assists with equipping them to be in a better position to manage themselves, their followers and their organisations in an ethical manner (Ghigiarelli, 2018). Moreover, being able to think through the consequences of one's actions and take responsibility for them is an important aspect of ethical leadership (Brown et al., 2005). It is for this reason that authentic leadership has been proposed to influence ethical behaviours (Avolio, Gardner, Walumbwa, Luthans & May, 2004; Gardner, Avolio, Luthans, May & Walumbwa, 2005; IIies, Morgeson & Nahrgang, 2005).

Furthermore, moral potency has three sub-dimensions (moral courage, moral efficacy and moral ownership) that are related to ethics/morality compared to authentic leadership. In terms of the indirect path between moral potency and ethical leadership, these three moral components of moral potency instil in leaders the notion that they are in a position to act (i.e., ownership), that they can be successful when they act (i.e., moral efficacy), and can overcome fears to persevere and execute these ethical actions through to resolution (i.e., moral courage) (Hannah & Avolio, 2010). Moreover, research indicates that employees appear to have enough courage to face ethical challenges when moral courage is high in a group, which may, in turn, increase the possibility of employees reporting unethical behaviour (Hannah et al., 2011). As previously mentioned, group virtuousness predicts group moral potency (Cameron et al., 2004, 2011) which represents an individual's ethical psychological resources (Hannah et al., 2010). Virtues also stir self-commitment (which is embedded in moral efficacy) and a willingness to behave in a morally upright/ethical way consistent with one's beliefs irrespective of the social costs of such virtuousness (Hannah et al., 2005). This is the reason why leaders with high levels of moral efficacy have confidence related to their ability to perform ethical behaviours.

Moreover, ethical leaders have the moral courage and competence to withstand controversial issues that organisations face on a daily basis (Sekerka, Bagozzi & Charnigo, 2007), to make such decisions, and the strength to overcome negative feelings while still behaving and being identified as ethical managers. Kopp and Sobral (2014) reiterate that a leader's moral courage may be an important factor that predicts

ethical leadership behaviour that is perceived by followers. More so, moral efficacy (a component of moral potency) serves as a psychological mechanism that motivates employees to speak up about ethical issues (Lee et al., 2017). Furthermore, employees lacking moral ownership tend to be psychologically disengaged with ethical matters or not concerned about their responsibility to do things rightly (Tenbrunsel et al., 2010). These reasons could contribute to why the indirect path between leadership virtues via moral potency to ethical leadership is stronger than the others. Also, this might account for the fact that (in the present study) authentic leadership had a "weaker" influence on ethical leadership in comparison to moral potency.

From the above discussion, it can be observed that the manifestation of virtues in terms of moral behaviour/potency may be more important than the manifestation of virtues in terms of authentic leadership when it comes to influencing ethical leadership behaviours. This means that having access to more relevant resources, such as virtues and moral potency (which are very important aspects of ethics), seems to be more "important" than having access to a mix of resources that include virtues and authentic leadership. The Conservation of Resources Theory (COR) of Hobfoll (1988) emphasises this in the postulation that people seek to acquire, preserve, maintain and facilitate certain items they value because they serve as a driving force for the achievement or preservation of valued resources. Virtues and moral potency appear to have more ethical/moral elements than virtues and authentic leadership and thus should be focused on. Also, this might be a possible reason why this indirect path does not have such a strong mediating effect as the other two.

8.6 SUMMARY

This chapter presented and interpreted the results of the study. The initial interpretations concentrated on the constructs' reliability. Separately, the findings for each research question were discussed. The interpretations of the stepwise multiple regression analysis were presented to determine the significant predictors of ethical leadership. In addition, based on the test of the proposed model, the partial least square path modelling (PLS) results were presented. The results showed that the strongest direct path reported in the model was from moral potency to ethical leadership, as moral potency had a statistically significant positive influence on ethical leadership, with a stronger positive influence than authentic leadership and leadership virtues. The second strongest direct path to the endogenous variable reported in the

model was from authentic leadership to ethical leadership. Finally, the last direct path reported in the study was from leadership virtues to ethical leadership.

Based on the indirect paths, three research questions that aimed to assess whether moral potency, authentic leadership, or both mediated the relationship between leadership virtues and ethical leadership were evaluated. The results indicated three indirect paths that showed how moral potency and authentic leadership partially mediated the relationship between leadership virtues and ethical leadership both in parallel and in serial. Leadership virtues through moral potency to ethical leadership had the strongest indirect effect, and thus, the second research hypothesis was partially supported. The second strongest indirect effect was from leadership virtues through authentic leadership to ethical leadership, and thus providing partial support for the third research hypothesis. Lastly, the third strongest indirect effect was from leadership virtues through moral potency and authentic leadership to ethical leadership, thus providing partial support for the fourth research hypothesis. All three of the relevant indirect effects were statistically significant.

Based on the findings, the following chapter discusses the conclusions, recommendations, limitations and future research directions.

CHAPTER NINE

CONCLUSIONS AND RECOMMENDATIONS

9.1 INTRODUCTION

The present study aimed to determine whether authentic leadership, moral potency and leadership virtues have an effect on ethical leadership among managers in the financial services sector. The previous chapter provided statistical answers to the research questions that were formulated for the current study. The current chapter highlights some conclusions and possible recommendations related to the current study. Conclusions on the literature review, research methodology used, descriptive statistics and inferential statistics are drawn here. Recommendations for future studies are also suggested based on the results obtained from the current study.

9.2 LITERATURE REVIEW

The literature review confirmed that ethical leadership is a serious problem faced by organisations in South Africa and the world at large. In South Africa (especially in financial institutions), the absence of ethical leadership practices has landed several big corporations in lawsuits as well as questionable credibility and corporate image.

Ethical leadership according to this study is defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown et al., 2005, p.120). The literature also highlighted other definitions of ethical leadership which have emerged over the years. The nature of ethics was explored through types of ethics (normative, descriptive, and meta-ethics), as well as the distinction between ethics and morality was established. Several ethical leadership theories (virtue ethics theory, social learning theory, utilitarianism theory, social contract theory, and deontology theory), as well as some criticisms of the theories, were explained.

The literature also explored two ethical leadership models which could be used to better understand the concept. The literature also focussed on possible outcomes of ethical leadership on the individual and the organisation, some of which included, job satisfaction, trust, lower level of counterproductive work behaviours, and

Organisational Citizenship Behaviour (OCB). According to Mayer et al., (2012), when leaders behave in an ethical manner, employees are less likely to be involved in unethical behaviour. Research also shows that the effects of ethical leadership on organisations promote positive attitudes and behaviours among members (Brown et al., 2005; Piccolo, Greenbaum, den Hartog & Folger, 2010; Walumbwa et al., 2011). Moreover, within the cultural context, the literature addressed ethical leadership and found that most ethical leadership studies were mostly carried out in American organisations. (Detert, Trevino, Burris & Andiappan, 2007; Mayer et al., 2009, 2010; Piccolo et al, 2010; Walumbwa & Schaubroeck, 2009). Ultimately, ethical leadership among managers in the financial service sector was discussed and similar forms of ethical leadership were explored, among which were charismatic, transformational, and transactional leadership. Unethical leadership was also elucidated.

In light of the negative consequences that come into play when leaders are not ethical, several strategies on how to promote ethical leadership in the organisation were explored. These strategies included training employees on how to handle ethical dilemmas, rewarding ethical behaviours, modelling ethical behaviour, considering work-life balance, setting clear expectations for employees for ethical behaviour, maintaining vigilance to avoid ethical risks and promoting a culture of openness and transparency.

Authentic leadership was found to influence ethical leadership. Authentic leadership is “a pattern of leader behaviour that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalised moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development” (Walumbwa et al., 2008, p.94). According to Avolio and Gardner (2005), authentic leadership is a root construct of any positive leadership. In comparison to fragile, self-esteem, more knowledgeable individuals are self-accepting of themselves and their strengths and weaknesses and demonstrate high levels of stable self-esteem (Kernis, 2003). To better understand authentic leadership, the nature and some proposed definitions of authentic leadership were explored. A theoretical framework of authentic leadership development was provided. This was followed by a self-based model of authentic leader and follower development, as well as a conceptual framework for authentic leader and follower development, and the

authentic leadership developmental continuum model. Then the relationship between authentic leadership and ethical leadership was explored. Authentic leaders can judge ambiguous ethical problems, tackle them from various perspectives and align decisions with their own moral values (Brown & Trevino, 2006). Authentic and ethical leaders both share a social motivation and a leadership style which is characterised by consideration. Then, some general outcomes associated with authentic leadership were explored and these include, trust, employee engagement, satisfaction, group performance and well-being (Avolio et al., 2004; Hmieleski, Cole & Bacon, 2012; Fusco, O'Riordan & Palmer, 2016).

The literature also addressed moral potency as a predictor of ethical leadership. Moral potency is "the capacity to generate responsibility and motivation to take moral action in the face of adversity and persevere through challenges" (Hannah et al., 2011, p. 664). The chapter explored morality and elucidated the nature and definition of moral potency. Then, the components of moral potency (moral ownership, moral courage and moral efficacy) were explained. The determinants of morality, and some morality/moral decision-making theories (Kohlberg's theory of cognitive moral development, moral relativism theory, and moral conation theory), were also explored. This was followed by a discussion on Rest's model for moral development, and the theoretical relationship between moral development/decision-making and moral potency. The chapter then proceeded to discuss how moral potency can be developed i.e. by developing each component of moral potency. Furthermore, some outcomes associated with moral potency were addressed, as well as the influence of moral potency on followers. The chapter ended with an establishment of the relationship between moral potency and ethical leadership. An individual's sense of owning to ethical outcomes that are related to their perception of moral ownership can eventually foster ethical behaviour as the individual strives to live with integrity. Equally, individuals lacking moral ownership may be psychologically disengaged with ethical obligations or not concerned about their responsibility to pursue good ends (Tenbrunsel, Diekmann, Wade-Benzoni & Bazerman, 2010).

Leadership virtues were found to also influence ethical leadership. Leadership virtues are personal attributes and actions that align with the four cardinal virtues of prudence, temperance, fortitude and justice (Riggio et al., 2010). A virtuous leader is an ethical leader whose personal characteristics and actions align with each of the four cardinal

virtues of prudence, temperance, fortitude and justice. It is easier for leaders to focus on building virtues (prudence, temperance, fortitude, and justice) if they approach ethical leadership from a virtue ethics perspective (Riggio et al., 2010). The chapter began by exploring the nature and definition of leadership virtues. The four cardinal virtues of leadership were elucidated. A leadership virtue theory (virtue-based ethics theory) was also explored. Then, two leadership virtues models (character/virtue model, and Aristotelian model of virtue ethics) were reviewed. A proposition on how leadership virtues can be developed was provided, followed by the relationship between leadership virtues and ethical leadership. It was noted that ethical leaders are agents of virtue that help build collective employee perceptions of a virtuous and ethical organisation (Neubert, Carlson, Kacmar, Roberts & Chonko, 2009). Empirical research indicates positive relationships between virtues and ethical leadership (Khuntia & Suar, 2004; Brown et al., 2005; De Hoogh & Den Hartog, 2008; & Riggio et al., 2010). The chapter concluded by discussing some outcomes associated with leadership virtues that included behaving ethically, enhancing performance, organisational effectiveness, experiencing happiness.

At the end of the literature review, a proposed model for the present study was presented. An integration of all the independent variables (authentic leadership, moral potency and leadership virtues) and the dependent variable (ethical leadership) was done. This model aimed at addressing the theoretical research questions and objectives.

It appears from the literature that, there is limited information on authentic leadership, moral potency and leadership virtues among managers working in the financial sector that makes specific reference to South Africa. There is also limited information on the combined effect of authentic leadership, moral potency and leadership virtues on ethical leadership. Therefore, the literature review of the current study aimed at pinpointing how skills and strategies obtained from the independent variables affect the extent to which an individual will experience ethical leadership.

9.3 RESEARCH METHODOLOGY

The following conclusion can be deduced from the research methodology with specific reference to the selection of respondents and data gathering methods.

9.3.1 Selection of respondents

A sample of 400 employees was drawn from a population of employees in the financial service sector. A method of non-probability sampling, specifically convenience sampling, was used because it is inexpensive, quick and readily available to the respondents (Etikan, Musa & Alkassim, 2016). One disadvantage of this method is that each element does not have an equal chance of being included in the sample. Therefore, the result might not be generalised to the whole population upon which the research hypothesis is applicable. Finally, from the literature, it was deduced that to attain a representative sample from a population of 400 elements, 196 respondents should be included in the sample. However, based on Sekaran and Bougie (2016), a sample of 310 is representative and can therefore be used for the current study.

9.3.2 Data gathering methods

The Ethical Leadership Scale (ELS) was used to measure the extent to which respondents were ethical leaders. Meanwhile, the Authentic Leadership Questionnaire (ALQ) was used to assess authentic leadership skills. The Moral Potency Questionnaire (MPQ) was used to measure moral potency while the Leadership Virtues Questionnaire (LVQ) was used to measure the extent to which leaders possess leadership virtues. All four questionnaires were noted as having satisfactory validity and reliability coefficients. A biographical questionnaire was also issued to obtain respondents' demographical information.

9.3.3 Conclusions regarding the biographical description of the sample

From the data analysed, most employees (56.8%) fell into the 31-40 age group. Also, most respondents (25.8%) came from the Human Resources division, while the majority of the respondents (43.9%) possess a bachelor's degree. However, there were slightly more females (51%) than males (49%) in terms of gender. Most respondents (56.1%) came from the middle level of the organisation, and the majority (77.8%) of them were Africans. Finally, the majority (50.4%) of the respondents were unmarried with most of them (60.5%) being English speakers.

9.3.4 Conclusions regarding the empirical study

As earlier discussed, the study had one objective which was to analyse the effect of authentic leadership, moral potency and leadership virtues on ethical leadership among managers working in financial sector organisations.

9.3.4.1 Primary objective

The primary objective of the present study was to determine by means of a non-experimental research design the effect of authentic leadership, moral potency, and leadership virtues on ethical leadership (as proposed by the theoretical model) among managers working in financial sector organisations. More specifically, the following research hypotheses were tested:

H1(0): The variance in ethical leadership cannot be statistically explained by authentic leadership, moral potency and leadership virtues among managers working in financial sector organisations.

H1(A): The variance in ethical leadership can be statistically explained by authentic leadership, moral potency and leadership virtues of working in financial sector organisations.

Based on the above hypotheses, several conclusions were drawn. An examination of how much of the variance in the dependent variable (ethical leadership) is explained by the regression model led to the R^2 values being analysed to determine the contribution of each of the independent variables towards ethical leadership. Multiple regression results showed that self-awareness made the largest contribution to the variance in ethical leadership ($R^2 = 0.46$ which is 46%). The second predictor of ethical leadership in the model was moral ownership ($R^2 = 0.57 – 0.46 = 0.11$). Thus, moral ownership had an 11% contribution to ethical leadership in the model. Only a modest 2% of the variance in ethical leadership was explained by justice ($R^2 = 0.59 – 0.57 = 0.02$) and moral courage ($R^2 = 0.61 – 0.59 = 0.02$). Finally, moral efficacy made the least contribution ($R^2 = 0.01$). Therefore, the empirical results indicate that the study's five variables which predict ethical leadership explain 62% of the variance in ethical leadership. Self-awareness makes the strongest unique contribution when the variance explained by all the other variables in the model is controlled for. Thus, the alternative hypothesis, which states that the variance in ethical leadership can be statistically explained by authentic leadership, moral potency and leadership virtues

among leaders working in financial sector organisations was not rejected but accepted.

9.3.4.2 Secondary objectives

The present study had the following two secondary objectives:

- To theoretically explain the relationship between the predictor variables and the outcome variable (ethical leadership) culminating in a proposed theoretical model to be tested.
- To determine the predictive validity of the proposed theoretical model in financial sector organisations.

Emphasis is placed on the empirical testing of the proposed conceptual model.

The proposed model was evaluated using partial least square path modelling (PLS). To test the model, a two-step process was applied (the assessment of the outer model and the assessment of the inner model) and the results obtained from the outer model showed that all the composite reliabilities for the four variables were satisfactory as they obtained the following reliability scores: ethical leadership (ρc)= 1.00, authentic leadership (ρc) = 0.95, moral potency (ρc) = 0.92 and leadership virtues (ρc) = 0.87. Thus, the model was well-fitting as far as composite reliability scores were concerned. Furthermore, the convergent and discriminant validity was to determine the quality of the outer model. The convergent validity was assessed using the criterion average variance (AVE) and the results showed that for ethical leadership (AVE = 1.00), authentic leadership (AVE = 0.83), moral potency (AVE = 0.79) and for leadership virtues (AVE = 0.62). A consideration of the AVE scores led to the conclusion that in terms of convergent validity, the model was well-fitting.

The inner model was also tested using the endogenous latent variable's coefficient of determination (R^2). The main construct (ethical leadership) level was substantial at level R^2 = 0.601. This suggested that the exogenous latent variables explain 60% (0.6) of ethical leadership in the model and thus, implying that when combined, authentic leadership, moral potency, and leadership virtues explain the 60.1% of the variance in ethical leadership. Consistent with this, the stepwise multiple regression results also indicated R^2 as 61.4%, which is almost identical. Therefore, it was concluded that authentic leadership, moral potency and leadership virtues have a positive significant

effect on ethical leadership. In addition, the proposed theoretical model which explaining 60% of the variance in ethical leadership stood as ample evidence of the predictive validity of the model.

The individual path coefficients of the PLS inner model were also interpreted as standardised beta coefficients of ordinary least squares. The following path coefficients were reported in order of strength: the strongest path reported in the model was from leadership virtues to moral potency (β = -0.558), moral potency to authentic leadership β = 0.498, moral potency to ethical leadership (β = 0.438), leadership virtues to authentic leadership (β = -0.424), authentic leadership to ethical leadership (β = 0.240), and the weakest direct path reported in the model was from leadership virtues to ethical leadership (β = -0.193).

The indirect paths were also empirically tested and the following indirect path effects were reported: The strongest indirect effect (-0.245) reported in the model was from leadership virtues through moral potency to ethical leadership. The first component of the indirect path is from leadership virtues to moral potency (β = -0.558) to ethical leadership. This is supported in the literature with researchers indicating that leaders act with fortitude when they persevere in the face of adversity (moral courage) (Riggio et al., 2010).

The empirical results also show that the second strongest indirect path (-0.102) was from the exogenous latent variable (leadership virtues) through authentic leadership (β = -0.424) to ethical leadership (β = -0.102) which is negative and statistically significant. In line with these results, the study by Riggio et al. (2010) indicated that a relationship exists between leadership virtues and authentic leadership. The third strongest reported indirect path (flow of the combined effect of moral potency, authentic leadership, and leadership virtues on ethical leadership) was from leadership virtues through moral potency and authentic to ethical leadership (β = .067) and it was noted to be statistically significant. It can be concluded from the above summary that as indicated in Figure 8.6, most path coefficients, supported the a priori formed theoretical hypothesis showing that the hypothesised direction empirically supports the proposed causal relationship. All the structural paths were statistically significant. The results obtained from the partial least squares lead to the that employee's level of

authentic leadership, moral potency, and leadership virtues significantly contribute to employee levels of ethical leadership.

Based on the strongest indirect path, it can be concluded that moral potency partially mediates the relationship between leadership virtues and ethical leadership, and thus, lends partial support for hypothesis 2(a). The second strongest indirect path indicated that authentic leadership only partially mediates the relationship between leadership virtues and ethical leadership, which partially supports hypothesis 3(a). Finally, the third strongest indirect path (leadership virtues through moral potency and authentic leadership to ethical leadership) also partially supports hypothesis 4(a) as moral potency and authentic leadership (in serial) partially mediate the relationship between leadership virtues and ethical leadership among managers working in financial sector organisations.

9.3.5 Conclusions regarding contributions to the field of Industrial Psychology

Both the literature review and empirical findings of the study contribute new knowledge to the field of industrial and organisational psychology with specific reference to promoting ethical leadership practices in the South African financial sector. New insight was also provided into the conceptualisation of the constructs (ethical leadership, authentic leadership, moral potency, and leadership virtues) used in the study. In addition, possible relationships between the constructs and how the combined effect of these constructs can be used to foster ethical leadership were explored. It can be concluded from the literature that, practitioners can consider the theoretical models of authentic leadership, moral potency, leadership virtues and ethical leadership when promoting positivity in the field of organisational behaviour. Literature and empirical findings recommend that the sub-dimensions of authentic leadership can be used as a theoretical foundation for assisting employees and leaders in judging ambiguous ethical problems, tackling them from various perspectives and aligning decisions with their own moral values. This has also been found to promote other positive outcomes such as trust, organisational citizenship behaviour, job satisfaction, job commitment and follower ethical behaviour.

The theoretical relationships between the variables also provided a new perspective into the significance of these variables in light of ethical leadership practices, especially in the financial sector. The empirical findings reflected by the social learning

theory (Bandura, 1977) focused on the contribution that role modelling has on ethical leadership among leaders in the financial sector. The study makes provision for a theoretical framework that describes how both managers and employees can maximise the use of role modelling/imitation in fostering ethical behaviours.

Moreover, considering that most research on ethical leadership has been carried out in the USA (Detert et al. (2007); Mayer et al. (2009; 2010); Piccolo et al (2010); and Walumbwa and Schaubroeck, (2009), the study builds on the limited research on ethical leadership in South Africa. The findings propose strategies that South African practitioners can use to foster ethical practices in their financial organisations.

The findings also revealed the extent to which a supervisor/manager's leadership virtues, through moral potency and authentic leadership, foster ethical leadership. The study concluded that when individuals practise prudence, temperance, fortitude, and justice, they are more likely to take moral ownership while being self-aware and practising transparency to act in ethical ways. Furthermore, the results indicated that five variables (self-awareness, moral ownership, justice, moral courage and moral efficacy) explain the 62% variance in ethical leadership. This contributes to the existing knowledge on authentic leadership, moral potency, leadership virtues and ethical leadership.

From the empirical results, a conclusion can be drawn that the interaction between the various constructs (authentic leadership, moral potency and leadership virtues) exhibited by individuals influence the extent to which they will engage in ethical leadership in the organisation. Thus, the financial sector can focus on developing self-awareness, encourage employees to be morally efficient, practice moral ownership, justice, and be morally courageous when faced with ethical dilemmas for ethical leadership to be fostered. To conclude, an incorporation of ethical leadership in the exploration of positive psychology principles will go a long way to provide solutions to the challenges faced by managers/employees in the financial sector.

9.4 Limitations of the study

A few limitations accrued from the literature review, empirical study and methodology. Some of these limitations are discussed below.

Although there has been research done on ethical leadership, there has been limited research done on ethical leadership in South Africa. Considering that most studies

done on ethical leadership are centred on an American-based point of view, there is, therefore, a need for more research centred on ethical leadership in Africa, and South Africa in particular, to be conducted. This is because South Africa is currently undergoing tough times on matters related to the handling of ethical leadership. Hence, this affirms the purpose of the current study which aimed at exploring ethical leadership within the South African context. As a result, there was difficulty in comparing some results provided by the empirical findings with previous literature. There was also insufficient research done on ethical leadership among managers working in the financial sector.

Moreover, there have been no studies done on the combined effects of authentic leadership, moral potency and leadership virtues on ethical leadership. As a result, there was a challenge when testing the model as for some of the suggested directions, it was challenging to compare hypothesised paths. Another limitation of the literature was with the leadership virtues construct. The construct limited the most important leadership virtues to only four virtues (temperance, fortitude, justice and prudence). However, there might be other virtues, which were not mentioned that might have greatly contributed to ethical leadership. More positive virtues could be included to expand the pool of leadership virtues when developing the leadership virtues construct and informing new theory development.

The study specifically focused, with regards to the limitations on the empirical findings, on managers working in the financial sector in a particular geographical location. Furthermore, the number and length of the four questionnaires administered were very long and might have affected the response rate of the study. This was mitigated by encouraging participants to answer the questionnaires during their free time or lunchtime. Moreover, in the study, a convenient non-probability sampling approach was used, which made it highly susceptible to selection bias and factors outside the control of the researcher. Future research should consider using convenience sampling with probability sampling to reduce bias. In addition, the limitations of the sample restrict the generalisation of the findings.

Furthermore, only the financial sector was under focus in this study. Thus, the data was only made up of employees from the financial sector, which means the findings can only be carefully generalised to the financial sector at best. Therefore, future

studies should focus on using other sampling methods, such as multi-sampling, which are representative of all employees in the financial sector to achieve generalisability. The study presents new insight into the field of ethical leadership, despite the limitations raised, and can be used as a framework for understanding the relationships between the assessed constructs.

9.5 Recommendations for organisations

The literature review revealed the way leadership virtues and moral potency influence authentic leadership to promote ethical leadership. The results showed that authentic leadership, moral potency and leadership virtues have a significant effect on ethical leadership. The findings clearly show that individuals who are self-aware, take moral ownership, dare to carry out morally courageous acts, are high on moral efficacy and practice justice, are more likely to engage in ethical leadership. Therefore, the study recommends that organisations aiming at good ethical leadership practices incorporate self-awareness, moral courage, moral ownership, moral efficacy and justice as a way to make the work environment more resourceful and counteract the negative effects of ethical malpractices. This can be partly done through rewarding good behaviour and punishing bad behaviour (Hannah et al., 2011).

Practically, ethical leadership can be promoted by training employees, rewarding ethical behaviour, modelling ethical leadership, considering a work-life balance, setting clear expectations of employees for ethical behaviour, maintaining vigilance to avoid ethical risks, and promoting a culture of openness and transparency.

Based on the findings, self-awareness is the highest predictor of ethical leadership. It is therefore recommended that when organisations develop psychological skills, a great deal of emphasis should be focused on improving self-awareness as a way to increase ethical behaviour. This can be achieved by making leaders aware of their own values, emotions, identity, objectives, strengths and weaknesses, and how they can use them to influence others and the organisation (Walumbwa et al., 2008). These can all be achieved through practical training where leaders are exposed to the necessary tools needed to understand and improve their psychological capacities.

The findings of this study also show that moral potency is a predictor of ethical leadership with moral potency being the second-highest predictor of ethical leadership. Developing moral ownership requires individuals to know what is expected of them in

their very roles and recognising each individual for stepping forward and taking appropriate responsibility or action (Avey, Avolio, Crossley & Luthans, 2009). It is thus recommended that there be constant interactions with leaders whereby the individual learns what is within and outside their scope of responsibilities with regards to ethical issues at work. Clarifying accountability helps to reduce certain types of self-deception regarding moral ownership (Gangestad, 2011). Building moral efficacy will entail using methods such as social modelling whereby the individual observes others overcoming challenges by performing a task or handling a situation, and by so doing, assist them to perform the same task themself by imitating the behaviour (Bandura, 1997). Also, by providing constructive feedback, employees/leaders tend to maintain a sense of efficacy as it may help overcome self-doubt. Moreover, training programmes can be used to develop moral courage, whereby employees/leaders are taught specific behaviour routines and techniques to use when confronted with ethical threats (Jonas, Boos, & Brandstätter, 2007; Osswald et al, 2009).

The results of the current study also found leadership virtues to predict ethical leadership. One way to develop virtue is through the reinforcement of good character. The appreciation, praise, recognition or reward given to employees for doing the right thing or behaving in the right way is important to character development, particularly when performed during the formative years of the person (Byrne et al., 2018). Thus, it is recommended that mentoring be used to develop leadership virtues. This can be achieved by helping followers learn from the real-world experiences of mentors and providing employees with hands-on support and coaching to improve the skills needed to do the right thing in tough circumstances. (Allen, Eby, Poteet, Lentz & Lima, 2004; O'Brien, Biga, Kessler & Allen, 2010). It is highly unlikely for an ethical leader not to practice justice, as a result, it is also recommended that ethical leaders should be just when carrying out issues related to ethical dilemmas.

9.6 Recommendation for Future Research

Based on the conclusions, limitations and recommendations provided in the previous discussion, this section highlights the possible direction for future research. One of the limitations of the current study was that it focused mostly on the financial sector and used a convenience sampling method. This implies that the findings can only be generalised in the financial industry. Therefore, future studies should consider implementing a multi-sample or using a probability sampling approach that is more

representative and can permit generalisations to provide a broader understanding of the interaction between the different variables.

Another recommendation for future studies is that other researchers can attempt to replicate the current study in a different context. Replicability entails properties of test results that allow future researchers to investigate whether the findings of the study can be replicable in other sectors using different samples.

In addition, the reality that self-awareness was the highest contributor to ethical leadership followed by moral ownership, moral courage, justice and moral efficacy, suggests that future research should explore possible ways that organisations can use to intervene to improve self-awareness, moral ownership, moral courage, justice and moral efficacy to continue positively impacting ethical leadership levels. More virtues can also be explored besides the four virtues currently used in the Leadership Virtues Questionnaire.

Furthermore, the current research was cross-sectional and restricted to a small group of financial sector leaders in one specific province. It is proposed that using a probability sampling method, a longitudinal study discussing the same topic should be carried out to validate the research findings and to achieve a better generalisation of the results. The current study was conducted using four constructs and thus, future research could include more constructs especially in the area of positive leadership such as mindfulness, organisational citizenship behaviour, and work engagement, which could provide an in-depth insight into leadership styles and how they influence ethical leadership.

9.7 Summary

The current chapter focused on the conclusions derived from the results of the current study as well as its limitations. It also concentrated on the conclusions derived from the literature review and empirical study that were considered to address the limitations. The chapter also provided recommendations for future research and referred to practical suggestions on improving ethical leadership in organisations. The chapter ended by proposing a few pointers for future research.

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