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Abstract

The emergence of the twenty-first century was plagued with extensive, evasive and disheartening leadership failures. Despite the accounting profession's standards of professional ethics, it was also tainted with ethical leadership indiscretions during this era. In response to these ethical leadership failings, renewed interest in developing accounting professionals with strong ethical principles and ethical leadership behaviors has emerged. In many firms training and development of ethical behavior is now at the forefront of the firm's communications and professional development efforts. The question remains however, can the profession instill in its members the importance of ethical conduct? Can ethical leaders be developed that model and monitor ethical behavior? In response to the call for leaders who are ethical and moral, this research examined a model that examines ethical leadership and its impact on leader effectiveness for leaders within the accounting industry. The analysis shows that ethical and transformational leadership make incremental independent contributions in explaining leader effectiveness. The study comments on how the findings that ethically and morally focused leaders may impact the accounting profession and restore an industry tarnished with accusations of unethical behavior to one that regains its original prominence based on consistent, moral, ethical, and effective leaders.

The Importance of Ethics and

Ethical Leadership in the Accounting Profession

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Abstract

      The beginning of the twenty-first century was plagued with extensive, evasive, and disheartening U.S. business and political leadership failures. Despite the accounting profession's standards of professional ethics, accounting as a profession also was tainted with various ethical leadership indiscretions during this time. In response to these ethical leadership failings, renewed interest in developing accounting professionals with strong ethical principles and ethical leadership behaviors emerged. In many firms training and development in ethical behavior is now at the forefront of communications and professional development efforts. The question remains however, can the profession instill in its members the importance of ethical conduct? Can ethical leaders be developed that model ethical behavior? In response to the call for leaders who are ethical and moral, this research examined a model of ethical leadership and its impact on leader effectiveness for leaders within the accounting profession. The analysis shows that ethical and transformational leadership behaviors make independent and significant contributions to explaining leader effectiveness.

The Importance of Ethics and Ethical Leadership in the Accounting Profession

The first decade of the twenty-first century was plagued with extensive, evasive and disheartening ethical leadership failures. Despite the accounting profession's standards of professional ethics, its professionals were also tainted with ethical leadership indiscretions. In 2002, the WorldCom and Enron corporate scandals erupted exposing a culture and mindset that had been breeding for decades where financial leaders succumbed to pressures to inflate and erroneously improve their financial positions. WorldCom's CFO, a non-practicing New York CPA, became the poster child for unethical behavior in the profession as he was found guilty of conspiracy to commit securities fraud. The Enron scandal continued to expose the ethical failures of individuals in the accounting profession. Enron's auditor, Arthur Andersen, was accused of failing to identify material misstatements in financial statements. Critics claimed that Arthur Andersen's objectivity was compromised when evaluating Enron as a result of the extensive consulting fees they received. These and other unethical and criminal indiscretions resulted in the collapse of Arthur Andersen, a premier international accounting firm. In 2002, executives of Tyco International, Adelphia, and Peregrine Systems were also indicted for participation in accounting scandals and falsifying of results.

The Sarbanes-Oxley Act (SOX), signed into law in 2002, formally titled the *Public Company Accounting Reform and Investor Protection Act,* was passed with the goal of averting future transgressions and unethical behaviors from corporate decision makers. Research suggests that SOX compliance has had a cost to the American economy of as much as $1.4 trillion dollars; yet there is little evidence that SOX has been or has the potential to be successful in changing the mindset, characters or unethical behaviors of some corporate leaders. While SOX promised to repair the ailing unethical and moral leadership crisis in the business sector, it did not appear to eliminate unethical practices. While evidence is lacking that SOX and associated U.S. regulations have succeeded in eradicating unethical practices, the fear of negative ramifications has, for a number of firms, renewed interest in working to develop accounting professionals with strong ethical principles and ethical leadership behaviors. In many firms, training and development related to ethical behavior is now at the forefront of communications and professional development efforts. This research studies the impact of an accounting firm that has been proactive in developing ethical leadership behaviors.

In the past decade, ethical leadership failures have proliferated in both the public and private sectors, with moral and ethical indiscretions in the forefront of the business press (Neider & Schriesheim, 2011). The result has been that seemingly "effective" leaders have been exposed for acting unethically and immorally, revealing serious leadership deficiencies (Avolio & Gardner, 2005; Copeland, 2009; 2014; George, 2003; Kalshoven, Hartog & Hoogh, 2011; Neider & Schriesheim, 2011). Accordingly, business leaders, accounting scholars and leadership researchers have advocated for additional research

and knowledge related to the contribution that ethical leadership behaviors may have on shaping and increasing the effectiveness of leaders. Accounting, financial and leadership researchers have advocated for additional research and insight on how to develop and mentor leaders on ethical conduct. Of specific interest is the potential contribution that ethical leadership behaviors may have on shaping and increasing the effectiveness of leaders and the ethical conduct of the leader's subordinates. If it can be established that ethical leaders are also more effective leaders, firms may have increased motivation to develop and train their professionals to be more ethical. Establishing that ethical leadership behaviors are germane to the development of exemplary leaders in the accounting profession is critical if the profession hopes to recover from the ethical leadership failures and indiscretions of the past two decades. This study accomplishes that goal and bridges a critical gap in the literature by examining the relationship of ethical leadership and leader effectiveness within the accounting profession.

The research reported in this study supports the increased focus on and development of ethics in the accounting profession. The purpose of this study is to examine a multivariate model for predicting leader effectiveness that includes the perceived behaviors of ethical leadership, as well as the impact of related variables that may moderate the relationship between a leader's ethical behaviors and leader effectiveness. To accomplish this, the study examines leaders in the accounting profession, and demonstrates that when these leaders exhibit ethical leadership behaviors, they are evaluated as more effective leaders by both their superiors and subordinates. This research suggests that ethical leadership makes a significant contribution to predicting and explaining when a leader is considered more effective. Establishing a relationship between ethical leadership behaviors and leader effectiveness may provide additional motivation for firms and individuals to develop ethical leadership behaviors in accounting professionals.

Literature Review

While scholars and practitioners (Avolio & Gardner, 2005; Brown, Treviño, & Harrison, 2005; George, 2003) have argued that ethical behavior in leaders is necessary to avoid the plethora of ethical leadership failures that occurred in the past decade, the actual research is minimal. Literature to date fails to fully answer the question of whether having a leader in the accounting profession with ethical and moral behaviors would result in improved leader effectiveness. Empirical studies have provided evidence that leaders who are ethical and transformational are more effective. Studies have concluded that each of these behaviors incrementally contribute to explaining and predicting the effectiveness of a leader (Bass, 1985; Bass & Avolio, 1994; Brown et al., 2005; Copeland, 2009). The study of ethical leadership is rudimentary; the literature is scant, with the existing research one dimensional and limited (Brown et al.; Kalshoven, Hartog, & Hoogh, 2011). Studies to date have focused on leadership behaviors, but have ignored followers' expectations and situational characteristics. Researchers have failed to provide a

multivariate model that examines the relationship between leader effectiveness and (a) ethical leadership; (b) expectations and preferences for ethical leadership; (c) the perceived ethical context in an organization; and (d) transformational leadership – a related construct that has an ethical dimension. In addition, research that examines the impact of ethical leadership on leader effectiveness in the accounting profession does not exist.

When examining the factors that lead to organizational success, researchers have argued that effective leadership is a key predictor of organizational success or failure (Bennis & Nanus, 1985). However, others have argued that organizational performance cannot be significantly attributed to or explained by the leadership of the organization (Lieberson & O'Connor, 1972; Podolny, Khurana, & Hill-Popper, 2005). Therefore, the compelling question becomes: "Do leaders and effective leadership matter and positively impact organizational outcomes?" Denison, Hooijberg, and Quinn (1995) argue that effective leadership is important and impacts outcomes. Yukl (2010) argues the importance of identifying leadership attributes that improve leader effectiveness and organizational performance, but laments that progress has been slow in identifying them. Determining antecedents and outcomes of leader effectiveness that lead to improved organizational results is difficult and complex. Many studies have proposed that leader attributes, follower attributes, or situational and contextual variables individually are the impetus for effective leadership (Yukl, 2010).

The current study argues that when examining leader effectiveness: (a) leader traits and behaviors, (b) followers' attributes, and (c) situational variables must all be considered. The study proposes a model that includes examination of all three of these dimensions by including variables for leader behaviors, follower expectations, and situational variables. The majority of leadership effectiveness research has been one dimensional, which provides little insight on the interweaving and interactions of these variables and fails to provide a sufficient model for predicting what contributes to leader effectiveness (Hernandez et al., 2011; Yukl, 2010). The model proposed for leader effectiveness in the current study examines the relationships of ethical leader behaviors, employee expectations and preferences for ethical leadership, and the ethical climate of an organization in predicting the effectiveness of leaders within the accounting profession. It is expected that this more developed multidimensional, multivariate model will improve the explanation of factors that contribute to perceptions of leader effectiveness.

The research necessitates review of the literature on the definition of leadership and on (a) leader effectiveness—what it is and how it is measured; (b) leader behaviors, especially those of an ethical nature and how they may affect perceptions of leader effectiveness; (c) followers' expectations for a leader's ethical leadership and how their expectations may alter the perceptions of leader effectiveness;

and (d) perceptions of organizational ethical culture and norms and how these may impact a subordinate's judgment of leader effectiveness.

Defining Leadership

For decades, leadership researchers have worked to define leadership and understand what components contribute to being an effective leader. The conundrum is that the definition of a leader, as well as leader effectiveness, varies amongst researchers (Graen & Uhl-Bien, 1995; Yukl, 2010). Defining leader effectiveness necessitates first establishing the definition of a leader. House, Javidan, Hanges, and Dorfman (2002) argued that leadership is "the ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organization of which they are members" as cited in Simonton (1994, p. 411).

Yukl (2010) emphasized the importance of influence when identifying a leader: "Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives" (2010, p. 8). Dhar and Mishra (2001) examined the definition of leadership by many researchers and found that the only leadership component that researchers seem to agree on is the ability to influence**.** Dhar and Mishra note that leadership has been defined in terms of individual traits, leader behavior, interaction patterns, role relationships, followers' perceptions, influence over followers, influence on task goals, and influence on organizational culture. There appears to be little else in common when defining leadership, other than the influence process itself. Stodgill (1974) points out that even after nearly eight decades of documented research, there is still no consensus over what leadership is, and he asserts that there are almost as many different definitions of leadership as there are persons who have attempted to define it. The highest agreement, however, has been on the conceptualization that leadership is the ability of an individual to influence a group towards organizational goals (Dhar & Mishra, 2001; Stodgill, 1974; Yukl, 2010) – which is the definition used for this study.

Leader Effectiveness

The conceptualization of leader effectiveness is challenging. While researchers have attempted to solve the puzzle of what leader effectiveness is and how it should be measured, the theories, empirical research, and resulting conclusions are numerous and diverse (Yukl, 2010; Yukl & Mahsud, 2010). Historically, researchers have determined the effectiveness of leaders by examining the consequences of a leader's actions, measuring the attitude of followers toward the leader, analyzing the contribution to group processes, or studying leader behaviors.

Examining the consequences of a leader's actions is the most common outcome measure to evaluate an effective leader (Bass, 1985; Bennis & Nanus, 1985; Burns, 1978; Conger, 1989; Dhar & Mishra, 2001; Kouzes & Posner, 2002; Shamir, House, & Arthur, 1993; Tichy & Devanna, 1986). An

effective leader is able to influence his subordinates or unit in a way that realizes positive outcomes. This study evaluates leader effectiveness based on the outcome of their actions. Specifically the question is asked: do superiors and subordinates perceive the leader to be effective?

Ethical Leadership Behaviors

Underlying values found in ethical leaders include altruism, honesty, empathy, empowerment, fairness, and justice (Brown & Treviño, 2006; Brown et al., 2005; Mahsud, Yukl, & Prussia, 2010). Mahsud et al. (2010) argued that these behaviors result in confidence and faith in leaders as they are observed to be fair and have high integrity. Brown et al. (2005) stated that these behaviors result in subordinates being more likely to trust the leader and believe the leader is acting in their best interest; as a result, subordinates are more willing to follow the leader's direction. O'Toole (1996) argued that when leaders demonstrate that their focus is fair and ethical, with the welfare of their followers as the primary goal, subordinates embrace these leaders. The result is that these leaders are then highly effective at getting subordinates to follow their lead. Correspondingly, the leader is able to achieve superior results. This study expands on the research and a theory developed in Brown and Treviño (2006) and Copeland (2009) and seeks to provide empirical support for the degree to which ethical leadership contributes to predicting leader effectiveness for leaders within the accounting profession. The study examines the independent contribution and then controls for a related ethically based construct, transformational leadership. Controlling for transformational leadership is needed to establish if ethical leadership in itself plays a significant role in predicting when a leader is considered more effective.

Transformational Leadership

This study examines the independent contribution and then controls for the influence of transformational leadership on leader effectiveness, as past studies have demonstrated that transformational leadership in itself was found to have a significant effect on explaining leader effectiveness (Bass & Avolio, 1990; 1994; Bass & Steidlmeier, 1999; Copeland, 2009). Yukl (1999) stated that a transformational leader is one who is able to influence major change in the attitudes of subordinates and inspire and empower them to support and commit to the organizational mission.

Avolio, Waldman and Yammarino (1991) define transformational leaders as those that possess idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These attributes were labeled the four I's of transformational leadership and are defined as follows.

Idealized influence. Leaders who possess the characteristic of idealized influence are those who embrace the ideals and values of an organization, become role models, can be trusted, are respected by those they lead, and are found to make decisions in the best interest of the organization.

Inspirational motivation. Leaders who are able present the vision of the organization to subordinates and motivate them to reach the goals of the organization are those that are credited with having inspirational motivation.

Intellectual stimulation. Leaders and managers that are intellectually stimulating are those that encourage their followers to think creatively and innovatively. These leaders challenge the status quo for the betterment of the organization and motivate subordinates to think critically and develop effective problem solving skills and tactics.

Individualized consideration. Leaders that become coaches, mentors and advisors to their subordinates by encouraging their followers to achieve the goals of both the subordinate and the organization are those that are labeled as a leader that provides individualized consideration to his or her subordinates.

For the past three decades, a significant amount of leadership development activities have focused on developing transformational leaders, because of the established correlation between transformational leadership and leaders that were effective (Avolio, Waldman, et al., 1991; Bass 1985, 1990; Bass & Avolio, 1990; Bass & Steidlmeier, 1999; Burns, 1978). To isolate the contribution of ethical leadership to leader effectiveness, it is necessary to examine both the incremental contribution of and control for transformational leadership.

Moderating Influences of Follower Expectations

Numerous researchers (Lord, Foti, & De Vader, 1984; Lord & Maher, 1993; Rush, Thomas, & Lord, 1977) have suggested that a subordinate's expectations for leadership behaviors can impact how they evaluate the effectiveness of their leader. This important factor, a component of implicit leadership theory, has been identified as having a strong influence on follower ratings (Lord et al.).

Implicit leadership theory states that individuals have an expectation or implicit theory of what the ideal leader should look like and, specifically, what behaviors and characteristics that leader should possess (Philips and Lord, 1981). The implicit theory of leadership serves as a perceptual filter that dictates when a follower recognizes and evaluates an individual as a positive and effective leader (Cronshaw & Lord, 1987; Lord et al., 1984).

The question this study seeks to understand is: "If a follower prefers or expects ethical leadership behaviors in a leader, do they consider a leader who has ethical leadership behaviors to be more effective?" Specifically, do a subordinate's expectations or preferences for ethical behavior influence his or her judgment of when a leader is considered effective?

As the follower observes the behaviors they consider essential in a leader, their assessment of the leader's effectiveness may strengthen (Kouzes & Posner, 1993). For example, if individuals value ethical leadership behaviors and believe that leaders should have integrity and be honest, they consider these

behaviors to be important to a leader's effectiveness. When integrity and honesty are observed, followers are satisfied or pleased that the leader behaves in a way that they believe is important for a leader. When the follower observes the behaviors they value and consider important lived out in the actions of their leader, it is expected that the follower will identify with the leader and have a sense that the behavior that they believe is important is consistent with the leader's action.

Moderating Influences of Ethical Organizational Culture and Context

Research has traditionally failed to adequately examine the impact of the context in which leaders and their followers are embedded (Avolio, 2007; Osborn et al., 2002; Silverthorne & Wang, 2001). Some studies (Hersey, Blanchard, & Johnson, 1996; Osborn, Hunt & Jauch, 2002) have examined how organizational context impacts the ability of an individual to lead effectively. However, the research has failed to examine the possible moderating impact that the perceived ethical context of an organization may have on the relationship between ethical leadership behaviors and leader effectiveness.

Osborn et al. (2002) argued that researchers must understand the effects of the culture or context where leadership takes place if they want to explain the predictors of leadership effectiveness. Osborn et al. argued that effective leadership results not only from how leaders lead subordinates but also from the incremental influence of leaders as they navigate through the organizational system. Understanding and examining the ethical culture or climate of an organization, as perceived by subordinates, is important to determine if the culture or climate impacts the relationship between ethical leadership behaviors and the evaluation of the effectiveness of a leader. The ethical culture may have effects on both the behaviors and the attitudes of the employees within the organization (Shafer & Wang, 2010). Treviño, Butterfield, and McCabe (1998) and Victor and Cullen (1988) demonstrated that ethical culture and climate suggest to organizational members the typical and acceptable norms for ethical conduct within the organization. Martin and Cullen (2006) noted that perceptions of the ethical climate can influence the ethical decisions made by individuals, as well as the attitudes of those within the organization. Thus, the ethical culture and climate can influence how individuals view the conduct in their leaders.

If an organization's culture promotes ethical conduct and a leader exhibits ethical behavior, this study theorizes that subordinates will infer the leader is more effective. Consistency between what is promoted in the ethical culture and the behaviors in a leader may intensify the effects of ethical leader behaviors on followers' judgments about the leader. This study empirically examines the extent to which an organization's ethical culture/climate moderates how subordinates evaluate leader effectiveness.

Other Control Variables

To isolate the impact of the independent variable, three additional control variables were included in the model: (a) the number of years a subject has worked for the leader, (b) the leader's tenure with the organization and (c) the subordinate's (respondent's) gender. These control variables were included, as

other studies have found that these variables may contribute to explaining the effectiveness rating of a leader.

The Model

This study attempts to contribute to the leadership and accounting literature by proposing and empirically testing a multifaceted model for explaining the antecedents of effective leadership in the accounting profession. The proposed model examines the contribution of ethical leadership behaviors in the evaluation of the effectiveness of a leader (Avolio & Gardner, 2005; Brown & Treviño, 2006; Brown et al., 2005) while also considering the potential moderating influences of subordinate expectations for ethical leadership and the perceived ethical climate of the organization. Analysis of these moderating variables and the context in which leaders and subordinates are submersed are essential to understand the impact of ethical leadership and the true antecedents of effective leadership (De Meuse, Dai, & Hallenbeck, 2010; Lord & Maher, 1993; Norton, 2010; Yukl, 2010; Yukl & Mahsud, 2010). This multifaceted model is presented below.
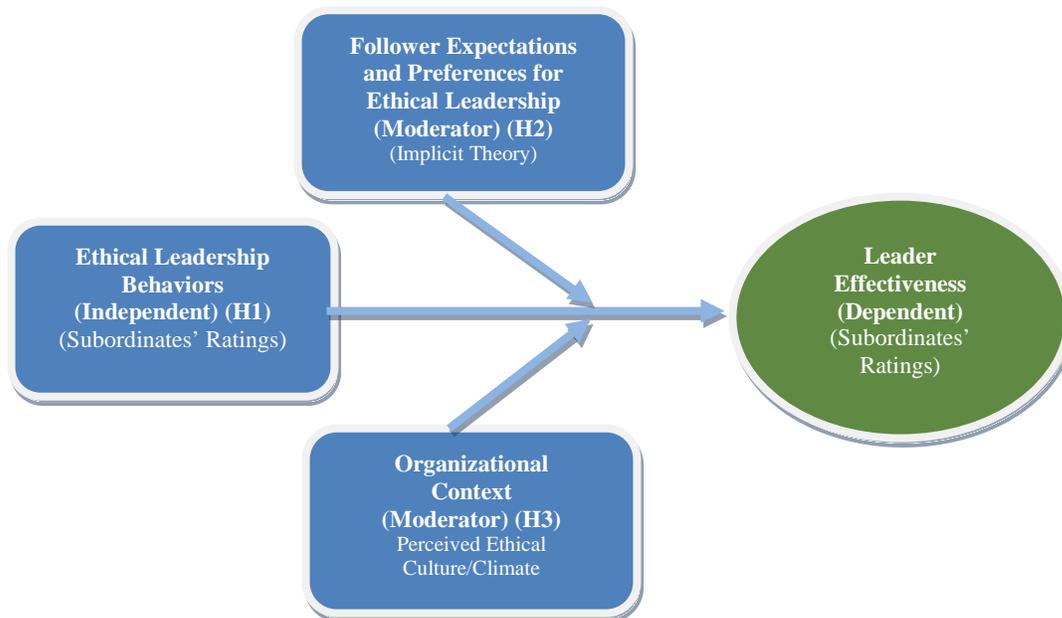
Model 1: The multifaceted model of ethical leadership's impact on leader effectiveness.

Hypotheses

Based on variable relationships in the multifaceted model of leader effectiveness, two research questions are presented for consideration in this study:

1. In a multivariate model, to what extent does ethical leadership predict leader effectiveness?

2. Do follower expectations and preferences for ethical behaviors and the perceived ethical climate of the organization moderate the relationship between ethical leadership and leadership effectiveness?

The first question addresses whether or not ethical leadership behaviors make a significant contribution to explaining the effectiveness of a leader when controlling for other variables that may contribute to explaining why a leader may be evaluated as effective. In order to answer the research question, the following hypothesis (formulated in the alternative) is tested.

H_1: The perception of a leader's ethical behaviors contribute significantly to explaining leader effectiveness as evaluated by followers over and above control variables of: transformational leadership, the number of years a subject has worked for the leader, the number of years subject has worked for the organization, and the subordinate's gender.

The second research question addresses possible moderating variables that may impact the relationship between ethical leadership behaviors and evaluation of the effectiveness of a leader. The study seeks to empirically test whether (a) a follower's expectations or preferences for ethical leadership and (b) the perceived ethical culture of the organization will affect the evaluation of the leader as effective. To answer this question, the following two hypotheses (formulated in the alternative) are tested.

H2: Follower's expectations and preferences for ethical leadership moderate the relationship between the perception of a leader's ethical behaviors and follower judgments of leader effectiveness so that when expectations and preferences for ethical leadership is stronger the effects of leader behavior will also be stronger.

H3: The perceived importance that an organization places on ethics, referred to as the organization's ethical culture, moderate the relationship between the perception of a leader's ethical behaviors and follower judgments of leader effectiveness so that when the ethical culture is stronger the effects of leader behavior will also be stronger.

The theoretical contribution of this study is that it examines contextual variables and subordinate preferences as other moderating variables that may contribute to the prediction of leader effectiveness, rather than simply examining the contribution that ethical leadership has on predicting the perception of leader effectiveness. It is also the first study that examines these relationships on leader effectiveness for leaders in the accounting profession.

The Study

The present investigation is a quantitative study to empirically test the contribution ethical leadership has on predicting leader effectiveness. It examines ethical leader behaviors and the moderating impact of a follower's preferences and expectations for ethical leadership and the perceived ethical climate and culture of the organization on leader effectiveness. The study specifically examines leaders at

a large regional certified public accounting firm. This study proposes that perceived ethical behaviors contribute significantly to explaining the perception of leader effectiveness for leaders in the accounting profession (Brown et al., 2005; Livingston, 2012). The study collects data on leader attributes that have been found in effective leaders in other service organizations (Dhar & Mishra, 2001). Traditional leadership behaviors (Dhar & Mishra, 2001), coupled with strong ethical leadership behaviors (Brown et al., 2005; Livingston, 2012), are expected to predict the effectiveness of leaders in the accounting profession.

Purpose and Significance

The purpose of this study is to examine a multivariate model for predicting leader effectiveness that includes the perceived behaviors of ethical leadership, as well as the impact of related variables that may moderate the relationship between a leader's ethical behaviors and leader effectiveness.

This study is significant because it fills a gap in the research on ethical leadership in the accounting profession. Research on ethical leadership overall is scant (Brown et al., 2005; Brown & Treviño, 2006; Kalshoven et al., 2011) and virtually non-existent within the accounting profession. Studies have failed to empirically present and test a multifaceted model of leader effectiveness that examines the contribution that ethical leadership behaviors make in explaining the effectiveness of a leader, while also considering the moderating impact that (a) followers' expectations and preferences for ethical leadership and (b) the perceived ethical culture of the organization may have on leader effectiveness. An empirical study that examines leader behaviors, follower preferences, and contextual variables has not examined professionals and leaders in the accounting profession where a renewed interest on ethics and leadership has emerged.

Study Variables

The variables in the study are identified in Table 1.

Table 1: Study Variables

Variable type	Variable
Control	Number of years subject has worked for the leader
Control	Number of years subject has worked for the organization
Control	Subordinate's gender
Control	Transformational leadership (also examined independent contribution)
Independent	Ethical leadership
Moderator	Preferences/expectations for ethical leadership behaviors
Moderator	Perceived ethical culture in the organization
Dependent	Leader effectiveness

Measures

The following measures were utilized to examine the dependent, independent, moderating and controlling study variables.

Dependent variable- leader effectiveness. To examine the dependent variable in the study, leader effectiveness, the Erhart and Klein's (2001) subordinate measure of leader effectiveness was used. The study also used two other measures of leader effectiveness to further substantiate the findings and to ensure that common method variance did not bias the results.

To assess leader effectiveness, the study used the follower's assessment of his or her leader's effectiveness. To test the hypotheses, the study used Erhart and Klein's (2001) leader effectiveness rating to quantify the follower's perception of the effectiveness of the leader. The assessment is a five point ordered response scale that asks subordinates the degree to which they respond a little or no extent to a great extent. The measure includes six questions that outline leader effectiveness: (a) subordinates' willingness to work at a high level of performance for the leader, (b) how much the subordinates enjoy working for the leader, (c) how well they get along with the leader, (d) the degree to which they admire the leader, (e) the degree to which they find their work styles compatible with the leader, and (f) whether they have similar ideals as the leader. The Cronbach's alpha for Erhart and Klein's leader effectiveness scale for this study was .94.

The second subordinate measure of leader effectiveness collected for comparative purposes was the Dhar and Mishra (2001) assessment. Dhar and Mishra's measure was of leader effectiveness for leaders in a service organization. The Dhar and Mishra measure has 24 items and assesses a leader's effectiveness using seven factors. Three to four questions are assessed to determine each factor. Factors include the ability to facilitate, be accountable, influence, inspire, motivate, have a positive attitude, and monitor. The questionnaire uses a five point likert scale which asks subordinates to evaluate from a little or no extent to a great extent. The Cronbach's alpha for the Dhar and Mishra measure of leader effectiveness for this study was .98. Study results using the Erhart and Klein (2001) and Dhar and Mishra measures were compared. The hierarchical regression results for each were compared using both measures of the subordinates' assessments of leader effectiveness to determine if the results from the two subordinates' evaluation of leader effectiveness were consistent. This step was completed to determine if different measures of leader effectiveness would produce consistent results in the hierarchical regression analysis. The second measure was not used to specifically evaluate the hypothesis. It was collected to ensure the same result occurred, if using different measures and to add strength to the study. Data from this measure will also be used for future study.

A third measure of leader effectiveness (Yukl, 2008) was also used to assess the effectiveness of the leader, but not to specifically test the hypothesis. The Yukl measure was completed by superiors as a

measure of the superiors' assessment of the effectiveness of the leader. The Yukl measure is a single question that asks the evaluator to rate the effectiveness of a leader relative to other leaders the individual has known. The Yukl measure was an optional leader evaluation that was completed by superiors for 124 of the leaders in the study during the firm's performance appraisal process. This measure of leader effectiveness was used to assess if common method variance was an issue in the study by comparing study results for leader effectiveness as assessed by both subordinates and supervisors.

As noted, the conclusions of the study were based on the Erhart and Klein's subordinate measure of leader effectiveness. The other two assessments of leader effectiveness were used to: (a) provide additional support for the conclusion, (b) to rule out the impact of common method variance, and (c) provide data for future studies.

Independent variable - ethical leadership. To measure the independent variable of ethical leadership, the study used the Ethical Leadership Survey (ELS) developed by Brown et al. (2005). The ELS measures ethical behavior in leaders. The ELS focuses on measuring ethical leadership behaviors "related to consideration behavior, honesty, trust in the leader, interactional fairness, socialized charismatic leadership (as measured by the idealized influence dimension of transformational leadership), and abusive supervision" (Brown et al., 2005, p. 134). Brown et al. said that the ELS can be used to measure and help assess ethical behaviors that lead to ethical leadership and the resulting leader's effectiveness. The scale has 10 items, uses a seven point likert scale, where evaluators are asked to identify if they rank their response from strongly disagree to strongly agree. The ELS Cronbach's alpha in this study was .95.

Moderating variable - expectations and preferences for ethical leadership. To measure an employee's expectations and preferences for ethical leadership, a moderating variable, the study used the Leadership Virtues Questionnaire (LVQ; Riggio, Zhu, Reina, & Maroosis, 2010). The LVQ asks subordinates to rate their leader based on their ethical behaviors. This study used this measure, but asked the respondents to report if they expect and prefer their leaders to have the behaviors outlined in the LVQ. LVQ defines an ethical leader as one that possesses and "adheres to the four cardinal virtues of prudence, fortitude, temperance, and justice, as discussed in the ancient texts of Aristotle and St. Thomas Aquinas" (Riggio et al., p. 235), which provides "a rating instrument for assessing leader virtues" (p. 235). The LVQ has a high positive correlation with Brown et al.'s (2005) measurement of ethical leadership, the ELS. Riggio et al. (2010) demonstrated discriminate validity between the ELQ and the ELS. The LVQ has eight questions and uses a five point likert scale to distinguish between not important to very important. The Cronbach's alpha for the LVQ in this study was .79.

Moderating variable – an organization's ethical culture. The third hypothesis in the study questions if the organization's ethical climate moderates the relationship between a leader's ethical

behaviors and follower judgments of leader effectiveness. The present study examined the ethical climate in the subject organization to determine if the ethical culture had a moderating impact between the independent and dependent variable. The measure utilized assesses the ethical environment within an organization. To assess the perceived ethical culture in the organization, the ethical culture scale developed by Treviño et al. was utilized. Treviño et al. reported that the scale possessed relatively high levels of reliability, also supported by subsequent studies (Shafer & Wang, 2010). The scale includes 15 questions that assess the ethical culture within an organization. It uses a seven point likert scale that asks evaluators to distinguish their rating from strongly disagree to strongly agree. The Cronbach's alpha for the scale in this study was .86.

Control variable - transformational leadership. To measure and control for other possible confounding variables affecting leadership effectiveness ratings, the study includes an examination of the predictive contribution of transformational leadership. Confounding variables are those that correlate with both the dependent and independent variable. This correlation can be a direct or an inverse relationship. It is necessary to control for the effects of a confounding variable to ensure the correct interpretation of the independent variable's impact has on the dependent variable. Copeland (2009) identified that there was a high correlation between both transformational and ethical leadership and the perceived effectiveness of leaders. As a result, this study controlled for transformational leadership.

The study used transformational leadership items, a subset of the Multifactor Leadership Questionnaire (MLQ) (Bass & Avolio, 2008) to measure transformational leadership behaviors. The MLQ items included twenty questions where the subordinate evaluated a leader on a five point, likert scale by distinguishing on a range from not at all through frequently if not always. Literature suggests that both transformational and ethical leadership behaviors may individually contribute to predicting the effectiveness of a leader (Bass, 1985, 1990; Bass & Avolio, 1990; Brown & Treviño, 2006; Brown et al., 2005; Copeland, 2009), necessitating that transformational leadership be controlled.

Other control variables - demographics. The study also controlled for: (a) the number of years a subject has worked for the leader, (b) the number of years a subject has worked for the organization, and (c) the subordinate's gender. These variables were controlled to eliminate the impact that they may have on explaining why a leader may be evaluated as effective.

Data Collection Procedures

To test the hypotheses, data was collected to (a) measure the ethical leadership behaviors in a leader; (b) measure the transformational leadership behaviors in a leader; (c) evaluate other control variables, including the number of years the subordinate has worked for the leader, the number of years subject has worked for the organization, and the subordinate's gender; (d) assess the subordinate's evaluation of the leader's effectiveness; (e) assess the superior's evaluation of the leader's effectiveness;

and (f) examine if the follower's expectations of ethical leadership, and an organizational culture had a moderating influence. Detailed procedures were as follows.

Sample. The data was collected from individuals who work for a large regional certified public accounting firm in the Northeastern United States. The majority of the professionals are from the region, and the firm has almost twice the number of top-ranked professionals when compared to Big Four public accounting firms in the same location.

The variables in the study were identified in Table 1. The sample size was determined by using the rule of thumb estimation guidelines outlined and supported by Wimmer (2006). Wimmer stated that for every variable there should be 15 items sampled as a low end range and 20 items as a high end range. Wimmer's study provides a justification for use of this estimate for sample size selection. Table 2 provides the calculation of the high and low range for the sample. The actual sample size was 212 participants.

Table 2: Sample Size Calculation

Range	Computation
Low range	8 variables x 15 = 120 = n
High range	8 variables x 20 = 160 = n

Online questionnaire. The investigation utilized online questionnaires to collect data from subjects. The subjects were asked to evaluate a specific direct supervisor or leader of their organization. They were asked to respond to all questions describing the attributes of the focal leader. An email was sent to each individual within each organization that explained the survey, encouraged participation, assigned a specific leader to be evaluated, and provided a link to the online survey.

Participation request. The individuals were directly asked if they would be willing to participate. Subjects were informed that answers would be confidential and anonymous; the questionnaire would be completed 100% online and tabulated by an independent third party. The online survey tool tracked the cookies on one's computer to ensure that no one responded twice. In addition, each subject was provided a leader and leader code to include in the survey. Survey responses without a leader code were excluded. This ensured that subordinates were only evaluating the leaders to which they had been assigned. In all cases, participation was encouraged but optional. Subjects were initially emailed by the partner in charge of quality and leadership development and asked to participate. Within a day of his email, subjects were sent an email from LEADEVAL2012@gmail.com, an email created for this survey, which included the leader code and link to complete the online survey. They were asked to complete the

survey within 24 hours. Any individual who did not respond within a week was sent a follow-up email requesting that they respond. Data were collected over a 4-week period. Consistent with prior studies, this process yielded high participation and was completed in a timely fashion.

Data Analysis Procedures

Subsequent to the collection of the data, the data was analyzed to determine to what extent it supported or did not support the proposed hypotheses. Descriptive statistics were assessed to determine demographic diversity of the sample. In addition, the means and standard deviations were computed for the control, predictor, and criterion variables of the study.

Prior to creating the scales for ethical and transformational leadership, and prior to determining the subordinate's preference for ethical leadership, perceptions of ethical culture in the organization, and leadership effectiveness, the study tested the reliability of each of the measures. The Cronbach's alpha for each of the scales was in excess of .70, which is the required benchmark to ensure the reliability for each of the measures.

The following measures: (a) Erhart and Klein's (2001) leader effectiveness rating, (b) Brown et al.'s (2005) ELS, (c) Riggio et al.'s (2010) LVQ, (d) Treviño et al.'s (1998), ethical culture assessment and (e) Bass and Avolio's (2008) components of the MLQ, were assessed with a series of questions or scales used to measure the same concept. Each measure was an established and validated measure. SPSS was used to average the separate measures that shared a common factor into a single scale which was used as a measurement of each of the individual variables studied.

Correlations among the study variables were computed to assess significant correlations ($p < 0.01$ and $p < 0.05$). Variables identified as significantly correlated had additional analysis performed. In the case of variables that were highly correlated, the study computed the variable tolerance and its inverse, the variance inflation factor (VIF), to definitively measure the degree to which each independent variable is explained by the set of the other independent variables and to determine that the correlations observed did not negate the findings of the study.

To test each of the three hypotheses in this study, the researcher used hierarchical regression analysis to determine the incremental impact that the control variables and each of the independent and moderating variables had on predicting the effectiveness of the leader.

Erhart and Klein's (2001) measure was the primary measure used to test the study hypotheses. Dhar and Mishra's (2001) measure of leader effectiveness was also collected from followers and the results compared to the results using the Erhart and Klein measure. Leaders' superiors were also asked to complete Yukl's (2008) measure of leader effectiveness so that superior and subordinate's assessment of leader effectiveness could be compared. The results for the Erhart and Klein measure were reported. The results of the other two measures were similar and therefore not reported.

The study had followers evaluate the characteristics and behavior of the leader, including assessment of ethical leadership behavior—the independent variable—and leader effectiveness—the dependent variable—on the same questionnaire. Using a single questionnaire for subordinate assessment of the independent and dependent variables can sometimes result in common method variance (halo effect) and may impact the ability of the subordinate to independently assess the two variables (Podsakoff, Mackenzie, Lee, & Podsakoff, 2003). To determine if common method variance occurred in the study, the researcher also obtained a superior evaluation of leader effectiveness for 124 of the 212 leaders evaluated. To test for common method variance, hierarchical regression analysis was completed using the superior evaluation of leader effectiveness, in addition to the subordinate evaluation of leader effectiveness. The hierarchical regression results were compared using both the superiors' and subordinates' assessments of leader effectiveness to determine if the results from the superior evaluation of leader effectiveness were similar to subordinate results.

The study also completed the hierarchical regression analysis to test each of the study hypotheses using the second subordinate's evaluation of leader effectiveness, the Dhar and Mishra (2001) assessment. The hierarchical regression results were compared using both measures of the subordinates' assessments of leader effectiveness to determine if the results from the two subordinates' evaluation of leader effectiveness were consistent. This step was completed to determine if different measures of leader effectiveness would produce consistent results in the hierarchical regression analysis.

Results

There are approximately 328 employees in the firm studied and 275 individuals working in a leadership capacity at varying professional levels. Table 3 shows the professional positions in the organization and indicates whether persons occupying these positions typically play a leadership role.

Table 3: Job Titles, Leadership Roles, and Leaders Evaluated

Position	Leadership role	% examined as leaders
Assistant Accountant	No	0
Experienced assistant accountant	No	0
In-charge accountant	Yes	1
Senior accountant	Yes	1
Manager	Yes	23
Principal	Yes	20
Partner	Yes	49
Administrative staff	No	0
Other consultants and other leaders	Yes	6

Note: A principal would be an individual that is either at the partner level, but not a CPA or a person that is progressing toward being a partner. Future partners, who are CPA's are first appointed as a principal and then later a partner.

The study asked all 328 employees to participate in the subordinate evaluation of one of their leaders. Subjects were individually emailed a survey request that included a request for the subordinate to evaluate a specific leader for whom they worked. The Human Resources Department and the partner in charge of quality assisted in assigning the subordinates to the corresponding leaders to ensure that subordinates were assigned a leader for whom they worked. Of the 328 invitations to participate, 212 accepted and completed the questionnaire, representing a response rate of 65%. Table 2 discloses the sample size low and high parameters, with the upper end necessitating a sample size of 160 respondents. Actual responses of 212 exceeded the higher-end sample size requirements. Respondents by position are displayed in Table 4.

Table 4: Response Distribution by Job Title

Position	% of respondents
Assistant accountant	9.4
Experienced assistant accountant	7.0
In-charge accountant	5.1
Senior accountant	15.0
Manager	19.3
Principal	15.5
Partner	14.1
Administrative staff	8.0
Other consultants and other leaders	6.6

Forty-eight percent of respondents were male and 52% were female. Evaluators' tenure with the firm ranged from 0-30 years with average years working for the firm being 6 years. Subjects on average worked for their supervisors for 5.3 years, with the range from 0-32 years. The difference between the maximum in years worked for the firm and years worked for the supervisor is a result of some subordinates working for their leaders at other organizations prior to both leader and subordinate joining the firm studied.

In addition to subordinate evaluations of the leader being collected, superiors also completed a performance appraisal and an evaluation of the subordinate's effectiveness as a leader. The performance

appraisal was mandatory and the leadership assessment optional. In an effort to assess common method variance that could occur from subordinates completing an assessment of the independent and dependent variable, relative to the leader, the study compared the subordinate and superior evaluation of the leader to assess if there was an impact from common method variance.

Means, Standard Deviations, and Correlations

The minimum, maximum, means, standard deviation, and variable correlations are shown in Table 5.

Table 5: Minimums, Maximums, Means, Standard Deviations, and Correlation ($N = 212$)

Variable	Min	Max	Mean	SD	1	2	3	4	5	6	7	8
1. Leader Effectiveness	1.17	5.00	4.28	0.83		0.81 **	0.26 **	0.24 **	0.05	-0.02	-0.03	0.83 **
2. Ethical Leadership	1.30	7.00	6.08	1.05			0.21 **	0.37 **	0.00	-0.07	-0.06	0.82 **
3. Prefer for Ethical Leadership	3.00	5.00	4.81	0.30				0.24 **	0.16 *	-0.16 *	0.11	0.23 **
4. Ethical Culture	2.29	7.00	5.42	0.78					-0.01	-0.14 *	-0.04	0.26 **
5. Tenure	0.00	30.00	5.98	5.39						0.00	0.77 **	0.08
6. Gender[a]	1.00	2.00	1.52	0.50							-0.04	-0.08
7. Years worked for supervisor	0.00	32.00	5.32	5.31								0.01
8. Transformational Leadership	1.45	5.00	4.11	0.78								

** $p < 0.01$; * $p < 0.05$.

[a] Gender was coded 1 for male and 2 for female.

Correlation Analysis

An important consideration in correctly interpreting the regression is assessing the correlation between the independent variables (Hair, Black, Babin, Anderson & Tatham, 2006). The correlation between the variables in the study data provided the following associations. The independent variable, ethical leadership, was positively correlated to the two variables being tested as moderators, a subordinate's preference for ethical leadership ($r = 21, p < .01$) and the ethical climate of the organization ($r = .37, p < .01$). It is also significantly correlated to the control variable of transformational leadership ($r = .83, p < .01$).

The independent variables tested as moderators, preferences for ethical leadership and perceived ethical culture in an organization, were also found to be correlated ($r = .24, p < .01$). The proposed moderator, preferences for ethical leadership, was found to be correlated to the control variables: tenure ($r = .16, p < .05$), gender ($r = -.16, p < .05$), and transformational leadership ($r = .23, p < .01$). The proposed moderator, ethical culture, was found to be correlated to control variables gender ($r = -.14, p < .05$) and transformational leadership ($r = .26, p < .01$).

The correlation testing results indicated that the dependent variable, leader effectiveness, was correlated with the following variables: (a) the independent variable, ethical leadership ($r = .81$, $p < .01$), (b) the moderator, preferences for ethical leadership ($r = .26$, $p < .01$), (c) the moderator, perceived ethical culture in an organization ($r = .23$, $p < .01$) and (d) the control variable, transformational leadership ($r = .83$, $p < .01$). Positive correlation between the independent variables and dependent variable is a positive outcome if there are not correlations or co-linearity amongst each of the independent variables. In summary, independent variables with a correlation in excess of .7 (Yukl, 2010) or .9 (Hair et al., 2006) are initial signs of potential colinearity.

Calculating correlation amongst variables is one indicator of substantial colinearity. Hair et al. (2006) recommends that the tolerance value and its inverse, the variance inflation factor (VIF), should be computed to definitively measure the degree to which each independent variable is explained by the set of the other independent variables. Hair et al. stated that when a VIF exceeds 10, the collinearity among the variables is problematic. The VIF calculation for the study sample is presented in Table 6. As noted, all variables have a VIF of less than 10, which indicates that colinearity or high correlations amongst the study variables is not problematic in this study.

Table 6: Variance Inflation Factor Calculation

Variable	R^2	R2 Δ	Sig. F Δ	Tolerance	Inverse (VIF)
Tenure	.003	.003	.464	.997	1.003
Gender	.003	.000	.827	.997	1.003
Years worked for leader	.015	.012	.117	.985	1.015
Trans leadership	.686	.671	.000	.314	3.185
Ethical leadership	.736	.050	.000	.264	3.793
Pref for ethical lead	.742	.006	.038	.258	3.874
Ethical culture	.745	.003	.114	.255	3.922

Hierarchical Regression Analysis

To test each of the three hypotheses, hierarchical regression analysis was performed using the methodology outlined in Frazier, et al. (2004).

Impact of Ethical Leadership

A hierarchical multiple regression analysis was conducted to examine whether or not ethical leadership behaviors make a significant incremental contributions to the prediction of leader effectiveness over and above a subordinate's gender, their tenure with the organization, the number of years they have

worked for the leader and the subordinate's assessment of the leader's transformational leadership behaviors. The control variables: a) a subordinate's gender (β =.021), b) years they have worked for the organization (β =.047), c) years they have worked for the leader (β =-.049) and d) the subordinate's assessment of the leader's transformational leadership behaviors (β =.828) resulted in F = 113.06, which was found to be significant and explained 68.6% of the variance in leader effectiveness. When the impact of each control variable was isolated, only the impact of subordinate's assessment of a leader's transformational behaviors was found to be statistically significant (β =.828, p< 0.01.

The independent variable, ethical leadership, explained an additional 5% of the variance in leader effectiveness (ΔR^2 = .05, ΔF = 39.35, p < .01) and was also statistically significant (β=.395, p < 0.01). In conclusion, H_1 was accepted, as ethical leadership behaviors were found to contribute significantly to explaining leader effectiveness as evaluated by followers over and above transformational leadership, the number of years a participant has worked for the leader, the number of years a participant has worked for the organization and the subordinate's gender. The results of the regression analysis testing H_1 are shown in Table 7.

Table 7: Hierarchical Regression Analysis for Ethical Leadership Predicting Leader Effectiveness (N = 212)

Variable	B	$SE\ B$	β
Step 1			
Tenure	.003	.010	.021
Gender	.078	.065	.047
Years worked for supervisor	-.008	.010	-.049
Transformational Leadership	.891	.042	.828**
Step 2			
Tenure	.006	.009	.036
Gender	.081	.060	.049
Years worked for supervisor	-.005	.009	-.034
Transformational Leadership	.541	.068	.503**
Ethical Leadership	.314	.050	.395**

Note: R^2 = .686 for Step 1; ΔR^2 = .05 for Step 2 (p < .01). Note: **p< 0.01 and * p< 0.05.

Moderating Effects of a Subordinates' Preference for Ethical Leadership

The second hypothesis in the study is that a follower's preferences and expectations for ethical leadership moderate the relationship between a leader's ethical behaviors and follower judgments of leader effectiveness. Moderating variables are those that impact the strength and the relationship between

the independent variable and the dependent variable (Baron & Kenny, 1986). Hypothesis Two proposed that a subordinate's preferences and expectations for ethical leadership would moderate the relationship between ethical leadership behaviors and follower judgments of leader effectiveness. To determine the moderator effects the study performed the hierarchical regression analysis as follows. In the first step, the regression included the control variables only. In the second step or hierarchy, the proposed moderating variable, a subordinate's preferences and expectations for ethical leadership and the independent variable ethical leadership were added. In the third step, the product of a subordinate's preferences for ethical leadership and ethical leadership was included. A hierarchical multiple regression analysis was conducted to examine whether or not the interaction or proposed moderating variable made significant incremental contributions to the prediction of leader effectiveness. The result did not find that the incremental effects of a subordinate's preferences for ethical leadership on predicting leader effectiveness was statistically significant in the regression analysis (β = -.095, p > 0.05). With preference for ethical leadership having a ΔR^2 = .00 and a p >.05, there is not a significant impact of this variable in explaining the effectiveness of a leader (ΔR^2 = .00, ΔF = .015, p =.902 > 0.05). As a result, the possible moderating effects of a subordinate's preferences or expectations for ethical leadership were not relevant and H_2 was not supported. The results of the analysis are shown in Table 8.

Table 8: Hierarchical Regression Analysis for Preferences and Expectations of Ethical Leadership as a Moderator ($N = 212$)

Variable	B	SE B	β
Step 1			
Tenure	.003	.010	.021
Gender	.078	.065	.047
Years worked for supervisor	-.008	.010	-.049
Transformational Leadership	.891	.042	. 828**
Step 2			
Tenure	.004	.009	.023
Gender	.099	.060	.060
Years worked for supervisor	-.005	.009	-.033
Transformational Leadership	.531	.068	.493**
Preferences for Ethical Lead (PR)	.220	.105	.078*
Ethical Leadership	.308	.050	.388**
Step 3			
Tenure	.004	.009	.023
Gender	.099	.061	.059

Years worked for supervisor	-.005	.009	-.032
Transformational Leadership	.532	.069	.494**
Pref for Ethical Lead (PR)	.298	.645	.106
Ethical Leadership (ETH)	.375	.548	.472
PR x ETH	-.014	.114	-.095

Note: R^2 = .686 for Step 1; ΔR^2 = .056 for Step 2 (p < .01); ΔR^2 = .000 for

Step 3. Note: **p< 0.01 and * p< 0.05.

Moderating Effects of an Organization's Ethical Climate

The third hypothesis in the study is that the organization's ethical climate moderates the relationship between a leader's ethical behaviors and follower judgments of leader effectiveness so that when the ethical climate is higher, the effects of leader behaviors will be larger. To determine the moderator effects the study performed the hierarchical regression analysis as follows. In the first step, the regression included the control variables only. In the second step or hierarchy, the proposed moderating variable, the organization's ethical climate, as perceived by the subordinate and the independent variable ethical leadership were added. In the third step, the product of the organization's ethical climate and ethical leadership were included. A hierarchical multiple regression analysis was conducted to examine whether or not the interaction, or proposed moderating variable, made significant incremental contributions to the prediction of leader effectiveness. The result did not find that the incremental effects of the organization's ethical climate, as perceived by the subordinate, on predicting leader effectiveness statistically significant in the regression analysis (β=-.030, p > 0.05) With ethical culture having a ΔR^2 = .00, there is not a significant impact of this variable in explaining the effectiveness of a leader (ΔR^2 = , ΔF = .013, p =.911 > 0.05). As a result, the moderating effects of an organization's ethical culture were not relevant and H$_3$ was not supported. The results of the analysis are shown in Table 9.

Table 9: Hierarchical Regression Analysis for an Organization's Ethical Culture as a Moderator (N = 212)

Variable	B	SE B	β
Step 1			
Tenure	.003	.010	.021
Gender	.078	.065	.047
Years worked for supervisor	-.008	.010	-.049
Transformational Leadership	.891	.042	.828**
Step 2			
Tenure	.006	.009	.038
Gender	.072	.060	.043

Years worked for supervisor	-.006	.009	-.036
Transformational Leadership	.534	.068	.496**
Ethical Culture	-.043	.036	-.046
Ethical Leadership	.331	.052	.417**
Step 3			
Tenure	.006	.009	.038
Gender	.072	.061	.043
Years worked for supervisor	-.006	.009	-.037
Transformational Leadership	.536	.070	.498*
Ethical Culture (EC)	-.027	.144	-.029
Ethical Leadership (ETH)	.345	.133	.435**
EC x ETH	-.003	.025	-.030

Note: $R^2 = .686$ for Step 1; $\Delta R^2 = .052$ for Step 2 (p < .01); $\Delta R^2 = .000$ for

Step 3. Note: **p< 0.01 and * p< 0.05.

Summary of Results

A summary of the study results and hypotheses tested are as follows. The study accepted H_1 as it identified that in the accounting firm examined, there was a significant relationship between ethical leadership behaviors and leaders who were evaluated by their subordinates as more effective ($\Delta R^2 = .05$, $p < 0.01$). Control variables of employee tenure with the firm, gender, and years worked for the leader were not found to have a significant impact on predicting leader effectiveness; while the control variable, transformational leadership, was identified as a significant contributor to explaining the change in effectiveness ($\Delta R^2 = .671$, $p < 0.01$). The study did not support H_2 and H_3, as the proposed moderating variables of (a) a subordinate's preferences or expectations for ethical leadership behaviors and (b) the organization's perceived ethical culture were not found to moderate the relationship between ethical leadership behaviors and a subordinate's evaluation of leader effectiveness.

Ethical leadership. The findings in this study demonstrate that in the sample of accounting professionals, ethical leadership was a significant predictor of leader effectiveness over and above transformational leadership, the number of years a subject has worked for the leader, the number of years a subject has worked for the organization, and the subordinate's gender. The study suggests that a need exists for individuals to be ethical and to emerge as ethical leaders in the accounting profession.

Transformational leadership. In the primary multivariate analyses of variances, transformational leadership was considered a covariate variable and its effect removed from the overall results. Nevertheless, transformational leadership in itself was found to have an independent and significant effect on explaining leader effectiveness. In a prior study (Copeland, 2009); the fact that

ethical leadership and transformational leadership were highly correlated resulted in inconclusive results. This study completed additional analysis and computed the tolerance value and its inverse, the variance inflation factor (VIF), for each of the variables to definitively measure the degree to which each independent variable is explained by the set of the other independent variables. As a benchmark, if a VIF exceeds 10, the correlation among the variables is considered problematic. In our study variables, the highest VIF did not exceed 4. This provides evidence that the outcomes of both ethical and transformational leadership can be considered independently of one another. While transformational leadership was listed as a control variable, it was also tested as an independent variable. The results suggest that transformational leadership also significantly contributed to the explanation of when a leader was considered effective.

A subsequent study, Copeland & Fields (2012) identified through confirmatory factor analysis that ethical and transformational leadership can be considered distinct and separate constructs. This finding results in both ethical and transformational leadership to be identified as each individually making a significant contribution to explaining the effectiveness of a leader.

Ethical versus transformational leadership development. Further analysis was done to look at both ethical and transformational leadership and their independent impact on leaders in the accounting profession. Additional regression analysis indicated that, independently, ethical leadership and transformational leadership made almost an equal contribution to explaining the effectiveness of a leader. Independent of transformational leadership, ethical leadership explained 64% of the variance in leader effectiveness over and above the 1.5% explained by control variables of tenure, subordinate gender, and the years a subordinate has worked for a leader ($\Delta R^2 = .64$, $p < 0.01$). Transformational leadership independently explained 67% of the variance in leader effectiveness over and above the other control variables ($\Delta R2 = .671$, $p < 0.01$). For decades, organizations were encouraged to develop their leaders to be transformational, but they have not placed the same priority on developing ethical leadership behaviors. This study suggests that ethical leadership development is indeed essential. Transformational leaders are able to influence followers to make personal sacrifices, commit to organizational objectives, and achieve higher outcomes organizationally than originally envisioned. An example of a transformational leader within a certified public accounting firm is a tax partner who may be able to encourage subordinates to work hard, sacrifice their personal time, challenge them intellectually and professionally, and lead their group to better outcomes when compared to a non-transformational leader. However, if leaders lack ethical leadership behaviors—such as take credit for the work of their subordinates, fail to maintain moral standards, or are not just in handing out rewards—their transformational leadership without ethical leadership would result in reduced effectiveness when compared to leaders who are both ethical and transformational. The greatest implication of this finding is

that researchers and practitioners need to consider that developing ethical leaders within organizations will have almost as significant an impact as developing transformational leaders. This study supports the development of ethical leaders as ethical leadership also makes a significant contribution to explaining leader effectiveness over and above the contribution of transformational leadership behaviors. Organizations that want to develop the most effective leaders should train and develop their leaders to be both ethical and transformational.

    Moderating impact of subordinates' preferences for ethical leadership. The study examined whether a subordinate's preferences or expectations for ethical leadership would moderate the relationship between ethical leadership behaviors and leader effectiveness. The study did not find evidence that a subordinate's preferences or expectations for ethical leadership moderated the relationship.

    Moderating impact of ethical culture. The study examined whether a strong ethical culture, as perceived by subordinates, would strengthen the relationship between ethical leadership behaviors and leader effectiveness. Perceived ethical culture was not found to have a moderating impact.

    Accounting profession implications. The tarnished image of the accounting profession as a result of the scandals at the turn of the century and the 2008 financial crisis necessitates that the profession continue to build values-based leaders. The literature indicates that ethical and transformational leaders can be developed. The challenge is getting the profession to prioritize development of these behaviors in its professionals. What is most noteworthy from this study is the finding that ethical and transformational leadership behaviors are more effective, with ethical leadership being a significant contributor. The need for effective leaders can be the impetus to challenge the profession to develop professionals with ethical and transformational attributes.

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Strengths and Limitations of the Study

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    A significant strength of this study is that it is the first study to assess and demonstrate that ethical leadership behaviors are a significant predictor of leader effectiveness for leaders within the accounting profession. With the importance of ethics in the accounting profession, the added emphasis on development of ethical leaders within the profession is noteworthy.

    Examining a single organization and a single profession is both a strength and weakness of the study. Included in the research design of prior studies was the study of leaders in multiple organizations in multiple roles. In many cases, collecting data on multiple levels of supervisors in different companies and organizational levels made it difficult to compare the roles within different organizations. In addition, it is possible that the interpretation of questions may have differed from firm to firm and by employees at different organizational levels. Examining one firm, with standard roles in the certified public accounting profession, minimizes the risk that individuals from different companies and industries may interpret the

questions differently. It also enables the data to be further assessed to determine how individuals in different positions were evaluated, given that the roles of individuals were consistent throughout the study. This also sets the stage for future assessment of other certified public accounting firms where company roles are fairly consistent within the profession. Studying additional firms within the accounting profession however would increase the external validity that would come from surveying subjects from a variety of firms and companies. While the study results regarding ethical and transformational leadership behaviors significantly explaining leader effectiveness are consistent with prior studies (Copeland, 2009), examining a single firm in a single profession is restrictive. Additional studies of other firms and companies would add additional strength to this research stream.

The study also developed additional procedures to measure and mitigate potential common method variance. In studies where all data are collected using a single method, the study runs the risk of common method variance. This research minimized common method variance by using separate instruments for each area being assessed and having subordinates assess their leaders, as opposed to having leaders evaluate their own leadership behaviors and strengths. The study also collected both a superior and subordinate evaluations of leader effectiveness so that the impact on common method variance could be assessed and eliminated as a potential bias.

The study tested the three hypotheses using hierarchical regression analysis using the subordinates' assessment of leader effectiveness, the dependent variable, and then the superiors' assessment of leader assessment. In both sets of hierarchical regression analysis, the results of the tests were consistent, regardless of whether the superior or subordinate evaluation of leader effectiveness was used to measure the dependent variable. In both cases, H1 was accepted, while H2 and H3 were not supported. This additional step provides evidence that common method variance was not a concern in this study.

The study also collected a second measure of leader effectiveness from subordinates and compared the hierarchical regression results using each of the subordinate's different assessments of leader effectiveness. In both cases, H1 was accepted, while H2 and H3 were not supported. This step was completed to provide additional support to the initial testing of the hypotheses.

A limitation of the study is that objective questions and a quantitative data collection potentially limit the information that is collected. Including a mixed-method design with some open-ended questions or limited interviewing could provide additional insights that a study that includes only an objective survey may fail to uncover (Creswell, 2002; Kerlinger & Lee, 2000).

The sample was not selected randomly, which can impact both the predictability and reliability of the research. Mitigating factors included requesting that 100% of employees participate in the study and having a response rate of 65% of the population.

An additional weakness included the significant correlation between some of the study variables. To address this concern, additional analysis of the VIF for each of the variables was computed to definitively measure the degree to which each independent variable was explained by the set of the other independent variables. In addition to the VIF factor being computed, providing the results of the confirmatory factor analysis (Copeland & Fields, 2012) to identify that both ethical and transformational variables could be assessed independently in the model would be beneficial.

The study asked participants to respond to several sets of questions at one time. This process has the potential to cause experimenter demand effect where respondents alter their opinions based on what the study is investigating. The researcher does not believe that this is a serious risk for this study based on the following: (a) Anderson's (1983) finding that was based on the examination of extensive literature, that in general participants do not adjust their opinions to support the researcher's hypothesis and (b) the design of the study that asked the respondents to provide their opinions and preferences. Opinions are something that most subjects may not want to alter.

Recommendations for Future Research

The study is rudimentary and provides an initial foundation for studying ethical leadership in accounting and other industries. There are numerous areas that can be addressed in future research that would benefit scholars and practitioners with regard to ethical leadership behaviors and leader effectiveness. Including the following.

Examining additional accounting firms. It would be helpful to study additional certified public accounting organizations that are larger or smaller. In particular it would be helpful to study the Big Four firms to see if the study outcomes are similar.

Examining additional industries. Expanding the examination to companies and industries outside of accounting and financial services would be worthwhile. The accounting profession is one where certification is required and continuing professional education (CPE), specifically in the area of professional ethics, is mandatory. It would be interesting to learn if other industries, such as the hospitality industry or manufacturing industry, where continual ethical development is not a requirement of industry professionals would produce results that are different from those obtained in this study.

Examination of other leadership behaviors with an ethical foundation. There are a variety of leadership behaviors that share a common ethical and moral foundation. Future research could address the impact of combinations of leadership styles that include components of ethical and moral behaviors. Studying leaders and assessing their varying degrees of authentic, ethical, transformational, spiritual, and servant behaviors and the corresponding impact on leader effectiveness would be valuable.

Exploring the impact on organizational effectiveness. Studying and measuring the impact of ethical leadership on organizational effectiveness may also produce insights.

Additional situational factors. Examining the impact of additional situational factors on both ethical leadership and leader and organizational outcomes is also under-researched and worth consideration.

Developing ethical leadership behaviors. Continued research is warranted that assess strategies for the training and mentoring to increase ethical leadership behaviors.

Congruency between perceptions of the leader and leader and leader effectiveness ratings. In this study, subordinates who preferred ethical leadership behaviors -- regardless of whether the behaviors were observed -- contributed significantly to the evaluation of a leader as effective. This suggests that Romance of leadership (Meindl, Ehrlich, & Dukerich, 1985) could be a factor in the evaluation. Continuing to investigate perceptions of the leader and the contribution of perceptions to leader effectiveness could be a fruitful area for future study.

Conclusion

This research provides evidence that leaders in the accounting profession who are ethical and transformational are perceived as being more effective and that each of these behaviors can incrementally improve the positive outcomes of a leader. The research did not support the theory that (a) subordinates' preferences and expectations for ethical leadership or (b) the perceived ethical climate of an organization moderated the relationship between the leader's ethical leadership and the leader's perceived effectiveness. Additional research is encouraged that assists academics and practitioners in determining how these combined leadership qualities may be further developed in leaders to add to their overall effectiveness. Further research, specifically in the accounting profession and financial services industry, is encouraged to restore a profession tarnished with accusations of unethical behavior to one that regains its original prominence based on consistent, moral, ethical, and effective leaders.

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