Does Ethical Leadership Lead to Happy Workers? A Study on the Impact of Ethical Leadership, Subjective Well-Being, and Life Happiness in the Chinese Culture

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Abstract Business ethics has been emphasized throughout the past decade and organizations are aware of the influence it has on the organization's performance. As a result, ethical leadership is important as it influences the employees profoundly. This study aims to address this issue and explore the influence ethical leadership has on employees by examining job satisfaction, subjective well-being at work, and life satisfaction. Two groups of independent data were collected and a multi-group analysis was conducted before pooling together for a two-step structural equation modeling test. The results revealed that ethical leadership has a negative direct effect on employee well-being which offers significant findings for the meaning of ethical leadership in the Chinese culture. Useful managerial implications are provided for managers and supervisors at the end of this study.

Keywords Ethical leadership · Job satisfaction · Leader–member exchange theory · Life satisfaction · Social identity theory · Subjective well-being

Introduction

As one of the most discussed issues of our time, business ethics stands as the number one priority to a corporation's clients, stakeholders, and to its employees. It is known that leadership styles can contribute in the success or failure of a corporation (Lok and Crawford 2004). Before Treviño et al.

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(2003) proposed a clear definition of ethical leadership, many other styles of leadership such as transactional leadership and transformational leadership were often associated with ethical leadership due to their similar characteristics. Treviño et al. (2003) defined an ethical leader as one who influences the ethical behaviors of his subordinates by encouraging ethical behavior. Indeed, most would agree that good leadership must possess the qualities of integrity and ethical behaviors for sustainable development.

Recently, studies on leader–member behavior have aimed to understand how different leadership styles impact the outcomes of organizational members (De Jonge et al. 2000; Ilies et al. 2005). Although ethical leadership has been studied with relevant studies growing due to the interest of both empirical and research area, there is still much to learn about ethical leadership and its outcomes and influences. Accordingly, the proposed model in this study observes the ethical leadership and the subjective well-being of employees while building propositions based upon social identity theory. Leadership models such as Graen and Uhl-Bien's (1995) study the characteristics of the leader, especially the relationship between the leader and the follower (i.e., LMX).

Cultural background and how employees interact with the leader should also be studied. Leadership styles need to be adapted to different environments and cultures in order to have an effective impact (Dorfman et al. 1997). Hofstede (1993) divided different groups of nations into various culture clusters where each has its own characteristic due to the history, culture, and tradition of the country. Resick et al. (2011) further labeled the Asian countries as the Asian Confucius cluster that shared the common traits of collectivism, team orientation, and harmonious relationships. Out of the Asian Confucius cluster, China seemed to be the most influenced by the Confucian ideology where workplaces were shaped into close hierarchy relationships, with the

subordinates having great respect and honor to the leaders as a child would behave to a father. For other Asian countries, which had a stronger influence to Western business cultures such as Hong Kong or Taiwan, that demonstrated some characteristics similar to the U.S. respondents, the overall behavior and perception of employees' ethics were still shaped and impacted by traditional Chinese values.

The proposed model in this study observes the ethical leadership in Taiwan and the well-being of employees while building propositions based upon sophisticated models such as social identity theory and leadership member exchange (LMX) theory. In addition, the relationship of an individual's satisfaction at work and how it affects one's life satisfaction is often discussed, as work has become an important part of our life. Since ethical leadership's affect on life satisfaction has not yet been discussed, we hope to examine the role of life satisfaction in our theoretical framework. In fact, the relationship of ethical leadership in the Chinese culture and employee work outcomes has not yet been studied until recently. Walumbwa et al. (2011) noted that the Chinese people held an environment in which the cultural values were becoming diverse due to the mixture of traditional Chinese teachings and the influence of Western thinking and called for more studies of ethical leadership and employee outcomes in the Chinese culture. Furthermore, Resick et al. (2011) also noted that ethical leadership across Asian, American, and European countries have different meanings to employees that have different values and cultural systems and such divergence requires more understanding. Indeed, extending the research of ethical leadership and its implications would be useful in a Chinese context due to the increasing business ties of Western countries and Asia.

Theoretical Background and Hypotheses

Defining Ethical Leadership

Ethical leadership is defined as the behavior of appropriate conduct through personal actions and interpersonal relationships. Ethical leadership was first conceptualized by Brown et al. (2005) as a type of leadership that emphasizes honesty and integrity. Before the ideology of ethical leadership was introduced, the area of organization behavior did not have a specific genre that could fully explain this concept. However, there are some other forms of leadership similar to ethical leadership due to its nature. These leadership styles will be discussed and clarified clearly to distinguish the differences.

Transformational leadership leaders possess an influence over others by demonstrating personal charisma and inspiration. Followers develop a set of moral principles that are similar to the transformational leader (Brown et al. 2005; Mayer et al. 2009; Treviño et al. 2003). Having an idealized influence on followers, transformational leaders can align the moral beliefs and standard of others to behave "the right way" and fall in line with the organization culture. Nevertheless, the moral standards of the leader could be very distantly linked with the welfare of the society and people, leading to harmful consequences that are influenced by the decision of personal will instead of value beliefs (Price 2003). Therefore, although there seems to be a certain resemblance between transformational leadership and ethical leadership, there is no necessary linkage among them (Bass and Steidlmeier 1999).

Leader honesty (Brown et al. 2005) also known as authentic leadership (Avolio and Gardner 2005; Gardner et al. 2005) is also similar in some characteristics to ethical leadership since. Although honesty is an important factor that makes up ethical leadership, it is only one of the many factors necessary for an ethical leader (Howell and Avolio 1992). Mayer et al. (2009) discussed authentic leadership as another type of leadership that can be often confused with ethical leadership due to similar characteristics of being true and authentic. The definition of authentic leadership by Avolio et al. (2004) was to know oneself and reflect one's personal values onto the actions and behavior of oneself without intentional changes. Indeed, authentic leaders are leaders who remain true to themselves and choose to act upon these values under most circumstances and scenarios.

Despite the similarity of attributes such as honesty and trustworthiness in the above-mentioned leadership styles, these types of leadership contribute to only a part of ethical leadership and cannot represent the full concept. Furthermore, another important resemblance in ethical leaders is their tendency to use reward and punishment as a mechanism to encourage ethical behaviors in the organization and that they are often the role model of the organization. Mayer et al. (2012) studied ethical leadership by addressing the crucial influence of ethical leadership and raised the question of why ethical leadership matters. Using the social learning theory in which individuals pick up and learn behaviors by observing the environment and their companions, their study results suggest ethical leadership as an important factor since the leaders are looked up to as a role model on how to behave in an organization. The culture and style of an organization can be set by the leader to either develop as an honest and morally ethical company, or an unethical one.

Social Identity Theory

Social identity theory explains the social phenomenon of individuals forming a sense of recognition and belonging toward the organization, company, or group of people in which one belongs. Tajfel (1982) introduced the social

identity theory in his study of interpersonal relations, stating that individuals gain the feeling of belonging to a group which in turn divides their social world into two halves: "us" versus "them." For example, a basketball fan may define himself according to which group he belongs to such as a New York Knicks or California Lakers fan and easily gain recognition from the group for supporting the same team (Ashforth and Mael 1989).

Walumbwa et al. (2011) incorporated social identity theory to explain the relationship of ethical leadership on employee outcomes, proposing this theory to be able to capture the complex situation of studies on ethical leadership. Social identification leads to behaviors that are congruent with the organization's beliefs, or identity that one is assigned to in a group (Ashforth and Mael 1989). As a result, employees are likely to act similar to other members of the organization, and more importantly, feel proud of their social identity. People who choose to stay within a group strive to achieve a sense of satisfaction with their social identity (Brown 2000) and maintain a state of subjective well-being. Also, Brown and Mitchell (2010) have stated that leaders' values have a power to shape the organizational culture, whereas Giberson et al. (2005) reported that leaders tend to surround themselves with subordinates and employees who have similar ethical values and standings. We believe that this can also help explain the relationship of ethical leadership and employee well-being.

Leader–Member Exchange Theory

The leader–member exchange theory is unique, since it is one of the few theories that focus on the interaction of managers and their subordinates (Fairhurst and Chandler 1989). LMX theory is most often used to analyze teamwork development in organizations. This theory is useful due to its explanation of how workplace behavior functions, with a subgroup of the same unit working in harmony with the leader and the other group outcast as the out-group. The quality of the relationship between the employee and the supervisor is the predictor of outcomes of not only the individual, but also of the subunit and organization (Gerstner and Day 1997). Defining quality of communication, it means that the subset of subordinates who are loyal and have high performance (the "in-group") usually receive encouragement, rewards, and more attention from the managers (DuBrin 2010). In contrast, the other subset, which is labeled as the "out-group" by the leader receive less encouragement. Studies describe the comparison of in-group and out-group as those that lead the role of a trusted assistant, and the others that are treated formally like a hired worker (DuBrin 2010). In the organization employees working under an ethical leader will likely share the same

values and beliefs and become one of the "in-group" if they fit in. Nevertheless, if employees do not meet the expectations of the ethical leader, it is likely that they receive less attention and feel like an outsider in the organization.

A high-quality relationship between the leaders of an organization and its members is crucial since it decides the fate of the subordinate as those who have a better relationship with the leader have a higher chance of being promoted and mentored (Sparrowe and Liden 1997). For instance, Yukl (2013) noted that leaders differ their behavior according to different groups of subordinates with those who are favored receiving obvious tangible benefits such as pay increase, better work schedule, special benefits, and bigger office space. Though most studies on LMX theory explain the relationship of other factors with LMX, few have specifically examined if employees in organizations reflect the ethical status of their supervisors. Due to this context of the LMX theory, we build our proposed model accordingly to observe the relationship of ethical leaders and their subordinates.

Ethical Leadership and its Influence on Subjective Well-Being of Employees

Subjective well-being is sometimes defined as the state of happiness (Easterlin 1995; Ryff 1989; Wright et al. 2007) or a positive emotional state in which negative feelings such as fear, anxiety, or anger is not present (Diener et al. 2009). Recent studies have found that well-being benefits one's personal life, and also is a helpful factor in the workplace. The importance of subjective well-being is crucial since empirically it has been shown that a happy worker is more likely to be successful in many aspects. For instance, happy workers usually have higher incomes (Diener and Biswas-Diener 2002), help their coworkers at work (George and Brief 1992), and are also more favored by their boss (Cropanzano and Wright 2001). Moreover, there is convincing evidence that workers with a positive state of emotion and mood are more likely to stay in good health (Argyle 1997) which could lower the cost of human resources and maintain an efficient work schedule.

There are reasons to believe that ethical leadership may lead to subjective well-being. First, researchers state that employees feel obligated to return beneficial favors by performing better on their work behavior (M. E. Brown and Mitchell 2010). Prior studies have shown that the manager's ethical leadership can influence the employee's organizational loyalty and also ethical behavior in the workplace (Cullen et al. 2003; Koh and El'fred 2004; Schminke et al. 2005). Next, the moral atmosphere in a workplace forms a group experience where individuals feel the support of coworkers when facing a moral decision

(VanSandt and Neck 2003). The manager's support for ethical behaviors can increase the level of job satisfaction (Koh and Boo 2001) which is a determining factor for employee well-being. Consequently, individuals are more likely to experience job satisfaction and maintain a good state at work while working for ethical leaderships. For instance, a study on nurses' job satisfaction and ethical climate in Israel showed a strong relationship and proposed that training programs that emphasized ethics at work should be conducted to increase job satisfaction in these employees (Goldman and Tabak 2010). Ilies et al. (2005) conducted a study on the impact of authentic leadership by proposing that leaders with authentic attributes not only influence the well-being of the leader, but also the well-being of the employee. Third, ethical leadership can influence dynamic relationships in the workplace (Mayer et al. 2012). Ethical leaders tend to exhibit active responsiveness; therefore, two-way communication in an ethical leadership environment encourages work atmosphere. For example, according to the social learning theory, these behaviors demonstrated by ethical leaders "trickle down" for employees to imitate. A higher level of liking and sharing are common in the work environment and creates a pleasant environment for the workers.

Related to this, prior studies examining the relationship of ethical leadership and employee outcomes by Toor and Ofori (2009) have stated that ethical leadership plays a mediating role between organization culture and employee outcomes. Employees who work for ethical leaders usually are satisfied toward the leader and organization whereas the moral conduct of the employee can also be significantly increased (Toor and Ofori 2009). Valentine et al. (2006) studied the effect ethical leadership had on employee job response, finding that employees have more favorable attitudes toward an ethical organization. By developing a corporate ethic culture, employees also feel more connected with the company.

Using data obtained from participants recruited from college alumni, In this study, we focus on the direct supervisor of the employees since many studies have stated that local foci (i.e., relationship with supervisor) have a larger impact on the employee's work outcome than global foci (i.e., relationship with top manager) (Becker 1992; Becker et al. 1996; Brandes et al. 2004). Direct managers are important in organizational study due to the role of linkage they play. Serving as linkages between the top managers they report to and the subordinates that they supervise, employees look to these managers as a role model (Lam et al. 2010).

Hypothesis 1 Ethical leadership of the direct supervisor will be positively related to the employee well-being of an individual.

Ethical Leadership, Job Satisfaction, and Life Satisfaction

Rad and Yarmohammadian (2006) defined job satisfaction as the attitude that people hold toward their jobs, based upon the comparison of the expected outcome with the actual outcome. We expect job satisfaction to mediate ethical leadership and employee well-being. Investigating the link between ethics and job satisfaction, Koh and Boo (2001) found ethical climate of an organization to be positively associated to the employee's job satisfaction. The preference for organization ethics implicates that leaders who can directly influence the ethical climate can also impact the job satisfaction of employees (Koh and Boo 2001). Addressing the concern of unethical behavior Management Information Systems (MIS) professionals were facing, Vitell and Davis (1990) choose MIS professionals as study subjects and found that workers who faced unethical situations at work had lower job satisfaction. Pettijohn et al. (2008) also suggested that the manager's ethical behavior could influence how the employees perceive job satisfaction, which could influence the organization performance and turnover rate. The subjective well-being of an individual is decided significantly by the status of job satisfaction. Indeed, job satisfaction has been viewed by prior studies as an important indicator of employee well-being (De Jonge et al. 2000). For example, a sales person who has not reached his monthly goal would likely feel pressured and spend personal time in distress due to this cause. The effect of job satisfaction on employee well-being has been studied by several researches. For instance, Pugliesi (1999) conducted a study on emotional labor finding job satisfaction to be having a negative impact on the workers' well-being. Also, Page and Vella-Brodrick (2009) studied the importance of employee well-being and noted that job satisfaction should be included as an important indicator of employee well-being. As a result, it is important to recognize how job satisfaction can affect people in terms of their subjective well-being and analyze the role of job satisfaction as a mediator between ethical leadership and employee well-being. Through the following proposition, we wish to examine the discussed issues:

Hypothesis 2 The relationship between ethical leadership of the direct supervisor and employee well-being will be positively mediated by job satisfaction.

To this point, we have discussed the relationship of ethical leadership, employee well-being, and job satisfaction. In an effort to complete our theoretical model on the impact of ethical leadership, we discuss life satisfaction by suggesting that ethical leadership should be related to life satisfaction through the effect it has on job satisfaction (Fig. 1). Nowadays, work takes up much of our life and the emotion or
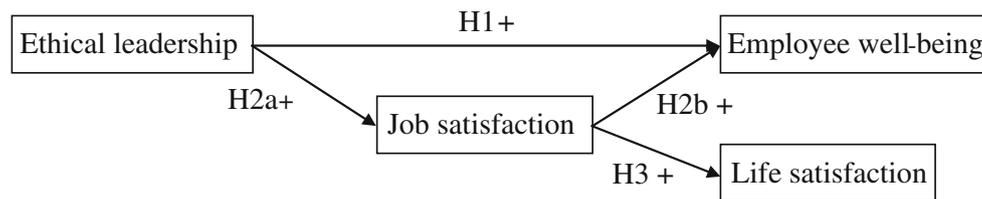
Fig. 1 Research framework

psychology of a person is very much influenced by the work situation (Lyubomirsky et al. 2005). Past studies have shown job and life satisfaction to be highly correlated, since most people contribute a large amount of time to their career and, therefore, feelings about their job can influence their life satisfaction (Tait et al. 1989). Satisfaction with one's life has been defined as a general state of life as a whole. While this concept has been discussed often by prior studies, the scale to assess life satisfaction was first conceptualized by Diener et al. (1985) with questions measuring the overall assessment of individuals' life. Although some would agree that certain components of our lives (i.e., health, finance, or psychology) are important in defining whether we lead a satisfactory life or not, each individual has a unique criteria of life satisfaction. Therefore, life satisfaction is the judgment of one's quality of life which varies according to each individual. Moreover, previous studies have pointed out that job satisfaction has a significant influence on life satisfaction especially through extrinsic outcomes such as pay and prestige at the company (Steiner and Truxillo 1987). Since ethical leadership leads to extrinsic outcomes in behavior that can also exist outside work, we propose that job satisfaction acts as a mediator between ethical leadership and the employee's life satisfaction.

Hypothesis 3 The relationship between ethical leadership of the direct supervisor and life satisfaction will be positively mediated by job satisfaction.

Methodology

Measures

The questionnaire was designed by using validated items in the previous studies. For the measurement of ethical leadership, the ethical leadership scale (the ELS) developed by Brown et al. (2005) was applied. The development of this instrument was based upon prior theoretical perspectives to capture the characteristics of ethical leadership. The intention of this scale is to measure how the employee perceives the ethical behavior of the supervisor. The instrument used to measure job satisfaction was borrowed from Seashore et al. (1982) and Valentine et al. (2006), and consists of 4 items.

For employee well-being, a subjective well-being scale developed by Lyubomirsky and Lepper (1999) was adapted to fit our study. Specifically, phrases that identified the specific situation (such as "at work") were added to the measurement items. To measure life satisfaction, a 5-item scale developed and validated by researchers was used in this study (Diener et al. 1985; Pavot and Diener 1993).

Pilot Test

For the pilot study, participants were recruited from employees who were in an on-the-job graduate program in a university located in northern Taiwan. These participants were chosen due to the similar background characteristics they would share with the participants later recruited for the survey. Prior to administering the questionnaire, the scales were first translated into Chinese by a English native speaker and then back-translated by another bilingual individual fluent in both languages to ensure that the content would be accurately represented in Chinese. An expert in organizational behavior research was asked to help check the content of the items. 30 participants were asked to complete the questionnaire and offer feedback to improve the clarity of our questionnaire. Next, a reliability test was conducted, with all scales above the standard of coefficient alpha higher than 0.7 (Hair et al. 1998), ranging from 0.82 to 0.93.

Research Subjects

For this study, we aimed to find participants who had variations in age, salary, and other characteristics so that it could represent the population of the workers in Taiwan. Therefore, questionnaires were handed out on two occasions to obtain the data included. Data were collected from the same college alumni in two different settings. The survey was distributed offering an incentive of a lottery drawing of a $30 USD gift certificate drawn by the participant's email address to ensure anonymity and privacy. As suggested by past studies, an incentive of some form should be offered to the participants to encourage the participants to fill out the questionnaires (Biner and Kidd 1994). The first group of respondents was a group of college alumni attending a speech hosted by the school in Taipei City, Taiwan. Out of 250 questionnaires collected,

17 were invalid with a valid response rate of 93.2 %. The 233 valid questionnaires showed that the group consisted of slightly more male participants (58.5 %) than female (41.2 %). Over half (52.3 %) of the participants were 30 years or younger and had an education level of mainly college (40.3 %) or graduate school (54.9 %). The income ranking showed that most of the participants from group one had a monthly income of $40,001–$50,000 NTD or under (65.2 %). These participants had a ranking of assistant manager or below.

A set of 217 questionnaires was collected at an EMBA alumni gathering on the school's graduation ceremony. Out of the 217 surveys collected, the number of valid questionnaires was 201 with a high valid response rate of 92.6 %. This set of questionnaires consisted of a higher percent of male individuals (65.7 %) with an older age. Considering that the background of the participants is from an EMBA program with high-ranking managers in well-established corporations, the demographics are consistent. Comparing the two sets of data, all respondents filled out the questionnaire with a response rate of 100 % and 434 valid questionnaires were collected. The demographics of the participants can be seen in Table 1. We tested the equivalence of the measurement tool and invariance of the hypothesized model with three steps including testing for validity of model, testing for the invariance of a fully constrained model, and testing for invariance of factor loadings and factor covariances across groups. Next, a two-step procedure of structural equation modeling was conducted to examine the proposed model and hypotheses.

Results

Test for Invariance for Multi-groups

The test for multigroup invariance is often used to identify if an instrument or proposed model operates exactly the same way for different datasets. We tested for equivalence across the two groups of data collected using the method suggested by Byrne (2004) using Amos Graphics. The 23-item instrument used in this study was tested for each group to derive a baseline model, one that best fits the data due to consideration for both parsimony and interpretation. In testing for the validity for both groups of data, both groups demonstrated consistency without need for modification.

Step 1: Testing for the Validity of the Model Across Groups

When testing for the baseline model, the two groups were tested separately. However, testing for the validity of the

Table 1 Descriptive data of respondents

	Group 1	Group 2	Total
Gender			
Male	137	132	269
Female	96	69	165
Age			
Below 30	122	27	149
31–40	83	102	185
41–50	25	56	81
51–60	2	15	17
Above 60	1	1	2
Education			
College and below	99	77	176
Master	128	118	246
PhD	6	6	12
Income[a]			
Below $20,000	19	3	22
$20,001–$30,000	25	5	30
$30,001–$40,000	42	15	57
$40,001–$50,000	66	30	96
$50,001–$60,000	22	33	55
$60,001–$70,000	20	24	44
$70,001–$80,000	9	23	32
$80,001–$90,000	2	11	13
$90,001–$10,000	3	11	14
Above $10,000	25	46	71
Rank			
Assistant Manager or below	183	85	268
Assistant Manager–Division Manager	38	83	121
Assistant Vice President and above	12	33	45

[a] 10,000 NTD equals approximately $333 USD

model requires the test to be conducted simultaneously to provide a baseline value in which all latter models in our analysis can be compared to. The goodness of fit statistics that one should refer to are the comparative fit index (CFI) and root mean squared error of approximation (RMSEA) (Byrne 2004). As seen in Table 2, the Chi square value of 729.2 with 406 $d.f.$ provides a baseline value. The CFI and RMSEA values are 0.95 and 0.04, which is a fairly good model fit.

Step 2: Testing for the Invariance of a Fully Constrained Model Across Groups

By placing constraints on the parameters of the model, the model was tested for its complete invariance. The Chi square value of 766.5 and 434 $d.f.$ is compared with the baseline model which had no constraints. The difference among the constrained model and baseline model were found to be invariant ($\Delta \chi^2$, $d.f. = 37.3$, 28 $n.s.$). Therefore,

Table 2 Invariance test for two independent groups

Model description	χ^2	d.f.	$\Delta\chi^2$	Δd.f.	Statistical significance
1. Combined baseline models (short and long tenure)	729.2	406	–	–	–
2. Factor loadings, variances, and covariances constrained equal	766.5	434	37.3	28	n.s.

n.s. not significant at 0.05 level

we can conclude that the model works well across different data. Next, the data will be pooled together for the following analysis of structural equation modeling.

Measurement Model

This study chose structural equations modeling developed by Anderson and Gerbing (1988) as the data analysis tool due to its powerful ability to analyze causal models by two steps: the measurement model is used to assess the fitness of the model, the validity, and reliability by a confirmatory factor analysis (CFA); and the structural model helps analyze the causal relationships of the variables in the theoretical model. AMOS 17.0 (Arbuckle 2006) is used as the statistical tool for data analysis.

Model Fit

To assess the model fit of our proposed model, the most widely reported and respected model fits in SEM is examined (Hooper et al. 2008). These following goodness of fit indices are as follows: χ^2/d.f. = 2.35; RMR = 0.031; RMSEA = 0.055; NFI = 0.94; CFI = 0.96; IFI = 0.96; GFI = 0.90; PNFI = 0.81. These goodness of fit indices are all within the suggested criteria, which shows that the measurement model is established well.

Reliability and Validity

The Cronbach alpha of the four constructs was measured to examine the internal consistency of our measurement scales. Ranging from 0.84 to 0.92, our scales demonstrated an acceptable requirement for reliability. The mean, standard deviation, and Cronbach α are shown in Table 3.

Convergent validity is assessed to examine whether or not the measurement items within each construct are related as they should perform. We examine convergent validity by examining the composite reliability (CR) and average variance extracted (AVE). All CRs and AVEs exceed the required standard of 0.7 and 0.5 (Table 4) except one item in the subjective well-being scale ("Some colleagues are generally not very happy at work. Although they are not depressed, they never seem as happy as they might be. To what extend does this characterization describe you?"). This item was removed for further

analysis. In addition, all factor loadings met the standard for 0.5 ranging from 0.78 to 0.92.

Discriminant validity was tested to examine if the measurement of each construct was not correlated with other constructs. Comparing the proposed model to a model where the correlations between various constructs are fixed at 1.0, the constrained model should be compared to the unconstrained model (Bagozzi and Phillips 1982). If the Chi square value of the unconstrained model is significantly lower, then we can conclude that discriminant validity is supported (Segars and Grover 1993). The tests in this study for discriminant validity show that all constructs are considered distinct (Table 5).

Common Method Variance

The issue of common method variance has been discussed as a potential flaw due to self-reported measures from the same source. Conducting a Harman's one-factor test suggested by the previous studies in social science, this test examines if most of the variance in a sample can be accounted for by one factor. If the factor accounts for over 50 % of the variance, then there is the existence of a common method bias. In this study, we conducted a Harman's one-factor test including all items of the four variables in our study. The first emerging factor accounted for 46 % of the explained variance. Since it passes the criteria suggested, we can conclude that the common method bias is not an issue in our study.

Structural Model

Control Variables

To be consistent with prior studies and avoid model misspecification, we controlled for variables that might affect the measurement of the proposed framework. As suggested by previous studies of organizational behavior in similar topics (Wright et al. 2007), both gender and income were controlled. Spector (1997) stated that gender is one of the most important factors when discussing job satisfaction. Income also has been found to have a strong link with job satisfaction and subjective well-being (Adelmann 1987). For these reasons, gender and income were both controlled for.

Table 3 Internal consistency test

Variable	Items	Mean	S.D.	Cronbach α
Ethical leadership	9	3.55	0.98	0.92
Job satisfaction	4	3.48	0.93	0.92
Employee well-being	4	3.51	0.89	0.78
Life satisfaction	5	3.24	0.94	0.90

Table 4 Convergent validity test

Factor	Factor loading	AVE	Composite reliability
Factor one: ethical leadership			
1. Listens to what employees have to say	0.80	0.56	0.92
2. Disciplines employees who violate ethical standards	0.55		
3. Conducts his/her personal life in an ethical manner	0.62		
4. Has the best interests of employees in mind	0.85		
5. Can be trusted	0.88		
6. Discusses business ethics or values with employees	0.64		
7. Sets an example of how to do things the right way in terms of ethics	0.83		
8. Defines success not only by the results but also the way they are obtained	0.74		
9. When making decisions, asks "what is the right thing to do?"	0.75		
Factor two: job satisfaction			
1. In general, I don't like my job[a]	0.77	0.74	0.92
2. I like working where I do	0.87		
3. I am comfortable in my job	0.90		
4. I am satisfied with my job	0.90		
Factor three: employee well-being			
1. In general, I consider myself very happy at work	0.88	0.63	0.83
2. Compared to most of my other colleagues, I consider myself more happy	0.73		
3. Some colleagues are generally very happy at work. They enjoy work regardless of what is going on. To what extend does this characterization describe you?	0.76		
4. Some colleagues are generally not very happy at work. Although they are not depressed, they never seem as happy as they might be. To what extend does this characterization describe you?[a]	0.37[b]		
Factor four: life satisfaction			
1. In most ways my life is close to my ideal	0.87	0.68	0.91
2. The conditions of my life are excellent	0.88		
3. I am satisfied with my life	0.93		
4. So far I have gotten the important things I want in life	0.70		
5. If I could live my life over again, I would change almost nothing	0.73		

[a] Item is reverse scored

[b] Item removed due to low factor loading

Model Fit Assessment

We fit the hypothesized path model to the data and found the model to fit well. The structural model ($\chi^2 = 699.19$, $d.f. = 244$) was tested for the proposed hypotheses. In the following, goodness of fit indices are provided as indicators of the model fitness. These indices are as follows: $\chi^2/d.f. = 2.08$; $RMR = 0.063$; $RMSEA = 0.05$; $NFI = 0.93$; $CFI = 0.96$; $IFI = 0.96$; $GFI = 0.91$; $PNFI = 0.81$. The

results of the measurement model show an acceptable level.

Next, we examined the path coefficients to determine if the proposed hypotheses were supported. The results indicated that Hypothesis 2 was supported, as ethical leadership had a positive and significant relationship to employee well-being ($\beta = 0.98$) through the mediation of job satisfaction ($\beta = 0.67$). Also, Hypothesis 3 was supported with ethical leadership having a positive and

Table 5 Chi square difference test for discriminant validity

Construct pair	Unconstrained χ^2 ($d.f. = 202$) $= 472.4$	
	Constrained χ^2 ($d.f. = 203$)	χ^2 difference
Ethical leadership, job satisfaction	578.7	106.3*
Ethical leadership, employee well-being	594	121.6*
Ethical leadership, life satisfaction	626.1	153.7*
Job satisfaction, employee well-being	539.7	67.3*
Job satisfaction, life satisfaction	591.5	119.1*
Employee well-being, life satisfaction	566.3	93.9*

* Significant at the .05 overall significance level

significant relationship with life satisfaction ($\beta = 0.63$). Turning to the direct relationship of ethical leadership and employee well-being ($\beta = -0.14$), we found partial support for Hypothesis 1. Finally, we examined the indirect effect ($\beta = 0.66$), direct effect ($\beta = -0.14$), and total effect ($\beta = 0.52$) of ethical leadership on well-being, finding that the total effect was positive. The results can be seen in Fig. 2.

Discussion

This study is based on the social identity theory, proposing that since employees are influenced by the behavior of managers and tend to identify with those that they feel similar, managerial ethical behavior should have an indirect effect on employee well-being. Our study yielded two major results. First, ethical leadership indirectly influences both employee well-being and life satisfaction. We observed the findings and found that although the coefficient is slightly higher with employee well-being, it is not significantly different from life satisfaction. Thus, we can conclude that ethical leadership not only affects an individual's work, but also affects them after they leave the office. The second finding is that ethical leadership has a strong influence on job satisfaction, which is an important indicator for corporations.

Although we found support for the hypothesis of indirect influence through job satisfaction, the direct effect was negative. This finding implicates that in the process of establishing ethical leadership, there may be reasons that conflict with the well-being of the subordinates. A possible explanation is that this effect may be caused by ethical incongruence between the ethical leader and the subordinate. For example, Burke's (2010) review of workplace stress and employee well-being reviews several contributing studies regarding workplace stress and well-being, stating that leadership style is a factor that plays the role of a work stressor. Leaders with a higher ethical conduct at work may induce pressure on their subordinates. If the employee's original ethical status does not match with the supervisor's leadership style (i.e., ethical incongruence), the individual's workplace well-being would be decreased. This could result in distress in the employee (Schwepker 1999; Visweswaran and Deshpande 1996).

The finding of this research shows that in the process of promoting ethical behavior among employees in an organization, the leadership style may conflict with the unique way of interaction among Chinese work organizations. Studies regarding Chinese organization behavior and relevant interaction pointed out that traditional Chinese culture and the deep-rooted teachings of Confucian concept have created a system of belief and rules that individuals follow. One of the most often discussed phenomenon is the special type of informal social interaction in Chinese societies defined as "guan-xi," a personal bonding that links an individual closely with another (Chen and Tjosvold 2007; Hong and Engeström 2004). Guanxi is perceived as an important way of bonding that ties people together in a harmonious network whereas those who do not share this bonding are labeled as outcasts. Past studies have observed that the formation of guanxi usually develops through informal occasions and social settings such as after work dinner gatherings or doing favors for co-workers in the company. In Chinese culture, individuals with a well-established guanxi are usually more likely to be forgiven for their mistakes and often taken care of in times of need.

Moreover, different definitions of ethical leadership and how an ethical leader should act vary across cultures. Resick et al. (2011) conducted a cross-cultural study and found that the cultural cluster Confucius Asia (including Asian countries such as China, Hong Kong, and Taiwan) has a substantial influence on leadership behavior. While
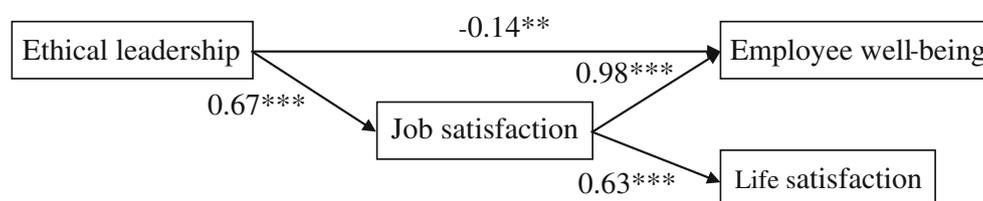
Fig. 2 Structural modeling analysis results. **$p < 0.01$, ***$p < 0.001$

the U.S. business culture has gradually started to influence these Asian countries, traditional values such as Confucius teachings and traditions still have a strong impact on the way employees view their leaders (Resick et al. 2011). Although ethical leadership is emphasized globally across different nations and cultures, cultural difference has a strong influence on how ethical leadership should operate under different societies. In the Confucius Asia cluster, people are accustomed to familism and emotional consideration between individuals. In other words, subordinates look forward for the workplace to be a place of harmonious relationships. Chen et al. (2002) noted that people would be judged by their loyalty to the leader rather than objective regulations of the system. Due to the Chinese cultural background, it is reasonable to expect that instead of a set of code of ethics to follow, employees believe that their behavior under different situations should be flexible.

Furthermore, when the code of ethics is being overridden by the high-ranking managers and the inner workings of a company which can happen in Chinese culture organizations (Wu 2002), this situation can cause unhappiness among the employees. Nowadays, Taiwanese companies establish a set of code of ethics and the managers are encouraged by government law to promote ethical employee behavior. However, while the supervisor promotes and educates their subordinates using ethical leadership, it is possible that the supervisor himself may fail to act accordingly due to a higher state of power and authority. Contradictorily, the codes of ethics seem to apply only under certain circumstances that the supervisor desires. Old Chinese sayings such as "do as the boss says" and "rules cannot compare with the boss's words" depict the conflicting situation that many Chinese employees encounter which can cause frustration. Moreover, Chinese culture teaches individuals that a confrontation is "uncivilized" and crosses the boundary of politeness and should be avoided. As a result, the dissatisfaction of questionable acts of the leader is likely to be kept quiet.

Managerial Implications

This research offers several managerial implications and suggestions. For international organizations working with a Chinese company, it is important to understand the difference of culture and the large impact it has on the way individuals act and think in the workplace. While it may appear that Chinese organizations are becoming more Westernized with the way of doing business, the deep-rooted Confucius teaching and emphasis on guanxi still dominates their behavior. In order to gain trust and loyalty of the Chinese company, establishing a good relationship in an ethical way with the employees is important.

Second, related to the mentioned suggestions above, when working with Chinese organizations or employees, it is suggested that the manager or leader can offer programs and office events that encourage interaction and communication between the managers and their subordinates. This study suggests that the approach of enforcing ethical behavior among employees is important. Communication should be carried out strategically to create an ethical climate and harmonious atmosphere. For the Chinese employees, they need to be gradually taught the importance of following the code of ethics in a way that is in line with the Confucius tradition. The intended effects are to tear down the walls and increase the feeling of a strong guanxi that leads to the positive state of the individuals. Also, when communication across the managers and subordinates is encouraged, this can also create a favorable working environment.

Third, leaders need to establish a set of code of ethics for the organization which does not conflict with the employees belief and Confucius teachings. For many Chinese individuals, they understand rationally that the leader is right and the code of ethics exists to help create an ethical working environment. However, the Chinese collective culture is build on a foundation that consists of sympathy and care such as "renqing." Renqing is a crucial element in the Chinese society that is an important factor for individuals to success. The word represents the action of informal and unselfish give and take. Moreover, the Chinese is a relatively shy culture that does not like to loose "face" in front of other people. The mentioned characteristics are all subtle cultural behaviors that the leader has to take into consideration when promoting ethical behavior so they do not fail in the interpretation of Chinese culture.

Limitations and Future Research

This study offers significant and useful findings for managers and practitioners under the Chinese culture. However, as with all research, this study is not without limitations. We measured the ethical leadership at the supervisor level; however, it would also be useful to study the congruity of the employee and the top management team. For future research regarding this topic, we suggest researchers to choose firms that are management dominant to observe the difference from this study. Organizations that are management dominant rely on a group of hand-picked high-level managers at the top of the organization to decide the direction of the corporation (Olson et al. 2005) and, therefore, may also have a strong impact on the employees.

Second, this study did not investigate the different types of organizations in which the employees worked. Chinese

are known to develop family businesses with a strong bond and paternalistic relationship with their subordinates. This may be a different theme that should be studied separately with organizations that are not family businesses. Also, this study did not include the investigation of Western culture influence on different individuals, which may have influenced the perception of ethical leadership. However, as Resick et al. (2011) concluded, although several Asian countries have been influenced by the U.S. business culture, the Chinese traditional teachings and culture are still deeply rooted.

Third, the social desirability problem is perhaps one of the issues organizational researchers who use self-reports are most concerned about. According to Podsakoff and Organ (1986), certain items in a questionnaire may induce respondents to respond in a biased way since certain answers seem to put the individual in a better light or create a flattering social image. Future research can use methods suggested such as elimination of social desirability through measuring the individual's need for social approval and scale trimming.

Another limitation of this study is that while building our argument based on the LMX theory, we did not measure this variable in the study. Although due to our research design LMX was not measured, LMX is essential in discussing leadership and employee behavior. Future research can provide a more exhaustive test of whether LMX varies according to different factors including the variables we have named in our study.

Yet, the limitations mentioned above do not lessen the significance of this research's findings. The influence of ethical leadership on Taiwan's society provides an interesting finding in the meaning of employee well-being and ethical leadership. We suggest that future research should take into consideration the mentioned limitations and consider collecting a wider range of sample with a comparison of different levels of cultural influence.

This study offers several directions for researchers who aim to extend the issue of ethical leadership and employee outcomes in Asian nations such as China. First, due to the results of this study, more clarifications on how ethical leadership can lead to positive employee well-being need to be examined. Since the Chinese society puts strong emphasis on traditional Confucius teachings and informal interactions such as establishing supervisor–subordinate guanxi (Law et al. 2000), future studies should incorporate such variables to provide a deeper understanding of the leader's actions and employee outcomes. For instance, while the leader is an ethical leader, does this authority figure have a good guanxi with the subordinate? Special Chinese cultural behaviors such as guanxi could possibly have a profound effect on employee well-being. Therefore, additional variables that play an important role in the Chinese culture should be examined.

In addition, ethical leadership theories across Western culture and Chinese culture should be compared to understand if they work equally across different cultures. Although most leadership models have been well established and extremely practical in Western culture, some of these models may fail to work due to cultural differences. For example, an empirical study by Von Weltzien Hoivik (2007) found that Chinese employees consider code of ethics that are written by Westerners to be "too western" and do not feel that they are comfortable with these unfamiliar rules. In future studies, an ethical leadership scale should be developed to measure specifically the Asian culture definition of good ethical leadership. By doing so, we can clarify the definition of ethical leadership across cultures and compare the outcomes of the impact.

The third suggestion for future research is to measure the moral character of the leader and also the degree of ethical leadership. Brown et al. (2005) proposed a concept which divided ethical leadership into three layers: being an ethical role model, treating others fairly, and leading the people to behave ethically. In this study, we only tested for the third layer of the definition which was to teach their followers to behave ethically. However, we suggest that by measuring all three levels of the leader, the results can provide a better understanding of the unique effect of ethical leadership.

In conclusion, this study offers significant understanding to Chinese ethical leadership and employee outcomes as it adds to the chain of studies concerning the importance of ethical leadership and its strong impact on the workers and society. Due to the worldwide emphasis on ethical leadership, this study aims to extend current studies on ethical leadership to gain understanding on its current role in the Chinese environment. Moreover, for organizations in Taiwan, it is not until recently that the government asked for businesses to set a code of ethics. While the relationship of leadership attributes and employee outcomes has been given attention in recent studies, a clear understanding of ethical leadership and employee well-being has not yet been established.

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