

Followers' Unethical Behavior and Leader-Member Exchange: the Mediating Effect of Job Satisfaction

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Abstract: In previous studies, LMX has been proved to be related to lots of positive outcomes, such as OCB, job performance. However, has seldom attention been paid to the relevance between LMX and organizational negative behavior (unethical behavior). By investigating 249 Chinese managers, we successfully confirmed the mediating effect of job satisfaction in the relationship between LMX and unethical behavior. Also, we examined the relationship between leader-member exchange, job satisfaction and followers' unethical behavior.

Key words: Leader-member exchange (LMX); Job satisfaction; Unethical behavior; Mediation

1 Introduction

Leader-member exchange (LMX) has become a topic of interest in recent years. Researchers have increasingly turned their attention to the relationship between LMX and organizational outcomes, such as employees' behaviors and performance. However, many of these researches have focused on the investigation of positive relationship between employee behaviors and LMX (Gerstner et al., 1997; Liden, et al., 1997), without realizing the potential effect correlated to negative behaviors, such as unethical behaviors.

However, in recent years, the financial storms caused by the subprime crisis and the melamine contamination scandal have all revealed the evil consequences of unethical behaviors in the business activities.

Meanwhile, in the organization, unethical behavior of employees (theft, abuse of resources, and so on) is not only jeopardizing the benefit of organizations, but also is responsible for sinking the company into business scandal. Therefore, more and more researchers are working hard to contribute to preventing unethical behaviors by figuring out the reason of unethical behavior from both theoretic and empirical aspects.

Generally, scholars have found that individual characteristics should not be the explanation for unethical behavior as a whole. Alternatively, organizational factors should be taken into account for further studies. In organization, leaders are supposed to have tremendous control over employees' behavior. Theoretically, the way of handling relationship between leader and his/her subordinates is different, which is unavoidably involved in employees' unethical behavior, according to Treviño and Brown's research (2005).

Therefore, we will discuss the role of LMX in influencing unethical behavior, and the mediating effect of job satisfaction in this relationship. Job satisfaction sources from positive motion status which is gained in evaluating the work or work experience of his or her own. Also, it is a kind of special attitude and emotional reaction to one's own work(Liu & Zhang, 2004). As a dependent variable, satisfaction which is positively influenced by LMX has been proved by lots of researches.

Moreover, employees with high satisfaction are always thankful to the organization, and are likely to produce positive behaviors to pay back their organization. On the contrary, people with low satisfaction are mostly under high work pressure, feeling dissatisfaction with the organization. Those people then develop negative attitudes or unethical behaviors to balance the unsatisfactory feeling.

Though this mediating relationship field has seldom been studied, based on the discussion above, we believed that, job satisfaction has, to some extent, explained the mechanism behind LMX effects on unethical behaviors.

2 Background and Hypotheses

The theoretical model of the research is as the following:

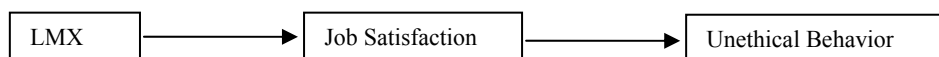


Figure 1 Theoretical Model of the Research

2.1 Leader-member exchange and unethical behavior

According to social exchange theory, “in-group” employees will receive more caring from their supervisor, gain more work-related information, have more privilege, and obtain much more benefit, such as job security, career advancement (Dreher and Ash, 1990; Whitely et al., 1991), and greater compensation (Dreher and Ash, 1990; Scandura, 1992). In turn, supervisor will win more trust and support from “in-group” employees as reciprocating.

The social exchange relationship between leaders and employees are based on trust (Treviño & Brown, 2005). In leader-member exchange relationship, the perspective of fairness is very important to employees (Konovsky & Pugh, 1994). If employees feel they are fairly treated, they will pay back to their supervisor from different aspects, such as emotion, recognition, and behaviors. In contrast, if employees feel unfairly treated, there will be larger danger in the overall benefits. (Treviño & Brown, 2005). Based on the above analysis, we can infer that, compared with “in-group” employees, “out-group” employees will receive less extra caring from their supervisors. They are easy to have unfairness perspective. Therefore, employees with lower LMX would like to take unethical behavior to balance their feeling of being unfairly treated.

Based on the above discussion, we arrive at our first hypothesis:

Hypothesis 1: Leader-member exchange is negatively related to employees' unethical behaviors.

2.2 Leader-member exchange and job satisfaction

In America, according to previous researches (Gerstner & Day, 1997; Liden et al., 1997), if there is a harmonious social exchange relationship among leader, subordinates and the organization, it is always associated with highly increased performance, higher job satisfaction, better organizational commitment, and much more positive role cognition, and so on (Gerstner & Day, 1997; Liden et al., 1997). Besides, other surveys on various culture background have also proved that LMX positively affects employees' job satisfaction (Bhal & Ansari, 2007; Pillai et al., 1999; Liden et al., 1997; Masterson et al., 2000; Scandura, 1999; Graen & Uhl-Bien 1995; Miner, 2005).

However, it was not confirmed in every culture background. In Turkey, Pillai et al. (1999) found LMX did not influence employees' job satisfaction directly.

Back to Chinese culture, Zhong, Xie and Chen (2003) suggest that higher LMX is associated with much more positive interaction between leader and subordinates and employees' higher job satisfaction towards job, work situation, opportunities, supervisor, and organizational environment, vice versa. Meanwhile, they suggest that more empirical evidence were needed to support this positive relationship. Hence, in this paper, we will try to figure out the positive relationship between LMX and job satisfaction from the empirical perspective.

Based on the discussion above, we put forward the second hypothesis:

Hypothesis 2: LMX is positively related to job satisfaction.

2.3 Job satisfaction and unethical behavior

Unethical behavior is a kind of harmful behavior, which is illegal or unacceptable by public in ethical dimension (Jones, 1999). Though in workplace deviance behavior researches, which is similar to unethical behavior, Judge and Brent (2006) has reported that job satisfaction was negatively related to workplace deviance behavior. Employees who with lower job satisfaction were tend to take workplace deviance behavior such as theft to abreact their pressure and find the control feeling back. As mentioned above, theft is also a kind of unethical behavior. Thus, there is some overlap between these two fields. However, unfortunately, no research has been focused on unethical behavior field. In sum, we predict:

Hypothesis 3: Job satisfaction is negatively related to unethical behavior.

2.4 The mediating effect of job satisfaction

Satisfaction functions as a mediator within the organizational behaviors has been explicitly articulated from both theoretical and empirical aspects (Crede, Chernyshenko, Stark, Dalal & Bashshur, 2007). Based on the literature review above, it is not difficult at all for us to infer that part of the mechanism through which LMX influences unethical behavior is job satisfaction.

For example, people with high quality of LMX always belong to the “in-group” employees, who will receive extra concern from their bosses, and this will lead to high job satisfaction and then reduce harm to colleagues and damaging organizational behaviors. Meanwhile, in comparing with “out-group” employees, “in-group” employees are able to gain more work related information and privilege, which can help “in-group” employees to reach higher performance, to complete organizational goals better, and gain more benefits from both social and economic aspects. All of these will reduce the possibility of unethical behavior. On the contrary, “out-group” employees are much easier to perceive unfair treatment

when comparing with “in-group” employees, and they gain less social exchange which will lead to dissatisfaction in their work life. Also, be short of work related information and privilege, “out-group” ones tend to obtain fewer financial rewards from work, which means they got less economic payback in this social exchange process with their supervisor, which will lead to dissatisfaction, too. The chance of taking unethical behavior, such as theft, and abusing resource will be used to express dissatisfaction and let their pressure out. This would, in turn, suggest that job satisfaction mediates the relationship between leader-member exchange and unethical behavior.

The above discussing leads us to the following testable hypothesis:

Hypothesis 4: Job satisfaction mediates the relationship between LMX and unethical behavior.

3 Sample and Measures

The sample consisted of 249 employees of different companies in China. 59 were male, 180 were female, and 2 did not report their gender. Their ages were quite varied, with nearly fifty six percent in their 20s, about thirty seven percent in their 30s, and seven percent over 40. With respect to tenure, approximately thirty percent were under two years, forty percent were over two years but less than five years, seventeen percent were between five and eight years, and thirteen percent were over eight years.

LMX. The questionnaire of LMX, which is developed by Scandura and Graen (1984) contains 7-item. A five point Likert scale was used ranging from "strongly disagree" to "strongly agree." It has reliability of 0.823.

Job satisfaction. The one-item short question was used to measure job satisfaction. Respondents described how they felt about their present job. Respondents indicated degree of agreement or disagreement using a 5-point scale ranging from “completely disagree” to “completely agree.”

Unethical behavior. The measure of unethical behavior was based on the questionnaire developed by Tang and Chiu(2003). We modified it according to Chinese culture into 12-item with four dimensions, which measured Abuse Resource, Theft, Corruption, and Non- Whistle Blower, respectively. It has a good reliability of 0.830.

4 Results and Discussion

Table 1 shows the mean, standard deviation, and correlations of all variables for the whole sample.

Table 1 Means, Standard Deviations, Reliability, and Inter-correlations among Study Variables

	Mean	S.D.	Gender	Age	Tenure	Position	LMX	Job Satisfaction
Gender	1.75	0.432	-					
Age	1.51	0.634	-0.044	-				
Tenure	2.17	1.088	-0.092	0.598**	-			
Position	2.50	0.861	-0.133*	0.487**	0.425**	-		
LMX	3.24	0.68	-0.099	-0.007	0.027	0	-	
Job Satisfaction	3.20	1.068	0.027	0.127	0.191**	0.201**	0.328**	-
Unethical Behavior	2.36	0.68	-0.065	0.130*	-0.004	0	-0.147*	-0.218**

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 1 presents employees with low LMX who were more likely to engage in unethical behavior($\beta = -0.147$, $p < 0.05$). Hypothesis 1 was confirmed. Employees with high LMX were likely to show high job satisfaction ($\beta = 0.328$, $p < 0.01$). Thus, Hypothesis 2 was supported. Similarly, hypothesis 3 was confirmed($\beta = -0.218$, $p < 0.01$).

Therefore, we know that, the possibility of engaging in unethical behavior was much lower when the subordinates were kept in a higher LMX with their supervisor; on the contrary, followers will participate in much more unethical behavior, if they do not maintain a good relationship with their leaders. Based on previous literature review, leaders will accept several subordinates as their “in-group” employees according to their own values and favor. These “in-group” employees always maintain a high LMX relationship with their supervisor. In terms of hypothesis 1, we believe the rate of “in-group” employees’ unethical behavior will be much lower than “out-group” employees. The main reason for

that maybe lies in the fact that when comparing “in-group” employees with “out-group” employees, “out-group” employees received less caring and work related information from their supervisor, and they have less confidence about their leader and are much easier to develop perceptions of unfairness. That’s why “out-group” employees tend to take unethical behavior to revenge on their organizations.

Similarly, the confirmation of hypothesis 2 supported our assumption about the positive relationship between LMX and job satisfaction. “In-group” employees will obtain higher job satisfaction. The key cause of this is because “in-group” employees will receive more direction from their supervisor in their work life. With these extra help, it is much easier for them to complete the organizational goal and win job satisfaction from both excellent job performance and the psychological aspect.

By supporting hypothesis 3, we convince the negative relationship between job satisfaction and unethical behavior. That is to say, employees with low job satisfaction are more likely to be engaged in unethical behavior. Once they cannot gain high satisfaction from their work life, employees would perform not as well as others in both the life satisfaction and job performance. All of these performances will in turn lead to high work pressure, and force those people to display unethical behavior to release pressure and win the control feeling back.

Furthermore, as presented in table 2, after bringing job satisfaction into the relationship, the significant relevance between LMX and unethical behavior disappeared ($\beta = -0.085$, $p > 0.1$). It means job satisfaction plays a full mediating role between LMX and unethical behavior. This result shows LMX can influence employees’ unethical behavior by affecting employees’ job satisfaction. Hypothesis 4 was confirmed.

Table 2 Regression Results

Variable	Unethical Behavior	
	Model 1	Model 2
Gender	-0.126*	-0.110*
Age	0.280***	0.275***
Tenure	-0.117	-0.089
Position	-0.186**	-0.163**
LMX	-0.140**	-0.085
Satisfaction		-0.175**
ΔR^2	0.086	0.025
ΔF	0.001	0.013

*: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$

5 Conclusion

In terms of job satisfaction, this paper discussed the influencing mechanism between LMX and unethical behavior. Compared with previous works, the innovation points and contributions are as follows:

Firstly, in conformity with previous studies, we put forward evidence to support the significant influence of LMX and job satisfaction in Chinese culture. That is to say, in Chinese culture, “in-group” employees tend to have higher job satisfaction.

Secondly, we proved both LMX and job satisfaction have obvious negative influences on unethical behavior. By indicating two organizational level factors which affect unethical behavior, we enrich the study of unethical behavior field. In terms of practical aspect, managers can reduce unethical behavior by increasing social exchange with their subordinates and employees’ job satisfaction.

Thirdly, by confirming the mediating effect of job satisfaction, we enclose the mechanism between LMX and unethical behavior. The reason why we choose job satisfaction as our mediating variable is that, by reviewing the previous literature, we found job satisfaction has always been an important attitude outcome in organization behavior researches. Though numerous researches have shown its positive influence on job performance, seldom has attention been given to the relationship between job satisfaction and negative behavior in organization. Moreover, generally, behavior is dominated by one’s psychological attitude. Overall, by expounding the mechanism of LMX and unethical behavior, we complement the satisfaction theory by adding its influence to negative behavior as well.

There are still some limitations in this paper. First, in order to reduce the size of total items, we used one item to examine employee’s attitude towards job satisfaction. It cannot reflect all aspects of job satisfaction precisely.

Furthermore, all data are from the same respondents, which will lead to Common Method Biases. In order to check whether this paper was influenced by common method variance, we followed the

method (Harman's One-factor Test), which suggested by Podsakoff, MacKenzie, Lee (2003). That is to do principle component analysis on all these variables without rotating. If there is only one factor or the first factor covers over 40 percent explanations, there will be several same source biases in this study. In contrast, if there are more than one factor and the first factor cannot explain over 40 percent of variability, it means the same source bias is not very severe. In this study, the result of principal component analysis (non-rotated) shows that there are six factors, the squared loading of which is over 1.0. Meanwhile, the first factor's explanation was only 23.795 percent. Thus, we believe that the same source bias of this study is not very serious.

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