Linking Ethical Leadership to Employee Voice Behavior:
The Role of Leader-Member Exchange

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Abstract
This study presents the findings of a research which examined the relationship between ethical leadership, leader-member exchange and employee voice behavior. Further, the research determined the impact of ethical leadership and leader-member exchange on employee voice behavior. Although these interrelations are very important for motivating employee voice behavior, a little empirical study investigates these relationships together. Finally, the research tested the most important factor that effects on employee voice behavior. This article investigates these relationships using SEM with data 465 employees of service companies located in Vietnam. Findings of the study revealed that ethical leadership promoted employee voice behavior mediated through leader-member exchanges. Based on the study findings, implications for theory and practice are discussed.

Keywords
Ethical Leadership, Leader-Member Exchange, Employee Voice Behavior

I. Introduction
According to Brown, Treviño & Harrison (2005), Ethical leadership is defined as “The demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to subordinates through two-way communication, reinforcement, and decision-making”. Ethical leadership plays an important role in motivating enhancing employee attitudes and behaviors. Recently, ethical leadership has appeared as a trend of leadership research following the recent ethical scandals in reputable corporations worldwide. Ethical leadership has been found out that it has an association on employee outcome, such as employee well-being (Chughtai, Byrne, & Flood, 2015), unethical behavior (Miao, Newman, Yu, & Xu, 2013), innovation (Tu & Lu, 2013). Although, there are the rapid developments of research, little research has found out the impact of ethical leadership on employee voice behavior. Thus, it is important to study both theoretically and practically why and how ethical leadership effect on employee voice behavior, and if so, the mechanisms through which ethical leadership relates to employee voice behavior. Therefore, the primary aim of this study is to extend this early and more recent research by testing the role of leader-member exchange (LMX) as a social exchange process in the ethical leadership-employee voice behavior link. Graen & Scandura (1987) defined leader-member exchange concept as the quality of exchange between a leader and a follower. Leader can shape high-quality social exchanges that are based on open communication, trust, information sharing. On the contrary, leader can form lower-quality social exchanges that do not extend beyond the employee contract (Sparrowe & Liden, 1997). Thus, we propose that the reason why ethical leadership predicts employee voice behavior is that ethical leadership behavior promotes enhancing high-quality leader-member exchange and high-quality leader-member exchange can be improve employee voice behavior.

This study makes several important contributions to extend literature of ethical leadership. First, we indicate that ethical leadership has a positive relationship with leader-member exchange. Second, by exploring leader-member exchange as a mediating mechanism, this study not only integrates the existing knowledge on ethical leadership, leader-member exchange, and employee voice behavior, but also reveals the proactive role that ethical leaders may play in helping increase employee voice behavior. Third, on a practical level, this study indicates that leader-member exchange positively effects on employee voice behavior. We test our hypotheses using a sample of service companies’ managers in Vietnam about the importance of ethical leaders’ behavior.

Fig. 1: Research Model

II. Literature Review and Hypotheses Development

A. Ethical Leadership and Leader-member Exchange
In recently, leader-member exchange concept has been received considerable attention in research (Chen, Lam, & Zhong, 2012; Garg & Dhari, 2014). The foundation of leader-member exchange lies in the degree of leader and their followers mutually support and exchange valued resources (Linden et al., 1997). Therefore, Masterson, Lewis, Goldman, & Taylor (2000) stated that leader-member exchange is a style of social exchange relationship that exists the relationship between an employee and his or her immediate supervisor. Employees have more frequently interact with their immediate supervisors, it is likely that their relationships with immediate supervisors will be stronger (Dienesch & Liden, 1986). So, enhancing leader-member exchange relationships is very important because of their effects on employee. Ethical leaders can enhance quality leader-member exchange with followers in some ways. Ethical leaders are the presumed people who are honest and trustworthy; their decisions are foundation of greater good of the followers, organization and society (Brown & Treviño, 2006; Hansen, Alge, Brown, Jackson, & Dunford, 2013). When followers perceive their immediate supervisor is caring, supporting and motivating them in the best interesting, with them the immediate supervisor is committed. The result is that it will increase high-quality leader-member exchange because of high levels of loyalty, faith and sense of belonging (Erdogan, Liden, & Kraimer, 2006).

According to Treviño, Weaver, & Reynolds (2006), “because ethical leaders are caring… relationships with ethical leaders are
built upon social exchange and norms of reciprocity” (p.967). As a result, ethical leadership could be motivate strong exchange relationship with their followers that goes beyond economic exchange agreements (Kuvaas, Buch, Dysvik, & Haerem, 2012; Walumbwa & Schaubroeck, 2009). Thus, we have following hypothesis:

**Hypothesis 1** Ethical leadership has a positive effect on leader-member exchange

### B. Ethical Leadership and Employee Voice Behavior

Employee voice concept is defined by Dyne & LePine (1998) as “a promotive behavior that emphasizes expression of constructive challenge intended to improve rather than merely criticize” (p.109). Voice behavior plays an important key for extra-role behavior such as positive and discretionary behaviors that are not depend on the organization but that are very important to form facilitate effective organizational functioning (Organ, Podsakoff, & MacKenzie, 2006). Ethical leadership plays a significant predictor role in group-level helping behavior, which is a factor of extra-role behavior (Mayer, Kuenzi, Greenbaum, Bardes & Salvador, 2009). Similar to helping behavior, constructive voice behavior also plays an important role by leaders because it can find out problems and solutions to problems like to other ideas which could help work unit functioning (Dyne & LePine, 1998).

Brown et al., (2005) stated that ethical leaders provide followers with voice. Ethical leaders encourage their employees to voice opinions and suggestions both ethical matters and other work-related processes and work context because ethical leaders convey high moral standards to employees. Brown et al. (2005) also presented that ethical leadership had a significant relationship with employees` willingness to report problems to management that is one aspect of voice behavior construct (Dyne & LePine, 1998). Moreover, voice behavior includes expressing dissent when employees perceive that certain actions would be inappropriate or unethical, like sharing constructive ideas for work unit improvements even when problems have not surfaced. Thus, we propose that ethical leadership promotes employee voice behavior in work unit.

**Hypothesis 2** Ethical leadership has a positive effect on employee voice behavior

### C. Leader-member Exchange and Employee Voice Behavior

The relationship in confines of high to low quality between differences leaders and their employees is explained in LMX theory (George B. Graen & Uhl-Bien, 1995). High quality exchanges is synonym with better relationships between employees and their leaders (Dienesch & Liden, 1986). Thus exchanges mean that employees tend to have better experience to social support, shape channels of communication, motivate trust and enhance performance. On the contrary, employees who have low level LMX relationship have a different experience as evidenced by voice behavior (Gerstner & Day, 1997). If follower don’t have a close relationship with their immediate leader, they will not be willing to speak up. Thus, Linden, Wayne, & Stilwell (1993); Sparrowe & Liden (1997) stated that high quality relationships between leader and employees would encourage better employee outcomes. On the other hand, empirical researches have tested how leadership behaviors are transmitted to employee voice behaviors (Detert & Burris, 2007; Tangirala & Ramamujam, 2008). Employee voice behavior can challenges and upset the status quo of an organization and its power holders. In addition, that behavior can be used to promote constructive change in the status quo if it is positive behavior in nature (Zhou & George, 2001). From these evidences, we have the following hypothesis:

**Hypothesis 3** Leader-member exchange has a positive effect on employee voice behavior

### III. Method

#### A. Sample and Procedure

The sample consisted of 465 employees from service companies in Vietnam. One set of questionnaire were contributed during regular work hours to 800 employees after author had list of employees’ information from human resource managers of 52 service companies. The authors directly explained the objective of this study, and explained the procedures for completing the questionnaire.

The questionnaire was developed based on a comprehensive review of the existing literature. The questionnaire was translated from English to Vietnamese and then back-translate to English by two independent bilingual scholars to ensure translation quality and guarantee equivalence of meaning. The questionnaire includes three main parts: ethical leadership, leader-member exchange and employee voice behavior. After questionnaire was distributed, 483 complete questionnaires returned, yielding a response rate of 60.4%. We were able to use responses from 465 complete and valid questionnaires for analysis.

#### B. Measures

1. **Ethical Leadership**

Ethical leadership was assessed using 10 items from Brown et al., (2005). Items were scored on a 5-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). A sample item is “My leader disciplines employees who violate ethical standards.” Ethical leadership was assessed using 10 items from Brown et al., (2005). Items were scored on a 5-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). A sample item is “My leader disciplines employees who violate ethical standards.” Ethical leadership was assessed using 10 items from Brown et al., (2005). Items were scored on a 5-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). A sample item is “My leader disciplines employees who violate ethical standards.”

2. **Leader-member Exchange**

Leader-member exchange was measured with the seven item version developed by Dhar (2016). All items were measured on a five-point scale ranging from 1 = “Not at all” to 5 = “Very much”. A sample item is “How well does your leader recognize your potential?” The Cronbach’s alpha coefficient was .919. A confirmatory factor analysis (CFA) of leader-member exchange scale yielded a good fit ($\chi^2$ = 22.501, IFI = .996, GFI = .986, TLI = .994, CFI = .996, RMSEA = .036).

3. **Employee Voice Behavior**

Employee voice behavior was measured with six item version developed by Dyne & LePine (1998). We used a five-point scale ranging from 1, “strongly disagree”, to 5, “strongly agree”. A
sample item is “I speak up and encourage others in this group to get involved in issues that affect the group”. The Cronbach’s alpha coefficient was .864. A confirmatory factor analysis (CFA) of employee voice behavior scale yielded a good fit ($\chi^2 (9) = 17.097$, IFI=.993, GFI=.988, TLI=.988, CFI =.993, RMSEA =.044).

### 4. Control Variables

We controlled age, gender and education because previous research has shown that these variables can effect on individual and organizational variables (i.e. Foote & Tang, 2008). In this study, we also used the work tenure of employee as a control variable because of their impact on managers and employees’ work behavior.

### IV. Results

#### A. Descriptive Statistics

The means, standard deviations and zero-order Pearson correlations of all the key variables are presented in Table 1. Fig. 1 showed the research model of gender, age, education, tenure, ethical leadership, leader-member exchange and employee voice behavior. As shown in Table 1, gender was negative related to LMX ($r=-.138$). Age was negative related to LMX ($r=-.111$) and employee voice behavior ($r=-.115$). Tenure was positive related to ethical leadership ($r=.112$), and LMX ($r=.100$). Ethical leadership was positive related to LMX ($r=.379$) and employee voice behavior ($r=.199$). And LMX was positive related to employee voice behavior ($r=.197$).

#### B. Convergent and Discriminant Validity

In this study, we conducted an EFA using Principal Axis Factoring with promax with Kaiser Normalization to examine the observed variables loaded together to check criteria of reliability and validity. The results showed that the KMO and Bartlett’s test of sampling adequacy was significant for each variable were sufficiently (KMO=.945). Moreover, as shown Table 2, all the factor loadings was significant at .001 levels (all above .506), the results showed a good discriminant validity. Therefore, all chosen variables were suitable for factor analysis. The Cronbach’s alpha for variables were also presented in Table 2. All alphas are reflective because all of was above .864.

On the other hand, we examined the common method bias through Harman’s single-factor test. The ten items of ethical leadership, seven items of LMX and six items of employee voice behavior was entered in a principle component factor analysis. The results presented that the first factor in the model explained 37.505% of the variance. Thus, in here, the common method bias was not issue.
The third, discriminant validity relates to the degree to which items differentiate between constructs, and presents by the square root of average variance extracted. In Table 1, the authors presented the square root of the average variance extracted of each latent constructs. All of them was greater than that construct’s correlation with other constructs.

Table 3: Regressions

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Leader-member exchange</th>
<th>Employee voice behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficients (t statistic)</td>
<td>TOL (VIF)</td>
</tr>
<tr>
<td>Constant</td>
<td>1.234*** (4.7)</td>
<td>2.549*** (11.528)</td>
</tr>
<tr>
<td>Ethical leadership</td>
<td>.568*** (8.812)</td>
<td>1.000 (1.000)</td>
</tr>
<tr>
<td>LMX</td>
<td>.111* (2.904)</td>
<td>.856 (1.168)</td>
</tr>
<tr>
<td>R²</td>
<td>.144</td>
<td>.057</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.142</td>
<td>.053</td>
</tr>
<tr>
<td>F</td>
<td>77.660</td>
<td>13.944</td>
</tr>
<tr>
<td>Standard Error</td>
<td>.814</td>
<td>.670</td>
</tr>
</tbody>
</table>

Note: * p <.05; **p<.01; *** p<.001 (two –tailed), TOL = Tolerance; VIF = variance inflation Factor

The authors used CFA before testing the hypothesis to examine the fit of the three-factor model. The three-factor model included ethical leadership, LMX and employee voice behavior. The CFA for measurement model presented the following indices: $\chi^2(227) = 342.186, p=.054, IFI=.979, GFI=.940, TLI=.976, CFI=.979, RMSEA=.033$ (see Fig. 2). The results showed a good fit between the measurement and the data collected.

Table 4: Validity, Reliability and Internal Consistency.

<table>
<thead>
<tr>
<th>Construct</th>
<th>No. of items</th>
<th>Variable</th>
<th>Standardized regression weights</th>
<th>C.R.</th>
<th>R2</th>
<th>AVE</th>
<th>Composite reliability</th>
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<tbody>
<tr>
<td>Ethical leadership</td>
<td>10</td>
<td>EL1</td>
<td>.713</td>
<td>f.p.</td>
<td>.509</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>EL2</td>
<td>.666</td>
<td>13.648</td>
<td>.444</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>EL3</td>
<td>.737</td>
<td>15.079</td>
<td>.543</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>EL4</td>
<td>.749</td>
<td>15.325</td>
<td>.562</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>EL5</td>
<td>.739</td>
<td>15.114</td>
<td>.546</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>EL6</td>
<td>.672</td>
<td>13.760</td>
<td>.451</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>EL7</td>
<td>.618</td>
<td>12.674</td>
<td>.383</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>EL8</td>
<td>.744</td>
<td>12.349</td>
<td>.363</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>EL9</td>
<td>.684</td>
<td>14.000</td>
<td>.467</td>
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<tr>
<td></td>
<td></td>
<td>EL10</td>
<td>.734</td>
<td>14.962</td>
<td>.535</td>
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<td></td>
</tr>
<tr>
<td>LMX</td>
<td>7</td>
<td>LMX1</td>
<td>.796</td>
<td>f.p.</td>
<td>.634</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LMX2</td>
<td>.802</td>
<td>19.156</td>
<td>.644</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LMX3</td>
<td>.813</td>
<td>19.505</td>
<td>.662</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LMX4</td>
<td>.736</td>
<td>17.152</td>
<td>.542</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LMX5</td>
<td>.753</td>
<td>17.640</td>
<td>.567</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LMX6</td>
<td>.807</td>
<td>19.311</td>
<td>.652</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LMX7</td>
<td>.802</td>
<td>19.136</td>
<td>.643</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On the other hand, there are significant and positive correlations that exist among ethical leadership, LMX, and employee voice behavior. Moreover, we used a series of regression to test the direct effects that were analyzed in this study. Addition, a series of test (i.e. tolerance, variance inflation factor) was used to examine the non-presence of multi-collinearity (Hair, Black, Babin, & Anderson, 2009).
The influence of ethical leadership on employee voice behavior is thus .458 (p<.001). Comparing the magnitudes of these effects indicated that the effect of ethical leadership on employee voice behavior is larger than the total effects of LMX on employee voice behavior. Therefore, the model explains employee voice behavior well. Finally, Table 5 also presented a direct effect (γ=.345, p<.001) LMX on employee voice behavior, supporting hypotheses 3.

V. Discussion

This study examined the role of ethical leadership in influencing voice behavior of employees associated with service companies in Vietnam. The results highlighted the existence of a positive relationship between ethical leadership and employee voice behavior service company staff. These findings are consistent with the findings of Chin (2013); Lee, Choi, Youn, & Chun (2017); Wang, Gan, Wu, & Wang (2015) who argued that ethical leadership plays a very important role in influencing the behavior of the employees’ attitude in a positive way in the work place (Hansen et al., 2013; Lu & Guy, 2014). The presented findings on the positive relationship between ethical leadership and employee voice behavior have led to several suggestions. For example, when ethical leaders emphasize the job outcome of organization, promote open communication, enhance employee creative, the followers reciprocate by voice behavior.

The presented findings also revealed that the exchange shared by leaders with their employees play a mediating role in influencing employee voice behavior. The social learning theory and the social exchange theory (Bandura, 1977, 1986) are two main theories proposed by many researchers (Brown et al., 2005) that explained the mechanism by which ethical leaders effect their employees. This study found LMX act as very important intervening variable in the ethical leadership-employee voice behavior link. This study adds to the literature of ethical leadership by testing the psychological and social aspects that explain the ethical leadership-employee voice behavior link. The findings, which indicate that LMX acts a partial mediator, leads to the important contribution of this study. Therefore, this research could be regarded as one of the first studies that integrate the social learning theory and the social exchange theory in explaining the relationship between LMX and employee voice behavior.

Third, data for the research sample was collected from 52 service companies in Vietnam in order to avoid self-selection bias. Finally, virtually no studies to the author’s knowledge have been conducted on ethical leadership and its relationship with employee voice behavior in Vietnam where various aspects such as ethics, exchange relations, voice behavior are highlighted. Thus, this research tried to add to the literature generalizing and externally validating ethical leadership and employee voice behavior, both of which have been originally developed and primarily studied in Western countries.

The study findings lead to the suggestion that service companies need to understand the advantages of enhancing ethical practices and ethical leadership to achieve employee voice behavior. Service organizations are advised to conduct training programs that teach employees at all levels to maintain ethical behavior in all spheres of their work life.

Managers are advised to enhance a healthy relationship between themselves and their followers so that there can be open and free communication on a frequent basic. This might lead to motivate employee voice behavior. Hence, managers can attempt to create an environment that promotes voice behavior of employees.
VI. Study limitations and Future Research

The present study has some limitations. First, because employees provided ratings of ethical leadership, LMX, employee voice behavior, the hypothesized relationships between ethical leadership and the mediating variables must be interpreted with caution due to same-source concerns. For example, it is possible that employees’ evaluations of ethical leadership bias their rating of perceptions of LMX. To address this potential limitation, we obtained employee voice behavior from direct reports’ supervisors. Thus, future study should strive to measure all predictors and voice behavior ideally from different sources.

Second, the cross-sectional nature of this study implies that causes may be subject to alternative interpretations. In a longitudinal study, the measurement of cause variables and effect variables at different intervals would enhance the validity of the result. The data were collected in service companies in Vietnam. Hence, the presented findings may not be generalized to other organizational context. Therefore, future research should consider collecting the data from different industries to generalize the findings of this study. On the other hand, the presented study used survey based to analyze. Future research could use qualitative methods to get a better in-depth understanding of the complexities involved in promoting employee voice behavior using ethical leadership style in service companies in Vietnam.

References


