Ethical leadership and employee success: Examining the roles of psychological empowerment and emotional exhaustion

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ABSTRACT

The current study aims to advance ethical leadership theory and research in two ways. First, we propose that psychological empowerment is a comprehensive motivational mechanism linking ethical leadership with employee current in-role success and future success potential. Second, we propose that employee emotional exhaustion is a disruptive psychological state that dampens the empowering effects of ethical leaders. Findings from two field studies illustrate that emotional exhaustion impairs the motivational efforts of ethical leaders by attenuating the direct effects on psychological empowerment and the indirect effects on employees' current success and success potential. Theoretical and practical implications are discussed.

Introduction

For decades, management researchers have argued that organizational leaders promote a competitive advantage for their organizations by not only managing financial performance, but also by instilling ethical principles into the workplace (Barnard, 1938; Baumhart, 1961; Hitt & Ireland, 1999; Mautz & Sharaf, 1961). However, in an era demanding immediate financial returns (Knights & O'Leary, 2006), there are a remarkable number of high profile cases that demonstrate a "profit at any cost" mentality whereby leading ethically is of secondary concern to leading profitably (Greenbaum, Mawritz, & Eissa, 2012; Wolfe, 1988). In contrast to this mentality, Brown and colleagues proposed that ethical leadership, 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, Treviño, & Harrison, 2005; p. 120), is an integrity-based, transactional approach to leadership that not only promotes ethical accountability, but also motivates employees to engage in behaviors that drive long-term organizational success (Brown et al., 2005; Brown & Treviño, 2006).

Despite the notion that ethical leaders model behaviors that are valued in the organization and champion the interests of their employees, extant research on the linkages with employee success has primarily focused on current in-role performance (i.e., completing assigned duties: Williams & Anderson, 1991) (e.g., Piccolo, Greenbaum, Hartog, & Folger, 2010; Walumbwa et al., 2011), ignoring the employee's potential to achieve future success. This oversight is important as ethical leaders are thought to take a genuine interest in the potential of their employees (Kalshoven, Den Hartog, & De Hoogh, 2011). Likewise, their integrity-based, transactional approach to leadership encourages employees to be responsible stewards of the organization who consider the longer-term implications of how they conduct business, not just the bottom-line results of their efforts (Brown & Treviño, 2006; Den Hartog, 2015; Thomas, Schermerhorn, & Dienhart, 2004). Therefore, in the current study we examine employee success not only through the lens of current in-role performance but also future success potential.

Prior studies have illustrated that employee motivation in the form of perceived meaning and task significance, self-efficacy, identification, effort, and initiative play a role in understanding the performance-related effects of ethical leaders (Den Hartog, 2015; Den Hartog & Belschak, 2012a; Piccolo et al., 2010; Walumbwa et al., 2011). However, these mechanisms provide a narrow perspective on the motivational effects of ethical leaders by focusing on specific cognitions targeted at the employee's current role. In contrast, by encompassing

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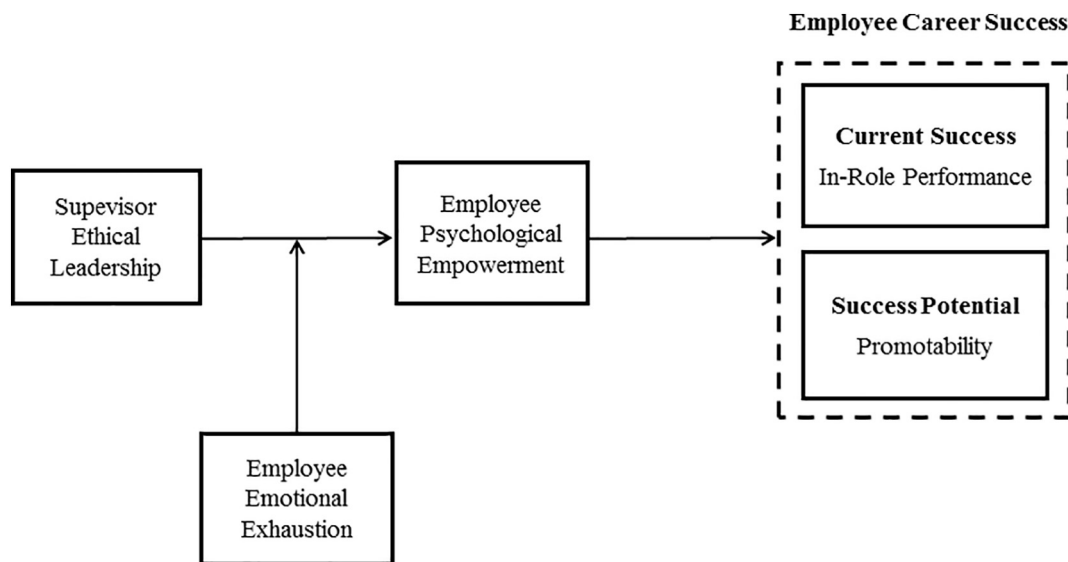
Employee Career Success

Fig. 1. Hypothesized model of the relationships between ethical leadership, employee psychological empowerment, current success, and success potential, and the moderating role of the emotional exhaustion.

cognitions regarding personal competence, determination, and the meaning and impact of work (Spreitzer, 1995; Thomas & Velthouse, 1990), psychological empowerment is an integrative, active-oriented form of motivation that is a key driver of employees' immediate success and longer-term impact (Maynard, Gilson, & Mathieu, 2012; Seibert, Wang, & Courtright, 2011; Zhang & Bartol, 2010). As explained by Spreitzer (1995), psychological empowerment entails "an active, rather than a passive, orientation to a work role…an orientation in which an individual wishes and feels able to shape his or her work role and context" (p. 1444). Therefore, the first aim of the current study is to examine the role of psychological empowerment as a comprehensive motivational mechanism linking ethical leadership with employee in-role performance and future success.

In conceptualizing ethical leadership, Brown et al. (2005) drew on social learning theory (Bandura, 1977; Bandura, 1986) to suggest that ethical leaders influence their employees through observational learning, in which employees learn vicariously by observing ethical leaders' behaviors and their consequences (Bandura, 1977; Bandura, 1986). Similarly, we suggest that ethical leaders influence their employees' psychological empowerment through social learning processes. In addition, we draw on social learning arguments regarding the important role of psychological states to investigate the influence of employee emotional exhaustion on the social learning effects of ethical leadership. Social learning theory suggests that the psychological states of the influence recipients are central to the social learning because they "determine which external events will be observed, how they will be perceived, [and] whether they leave any lasting effects" (Bandura, 1977, p. 160). Psychological states that entail diminished cognitive functioning may therefore impair one's ability to attend to, process, and act upon ethical leaders' role modeling efforts (Brown et al., 2005). However, little empirical attention has been given to the role of recipients' psychological states in prior social learning theory research in general (Davis & Luthans, 1980) and especially within the context of ethical leadership.

Demanding aspects of work can induce psychological strain, taxing employees' cognitive, emotional, and physical resources (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001; Hobfoll, 2001). This has implications for SLT given that neurological (McEwen & Sapolsky, 1995; Sapolsky, 1996) and psychological (Marin et al., 2011; Van Laethem et al., 2015) research illustrates that strain significantly hampers the ability to internalize, process, and utilize information. In order to investigate the role of psychological states in ethical leadership social

learning processes, we evaluate emotional exhaustion (i.e., feeling emotionally overextended and exhausted from one's work: Wright & Cropanzano, 1998) and suggest that it is likely to weaken the motivational effects of ethical leaders. As such, the second aim of the current study is to determine whether employee emotional exhaustion functions as a boundary condition that neutralizes the motivating effects of ethical leadership.

In sum, the purpose of the current study is two-fold. First, we seek to address the question: *Are the empowering effects of ethical leaders a driver of employee success—both current success and success potential?* Second, we seek to address the question: *Does employee emotional exhaustion disrupt the empowering effects of ethical leadership on employee success?* By investigating these research questions, our study contributes to ethical leadership theory and research in two ways. First, our study demonstrates the utility of psychological empowerment as an integrative and active-oriented motivational mechanism for understanding the relationship between ethical leadership and employee current in-role performance and future success potential. Importantly, we establish the incremental value of ethical leadership and psychological empowerment by controlling for the effects of charismatic leadership, interpersonal and informational justice, and employee organizational identification. Second, we demonstrate that employee emotional exhaustion is a critical psychological state that neutralizes the motivational effects of ethical leaders and may prove to be an important boundary condition on the influence of ethical leadership. See Fig. 1 for a model overview.

The empowering influence of ethical leadership on employee success

By being both a moral person and a moral manager (Brown & Treviño, 2006; Treviño, Hartman, & Brown, 2000), ethical leaders build legitimacy as credible role models whose actions are worthy of emulation (Brown & Mitchell, 2010). As moral people, ethical leaders are fair and honest, are guided by internal ethical principles, act with integrity, and demonstrate consideration and respect for others; as moral managers, ethical leaders establish ethical expectations, hold themselves and their employees accountable, and make decisions that reflect the best interests of their employees and their organizations (Brown et al., 2005; Den Hartog, 2015; Eisenbeiss, 2012; Gini, 1997; Kanungo & Mendonca, 1996; Resick et al., 2011; Treviño, Brown, & Hartman, 2003). Importantly, ethical leaders are thought to be values-based, people-oriented leaders (Brown et al., 2005; Treviño et al., 2003) who

are guided by socialized as opposed to self-serving power motives (De Hoogh & Den Hartog, 2008; Kalshoven et al., 2011).

The moral manager component of ethical leadership represents the key difference between this form of leadership and other positive forms of leadership such as charismatic-transformational, authentic, and servant leadership (Brown & Treviño, 2006; Mayer, Aquino, Greenbaum, & Kuenzi, 2012). By engaging in transactional moral management, ethical leaders reinforce the importance of process over results by promoting balanced and values-driven approaches to business (Brown et al., 2005; Treviño et al., 2003). In turn, employees who work for ethical leaders are thought to possess a motivation to succeed (Brown & Treviño, 2006). Supporting this assertion, prior work suggests that ethical leaders motivate employees to identify with the organization (Walumbwa et al., 2011) and put extra effort into their work (Den Hartog & Belschak, 2012a; Eisenbeiss & Knippenberg, 2014; Kalshoven, Den Hartog, & De Hoogh, 2013; Piccolo et al., 2010) resulting in high levels of task performance.

The integrity-based, transactional nature of ethical leaders, however, does more than just encourage immediate task performance. Ethical leaders are values-driven and promote a concern for processes, the interests of their employees, and doing the right thing, which is likely to cultivate a perspective among employees that success is a long-term endeavor (Brown et al., 2005; Den Hartog, 2015). Therefore, we examine the linkages between ethical leadership and employees' current success and success potential by proposing that psychological empowerment provides a comprehensive, integrative, and active-oriented perspective on the motivational influence of ethical leaders.

Expanding frameworks presented by Conger and Kanungo (1988) and Thomas and Velthouse (Thomas & Velthouse, 1990), Spreitzer (1995) defined psychological empowerment as a type of motivation that manifests through four cognitions: *meaning, competence, self-determination*, and *impact*. Meaning captures the personal importance of work and the extent to which work demands align with personal values (Hackman & Oldham, 1980). Competence refers to self-efficacy beliefs regarding the capacity to perform tasks and responsibilities successfully (Bandura, 1986; Lawler, 1973). Self-determination reflects a sense of control over the initiation and regulation of behavior (Deci, Connell, & Ryan, 1989). Impact is the belief that work tasks influence strategic, administrative, and operational goals (Abramson, Seligman, & Teasdale, 1978). Therefore, psychological empowerment is a motivational state that is achieved through the combined effects of these cognitions and results in an active orientation towards work such that employees are interested in and feel capable of shaping their work environment (Maynard et al., 2012).

Brown et al. (2005) proposed that ethical leaders have a positive impact on employees through social learning processes. According to social learning theory, people learn by observing the actions, decisions, and attitudes of individuals who are attractive, credible, and legitimate models (Bandura, 1977; Bandura, 1986). In organizations, leaders are particularly important role models because their position in the organizational hierarchy provides status, and their ability to control rewards provides legitimate social power (Bandura, 1986). Further, ethical leaders are values-driven, act with integrity and strive to "do the right thing" by consistently making fair and balanced decisions that reflect the best interest of their organization and employees (Brown et al., 2005; Gini, 1997; Treviño et al., 2003). Thus, ethical leaders are often viewed as legitimate, credible role models that should be attended to and emulated (Brown & Mitchell, 2010; Den Hartog, 2015).

Drawing on the social learning basis of ethical leadership, we suggest that ethical leaders model how employees should approach and engage in their work, which influences two key dimensions of psychological empowerment, competence and self-determination. With respect to competence, ethical leaders engage in a reciprocal dialogue with employees where they listen to employees' concerns and ideas, and offer constructive, balanced, and fair feedback (Treviño et al., 2000; Treviño et al., 2003). Through these developmental interactions,

employees come to perceive that their leaders have their best interests in mind and gain greater confidence in their own capabilities (Brown et al., 2005). Followers of ethical leaders also learn that they are not bound by results-only objectives. Instead, they learn that they are being evaluated based on how they approach their work (Brown et al., 2005; Treviño et al., 2000). Additionally, ethical leaders model the importance of understanding the full scope of one's decisions, which encourage employees to consider values and process over results. Therefore, ethical leaders model for their followers that it is critical to think for themselves, take ownership of their decisions, and make complex decisions on their own (Walumbwa et al., 2011). In doing so, ethical leaders foster a sense of self-determination because employees feel as if they have the tools necessary to make their own values-based judgments (Zhu, May, & Avolio, 2004).

Furthermore, embedded in the social learning foundation of ethical leadership is the notion that ethical leaders manage the meaning of followers' roles within the organization (Den Hartog, 2015). Social learning theory suggests that observational learning is not purely behavioral; rather, it is also a cognitive process that involves extracting information from a role model's observed behaviors to make sense of a social context (Bandura, 1977; Bandura, 1986). For example, Resick, Hargis, Shao, and Dust (2013) suggested that ethical leaders "help employees make sense of ethical expectations through the manner in which they convey ethical expectations, implications, and consequences" (p. 958). Similarly, Piccolo et al. (Piccolo et al., 2010) demonstrated that ethical leaders shape the meaning of employees' work experiences through ongoing dialogue and interactions. Finally, in her review of ethical leadership research, Den Hartog (2015) suggested that ethical leaders influence followers' cognitive framing of situations by articulating values and ideals, and appealing to followers' work identities (Den Hartog & Belschak, 2012a).

As such, we suggest that ethical leaders assist followers in interpreting how and why the work they do is meaningful and impactful, two key dimensions of psychological empowerment. As ethical leaders discuss the importance of all organizational members doing the right thing and focusing on process as opposed to just results, they demonstrate the value of understanding the significance of their work from a bigger picture perspective (Brown et al., 2005; Den Hartog, 2015). Along these lines, research suggests that when employees understand how their work is useful and valuable, they are likely to have an increased sense of meaningfulness (Kahn, 1990). Further, as ethical leaders articulate the importance of respect and appreciation for others, employees should recognize that they are an integral part of the organization, as opposed to simply being a means to organizational productivity, and in turn see the meaningfulness in their work (Zhu et al., 2004). In support of these contentions, prior empirical work illustrates a positive relationship between ethical leadership and employees' perceptions of their work as meaningful (Den Hartog & Belschak, 2012a; Piccolo et al., 2010).

Ethical leaders also highlight the importance of values-driven decisions (Gini, 1997). Employees that observe such leaders are more likely to trust their leaders and believe that their leaders' have their best interests in mind (Eisenbeiss, 2012). In turn, employees feel more comfortable speaking up (Walumbwa, Morrison, & Christensen, 2012) and taking the initiative to produce positive change (Kalshoven et al., 2013; Walumbwa & Schaubroeck, 2009). Ethical leaders also role model why ethical behavior is a key necessity for long-term success (Brown et al., 2005; Kalshoven et al., 2011; Resick et al., 2011; Treviño et al., 2003) and engender in employees a sense that both leaders and followers are "reciprocally co-responsible in the pursuit of a common enterprise" (Gini, 1997, p. 326). Therefore, employees garner an increased sense of responsibility (Kalshoven et al., 2013) and begin to understand how their day-to-day decisions and actions can significantly impact their organizations.

In sum, ethical leaders help employees understand how to approach work and make good decisions in a way that will be rewarded by the

organization, leading to employees having an increased sense of competence and self-determination. Additionally, ethical leaders help employees internalize the meaning and impact of their work. Thus, consistent with prior work suggesting that ethical leadership is related to psychological empowerment (Zhu, 2008; Zhu et al., 2004), we suggest that ethical leaders enhance their followers' psychological empowerment. However, we also extend this prior work by suggesting that psychological empowerment is a key motivational mechanism linking ethical leadership with employee's current and potential success.

Employees achieve success by accomplishing organizational objectives that are currently valued and demonstrating the potential to add value in future roles (e.g., Ference, Stoner, & Warren, 1977; Greenhaus, Parasuraman, & Wormley, 1990). In-role performance is an important gauge of current success because it reflects achievement and proficiency in one's current role (Carette, Anseel, & Lievens, 2013). Employees who view their work as meaningful and impactful tend to take initiative and to be resilient in overcoming obstacles (Spreitzer, Sutcliffe, Dutton, Sonenshein, & Grant, 2005). Also, employees with a strong sense of self-determination and personal competence approach their work with greater interest, intensity, and persistence than employees who have self-doubts (Conger & Kanungo, 1988; Deci & Ryan, 1985; Thomas & Velthouse, 1990). Through a heightened sense of competence, empowered individuals are also confident that their efforts will lead to success (Bandura, 1986). Thus, when ethical leaders inspire psychological empowerment in employees, these employees approach their work tasks with the resiliency, persistence, and confidence needed to fulfill role expectations proficiently. In support of this assertion, meta-analytic findings illustrate that psychological empowerment is related to in-role performance ($r = 0.26$, $p < 0.05$) across studies (Seibert et al., 2011).

Furthermore, psychological empowerment captures an active orientation towards work, which may influence employees' potential success (Maynard et al., 2012). In particular, empowered employees are interested in shaping their work role and work context, and feel confident that they have the ability to do so (Spreitzer, 1995). As empowered employees begin thinking beyond their current role and seeing how their work fits into organizational objectives (Spreitzer, De Janasz, & Quinn, 1999), they are more likely to engage in long-term organizational initiatives (Choi, 2007). Further, because empowered employees are resilient (Spreitzer, 2008) and tend to persevere (Conger & Kanungo, 1988; Thomas & Velthouse, 1990), they are likely to remain committed to longer-term objectives that may be challenging in the short-term (Spreitzer et al., 2005). Thus, in addition to expecting that ethical leaders engender among employees a sense of psychological empowerment that provides motivation to perform in current roles, we also expect that psychologically empowered employees will be viewed as having a high likelihood of being successful in the future.

Hypothesis 1a. Psychological empowerment mediates the relationship between ethical leadership and employee current success.

Hypothesis 1b. Psychological empowerment mediates the relationship between ethical leadership and employee success potential.

The neutralizing effects of emotional exhaustion

Given the importance of employee social learning to understanding the empowering effects of ethical leadership, the efforts of ethical leaders to empower their employees may be futile in the event that an employee is not psychologically able to attend to the leader's cues. Social learning theory suggests that psychological states that impair cognitive functioning can mitigate the potential for social learning (Bandura, 1977; Davis & Luthans, 1980). Such a state exists when employees experience emotional exhaustion. When employees are emotionally exhausted, they operate with sub-optimal psychological functioning (Leiter & Maslach, 2005), which leads to a reduced ability

to fully engage with work (Schaufeli & Taris, 2005). They are no longer able to "give themselves at a psychological level" (Maslach & Jackson, 1981, p. 99), because their psychological resources are depleted. Prior research has drawn extensively on the conservation of resources (COR) model of stress and burnout (Hobfoll, 1988; Hobfoll, 1989; Hobfoll, 1998; Hobfoll & Freedy, 1993) to explain the motivation- and performance-related implications of emotional exhaustion (e.g., Halbesleben & Bowler, 2007). The COR model suggests that a depletion of psychological resources is stress-inducing; to manage stress and avoid further strain, employees attempt to conserve their remaining resources by carefully selecting how and when to invest those resources (Siegall & McDonald, 2004). They limit the motivational energy they put into their work (Cropanzano, Rupp, & Byrne, 2003; Halbesleben & Bowler, 2007; Hobfoll, 2001) and are less willing and able to internalize important cues and motivational stimuli.

Because social learning is a cognitively intensive process (Bandura, 1977; Davis & Luthans, 1980), for social learning of ethical leadership to occur, employees must be willing and able to attend to, process, and act upon the role modeling and meaning making conveyed by ethical leaders. However, employees experiencing emotional exhaustion have fewer psychological resources to devote to social learning efforts as they struggle to keep up with day-to-day work obligations. Likewise, emotionally exhausted employees are cautious about expending their limited resources (Hobfoll, 2001) and may be unwilling to put effort into decoding and internalizing their ethical leaders' messages. They disengage from their ethical leader's social cues and judiciously expend resources only on their most central work tasks. As such, emotional exhaustion neutralizes the empowering effects of ethical leadership by depleting the resources employees need to observationally learn from the actions of their ethical leader. In contrast, employees who are not emotionally exhausted have ample psychological resources at their disposal and are able to expend the energy needed to internalize the cues of their ethical leaders. Therefore, we suggest that emotional exhaustion impairs employee social learning processes, weakening the direct relationship between ethical leadership and psychological empowerment, and indirect relationships with current success and success potential.

Hypothesis 2. Emotional exhaustion moderates the positive relationship between ethical leadership and psychological empowerment such that the effects weaken as emotional exhaustion increases.

Hypothesis 3a. The indirect effects of ethical leadership on employees' current success through psychological empowerment are moderated by emotional exhaustion such that the indirect effect is weakened as emotional exhaustion increases.

Hypothesis 3b. The indirect effects of ethical leadership on employees' success potential through psychological empowerment are moderated by emotional exhaustion such that the indirect effect is weakened as emotional exhaustion increases.

Study 1 methods

Sample and procedure

Participants were recruited from upper-level undergraduate management courses at a large Northeastern university and a large Midwestern university. Students were eligible to participate in the study themselves if they were employed a minimum of 20 h per week in the same job over the prior 12-month period. Otherwise, they could participate by recruiting someone who met the eligibility requirements. Participation was voluntary, and participating students received course extra credit. Those students who chose not to participate were provided an alternative extra-credit option. A number of other studies have used students to recruit cross-organizational, cross-job type samples (e.g.,

Eddleston, Veiga, & Powell, 2006; McElroy, Summers, & Moore, 2014; Morgeson & Humphrey, 2006; Zapata, Olsen, & Martins, 2013). Participants were instructed to go to a secure website to complete the survey and to invite their immediate supervisor to complete a corresponding survey on a separate, secure website. We followed several suggestions put forth by Podsakoff, MacKenzie, and Podsakoff (2012) to minimize the potential for common method bias (CMB) due to socially desirable responding, evaluation apprehension, or the formation of a consistency motif. First, we presented each measure on a separate page of the survey. Second, the survey introduction indicated that all responses would be kept private and confidential, and would only be used for research purposes. Third, the instructions to each scale asked participants to read each statement carefully, and to provide honest responses, stressing that the responses would only be used for research purposes.

We extended invitations to a total of 900 individuals to serve as focal employee participants and received surveys from 264 employees (29.3%) and 244 supervisors. After matching employee and supervisor surveys where both the employee and supervisor completed all of the study measures, there were 219 dyads remaining (24.33% response rate). Focal employee participants were predominately female (56%) with a mean age of 23.98, and had worked for their organization for an average of 2.4 years. Employee participants represented a variety of ethnic backgrounds (64.4% White/Non-Hispanic, 12.8% Asian, 5.9% Black/African-American, 2.3% Hispanic/Latino, 4.1% Native American, and 10.5% other/not identified). Supervisors were predominately female (59.8%) with a mean age of 37.9 years, and had worked for their organization for an average of 7.98 years. In terms of ethnic background, supervisors were 72.9% White/Non-Hispanic, 6.4% Asian, 5.5% Black/African-American, 5.1% Hispanic/Latino, 2.8% Native American, and 7.4% other/not identified.

Measures

Ethical leadership

Employee participants rated their supervisor's ethical leadership using Brown et al.'s (2005) 10-item measure ($\alpha = 0.95$). A sample item is "Defines success not just by results but also the way that they are obtained". Employees responded to all measures using a 7-point response scale ranging from 1 = *Strongly Disagree* to 7 = *Strongly Agree*.

Psychological empowerment

Employees indicated the level of psychological empowerment they experienced using Spreitzer's (1995) 12-item measure ($\alpha = 0.94$). A sample item is "The work I do is meaningful to me".

Emotional exhaustion

Employee participants indicated the emotional exhaustion they were experiencing at work using Maslach and Jackson's (1981) 10-item scale ($\alpha = 0.92$). A sample item is "I feel emotionally drained from my work".

Employee success

Supervisors rated the employee's current success using Williams and Anderson's (1991) 7-item in-role performance measure ($\alpha = 0.84$). A sample item is "Engages in activities that will directly affect his/her performance". Supervisors assessed the employee's future success potential using Thacker and Wayne's (1995) 3-item promotability measure ($\alpha = 0.81$). A sample item is "I believe that this employee has high potential". Supervisors responded to all measures using a 7-point response scale (1 = *Strongly Disagree* to 7 = *Strongly Agree*).

Control variables

To account for any demographic differences in psychological empowerment, motivation, preferences for leadership styles, current success and future success (Eylon & Bamberger, 2000; Roth, Purvis, & Bobko, 2012; Seibert et al., 2011; Vecchio & Boatwright, 2002), we

controlled for participants' sex, age, work status (part-time = 70%; full-time = 30%), and organizational tenure. We also controlled for charismatic leadership, interpersonal and informational justice, and employees' organizational identification to establish the incremental validity of psychological empowerment as an integrative mechanism for understanding the motivational effects of ethical leadership on employee success. We asked employees to rate their supervisors' charismatic leadership using Conger and Kanungo's (1994) 7-item charismatic leadership scale ($\alpha = 0.95$), Colquitt, Conlon, Wesson, Porter, and Ng's (2001) 4-item interpersonal justice ($\alpha = 0.87$) and 5-item informational justice ($\alpha = 0.92$) scales, and Mael and Ashforth's (1995) 6-item organizational identification scale ($\alpha = 0.87$).

Charismatic leaders have an emotion arousing effect on others by building commitment to the leader's vision, and inspiring employees to swiftly coordinate their actions (Grabo, Spisak, & van Vugt, 2017) and transcend their own self-interest to achieve the values-driven interests of the group (e.g., House, 1977; Shamir, House, & Arthur, 1993). In addition, authentic charismatic leaders exhibit "high standards of ethical and moral conduct" (Avolio, 1999, p. 43). Finally, charismatic leadership has been linked to psychological empowerment in prior work (e.g., Conger, Kanungo, & Menon, 2000). Controlling for charismatic leadership allows for an examination of the unique motivational effects of ethical leadership, which is a values-driven, integrity-based transactional approach to leadership, after accounting for the effects of charismatic leadership.

Ethical leadership is also related to interactional forms of justice (e.g., Mayer et al., 2012) as ethical leaders treat people with dignity and respect (i.e., interpersonal justice) and offer transparent explanations regarding procedures and distribution of outcomes (i.e., informational justice) (Brown et al., 2005). Additionally, meta-analytic findings indicate that interpersonal and informational justice are strongly linked to evaluations of authority figures (Colquitt et al., 2001). Controlling for interpersonal and informational justice enables us to control for any favorability biases in employees' evaluations of supervisor ethical leadership based on their justice perceptions, and also to examine the unique motivational effects of ethical leadership after accounting for the effects of justice.

Ethical leaders are thought to engender in employees a connection with the organization at large, motivating them to perform their roles well and transmitting the effects of ethical leadership to performance-focused behaviors (Walumbwa et al., 2011). Prior research has demonstrated that organizational identification is a powerful motivational driver (Van Knippenberg, 2000). We therefore control for organizational identification to determine if psychological empowerment explains the motivational and performance effects of ethical leadership above and beyond the effects of organizational identification.

Analytical approach

Prior to testing the specific hypotheses, we mean centered the variables and created interaction terms using the centered variables. To test the role of psychological empowerment in linking ethical leadership to employee success (Hypothesis 1), we first conducted a series of regression analyses. Specifically, we first regressed psychological empowerment on the block of control variables in step 1 and ethical leadership in step 2. Then, we regressed employee success (current or potential) on the block of control variables in step 1 followed by ethical leadership in step 2, and psychological empowerment in step 3. We then tested the statistical significance of the indirect effects of ethical leadership on employee success using a bootstrap resampling procedure using Hayes (2013) PROCESS macro with 5000 bootstrap resamples.

To assess the moderating effect of emotional exhaustion on the relationship between ethical leadership and psychological empowerment (Hypothesis 2) and the moderated mediation relationships (Hypothesis 3), we again used the PROCESS macro's bootstrap resampling procedure to determine if the indirect effects of ethical leadership on

employee success were conditional upon levels of employee emotional exhaustion. Specifically, we first regressed psychological empowerment on the set of control variables, ethical leadership, emotional exhaustion, and the ethical leadership x emotional exhaustion interaction to determine if the stage 1 mediation effects (i.e., ethical leadership to psychological empowerment) were moderated by emotional exhaustion. We then regressed either current success or success potential on a block of variables that included the controls, ethical leadership, emotional exhaustion, the ethical leadership x emotional exhaustion interaction, and psychological empowerment. Finally, we calculated bias corrected confidence intervals on the conditional indirect effects of ethical leadership on current success and success potential through empowerment using 5000 bootstrap re-samples.

Study 1 results

Prior to testing our hypotheses, we conducted a confirmatory factor analysis (CFA) using AMOS with maximum likelihood estimations to test the anticipated factor structure underlying the data. To improve our sample size-to-free parameter ratio, we used a parceling approach prior to testing our measurement model. Parceling enables researchers to improve the item-to-sample size ratio (Bandalos & Finney, 2001; Williams & O'Boyle, 2008) and reduce potential biases that can affect model fit and parameter estimates with small sample sizes (Anderson & Gerbing, 1984; Boomsma, 1982; Marsh, Hau, Balla, & Grayson, 1998). We followed the recommendations of Landis, Beal, and Tesluk (2000) and used a single-factor approach to produce three empirically-balanced parcels for ethical leadership, emotional exhaustion, charismatic leadership, interpersonal justice, informational justice, organizational identification, and current success. This approach involves combining the highest and lowest item loadings to create each of the parcels. For psychological empowerment, we used a content approach creating one parcel for each of the four dimensions composing the psychological empowerment construct because the items are reflective of different facets of the construct domain. We used the three items for the success potential measure. All parcels or items were loaded onto a single latent construct and all error terms were independent. The expected nine-factor model fit the data well ($\chi^2_{(314)} = 553.21$, $p < 0.001$, CFI = 0.949, RMSEA = 0.060, SRMR = 0.052), which provides evidence regarding the distinctiveness of our study's primary constructs. All parcels or items provided statistically significant loadings on their intended latent constructs.

The zero-order correlations among the study variables are summarized in the lower diagonal of Table 1, and the results of the regression analyses to test Hypothesis 1 are summarized in Table 2. The set of control variables explained a large amount of variance in psychological empowerment ($R^2 = 0.50$, $p < 0.001$). Employee age ($b = 0.05$, $p < 0.001$), charismatic leadership ($b = 0.34$, $p < 0.001$), informational justice ($b = 0.16$, $p = 0.050$), and organizational identification ($b = 0.26$, $p < 0.001$) were each positively related to psychological empowerment. The addition of ethical leadership in step 2 explained a small but statistically significant amount of incremental variance in psychological empowerment ($\Delta R^2 = 0.02$, $p = 0.013$; $b = 0.19$, $p = 0.013$).

Turning to employee success, the set of control variables also explained a substantial amount of variance in employee current success ($R^2 = 0.29$, $p < 0.001$). Employee age ($b = 0.03$, $p = 0.048$), charismatic leadership ($b = 0.28$, $p < 0.001$), and interpersonal justice ($b = 0.20$, $p = 0.056$) were each related to current success. The addition of ethical leadership in step 2 also explained a small but statistically significant amount of incremental variance in current success ($\Delta R^2 = 0.03$, $p = 0.002$; $b = 0.29$, $p = 0.002$). Then, we tested the relationship between employee psychological empowerment and employee success while controlling for ethical leadership. Results indicated that psychological empowerment was positively related to employee current in-role performance ($\beta = 0.33$, $p < 0.001$, $\Delta R^2 = 0.05$) while the effects of ethical leadership decreased ($b = 0.22$, $p = 0.014$).

Next, the set of control variables explained a substantial amount of variance in employee success potential ($R^2 = 0.15$, $p < 0.001$). Employee age ($b = 0.03$, $p = 0.071$), organizational tenure ($b = -0.05$, $p = 0.063$), and informational justice ($b = 0.27$, $p = 0.008$) were related to success potential. The addition of ethical leadership in step 2 did not explain a statistically significant amount of incremental variance in current success potential ($\Delta R^2 = 0.01$, $p = 0.132$; $b = 0.14$, $p = 0.132$). Likewise, psychological empowerment was positively related to success potential ($\beta = 0.33$, $p < 0.001$, $\Delta R^2 = 0.05$) while the effects of ethical leadership decreased and were not statistically significant ($b = 0.11$, $p = 0.271$).

Next, we conducted the bootstrapping analyses to determine if ethical leadership was indirectly related to employee success. The confidence intervals for the indirect effect of ethical leadership on employee current success (point estimate = 0.064, 95% CI [0.003, 0.182]) and success potential (point estimate = 0.038, 95% CI [0.001,

Table 1
Zero-order correlations and descriptive statistics.

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Employee age		−0.19**		0.46**	−0.21**	−0.18	−0.18	0.01	−0.11	−0.08	0.19*	0.08	−0.15*
2. Employee sex	−0.10			−0.11	0.15*	0.09	0.06	0.07	0.10	0.10	−0.02	0.00	−0.07
3. Work status	0.41**	0.10											
4. Organizational tenure	0.67**	−0.05	0.30**		−0.09	−0.06	−0.08	0.04	−0.05	0.02	0.17*	0.04	−0.19**
5. Charismatic leadership	−0.01	−0.15*	−0.05	0.02		0.67**	0.74**	0.19*	0.74**	−0.35**	0.28**	0.00	0.31**
6. Interpersonal justice	0.08	−0.04	0.07	0.03	0.48**		0.83**	0.18*	0.75**	−0.42**	0.22**	0.02	0.25**
7. Informational justice	−0.05	−0.03	−0.02	−0.03	0.51**	0.77**		0.20**	0.82**	−0.48**	0.27**	0.03	0.28**
8. Organizational identification	0.13*	−0.04	0.08	0.08	0.37**	0.29**	0.30**		0.23**	−0.20**	0.51**	0.23**	0.29**
9. Ethical leadership	0.02	−0.07	−0.02	−0.01	0.71**	0.64**	0.64**	0.34**		−0.44**	0.32**	0.03	0.33**
10. Emotional exhaustion	−0.08	0.03	0.07	−0.09	−0.21**	−0.25**	−0.25**	−0.13	−0.24**		−0.33**	−0.06	−0.30**
11. Psychological empowerment	0.21**	−0.05	0.06	0.10	0.56**	0.48**	0.48**	0.49**	0.59**	−0.20**		0.41**	0.47**
12. Current success	0.11	−0.15*	−0.04	0.04	0.47**	0.41**	0.41**	0.25**	0.52**	−0.16**	0.54**		0.64**
13. Success potential	0.03	−0.11	−0.06	−0.07	0.28**	0.25**	0.25**	0.20**	0.33**	−0.04	0.35**	0.64**	
Study 1 M	23.98	1.56	1.30	2.40	4.85	5.93	5.59	4.79	5.35	3.05	4.74	5.83	5.81
Study 1 SD	7.52	0.50	0.46	4.25	1.59	1.31	1.35	1.34	1.46	1.41	1.39	1.42	1.30
Study 2 M	48.44	1.53		13.10	4.26	4.01	3.73	4.86	5.03	3.41	5.47	5.06	1.00
Study 2 SD	10.98	0.50		10.18	1.49	1.00	1.00	1.29	1.39	1.44	0.94	3.76	1.43

Note. Study 1 correlations are displayed below the diagonal. Study 2 correlations are displayed above the diagonal. Study 1 $N = 219$. Study 2 $N = 186$. Employee sex (1 = male; 2 = female). Work Status (1 = part time; 2 = full time).

* $p < 0.05$ (two-tailed).

** $p < 0.01$ (two-tailed).

Table 2
Study 1 – OLS regression analysis of the relationships between ethical leadership, psychological empowerment, and employee success.

	Psychological empowerment		Current success			Success potential		
	Step 1	Step 2	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Constant	−0.72	0.31	2.56**	2.56**	4.39**	3.73**	3.73**	4.83**
Employee age	0.05**	0.05**	0.03†	0.03†	0.01	0.03†	0.03†	0.02
Employee sex	0.14	0.12	−0.21	−0.23	−0.27†	−0.19	−0.20	−0.22
Work status	−0.09	−0.08	−0.25	−0.24	−0.21	−0.17	−0.16	−0.15
Organizational tenure	−0.03	−0.03	−0.02	−0.02	−0.01	−0.05†	−0.05	−0.04
Charismatic leadership	0.33**	0.25**	0.28**	0.15†	0.06	0.10	0.04	−0.01
Interpersonal justice	0.10	0.05	0.20†	0.12	0.10	−0.06	−0.10	−0.11
Informational justice	0.16†	0.12	0.09	0.03	−0.01	−0.27**	0.24*	0.22*
Organizational identification	0.26**	0.25**	0.05	0.04	−0.04	0.07	0.07	0.02
Ethical leadership		0.19*		0.29**	0.22*		0.14	0.11
Psychological empowerment					0.33**			0.20*
R^2	0.50	0.52	0.29	0.33	0.38	0.39	0.40	0.43
F	26.59**	24.93**	10.92**	11.19**	12.55**	4.78**	4.53**	4.71**
ΔR^2		0.02		0.03	0.05		0.01	0.02
F_{inc}		6.29*		9.70**	17.07**		2.29	5.50*

Note. $N = 219$. Unstandardized regression coefficient. Employee sex (1 = male; 2 = female). Work Status (1 = part time; 2 = full time).
† $p < 0.1$ (two-tailed).
* $p < 0.05$ (two-tailed).
** p < 0.01 (two-tailed).

0.145]) through psychological empowerment did not include zero. The pattern of results indicates that psychological empowerment partially mediates the relationship between ethical leadership and current success, providing support for Hypothesis 1a. Although ethical leadership did not directly explain incremental variance in employee success potential, the pattern of results suggests that psychological empowerment acts as a linking mechanism, offering partial support for Hypothesis 1b.

For the moderating effects of employee emotional exhaustion proposed in Hypothesis 2, as summarized in Table 3, the ethical leadership x emotional exhaustion interaction was negatively related to

psychological empowerment ($b = -0.06$, $p = 0.043$), and the set of variables explained a substantial amount of variance in empowerment ($R^2 = 0.53$, $p < 0.001$). To further interpret the interaction effects, we conducted a simple slopes analysis. As depicted in Fig. 2, ethical leadership was positively related to empowerment at lower levels of emotional exhaustion (-1 SD: $b = 0.26$, $p < 0.001$) and this relationship was neutralized as emotional exhaustion increased ($+1$ SD: $b = 0.10$, $p = 0.219$). These findings support Hypothesis 2.

Given the statistically significant relationship between psychological empowerment and current success ($b = 0.33$, $p < 0.001$),

Table 3
Study 1 – Results of the regression analyses of the direct and moderating effects.

	Current success					Success potential				
Model	b	SE	t	p	R^2	b	SE	t	p	R^2
Mediator Variable Model: Psychological empowerment					0.53					0.53
Constant	0.27	0.64	0.42	0.675		0.27	0.64	0.42	0.675	
Employee age	0.04	0.01	3.48	0.001		0.04	0.01	3.48	0.001	
Employee sex	0.12	0.14	0.87	0.384		0.12	0.14	0.87	0.384	
Work status	−0.08	0.16	−0.48	0.631		−0.08	0.16	−0.48	0.631	
Organizational tenure	−0.02	0.02	−1.07	0.287		−0.02	0.02	−1.07	0.287	
Charismatic leadership	0.24	0.06	3.84	0.000		0.24	0.06	3.84	0.000	
Interpersonal justice	0.05	0.08	0.56	0.575		0.05	0.08	0.56	0.575	
Informational justice	0.13	0.08	1.55	0.123		0.13	0.08	1.55	0.123	
Organizational identification	0.25	0.05	4.55	0.000		0.25	0.05	4.55	0.000	
Ethical leadership	0.18	0.08	2.37	0.019		0.18	0.08	2.37	0.019	
Emotional exhaustion	−0.01	0.05	−0.12	0.907		−0.01	0.05	−0.12	0.907	
Ethical leadership × Emotional exhaustion	−0.06	0.03	−2.04	0.043		−0.06	0.03	−2.04	0.043	
Dependent Variable Model: Success					0.38					0.18
Constant	4.00	0.75	5.35	0.000		4.44	0.79	5.65	0.000	
Employee age	0.01	0.02	0.86	0.394		0.02	0.02	1.13	0.261	
Employee sex	−0.27	0.16	−1.69	0.093		−0.22	0.17	−1.32	0.188	
Work status	−0.21	0.19	−1.10	0.273		−0.15	0.20	−0.73	0.464	
Organizational tenure	−0.01	0.02	−0.32	0.748		−0.04	0.03	−1.60	0.110	
Charismatic leadership	0.06	0.08	0.84	0.403		−0.01	0.08	−0.12	0.903	
Interpersonal justice	0.10	0.10	1.04	0.300		−0.11	0.10	−1.03	0.303	
Informational justice	−0.01	0.10	−0.15	0.884		0.22	0.10	2.15	0.033	
Organizational identification	−0.04	0.07	−0.58	0.560		0.02	0.07	0.27	0.786	
Ethical leadership	0.22	0.09	2.48	0.014		0.10	0.09	1.10	0.271	
Emotional exhaustion	0.00	0.06	0.03	0.976		0.07	0.06	1.09	0.278	
Ethical leadership × Emotional exhaustion	0.03	0.04	0.72	0.474		−0.03	0.04	−0.82	0.413	
Psychological empowerment	0.33	0.08	4.13	0.000		0.20	0.08	2.35	0.020	

Note. $N = 219$. b = unstandardized regression coefficient. Employee sex (1 = male; 2 = female). Work status (1 = part time; 2 = full time).
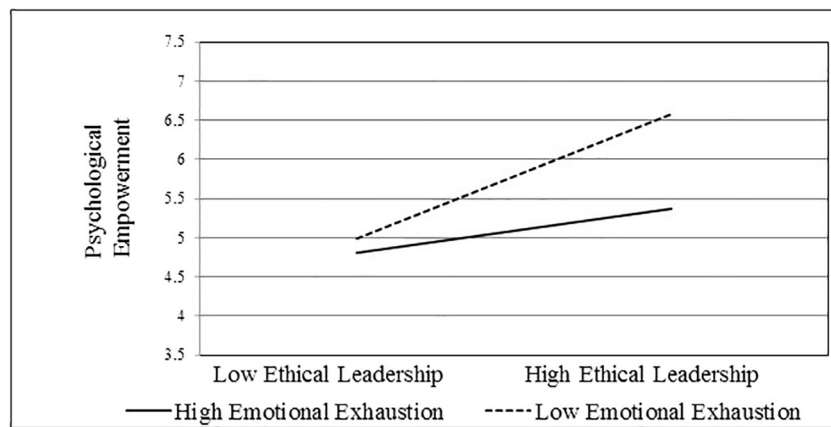
Fig. 2. Study 1 – The moderating role of emotional exhaustion on the relationship between ethical leadership and employee psychological empowerment.
Note. High emotional exhaustion = +1 SD. Low emotional exhaustion = −1 SD.

controlling for all stage 1 effects (see Table 3), we conducted the bootstrapping analyses to determine whether the indirect effects of ethical leadership on current success through psychological empowerment are conditional upon employee emotional exhaustion. Supporting Hypothesis 3a, ethical leadership was indirectly related to current success at mean levels of employee emotional exhaustion (point estimate = 0.060; SE = 0.042, 95% CI [0.001, 0.173]), and the effect was enhanced as emotional exhaustion decreased (−1 SD: point estimate = 0.089; SE = 0.052, 95% CI [0.015, 0.227]). Conversely, as emotional exhaustion increased the indirect effect of ethical leadership on current success was neutralized (+1 SD: point estimate = 0.032, SE = 0.039, 95% CI [−0.031, 0.129]).

Likewise, psychological empowerment was positively related to success potential ($b = 0.22$, $p = 0.020$) after controlling for all stage 1 effects (see Table 3). The bootstrapping analyses indicate that ethical leadership was also indirectly related to success potential at mean levels of employee emotional exhaustion (point estimate = 0.036; SE = 0.030, 95% CI [0.001, 0.134]), and the effect was enhanced as emotional exhaustion decreased (−1 SD: point estimate = 0.053; SE = 0.038, 95% CI [0.005, 0.171]). The indirect effect of ethical leadership on success potential was neutralized as emotional exhaustion increased (+1 SD: point estimate = 0.019, SE = 0.026, 95% CI [−0.015, 0.095]). These findings support Hypothesis 3b.

By demonstrating support for Hypotheses 1a and 1b, the findings establish psychological empowerment as an important motivational mechanism linking ethical leadership with employee success. At the same time, the findings also indicate that the effects of ethical leadership on psychological empowerment are dependent upon employee emotional exhaustion such that emotionally exhausted employees are less likely to benefit from the empowering efforts of ethical leaders. However, the majority of the participants (70%) were employed part-time, and may not experience the same types of job demands and situational stressors as full-time workers. This characteristic raises some concerns about external validity and the appropriateness of the sample for testing the moderating effects of emotional exhaustion, particularly given the cross-section design. Therefore, we conducted a second study on a sample of full-time employees and temporally separated the measurement of psychological empowerment from ethical leadership and emotional exhaustion. Since these findings indicate that the effects of ethical leadership on psychological empowerment vary across levels of employee emotional exhaustion, we heed the advice to disregard the main effects (Aguinis, Edwards, & Bradley, 2017; Edwards, 2009; Gardner, Harris, Li, Kirkman, & Mathieu, 2017) and focus specifically on testing the moderation and conditional indirect effect hypotheses in study 2.

Study 2 methods

Sample and procedure

We recruited participants using Qualtrics panel service, which has been used in a number of prior organizational studies (e.g., Li, Lee, Mitchell, Hom, & Griffeth, 2016; Long, Bendersky, & Morrill, 2011). Qualtrics acts as the intermediary, collecting a fee from the researcher and directly paying participants "survey cash", credits that can be converted into monetary compensation after a certain number of surveys have been completed. Qualtrics representatives invited a random sample of workers from their panel who were currently employed on a full-time basis within the U.S. to complete the time 1 (T1) survey. After three weeks, those individuals who completed the T1 survey were invited to complete the time 2 (T2) survey. Following best practice recommendations to ensure quality control in the design of survey studies and management of data (Meade & Craig, 2012), participants needed to pass two attention check items embedded in both T1 and T2 surveys.

A total of 353 individuals completed the T1 survey and the final sample included 186 individuals (52.69%) who completed both the T1 and T2 surveys. There were no differences between individuals completing both surveys and those completing only the T1 survey on sex ($M_{(T1\ \&\ T2)} = 1.53$ vs. $M_{(T1\ only)} = 1.59$; $t = 1.14$; $p = 0.253$), perception of ethical leadership ($M_{(T1\ \&\ T2)} = 4.91$ vs. $M_{(T1\ only)} = 5.03$; $t = -0.884$; $p = 0.377$), or emotional exhaustion ($M_{(T1\ \&\ T2)} = 3.51$ vs. $M_{(T1\ only)} = 3.41$; $t = 0.629$; $p = 0.530$). However, individuals completing both surveys were slightly older than individuals only completing the T1 survey ($M_{(T1\ \&\ T2)} = 48.44$ vs. $M_{(T1\ only)} = 43.63$; $t = -4.06$; $p < 0.001$). Participants were predominately female (53%) with a mean age of 48.44, and had worked for their organization for an average of 13.10 years. Participants represented a variety of ethnic backgrounds (83.9% White/Non-Hispanic, 9.7% Black/African-American, 2.2% Asian, 0.5% Hispanic/Latino, and 3.7% other/not identified).

Measures

Ethical leadership ($\alpha = 0.96$), emotional exhaustion ($\alpha = 0.94$), psychological empowerment ($\alpha = 0.89$), charismatic leadership ($\alpha = 0.96$), interpersonal justice ($\alpha = 0.94$), informational justice ($\alpha = 0.93$) and organizational identification ($\alpha = 0.90$) were measured with the same scales used in study 1, also using the same 7-point response scale. To gauge current success, we asked employees to self-report personal initiative by completing Frese, Fay, Hilburger, Leng, and Tag's (1997) seven-item scale ($\alpha = 0.92$). A sample items is "I take initiative immediately, even when others don't". Frese and Fay (2001) define personal initiative as "work behavior characterized by its self-starting nature, its proactive approach and by being persistent in

Table 4
Study 2 – Results of the regression analyses of the direct and moderating effects.

	Current success					Success potential				
Model	b	SE	t	p	R^2	b	SE	t	p	R^2
Mediator Variable Model: Psychological empowerment					0.40					0.40
Constant	1.93	0.79	2.43	0.016		1.93	0.79	2.43	0.016	
Employee age	0.01	0.01	2.08	0.039		0.01	0.01	2.08	0.039	
Employee sex	−0.04	0.11	−0.38	0.704		−0.04	0.11	−0.38	0.704	
Organizational tenure	0.01	0.01	1.68	0.096		0.01	0.01	1.68	0.096	
Charismatic leadership	0.08	0.06	1.40	0.163		0.08	0.06	1.40	0.163	
Interpersonal justice	−0.05	0.10	−0.49	0.624		−0.05	0.10	−0.49	0.624	
Informational justice	−0.05	0.12	−0.44	0.664		−0.05	0.12	−0.44	0.664	
Organizational identification	0.32	0.04	7.26	0.000		0.32	0.04	7.26	0.000	
Ethical leadership	0.33	0.13	2.52	0.013		0.33	0.13	2.52	0.013	
Emotional exhaustion	0.18	0.147	1.20	0.232		0.18	0.147	1.20	0.232	
Ethical leadership × Emotional exhaustion	−0.06	0.03	−2.02	0.045		−0.06	0.03	−2.02	0.045	
Dependent Variable Model: Success					0.19					0.35
Constant	2.76	0.58	4.74	0.000		0.84	0.74	1.12	0.263	
Employee age	0.00	0.01	−0.13	0.894		−0.02	0.01	−1.94	0.053	
Employee sex	0.05	0.14	0.36	0.717		−0.38	0.18	−2.11	0.036	
Organizational tenure	0.00	0.01	−0.54	0.592		−0.03	0.01	−2.97	0.003	
Charismatic leadership	−0.07	0.08	−0.94	0.348		0.07	0.10	0.70	0.484	
Interpersonal justice	0.03	0.13	0.24	0.811		0.04	0.16	0.23	0.819	
Informational justice	0.02	0.15	0.16	0.869		−0.12	0.19	−0.62	0.534	
Organizational identification	0.02	0.06	0.35	0.728		0.04	0.08	0.48	0.636	
Ethical leadership	−0.07	0.09	−0.72	0.471		0.17	0.12	1.41	0.160	
Emotional exhaustion	0.03	0.06	0.61	0.538		−0.09	0.07	−1.28	0.203	
Ethical leadership × Emotional exhaustion	−0.12	0.03	−3.43	0.001		0.02	0.05	0.35	0.726	
Psychological empowerment	0.48	0.09	5.31	0.000		0.68	0.12	5.87	0.000	

Note. $N = 186$. b = unstandardized regression coefficient. Employee sex (1 = male; 2 = female).

overcoming difficulties that arise in the pursuit of a goal" (p. 134). Such behaviors are considered critical to employees' success in today's complex and fast-paced work environment (Grant & Ashford, 2008; Griffin, Neal, & Parker, 2007). Moreover, prior studies have assessed employee performance via personal initiative (e.g., Den Hartog & Belschak, 2012b; Hakanen, Perhoniemi, & Toppinen-Tanner, 2008). Therefore, personal initiative provides a useful and comparable index of employee success. For success potential, we asked participants to report promotability expectations using Schaubroeck and Lam's (Schaubroeck & Lam, 2004) four-item scale ($\alpha = 0.91$). A sample item is "I have a good chance of being promoted soon". This measure conceptually mimics the promotability measure used in study 1, but uses self-rated promotability expectations opposed to the supervisors' expectations of employee promotion. Similar to study 1, we conducted a CFA in which we created four parcels for psychological empowerment, and three parcels for all other constructs except promotability, where we used the four items. The expected nine-factor model fit the data well (χ^2 (341) = 569.40, $p < 0.001$, CFI = 0.954, RMSEA = 0.060, SRMR = 0.088). All parcels or items provided statistically significant loadings on their intended latent constructs.

Study 2 results

The zero-order correlations among the study variables are summarized in the upper diagonal of Table 1. We used the same analytical strategy to test for moderation (Hypothesis 2) and conditional indirect effects (Hypotheses 3a and 3b) as used in study 1. The results, which are summarized in Table 4, indicate that the ethical leadership x emotional exhaustion interaction was negatively related to psychological empowerment ($b = -0.06$, $p = 0.045$), and the set of variables explained a substantial amount of variance in psychological empowerment ($R^2 = 0.40$, $p < 0.001$). To further interpret the interaction effects, we conducted a simple slopes analysis. Consistent with findings from study 1, and supporting Hypothesis 2, the positive relationship between ethical leadership and psychological empowerment was enhanced for employees reporting lower levels of emotional exhaustion (-1 SD: $b = 0.22$, $p = 0.004$) and this relationship was neutralized as emotional exhaustion increased ($+1$ SD: $b = 0.06$, $p = 0.422$). Findings are displayed in Fig. 3.
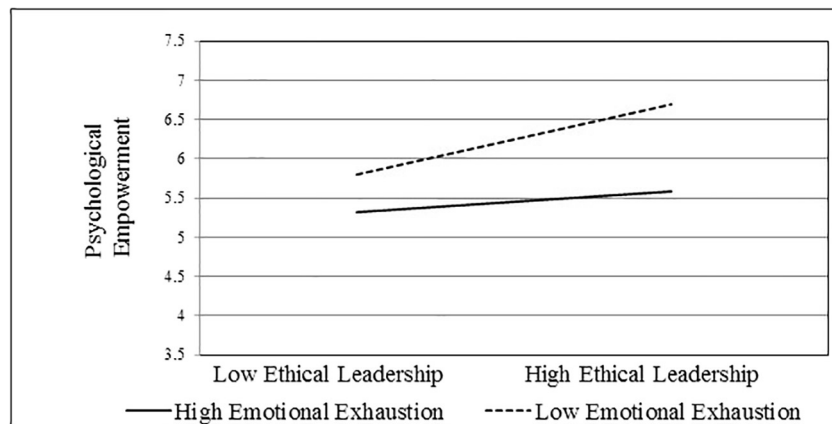

Fig. 3. Study 2 – The moderating role of emotional exhaustion on the relationship between ethical leadership and employee psychological empowerment.
Note. High emotional exhaustion = $+1$ SD. Low emotional exhaustion = -1 SD.

In turn, psychological empowerment was positively related to employees' reporting of current success ($b = 0.48$, $p < 0.001$) after controlling for all stage 1 effects (see Table 4). The results of the bootstrapping analyses to test the conditional indirect effects indicate that ethical leadership was indirectly related to current success at mean levels of employee emotional exhaustion (point estimate = 0.162; SE = 0.076, 95% CI [0.035, 0.337]), and the effects were enhanced as emotional exhaustion decreased (-1 SD: point estimate = 0.201; SE = 0.095, 95% CI [0.043, 0.423]). Conversely, as emotional exhaustion increased, the indirect effect of ethical leadership on current success was attenuated ($+1$ SD: point estimate = 0.123, SE = 0.060, 95% CI [0.020, 0.256]) and no longer statistically significant for highly emotionally exhausted employees ($+2.25$ SD: point estimate = 0.074 SE = 0.044, 95% CI [-0.002, 0.170]). The results are consistent with the trends found in study 1 and the direction of relationships hypothesized in Hypothesis 3a.

Similarly, psychological empowerment was positively related to employees' reporting of success potential ($b = 0.68$, $p < 0.001$) after controlling for all stage 1 effects (see Table 4). The bootstrapping analyses indicated that ethical leadership was also indirectly related to success potential at mean levels of employee emotional exhaustion (point estimate = 0.229; SE = 0.098, 95% CI [0.054, 0.450]), and the effect was enhanced as emotional exhaustion decreased (-1 SD: point estimate = 0.284; SE = 0.127, 95% CI [0.064, 0.569]). Once again, the indirect effect of ethical leadership on success potential was attenuated as emotional exhaustion increased ($+1$ SD: point estimate = 0.173, SE = 0.077, 95% CI [0.035, 0.338]) and no longer statistically significant for highly emotionally exhausted employees ($+2.25$ SD: point estimate = 0.104, SE = 0.058, 95% CI [-0.009, 0.220]). The results are again consistent with the trends found in study 1 and the direction of relationships hypothesized in Hypothesis 3b.

Discussion

Findings from this research indicate that employees who work for supervisors engaging in ethical leadership are confident in their capabilities, and perceive high levels of meaning, impact, and control over their work. This enhanced sense of psychological empowerment provides the motivational drive to be successful. However, these effects are unlikely to be universal; employee emotional exhaustion moderates the motivational effects of ethical leadership, weakening the direct relationship with psychological empowerment and the indirect relationships with employee success.

Theoretical implications

Our research contributes to ethical leadership theory and research in several ways. First, the findings illustrate that the motivational influence of ethical leadership extends beyond the domain of their employees' current roles to employee success potential. Through an enhanced sense of psychological empowerment, ethical leaders motivate employees to execute core job responsibilities with proficiency and engage in actions that are valued by the organization, thereby signaling their potential to be successful in the future. As such, findings from this research contribute to both the ethical leadership literature as well as the psychological empowerment literature by demonstrating that motivation can be cultivated not just through charismatic-transformational behaviors (Spreitzer, 2008), but also through ethical leadership. Empowerment is also more than just a catalyst for success in one's current roles through initiative and resilience (Thomas & Velthouse, 1990); it provides the motivational basis for demonstrating a readiness to take on additional responsibilities.

Second, the findings highlight a critical, yet overlooked component of the social learning basis of ethical leadership (Brown et al., 2005), namely that employees must have sufficient psychological resources to have the capacity to internalize the signals sent through ethical leader

role modeling and leader narratives (Bandura, 1977; Davis & Luthans, 1980). This research extends the understanding of boundary conditions of ethical leadership by demonstrating that psychological states that impair cognitive functioning, such as emotional exhaustion, have a neutralizing effect (Podsakoff, MacKenzie, & Bommer, 1996) on the influence tactics of ethical leaders. Prior ethical leadership research typically focuses on societal- or organization-level factors (Den Hartog, 2015) that alter follower perceptions regarding the importance of ethical leadership (e.g., societal cultures: Resick et al., 2011) or how organizational characteristics substitute for the social learning influence of ethical leaders (e.g., ethical climate: Kalshoven et al., 2013). By taking a follower-centric view of boundary conditions, the current research directly evaluates a fundament aspect of the ethical leadership social learning influence, namely the cognitive capacity of the employee.

Third, previous studies examining the motivational influence of ethical leadership have focused on relatively narrow motivational mechanisms, such as effort, self-efficacy, task significance, and organizational identity, and how they relate to employee in-role performance (Piccolo et al., 2010; Walumbwa et al., 2011). Psychological empowerment offers an integrative, active-oriented form of motivation (Spreitzer, 1995) that helps explain why employees approach their work proactively instead of passively, and are motivated to succeed today as well as in the future (Maynard et al., 2012; Spreitzer, 1995). Importantly, the competence and meaning dimensions of psychological empowerment embody characteristics of self-efficacy and task-significance, respectively, which have been examined in prior studies (e.g., Den Hartog & Belschak, 2012a; Piccolo et al., 2010; Walumbwa et al., 2011). We also control for organizational identification, which has been found to link ethical leadership with in-role performance (Walumbwa et al., 2011). As such, our research advances our understanding of ethical leadership by illustrating the importance of psychological empowerment as a critical motivational mechanism for understanding the implications of ethical leadership for employee success. Further, articulating why psychological empowerment acts as a mediating mechanism helps differentiate the behavioral pathways through which social learning motivates followers of ethical leaders. In particular, by role modeling how to approach one's work with integrity and by focusing on process as opposed to *only* focusing on results, ethical leaders promote a sense of self-determination and personal competence among employees. Additionally, through meaning making ethical leaders influence employees' perceptions of their work. The narratives of ethical leaders help employees recognize and understand the instrumental role that they play within their organizations, facilitating manifestations of meaningfulness and impactfulness.

Fourth, our findings demonstrate that ethical leadership is related to employee motivation and success after accounting for the effects of supervisor charismatic leadership, interpersonal justice, and informational justice perceptions, which have conceptual overlap with the moral person aspects of ethical leadership (Brown et al., 2005; Mayer et al., 2012). Prior studies have also demonstrated that supervisor charisma and fairness are related to enhanced employee motivation and job performance (see Colquitt et al., 2001; Judge & Piccolo, 2004). By controlling for these leader qualities, our research suggests that the values-driven, integrity-based, transactional approach to leadership embodied by ethical leaders has substantial, unique implications for employee motivation and success. Through social learning processes, ethical leaders convey to employees that their success depends on more than just the results of their work, but on doing the right things, having the best interest of others in mind, being trustworthy, and making values-based decisions in producing those results. In turn, employees form a rich understanding of the meaning and impact of their work and gain a sense of personal competence and determination, which provide a motivational drive to succeed. These findings are particularly noteworthy for ethical leadership research because it illustrates that ethical leaders do more than motivate followers to refrain from unethical

conduct, but also empower employees to actively manage their work and success.

Practical implications

In terms of practical implications, our research demonstrates that ethical leaders should be mindful of the psychological well-being of their employees, as emotional exhaustion has a powerful disruptive impact on ethical leaders' ability to motivate and empower their employees. We recommend that supervisors actively monitor employee workloads and emerging challenges. When employees begin to show signs of fatigue or psychological strain, supervisors should intervene to alleviate work stressors to aid social learning processes. Otherwise, ethical leaders' efforts to motivate and empower employees are likely to be ineffective. For example, managers could use the tailoring technique (Tims & Bakker, 2010), which involves individualized feedback based on employee's responses to the job-demands resources questionnaire. Similarly, organizations can offer training modules that assist employees in becoming aware of their work-related stress-triggers, which provides information to aid coaching discussions and helps employees to understand how to craft their jobs to decrease hindrance stressors (Van Wingerden, Derks, & Bakker, 2017). Alternatively, organizations can offer opportunities for employees to develop heightened emotion-focused self-regulatory capacities through platforms such as mindfulness training (Glomb, Duffy, Bono, & Yang, 2011).

This research also highlights the potential benefits of selecting, promoting, and developing ethical leaders in the workplace. By investing in programs aimed at developing managers' ethical leadership capabilities, and by promoting front-line supervisors and employees who demonstrate the characteristics of a moral person and a moral manager, organizations are likely to not only induce ethical accountability and ethical behavior but to also create a motivated and empowered workforce. As a result, organizations will experience a return on investment in the form of enhanced employee job performance.

Limitations, strengths, and future directions

As with all research, the current research has a number of limitations that should be noted. First, some ambiguity may exist regarding the direction of the relationships. Study 1 was cross-sectional. In study 2, measures of ethical leadership and psychological empowerment were separated by three weeks; however, empowerment and employee success were assessed cross-sectionally. Thus, although our examination of the effect of psychological empowerment on employee success aligns with prior theory and research (Seibert et al., 2011), achieving success may influence whether or not employees view their work as empowering. Future research should use time-lagged designs to determine how the pattern of relationships between ethical leadership, psychological empowerment, emotional exhaustion and employee success unfolds across time. Longitudinal designs could further shed light on the dynamic nature of the relationships by enabling researchers to examine how changes in ethical leadership and emotional exhaustion affect changes in psychological empowerment and employee success.

Second, there are important differences between supervisor-rated (study 1) and self-rated (study 2) measures of success. Supervisors as opposed to subordinates are likely to hold a more comprehensive understanding of the department's strategic importance to the organization and expectations for how specific jobs contribute to the department's goals. These additional points of reference provide supervisors a unique perspective on behaviors representative of current success, and capabilities necessary for future success (Borman, 1997). Additionally, personal characteristics of employees (e.g., optimism, locus of control, negative affect) may bias self-ratings of current success and success potential resulting in more lenient or more severe ratings. Further, the relationships between ethical leadership, psychological empowerment, and success could be inflated because of common-source bias. While we took steps to temporally separate the measures of ethical leadership from psychological empowerment and employee success, the potential for bias to impact the findings cannot be ruled out.

A third set of limitations involves the narrow perspective on employee success offered in the current study. Our measures of current success focused on in-role performance (study 1) and initiative (study 2), yet extra-role performance such as innovation, citizenship, and adaptation are increasingly important drivers of employee and organizational success (Grant, Fried, & Juillerat, 2011; Griffin et al., 2007; Liu, Chen, & Yao, 2011). In addition, future research could simultaneously investigate performance behaviors with ethical/unethical conduct to determine if the performance-based motivational effects of psychological empowerment spill over to ethical/unethical conduct. Finally, given that our study 1 findings suggest partial mediation, future research should evaluate alternative mediating mechanisms. For example, because an ethical leader's ability to motivate employees may be grounded in the quality of the dyadic interaction, the effect of trust (Eisenbeiss, 2012; Ng & Feldman, 2015) and leader-member exchange (Walumbwa et al., 2011; Yang, Ding, & Lo, 2016) should also be considered. Future research should therefore build upon the current findings and evaluate additional performance-related outcomes resulting from the motivational effects of ethical leadership.

The sample of participants is a fourth limitation. The study 1 sample included younger (mean age = 24 years), part-time (70%) participants, with relatively short organizational tenure (mean = 2.4 years). Given these sample characteristics, many of the participants may have worked on less complex assignments or had fewer opportunities to gauge the behavior of their current supervisors or impact the success of the organization. Although meta-analytic research suggests that student and non-student samples typically have similar findings (Wheeler, Shanine, Leon, & Whitman, 2014), we controlled for age, full-time versus part-time employment, and organizational tenure to address these limitations. In addition, findings from study 2 with a sample of more experienced employees (mean age = 48.44 years and mean organizational tenure = 13.10) demonstrated the robustness of the moderating role of emotional exhaustion on the motivational implications of ethical leadership. However, aside from the monetary benefits, relatively little is known about the motivation of individuals in study 2 to be part of a research panel. Future research could also improve the use of student-recruited samples by requesting contact information and following up with a subset of respondents to confirm their place of employment, participation, and motivation for study participation (see Wheeler, Halbesleben, & Whitman, 2013). It would also be useful to collect data on, and statistically analyze, possible differences between those participants who were students themselves versus those participants who were recruited by students.

We also did not ask respondents to report their job type or industry, and the exact types of jobs that employees performed are unknown. However, prior studies have used these approaches and generated samples inclusive of a wide range of jobs and industries (Eddleston et al., 2006; McElroy et al., 2014; Morgeson & Humphrey, 2006; Zapata et al., 2013). Therefore, in line with other studies that have employed similar methods (e.g., Grant & Mayer, 2009; Mitchell, Vogel, & Folger, 2015; Morgeson & Humphrey, 2006), our studies allowed us to test the hypothesized model using samples of working adults across a wide range of organizations.

Fifth, future research is also needed to more fully understand the role of emotional exhaustion in ethical leadership research. Similar to other heterogeneous samples (e.g., Schermuly & Meyer, 2015), our sample reported moderate levels of emotional exhaustion (study 1 mean = 3.04; study 2 mean = 3.41). However, the magnitude of the moderating effects of emotional exhaustion may be heightened or weakened in industries where emotional exhaustion is typically much higher, such as among frontline workers in healthcare or education industries (Landsbergis, 1988; Payne & Fletcher, 1983). In addition,

prior studies have demonstrated that positive, inspirational forms of leadership (e.g., charismatic-transformational, authentic, servant) are likely to be negatively related to employee psychological strain (Laschinger, Wong, & Grau, 2012; Lyons & Schneider, 2009; Rahimnia & Sharifirad, 2014; Sosik & Godshalk, 2000). Thus, future research could focus on a COR perspective and evaluate the extent to which the neutralizing effects of emotional exhaustion are dampened as ethical leaders take steps to alleviate the psychological strain that employees experience from the demands of their role and work environment (Zheng et al., 2015). Therefore, emotional exhaustion may have a more complex relationship with ethical leadership than depicted in the current study. These effects should be examined in future studies using time-lagged and longitudinal designs.

Finally, the magnitude of the correlations between ethical leadership and the three leadership-focused control variables (charismatic leadership, interpersonal justice, and informational justice) in both studies suggests considerable conceptual overlap. To examine the unique, motivational effects of ethical leadership we controlled for charismatic leadership, interpersonal justice, and informational justice in all analyses. However, doing so may have removed some meaningful variance from the ethical leadership construct, leaving a metric that does not fully operationalize the conceptual domain of ethical leadership.[1]

Therefore, we conducted supplemental analyses removing the charismatic leadership, interpersonal justice, and informational justice variables as controls. The results are consistent with the results including the full set of control variables. Specifically, in study 1 emotional exhaustion moderated the relationship between ethical leadership and psychological empowerment ($b = -0.06$, $p = 0.052$) such that the relationship was enhanced at lower levels (-1 SD: $b = 0.50$, $p < 0.001$) and attenuated at higher levels of emotional exhaustion ($+1$ SD: $b = 0.33$, $p < 0.001$). In addition, the indirect effects of ethical leadership on both current success ($+1$ SD: point estimate $= 0.156$, SE $= 0.042$, 95% CI [0.086, 0.254]; -1 SD: point estimate $= 0.218$, SE $= 0.057$, 95% CI [0.124, 0.346]) and success potential ($+1$ SD: point estimate $= 0.104$, SE $= 0.042$, 95% CI [0.036, 0.209]; -1 SD: point estimate $= 0.144$, SE $= 0.056$, 95% CI [0.054, 0.282]) were attenuated as emotional exhaustion increased. Similarly, in study 2 emotional exhaustion also moderated the relationship between ethical leadership and psychological empowerment ($b = -0.06$, $p = 0.027$) such that the relationship was enhanced at lower levels (-1 SD: $b = 0.24$, $p < 0.001$) and neutralized at higher levels of emotional exhaustion ($+1$ SD: $b = 0.07$, $p = 0.301$). Additionally, the indirect effects of ethical leadership on both current success ($+1$ SD: point estimate $= 0.130$, SE $= 0.047$, 95% CI [0.055, 0.246]; -1 SD: point estimate $= 0.214$, SE $= 0.089$, 95% CI [0.068, 0.422]) and success potential ($+1$ SD: point estimate $= 0.190$, SE $= 0.060$, 95% CI [0.093, 0.335]; -1 SD: point estimate $= 0.312$, SE $= 0.114$, 95% CI [0.119, 0.581]) were attenuated as emotional exhaustion increased. While these supplemental results provide some support for the robustness of the effects, future research should use experimental designs to better isolate the unique motivational effects of ethical leadership. Future research should also use longitudinal designs to dynamically model both ethical leadership's unique effects and the moderating role of emotional exhaustion.

Conclusion

This research contributes to an enhanced understanding of the motivational implications of ethical leadership. Findings suggest that ethical leaders are proficient role models who strive to bring out the best in their employees through psychological empowerment, which

then facilitates employees' current success and success potential. However, the empowering efforts of ethical leaders are only fruitful when employees have sufficient psychological resources at their disposal to internalize and process the leader's social learning influence.

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