Antecedents of Managerial Ethicality: A Multi-Dimensional/Multi-Level Exploration of Employee Perceptions

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This quantitative study examined nine leader/manager behaviors in organizations and the relative contribution that each makes toward employees' perceptions of the ethicality of their leaders and managers. Moreover, this study investigates the influence of physical proximity on employees' views by comparing perceptions of their direct managers with perceptions of indirect managers and leaders throughout the organization. This study contributes to the ethical leadership literature by providing a broader understanding of the managerial behaviors that have the greatest impact on employee perceptions of managerial ethicality and the influence of direct and indirect managers on shaping those perceptions.

INTRODUCTION

> *Knowledge is nothing but perception. Plato: Theaetetus*

Recent ethical failures by organizations have been well documented in the media. Organizations such as Lehman Brothers and Enron serve as definitive examples of the deleterious effects of corporate malfeasance on employees. At Lehman Brothers, 25,000 employees of the158-year-old bank lost their jobs (Cook, 2009). In the case of Enron, 20,000 employees were let go (Kim, 2011). Although these are powerful illustrations of the harm that unethical business practices inflict upon employees, the scope and magnitude of the issue are not adequately illustrated.

Unethical behavior in organizations is more wide-spread and insidious than many realize. According to the EthicsResourceCenter (2011), almost half of U.S. workers report having personally observed conduct at work that violated company ethical standards, policies, or the law. With such broad exposure to unethical conduct in the work-place, it is important to understand the impact on employees.

Justice and behavioral ethics literature provide a fairly clear picture of employees' responses to unethical behavior. Justice and ethics are both grounded in the assumption that people should be treated according to a set of norms (Folger, Cropanzano, & Goldman, 2005). Consequently, it would be reasonable to expect that the violation of either justice or ethical norms would have similar social and economic outcomes. Empirical evidence in the justice literature suggests that there is a positive relationship between *injustice* and negative outcomes such as employee theft (Greenberg& Folger, 1983). In quantifying the cost for counter-productive work place behaviors, Murphy (1993) estimated annual losses in America from negative employee behaviors range from $6 to $200 billion. The negative effects of unethical behavior can also be seen in productivity. Varca and Valutis (1993) found that unethical behaviors have a disproportionate negative impact on the performance of highly skilled employees, and that observing others' unethical behavior caused as much as a 25% drop in productivity.

Another negative consequence of injustice is organizational retaliatory behavior (Skarlicki & Folger, 1997). Referring specifically to time theft, Gross (2006) noted that the U.S. Department of Interior estimates that their employees spent 104,221 hours on non-work related Internet usage that costs taxpayers more than $2 million annually. Given the social and economic costs of unethical behavior, organizations need to clearly understand the role that managers play in forming and maintaining positive ethical perceptions as perceived by their employees.

A key player in the employee-organization relationship is the manager. Management represents the organization in the eyes of employees. Treviño and Nelson (2011) noted the representative nature of management stating, "Managers are the lens through which employees view the company…to many employees, managers are the company" (p. 310). Serving as credible agents of the organization (Eisenberger et al., 2010; Neves, 2012), managers personify or embody the firm (Sluss, Ployhart, Cobb, & Ashforth, 2012). When looking at most aspects of the organizational–employee relationship, managers play a unique and distinct role in spanning the boundary. As a consequence, employees' perceptions of their direct managers and indirect/other managers and leaders in the organization become increasingly important to the success and sustainability of the firm.

We extend the current ethical leadership research by exploring antecedent factors associated with perceptions of leader and managerial ethics. The current quantitative study has two purposes. *First*, to investigate the relative strength of a variety of individual and situational factors that influence employee perceptions of leader and manager ethicality. More specifically, we consider nine dimensions of organizational life over which managers and leaders have influence (fairness, rewards/recognition, communication, employee growth and development, decision involvement, individualized consideration, trustworthiness, cultural influence, and promotion of work/life balance). *Second*, this study investigates how employees view managerial ethicality based on the physical proximity of their reporting relationships. After distinguishing between employees' perceptions of their direct manager and perceptions of indirect managers and leaders, we complete with a comparative analysis. Throughout this paper the terms manager and leader are used interchangeably.

IMPACTS ON MANAGERIAL ETHICALITY

A great deal is known about the consequences of ethical leadership with respect to employee outcomes. Justice dimensions, for example, are positively related to outcomes such as job satisfaction and organizational commitment (Masterson, Lewis, Goldman, & Taylor, 2000). Scholars have also investigated the impact of ethical leadership on employee organizational commitment, job satisfaction, perceptions of ethical culture, and climate (Brown, Treviño, & Harrison, 2005; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009; Toor & Ofori, 2009). Additional studies have looked at positive relationships with psychological safety (Walumbwa & Schaubroeck, 2009), organizational citizenship behaviors

(Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009), and enhanced perceptions of job characteristics such as autonomy, task significance, and follower effort (Piccolo, Greenbaum, Den Hartog, & Folger, 2010). Although much of the ethical leadership literature focuses on the outcomes of ethical leadership, sparse attention has been given to *what* influences perceptions of ethical leadership (for exceptions see Brown &Treviño, 2006; Mayer, Aquino, Greenbaum & Kuenzi, 2012; Walumbwa and Shaubroeck, 2009). This lack of knowledge about the antecedents of ethical leadership has prompted the call from scholars for further research into situational and individual factors that predict ethical leadership (Brown & Mitchell, 2010), which served as the inspiration for this study.

Scholars have defined ethical leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown, Treviño, & Harrison, 2005, p. 120). This definition from the perspective of the follower suggests that there appears are both personal and systemic aspects of the leadership construct.

Qualitative studies conducted by behavioral ethics scholars (Treviño, Brown, & Hartman, 2003; Treviño, Hartman, & Brown, 2000) indicate that ethical leaders are described along two dimensions. The first dimension relates to individual factors of the leader and is referred to as the *moral person,* which describes personal qualities of a leader. Those who are perceived as morally strong are characterized as being trustworthy, exhibiting concern for others, being approachable, and fair and principled. The second dimension relates to situational factors surrounding the leader and is referred to as the *moral manager*, which is how the manager uses resources of the position to help promote ethical conduct in the workplace. Strong moral managers are cognizant that employees consider them to be role models and, thus, try to exemplify ethical behaviors. They communicate organizational ethical standards and create the appropriate reward systems, structures, and processes to foster compliance.

It is along these two dimensions (*moral person* and *moral manager*) that we categorize and investigate nine facets of perceived managerial ethicality. The facets that represent the *moral person* dimension include fairness, individualized consideration, and trustworthiness. Factors that represent the *moral manager* include rewards/recognition, communication, employee growth and development, involvement in decision making, influence on culture, and promotion of work/life balance.

Individual Factors (Moral Person Dimension)

The three individual-level facets of the *moral person* dimension (Treviño et al., 2003; Treviño et al.,2000) are ethical factors that stem from the manager as an individual and represent individual leadership choices made independent of any specific leadership positions held. The first individual-level factor deals with issues of justice and whether managers *treat employees fairly and consistently*. Folger et al. (2005) suggested that justice and ethicality constructs are very closely related. We would expect that the extent to which a manager consistently demonstrates fairness when interacting with subordinates will prompt a sense of congruence between how employees are treated and how they should be treated based on the norms of the organization and, consequently, will increase perceptions of ethicality.

The second individual-level factor is whether managers *treat employees as unique individuals*. The transformational leadership literature describes individualized consideration as one of four key dimensions of a transformational leader. A transformational leader is defined in part as a manager who exhibits individualized consideration toward an employee and provides a supportive environment (Bass, 1985). Transformational leaders treat each follower as a unique individual. As a result, they engender feelings of trust in and satisfaction with the leader, and encourage ethical outcomes such as organizational citizenship behaviors (Podsakoff, MacKenzie, Moorman, & Fetter, 1990).

The extent to which managers are perceived as *trustworthy* is the third individual-level factor. Mayer, Davis, and Shoorman (1995) define trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (p.712). Among the three individual facets of managerial trustworthiness is the extent to which the individual demonstrates integrity

by adhering to a set of values (Mayer et al., 1995). When managers demonstrate integrity and adhere to values, employees will likely perceive them as being more ethical.

Situational Factors (Moral Manager Dimension)

Next, we examine six situational-level facets of the *moral manager* dimension (Treviño et al., 2003, Treviño et al., 2000). These factors are exhibited by managers with the tools provided to them by virtue of their leadership position. First, this study looks at the degree to which managers *effectively reward and recognize employees.* Rewards come in different forms, including compensation, time off, resources, promotions, and recognition, to name a few. Rewards play a key role in modeling, setting the tone, and promoting ethical conduct within organizations. Brown and Mitchell (2010) suggest that the things leaders use as incentives for employees are reflections of what they value. This in turn motivates employees to behave so as to achieve the incentivized rewards. As managers demonstrate integrity by rewarding ethical behaviors employees will perceive them as more ethical.

Communication is the second situational factor considered. The item used in this study asks how frequently managers "appropriately communicate with employees." By definition, ethical leadership includes an element of communication (see Brown et al. 2005). Furthermore, studies looking at moral reasoning from an organizational fit perspective suggest that higher levels of communication are more likely to occur when employees experience thought processes and values congruent with their managers (Edwards & Cable, 2009; Schminke, Ambrose, & Neubaum, 2005). Therefore, we anticipate that employees who enjoy high levels of communication with their manager will likewise perceive them as being more ethical.

The third situational factor in this study is whether managers *encourage employees' growth and development* and, if so, to what degree. Ethical leadership scholars describe transformational leaders as those who support individual development, mostly on a one-to-one basis (Bass, 1985; Nadler & Tushman, 1990). This level of intimate mentorship provides challenging growth opportunities and skill development for employees through accepting delegated tasks and responsibilities (Bass & Avolio, 1993). Moreover, it communicates the level of managerial confidence in the employee (Nadler & Tushman, 1990). The positive association between transformational leadership and ethical outcomes such as organizational citizenship bahviors, trust, and satisfaction with the leader (Podsakoff, MacKenzie, Moorman, & Fetter, 1990) leads us to expect that as managers encourage employees to grow and develop, employees will view them as more ethical.

Involvement in decisions is the fourth situational factor we investigate. Participants were asked how frequently their managers "involve employees in decision-making." Mayer et al. (2009) suggest that ethical leaders can influence their followers by having transparent decision making processes. In addition, they encourage employees to voice their opinions and by doing so are likely to be viewed as being fair. Other scholars have found that ethical leadership is related to voice behavior, which is the expression of constructive suggestions intended to improve standard procedures (Walumbwa & Schaubroeck, 2009). By giving voice to employees in the decision making process, managers increase their levels of perceived ethicality.

The extent to which managers *positively influence culture* is the fifth situational factor measured. The construct of organizational culture was developed by Schein (1995; 2010) to describe a physical manifestation of the processes through which leaders infuse their personal assumptions into group thought, behavior, and feelings. It is defined as a system of shared assumptions that influence followers' beliefs and behaviors. Scholars have found that organizational culture is associated with ethics-related outcomes such as moral judgment (Razzique & Hwee, 2002) and moral character (Treviño, Butterfield, & McCabe, 1998). Ethical culture is considered a subset of organizational culture and is defined as a "slice of the organizational culture that influences employees' ethical behavior through formal and informal organizational structures and systems" (Treviño et al., 2006, p.966). We believe that employees who deem their organization as having a positive culture will attribute the source of it, in part, to their managers and leaders. Consequently, perceptions of ethicality will be higher as well.

The sixth and final situational factor assessed the degree to which managers *promote work/life balance*. From a social responsibility perspective, scholars argue that employees, along with other stakeholders, view the promotion of work / life balance for employees as an organizational duty (Pitt-Catsouphes & Googins, 2005). Weinstein (2009) suggested the scarcest and nonrenewable resource that managers control is time, while the extent to which managers model and encourage balance between work and personal life demonstrates fairness and ethicality. As organizations fulfill this duty they are also fulfilling a social norm that will, in turn, increase the ethical stature of managers in the eyes of employees.

Physical Proximity: Direct vs. Indirect Managers

When faced with ethical dilemmas, employees tend to look to their leaders for guidance (Treviño, 1986). Thus, managers play an important role in the ethical behavior of employees in the work place. Ethical leadership research illustrates the significant impact that leaders have on employees in that they will even conform to the ethical values espoused by their leaders (Schminke, Wells, Peyrefitte, & Sabora, 2002). In addition, theoretical and empirical evidence suggests that leaders' ethical/unethical behaviors influence employees' proclivity toward helpful/ counter-productive work behaviors (Brown & Treviño, 2006; Davis & Rothstein, 2006; Grojean, Resick, Dickson, & Smith, 2004), organizational commitment (Mize, Stanforth, & Johnson, 2000), and job satisfaction (Viswesvaran & Deshpande, 1996). These associations help us understand employee behaviors based on perceptions of managerial ethicality.

It is clear that managers interact with employees and, consequently, employees make judgments about the ethicality of their managers. Less clear is the impact of multiple managers on employees. In most organizations, employees are exposed to their immediate supervisor or manager, to managers higher up in the organizational, and to managers who horizontally interact with the employee either formally or informally. The latter is especially common in flatter, organic organizational structures. When distinguishing between an employee's direct manager, who is more proximal to the employee, and other managers spread throughout an organization, the question arises as to what differences exist in employee perceptions of managerial ethicality.

Falkenberg and Herremans (1995) suggested that supervisors (direct managers) have more direct influence on employee behavior. In a meta-analysis of managerial integrity, Davis and Rothstein (2006) looked at the hierarchal level of the manager in relation to the respondent and found that when participants were considering their immediate manager, the relationship between the measure of managerial integrity and outcome variables was stronger than when participants were considering upper management. In contrast to these findings, other scholars have supported a conflicting perspective suggesting that top management has a more direct influence on employee behavior (Barney, 2005; Schminke, Arnaud, & Kuenzi, 2007). Yammarino (1994) suggests a bypass processing model that allows top managements' influence to skip levels and directly affect the behavior of lower-level followers through direct interactions among them (Detert & Treviño, 2010).

Addressing this conflict in the research, Mayer et al. (2009) introduced a trickle-down effect of ethical leadership. In short, they found that both levels of leadership matter. More specifically, the positive influence of top management ethical leadership on group organizational citizenship behaviors, and negative relationship with group deviance, was mediated by immediate supervisor ethical leadership. Mayer et al. (2009) help resolve the apparent conflict by suggesting supervisory management as the mechanism through which top management influences employees. Although they discovered *how* this relationship exists, given these mixed results, we will look at *when* or under which conditions these relationships hold. The second purpose of this study is the first step along this line of inquiry, namely, to compare employee perceptions of their direct supervisor with those of other, or indirect supervisors in the organization. Given the potential for differences between the two, our aim is to understand along which constructs such differences exist.

METHOD

This project is a subset of a larger long-term quantitative study of managerial practices at macro- and micro-organizational levels that used a previously validated survey instrument.

Research Questions

The purpose of this study is two-fold. First, what factors influence respondents' perceptions of the ethical behavior of their direct managers and leaders? Second, what factors influence respondents' perceptions of the ethical behaviors of indirect managers and leaders throughout their organizations?

Data Collection and Sample

The paper survey was administered to 134 working graduate students in master's (business administration and organizational development) and doctoral (organizational development) programs at three universities in the Midwest, Mountain West, and South. The survey was completely voluntary, made available at the end of a class period, and participants received no compensation or reward for completing the survey. Their organizational positions ranged from front-line employees to senior executives; respondents were asked to rate their current or most recent manager and/or employer. A response rate of 98.5% was derived from 132 completed and usable surveys.

The sample of 132 respondents was 40.9% male and 59.1% female. When asked about the gender of their supervisors, 62.9% of respondents reported that their manager was male and 37.1% female. Furthermore, 32.6% of men and 28.8% of women reported that their supervisor was of the same gender. Regarding age, 59.1% of the respondents were under the age of 35, 34.1% between the ages of 36 and 55, and 6.8% over the age of 55. When asked to indicate their position in the organization, 35.6% classified themselves as front-line employees, 27.3% as supervisors or team leaders, 28.8% as mid-level managers, and 8.4% as senior executives (including owners and CEOs). On the topic of organizational tenure, 20.5% of respondents had been employed at their organization less than one year, 47.7% with tenure between one and five years, 21.2% with tenure between six and 10 years, and 10.6% greater than 10 years.

Finally, organizational information was collected and included industry type, size, and union status. Organizational industry statistics reflected 3.8% manufacturing, 28.8% service, 22.0% education, 22.7% professional, 16.7% government, and 6.1% non-profit. Firm size was reported as 57.6% of organizations with fewer than 500 employees, 16.7% with 500 to 2,500 employees, 10.6% with 2,500 to 10,000 employees, and 15.2% with more than 10,000 employees. Finally, unions were present in only 6.8% of the represented organizations. However, 10.6% of the non-unionized organizations reported a threat of potential unionization.

Measures

Two dependent variables were analyzed in the study. The first DV measured perceptions of how frequently an employee perceives that his or her direct manager exhibits ethical behavior. The second DV measured how frequently employees perceived that other or indirect managers across the organization exhibited ethical behavior. Frequency responses were collected using a 5-point scale ranging from "never" (1) to "always" (5).

Nine independent variables were derived from research on ethics (moral person and moral manager) and general managerial practices. Using the same 5-point scale, respondents were also asked to report how frequently their managers (direct) and managers across the organization (indirect) as a whole:

1. Treat employees fairly and consistently
2. Reward and recognize employees effectively
3. Communicate with employees appropriately
4. Encourage employees' growth and development
5. Involve employees in decision-making
6. Treat employees as unique individuals

7. Are trustworthy
8. Influence culture positively
9. Promote work/life balance

Independent variables were matched with dependent variables for further analysis based upon focus on the direct manager or indirect managers.

RESULTS

Direct managers were perceived as "never," "rarely," or only "sometimes" exhibiting ethical behavior 37.1% of the time, as compared to 62.9% for "usually" or "always" exhibiting ethical behavior. Regarding indirect managers, 74.3% were perceived as "never," "rarely," or only "sometimes" exhibiting ethical behavior, as compared to 25.7% for "usually" or "always" exhibited ethical behavior. Table 1 reports descriptive statistics for the two dependent variables, ethical behavior of one's direct manager and ethical behavior of indirect managers across the organization as observed by the respondents.

TABLE 1
PERCEPTIONS OF MANAGERIAL ETHICS

	Mean/SD	Never	Rarely	Sometimes	Usually	Always
DV1: Direct Manager exhibits ethical behavior	3.74 1.009	3 2.3%	12 9.1%	34 25.7%	50 37.9%	33 25.0%
DV2: Indirect Managers exhibit ethical behavior of	3.42 .848	7 5.3%	24 18.2%	67 50.8%	28 21.2%	6 4.5%

Note: Top row represents number of responses, second row represents % of total responses

Table 2 reports descriptive statistics for the nine independent variables across each of the dependent variables. Respondents reported that their direct managers usually or always effectively reward and recognize employees less than 30% of the time. Otherwise, respondents had a more favorable perception of their direct managers. Regarding indirect managers, with the exception of trustworthiness, respondents were less favorable in their perceptions.

Table 3 reports the between-subject correlations for variables dealing with respondents' perceptions of their direct managers. All variables showed high positive correlations (greater than .54), with managerial trustworthiness reflecting the highest correlation with managerial ethics at .865. Table 4 reports the between-subject correlations for variables dealing with respondents' perceptions of managers across the organization. As with perceptions of direct managers, all variables were significant at $p < .001$; however, correlations were lower overall (.327 - .780). Again, managerial trustworthiness across the organization reflected the highest correlation, with overall managerial ethics at .780.

TABLE 2
INDEPENDENT VARIABLE DESCRIPTIVE STATISTICS

	Mean/SD	Never	Rarely	Sometimes	Usually	Always
Direct Manager:						
Treats employees fairly and consistently	3.46 .976	3 2.3%	22 16.7%	33 25.0%	59 44.7%	15 11.4%
Rewards and recognizes employees Effectively	3.00 .925	8 6.1%	27 20.5%	59 44.7%	33 25.0%	5 3.8%
Communicates with employees appropriately	3.20 .986	7 5.3%	22 16.7%	50 37.9%	43 32.6%	10 7.6%
Encourages employees' growth and development	3.26 1.130	13 9.8%	18 13.6%	37 28.0%	50 37.9%	14 10.6%
Involves employees in decision-making	2.99 1.115	17 12.9%	24 18.2%	41 31.1%	43 32.6%	7 5.3%
Treats employees as unique individuals	3.31 1.167	11 8.3%	22 16.7%	34 25.8%	45 34.1%	20 15.2%
Is trustworthy	3.59 1.217	10 7.6%	16 12.1%	27 20.5%	44 33.3%	35 26.5%
Influences culture positively	3.24 1.120	8 6.1%	28 21.2%	38 28.%	40 30.3%	18 13.6%
Promotes work/life balance	3.27 1.241	14 10.6%	25 18.9%	26 19.7%	46 34.8%	21 15.9%
Indirect Managers:						
Treats employees fairly and consistently	3.16 .686	1 0.8%	18 13.6%	73 55.3%	39 29.5%	1 0.8%
Rewards and recognizes employees effectively	2.77 .768	6 4.5%	38 28.8%	69 52.3%	18 13.6%	1 0.8%
Communicates with employees appropriately	2.94 .759	4 3.0%	27 20.5%	77 58.3%	21 15.9%	3 2.3%
Encourages employees' growth and development	3.02 .891	7 5.3%	24 18.2%	67 50.8%	28 21.2%	6 4.5%
Involves employees in decision-making	2.64 .866	11 8.3%	47 35.6%	53 40.2%	20 15.2%	1 0.8%
Treats employees as unique individuals	2.81 .926	7 5.3%	46 34.8%	48 36.4%	27 20.5%	4 3.0%
Are trustworthy	3.27 .890	5 3.8%	17 12.9%	55 41.7%	48 36.4%	7 5.3%
Influences culture positively	2.89 .813	4 3.0%	36 27.3%	65 49.2%	24 18.2%	3 2.3%
Promotes work/life balance	2.86 .971	8 6.1%	43 32.6%	45 34.1%	31 23.5%	5 3.8%

Note: Top row represents number of responses, second row represents % of total responses

TABLE 3
VARIABLE INTER-CORRELATIONS FOR DIRECT MANAGERS

	1	2	3	4	5	6	7	8	9	10
1. Exhibits ethical behavior										
2. Treats employees fairly and consistently	.680									
3. Rewards and recognizes employees effectively	.557	.584								
4. Communicates with employees appropriately	.644	.710	.686							
5. Encourages employees' growth and development	.665	.722	.614	.713						
6. Involves employees in decision-making	.582	.655	.540	.647	.747					
7. Treats employees as unique individuals	.711	.751	.573	.714	.796	.759				
8. Is trustworthy	.865	.739	.617	.694	.738	.650	.746			
9. Influences culture positively	.759	.721	.700	.715	.723	.637	.772	.768		
10. Promotes work/ life balance	.647	.698	.592	.641	.719	.614	.718	.674	.728	

Note: All correlations are significant at $p < .001$

TABLE 4
VARIABLE INTER-CORRELATIONS FOR IN-DIRECT MANAGERS

	1	2	3	4	5	6	7	8	9	10
1. Exhibits ethical behavior										
2. Treats employees fairly and consistently	.460									
3. Rewards and recognizes employees effectively	.454	.446								
4. Communicates with employees appropriately	.479	.546	.526							
5. Encourages employees' growth and development	.426	.471	.530	.498						
6. Involves employees in decision-making	.498	.520	.497	.486	.581					
7. Treats employees as unique individuals	.579	.517	.508	.548	.670	.667				
8. Are trustworthy	.780	.518	.536	.487	.457	.500	.599			
9. Influences culture positively	.653	.455	.610	.571	.551	.564	.643	.641		
10. Promotes work/ life balance	.534	.468	.327	.382	.364	.468	.489	.502	.455	

Note: All correlations are significant at $p < .001$

Table 5 reflects the results of the regression analysis on DV1: My manager is ethical. A multiple regression analysis, using a stepwise method of independent variable inclusion, is appropriate for determining significant influences of multiple independent variables on a single dependent variable (Nunnally & Bernstein, 1994; Vogt & Johnson, 2011). The stepwise criteria used on the F scores for variable inclusion was $p \leq .05$, while the criteria for exclusion was $p \geq .10$. The nine original variables were reduced to two: trustworthiness and positive influence on culture. Both were significant at a minimum of $p \leq .001$. The selected variables explained 77.0% ($R^2_{adj} = 76.7\%$) of the variance in perceptions of ethical behavior of the respondent's direct manager.

TABLE 5
REGRESSION ANALYSIS FOR DIRECT MANAGERS

	B	SEB	β
1. Treats employees fairly and consistently	.014	--	--
2. Rewards and recognizes employees effectively	-.060	--	--
3. Communicates with employees appropriately	.005	--	--
4. Encourages employees' growth and development	-.049	--	--
5. Involves employees in decision-making	-.023	--	--
6. Treats employees as unique employees	.056	--	--
7. Is trustworthy	.571	.055	.689
8. Influences culture positively	.207	.059	.229
9. Promotes work/ life balance	.035	--	--

Table 6 reflects the results of the regression analysis on DV2: Managers across the organization are ethical. Again, a multiple regression analysis was completed, using stepwise criteria for F scores for variable inclusion of $p \leq .05$, and criteria for exclusion of $p \geq .10$. The nine original variables were reduced to three: trustworthiness, positive influence on culture, and promotion of work/life balance. All were significant at a minimum of $p \leq .01$. The selected variables explained 66.5% ($R^2_{adj} = 65.7\%$) of the variance in perceptions of ethical behavior of the indirect managers across respondents' organizations.

TABLE 6
REGRESSION ANALYSIS FOR INDIRECT MANAGERS

	B	SEB	β
1. Treats employees fairly and consistently	-.004	--	--
2. Rewards and recognizes employees effectively	-.055	--	--
3. Communicates with employees appropriately	.031	--	--
4. Encourages employees' growth and development	-.014	--	--
5. Involves employees in decision-making	.034	--	--
6. Treats employees as unique employees	.051	--	--
7. Are trustworthy	.535	.067	.561
8. Influences culture positively	.235	.071	.225
9. Promotes work/ life balance	.131	.053	.151

DISCUSSION AND PRACTICAL IMPLICATIONS

Exploration of employee perceptions of managerial ethicality yielded results that illustrate similarities and differences between perceived ethicality of direct and indirect managers across an organization. Perceptions of managerial ethicality for both types (direct managers and indirect managers) were significantly influenced by employees' evaluations of managers' *trustworthiness* and by the degree to which employees perceived their managers to have a positive influence on organizational *culture*. This supports Hosmer's (1995) assertion that trust entails "the expectation by one person, group, or firm of ethically justifiable behavior – that is, morally correct decisions and actions based upon ethical principles of analysis – on the part of the other person, group, or firm" (p. 399). Similarly, in her research of organizational corruption, Rosenblatt (2012) ties lack of trust in managers to corruption in organizations and admits, "research in organizational sciences has started to link trust to ethical behavior" (p. 248).

Interestingly, respondents perceived their direct managers to be more ethical than indirect managers and leaders, who could include more senior leadership. Further, participants viewed their direct managers more favorably than indirect managers across all variables studied, including fairness, compensation and rewards, communications, involving employees in decision making, and trustworthiness, to cite a few (see Table 2). Quite possibly, respondents most likely interact more frequently with their direct managers, enabling them to 'know' their direct managers better, have a more personal relationship with them, and/or have more empathy for their decisions and actions. Specifically, communications efforts by leaders and other managers may enable them to more effectively connect with employees by clarifying intents and actions, promoting input and feedback, and tapping previously ignored means by which to engage the workforce. Madlock's (2008) research, for example, found a link between leadership communication competence and employee satisfaction, and thus supports the importance of communications by both direct and indirect managers.

One noteworthy relationship that emerged indicated that promotion of *work/life balance* was significantly related only with the ethicality of indirect managers and leaders across the organization. Interestingly, there was no such relationship with the direct manager. A possible reason for this finding is that organizational systems, structures, and policies governing work/life balance originate with managers higher up in the organization or from the human resource management department.

Another aspect of the results deserving discussion is that the relationships that emerged did so along both the individual dimension (moral person), as was the case with trustworthiness, and the situational dimension (moral manager), as was the case with influencing culture positively and promoting work/life balance. The factors that emerged at both the direct and indirect manager foci (trustworthiness and influencing culture positively) seem to have the broadest construct definitions; it is possible that they might subsume the other seven. An investigation into precise dimensionality of the trustworthiness and cultural constructs relative to the other seven constructs was outside the scope of this study yet could provide fruitful future research.

Organizations spend a great deal of financial and human resources managing how they are perceived by their employees, customers, shareholders, and other stakeholders. The social and financial costs of being viewed as unethical are astounding. Fombrun (1996) noted that firms and their leaders that exhibited bad behavior or had poor reputations had difficulty attracting talented employees, customers, and investors. Further, failure to achieve desired results or meet stated goals has been attributed to organizations and their employees who don't trust their managers (Gilley, Boughton, & Maycunich, 1999). Results of this research imply that efforts made to improve trust, organizational culture, and work/life balance for employees will be well placed.

Specifically, each of these aspects of ethical behavior may be promoted via a firm's performance management system, which may be managed by the Human Resources and/or Training and Development Departments along with organizational managers and leaders. Each managerial behavior or practice is subject to reinforcement or extinction through a firm's recruiting and selection techniques, managerial/executive training and development, coaching, and compensation and rewards, to name a few. Organizations may use our findings to revise their recruiting and selection, training, and other processes

to reflect the need for managers and leaders who are skilled in building trust and creating positive cultures. Holding managers accountable for these desired behaviors, and rewarding progress, represents another challenging yet reachable performance goal for all firms (Gilley et al, 1999). Additionally, Human Resources, in concert with organizational managers and leaders, may need to revise policies and procedures to enhance work/life balance. Recent research has shown that work/life balance is valued by employees at all levels (Barber, 2014), which may further explain why this variable emerged as important to our respondents when assessing other or indirect managers.

LITERATURE CONTRIBUTIONS AND FUTURE RESEARCH

This study is, in part, a response to calls by ethical leadership scholars to further investigate the difference in the physical proximity level of the manager with respect to the employee (Brown & Mitchell, 2010; Davis & Rothstein, 2006) and his or her perceptions of ethical behavior. It also extends the ethical leadership dialogue by providing a clearer understanding of the factors that influence employee perceptions of managerial ethicality, specifically that *trust* and *culture* are fundamental parts of the foundation of ethical leadership. However, this concept needs further review that allows researchers room for continued development.

A key piece of knowledge needed to advance the ethical leadership literature is a more complete understanding of the influencers of ethical behavior; our research extends the inquiries of others who have previously explored this area (Brown & Treviño, 2006; Mayer, Aquino, Greenbaum & Kuenzi, 2012; Walumbwa & Shaubroeck, 2006).We also provide additional relational constructs to an established nomological network, while differentiating a set of dimensions of leadership that affect various managers based on their physical proximity to the employee.

Unique to this study was a multi-level approach to perceptions of managers, instead of a single focus on the employee's direct manager. We delineate direct managers from indirect managers and leaders across the organization. Future research might extend this concept by exploring a three-way comparison of the relative ethical impact of direct managers and indirect managers across the organization who are horizontally at the same position as the direct managers, and managers and leaders who are vertically higher than the direct manager in the organization.

LIMITATIONS OF THE STUDY

As is the case in most academic research, this study is subject to limitations. The correlational nature of the data does not allow for the opportunity to make claims with respect to causality among the variables. However, we were able to gain a richer understanding of which managerial behaviors tend to have the greatest impact on employee perceptions of managerial ethicality.

Our sample drew upon master's and doctoral business students from three separate universities, which limits the generalizability of the results. Moreover, the students' advanced studies in the subject matter may have rendered them particularly sensitive to a leadership study, perhaps more so than a typical employee in the workplace. Self-selection may have also influenced the results of this study (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). It is noteworthy that the effort was made to reduce these effects by using multiple groups over a three-year time period.

Using self-reported data could create concerns about systemic error in view of common methods variance. However, concerns should be allayed given the intended perceptual nature of the construct measured, which was perceived managerial ethicality. In contrast to Stevens (2013) who provided "an interesting glimpse into how the ethics of U.S. business executives are perceived" (p. 368) by consumers and investors, our study focuses on a *perceived or subjective* measure of managerial ethicality as viewed by employees.

CONCLUSION

Examination of individual and situational factors that influence employee perceptions of managerial ethicality reveal a relationship between the degree to which leaders and managers are trustworthy and positively influence organizational culture, and employees' perceptions of how frequently direct managers are ethical. Furthermore, that same relationship holds for other leaders and managers within the organization. However, there is an additional relationship between the extent to which other, or indirect, managers promote work/life balance and employees' ethical perceptions of them.

"The increasing use of corporate ethical codes and passage of the Sarbanes – Oxley Act in 2002 have not solved the problem of a lack of good ethics in business executives" (Stevens, 2013, p. 368). Thus, our study provides organizations and the managers/executives who work for them with real-time workable initiatives by which they can enhance the perceived ethicality of managers by their employees. Of the nine managerial practices explored, the results of this study suggest that efforts made toward building trusting relationships, seeking to positively influence organizational culture, and promoting work-life balance would be the most effective use of limited organizational resources.

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