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Article: **Mediating Role of Moral Identity in the Relationship between Ethical Leadership and Unethical Behavior of Employees: Evidence from the Oil and Gas Sector of Pakistan**


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Mediating Role of Moral Identity in the Relationship between Ethical Leadership and Unethical Behavior of Employees: Evidence from the Oil and Gas Sector of Pakistan

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Abstract

This study draws on social identity, social learning, and trait-activation theories to probe if moral identity mediates the relationship between ethical leadership and unethical behavior. It investigates how ethical leadership serves as a predictor of employees' unethical behavior and moral identity as a mediator between ethical leadership and employees' unethical behavior. Together, these variables influence the self-reported unethical behavior of employees. The findings of this study are based on a sample of 297 oil and gas sector employees in Pakistan. For this purpose, data was analyzed through SPSS and AMOS. Consistent with trait-activation and social learning theories, employees on seeing their leaders behaving ethically develop a positive sense of the moral identity and report fewer incidences of unethical behavior. Furthermore, the findings suggested that moral identity and ethical leadership behavior are vital for predicting organizational outcomes. Thus, the originality of this study lies in the fact that it analyzed the influence of moral identity as a mediating variable.

Keywords: Ethical leadership, Moral identity, Oil and Gas sector, Petroleum industry, Unethical behavior

Introduction

Individuals from every sector of the society manifest unethical behavior in different forms and this type of behavior is a serious concern both for the academia and mass media communities (O'Fallon & Butterfield, [2011](#), [2012](#)). Recently, there have been several instances of unethical behavior in business organizations, public sector institutions, and non-profit organizations, which seriously jeopardized the growth of the concerned

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organizations (Tang & Liu, [2012](#)). Since unethical behavior in organizations remains concealed, organizational managers' direct monitoring may not be adequately effective (Trevino & Victor, [1992](#); van Gils et al., [2017](#)). This is especially true because organizations are flattening and work authorization has become a management development trend, so it is weakening the organizations' vertical control system (Fawang & Jianqiao, [2017](#)).

While a variety of determinants impact unethical behavior, the outcomes of ethical violations become embedded in employees' micro decisions made with respect to their everyday workplace behavior. Owing to the rising cases of workplace wrongdoings and compromised ethical standards in business settings, researchers have investigated factors that can bring down the incidence of ethical transgression in organizations. In recent decades, a growing number of researches have focused on the contribution of ethical leadership in this regard. These researches showed that ethical leadership is effective in decreasing deviant workplace behaviors, such as misconduct and bullying (Mayer et al., [2009](#); Mayer et al., [2010](#); Stouten et al., [2010](#)).

According to these researches, a key factor in tackling unethical behavior at the workplace is the understanding of ethical leadership and its impact on organizational outcomes. Ethical leadership is defined by the ethical conduct of the leader as a moral person and it is also based on the techniques that the leader uses to control the ethical behavior of the followers, thus making him a moral manager. In their seminal paper, Brown and Treviño ([2006](#)) presented several hypotheses which predicted the impact of the individual and the context on ethical leadership. They also surmised the ethical leader's role in organizational outcomes. Previous studies investigated the effect of ethical leadership on unethical behavior with a focus on behaviors contradicting organizational interests (Ruiz-Palomino & Martinez-Cañas, [2011](#)). However, further research is required to comprehend the relationship between ethical leadership and moral identity (Brown & Mitchell, [2010](#); Brown & Treviño, [2006](#); Mayer et al., [2012](#); Qin et al., [2018](#); Zhu et al., [2016](#)). For instance, Zhu et al. ([2016](#)) stated that it needs to be addressed if ethical leaders can influence the ethics-related personal characteristics of their followers, such as their moral identity. They further argued that the followers' moral identity, erstwhile considered as trait-like and more stable, can be reformed by external stimuli,

such as a strong ethical leadership. Similarly, Brown and Mitchell (2010) postulated that the role of moral identity in the relationship between ethical leadership and organizational outcomes needs to be determined through advanced research.

Materializing (Zhu et al., 2016; Brown & Mitchell's, 2010) recommendations, we explored the link between moral identity and unethical behavior. We also investigated moral identity as a mediator between ethical leadership and self-reported unethical behavior. By doing so, we added to the recent literature on the relationship between ethical leadership and unethical behavior in five ways: (i) bringing literature together with related theories by examining ethical leadership and moral identity as determinants of unethical behavior; (ii) extending the trait-activation model (which is primarily the personality-job fit framework) to the ethics-related domain by integrating ethical leadership (as contextual input/situational influence) and moral identity (as a process or individual trait that might be stimulated by ethical leadership); (iii) embracing moral identity as a possible mediator between ethical leadership and unethical behavior which is the final outcome; (iv) testing of the model in the oil and gas sector (a relatively unexplored industrial sector of Pakistan) regarding unethical behavior. Oil and gas firms have been found globally to be engaged in ethical malpractices for self-gains, demonstrating widespread prevalence of corruption in this sector. A study by (OECD, 2014) declared the oil extractive industry to be the most corrupt industry after investigating significant cases of bribery. The sector was positioned at the third place among the 19 highest bribery-prone sectors, according to another influential report by Transparency International (2011). Corruption and ethical malpractices have been major concerns for the oil and gas industry in Norway (Al-Kasim et al., 2013; Ofori & Lujala, 2015). However, the authors highlighted that there is a dearth of empirical evidence linking the oil and gas sector with corruption and ethical transgressions (Al-Kasim et al., 2013). Further, there have been many instances of unethical practices being rampant in the petroleum sector of Pakistan. Recently, many oil procurement agencies have been debarred permanently or temporarily by Public Procurement Regulatory Authority over oil scams and scandals (Public Procurement Regulatory Authority, n.d.). So, by studying the unethical behavior of this industry in Pakistan, we made a significant

contribution to the literature; and (v) expanding ethics-related research in a different context (in a country, that is, Pakistan and in a culture which is faith-based) was the final contribution of this study. Notably, research on unethical behavior in Pakistan is insufficient as compared to the research conducted in developed countries. Hence, there is a need to expand the research context which may enhance the explanatory potential of ethical leadership and moral identity in reducing unethical behavior and also increases the applicability of our theoretical framework in the oil and gas sector of Pakistan.

Ethical Leadership

Ethical leadership 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](#)). Leaders, as role models, stimulate the ethical behavior of their followers. In such modeling, leaders’ ethical behavior and their expectations from the followers play a major role in advocating prosocial behaviors at the workplace. Successful ethical leaders emphasize being credible ethical role models, rather than seeking visibility and power in organizations (Brown & Mitchell, [2010](#)).

Ethical leadership is a significant predictor of many organizational outcomes, such as problem reporting Fawang & Jianqiao([2017](#)), unethical behavior O’Keefe et al.([2018](#)), misconduct Mayer et al. ([2010](#)), job satisfaction (Kim & Brymer,[2011](#); Yates, [2011](#)) and turnover intentions (Demirtas & Akdogan, [2015](#)). Since the direct impact of ethical leadership on several organizational behaviors has been explored in many researches, Brown and Mitchell ([2010](#)) recommended examining the indirect role of ethical leadership in predicting organizational outcomes, particularly ethics-related outcomes. So, in responding to Brown and Mitchell’s ([2010](#)) call for research, the relationship among ethical leadership, moral identity, and unethical behavior was examined in this study.

Moral Identity

It is defined as “a self-conception built from moral traits, beliefs, attitudes, and behaviors”. It has two aspects: symbolization or the public self, which is the demonstration of moral attributes in a person’s behavior in

real life; and internalization or the private self, which is a person's self-perception regarding the fundamentality of moral characteristics or the extent to which moral attributes are central to one's own concept/self. Our study focused on internalization as it has been a more reliable determinant of negative behaviors than that of symbolization (Mayer et al., 2012). Moral identity was found to have a positive relationship with ethical behavior (Halbusi et al., 2019; Hertz & Krettenauer, 2016), civic engagement Hardy et al. (2015), environmentalism Hardy et al. (2014) and charitable donations (Aquino & Reed II, 2002; Hardy et al., 2015). Moral identity was also found to have a negative relationship with aggression among adolescents (Hardy et al., 2015; Hardy et al., 2014).

Due to the trait-like nature of moral identity, people having a strong sense of moral identity usually have high levels of motivation to act in accordance with their moral values, irrespective of organizational pressures. However, Trait Activation Theory (TAT) (Tett & Burnett, 2003) suggests that traits also need to be activated or deactivated to behave accordingly. Hence, someone may have an innate tendency, but that tendency will not materialize into a relevant action, unless the trait relevant cue activates that particular trait. Situational factors emphasizing the salience of one's moral identity or which reminds one of moral actions (such as recalling honesty is the best policy) also motivate people to act morally (Aquino et al., 2009). On the other hand, situational factors which make moral identity less prominent (such as financial incentives) demotivate people to act morally. Carrying forward the work of Aquino et al. (2009), our study predicts that organizational dynamics (such as ethical leadership) develop the moral identity of the followers which, in turn, can influence the unethical behavior of employees.

Unethical Behavior

It comprises "any action that violates widely held moral principles" (Ruedy et al., 2013). Cheating, stealing, dishonesty, and breaking ethical standards or norms are a few examples of unethical behavior. People aim to maintain an ethical reputation and moral self-image; indeed, they also value morality (Bazerman & Gino, 2012). Yet, lured by the fulfillment of self-interest, even the good people (who are also careful about morality) sometimes do bad things (Bazerman & Gino, 2012).

There are many forms of unethical behavior which cause harmful effects at individual, organizational, and societal levels (Ariely & Jones, [2012](#)).

Unethical behavior is widespread but harmful for organizations (Umphress et al., [2010](#); Vardi, [2001](#); Vardi & Wiener, [1996](#)). There are documented pieces of evidence available showing that employees at all levels steal company property, cheat the government, violate psychological contracts, and mislead the customers (Vardi & Wiener, [1996](#)), which indicates that unethical behavior encompasses minor to major violations. Previous researches list some reasons behind unethical behavior which include (i) to benefit oneself, (ii) to avenge the organization, (iii) or to cause harm to colleagues (Umphress et al., [2010](#)). Given these reasons, research with the aim to investigate factors believed to control such behavior is much needed. Organizations have the capacity to nurture constructive employee behaviors and deter unethical behavior. To that end, scholars attempted to explore the causes which can reduce unethical behavior, whether they be leader-initiated such as ethical leaders' display of moral conduct, or whether they emanate from the followers themselves, such as moral identity symbolization or public moral behavior. Despite mixed results, it was revealed that ethical leaders and moral identity can significantly influence the unethical behavior of employees (Gan, [2018](#); O'Keefe et al., [2019](#)).

Literature Review

The purpose of this quantitative study is to explore unethical behavior within the oil and gas industry of Pakistan. With the recent onset of fraud, oil scams and scandals taking place, ethical decisions by managers have become an increasing priority in this regard. There has been a surge in ethics-related studies in the recent past. Each study discloses some significant aspect(s) of ethics. Moreover, the strategies ethical leaders employ to combat unethical decisions hold vital importance. An area that needs further investigation is how ethical leaders use tactics to activate the moral psychology of followers by impacting their moral identity, which has been considered a relatively stable trait in the literature. This study is an effort towards this end.

Effect of Ethical Leadership on Unethical Behavior

Social Learning Theory (SLT) suggests that followers imitate the ethical conduct of their leaders and learn in vicarious ways about right and wrong

actions (Brown et al., [2005](#)). Ethical leaders uphold organizational standards and support ethical values by disciplining unethical behavior. Ethical leaders are expected to motivate their followers to partake in ethical behavior and to abstain from unethical one. Hence, it is also expected that when followers perceive their leaders as having ethical characteristics, they tend to refrain from unethical behavior (Miao et al., [2013](#)).

The above hypothesis was tested and found true in several empirical researches (Mayer et al., [2009](#); Mayer et al., [2010](#); Stouten et al., [2010](#)). (O'Keefe et al.,[2019](#); Gan,[2018](#)) found that ethical leadership negatively impacts unethical employee behavior. Related literature also supports this proposition of SLT, for instance, Mayer et al. ([2009](#); [2010](#)) discovered the negative relationship of supervisor-level ethical leadership with group-level deviant behavior and with subordinate misconduct, respectively. Brown and Mitchell ([2010](#)) found that followers under the guidance of ethical leadership engaged in prosocial behaviors or desisted unethical or deviant behaviors. (Hsieh et al.,[2020](#); Miao et al., [2013](#)) found ethical leadership as responsible for reducing unethical pro-organizational behavior. Rabie and Malek ([2020](#)) discovered that ethical leadership positively predicted employees' ethical behavior.

This research contends that ethical leadership can decrease unethical behavior for the following two reasons. Firstly, according to the Social Learning Theory (SLT), Bandura ([1986](#)) stated that ethical leaders, as moral persons, act as role models and transform their followers' cognitions and moral values (Gan, [2018](#); Treviño & Brown, [2005](#)). Secondly, followers shape their self-concepts, attitudes, and values in line with the moral image of their leaders through interacting with them. This, in turn, prevents the followers from committing unethical behavior (Miao et al., [2013](#)). Based on the above discussion, the following hypothesis was developed:

Hypothesis 1: Ethical leadership has a significant negative impact on followers' unethical behavior.

Effect of Moral Identity on Unethical Behavior

According to SLT, learning takes place when there is an awareness of the thoughts or cognitive processes involved in observational learning (Bandura, [1986](#)). Unethical behavior is constrained when followers' self-

regulatory processes function effectively. Indulging in unethical behavior is against such followers' inner moral norms, deviation from them results in guilty feelings (Moore et al., [2012](#)).

Moral reasoning forecasts moral behavior. Such reasoning is rooted in moral identity, a self-regulatory process that influences moral action. Moral identity is conceptualized as the level to which an individual recognizes oneself as a moral individual. Moral identity affects the individual's moral behavior (Hertz & Krettenauer, [2016](#)), as it converges with the personal identity of the individual (Colby & Damon, [1993](#)). Individuals make efforts to uphold their self-identities and engage in specific conducts in line with their self-defining attributes, which help them to uphold those self-identities. Hence, individuals value their specific traits and strive to maintain their identities.

Previous studies have linked moral identity to ethical behavior and several other outcomes. For example, Reynolds and Ceranic ([2007](#)) found that moral identity had a positive impact on charitable giving and moral behavior (when it interacted with the moral judgment of the individual). Giving importance to an individual's own moral traits steers an individual's moral behavior in the right direction. Thus, we argue that moral identity negatively relates to unethical behavior, such that individuals with a strong moral identity seldom engage in unethical behavior. The following hypothesis is based on the above argument:

Hypothesis 2: Moral identity has a significant negative impact on followers' unethical behavior.

Effect of Ethical Leadership on Moral Identity

SLT (Bandura, [1986](#)) can be used to describe the impact of ethical leadership on moral identity. SLT posits that people learn by closely monitoring and emulating the actions, attitudes, and morals of credible role models. Ethical leaders are deemed as high ethical exemplars who urge their followers to develop their inner ethical ideals and principles, which establishes a base for the followers' moral identity and eventually guides their moral behavior (Avolio, [2005](#); Lyons, [2006](#)). Ethical leaders provide incentives and also reprimand followers in order to affect their ethical behavior. Previous studies suggest that reinforcement is a vital factor in

effective learning because followers consider their leaders to have control over essential resources, punishments, and rewards. As per SLT, significant learning happens vicariously, followers learn and regulate their appropriate or inappropriate behavior through attentive observations of how their colleagues are disciplined or rewarded (Zhu, [2008](#)). Lastly, influenced by their ethical leaders and guided by their self-determined moral identity, followers often regulate and rise above their own self-interests, needs, and egos (Zhu, [2008](#)).

Bandura ([1991](#)) also suggested social and familial propagation patterns for morality, which indicates that morality is transmitted through domestic and social networks, while leadership as a part of these networks is an important factor of social impact (Brown et al., [2005](#); Burns, [1978](#)). Leaders, as moral role models, help in the moral development of their followers by nurturing their moral self-discovery, moral self-awareness, and moral self-knowledge. It explicates that followers gain enhanced self-knowledge about their moral emotions, motives, values, goals, and identity through their leaders. Ultimately, followers are anticipated to internalize their leaders' moral objectives and values as their own objectives and values (Gardner et al., [2005](#); Hoffman, [1977](#)).

We can find further support for our hypothesis in Trait Activation Theory (TAT) of (Tett & Burnett's, [2003](#); Tett & Guterman's, [2000](#)). TAT concentrates on person-situation interaction to describe a behavior resulting from the responses to the trait-relevant cues observed in a particular situation (Tett & Guterman, [2000](#)). It emphasizes the importance of situation-trait relevancy for understanding the situations in which a particular behavior is developed by a given personality trait. Rather than being described as "plaster," personality has the quality of "plasticity," meaning that individual views are malleable (Roberts, [2006](#)). Even the proponents of the immutability of personality traits Costa Jr and McCrae, ([1988](#)) have suggested that personality is mutable (Costa Jr & McCrae, [2006](#)). Plasticity of personality can result from the experiences at the workplace (Roberts, [1997](#)).

Since moral identity is trait-oriented (O'Keefe et al., [2019](#); Zhu et al., [2016](#)), we contend that it is somewhat plastic and mutable to social influences. Leaders can deeply influence their followers through the

communication of non-verbal meanings in different situations (Lord & Brown, [2003](#)). For instance, ethical leaders' habitual use of ethical terminology in varied situations becomes a primer and activator of the moral identity of their followers. A leader can impact followers' self-conceptualization via the priming effect and by establishing an environment that hints towards and activates different aspects of the followers' identity. Shao et al. ([2008](#)) argued that moral identity can grow via social interaction with parents and peers in a young age and beyond this age, work context affects the development of moral identity. Strong ethical leadership is among the most important influencers in work context (Zhu et al., [2016](#)). This is the reason that when followers observe their leaders advocating for the right cause, the moral identity of leaders becomes a prime for the followers who also stand up for the right cause (Zhu et al., [2016](#)). The following hypothesis is based on the preceding arguments:

Hypothesis 3: Ethical leadership has a significant positive impact on followers' moral identity.

Moral Identity as a Mediator

SLT contends that people set certain behavioral standards to self-regulate their behavior. Moral identity sets parameters in terms of moral standards to influence individuals' self-regulatory mechanisms, which compel them to behave consistent with their identity (Reynolds & Ceranic, [2007](#)). The behavior of followers with a weak self-concept, behavioral standards, and moral identity is not compatible with the high moral values established by their ethical leaders (Aquino et al., [2009](#)). So, those followers don't acknowledge the influence of their ethical leaders and don't take responsibility for their unethical behavior. Followers' moral image, as copied from their leaders, restrains them from indulging in unethical behavior (Miao et al., [2013](#)). Researchers have argued that unethical behavior is hindered when followers are effectively regulating themselves. When indulging in an immoral behavior is against the followers' own moral standards, then any violation of the standards causes feelings of remorse (Bandura, [1986](#); Vitell, [2011](#)).

According to Tajfel's Social Identity Theory (SIT), individuals define themselves in social terms and this self-definition is based on individuals'

membership and association with various social groups. Moral identity is rooted in SIT (Aquino & Reed, [2002](#); Bandura, [1969](#), [1977](#)). It is also internalized into the ethical behavior of the leadership (Avey, [2011](#); Skubinn & Herzog, [2016](#)). To identify with their leaders, followers need to internalize the values of the leaders as theirs (Sluss & Ashforth, [2007](#); Van Knippenberg, [2004](#)). Followers' identification with their leaders makes them vulnerable to the social influence exercised by their leaders in workplace relationships (Sluss & Ashforth, [2007](#)). Therefore, the ideology of the leaders potentially influences and shapes the ideology of the followers, as to what constitutes proper conduct when being identified with their leaders (Miao et al., [2013](#)). Ethical leaders usually have a greater impact on the values to be internalized. Due to their perceived attractiveness and credibility as exemplars, followers adopt the values of their leaders as their own (Zhang, et al., [2012](#)).

Since followers are expected to internalize their leaders' moral objectives and values, ethical leaders are expected to have a positive impact on their followers' moral identity. In the absence of moral leadership, employees don't internalize the code of ethics (Conrad, [2013](#)). Moral outcomes are predicted by the internalization of moral identity (Jennings et al., [2015](#)). An "inner dialogue" doesn't take place and there is no motivation for ethical conduct if moral identity is not internalized (Skubinn & Herzog, [2016](#)). In other words, non-internalized moral identity does not inhibit the temptations for unethical behavior.

Building upon the notions of the aforementioned theories (SLT and SIT), it can be argued that followers with the temptation to behave unethically can learn to inhibit their unethical behavior and enrich their moral behavior from their leaders. After repeated practice or continued followership, moral behavior is internalized in followers and they start developing a moral identity which further inhibits unethical behavior.

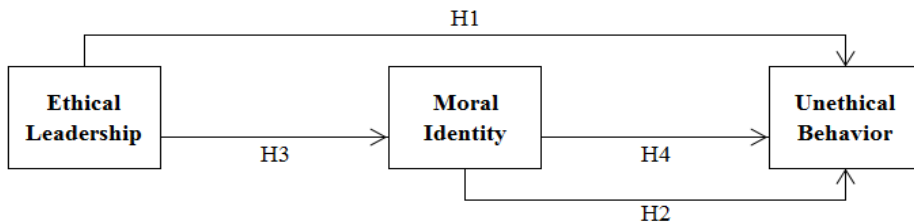
To the best of our knowledge, past researches did not use moral identity as a mediator between ethical leadership and unethical behavior. Rather, moral identity as a moderator was studied and reported by Matherne and Litchfield ([2012](#)), in order to assess the influence of affective commitment on unethical pro-organizational behavior, by Fawang and Jianqiao ([2017](#)) while studying the impact of ethical leadership on ethical issues, by Gan

(2018) in his study on the impact of ethical leadership on unethical employee behavior, by O’Keefe et al. (2019) in their study aimed to find out the impact of ethical leadership on workplace behavior, and by Halbusi et al. (2019) while assessing the impact of ethical leadership on ethical behavior. This study, however, focuses on the mediating effect of moral identity between ethical leadership and unethical behavior. Hence, we propose the following hypothesis:

Hypothesis 4: Moral identity mediates the relationship between ethical leadership and unethical behavior.

Figure 1

Research Model



Methodology

Participants and Procedure

Middle management employees of six oil and gas companies in Karachi were selected for data collection using simple random sampling technique. The response rate was nearly 85% based on 297 responses from a sample size of 350. Data collection was monitored through reminder emails and phone calls. Men comprised 82% of the sample and women comprised 18% of the sample. Moreover, the respondents had an average age range of 41-50 years (n=139) and an average experience range of 11-15 years (n=155).

Measures

We used validated and reliable structured questionnaires, used previously in the past researches, to collect data on ethical leadership, moral identity, and unethical behavior of employees. All scales were anchored on a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). The

questionnaire also contained a section designed to collect demographic information of the respondents.

Ethical Leadership

A 10-item ethical leadership scale, developed by Brown et al. (2005), was used to gauge this variable. The sample items for this scale include “My supervisor listens to what employees have to say” and “My supervisor sets an example of how to do things the right way in terms of ethics”.

Moral Identity

Aquino and Reed’s II (2002) subscale of internalization (consisting of five items) was used to assess moral identity. Respondents were requested to rate nine qualities including ‘compassionate’, ‘caring’, ‘friendly’, ‘helpful’, ‘generous’, ‘fair’, ‘hardworking’, ‘kind’, and ‘honest’ in order to envisage an individual’s personality. They were also requested to evaluate the level to which they agreed with a set of statements about a given person once they clearly. A sample item is “Being someone who has these characteristics is an important part of who I am.”

Unethical Behavior

This variable was measured using a 17-item scale designed by Zey-Ferrell et al.,(1979). Sample items are “I pad an expense account more than 10%” and “I pad an expense account up to 10%.”

Data Analysis and Results

We conducted the necessary diagnostics before testing the hypotheses. Data normality was confirmed from the z-scores of skewness and kurtosis (Field, 2009). Skewness, for all variables, ranged from ± 1.27 to ± 1.84 against the criterion value of ± 2 (Byrne, 2013; Civelek, 2018). Kurtosis was -1.48 and -3.56 , against the criteria range of ± 3 (Garson, 2012), although for some researchers criteria values are ± 7 and ± 10 (Byrne, 2013; Kline, 2015). Durbin-Watson score was 1.75 for an acceptable range of 1.5 to 2.5 (Garson, 2012), confirming the fulfillment of the independence of the observations’ assumptions. Scatterplots (see Figure2) confirmed the linear relationships and showed that the score of the dependent variable decreased –depicted by the downward slope of the fitted line due to the negative relationship – with the increase in the scores of independent variables.

Similarly, scatterplots (see Figure3) also showed that the residuals were distributed almost around zero Garson (2012), suggesting that the assumption for homoscedasticity was met. The assumption of multicollinearity was also met as Variance Inflation Factor (VIF) was not less than 0.9 and tolerance was not greater than 1.07 for any scale. Tolerance values should be above 0.2 (Field, 2009) and VIF should be less than 10 (Myers & Myers, 1990) to rule out multicollinearity. We relied on DFBETAS scores to detect the outliers or influential cases, which are recommended to be or between ± 2 (Belsley, 2005), or more stringently ± 1 (Bollen & Jackman, 1985). Our scores were close to ± 0.3 for all the variables. We utilized histogram and P-P plot to assess the normal distribution of the residuals (Field, 2009; Garson, 2012). Figure4 shows the approximate fulfillment of the assumptions.

Figure 2

Linearity

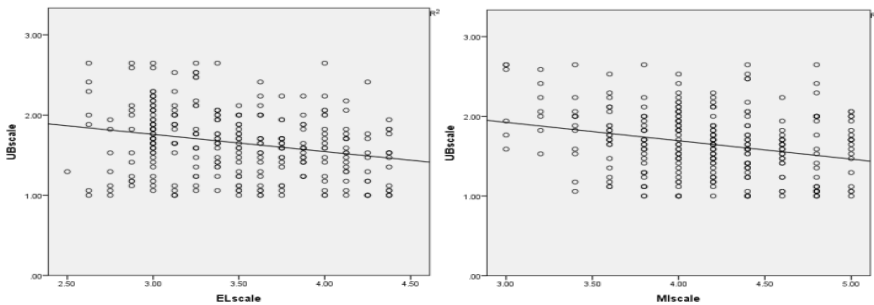


Figure 3

Homoscedasticity

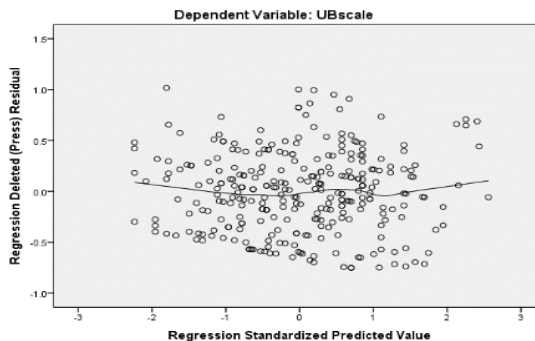
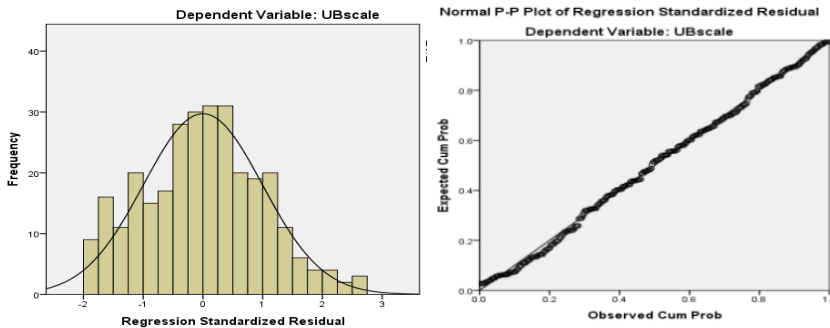


Figure 4*Normal Distribution of the Residuals*

Confirmatory Factor Analysis (CFA) was conducted through AMOS 24.0 to ascertain whether study variables correspond to distinctive concepts. Items with factor loadings below 0.6 were deleted from the model (Byrne, 2013; Hair et al., 2014), while keeping at least four items for each factor (Awang, 2012). Multiple fit indices were used with a minimum of one index value for each, for instance, absolute fit, incremental fit, and parsimonious fit (Hair et al., 2014). To achieve the acceptable fitness, models were re-specified by excluding problematic items Byrne (2013) and by including covariated errors terms with Modification Index (MI) values higher than 4 (Awang, 2012). Table1 and Figure5 show that the three-factor model has $\chi^2=559$ and $df=307$, yielding a 1.82 score of parsimonious fit against the criterion value of <5.0 . It has CFI=.94 and TLI=.94, which are also higher than the acceptable value of .90 (Bentler, 1990; Bentler & Bonett, 1980). The values of RMSEA=.05 and SRMR=.02 are duly within the acceptable range, that is, $<.07$ (Steiger, 2007) and $<.05$, respectively (Hu & Bentler, 1999). Factor loadings are also statistically significant ($p <.01$). So, the three-factor model best fits the data as compared with possible alternate models. Hence, the discriminant validity of our measures is also supported.

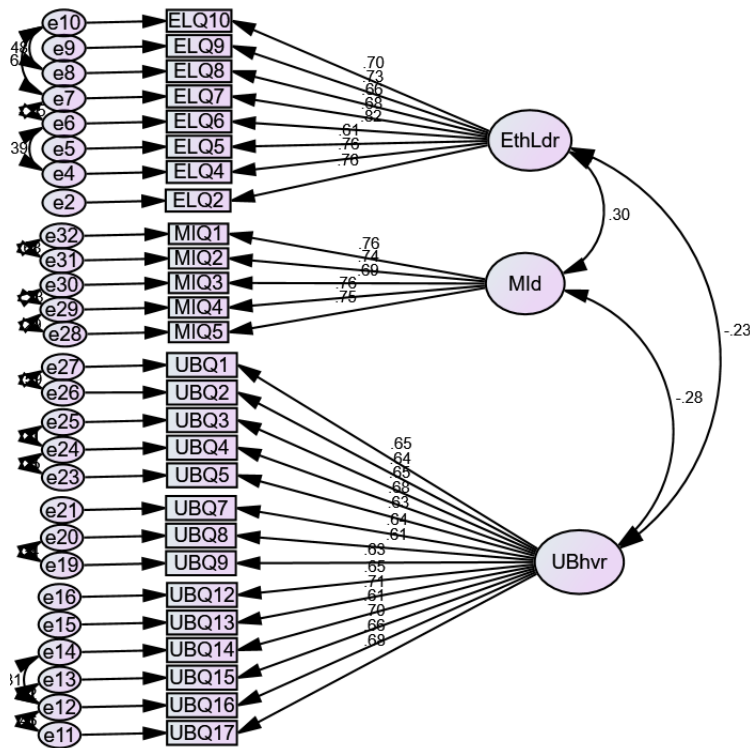
Table1*CFA Model Fitness Results*

Model	χ^2 / df	Chi ²	SRMR	CFI	TLI	RMSEA	$\Delta\chi^2 / \Delta df$
3-Factor: EL& MI& UB	559 / 307	1.82	.023	.94	.94	.053	—
2-Factor: EL-MI& UB	737 / 309	2.39	.036	.90	.89	.068	178* / 2

Model	χ^2 / df	Chi ²	SRMR	CFI	TLI	RMSEA	$\Delta\chi^2 / \Delta df$
2-Factor: EL&MI-UB	739 / 309	2.39	.035	.90	.89	.069	179* / 2
2-Factor: EL-UB& MI	1170 / 308	3.80	.050	.80	.78	.097	611* / 1
1-Factor: EL-MI-UB	1367 / 309	4.42	.055	.76	.73	.108	808* / 2

$\Delta\chi^2 \Delta df$ marks the model differences. * $p < .01$

Figure 5
CFA Model



Since we utilized self-reported questionnaires for data collection; therefore, Common Method Bias (CMB) could exaggerate the relationships among variables (Podsakoff et al., 2003). Hence, we conducted a single factor test to rule out CMB. The results revealed that maximum variance, which accounted for a single general factor, was 42% as compared to the acceptable variance of 50% (Eichhorn, 2014).

Descriptive statistics, such as means and correlations, along with scores on the reliability of respective constructs with $>.6$ as criterion value (Sekaran & Bougie, 2016) and scores on composite reliability (CR) with a cut-off value of $>.6$ (Awang, 2012) are given in Table 2.

Table 2

Means, SD, Correlations, Alpha and Composite Reliability

Variable	Mean	SD	1	2	3	Cronbach	CR
Ethical Leadership	3.49	.48	-			.885	.90
Moral Identity	4.18	.48	.26*	-		.881	.86
Unethical Behavior	1.65	.41	-.25*	-.27*	-	.915	.91

* *Correlation is significant at the 0.01 level (2-tailed).*

As shown in Table 2, ethical leadership was found to have an expected negative correlation with unethical behavior ($r=-.25$), suggesting that followers who perceive their leaders as more ethical engage less in unethical behavior themselves. Moral identity was also found to have a negative correlation with unethical behavior ($r=-.27$), positing that followers who better recognize the importance of moral qualities remain more restrained from committing unethical behavior. Ethical leadership was found to have a positive correlation with moral identity ($r=.26$), indicating that ethical leadership makes followers internalize the sense of morality. Correlation analysis provided further base for hypotheses testing.

Testing of Hypotheses

We used Structural Equation Modelling (SEM) in AMOS 24.0 to test our mediation model. Figure 6 and Table 3 manifest that in ‘path a’, ethical leadership positively and significantly predicted the moral identity ($b=.26$, $p<.001$) with a Critical Ratio Value (CRV) of 4.56 ($>\pm 1.96$; Arbuckle, 2009, p. 30), thus Hypothesis 3 was accepted. In ‘path b’, moral identity significantly and negatively impacted unethical behavior ($b=-.19$, $p<.01$, $CRV = -3.96$), which proved Hypothesis 2. Similarly, in ‘path c’, ethical leadership significantly and negatively impacted the unethical behavior ($b=-.17$, $p<.01$, $CRV = -3.47$), thus proving Hypothesis 1.

Table 3

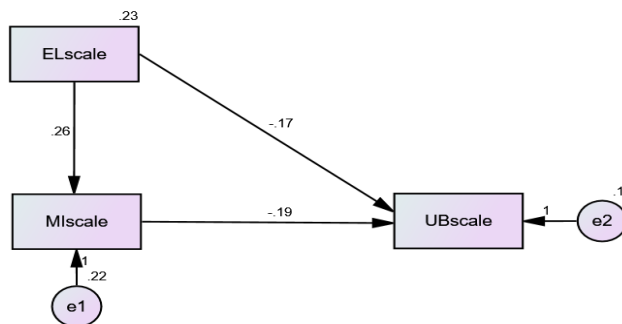
SEM Mediation Analysis

EL-MI-UB	B	SE	CRV	Bias Corrected 95% CI			Percentile 95% CI		
				LLCI	ULCI	P	LLCI	ULCI	P
EL → MI	.26	.057	4.56	.171	.358	.000	.171	.357	.000
EI → UB	-.17	.049	-3.47	-.255	-.078	.002	-.254	-.077	.002
MI → UB	-.19	.048	-3.96	-.188	-.271	.002	-.273	-.100	.002
Total Effect	-.22	.052	4.23	-.303	-.132	.000	-.300	-.129	.000
Direct Effect	-.17	.054	3.15	-.255	-.078	.002	-.254	-.077	.002
Indirect Effect	-.05	.018	2.78	-.085	-.025	.001	-.081	-.023	.002

Furthermore, the indirect effect ($b = -.05$, $p < .01$, $CRV = 2.78$) of ethical leadership on unethical behavior does not include any zero (0) in between for both bias corrected and Percentile method confidence intervals (CIs), indicating a significant mediation. The CR value of direct effects is 3.15 (> 1.96), whereas values at the lower and upper bounds of bootstrap CIs contain no zero, and their p -values are also $< .01$. So, following Baron and Kenny (1986) on mediation, it is concluded that moral identity partially mediates the relationship between ethical leadership and unethical behavior. Sobel (1982) test further confirmed the significant indirect effect of EL on VB via PS ($z = -2.99$, $p < .01$), supporting Hypothesis 4.

Figure 6

Structural Model



Discussion

Leaders can make followers behave ethically by setting an example through their own moral conduct (Brown & Treviño, [2006](#)). Brown and Mitchell ([2010](#)) indicated that identification with leaders can support the efficacy of ethical leaders in fostering prosocial behaviors. The fundamental contribution of our study is an integrated model that builds on and extends three previously established frameworks described in leadership, moral psychology, and ethics literature. We found that moral identity mediates the relationship between ethical leadership and followers' unethical behavior. The basic finding of our research is that ethical leadership and moral identity both predict unethical behavior, such that the respondents who perceived their leaders as highly ethical and having a strong moral identity avoided unethical behavior. Our findings are similar to Zhu et al. ([2016](#)), who found that situational factors which highlight moral identity tend to increase followers' motivation to behave morally. Followers of ethical leaders tend to emulate their leaders' behavior, indicating a morally uplifting role for ethical leaders (Brown & Treviño, [2006](#); Burns, [1978](#); Zhu et al., [2011](#)). Ethical leaders prime the ethical self-concepts of their followers and also activate or create new ethical schemas in them (Lord & Brown, [2003](#)). Moral identity, primarily thought of as stable, is a trait-like characteristic (Zhu et al., [2016](#)). Our research, however, suggests that moral identity is feasibly malleable through interaction with strong ethical leaders. So, ethical leaders can restrict the followers' unethical behavior by activating their moral identity. Hence, our model supports the use of Trait Activation Theory (TAT) to investigate the moral and psychological phenomenon in ethics research. Further, our findings align with previous studies (Gan, [2018](#); Hsieh et al., [2020](#); Miao et al., [2013](#); O'Keefe et al., [2019](#)) which found ethical leadership to be negatively impacting unethical employee behavior. The results of our study are also similar to the already existing studies on moral identity, indicating the avoidance of individuals to engage in unethical behavior and enacting morally correct behavior with the internalization of moral identity (Hertz & Krettenauer, [2016](#); Malik & Arshad, [2019](#); Mulder & van Dijk, [2020](#); Vadera & Pathki, [2021](#)).

Theoretical Implications

The theoretical implications of our study can be characterized in three different ways. Firstly, few researchers have empirically tested the role of the cognitive mediating mechanisms in the relationship between ethical leadership and unethical behavior. Bandura ([1977](#)) identified the importance of this mechanism in the social learning domain. We have augmented the previous research on the Social Learning Theory (SLT) by investigating moral identity as a cognitive mediator in ethical leadership-unethical behavior relationship. Secondly, we introduced moral identity as a mediator that expanded the insights available on ethical leadership-unethical behavior relationship. Thirdly, many previous studies explaining unethical behavior were conducted in a laboratory setting (Gino & Margolis, [2011](#); Hershfield et al., [2012](#)). Our study was carried out in a business environment, so it has higher external validity and social importance. Fourthly, this is among the very few pioneer studies which check the applicability of Trait Activation Theory (TAT) in ethics related research, hence its results positively contribute to the literature and provide empirical evidence from the business / work context.

Practical Implications

This research also has certain empirical implications. Our study concluded that leaders can inhibit the unethical behavior of employees by adopting and regulating appropriate behaviors and by insisting on the accountability of the ethical outcomes of their followers' behavior. We also suggest that the moral behavior of leaders in an organization should be properly evaluated to know whether they are actually behaving ethically. Moreover, leaders should ascertain the principle of encouraging and motivating followers to accept accountability for their behavior and actions. Moral identity as a mediator in the relationship between ethical leadership and unethical behavior posits that leaders should work on the cognitive behavior of their followers and should encourage their moral identity in order to restrain their unethical behavior. At the end, material symbols, posters, and slogans can be used as cues in the social environment to promote moral identity (Aquino et al., [2009](#); Mayer et al., [2012](#)).

Limitations and Directions for Future Research

The current study has some limitations as well. Firstly, data was collected from the same source (from followers or employees), so it might suffer from the same source concerns (Avolio, [1991](#); Siemsen et al., [2010](#); Spector, [2006](#)). In future studies, data should be collected from multiple sources to mitigate the same source bias. Secondly, despite assuring that the confidentiality of the respondents will be maintained, they still might have not stated their unethical behavior honestly due to the social desirability bias. So, objective indicators of unethical behavior should be utilized in future studies. Thirdly, other positive leadership styles, such as charismatic or transformational leadership styles that have been positively related to ethical leadership, should be used as controls. Fourthly, we used cross-sectional data for hypotheses testing and analyses, so the causality of our research model over time cannot be inferred. There might be a cyclical relationship between ethical leadership, moral identity, and unethical behavior, in which ethical leaders may produce an ideal organizational environment that nurtures both high moral identification and low unethical behavior among their followers. So, there remains a call for longitudinal or time-lag research in other types of organizations (Kelloway & Francis, [2013](#)). Future researches should test this model in different cultural contexts to test the generalizability of the results. Lastly, since we contend it to be among the pioneer studies (such as (Zhu et al., [2016](#)) on TAT validation), further research is needed to confirm the role of ethical leadership as a social influencer (external stimuli) used to prime and activate moral identity in other work contexts as well.

Conclusion

By understanding the root causes of unethical behavior, organizations can reduce undesirable organizational outcomes like unethical behavior. This study expands the knowledge on how ethical leaders can foster positive organizational outcomes, such as ethical behavior in novel work environments, for instance, the petroleum sector. It emphasizes the significance of both contextual cues (ethical leadership) and individual factors or personality traits (moral identity) in diminishing unethical behavior. Likewise, it explains that ethical leaders can encourage positive workplace approaches and consequences by fostering moral identification.

For practicality, our study indicates the advantages of nurturing ethical leadership in times when identifying and curbing the unethical behavior of employees has become critical to any organization.

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