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Executive Briefing
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NWCOR Mission
The Northwest Center for Organizational Research exists to advance the understanding, practice, and development of managerial leadership methods that are both ethical and optimal for organizational performance.

Scientist-Practitioner
"...a scientist-practitioner would be in my opinion, the ideal label for every manager. I would describe a scientist-practitioner as someone running something, but doing so in a way that applies science to the decisions and actions taken. Indeed, a scientist-practitioner knows enough to interpret good science."

Bruce J. Avolio, PhD

About the author...

James B. Avey holds a PhD in leadership and organizational behavior from the University of Nebraska-Lincoln. He is an assistant professor of management at Central Washington University and director of the Northwest Center for Organizational Research. He has published several articles in academic publications such as the *Journal of Management*, *Leadership Quarterly*, *Personnel Psychology*, *Human Resource Management*, *Journal of Organizational Behavior*, and the *Journal of Leadership and Organization Studies*. Based on his professional experience at The Boeing Company, his main research interests include ethical leadership, trust, positive psychological capital, and employees' feelings of ownership.

Can Ethical Leadership Keep Good Employees from Leaving?

Examining the Hows and Whys

Introduction

Like all research we undertake at the Northwest Center for Organizational Research, this research began with a series of questions. If people tend to be attracted to and trust ethical leaders, does this mean they are less likely to leave them in an organizational setting? If so or if not, why and how? To address these questions we embarked on a series of studies over the last two years. Below are the beginning results of these studies.

Executive Summary

Even a cursory glance at the evening news or a favorite news Web site paints a grim picture: Organizations of all types have experienced epic leadership failures over the past decade. From Fortune 500 businesses to governments to volunteer organizations, there seems to be no shortage of examples of leaders who have failed to act in an ethical and praiseworthy manor. These failures have caused some to ask the question, "Where have all of the leaders gone?"

On second glance, though, perhaps the news is not as bad as we might think, for we tend to hear about ethical leadership only when there is a failure. Stories of men and women who go about the business of leading ethically in a quiet and confident manor day after day never seem to make the news, yet it is these types of leaders who can and do have such an important impact in the workplace. How do the ethical actions of these types of leaders impact employees and organizations? Emerging organizational research[1] is beginning to examine ethical leaders who:

- Listen to employees and have employees' best interests in mind
- Actively discuss ethical issues and set an example of ethical conduct
- Make fair and balanced decisions which focus both on the bottom line *and* how the bottom line is achieved
- Conducts his/her personal life ethically and can be trusted
- Disciplines employees who fail to act ethically

Researchers at the Northwest Center for Organizational Research (NWCOR) are expanding this research to examine the impact of ethical leadership on a very practical and important outcome—employee turnover. Given that cost of a single incident of employee turnover is in the range of one to one-and-a-half times the annual salary of an employee[2], businesses have a large bottom-line incentive to keep high-performing employees. The current NWCOR study not only demonstrates that ethical leadership may help to lower turnover, but also begins to offer some insight as to why and how it may help.

Purpose of this Study

This investigation is part of a broader study about the nature and effects of leadership. It was designed to address the following question, "Does ethical leadership impact employee turnover and, if so, how?"

Procedures

Participants in this study were employees (N=1316) across the IT, financial, and manufacturing sectors. Data from participants who submitted demographic information (N=934) indicate that the sample size included 56.5 percent men and 87.8 percent Caucasian. The average participant was 40.8 years old and had worked with his/her immediate supervisor for 4.8 years. Employee level ranged from entry level to executive level. Employees answered a series of questions electronically separated by time over a two-week period. To help ensure accuracy, participants completed anonymous surveys and appropriate statistical controls were included. All variables in the study were measured with questions from instruments, which were psychometrically validated in previous studies published in scholarly journals. Because actual turnover statistics are difficult to obtain without compromising anonymity, we used intentions to quit and actual job-search behaviors (e.g., sending resumes to other potential employers) as indicators that an employee is likely to quit.

Results

Notes:

• Numbers in (parentheses) represent the percent of variance explained. This is also referred to as the strength of the relationship. The higher the number (the more variance explained), the stronger and more meaningful the relationship.

       .01 - .09 are of modest practical significance

       .10 - .25 are of fair practical significance

       .26 and above are of great practical significance

• Crosses on the arrows represent the relative strength of the relationship between variables

       + signs indicate a direct relationship and – signs indicate an inverse relationship

         + or - represent modest relationships

         ++ or -- represent strong relationships

         +++ or --- represent very strong relationships

      All relationships are significant at p < .01

Step 1

Purpose: To determine the main (unmediated) effects of *Ethical Leadership* on *Intent to Quit* and *Job Search Behaviors*.

Results:
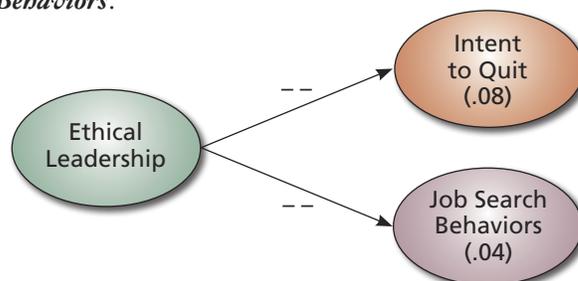
Analysis: *Ethical Leadership* does appear to have a primary (unmediated) inverse effect on both employee *Intent to Quit* and *Job Search Behaviors*; meaning employees who work for ethical leaders are less likely to be searching for jobs and intend to quit the organization. However, the practical significance is relatively small.

Step 2

Purpose: To answer the question "how" and "why" do ethical leaders matter in this way. To learn more about the mechanisms by which *Ethical Leadership* affects *Intent to Quit* and *Job Search Behaviors*. We begin by examining *Psychological Safety*, which is the ability of employees to offer their own opinions and values without fear of derision from others.[3]

Results:

Analysis: It appears that *Ethical Leadership* helps to create an atmosphere in which employees feel more free to express their opinions and values, which in turn lowers *Intent to Quit* and *Job Search Behaviors*. Further, by including the *Psychological Safety* variable, the practical significance of *Intent to Quit* and *Job Search Behaviors* both increase into the fair range.

Step 3

Purpose: To learn more about the mechanisms by which *Ethical Leadership* affects *Intent to Quit* and *Job Search Behaviors*. We now explore why *Psychological Safety* can have such an effect on *Intent to Quit* and *Job Search Behaviors*. Previous research has suggested that high *Job Satisfaction* (which is the overall answer to the question of "How much do I like my job?") plays an important role in lowering turnover[4]. It seems plausible that employees who feel a sense of *Psychological Safety* will like their jobs more and be less likely to leave.

Results:
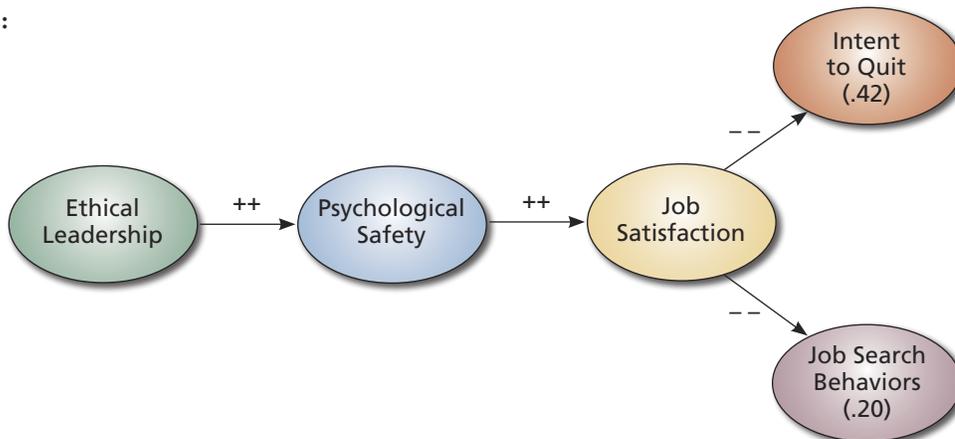
Analysis: It appears that *Ethical Leadership* helps to create a sense of *Psychological Safety*, which in turn leads to higher *Job Satisfaction*. In turn, high job satisfaction has a very meaningful impact on the practical significance of *Intent to Quit* and *Job Search Behaviors*.

3

Further Analysis

Purpose: To investigate the possibility that the results may vary by demographics such as age or gender.

Results: While the magnitude of the relationships among the variables remains relatively constant, two interesting findings emerge:

- Results tend to be somewhat stronger for men than women. Consider the variance explained for men and women:

Intent to Quit
Overall = (.42)
Men = (.45)
Women = (.37)

Job Search Behaviors
Overall = (.20)
Men = (.24)
Women = (.16)

- Results also tend to be stronger for mid-career workers (age 30-49) than workers in earlier (29 and under) and later (50 and over) career stages:

Intent to Quit
Overall = (.42)
Early career = (.42)
Mid-career = (.44)
Late career = (.31)

Job Search Behaviors
Overall = (.20)
Early career = (.12)
Mid-career = (.23)
Late career = (.16)

- Taken together, these results suggest ethical leaders may have a stronger (positive) impact on mid-career working men than any other single group.

Summary of Findings

- Results provide initial evidence that *Ethical Leadership* does have an impact on *Intent to Quit* and *Job Search Behaviors*.

- Data in this study indicate that the impact of *Ethical Leadership* on *Intent to Quit* and *Job Search Behaviors* is explained by the ability of ethical leaders to create a sense of *Psychological Safety*, which in turn leads to higher *Job Satisfaction*.

Future Directions for Research

- Although the results of this study are promising, more research is needed. For example, previous research has shown that *Job Satisfaction* has multiple causes such as satisfaction with co-workers and satisfaction with the work itself. Future research should explore what relationship, if any, *Ethical Leadership* has with these other variables.

- The current study is based solely on individual perceptions of one's leader and *Intent to Quit* and *Job Search Behaviors*. Future research should also consider the impact of individual leaders on the entire team that he or she leads.

- Future research should also consider actual turnover statistics.

Practical Implications

• Increasingly, companies are faced with the challenge of managing multiple outcomes, including profitability, employee well being, and environmental impact. The results of this study indicate that at least two of these outcomes (profitability and employee well being) may be partially achieved through encouraging ethical behaviors by leaders within an organization.

• The impact that *Ethical Leadership* has on *Psychological Safety* and *Job Satisfaction* may lead to other positive outcomes beyond turnover. For example, *Job Satisfaction* has been linked with lower absenteeism and increased organizational citizenship behaviors.

• Although the effects of *Ethical Leadership* appear to be important for all types of employees, they may be particularly important for males and mid-career employees.

Endnotes

[1] Brown, M. E., Treviño, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes, 97*(2), 117–134.

[2] Cleveland, B. (2005). Tackling turnover. *Call Center Magazine, 18*, 1-19.

[3] Edmondson, A. (1999). Psychological safety and learning behavior in work teams. *Administrative Science Quarterly, 44*(2), 350.

[4] Griffeth, R. W., Hom, P. W. & Gaertner, S. (2000). A meta-analysis of antecedents and correlates of employee turnover: Update, moderator tests, and research implications for the next millennium. *Journal of Management* 26, 463-488.

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Established by the CWU College of Business, the Northwest Center for Organizational Research (NWCOR) will be a leader in researching and disseminating answers to questions on ethical leadership and management of organizations. The NWCOR has the following goals:
   • To establish a close partnership between academia and industry
   • To address critical ethical leadership and management issues in real time by providing practical managerial implications to academic research at CWU
   • To collaborate on research projects related to ethical leadership and management with the corporate community
   • To provide networking opportunities with academia, practitioners, and students
   • To increase the involvement and visibility of the College of Business across industries
   • To provide opportunities for student interaction and involvement (i.e., internships, employment) with organizations and professionals

If you would like more information on consulting or research in your firm, contact us at james.avey@nwcor.com.