

DIFFERENTIAL ETHICAL ATTITUDES PREDICT THE QUALITY OF LEADERSHIP RELATIONSHIPS

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Abstract

This study examined the impact of the differences in the way employees and their supervisors see ethical dilemmas. An ethical attitudes scale of vignettes was developed to cover six categories of ethical dilemmas – business, discrimination, environment, marketing, personal finances and sexuality. The responses of 152 male and female employees demonstrated that employees have a “more strict” ethical attitude towards non-organisational rather than organisational ethical dilemmas. To determine the way in which employees see themselves as ethically similar to their supervisors, the respondents’ responses were compared with the respondents’ perceptions of their supervisors’ responses to the same ethical dilemmas. A small but significant contribution to the quality of the leadership relationship can be accounted for by the ethical similarity of an employee and their supervisor. Of the personal characteristics examined, the younger, less educated and more highly social desirable respondents were found to be more ethically strict than their opposites.

The leadership theory that examines the dyadic or paired relationship between a leader and a follower (called “member”) is Leader-Member Exchange Theory (LMX) (Graen & Scandura, 1987; Graen, Novak, & Sommerkamp, 1982). This social exchange theory focuses on the relationship between the leader and member as its level of analysis (Gerstner & Day, 1997). The quality of the

relationship is said to be reflected at the individual, group and organisational levels. LMX proposes that over time, a leader treats some individuals in the team differently to others, creating an ingroup and an outgroup through ongoing unequal relationships with individual team members. The relationship includes the member's attitudes and behaviour toward the leader which the leader exchanges for individualised treatment of that member. Individualised treatment includes more attractive tasks, increased opportunities and tangible benefits (Yukl & Van Fleet, 1992).

There are many benefits for a strong LMX relationship. A stronger LMX relationship is positively associated with better performance, higher overall satisfaction, greater satisfaction with the supervisor, stronger organisational commitment, more positive role perceptions and more positive ratings of member performance (Dunegan, Duchon & Uhl-Bien, 1992, Scandura & Graen, 1984). Ingroup members have leaders who do not resort to formal authority, while outgroup members experience a more formal and limited, job-description exchange with the supervisor (Liden & Graen, 1980). Ingroup members contribute more and are more responsible, while outgroup members perform more routine, mundane tasks of the unit (Liden & Graen, 1980). Ingroup members receive increased attention, trust, benefits, privileges, support, and sensitivity from their supervisors (Liden & Graen, 1980). Ingroup members are evaluated, described and attributed more positively and are more persuasive communicators than outgroup members (Taylor, Peplau & Sears, 1970). Ingroup membership favours member and leader, while outgroup members are disadvantaged.

Social psychology research on group membership refers to the similarity of ingroup members, or group members and leaders. (eg, Hogg & Abrams, 1988; Schneider, 1988). This relational demography has been found to increase leader's liking (Bauer & Graen, 1996) and trust and confidence (Turban & Jones, 1988) and is suggested to lead to the ingroup favouritism effect (Taylor, Peplau & Sears, 1970). With much of the similarity-attraction paradigm perhaps operating on a subconscious level (Bauer & Graen, 1996), the similarity-attraction paradigm has been suggested as one of the cumulative qualities to predict the quality of LMX.

Douglas (1995) suggests similarity may also require confrontation to assess the common ground between group members and hence the member's value to the group. Confrontation frequently occurs when important decisions are being made, usually by the leader. Business needs sometimes conflict with the leader or member's personal or social values and this balancing of economic objectives and social responsibility in business decision making is ethics (Sciarelli, 1999). The personal nature of competing demands and role conflict is the source of ethical dilemmas (Froelich and Kottke, 1991).

Many organizations have formal ethics management programs and Codes of Ethics to guide decision making (McNamara, 1999). However, ethics officers and committees were not perceived as effective in institutionalising ethics as culture, leadership and communication channels (Jose & Thibodeaux, 1999). A strong positive correlation between self perceptions of ethics and self perceptions of leadership (Morgan, 1993) concluded that "ethical behaviour appears to contribute to credibility as a leader" (p210). Leaders are seen as role models for members' behaviour.

A person's ethics reflect the sum total of that individual's experiences, education, and upbringing. The process of making good ethical decisions is complex, influenced by individual, organisational, situational and external factors (Jose & Thibodeaux, 1999), and interpersonal and organisational influences (Knouse & Giacalone, 1992). Furthermore, ethical decision making is regularly hampered by psychological factors such as ignoring low-probability events, limiting the search for stakeholders, ignoring the possibility of being "found out". A person tends to have certain theories about the world, other people, or themselves that affect their ethical decision making (Messick & Bazerman, 1996).

A study of ethics has wide repercussions in the workplace, other than group membership and leadership. Attitudes towards ethics impacts on problem solving, motivation, managing conflict and team building (Yukl & Van Fleet, 1992). Bass, Barnett, and Brown (1999) looked at the influence of personal moral philosophy, locus

of control, Machiavellianism, and belief in a just world on managers' ethical judgments and stated behavioural intentions. Yet both leaders and followers have attitudes towards ethical dilemmas. It would seem that a leader's attitude and decisions on more difficult ethical dilemmas will influence the member's perception of that leader. Could attitudes towards ethical decision making be behind one person being accepted into the ingroup and another being rejected to the outgroup? This study examines the relationship between an individual and their leader to determine if perceived differences in ethical attitudes make a difference in the quality of the relationship. Given earlier discussion that ethical similarity is a strong part of what makes people similar, it is predicted that:

Hypothesis 1: A smaller difference between self and perceived supervisor ethical attitudes will predict a more positive LMX relationship.

In a study on generational attitudes to ethical situations, Longenecker, McKinney, and Moore (1989) used 16 vignettes representing business ethical situations. Much organisational research focuses on business ethics and has excluded personal attitudes towards non-organisational ethical situations. The second part of this study examines employees' attitudes towards organisational versus personal or non-organisational ethical dilemmas. It is predicted that:

Hypothesis 2: Respondents will have less strict ethical attitudes towards organisational than non-organisational ethical dilemmas.

Three personal qualities are examined in this study. First, Longenecker et al. (1989) found younger managers to be more permissive in what they accept as ethical behaviour. Second, in attempting to explain the attitudinal age difference, Messick and Bazerman (1996) suggest improved decision making results from education, specifically from attention to quality, breadth and honesty in problem assessment. Third, high social desirability respondents are likely to be influenced in their ethical choices by how others are likely to respond (Knouse and Giacalone, 1992) so

high scorers are likely to try to appear more favourable – more strict – to ethical dilemmas. It is predicted that:

Hypothesis 3a: That younger respondents will be less strict in their attitudes towards ethical dilemmas than older respondents.

Hypothesis 3b: That more educated respondents will be significantly different in their attitudes towards ethical dilemmas than less educated respondents.

Hypothesis 3c: That high social desirability respondents will be more strict in their ethical attitudes than low social desirability respondents.

The study was conducted in two parts, starting with developing an ethical attitude scale of vignettes to be used in the following employee attitude survey.

Method – Part 1 – Ethical Attitude Scale Development

Vignettes are frequently used in research on ethics, as they create specific, life-like situations for decision-making evaluation (Bass, Barnett & Brown, 1999). To generate an initial pool of vignettes to be used in the employee survey, seven categories of behavioural dimensions were determined, including organisational and non-organisational domains. The categories were business, discrimination, environmental, marketing, organisational finances, personal finances and sexuality. All 16 vignettes used in the Longenecker et al. (1989) study were used or adapted in the test scale. Additional vignettes were developed to bring the number of vignettes to at least four on each of the ethical dimensions. There were 35 vignettes pilot tested on university psychology staff and obvious problems were eliminated. Details of the item category and discrimination analyses and final items are available from the first author.

Study 2 – Employee Survey

Surveys were distributed to 320 employees in diverse occupations in an insurance company, a stationery wholesaler, a manufacturing

company and a private educational institution. There were 152 responses received (a response rate of 47.5%), including 67 (45.4%) from men. The mean age range was 31 to 40.

Ethical attitudes. The 20-item ethical attitude scale (EAS) developed for this project was used to measure attitudes across a range of ethical dimensions. Part one of the survey was the EAS for the respondent themselves, the respondent's own ethical attitudes. Part two was the same scale but the respondent's beliefs or understanding of their supervisor's ethical attitudes. While the same vignettes were used in both parts one and two, the stems were different. In part one (self), items referred to the respondents' own ethical view with the stem question: "How much would it bother you to learn that someone you knew (perhaps even a family member) behaved in the manner described in the situation?" Two example items are "An employer received applications for a supervisor's position from two equally qualified applicants. The employer hired the male applicant because he thought that some employees might resent being supervised by a female" and "In order to increase profits, a general manager used a production process that exceeded legal limits for environmental pollution." The forced choice response selection was 1 = It would not bother me at all, 2 = It would bother me a little, 3 = It would bother me quite a bit and 4 = It would bother me very much.

In part two (supervisor), items referred to respondents' estimates of their supervisor's views. Respondents were instructed on who was their supervisor ("the person who you feel has the most control over your daily work activities") and asked to rate the same vignettes by "how much you think – or estimate, or guess if necessary – it would bother your workplace supervisor to learn that someone they knew behaved in the situation". The same forced choice options were adjusted slightly for the supervisor perspective. Scores were totalled separately for each of the self and supervisor scales and averaged for each of the subscales. Higher scores indicate stricter (less permissive) ethical standards. Internal consistency of the final scale was satisfactory, with Cronbach's alpha for the self scale .76, and the supervisor scale being .90. Subscale alphas differed widely, as follows (n=148): Business: .54,

Discrimination: .72, Environment: .68, Marketing: .73 Personal finances: .67, Sexuality: .63.

Leader-member exchange. Seven items (Graen and Scandura, 1987) measured respondent's LMX relationship. An example is "How well do you feel that your immediate supervisor understands your problems and needs?" Responses used a variable four-point scale e.g., completely; well enough; some but not enough; and not at all. Responses were summed so higher scores indicate poorer relationships. The scale is reported as having the soundest psychometric properties of all LMX measures (Gerstner & Day, 1997). The coefficient alpha was .88.

Social desirability. The 13 item SDS Short Form (Crowne & Marlowe, 1960) was used to determine social desirability. Respondents reported on a true/false scale and relevant items were reverse-scored. The coefficient alpha was .63.

Control variables. Age range (under 21, 21 to 30, 31 to 40, 41 to 50, 51 to 60, and 61+) was used to enable comparison with the Longenecker et al. study. Respondents were asked to indicate their sex and educational level.

Results

The descriptives for the LMX, self-efficacy and ethics scales and subscales for the respondent and the differential are shown in Table 1.

Hypothesis 1: To establish the difference between the respondent's ethical attitude and their perception of their supervisor's ethical attitude, the sum of the supervisor score was subtracted from the sum of the self score and named the ethical differential ($M = 4.05$, $SD = 11.07$, $n = 148$). A correlation revealed that the ethical differential was significantly related to the LMX relationship, $r = .37$, $n = 147$, $p < .001$, two tailed (power = .97, effect size $r = .3$ (medium), $\alpha = .05$.) The null hypothesis was rejected in favour of the alternative hypothesis. The R^2 value of .134 indicates that 13.4% of LMX variance can be accounted for by the ethical differential scores.

Hypothesis 2: To calculate a score for organisational ethicality, the scores from the business and marketing subscales were averaged. The average of the scores for the discrimination, environmental and sexuality subscales determined non-organisational ethicality. The personal finances subscale was not used in this analysis.

Hypothesis 3a: Replicating the technique of Longenecker, et. al (1989) to define younger and older respondents, the respondents aged 21 to 40 were grouped and compared with those aged 51 to 70. Respondents' level of ethical strictness, called ethicality, was determined to be the sum of their self scores across all twenty questions. Results of the independent sample t-test demonstrated that younger respondents had less strict ethical attitudes ($n = 77$, $M = 50.04$, $SD = 7.36$) than older respondents ($n = 15$, $M = 58.00$, $SD = 8.80$). This difference was significant, $t(90) = -3.711$, $p < .001$, two-tailed (power = .55, effect size $d = .5$ (medium), $\alpha = .05$.) The null hypothesis was rejected.

Hypothesis 3b: Respondents with less than university education were grouped and compared with respondents with university or equivalent education level. More educated respondents demonstrated less strict ethical attitudes ($n = 88$, $M = 50.86$, $SD = 8.65$) than less educated respondents ($n = 58$, $M = 54.62$, $SD = 7.65$). An independent samples t-test found the difference was significant, $t(144) = 2.686$, $p < .01$, two tailed (power = .84, effect size $d = .5$ (medium), $\alpha = .05$). The null hypothesis was rejected in favour of the alternative hypothesis.

Hypothesis 3c: Social desirability was calculated by adding the scores of the Marlowe-Crowne Social Desirability Scale (M-C SDS). Correlations revealed a small but significant difference, $r = .19$, $N = 151$, $p < .05$, one tailed. The null hypothesis was rejected in favour of the alternative.

Table 2: Descriptive Statistics, Correlations and Reliability

	Mean	SD	LMX	SDS	Self	S'visor	Self	Diff										
LMX	15.25	4.75	(.88)															
SDS	7.23	2.67	-0.11	(.63)														
Ethics self	52.35	8.44	-0.05	.19*	(.75)													
Ethics																		
S'visor	48.15	12.30	-.37**	0.15	.49**	(.89)												
Business																		
Self	2.58	0.61	0.00	.16*	.64**	.36**	(.54)											
Business																		
Diff	0.17	0.65	.41**	0.03	0.15	-.48**	.37**	(.54)										
Discrimin																		
Self	3.07	0.65	-0.04	0.15	.61**	.36**	.23**	-0.12	(.72)									
Discrimin																		
Diff	0.44	0.82	.38**	-0.04	0.14	-.57**	-0.04	.36**	.39**	(.72)								
Envnm't Self	2.94	0.61	0.03	0.06	.57**	.29**	.24**	0.09	.27**	-0.01	(.68)							
Envnm't Diff	0.56	0.69	.25**	-0.11	0.04	-.55**	-0.13	.37**	0.00	.44**	.35**	(.68)						
Mrktng Self	2.16	0.72	-0.08	0.03	.57**	.36**	.36**	-0.02	.17*	-0.02	0.13	-0.06	(.73)					
Mrktng Diff	0.07	0.69	0.15	0.04	.27**	-.38**	0.14	.31**	0.07	.38**	0.06	.42**	.41**	(.73)				
Personal																		
Self	2.50	0.64	-0.02	.17*	.76**	.30**	.44**	.19*	.28**	0.03	.38**	0.06	.33**	.21*	(.67)			
Personal																		
Diff	0.12	0.77	.25**	-0.01	.17*	-.61**	0.07	.49**	-0.12	.41**	0.07	.47**	0.03	.48**	.44**	(.67)		
Sexual Self	2.34	0.77	-0.08	0.16	.64**	.21*	.29**	0.13	.23**	0.11	.24**	-0.02	.22**	.17*	.42**	0.14	(.63)	
Sexual Diff	-0.14	1.03	.16*	0.04	.19*	-.49**	0.06	.37**	-0.01	.41**	0.00	.19*	-0.06	.27**	0.16	.50**	.54**	(.63)

** Correlation is significant at the 0.01 level (2-tailed), * Correlation is significant at the 0.05 level (2-tailed). Cronbach's alpha in brackets.

Discussion

The study investigated the role, if any, that attitudes towards ethical dilemmas play in determining the extent of the dyadic leader-member ingroup/outgroup relationship. The study revealed a number of instances where ethical attitudes were significant both to the individual and within a working relationship. The hypothesis that respondents who have closer degrees of strictness on ethical issues to their supervisors are more likely to have a better quality LMX relationship with their supervisor was supported. Employees are required to work alongside people who they may or may not like or care for. This research provides additional insight on the cues that respondents and supervisors may use to make judgements about each other. These results support the similarity effect theories by demonstrating that where a respondent is similar in ethical attitudes towards their supervisor, a stronger and more positive working relationship is likely to exist. The results are consistent with the social researchers who support the concept of the similarity effect influencing the dyadic relationship (eg, Hogg & Abrams, 1988; Schneider, 1988; Turban & Jones, 1988). This research has not previously been conducted and so provides a base for future investigation. That more than 13 per cent of variance in a working relationship is accounted for by the perceived difference in attitudes towards ethical issues is important. The ramifications imply that further investigation into the LMX and ethical differential relationship should be pursued.

It is of interest to examine the ethical subscales that impacted on the nature of the respondent's relationship with their supervisor. All of the subscales' differential scores except marketing significantly correlated with the level of LMX relationship. The strongest LMX relationships occurred when respondents and supervisors had more similar business ethics (.409) and discrimination (.379) ethics. Intuition would tell us that the non-organisational, or more personal, subscales of discrimination, environment, and sexuality would be more likely to occur together and impact on the quality of the LMX relationships. However, the results show the LMX and

sexuality differential relationship, while statistically significant, is only slight. Perhaps we can, after all, isolate personal ethical attitudes where they diverge from our supervisor.

If the dyadic LMX theorists are correct in their suggestion that the individual relationship is reflected at group and organisational levels, then the results of this study can add some meaning at the organisational level. The organization with a higher percentage of close LMX relationships will be more likely to have more similar attitudes towards ethical dilemmas, consistent with the similarity-attraction theorists such as Hogg and Abrams, (1988) and Schneider (1988). Perhaps a higher percentage of close LMX relationships would translate into fewer ethical dilemmas.

Results showed respondents differed significantly in their attitude towards organisational and non-organisational ethical situations. This finding demonstrates the intuitive response that we do not tend to have one broad approach to ethics, but that we can be more or less strict in our approach to ethical dilemmas, depending on the nature of the dilemma. Respondents rate non-organisational ethical situations more strictly than organisational ethical issues. The finding highlights distinctions between different workplace ethical decision making situations, perhaps reflecting de-personalisation, where personal values are temporarily put aside in favour of workplace values.

When looking at the results for respondents on their own attitudes towards ethical dilemmas, it is noteworthy that almost all subscales are significantly correlated with all other subscales. The exception is the marketing subscale which does not significantly correlate with the environment subscale ($r = .13, p > .05$). Intuitively, it would appear that these two concepts may be seen as mutually exclusive. The strongest correlation for a respondent's self scores occurs with the personal finances and business ethics subscales. This finding ($r = .47, p < .001$) is also interesting as there appears to be a logical relationship between attitudes towards one's own personal

finances and selecting an employer whose business ethics are close to one's own.

In the detailed examination of subscale differential correlations, the research demonstrated that all the ethical subscales significantly correlated to all the other subscales. This reflects the difference between the respondent and their supervisor's attitudes towards the various subscales, and demonstrates that all the subscales are at least related. The strongest correlations occurred with personal finances and sexuality (.50, $p < .001$), and personal finances and business ethics (.49, $p < .001$). Sexuality and business ethics could be regarded as at opposite ends of the organisational to non-organisational spectrum. It would appear the difference between a respondent and perceived supervisor personal finances attitudes is the strongest predictor of differences in other ethical attitudes, accounting for 24.4% of variance in their business ethics attitude differences and 25.2% of the variance in their sexual ethics attitude differences. It is relevant to note the tendency to focus on organisational ethical dilemmas when conducting research on ethics in organizations. Employees can apparently hold a range of ethical views and are influenced by non-organisational issues while at the workplace.

Hypothesis 3a that younger respondents would be less ethical than older respondents was supported, consistent with Longenecker et al.'s (1989) study. While this result may reflect differing social and religious values of the age groups in question, it may also reflect differing workplace responsibility placed on older respondents, a point made by Longenecker, et al. Anecdotally, respondents completing the survey referred to their experiences, their upbringing, their financial needs and levels of affluence and professional confidence (including a willingness to disclose vulnerabilities) when responding to the survey. It would seem the age difference covers a broad spectrum of components.

Hypothesis 3b, that more educated respondents would have significantly different attitudes towards ethical dilemmas than less

educated respondents, was supported. The result of more educated respondents being less ethical than less educated respondents was counter to Messick and Bazerman's (1996) suggestion. The ethicality difference between more and less ethical groups was not high, despite its significance. It may be that more highly educated respondents are likely to have more senior positions (by virtue of their education) and consequently be more familiar with the ethical issues posed in the vignettes. Less educated respondents may not have been exposed to the situations and therefore to many of the ethical dilemmas. Faced with more decision making situations as part of their work, more educated respondents may make more realistic assessments, and so respond with "less ideal" or less strict, responses. Alternatively, the environment in which a person is working may override educational influence on ethicality, a possibility that the current study did not investigate.

Again, there are at least two areas suggested by these results for further investigation. First, the ethicality differences between those who have studied ethics specifically and those who have not studied ethics directly may reveal some impact of ethics training. Second, a study of different types of organisational samples to determine whether environment, rather than education, may reveal the organization as a stronger predictor of ethical attitudes than education.

Hypothesis 3c, that respondents high in social desirability rate themselves more ethically strict than low raters, was supported and consistent with other research (Weierter, Ashkanasy & Callan, 1997 and Knouse & Giacalone, 1992). This reminds us of the difference between respondents' attitudes and their actual behaviour and has implications for assessment of ethical attitudes such as recruitment and selection programs. A reported strict ethical attitude may not reflect strictness, but may reflect more concern with others' views and therefore present themselves as more strict.

There are limitations in this study. The research was cross-sectional, mostly correlational and so no causes can be attributed to the

results. The research was imperfect also in the collection of precise age, amount of time together and organisational data. The research was unidirectional and did not seek confirmation from supervisors, as Gerstner and Day (1997) encourage for dyadic research. Self-report responses may be less reliable than examining actual behaviour. Many variables were not considered, including gender similarity, context, expectations and liking and finally, calculation of the differential score is open to criticism.

The study has, however, revealed important aspects of one part of workplace relationships – the ethical attitudes of an employee and their perception of their supervisor’s ethical attitudes. Younger, more educated and low social desirability respondents report less strict ethical attitudes than their opposites. Respondents viewed non-organisational ethical dilemmas with significantly greater strictness than organisational dilemmas. Finally, the more convergent a respondent’s ethical strictness was to their supervisor, the better their relationship.

What remains is for the business and research communities who claim to be committed to providing ethical business solutions to harness the available information on ethical decision making and incorporate it into total employment solutions. As Morgan (1993) points out, attitudes towards ethics in the workplace affect or are affected by recruitment and selection processes, goal setting, performance management and reward systems. Younger respondents are the leaders of the future. If we want them to have the best opportunities for healthy working relationships and their employees to have the benefits of ingroup membership, then it would be wise to recognise that ethical attitudes play a significant, albeit small, role and through education work towards maximising the ethical fit at individual, group, and organisational levels.

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IERA
International
Employment Relations
Association

**IERA 2009 17th Annual Conference
July 2009, Bangkok**

*Conference Theme:
Advancing the Quality of HRM & HRD in the
Global Economy*

BOOK OF PROCEEDINGS

Edited by Julia Connell, Denise Jepsen, Robyn Johns and
Keri Spooner

Conference convened jointly by
School of Management, Mahidol University, Bangkok
and University of Technology, Sydney

ISBN 978-0-9750131-9-9

ADVANCING THE QUALITY OF HRM AND HRD IN THE GLOBAL ECONOMY

PREFACE

As the globalisation of markets continues at a rapid pace, the challenges for HR managers and those teaching HR increase. Human Resource Management practices vary between countries, sector, size and ownership of organizations. As a result it is important to acknowledge that what are largely considered to be 'Western' style HRM practices may not be relevant in other cultures. Despite this, some lessons may be learned from organizational experiences that can be transferred across countries and cultures through globalisation.

Globalisation is used to define a combination of factors - a single market place with growing free trade among nations; the increasing flow and sharing of information; and connections and opportunities for organisations and people to interact around the world without being constrained by national boundaries. To date globalisation has been a prime force for spreading knowledge through technology. Knowledge about production methods, management techniques, export markets, and economic policies is available at very low cost, and this knowledge represents a valuable resource for both developed and developing countries. It has been suggested that the HRD profession must include not only economic development and workplace learning, but it must also be committed to the political, social, environmental, cultural, and spiritual development of people around the world, particularly, as global success depends on utilizing the resources and diverse talents and capabilities of the broadest possible spectrum of humanity.

This conference draws from the research and experiences of participants to provide lessons and examples regarding how some organizations and individuals are attempting to utilise HRM strategies in order to promote agility and excellence and, in some cases, globalise business through such diverse topics as:

- HRD and HRM policy
- Organisational culture and power
- ER processes: collective and individual
- Community resource development
- HRM outcomes: empowerment, job satisfaction and productivity
- Workplace learning
- Values, politics, power, ethics and HRD
- Employment relations at public policy level
- HR and corporate sustainability
- Leadership and other areas.

The papers presented in these Proceedings have all been subject to peer referee by two reviewers with comments offered to authors.

The conference organisers would like to take this opportunity to sincerely thank the College of Management at Mahidol University for generously hosting this 17th Annual Conference of IERA. We also wish to express our thanks to the University of Technology, Sydney for its financial and administrative support of the conference. Special thanks to Virginia Furse, who worked tirelessly to produce these Proceedings and other materials critical to the success of the conference

The Conference Organisers are sure this 17th IERA Conference will be a rich and rewarding learning experience for everyone involved. We look forward to welcoming you to Bangkok.

IERA 2009 Conference Committee
June 2009

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