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An Empirical Study on the Association between Leaders’ and Followers’ Ethical Judgment

Several business scandals have highlighted the dark side of leadership and the relationship between leaders and followers. The ethical concerns of leaders may influence the ethical decision-making of followers. The purpose of this study is to explore the association between leaders’ and followers’ ethical judgment. A sample of Taiwanese purchasing professionals was assessed in terms of their ethical judgment development measured by the Defining Issues Test. The findings indicate that leaders will have higher overall scores for ethical judgment development than followers. There is a positive association between leaders’ and followers’ ethical judgment development. Followers will exhibit higher ethical judgment development when their leaders have higher ethical judgment development. Implications of research findings are also discussed.

Key words: ethical judgment development, ethical leadership, defining issues test, purchasing managers.

Introduction

After some significant business scandals around the world, such as Enron, WorldCom, Lehman Brothers, etc., various bodies have appealed for greater emphasis on the dark side of leadership. Literature discussing ethical leadership has been on the rise over the past decade (Avey, Palanski, and Walumbwa, 2011). Leadership is a process whereby the leader influences others to reach a common goal. Leaders provide a blueprint for what a firm’s corporate culture should be, and usually have more power and control than followers (Reidenbach and Robin, 1989). They are required to have more responsibility to be ethically sensitive to how their leadership affects followers’ lives.

Ethics is central to leadership because of the impact leaders have on establishing the organizational values and engaging followers to accomplish mutual goals (Northouse,
2004). Leaders help to establish and reinforce organizational values. If a leader does not actively serve as a role model for the organizational values, those values will become nothing more than lip service. Leaders are the primary influence on followers’ ethical behaviors. Leaders whose decisions and actions are contrary to the organizational values may send a signal that the organizational values are trivial or irrelevant (Smith, Grojean, Resick, and Dickson, 2004). A body of research suggests that ethics ought to be considered as an integral part of the broader domain of leadership (Avey et al., 2011; Higgs, 2009). However, reviewing related literature reveals that there is lack of empirical research on the association between leaders’ and followers’ ethical judgment. It may be interesting to examine the effects that leaders have on the moral reasoning tendencies of the employees (Weber and Wasielecki, 2001).

Ethical judgment development is central to the decisions people make about whether or not to behave ethically (Kohlberg, 1969; Rest, 1986). An individual’s development stage of ethical judgment and his or her ethical philosophy play an important role in how values and actions are shaped in the workplace (LeClair, Ferrell, and Fraedrich, 1998). Individuals with different levels of ethical judgment are expected to exhibit different business behaviors. Therefore, conducting a study on the association between leaders’ and followers’ ethical judgment may have an important bearing on understanding the influences of ethical leadership on followers’ ethical behaviors. To fill the research gap, this study selected purchasing professionals as research subjects to explore the association between leaders’ and followers’ ethical judgment.

Purchasing professionals usually span the boundary between the company’s internal functions and its external suppliers by coordinating the flow of goods and services (Carter and Jennings, 2004). Purchasing professionals play a key role in keeping long-term relationships with the suppliers and achieving the company’s strategic objectives. In the running of purchasing practices, ethics have been recognized to be an essential requirement in maintaining a good buyer–supplier relationship. Suppliers usually view the ethics of their buyers as an important foundation to build relationships characterized by trust. Understanding purchasing professionals’ perceptions of ethics will be helpful for those who want to build a close buyer–supplier relationship. During the past decades, considerable attention has been paid to the ethics of purchasing professionals. However, only a few researchers (Ford, LaTour, and Henthorne, 2000; Lin, 2009; Lin and Ho, 2009) investigated the ethical judgment of purchasing professionals. None of them explored the association of ethical judgment between purchasing professionals at the leader position and those at the follower position.

The main purpose of this article is to take purchasing professionals as research subjects to analyze the associations between leaders’ and followers’ ethical judgment. The next section introduces the theoretical background of the study. The third section de-
scribes research methodology, followed by a section discussing research results. The final section gives conclusions, implications, and limitations.

**Theoretical Background**

According to Kohlberg’s (1969) cognitive ethical development theory, ethical judgment is the extent to which consideration should ideally be given to resolve a particular ethical dilemma. Kohlberg’s theory describes the sophisticated cognitive ethical structure that an individual is potentially capable of utilizing and suggests that ethical judgment involves a sequential series of three increasingly complex developmental levels: pre–conventional level, conventional level, and post–conventional level. Each successive level requires more complex thinking and involves the individual’s consideration of an increasingly wide range of persons and institutions. The pre–conventional level focuses on the consequences of decisions for the self. This level is typically characterized by ethical decisions based on rewards and/or punishments. What is important here is the perceived physical power of the individuals who set the rules and limitations. The conventional level deals with the in–group of family, friends, and peers. This level is characterized by the adherence to norms that have been established by external groups such as society and peer groups. While adherence to rules is important, the well–being of others is also of prime concern. The post–conventional level focuses on principles for humanity in general. This level involves ethical judgment driven by the commitment of the individual to personally selected universal ideals, rather than group norms. Kohlberg argues that individuals respond differently to ethical issues in accordance with their level of ethical judgment.

Past research examining individual ethical judgment development indicates that several demographic, institutional, and situational variables have, to some extent, significant impacts on ethical judgment development (Forte, 2004; Trevino, 1986). However, no research has investigated the effects that managers at the higher organizational levels have on the ethical judgment development of the employees of an organization. Different levels of management may well result in different levels of ethical judgment. Kohlberg’s ethical development theory suggests that individuals at a post–conventional level of ethical judgment are more likely to become leaders. They love to lead, set goals, take risks, and seek new challenges (Rest, 1986). It is expected that moral reasoning capacity increases with higher levels of management (Ford et al., 2000; Lin, 2009) though some studies revealed no significant relationship between them (Ford, LaTour, Vitell, and French, 1997; Forte, 2004).

Organizational ethical policies fall most under the purview of leaders who must be prepared to identify and handle those situations where ethical dilemmas arise for them.
and their subordinates in the course of work and to foster an ethical climate within the organization. Ethical concern at higher levels of management may be greater than for lower levels of management among individuals from the same firms (Lin, 2009). Employees are less likely to concern themselves with this issue (Brenner and Molander, 1977). Leadership involves the use of authority to help followers deal with the conflicting values that emerge in rapidly changing work environments and social changes (Heifetz, 1994). The leader’s duties are to assist the follower in struggling with change and personal growth.

Leadership implies the ability or authority to guide and direct others toward achievement of a goal, and has a significant impact on ethical decision making because leaders have the power to motivate followers and enforce the organizational rules and policies as well as their own viewpoints. Leadership styles influence employees’ acceptance of and adherence to organizational norms and values. Styles that focus on building strong organizational values among employees contribute to shared standards of conduct (Brass, Butterfield, and Skaggs, 1998). For example, an ethical leader needs both knowledge and experience to make decisions, and has the right kind or moral integrity. Such a person chooses a balance of all involved today as well as in the future, and is usually concerned with shareholders as well as follower. The ethical leader will be proactive and be ready to leave the organization if its corporate governance system makes it impossible to make the right choice. As a result, even for actions that may be against the law, employees often look to their organizational leaders to determine how to resolve the issue. The leadership style influences how followers act. One would expect that ethical concern at higher levels of management may influence the ethical concern at lower levels of management. Followers will exhibit higher levels of ethical judgment development when their leaders have higher levels of ethical judgment. Therefore, the present study postulates the research hypothesis that there is a positive association between leaders’ and followers’ ethical judgment development.

**Methodology**

**The Instrument**

The Defining Issues Test (DIT), developed by Rest (1979), is a well-known instrument that has traditionally and widely been employed by researchers in ethical judgment research to measure individual ethical judgment development. The DIT measures the level of ethical judgment within the individual through his or her responses to a series of ethical dilemmas. After reading each ethical dilemma, the respondent is asked to provide an answer on what should be done as well as a ranking of importance of a series of
twelve items as to their relevance to the final decision that has been made. The DIT uses two reliability criteria, M score and consistency checks, to verify the internal consistency of the responses (Rest, 1979).

As some researchers argued that, of the six DIT scenarios, the Newspaper, Webster, and the Student Takeover scenarios have been found to be culturally inappropriate in Asian contexts since they focus on issues of little meaning in Asian cultures, the three–scenario version consisting of the Heinz and the Drug, Doctor’s Dilemma, and Escaped Prisoner scenarios would be more suitable for Asian occasions (Ford et al., 1997; Ma and Cheung, 1996). The three scenarios have also been used in measuring the ethical judgment development of Taiwanese purchasing professionals (Lin, 2009; Lin and Ho, 2009). Therefore, the three–scenario version will be used in this study. Along with the DIT instrument, some demographic questions, including the level of management, are also included in the final questionnaire.

The Sample

This study uses purchasing professionals as research subjects. The purchasing departments of 500 firms in Taiwan were taken as the sample. A packet containing three questionnaires was mailed to the head of the purchasing department for each company. These department heads were contacted by researchers via e–mail and telephone to solicit their cooperation. The head was asked to fill out one and pass the other two questionnaires to their followers within the company. A total of 83 different companies with all three respondents returned the questionnaires. The response rate is 16.6%. Twelve respondents did not pass the DIT reliability checks and were discarded in the subsequent analyses. The final sample was of 71 complete groups with one leader and two followers involved in each. This gives a total sample size of 213 individuals.

Results and Discussions

Table No. 1 shows a summary of the mean DIT level scores for the respondents. The scores for the conventional level are apparently higher than for the post–conventional level of ethical judgment for Taiwanese purchasing professionals. As the conventional level focuses more on mutual benefits and the rules, Taiwanese purchasing professionals may be concerned with mutually satisfying outcomes and group harmonization during the purchasing negotiation process (Lin, 2009). To protect a group’s good reputation and to obey the code of conduct of the group, Taiwanese purchasing managers may be more likely to behave ethically.
Table No. 1. A Summary of the DIT Mean Level Scores

<table>
<thead>
<tr>
<th>Level</th>
<th>Total (n=213)</th>
<th>Leaders (n=71)</th>
<th>Followers (n=142)</th>
<th>Correlation (r)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-conventional</td>
<td>1.009</td>
<td>0.893</td>
<td>1.067</td>
<td>0.21*</td>
</tr>
<tr>
<td>Conventional</td>
<td>31.726</td>
<td>29.341</td>
<td>32.919</td>
<td>0.41**</td>
</tr>
<tr>
<td>Post-conventional</td>
<td>20.183</td>
<td>22.532</td>
<td>19.008</td>
<td>0.37**</td>
</tr>
</tbody>
</table>

* p < 0.05 , ** p < 0.01

Table No. 1 also shows comparison results between leaders and followers. Taiwanese purchasing professionals in a leader position will have higher overall ethical judgment scores than professionals in follower positions. The followers demonstrate the highest score for the conventional level while the leaders exhibit the highest score for the post-conventional level. Purchasing professionals at a lower management level will focus more on group norms while there is a greater focus on an intuitive humanist perspective for upper level of management. This would indicate that as purchasing professionals reach higher levels of management within the company, there is a lessening of focus on group harmonization and mutually satisfying outcomes (Lin, 2009). According to Kohlberg’s ethical development theory, individuals at a post-conventional level of ethical judgment are more likely to become leaders. They love to lead, set goals, take risks, and seek new challenges (Rest, 1986). Therefore, ethical judgment development increases with higher levels of management.

To examine the associations between leaders’ and followers’ ethical judgment, bivariate correlation analysis was conducted in the study. Table No. 1 presents the correlations of ethical judgment level scores between leaders and followers. All the correlations are significantly positive ($r=0.21$ for the pre-conventional level; $r=0.41$ for the conventional level; $r=0.37$ for the post-conventional level). Therefore, the research is supported in that there is a positive association between leaders’ and followers’ ethical judgment development. The followers will focus more on the post-conventional level (or conventional level) of ethical judgment while their leaders demonstrate more ethical judgment on the post-conventional level (or conventional level). The leaders’ ethical concerns will influence how followers act.

According to Kohlberg’s ethical development theory, leaders at a post-conventional level of ethical judgment are likely to focus on principles for humanity in general and to resist the pressure of conforming to the judgments of others. They would like to consider the interests of and implications for all stakeholders, not just those that have an economic impact on the firm. They would acknowledge and monitor the concerns of all legiti-
mate stakeholders, actively communicate and cooperate with them, employ processes that are respectful of them, recognize interdependencies among them, avoid activities that would harm their human rights, and recognize the potential conflicts between leaders’ own role as corporate stakeholders and their legal and moral responsibilities for the interests of other stakeholders. As a result, their followers are capable of embracing the complex and challenging ethical issues based on holistic thinking. Followers will exhibit higher levels of ethical judgment development when their leaders have higher levels of ethical judgment.

**Conclusions**

Leaders may exhibit the dark side of leadership due to unethical leadership. While the study of ethical leadership has a rich history in business ethics research, much remains to be learned in how leaders’ ethical concerns influence followers’ ethical decision-making. Using the DIT to measure ethical judgment development of Taiwanese purchasing professionals, this study finds that there is a positive association between leaders’ and followers’ ethical judgment development. The research findings contribute to literature’s empirical evidence that leaders’ ethical judgment will influence how its followers judge ethical issues.

According to the survey results, followers exhibit higher levels of ethical judgment development when their leaders have higher levels of ethical judgment. Leaders are the key to influencing an organization’s ethical posture. They have a special responsibility because the nature of their leadership puts them in a special position, where they have a great opportunity to influence followers in significant ways. Therefore, it is important for leaders to engage themselves with followers and help them in their personal struggles regarding conflicting values. It is the responsibility of the leader to help followers assess their own values and needs in order to raise them to a higher level of functioning—to a level that will stress values such as liberty, justice, and equality.

Like any other ethics research, this study has the potential to suffer from responses that state what is socially desirable, not what is practiced. The fact that the survey was voluntary and anonymous may have, to some extent, minimized this problem. Another limitation of this study is the restricted external validity as the sample frame is restricted to Taiwanese purchasing managers. Making generalizations about the association between leaders’ and followers’ ethical judgment in the case of other professionals or countries based on the present research findings may not be appropriate without further research. Industrial and cultural factors play a potentially important role in the development of ethical judgment. Future research can extend and replicate the current study to other business professionals or other countries.
References


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