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Linking Ethical Leadership to Knowledge Sharing and Knowledge Hiding: The Mediating Role of Psychological Engagement

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Abstract. Despite the strides made in ethical-leadership research, surprisingly, no systematic attempts have been made to reveal the relationship between ethical leadership and knowledge management among direct reports, together with, which is an increasingly eminent variable in relation to employee well-being, psychological engagement. Integrating research on ethical leadership, employee engagement, and knowledge management literature, this study aims to provide new conceptual insights and empirical evidence on the mediating process underlying the ethical leadership-knowledge management relationship. Results from 150 leader-follower dyads (N = 300) of university full-time students at a university in Hong Kong disclosed that ethical leadership has a positive effect on knowledge sharing behavior, and the former is negatively related to knowledge hiding behavior among subordinates. Additionally, these relationships are partially mediated by employee psychological engagement. Implications for research and practice will be discussed.

Keywords: ethical leadership, knowledge sharing, knowledge hiding, psychological engagement

1. Introduction

Considerable amount of ethical scandals over the last decade illuminate on the morality of leaders in organizations, especially when a vast majority of these debacles are attributable to the ethical lapses by leaders who have potentially strong leverage on employees (Tepper, 2007). The behavioral ethics literature asserts that the morality of a leader can directly affect the ethics of their subordinates (Brown et al., 2005). Amassed empirical research in recent years has shown that ethical leaders can substantially influence their employees to enact pro-social citizenship behavior (Avey et al., 2011; Den Hartog & Belschak, 2012; Kacmar et al., 2011; Newman et al., 2013). For instances, employees under an ethical supervisor are proven to withhold a motivational propensity in voicing their own opinions (Avey et al. 2012; Walumbwa & Schaubroeck, 2009), helping their co-workers in accomplishing task-related goals and paying extra efforts during work (Eisenbeiss & Knippenberg, 2014; Kalshoven & Boon 2012; Kalshoven et al., 2013). In complement to the positive impact of ethical leadership, scholarly outlet has also begun to accumulate regarding the ameliorating effect that ethical leadership possesses relating to subordinates' misconduct, especially their egregious behavior (Mayer et al., 2012; Stouten et al., 2010). Despite the growing body of research in highlighting the link between ethical leadership and followers' ethical as well as deviant conduct, the research on such leadership's subsequent effect on direct reports' knowledge management is largely fragmented.

According to Wang's (2004) idea, knowledge sharing is essentially an ethical behavior. The willingness to share knowledge with others can be construed as 'a proxy for recognition to a certain system of moral standards'. Wang's argument is on the same line of reasoning with Brief and Motowidlo's (1986) approach, in which they averred that the intention for knowledge sharing captures pro-social attitudes in relation to the motivational inclination of people to be others-oriented. Knowledge hiding is a newly emerged variable developed by Connelly et al., (2012). In their seminal work, they defined it as 'an intentional attempt by an individual to withhold or conceal knowledge that has been requested by another person'. Knowledge hiding is indeed partially nested with anti-social conduct, which represents a motivation or a manifestation of it to deceive another individual. Knowledge hiding is target sensitive that only occurs in response to a request from an individual.

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Our framework is grounded in social learning theory (Bandura, 1977). We also take advantage of Kahn's engagement theory (Kahn, 1990) in explicating the mediating role of followers' psychological engagement. Our research has a number of intended contributions. First, we advance the understanding of ethical leadership theory by identifying the understudied relationship between ethical leadership and the interpersonal flow of knowledge. To our best knowledge, this is the first study that empirically examines the mechanism underlying the above linkage. Second, in response to plea proposed by different scholars (Rich et al., 2010), we incorporate psychological engagement between ethical leadership and followers' knowledge sharing and hiding by resonating to this latest line of research concerning employee well-being. Meanwhile, we respond to call for future research by exploring a new mechanism to elucidate the impact of ethical leadership on subordinates' attitudes and behaviors (Mayer et al., 2009).

2. Theoretical Framework and Hypotheses

Brown et al. (2005) defined ethical leadership as 'the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and decision-making'. Trevino et al., (2000) proposed that an ethical leader is essentially a moral person, characterized by exhibition of an array of personal traits, including honesty, trustworthiness, and integrity. Beyond these traits, ethical leaders have to display genuine concern and caring about their followers and to proactively emphasize the importance of collective interest. They are unquestionably the index of 'normatively appropriate behavior' in the eyes of followers, thus build up credit as ethical role models. It is postulated that an ethical leader plays the role of moral manager by means of conveying ethics-related messages and rewarding employees on the basis of ethical compliance. Ethical leadership theorists construe moral manager as a distinctive tenet of the ethical leadership theory that differentiates such leadership style from others conceptually and empirically (Ofori, 2009).

Social learning theory (Bandura, 1977) provides a theoretical basis to articulate the notion of 'an ethical leader can effectively promote follower pro-social conduct, such as knowledge sharing behaviors (Brown & Treviño, 2006). The central premise of this theory is that individuals can learn by direct experience of consequence. By definition, an ethical leader proactively exercises rewards and punishments within the organizational hierarchy. Employees who display the pro-social behaviors of knowledge sharing are likely to be rewarded by an ethical leader. As time goes on, these employees develop an understanding and deem knowledge sharing as a 'normatively appropriate conduct', thereby ultimately enacting this specific behavior more frequently. This claim is inextricably intertwined with the incentive theory (Lawler & Lawlor, 1981) adopted by researchers in delineating the impacts of rewards on knowledge sharing (Kalman et al., 2002). Another major kernel of this theory is that individuals can learn vicariously via observing and emulating the credible and legitimate role model's behaviors. Consonant with the conception, ethical leaders are prone to realize the need to address the interest of the organization morally in terms of sharing knowledge with others, thus contributing to the organizational effectiveness (Brock & Kim, 2001). Leadership theorists have highlighted that an ethical leader is transparent and encourages knowledge sharing providing followers with constructive ideas about their work role (Piccolo et al., 2010). As noted by Brown and Treviño (2006), ethical leaders are a salient source for emulation and observation because of the virtue of their status and their attractive personal traits such as honesty and altruistic. Taken together, we expect followers would have a greater tendency to engage in knowledge sharing behavior under an ethical supervision. Conversely, followers of an ethical leader are expected to refrain from knowledge hiding. Although scholars have stressed that the intentions underneath knowledge hiding can be positive so as to protect the interests of a third party, it somewhat represents an intentional concealment and deception which goes against the ethical value (e.g. honesty) that a moral exemplar (i.e. ethical leader) upholds (Connelly et al., 2012; Brown & Treviño, 2006). Consequently, direct reports' willingness to consider hiding knowledge is attenuated as they have internalized the moral value of the ethical superior as part of their self-concept. In sum, we propose that:

Hypothesis 1: Ethical leadership is positively related to followers' knowledge sharing.

Hypothesis 2: Ethical leadership is negatively related to followers' knowledge hiding.

Kahn defined psychological engagement as 'the simultaneous employment and expression of a person's preferred self in task behaviors that promote connections to work and to others, personal presence (physical, cognitive, and emotional), and active, full role performance (Kahn, 1990). Although researchers have linked ethical leadership to employees' engagement beforehand (Chughtai et al., 2014), they focused on the different facets of engagement in the relevant literature, such as work engagement (Schaufeli et al., 2006). This is the first study examining the relationship between ethical leadership and followers' psychological engagement. Capitalizing on Kahn's conception, it entails a more comprehensive and inclusive view of the employee's agentic self. Leadership researchers have lately acknowledged the motivational impact of ethical leadership on followers' motivational propensity to psychologically engage at work and perform better (Bouckennooghe et al., 2014). In his ethnographic work, Kahn (1990) suggested that engagement is a unique motivational concept that involves harnessing of an employee's full self in terms of physical, cognitive, and emotional energies to work role performances. On the basis of Kahn (1992)'s advanced examination on engagement, we propose ethical leadership as a 'common cause' of followers' investment of personal resources into their work role. Consistent with researchers' line of reasoning in the engagement outlet, we surmise that the effect of ethical leadership can be inferred by three of the major psychological foundations of personal engagement: psychological safety, psychological meaningfulness and psychological availability (He et al., 2013; Kahn, 1990; May et al., 2004). Ample empirical evidence reasoned that ethical leadership can structure a psychologically safe environment for employees to take risks, to expose their real selves, and to ultimately engage in their job (Walumbwa & Schaubroeck, 2009). Meanwhile, an ethical leader clarifies how performing tasks contribute to the attainment of socially responsible goals and saliently convey ethicality of work, in turn leading followers to experience psychological meaningfulness. Finally, subordinates are stipulated to feel psychologically available if their leader is ethical as they can cope with various demand of both work and non-work aspects of their lives more effectively (Piccolo et al., 2010; Liao et al., 2014). With respect to the above arguments, we can predict that direct reports of an ethical leader are physically involved in tasks, cognitively vigilant, and are emotionally connected to their work and to others in the service of their work (Kahn, 1990). When individuals are personally engaged by calibrating their full self in work role, they are likely to enact more pro-social behavior and less deviant behaviors (Den Hartog & Belschak, 2012; Lin, 2010). It is conceivable that employees are more motivated to share knowledge in contributing to the collective sake through realizing an overarching ethical goal. Conversely, they become more reluctant to volitionally hide knowledge from colleagues that may be regarded as a direct violation of the legitimate interests of an organization by undermining the competitive advantage of the firm in a collective sense. Together, we hypothesize that:

Hypothesis 3: Ethical leadership is positively related to followers' psychological engagement in their work role.

Hypothesis 4: Psychological engagement mediates the relationship between ethical leadership and followers' (a) knowledge sharing and (b) knowledge hiding.

Figure 1 summarized all our hypotheses in a theoretical model.

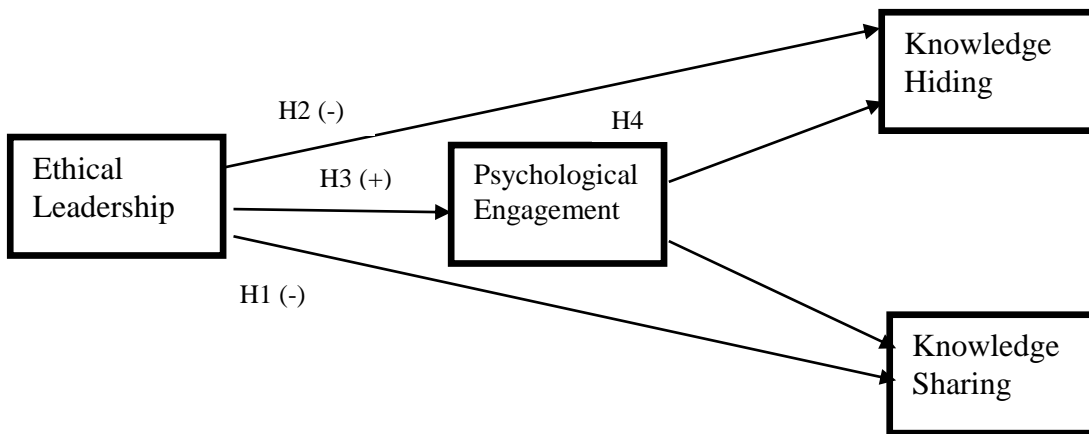


Figure 1. Theoretical model

3. Methodology

3.1 Sample and Procedure

Participants were full-time university students in Hong Kong. To maintain consistency with the knowledge management literature (Hislop 2002), dyadic data was collected from project teams from different courses with a formally appointed leader per group.

3.2 Measures

Group members were asked to rate the perception of ethical leadership pertaining the leadership style of the group leader, their own psychological engagement and knowledge hiding behaviors. The focal participant was then asked to pass a complementary survey to one of his/her peers in the same team to rate the knowledge sharing behavior.

Ethical leadership was measured by using Brown et al.'s (2005) scale. The Cronbach's alpha was .88.

Psychological engagement was measured by using the recently developed scale by Rich et al. (2010). The Cronbach's alpha was .93.

Knowledge sharing was measured by using Connelly et al.'s (2012) scale. The Cronbach's alpha was .85.

Knowledge hiding was measured by using Connelly et al.'s (2012) scale. The Cronbach's alpha was .97.

3.3 Results

Descriptive statistics including means, standard deviations, reliability coefficients, and correlations among all study variables were computed. All the study variables possess a satisfactory level of internal consistency reliability. A confirmatory factor analysis (CFA) was conducted using LISREL 8.8 to test for the distinctiveness and validity of scales. The measurement model yielded acceptable fit indices ($X^2 = 1418.95$, $df = 875$; $X^2/df = 1.62$; $CFI = .95$, $RMSEA = .06$, $SRMR = .08$) which fulfill the standardized requirement suggested by Hu and Bentler (1999). Besides, all items have a factor loading of .50 or above on their respective constructs. Further analyses also proved that the hypothesized four-factor model has a better fit than all the alternative models including 2 three-factor models, a two-factor model and a one-factor model, supporting the discriminant validity of our measures.

We used hierarchical linear regression to test all the hypotheses. Ethical leadership was positively related to knowledge sharing ($\beta = 0.24$, $p < .01$) and was negatively associated with knowledge hiding respectively ($\beta = -.38$, $p < .01$). Hence, both hypotheses 1 and 2 were supported. Regarding hypothesis 3, the results indicate that ethical leadership is positively linked to employees' psychological engagement ($\beta = .27$, $p < .001$). After adding the mediating variable between ethical leadership and knowledge hiding, the significance of the independent variable on the criterion variable dropped significantly ($\beta = -.32$, $p < .10$). Similarly, after adding the meditating variable, ethical leadership's relationship on knowledge sharing deteriorated ostensibly ($\beta = .14$, $p < .10$). In sum, these regression results show that a partial mediation exists when psychological engagement is added as a mediator between ethical leadership and the dependent variables.

4. Implication and conclusion

This study sheds new light on the investigation of ethical leadership and employees' knowledge management. As we discovered, the relationship between ethical leadership and employees' knowledge

transfer remains a largely unexplored domain in the literature. As expected, ethical leadership can motivate employees to share knowledge and discourage them to hide knowledge. We, therefore, extend the extant nomological framework of ethical leadership research and provide nuanced insights into this emerging field. Leadership researchers (e.g., Chughtai et al., 2014) recognized that the role of leader in nurturing employees' engagement has received little attention. We address this gap by highlighting the importance of ethical leadership, which is conducive to fostering followers' psychological engagement and, thereby direct them to enact prosocial behavior and avert displaying deviant behavior. Our study is also practically important as it proves that ethical leadership is influential in motivating employees to share knowledge, which is a key determinant of the overall effectiveness of a firm. The findings saliently reinforce the practical value in promoting ethical leadership behavior across the entire organization.

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