

# Normative Legitimacy Management and the Expansion of Purpose-Driven Workforces through Organizational Identity

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## Abstract

Social-political legitimacy requires leaders to do things right (normative legitimacy) and correctly (regulatory legitimacy). However, it is more challenging to manage normative legitimacy in diverse organizations. Leaders use normative legitimacy to help align organizational values to the social environment in which it operates. The ability to manage normative behaviors is an ethical virtue and may establish a link with organizational identity. This research applies the leadership ethics and decision-making (LEAD) model. The LEAD model suggests that employee perception of ethics requires leaders to conduct an outward examination of their decisions using integrity, assurance, and pragmatism. Previous research suggests that the LEAD model may act as an ethical guide to "doing things right" and potentially fill the gap in managing normative legitimacy by influencing organizational identity. The results conclude that outward examinations account for employee perceptions and that the LEAD model is a suitable ethical leadership concept. Integrity, assurance, and pragmatism have significant positive relationships with and predict organizational identity. The findings reveal that the LEAD model discerns ethical leadership behavior, appropriately manages normative legitimacy, and creates a purpose-driven workforce by developing organizational identity.

**Keywords:** normative legitimacy, ethical leadership, organizational identity, social-political legitimacy

## 1. Introduction

Social-political legitimacy is a strategic perspective within the organizational legitimacy framework. The proper deployment of social-political legitimacy rests on normative legitimacy, "doing things right," and regulatory legitimacy, "doing things correctly" (Scott, 2000). Leaders rely on laws, policies, and governmental agencies to ensure regulatory legitimacy by "doing things correctly." Interestingly, normative legitimacy, "doing things right," is not easily manageable within diverse organizations and is seen as an ethical virtue (Lozano & Escrich, 2017; Rabl et al., 2020). However, alternative behavioral theories are absent in current literature and exposes a gap in better understanding the association between ethical leaders on normative behaviors (Pohan et al., 2019).

Organizational legitimacy aligns organizational values to the social system in which it operates (Dowling and Pfeffer, 1975). Because organizations consist of diverse employees, organizational legitimacy has become a prerequisite to organizational identity (Hudson et al., 2019). It is plausible that behavioral theories that discern between inappropriate and appropriate leadership behaviors are proper normative legitimacy management practices. Despite the value of managing normative behaviors, there is little to no exploration into alternative ethical leadership practices (Bedi et al., 2016; Hoch et al., 2018).

Employees are more likely to rely on positive and negative outcomes to perceive leadership ethics. Behavioral theories that discern between appropriate and inappropriate actions can better explain organizational employees' perception of their leadership's ethics. Greater attention to employee perception of leadership should improve organizational studies on sustainability and competitiveness. Because "doing things right" is an ethical paradigm, ethical leadership theories may be a normative legitimacy management approach to promoting a purpose-driven employee workforce.

A fundamental tenet of ethical leadership is the ability to influence employee attitudes and behaviors (Brown & Treviño 2006). Ethics is an employee's perception of fair treatment that positively influences affective commitment (Hur & Ha, 2019). Similarly, affective commitment measures an employee's emotional connection

with the organization. The similarity between ethical leadership and affective commitment suggests that behavioral leadership theories on ethics may advance our knowledge of proper management of normative legitimacy in diverse organizations.

The fair treatment of employees is an ethical virtue and has a positive relationship with organizational legitimacy (Hudson et al., 2019), a prerequisite to organizational identity. This study introduces the foundational leadership theory to account for normative legitimacy because organizational identity measures an employee's overall acceptance of their institutional identity. The foundational leadership theory (FLT) proposes that organizational leaders perform an outward examination to account for employee perception of their leadership ethics and decision-making. FLT's Leadership Ethics and Decision-making (LEAD) model confirms that employees perceive ethical leadership decisions as having integrity, assurance, and pragmatism (Fuller, 2021a; Fuller, 2021b). Therefore, this research explores managing normative legitimacy by "doing things right" (Bedi et al., 2016; Hoch et al., 2018; Pohan et al., 2019) to answer the following research questions.

RQ1: Do employees perceive Leadership Ethics and Decision-Making (LEAD) integrity, assurance, and pragmatism as appropriate ethical leadership measurements?

RQ2: Does LEAD-Integrity have a positive relationship with an employee's organizational identity?

RQ3: Does LEAD-Assurance have a positive relationship with an employee's organizational identity?

RQ4: Does LEAD-Pragmatism positively affect an employee's organizational identity?

## 2. Literature Review

### 2.1 Organizational Identity and Ethics

An organizational identity (OI) is the equivalent of an individual-level identity. OI is an employee's understanding of the collective self to their position in the organization (Albert & Whetten, 1985). Additionally, employees need positive self-regard in their unique social space. The assumption is that OI is an essentially functional and structural parallel between organizational and individual actors (Cloutier & Ravasi, 2020). Researchers have investigated theories of individual-level and organizational-level identity. They argue that OI explains an employee's likelihood to accept the identity of their organization (Ashforth et al., 2020). Employee acceptance suggests that ethical leadership may further clarify the link between individual-level and organizational-level identity.

Organizations are dynamic collective entities (Lin et al., 2020) that mirror an employee's relational and social identity (Ashforth et al., 2020). Individual-level identity consists of (1) reflecting characteristics that distinguish one person from another and (2) reflecting the internalization of the norms and characteristics to become a member of the organization (Cloutier & Ravasi, 2020). This study will focus on the leadership ethics and decision-making (LEAD) model's ability to encourage the internalization of norms and organizational characteristics to improve that membership.

Exclusivity and distinctiveness are the attributes organizations use to differentiate themselves in their industry. For example, Clegg et al. (2007) demonstrate that individuals view themselves as unique based on membership. Additionally, relationship-based and category-based organizational functions correspond with relationship and collective identities. These assertions confirm that measuring an employee's OI is a crucial indicator of creating a purpose-driven workforce (Rockwell, 2019). Therefore, OI acknowledges that employees can rediscover their interconnectedness and convert into essential contributors to the organization. However, there is a lack of literature on variables influencing interconnections based on ethical leadership attributes.

There are three levels of influence in an organization. The individual level is each person in the organization. Because each person can act differently and degrade dynamics, LEAD can determine a leadership approach that encourages organizational membership and cohesiveness. The group-level incorporates small and large size groups within the organization. However, the purpose of the study is to explore ethical leadership decision-making that supports OI. The organization incorporates the organization as a whole. Leaders are representatives of the organization and influences employee behavior and membership. An interconnected whole can resolve dynamic and opposing tensions (Veldsman & Veldsman, 2020), which is critical in manifesting OI. Investigating perceptions of leadership ethics should advance our understanding of attributes that encourage employees and interconnectedness.

Ethical behavior is evidence of normatively appropriate conduct (Brown & Treviño, 2005). In business ethics, employees perceive outward displays of appropriate normative behaviors to judge leadership decision-making. Because society lacks the acceptance of a universal code of conduct (Apel, 2017), employees are likely to accept

societal norms to determine “right” or “wrong” ethical behaviors in the workplace. Business leaders struggle to understand variations of normative rules to create ethical codes of conduct. However, applying the normative approach may create decisional dilemmas for leaders and managers (Jhamb & Carlson, 2020).

Organizations continue to experience unethical conduct regardless of advancement in business ethics. Treviño (2018) implies an absence of ethical policies in most organizations. However, it is the leader's responsibility to develop organizational specific appropriate behaviors in the workplace. For example, Paik et al. (2017; 2019) reveal that a cross-sectional influence on cultures is asymmetric as one group has more influence over another. There is evidence of an asymmetrical influence with the US managers influencing Korean managers' ethical approach to financial advisement. The asymmetrical influence of appropriate normative behaviors is problematic and requires new methods to govern fluctuating variables (Jhamb & Carlson, 2020).

Ethical leadership has a positive association with employees accepting organizational norms. Employees perceive norms as intentional behaviors that lead to coordinated responses. These specific behaviors are the actions or inactions to external and internal stimuli" (Levitis et al., 2009). Employees are likely to predict leadership behaviors based on past situations. Nonetheless, employees who rely on past experiences may develop adverse perceptions of current leadership behavior (Alvesson & Einola, 2019). Therefore, leaders should conduct an external examination of their ethical decisions from the employee's perspective.

An employee's feelings in the workplace can influence their perception of the leader. However, Güntner et al. (2020) propose that employees should not rely on emotions to judge leadership behavior. Negative emotions may lead to employees perceiving leaders as unethical and degrading their commitment to the organization. There have been great strides in ethical leadership development to organizational behavior. However, business leaders need alternative ethical leadership theories (Nangoli et al., 2020) to help differentiate between ethical leadership behaviors and employee perception (Banks et al., 2021). FLT suggests that leaders conduct an inward and outward examination to approach ethical decision-making. The FLT approach allows leaders to distinguish between ethical leadership behaviors (inward examination) and employee perception (outward examination).

## 2.2 Foundation Leadership Theory

Morals are foundational in ethical behavior, moral leadership, and servant leadership (Eva et al., 2019). Because morals and ethics are similar, this study relies on FLT, which builds on the Ethic Position Theory (EPT). EPT suggests that moral actions are expressions of a person's ethical position (Forsyth 1992). FLT advances the EPT and proposes that moral actions require an inward and outward examination (employee perception) before expressing their ethical position (Fuller, 2021a). EPT's "idealism" and "relativism" approach determines the employees' perception of "right" and "wrong" when placed in ethical scenarios.

Idealistic leaders show concern for employee welfare and feel that harming others is almost always avoidable. Leaders who measure high in idealism avoid decisions that may injure employees. The idealism approach indicates that service and compliance are associated with caring for others. Comparatively, relativism is how leaders comply with those morals in their decision-making practices. Leadership morals are values that depict ethical actions to avoid fraud, prevent the humiliation of employees, and speak the truth. However, leaders who score high in relativism tend to evaluate situations according to the outcome rather than relying on moral principles. Employees are likely to perceive leaders who ignore morals (high relativism) as unethical to achieve a particular outcome.

FLT describes ethical decisions as meeting an internal and external perception of integrity, assurance, and pragmatism. These three constructs are the Leadership Ethics and Decision-making (LEAD) model (Fuller, 2021a; 2021b). However, a lack of collective acceptance of “what is integrity” impacts employee perceptions of acceptable ethical leadership behavior (Palanski & Yammarino, 2009; Leicht-Deobald et al., 2019). FLT accounts for the absence of clarity and suggests that an outward examination (employee perception) of integrity coupled with assurance and pragmatism appropriately manages normative legitimacy and proposes the following hypotheses.

H1<sub>a</sub>: The leadership ethics and decision-making (LEAD) model suggests that employees' perceptions of leadership integrity, assurance, and pragmatism will have no relationship with organizational identity.

H1<sub>b</sub>: The leadership ethics and decision-making (LEAD) model suggests that employees' perceptions of leadership integrity, assurance, and pragmatism will positively affect organizational identity.

## 2.3 Leadership Ethics and Decision-Making-Integrity.

Maslow's theory applies cognitive progression and examination to address followers' perceptions of leadership integrity (1954). Avneet (2013) advances Maslow's theory and describes cognitive progression as the movement

that propels organizational leaders to uphold integrity through their actions. An examination is a cognitive progression that compels the employee to appreciate leadership decision-making abilities. Additionally, leaders who rely upon cognitive progression appear more honest and trustworthy to their organization (Nangoli et al., 2020). The capability to conduct a preliminary inward and outward examination may improve employee perceptions of their leadership's decision-making efforts. The inward and outward examination of decision-making uses a cognitive progression of ethics based on integrity, assurance, and pragmatism perceptions. Therefore, applying the LEAD model should explore leadership ethics and organizational employees (Adeshipo & Harrison, 2018).

Integrity plays a pivotal role in employee perceptions by decreasing levels of uncertainty in leadership's duties and responsibilities. As a result, employees are more likely to perceive integrity as a leader who conveys their actual selves in the workplace (Fry et al., 2005). Similarly, as employee perceptions of leadership integrity decline, organizations recognize acute manning shortages. Discernments of integrity and the negative relationship with manning exist in countless health, financial, and economic literature (Najjuam et al., 2016). Nevertheless, integrity is arguably the hallmark of morally intelligent leaders, shapes the behaviors of employees, and influences their attitude toward the organization (Kalshoven et al., 2016; Tu et al., 2017). Integrity is indispensable in the foundation of ethical leadership and justifies being the first measure in the LEAD model.

There are several reasons why integrity is the bedrock of the LEAD model. First, leadership integrity consistently measures trustworthiness and captures the essence of ethical values (Palanski & Yammarino, 2011). Second, integrity is essential for explaining relationships between the leader and the employee. Third, integrity is a contingency that significantly improves employee behavior and attitudes (Krishnakumar et al., 2015). Fourth, employees perceive that integrity signifies trustworthiness and fairness (Jordan et al., 2017). Finally, integrity and fairness improve followers' perception of their leaders (Ming et al., 2020). For these reasons, integrity is a perception of fairness and remains a primary procedural aspect of ethical leadership (Brown & Treviño, 2005; Fuller, 2021a).

The ability to clarify the term "integrity" suggests that a leader must adhere to moral principles (Palanski & Yammarino, 2011). The LEAD model value the outward expressions of integrity, which should produce unyielding benefits in the workplace. Gallie et al. (2017) applies an operational perspective and reveal that integrity is a form of communication that establishes realistic and sustainable strategies. However, FLT reveals that negative preliminary outward examinations require leaders to communicate the purpose of that decision to employees. Because integrity is not well developed theoretically nor rigorously tested empirically (Fu et al., 2019), employees are likely to perceive LEAD-I as fair, encourages positive behaviors toward the organization, and proposes the following hypotheses.

H2<sub>a</sub>: Employee perceptions of leadership ethics and decision-making-integrity (LEAD-I) will have no relationship with organizational identity.

H2<sub>b</sub>: Employee perceptions of leadership ethics and decision-making-integrity (LEAD-I) will positively affect organizational identity.

#### *2.4 Leadership Ethics and Decision-Making-Assurance.*

Ethical leaders use assurance to reduce uncertainty in the workplace. Decisions that promote assurance improves employee perceptions of the leader's moral sensitivity. Moral sensitivity correlates with stress reduction, a coping mechanism (Treviño et al., 2003; Daniels et al., 2011). However, LEAD suggests that due to the lack of a collective definition of integrity, decisions that lack assurance will more likely escalate workplace uncertainty among employees.

The uncertainty management theory (UTM) explores how employees respond to doubts in the workplace. UTM suggests that fairness reduces anxiety, decreasing uncertainty (Lind & Van den Bos, 2002). Because perceptions of fairness are an integrity concept, employees process levels of fairness by the usefulness of their leadership's communication (Jih-Hua Yang et al., 2019); leaders should focus on reducing uncertainty in the workplace to prevent counterproductive employee behavior and attitudes. Therefore, LEAD-Assurance improves leadership's ability to further reduce levels of uncertainty by examining the levels of stress and anxiety their decisions levy on organizational employees.

Leadership decision-making can promote uncertainty which impacts employee behaviors and attitudes toward the organization. For example, during the prevailing pandemic (COVID-19), employee perception of leadership uncertainty negatively influenced their commitment to the organization (Bilal et al., 2021). Negative forms of stress are overwhelming and reduce an employee's ability to cope with job pressure. Additionally, high-stress

levels decrease work productivity (Shukla & Srivastava, 2016). Conversely, assurance reduces the perception of uncertainty and improves employee behavior and attitudes. LEAD-A suggests that leaders who consider stress and anxiety imposed on employees through decision-making improve organizational commitment (Fuller, 2021a). Because assurance creates perceptions of moral sensitivity and enhances employee identity (Lützen et al., 2010), effective management of normative legitimacy may link individual-level and organizational-level identities, which suggests the following hypotheses.

H3<sub>a</sub>: Employee perceptions of leadership ethics and decision-making-assurance (LEAD-A) will have no relationship with organizational identity.

H3<sub>b</sub>: Employee perceptions of leadership ethics and decision-making-assurance (LEAD-A) will positively affect organizational identity.

### 2.5 Leadership Ethics and Decision-Making-Pragmatism.

The social exchange theory (SET) reveals that pragmatism is fundamental to leadership decision-making (Homans, 1974). The LEAD model relies on pragmatism to ensure that leaders do not use a one-size-fits-all approach. Interestingly, pragmatism advances employee dedication toward the organization (Anderson & Sun, 2017) through perceptions of rational decision-making (Watts et al., 2019). The findings from these studies confirm that pragmatism is a sensible approach to ethical decision-making and a potential practical technique to manage normative legitimacy.

There are several points on why LEAD introduces pragmatism as an ethical leadership approach. First, pragmatism ensures employees perceive leadership decisions are realistic to meet organizational goals. Secondly, pragmatic forms of decision-making are more likely practical than theoretical. Thirdly, inward and outward examinations of employee perceptions of pragmatism require leaders to communicate ethical ideas to the organization. According to Jensen and Sandstrom (2013), pragmatic leaders help employees meet or exceed professional goals. As a result, followers perceive pragmatism as a form of sense-making and fundamental to ethical leadership (Mumford et al., 2017). This relationship is consistent with findings that suggest that realistic ethical decisions improve the leadership-member exchange (LMX) relationship (Gallie et al., 2017).

Pragmatic decisions can manage normative legitimacy through leadership articulation of complete and actionable tasks. Additionally, inward and outward examinations of employee perceptions can teach leaders to evaluate choices before implementation in the workforce. Pragmatic leadership is a causal analysis that improves organizational performance (Marcy & Mumford, 2010) by preparing for events that are inside and outside of their control (Mumford et al., 2017). Comparatively, pragmatic decisions emerge as an ethical leadership practice (Winter, 2013), are a direct reflection of the leader (Jordan et al., 2017), and predict employee dedication (Anderson & Sun, 2017). However, this study will investigate employee perceptions of practical decisions as an ethical leadership attribute by the relationship with OI and proposes the following.

H4<sub>a</sub>: Employee perceptions of leadership ethics and decision-making-pragmatism (LEAD-P) will have no relationship with organizational identity.

H4<sub>b</sub>: Employee perceptions of leadership ethics and decision-making-pragmatism (LEAD-P) will positively affect organizational identity.

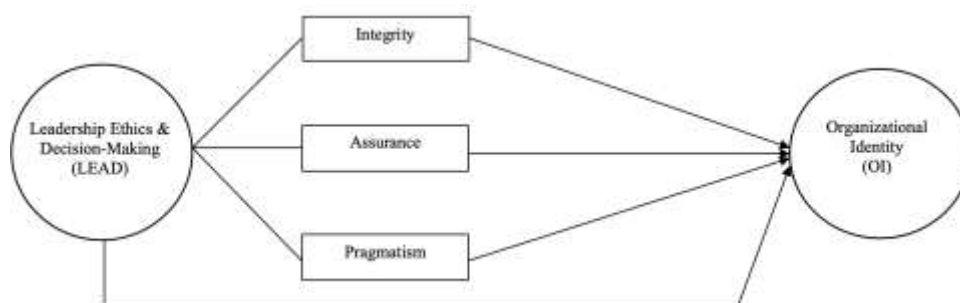


Figure 1. Leadership Ethics and Decision-making and Organizational Identity Conceptual Model

### 3. Method

Alternative leadership theories explain connections that improve organizational goals. Previous research used cross-sectional and quantitative study designs to investigate leadership ethics as an independent variable and various organizational factors as a dependent variable. Therefore, this study will apply cross-section and

quantitative methods. Additionally, the overall findings of this study apply generally accepted procedures for Pearson's correlation and linear regression analysis.

The investigation into the relationship between LEAD and OI relied on a questionnaire to collect responses. LEAD is a 15-item scale developed by Fuller (2021a), which suggests that employees perceive leadership decision-making with integrity (5-items), assurance (5-items), and pragmatism (5-items) as ethical. For example, I trust leadership decisions that encourage job security. As a result, recent studies confirm that LEAD has a significant relationship with organizational commitment (Fuller, 2021a), job satisfaction (Fuller, 2022), and reduces knowledge hiding between employees (Fuller, 2021b). Additionally, OI is an employee's level of distinction with their organization. OI is measured using a 7-item scale developed by Lyndough et al. (2018). For example, my values and my organizational values are similar. Each participant will answer each question based on a 7-point Likert scale (1 = strongly disagree to 7 = strongly agree). Finally, employee age has no significant affect on organizational relationships (Chizema & Pogrebna, 2019). Therefore, employee age was inserted as a control to recognize any statically significant differences in organizational identity measurements.

The sample population involved full-time employees within the United States of America (USA). As of January 2022, the US Department of Labor consists of roughly 129.7 million full-time employees. Cochran (1977) used a sample size formula, using a 95% confidence interval (CI) and a 4%-6% margin of error. The acceptable sample population size was 350 participants. The aim was to collect data from a minimum of 350 participants to validate the LEAD and OI measurement scales, investigate possible correlations, and examine predictability using regression analysis. The US Department of Labor Footnote 2 suggests that their data does not fully represent all ethnicities. This information said "race" was not considered an unbiased control variable. The ANOVA results represent differences in responses on organizational identity based on employee age categories.

Potential participants were sent a survey via SurveyMonkey™. The employees were instructed to read the instructions thoroughly before accepting the terms of this survey. Additionally, employees must be over 18, anonymous responses, and no personally identifiable information (PII) was collected from the participants. A total of 450 employees agreed to participate in the study. Microsoft Excel and IBM Statistical Program for Social Sciences (SPSS) were used to validate the LEAD and OI measurement scale, test the relationship between LEAD and OI, and examine employee age on OI.

#### 4. Results

There was a total of 450 participants in this study. However, 15 responses were incomplete and removed, which resulted in 435 contributors to the research. Next, the data was explored to recognize any univariate outliers for LEAD and OI based on Tabachnick and Fidell (2019). Tabachnick and Fidell (2019) define an outlier as the value which falls outside the range of +/- 3.29 standard deviations from the mean. There were no outliers presented in LEAD or OI variables based on this criterion. The summary of outliers is presented in Table 1.

Table 1. Outliers detection for Leadership Ethics and Decision-Making and Organizational Identity

Variable	No. of Outliers
LEAD	0
OI	0

Note. LEAD = Leadership Ethics and Decision-Making; OI = Organizational Identity

Because no outlier data were identified or included in the dataset, a demographic breakdown of the total population was conducted. There were 204 (male) and 231 (female) full-time employees for 435 participants. However, gender was not a consideration in this study. The data on gender is only for informational purposes. A summary of statistics is presented in Table 2.

Table 2. Demographic Summary.

Variable	<i>n</i>	%
Age		
18–29	96	22.07
30–44	109	25.06
45–60	153	35.17
>60	77	17.70
Gender		
Male	204	46.90
Female	231	53.10

The summary statistics were calculated for LEAD and OI measurement scales. Table 3 presents the summary statistics.

Table 3. Summary statistics for LEAD and OI

Variable	<i>M</i>	<i>SD</i>	<i>n</i>	<i>SE<sub>M</sub></i>	Min	Max
LEAD-IQ1	6.20	1.44	435	0.07	1.00	7.00
LEAD-IQ2	6.29	1.31	435	0.06	1.00	7.00
LEAD-IQ3	6.26	1.36	435	0.07	1.00	7.00
LEAD-IQ4	6.18	1.26	435	0.06	1.00	7.00
LEAD-IQ5	6.15	1.26	435	0.06	1.00	7.00
LEAD-AQ6	6.11	1.32	435	0.06	1.00	7.00
LEAD-AQ7	5.98	1.43	435	0.07	1.00	7.00
LEAD-AQ8	5.67	1.34	435	0.06	1.00	7.00
LEAD-AQ9	5.41	1.51	435	0.07	1.00	7.00
LEAD-AQ10	6.12	1.23	435	0.06	1.00	7.00
LEAD-PQ11	5.89	1.24	435	0.06	1.00	7.00
LEAD-PQ12	5.91	1.39	435	0.07	1.00	7.00
LEAD-PQ13	5.60	1.35	435	0.06	1.00	7.00
LEAD-PQ14	5.75	1.37	435	0.07	1.00	7.00
LEAD-PQ15	5.76	1.41	435	0.07	1.00	7.00
OIQ1	5.07	1.50	435	0.07	1.00	7.00
OIQ2	4.99	1.52	435	0.07	1.00	7.00
OIQ3	5.20	1.53	435	0.07	1.00	7.00
OIQ4	5.22	1.55	435	0.07	1.00	7.00
OIQ5	4.26	1.69	435	0.08	1.00	7.00
OIQ6	5.40	1.51	435	0.07	1.00	7.00
OIQ7	4.70	1.71	435	0.08	1.00	7.00

*Note.* LEAD-I = Leadership Ethics and Decision-Making-Integrity; LEAD-A = Leadership Ethics and Decision-Making-Assurance; LEAD-P = Leadership Ethics and Decision-Making-Pragmatism; OI = Organizational Identity.

Next, Cronbach's alpha coefficient was conducted on the 15-item LEAD and 7-item OI scale where coefficients that are  $\geq .9$  are excellent,  $\geq .8$  are good,  $\geq .7$  are acceptable,  $\geq .6$  are questionable,  $\geq .5$  are poor, and  $\leq .5$  (George & Mallery, 2018). Moreover, the "if deleted" function was used to identify the most conventional coefficient. The process confirms that the measurement scales of LEAD-I, LEAD-A, and LEAD-P were good measures. The Cronbach's alpha coefficient for LEAD-I was .92, LEAD-A was .85, and LEAD-P was .87. Because each measurement was  $>.8$ , it is plausible that the three attributes of the LEAD model will account for employee perception of an ethical leader. Therefore, the LEAD model's 15-items measure of ethical leadership was .95, demonstrating excellent reliability. Comparatively, OI's 7-items was .87, indicating good reliability. However, IBM SPSS "if deleted" function suggested removing OIQ5 to improve scale reliability. Therefore, OIQ5 was removed, and OI 6-items Cronbach's alpha coefficient was .92, representing excellent reliability (Table 4).

Table 4. Reliability of the Perceived Employee Distributive Injustice and Organizational Identity scale items

Scale	No. of Items	$\alpha$	Lower Bound	Upper Bound
Integrity	5	0.92	0.91	0.93
Assurance	5	0.85	0.84	0.86
Pragmatism	5	0.87	0.86	0.88
LEAD	15	0.95	0.94	0.95
Revised OI	6	0.93	0.92	0.94

*Note.* The lower and upper bounds of Cronbach's  $\alpha$  were calculated using a 95% confidence interval; LEAD = Leadership Ethics and Decision-making; Revised OI = Organizational Identity with Question #5 deleted.

LEAD and Organizational Identity had excellent scale reliability. Therefore, LEAD's 15-items were transformed into the independent variable (IV) and Organizational Identity 6-items into the dependent variable (DV). Next, a Pearson correlation was conducted between IV, LEAD, and DV, Organizational Identity using Cohen's standard

(1988). A Pearson correlation requires that a possible relationship between IV and DV is linear (Conover & Iman, 1981). Cohen suggests an effective coefficient between .10 and .29 has a small effect size, between .30 and .49 a moderate effect size, and above .50 a large effect size (Cohen, 1988). Figure 2 presents the scatterplot of the correlation. A regression line has been added to assist the interpretation.

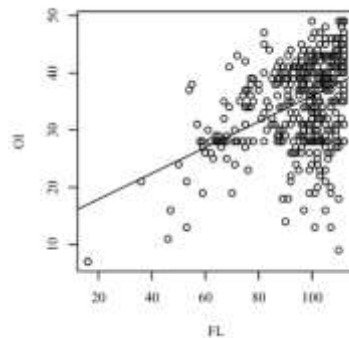


Figure 2. Scatterplot of the Correlation

The examination of LEAD and OI’s relationship was based on an alpha value of 0.05. A significant positive correlation was observed between LEAD and OI ( $r_p = 0.45, p < .001, 95\% \text{ CI } [0.37, 0.52]$ ). The correlation between LEAD and OI is .45, indicating a moderate effect size. Therefore, as LEAD increases, Organizational Identity tends to increase. The Pearson correlation confirmed that LEAD has a positive relationship with OI (Table 5).

Table 5. Pearson correlation results between LEAD and OI (N = 435)

Combination	$r_p$	p
LEAD-OI	0.45	< .001***

Note: LEAD = Leadership Ethics and Decision-Making; OI = Organizational Identity; N=435; \*\*\* p<.001

The LEAD model, which consists of LEAD-I, LEAD-A, and LEAD-P, does have a significant relationship with an employee's identity with the organization. However, to further explain the link between ethical leadership and OI, LEAD-I, LEAD-A, and LEAD-P were analyzed separately to explore attributes contributing to an employee's overall perception of ethical leadership. Significant positive correlations were observed between LEAD-I and OI ( $r_p = 0.48, p < .001, 95\% \text{ CI}$ ), LEAD-A and OI ( $r_p = 0.46, p < .001, 95\% \text{ CI}$ ), and LEAD-P and OI ( $r_p = 0.44, p < .001, 95\% \text{ CI } [0.37, 0.52]$ ). Exploring the relationship between LEAD model constructs further explains LEAD's positive relationship with OI (Table 6).

Table 6. Pearson correlation results between LEAD-I, LEAD-A, LEAD-P, and OI (N = 435)

Combination	$r_p$	p
LEAD-I-OI	0.48	< .001
LEAD-A-OI	0.46	< .001
LEAD-P-OI	0.44	< .001

Note: LEAD-I= Leadership Ethics and Decision-Making-Integrity; LEAD-A= Leadership Ethics and Decision-Making-Assurance; LEAD-p= Leadership Ethics and Decision-Making-Pragmatism; OI = Organizational Identity; N=435; \*\*\* p<.001

Next, a linear regression analysis was conducted to assess the predictive power of LEAD on OI. First, the study applied DeCarlo's (1997) assumption of normality, and quantiles did not strongly deviate from theoretical quantiles, suggesting these are reliable estimates. Bates et al. (2014) and Field (2017) suggest plotting the residuals against predicted values to evaluate homoscedasticity. However, multicollinearity does not apply since there was only one predictor variable, and Variance Inflation Factors were not calculated. However, studentized residuals were calculated to detect outliers, and the absolute values were plotted against the observation numbers (Field, 2017; Pituch & Stevens, 2015).



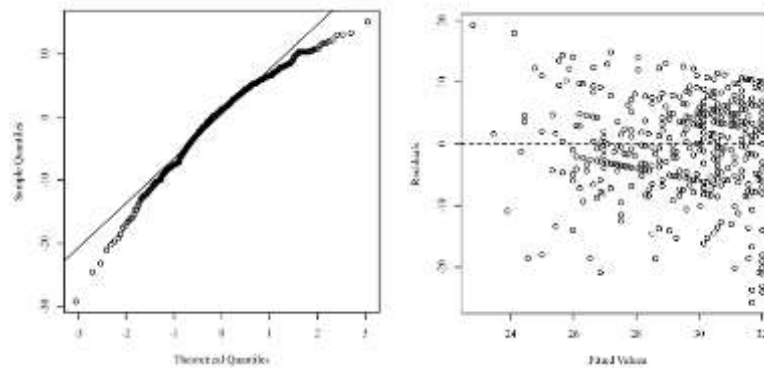


Figure 3. Regression line and residual scatterplot testing homoscedasticity

The Studentized residuals plot of the observations is specified next to each point with a Studentized residual greater than 3.11. There were three outliers detected but remained in the model. However, the outliers did not alter the regression model results. The linear regression model results were significant,  $p < .001$ ,  $R^2 = 0.21$ , indicating that approximately 21% of the variance in OI is explainable by FL. FL significantly predicted OI,  $B = 0.23$ ,  $t(435) = 10.57$ ,  $p < .001$ . The results indicate that, on average, a one-unit increase of FL will increase the value of OI by 0.23 units. (Table 7).

Table 7. Results for linear regression with LEAD predicting OI

Variable	B	SE	t	p
(Intercept)	13.41	2.06	6.52	< .001***
LEAD	0.23	0.02	10.57	< .001***

Note. Results:  $p < .001$ ,  $R^2 = 0.21$ ; Unstandardized Regression Equation:  $OI = 13.41 + 0.23*LEAD$ ; \*\*\* =  $< .001$

However, to better understand the predictability of the LEAD model, each construct was applied separately with OI. The results were significant and reveals that LEAD-I significantly predicted OI,  $B = 0.48$ ,  $t(435) = 7.729$ ,  $p < .001$ ; LEAD-A significantly predicted OI,  $B = 0.69$ ,  $t(435) = 10.903$ ,  $p < .001$ ; LEAD-P significantly predicted OI,  $B = 0.55$ ,  $t(435) = 10.130$ ,  $p < .001$ . The findings indicate that, on average, a one-unit increase of LEAD-I will increase the value of OI by 0.48 units, a one-unit increase of LEAD-A will increase OI by 0.69 units, and a one-unit increase of LEAD-P will increase OI by 0.55 units (Table 8).

Table 8. Results for LEAD-I, LEAD-A, and LEAD-P predicting OI

Variable	B	SE	t	p
LEAD-I	0.48	0.06	7.729	< .001
LEAD-A	0.69	0.06	10.90	< .001
LEAD-P	0.55	0.04	10.10	< .001

Note. LEAD-I= Leadership Ethics and Decision-Making-Integrity; LEAD-A= Leadership Ethics and Decision-Making-Assurance; LEAD-P = Leadership Ethics and Decision-Making-Pragmatism

#### 4.1 Ancillary Analyses

An ANOVA on employee age was examined based on an alpha value of 0.05. ANOVA results concluded that employee age was not significant,  $F(3, 431) = 2.50$ ,  $p = .059$ , indicating that responses to OI based on age categories were too similar. (Table 9).

Table 9. Analysis of variance for employee age

Term	SS	df	F	p	$\eta_p^2$
Employee Age	476.99	3	2.50	.059	0.02
Residuals	27410.42	431			

Means and standard deviations are presented in Table 9. Because there were no significant effects in the ANOVA model, no post analysis was needed between employee age differences and responses to OI.

Table 10. Means, standard deviations, and sample size according to employee age categories

Combination	M	SD	n
18-29	33.32	8.40	96
30-44	34.82	7.86	109
45-60	34.88	8.43	153
60+	36.66	6.52	77

The findings from this investigation suggest rejecting the null and accepting the hypothesis that LEAD-I, LEAD-A, and LEAD-P have positive relationships with OI. (Table 11).

Table 11. Hypothesis Testing

Hypothesis	Accept/Reject
H1 <sub>b</sub> : The leadership ethics and decision-making (LEAD) model suggests that employees' perceptions of leadership integrity, assurance, and pragmatism will positively affect organizational identity.	Accept
H2 <sub>b</sub> : Employee perceptions of leadership ethics and decision-making-integrity (LEAD-I) will positively affect organizational identity.	Accept
H3 <sub>b</sub> : Employee perceptions of leadership ethics and decision-making-assurance (LEAD-A) will positively affect organizational identity.	Accept
H4 <sub>b</sub> : Employee perceptions of leadership ethics and decision-making-pragmatism (LEAD-P) will positively affect organizational identity.	Accept

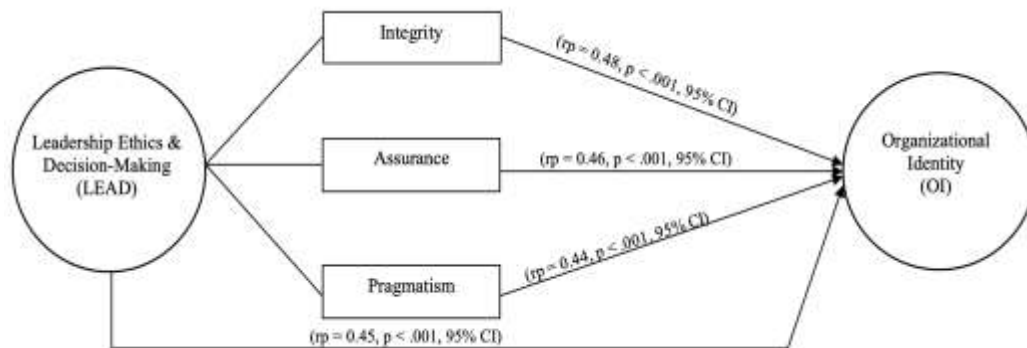


Figure 5. Leadership Ethics and Decision-making and Organizational Identity Model

## 5. Discussion

Ethical leadership manages normative legitimacy within an organization. Because normative legitimacy is known as "doing things right," LEAD accounts for ethical behaviors that are not governed by regulatory legitimacy (doing things correctly). Leaders can effectively manage normative legitimacy by applying an inward and outward examination of decisions that affect employees in the workplace. The outward examination of decisions accounts for employee perceptions of leadership's ethical behaviors. Exploring the link between ethical leadership and OI is critical in developing a purpose-driven workforce (Rockwell, 2019), and the results suggest that the LEAD model is an appropriate ethical leadership standard to manage normative legitimacy.

### 5.1 Theoretical Implications

OI is the ability of an employee to acknowledge their collective self to their organizational position (Albert & Whetten, 1985). The assumption is that OI is a structural and functional link between organization-level and individual-level (Cloutier & Ravasi, 2020). However, the leader must develop OI through ethical practices that foster a positive employee-to-organizational relationship. FLT advances EPT and suggests that ethical leaders should conduct an inward and outward (employee perception) examination based on integrity assurance and pragmatism before expressing their behavior and attitudes toward employees (Fuller, 2021a). Hoch et al. (2018) suggest that there has been little to no investigation into ethical leadership behavioral theories. This research fills this gap in the literature and explains that leaders who view ethical decision-making through the lens of FLT and

apply LEAD are likely perceived as “doing things right.”

Social-political legitimacy consists of regulatory legitimacy and normative legitimacy. This research focuses on normative legitimacy, “doing things right,” because organizational leaders see it as an ethical virtue and not easily manageable (Lozano & Escrich, 2017; Rabl et al., 2020). Because organizational legitimacy is a prerequisite of OI, the LEAD model was applied as a method to manage normative legitimacy. The LEAD model has a significant positive relationship with OI and predicts an employee’s connection to the organization.

Ethical leadership studies accept that employee perception can link the individual-level and the organizational-level of identity. Lind and Van den Bos (2002) applied the uncertainty management theory and discovered that fairness reduced anxiety and uncertainty. Comparatively, ethical attributes improve employee perceptions of fairness in the workplace (Hudson et al., 2019). LEAD-I advances the uncertainty management theory and confirms that an employee’s perception of leadership fairness has a medium effect size at .48 and predictability of .48, with both at  $<.05$  CI. The positive relationship and predictability confirm that employee perceptions of fairness are still a fundamental tenant of ethical leadership.

The final theoretical implication advances the social exchange theory (SET). SET proposes that pragmatism is a rational decision-making process essential to leadership decision-making (Homans, 1974; Watts et al., 2019) and advances an employee’s dedication to the organization (Anderson & Sun, 2017). The findings from this research support the assumptions that ethical decisions are perceived as rational and create an environment for developing OI. Researchers have argued that OI may explain an employee’s likelihood to accept the identity of their organization (Ashforth et al., 2020). This study managed normative legitimacy by “doing things right” and confirmed an employee’s likelihood of accepting OI.

### 5.2 Practical Implications

Leaders are ultimately responsible for making organizational policies on ethics. However, as business ethics research grows, ethical practices are less represented in organizational policies (Treviño, 2018). Leaders can discern between behaviors less governed by regulatory legitimacy by properly managing normative legitimacy. The LEAD model ensures that the ethical behaviors of leaders promote a purpose-driven workforce (Rockwell, 2019) using integrity, assurance, and pragmatism. Because a purpose-driven force is a critical factor of OI, this researcher recommends that leaders conduct an inward inspection and outward examination to contemplate the appropriateness of decisions based on integrity, assurance, and pragmatism.

A deeper exploration was required to provide business decision-makers with management techniques to improve employees’ organizational membership. First, leaders should recognize that normative legitimacy is challenging to manage because it is not governed by regulations such as host nation laws and anti-trust legislation. Therefore, persons in decision-making positions can rely on ethics to discern behaviors and attitudes of “doing things right.” For example, there is little to no government regulation on employee stress and anxiety. However, the LEAD model provides a method to evaluate decisions that promote integrity and assurance, which decrease stressors that negatively impact employees.

Morally intelligent leaders ordain integrity as their hallmark to shape employee behavior in an organization (Kalshoven et al., 2016; Tu et al., 2017). Employees perceive integrity as foundational to ethical leadership. As a result, FLT introduces integrity as the first step of the LEAD model. LEAD-I increases employee perception of fairness and improves OI by .48. For example, a leader must create a policy that will affect employee social demographics. LEAD-I suggests the leader must conduct an inward (self-assessment) and outward examination (employee perception) based on fairness and impartiality, not influenced by stereotypes and unfounded opinions. This process explains the positive relationship and significant predictability with OI. Therefore, leaders who use LEAD-I as foundational will be more likely to improve employee behavior and attitudes.

Leadership decision-making fosters assurance for employees to improve perceptions of moral sensitivity. Additionally, employees depend on the moral sensitivity of leaders to cope with stress and anxiety in the workplace (Treviño et al., 2003; Daniels et al., 2011). However, lack of assurance creates uncertainty among employees and degrades OI. For example, leadership decision-making during COVID-19 created uncertainty in the workplace and reduced employee commitment to their organization (Bilal et al., 2021). As a result, perceptions of uncertainty diminish the coping mechanism employees use in stressful situations. Leadership assurance reduces uncertainty and explains why LEAD-A has a positive relationship of .46 and predictability of .69. Leaders who rely upon LEAD-A will notice an increase in OI by .69. However, assurance is less likely to reduce employee uncertainty as decisions are perceived as impractical to meet or exceed job duties and responsibilities. Therefore, the LEAD model introduces pragmatism to promote sensible decision-making to influence employee dedication to the organization (Anderson & Sun, 2017).

Pragmatic leaders understand there is no one-size-fits-all approach to making decisions within organizations. Because pragmatism is essential to ethical leadership (Mumford et al., 2017), leaders can assess each resolution using LEAD-P to clarify its appropriateness in various situations. For example, LEAD suggests that employees accept leadership decisions that help them meet or exceed organizational goals pragmatically. Therefore, leaders can identify which choices are likely to aid or hinder various departments within the organization. LEAD-P directs leaders to communicate how decisions can help employees achieve the duties and responsibilities they were hired to perform. A leader's ability to direct and collaborate with departments will appeal to employees but require a normative approach (Jhamb & Carlson, 2020).

The LEAD model is a normative approach to ethical organization leadership. First, leadership integrity is a contingency for employee perception of effective leadership in the workplace (Krishnakumar et al., 2015). Additionally, influential leaders are fair and encourage assurance as a coping mechanism to reduce employee stress and anxiety. Ultimately, leadership decisions that have assurance must be sensible to help employees meet or exceed organizational objectives. However, it is essential to note that the LEAD model requires leadership to apply effective communication to influence employee perceptions.

Studies on the leader-member exchange (LMX) reveal that effective leadership communication increases employee productivity. The LEAD model reproduces LMX by suggesting both an inward and outward examination of choices which is essential in developing the parallel between ethical leadership and OI (Cloutier & Ravasi, 2020). As a result, the LEAD model's use of integrity and assurance is consistent with LMX's ability to decrease job stress (Darrat et al., 2016) and diminish employee turnover intentions (Probst et al., 2016). This investigation determined that the LEAD model streamlines the parallel between ethical leadership and OI by managing normative legitimacy and "doing things right."

### *5.3 Limitations and Future Research*

The findings associated with this research are based on a cross-sectional study method—however, this particular study method has several limitations. One limitation of cross-sectional studies is that two or more variables may change over time. This outcome is primarily due to changes across cultural and industry norms. In order to mitigate this limitation, the study consisted of 435 participants across various industries and age groups. However, these categories of participants might have yielded different ANOVA results in future studies.

There are potential sample biases that may have occurred throughout this investigation. First, the researcher could not collect data from the entire workforce. However, 435 full-time employees contributed to the analysis of LEAD and OI to reduce the population bias based on a 4%-6% margin of error. Also, the sample population may have hurried to answer each question or omitted specific responses. This collection method consists of 25 one-sentence measurement items to reduce the return response rate to collect data on LEAD, OI, and employee age.

Further research is needed to determine which ethical leadership style is more salient with OI. Because ethical business practices influence OI (Kim & Beehr, 2020), studies that address mediators such as distributive injustice (Hudson et al., 2019) may provide additional insights into the LEAD and OI relationship. Although employee age did not significantly differ in answering questions on OI, gender, race, and sexual orientation can be additional control variables. Finally, future studies should apply the LEAD model to more specific industries to investigate the relationship with organizational citizenship behavior.

There are manning shortages in health, finance, and economics due to a lack of leadership integrity (Najjuam et al., 2016). These acute employee absences are primarily a result of moral leadership. Ethical leadership is motivated by moral-based leadership (Eva et al., 2019). Therefore, additional research is required on the effects of the LEAD model on organizational policy. For example, LEAD suggests that employees perceive leaders who rely on personal favors in decision-making as less ethical. Therefore, a preliminary outward examination is warranted, and unethical perceptions require leaders to communicate with employees, reducing negative perceptions.

## **6. Conclusion**

Leaders have to manage normative legitimacy to improve their employees' identity with the organization. Because leadership ethics impacts employee behavior in the workplace, alternative leadership behavioral theories were needed to better manage normative legitimacy in pursuit of organizational goals. The LEAD model has shown that leaders who conduct an inward and outward examination of decisions based on employee perceptions of integrity, assurance, and pragmatism have a significant positive relationship and predict OI. Leaders can rely on the LEAD model to develop normative legitimacy strategic perspectives to link the

individual-level and organizational-level identity. Finally, OI is an essential function in developing a purpose-driven force. Therefore, leaders who conduct preliminary outward examinations using the LEAD model can account for employee perceptions, thereby increasing their identity with the organization.

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