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ORIGINAL PAPER

How Bad Apples Promote Bad Barrels: Unethical Leader Behavior and the Selective Attrition Effect

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Abstract

We present a theoretical rationale and supporting studies revealing how unethical leader behavior fosters an unethical climate within workgroups that increases member turnover intentions and malfeasance. Drawing on the attraction–selection–attrition model of organizational behavior, we propose a selective attrition effect whereby unethical leader behavior results in the retention of group members who are more comfortable with dishonesty and, consequently, more likely to engage in unethical behavior toward their group. In two experiments, exposure to unethical leader behavior (vs. ethical leader behavior) increased group members' likelihood of choosing to leave the group. Members who chose to remain in a group with an unethical leader were more likely than those who chose to leave to cheat their group in a subsequent task. A two time-period survey replicated these findings and identified psychological distress as the mechanism driving group members' turnover intentions. This research extends our understanding of the complex relationships between unethical leadership and follower turnover intentions, psychological distress, and malfeasance. We contribute to the behavioral ethics literature by identifying a previously underappreciated form of selective attrition that produces internal costs to groups and organizations, independent of reputational consequences and whether the unethicality is publicized.

Keywords Unethical behavior · Malfeasance · Turnover intentions

The amount of unethical activity by members of commercial organizations is distressingly high (Ernst and Young 2012, 2016; Thomas 2013). Some of this activity is the work of rogue actors, individuals who have been referred to as "bad apples" (Kish-Gephart et al. 2010). For example, a leader may choose to engage in unethical behavior even when s/he is aware that the company can suffer substantial financial losses from reputational consequences if the unethical activity is discovered (Ernst and Young 2012; Karpoff et al. 2005, 2008). Perhaps even more concerning are groups and organizations in which unethical behavior is widespread and widely tolerated (Falkenberg and Herremans 1995; Peterson 2002). As an example, Enron employees claimed that within their organization, "it was all about an atmosphere of deliberately breaking the rules" (Sims and Brinkmann 2003, p. 244, from Bartlett and Glinska 2001). Such tainted ethical climates, which are commonly referred to as "bad barrels" (Kish-Gephart et al. 2010), have the potential to engender more widespread and significant harm than individual acts of unethical behavior.

The behavior of formal leaders is often highlighted as playing a key role in the development of tainted ethical climates (e.g., Martin and Cullen 2006; Newman et al. 2017; Schminke et al. 2005; Sims and Brinkmann 2003; Shin 2012). Research exploring this relationship typically draws on social learning theory (SLT), which suggests that

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individuals learn by observing and then imitating the behaviors of others within their environment (Bandura 1977). According to social learning theory, behavior is learned via role modeling, such that individuals observe others to get a sense of what behavior is appropriate and how unfamiliar behavior is performed, and then use these observations as guides for their own future behavior. Several studies have found that leaders are significantly influential role models within organizational groups, and group members are particularly likely to mimic their ethical or unethical actions (Bedi et al. 2016; Brown et al. 2005; Mayer et al. 2009; Newman et al. 2017).

Social learning accounts of the effects of leader ethicality on employee behaviors have identified important relationships between ethical leadership and outcomes such as job satisfaction, organizational commitment, organizational citizenship and deviance behaviors, and turnover intentions (Bedi et al. 2016; Demirtas and Akdogan 2015; Mayer et al. 2009; Neubert et al. 2009). However, these studies have tended to presume that observing ethical or unethical leadership impacts all employees within a workgroup similarly (e.g., Mayer et al. 2009). In contrast, the current research proposes a more nuanced effect, such that some group members are more likely to accept and imitate a leader's unscrupulous behaviors than others. We propose that selective attrition is a mechanism in addition to social learning theory that plays a role in the influence of ethical leadership on employee behaviors.

Our theoretical arguments are grounded in a rich stream of literature showing that individual characteristics influence how people respond to ethical dilemmas (e.g., Chang 1998; Kish-Gephart et al. 2010; Treviño 1992). Research on individual-organizational value congruence (Cable and Edwards 2004; Chatman 1989; O'Reilly et al. 1991) underscores the notion that individuals can be differentially compatible in a given work environment based on the congruence between personal and organizational actions and values. As such, it is likely that the effects of ethical or unethical leadership on employees are not uniform, suggesting additional, less well-studied implications of leader behavior for group members' unethical activity. Better understanding these implications and the mechanisms through which they operate might improve theories of behavioral ethics by enhancing our appreciation of the micro-dynamics through which leader behavior fosters a tainted ethical climate.

The present research draws on the attraction–selection–attrition (ASA) model of organizational behavior (Schneider 1987; Schneider et al. 1995) to identify a form of selective attrition that exacerbates the negative consequences of unethical leader behavior. The ASA framework suggests that collectives differentially attract and maintain members whose personal characteristics "fit" with important attributes of the group. Based on this insight, and consistent with prior research in behavioral ethics (Burks and Krupka 2012; DeTienne et al. 2012; O'Donnell et al. 2008; Prottas 2013), we argue that exposure to unethical leader behavior increases group members' turnover intentions, and that this relationship is explained in part by members' increased psychological distress. We then extend prior research by arguing that group members who are inherently less (vs. more) ethical will be (1) less psychologically distressed by unethical leader behavior, (2) more likely to intend to remain in groups in which such activity occurs, and (3) more likely to subsequently engage in unethical activity that harms the group. Our third argument joins recent work in suggesting that turnover intentions can influence subsequent employee behaviors (Mai et al. 2016). However, while Mai et al. (2016) found turnover intentions lead to a decrease in organizational citizenship behaviors and deviance, we examine turnover intentions as a moderator of the positive relationship between unethical leadership and malfeasance. We expect this relationship to be stronger in individuals who do not intend to leave a group with an unethical leader than those who do intend to leave such a group.

In sum, the present research argues and finds that leaders who are bad apples can help turn the groups they lead into bad barrels, with serious consequences for members' subsequent unethical behaviors. While prior work has examined the consequences of leader unethicality on turnover intentions and counterproductive work behaviors more generally (see Ng and Feldman 2015 for a meta-analysis), or the role of peer effects on cheating (Gino et al. 2009), the notion of selective attrition driving employee malfeasance has yet to be empirically tested. This paper therefore contributes to the behavioral ethics literature by using the attraction–selection–attrition model to develop and test a series of predictions in which unethical leaders drive away more ethical personnel and retain unethical employees likely to behave fraudulently toward the group.

On a practical level, this research delineates a novel process by which unethical leadership hurts the organization's bottom line. Prior arguments have focused on the reputational costs of unethical behavior, yet firms continue to condone unsavory practices, perhaps because they do not believe they will be caught. Our framework describes additional costly consequences of unethical leadership that may damage organizations from within, namely higher employee turnover intentions, greater employee distress, and increased malfeasance. We find support for our hypotheses using multiple methods and populations, thereby establishing and bolstering causality, capturing a more complete picture of the processes and consequences, and offering convergent validity for the findings.

Unethical Leadership, Turnover Intentions, and the Mediating Role of Psychological Distress

As noted, the ASA model proposes that some level of homogeneity exists between the members of groups and organizations, based on the fit between the individuals' personalities and the collectives' activities and values (Schneider 1987; Schneider et al. 1998). Kristof (1996) describes person-organization (PO) fit as "the compatibility between people and organizations that occurs when: (a) at least one entity provides what the other needs, or (b) they share similar fundamental characteristics, or (c) both" (p. 4). Schneider (1987) articulated the role of person-organization congruence in differentially attracting individuals to groups or organizations. Further, he proposed that leaders play an important role in establishing a collective's shared activities, goals and values (Schneider et al. 1995). The collective then differentially *attracts* those who react positively to its approach to work. Given the centrality of work in many individuals' lives, they are likely to choose to join groups or organizations that offer them the opportunity to do work they enjoy, or to do their work in a way that is consistent with their personal goals and values (Schneider 1987; Vroom 1966; Schneider et al. 1998). Representatives of collectives also use formal and informal strategies to *select* those who they perceive to be most compatible with shared values. Consistent with these arguments, empirical studies have shown that individuals considering joining a group or organization develop PO fit perceptions at the recruitment stage (Swider et al. 2015), and perceptions of fit are one of the strongest predictors of attraction to the collective (Chapman et al. 2005; Judge and Cable 1997).

Most relevant to the current research, the ASA model further proposes that members whose personal goals, values, and aspirations do not fit with those of their working environment are more likely to experience *attrition* via turnover. A substantial body of evidence supports this notion, finding that people are more likely to leave collectives they perceive as a poor fit (e.g., Burks and Krupka 2012; O'Reilly et al. 1991). A few studies have begun to apply the ASA model to the ethical domain (e.g., Dickson et al. 2001; Verbos et al. 2007), but have used it only in a general sense and without testing the underlying mechanisms.

The ASA framework explains how employees' level of comfort with collective attributes and practices can shape group members' values and subsequent activities via selective attrition. People prefer to work in groups with practices that are consistent with their own values and ideals about what is important (Cable and Judge 1996; Judge and Bretz 1992; Kristof 1996; Meglino and Ravlin 1998). Members are more likely to leave a group when their personal values do not fit with those of the collective (Schneider et al. 1995). Conversely, employees who perceive high value congruence with their supervisors have lower turnover intentions and are more likely to stay with their organization (Burks and Krupka 2012; Kristof-Brown et al. 2005).

Building on the ASA framework, we propose that exposure to unethical leader behavior increases group members' likelihood of intending to leave their current group. Unethical behavior violates widely held moral standards, which is likely to cause most group members to feel uncomfortable (Treviño et al. 2006). When the person instigating the unethical behavior is a formal group leader, this is likely to be particularly disconcerting (c.f., Bedi et al. 2016; Mayer et al. 2012) given the power that leaders hold (Magee and Galinsky 2008) and their role as symbolic figureheads who convey important values and ideals of the group (Podolny et al. 2005). Individuals may feel profoundly uneasy remaining in a group with a leader who participates in or sanctions unethical activity because the activities that individuals engage in at work influence their self-concept and self-esteem (Ashforth and Mael 1989; Pierce et al. 1989). As such, they are likely to make plans to leave the group to find one that is more ethical (Hirschman 1970; Rusbult et al. 1988). Indeed, prior research has established that ethical leadership, as well as a perceived fit between personal and organizational ethics, is negatively associated with turnover intentions (Ambrose et al. 2008; Bedi et al. 2016). In accordance with these findings, we propose:

Hypothesis 1 Unethical leader behavior is positively associated with group members' turnover intentions.

In keeping with the ASA framework and consistent with the above arguments, we further propose that psychological distress is an important cognitive pathway through which unethical leader behavior increases turnover intentions. Psychological distress is described broadly as a negative state of both mental and physical health (Dyrbye et al. 2006; Wu et al. 2012), encompassing depression and somatic complaints (Major et al. 2002), job tension and emotional exhaustion (Wu et al. 2012), and a global feeling of non-specific depression and anxiety (Kessler et al. 2002). In the present research, we focus on feelings of job-related stress, depression and overall health.

As mentioned previously, unethical behavior violates widely held moral standards, leading employees in unethical groups to experience ethical conflict, which emerges when "an employee makes or observes decisions that go against his or her own core values" (Thorne 2010, p. 269). Feelings of dissonance have long been known to create discomfort (Festinger 1942), and research has shown that such negative feelings occur if there is a perception that top managers do not support ethical behavior (Viswesvaran et al. 1998).

Accordingly, employees who witness their group leaders engaging in or supporting unethical behavior are likely to experience ethical conflict (Bischoff et al. 1999; Dozier and Miceli 1985). This ethical conflict can lead to psychological distress in the form of stress, depression, and decreased health outcomes (Kammeyer-Mueller et al. 2012; Thorne 2010; Newman et al. 2017). Moreover, research suggests that the psychological distress produced by observing unethical conduct can be related to greater turnover intentions (DeTienne et al. 2012; O'Donnell et al. 2008; Prottas 2013). Consequently, we argue that people who find themselves in an unethical group will be more likely to experience psychological distress, which in turn leads to turnover intentions. We thus propose the following mediation hypothesis.

Hypothesis 2 The positive association between unethical leader behavior and group members' turnover intentions is mediated by psychological distress.

The Selective Attrition Effect of Unethical Leadership

We have argued that unethical (vs. ethical) leader behavior will result in increased turnover intentions in group members, and that this attrition is produced by psychological distress caused by the misfit between collective activities and members' personal preferences (Kristof-Brown et al. 2005). In this section, we extend our theorizing to propose that group members who are willing to remain in a group with an unethical leader are likely to be distinct from those who intend to leave, which carries significant implications for the members' subsequent activities. In particular, since groups with unethical leaders will select for members who place a lower priority on acting ethically, the members of these groups may be more likely to engage in behaviors that harm the group. Indeed, research indicates that individuals with low standards for honesty are likely to: (1) engage in counterproductive work behavior such as cheating (Kleinlogel et al. 2018; Peterson 2002), (2) cheat across multiple settings (Roulin and Bourdage 2017), and (3) be consistently inclined toward such dishonesty by genetic factors (Loewen et al. 2013).

We investigate a set of unethical employee behaviors that can lead to costly negative outcomes for organizations (e.g. padding expense reports, taking company resources for personal use). Consistent with prior research (Puffer 1987; Robinson and Bennett 1995; Treviño et al. 2006; Vardi and Wiener 1996), we refer to these behaviors as employee malfeasance, and define them as, "any intentional action by members of organizations that defies and violates (a) shared organizational norms or expectations, and/or (b) core societal values, mores and standards of proper conduct" (Vardi and Weiner 1996, p. 153).

In line with the ASA model, we propose that groups with unethical leaders will become subject to increased employee malfeasance, primarily by individuals who intend to stay with the group. In this sense, although we predicted that unethical leader behavior should lead to increased turnover intentions overall (H1), we also believe that an employee's individual intention to stay or leave an unethical leader is an indicator of his/her ethical values, such that the influence of unethical leader behavior on increased turnover intentions is stronger among more ethical group members. Accordingly, we expect that those less ethical individuals who intend to stay with an unethical group are more likely to engage in malfeasance toward the group. In other words, unethical leadership is more likely to increase turnover intentions among individuals uncomfortable with unethical behavior, and thus individuals who do intend to remain with an unethical group are more likely to engage in malfeasance.

Guided by the ASA model, our examination of how turnover intentions predict malfeasance also builds on recent work on the influence of turnover intentions on employee behavior (Mai et al. 2016). Taking a psychological contract approach, Mai and colleagues found that turnover intentions lead to a decrease in organizational citizenship behaviors and an *increase* in deviance behaviors. Thus, their work might suggest that those who want to leave a group should be more likely to engage in malfeasance relative to those who want to stay. However, Mai and colleagues did not explicitly focus on turnover intentions related to exposure to unethical leadership. Because morality is so central to the self (Aquino and Reed 2002; Aquino et al. 2009), we propose that value-induced psychological distress may be a particularly strong predictor of subsequent behavior in individuals who intend to leave a group in which unethical behavior is occurring. Thus, as described above, we hypothesize that leader behavior and group members' turnover intentions jointly predict the group members' malfeasance: that is, the effects of unethical leader behavior should be moderated by the members' turnover intentions such that malfeasance is most pronounced among those willing to stay in a group with an unethical leader.

Hypothesis 3 Group members' turnover intentions moderate the positive association between unethical leader behavior and members' malfeasance, such that this association is stronger in individuals who are willing to continue working in a group with an unethical leader, and weaker in individuals who intend to leave the group.

Overview of Studies

We performed three studies to test our hypotheses. In Study 1, we developed an experimental paradigm examining leader unethicality within workgroups that demonstrates the effect of unethical leadership on selective attrition and employee malfeasance. Study 2 replicated this effect with additional measures to test our hypothesis about attrition and malfeasance. Study 3 was a survey of workers considering their current or past job experiences, thus extending our experimental findings to a field setting. Study 3 also allowed us to examine the proposed mediator of psychological distress. Such distress, capturing states of physical and mental well-being that appear over time such as depression, stress and overall health, is more difficult to measure in a single laboratory session. Thus, Study 3 tested the ecological validity of our effects and the mechanism driving turnover intention.

Notably, across the two experimental studies and the survey, our manipulations and measures captured how the mere *observation* by group members of unethical leader behavior results in detrimental downstream consequences. We distinguish this from the examination of group members' participation in unethicality towards others and its subsequent effects. We propose that mere observation of leader unethicality should result in damaging effects on turnover intentions, psychological distress and, critically, self-selection effects that will result in increased employee malfeasance within unethical groups.

Study 1

The goal of Study 1 was to identify an experimental paradigm examining unethical leader behavior within workgroups and to test Hypotheses 1 and 3. The study used a 2-cell (*leader behavior* ethical vs. unethical) between-subjects design.

Method

Participants and Procedure

A sample of undergraduate students ($N = 99$, 40% female, $M_{age} = 19.7$) at a large university in the southwestern United States participated in the study. Participants were recruited from the psychology department subject pool, meaning they were taking at least one psychology class that allowed them to receive extra credit in the class for participation in a 1-h laboratory session. We utilized the SONA online research tool to manage recruitment and participant sign-ups. Four students were not able to finish the experiment due to time constraints, leaving a final sample of 95 participants.

Participants were told they would be doing a series of online group tasks with other students from their own university who were completing the study in different lab rooms throughout the building. To bolster the cover story, digital pictures were taken of each participant and the experimenter ostensibly uploaded their picture to the main computer so group members could see images of one another. Groups consisted of all men or all women, matched to the participant's gender.

Next, participants were told that there were issues with the room's computers that prevented some participants from being able to input responses (computer keyboards were manipulated before the study began to convincingly create this impression). However, they would still be able to get information from the computer and participate in group tasks. Instead of typing responses into the computer, they would write down their answers using paper and pencil, and the experimenter would enter this information into the main computer.

Participants then completed the Cognitive Reflection Task (CRT; Frederick 2005), consisting of five questions (e.g. If it takes five machines 5 min to make five widgets, how long would it take 100 machines to make 100 widgets?). The purpose of this task was to set up the leader behavior manipulation. Since the questions were challenging and the correct answers not immediately evident, it was possible to manipulate perceptions of group scores. The experimenter told participants that their responses would be corrected and entered in the main computer in a separate room. The group that got the most answers right would gain an advantage in the next group task.

After this, leader behavior was manipulated via an online chatroom exercise. All participants entered a simulated online chatroom to discuss their results with purported members of their group, whose pictures were displayed alongside their comments during the chat. However, since their computer was malfunctioning, participants could only observe the ensuing exchange as the group chatted. A group leader (never the actual participant) was "randomly assigned" to tell the experimenter the group's overall score after the chat, facilitating the unethical leadership manipulation, which we discuss next.

Unethical Leader Behavior Manipulation

Participants saw one of two different chats. Those in the *ethical leader behavior* condition saw members of their group engage in a conversation about how the questions in the previous task were difficult, with the group leader commenting that, as a group, they only got 16 out of the 25 questions right, or 64%. The chat ended with the leader saying that he/she would report the score of 16 to the researcher, even

though it was low. Those in the *unethical leader behavior* condition received the same score, and saw the same comments about the questions being difficult, but then witnessed members of their group discussing the possibility of adjusting their score upward to gain an advantage in the next task. This chat ended with the group leader saying that he/she would lie and say they got 20/25, or 80% correct, since it sounded better than 16. In both situations, it was the group leader who ultimately made the decision to report the honest or augmented score to the experimenter.

Dependent Variable: Turnover Intentions

After exiting the chatroom, participants were told by the experimenter that they would be doing another group task, but they would have the choice of staying with the group they were previously in or switching to a different group. Their choice (stay or leave), told to the experimenter, is our first dependent variable of interest. Regardless of their choice, after a brief delay, the experimenter returned saying that, because of unforeseen logistical problems, it would not be possible to form any new groups. Consequently, all participants performed the next task with their original group members.

We purposely kept participants in their original groups so that all participants (regardless of whether they chose to stay or leave the group) would be competing against (and hence have the potential to cheat) the same group members. Had we allowed participants to join a new group, turnover intentions would be confounded with group familiarity, since only those who left their group would complete the next task with a new group. Keeping the same groups also allowed us to provide a stronger test of the selective attrition effect. We contend that unethical group leaders will drive away ethical members and retain individuals who are willing to cheat the group. Thus, people who want to leave an unethical group should be less willing to engage in unscrupulous behavior themselves, even toward individuals they know are unethical.

Dependent Variable: Purported Anagrams Solved

For the second task, participants were told that they would be competing against members of their own group on a 1-min-long anagram task, with the group member who solved the most anagrams entered into a lottery to win $100. It was made clear that only one person from the group would have the chance to win the money. Further, the more anagrams they solved, the more entries they would have in the lottery, increasing the incentive to cheat.

To allow experimental participants to cheat in an undetected fashion, they were told that, owing to their malfunctioning computer, the anagram scoring program would not work. Instead of keying their answers into the computer, they would record them on a sheet of paper. Immediately after the anagram task, the computer revealed the answer key, giving participants the chance to "correct" (or modify) their answers. Participants recorded the number of correct answers on an index card, which the experimenter later collected. Thus, if their computer had been functioning properly, participants would have had 1 min to key their answers into the computer until it automatically advanced to the next screen, upon which the answer key was revealed. However, since their computer was the only one in the group that was malfunctioning and they had a paper answer sheet, this created the perception in true participants that they would have the opportunity to cheat while their group members would not. Hence, it would be very likely that they would get the highest score and have a chance to win $100 if they reported solving more anagrams than they actually did. The number of anagrams participants reported solving correctly is our second dependent measure of interest.

At the end of the study, participants were debriefed and thanked before leaving the lab. A suspicion probe indicated no participants guessed the purpose of the study.

Results

Dependent Variable: Turnover Intentions

Because we were examining differences in a binary count variable, we conducted a logistic regression, comparing whether participants with an unethical or ethical leader were more likely to choose to stay or leave their group (stay = 1 and leave = 0). Supporting Hypothesis 1, the results revealed that participants were significantly more likely to opt to leave a group with a leader who behaved unethically as opposed to ethically. Whereas 77% of participants intended to leave the group with an unethical leader, only 46% intended to leave the group with an ethical leader ($\chi^2(1, N = 95) = 9.03$, $p < 0.01$, Cramer's $\Phi = 0.31$). This pattern of results is even more striking considering that participants did not know the nature of the second task when they made their decision to leave, meaning that they left the group with the unethical leader despite the fact that the leader might augment the group's performance on subsequent tasks, providing a competitive advantage.

Dependent Variable: Purported Anagrams Solved

A 2 × 2 ANOVA, *leader behavior* (ethical vs. unethical) x *turnover intentions* (stay vs. leave), on the reported anagrams solved examined Hypothesis 3, which predicts that malfeasance is more common in individuals who intend to remain in a group with an unethical leader (vs. those who

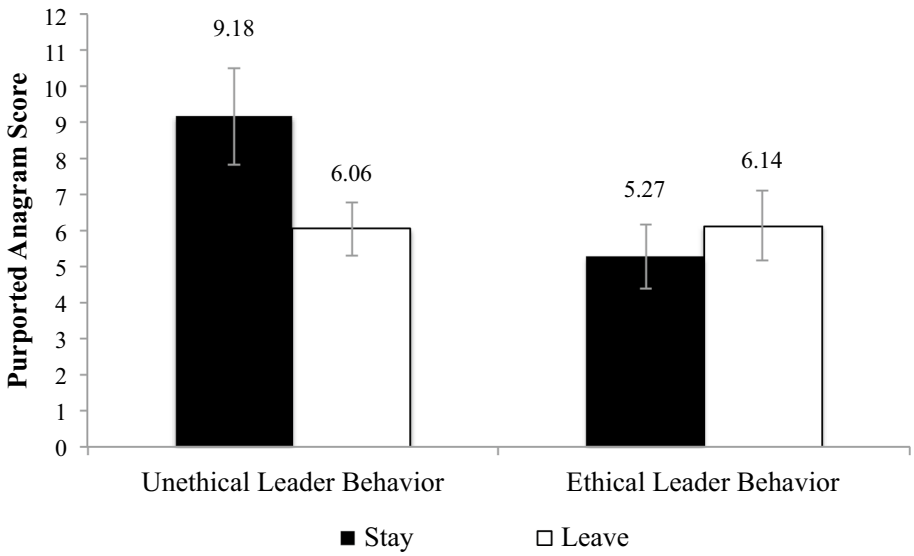

Fig. 1 Purported correct anagrams across groups based on intent to stay or leave group in Study 1

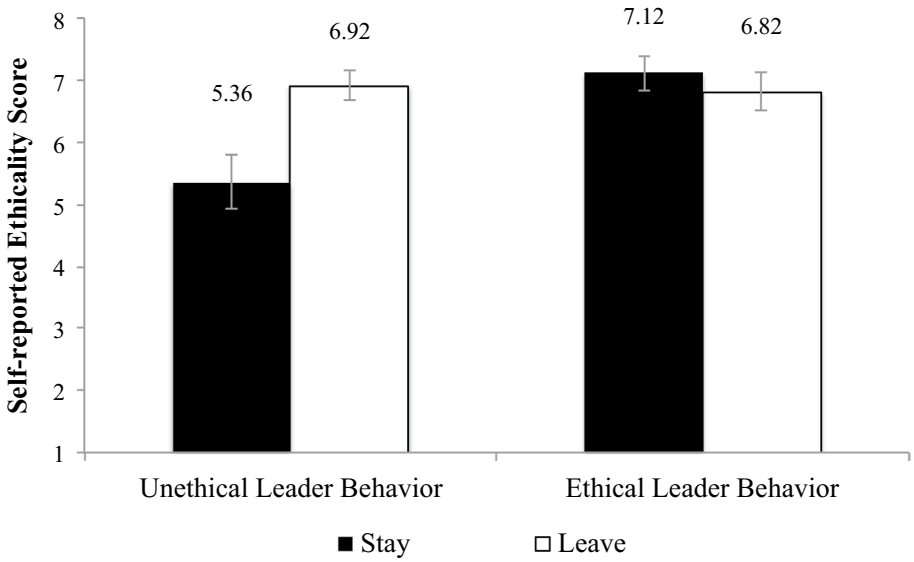

Fig. 2 Self-reported ethicality across groups based on intent to stay or leave group in Study 1

intend to leave.) To control for outliers in reported anagram performance, scores were winsorized at the 99th percentile (this did not change the results). Results revealed a marginal main effect of condition, whereby participants in the unethical leader behavior condition reported solving more anagrams than those in the ethical leader behavior condition ($M_{\text{unethical}} = 6.79$ vs. $M_{\text{ethical}} = 5.67$; $F(1, 91) = 3.58$, $p = 0.06$, $\eta_p^2 = 0.04$). Supporting Hypothesis 3, this effect was qualified by a leader behavior x turnover intention interaction ($F(1, 91) = 3.89$, $p = 0.05$, $\eta_p^2 = 0.04$). Of particular significance, those who intended to stay in the unethical leader behavior group reported solving more anagrams correctly than those who chose to leave the group ($M_{\text{unethical, stay}} = 9.18$ vs. $M_{\text{unethical, leave}} = 6.06$; $F(1, 91) = 4.07$, $p < 0.05$, $\eta_p^2 = 0.04$). There was no such difference for those in the ethical leader behavior group ($M_{\text{ethical, stay}} = 5.27$ vs. $M_{\text{ethical, leave}} = 6.14$; $F(1, 91) < 1$, $p > 0.50$) (see Fig. 1).

Supplemental Analysis: Self-rated Ethicality

Although we did not develop a formal hypothesis, an important aspect of our theorizing is that group members who are themselves unethical are less likely to intend to leave groups whose leaders engage in unethical behavior. To test this prediction, we asked participants one question about how ethical they perceived themselves to be: "Compared to the average student at your university, how ethical would you say you are?" (1 = much lower than average to 9 = much higher than average). This item was embedded among demographic questions and other individual

difference items to avoid response bias. As a supplemental analysis, we conducted another 2 × 2 ANOVA, *leader behavior* (ethical vs. unethical) x *turnover intentions* (stay vs. leave), to test whether self-ratings of ethicality differed in the groups with ethical vs. unethical leaders, and as a function of people's turnover intentions. There was a significant main effect of leader behavior, such that participants in the unethical leader behavior condition reported themselves as less ethical than those in the ethical leader behavior condition ($M_{\text{unethical}} = 6.55$ vs. $M_{\text{ethical}} = 6.98$; $F(1, 91) = 6.63$, $p = 0.01$, $\eta_p^2 = 0.07$). There was also a main effect of turnover intention on self-reported ethicality such that people who chose to stay with their group reported being less ethical than those who chose to leave ($M_{\text{stay}} = 6.59$ vs. $M_{\text{leave}} = 6.88$; $F(1, 91) = 3.82$, $p = 0.05$, $\eta_p^2 = 0.04$). Finally, there was a significant leader behavior x choice interaction ($F(1, 91) = 8.30$, $p < 0.01$, $\eta_p^2 = 0.08$), whereby participants who chose to stay with the unethical leader behavior group rated themselves as significantly less ethical compared to those who chose to leave the unethical leader behavior group ($M_{\text{unethical, stay}} = 5.36$ vs. $M_{\text{unethical, leave}} = 6.92$; $F(1, 91) = 9.98$, $p < 0.01$, $\eta_p^2 = 0.10$). Indeed, individuals who chose to stay with the unethical group leader behavior group reported being less ethical than individuals in all other conditions (p's < 0.01). There was no difference in ratings of ethicality among individuals who chose to stay versus leave the ethical leader behavior group ($M_{\text{ethical, stay}} = 7.12$ vs. $M_{\text{ethical, leave}} = 6.82$); $F(1, 91) < 1$, $p > 0.40$ (see Fig. 2).

Discussion

The results of this study provide support for Hypothesis 1, such that people are more likely to intend to leave a group with an unethical leader relative to an ethical one. Of note, in both the ethical and unethical groups, members scored a relatively low 64% on the CRT task, thereby diminishing their chances of obtaining an advantage over other groups. This poor performance may explain why a significant number of people also chose to leave the ethical group. Nevertheless, *over 60% more* people chose to leave the group with an unethical leader versus the group with an ethical leader, even though staying with the unethical group actually gave members a competitive advantage.

Importantly, these results also provide support for our predicted selective attrition effect, highlighting an asymmetry among individuals who intend to stay with versus leave an unethical group. Supporting Hypothesis 3, people who intend to stay with a group with an unethical leader were more likely to cheat the group in a subsequent task. A supplemental analysis revealed that these individuals also perceived themselves to be less ethical than those who chose to leave the unethical leader group. This is critical to recognize as it suggests that individuals who chose to stay with the unethical leader group did not seem to be doing so because the initial exposure to unethical leader behavior caused them to have trouble interpreting what was ethical and what was not, nor because they had a lack of moral awareness or attentiveness. Instead, the results support the notion that individuals who are willing to remain with an unethical leader are actually less ethical than those who intend to leave. In line with our theorizing, unethical leader behavior creates an environment that selects for more unethical members.

Notably, in this study, we do not have a baseline measure of how many anagrams participants could actually complete in 1 min, so it is possible that the number of anagrams that were reported solved was based on ability rather than deception. In the next study, we rule out this alternative explanation by gathering a baseline measure of anagram performance.

Study 2

The goal of Study 2 was to replicate the effects of Study 1 with a new population of business students, an added baseline anagram performance assessment, and additional measures to test whether academic abilities (and not selective attrition) were underlying the choice to leave the group. We also included a manipulation check to ensure that the participants in the unethical leader behavior conditions indeed saw their group as more unethical. Further, we aimed to increase the generalizability of our results by telling participants that their group members were from schools around the nation (i.e. outgroup members). In this sense, Study 2 added rigor to our study design while also enabling us to demonstrate replication.

Method

Participants and Procedure

Undergraduate business students ($N = 110$, 48% female, $M_{\text{age}} = 21.42$) at a large university in the southwestern United States participated for extra course credit. Participants were recruited from the marketing department subject pool, meaning that they were taking at least one marketing class that allowed them to receive extra credit in exchange for participation in a 1-h laboratory session. Participants signed up online for slots throughout the day. The procedure was identical to Study 1, except that additional measures were collected. As before, participants were randomly assigned to either an unethical versus ethical leader behavior group where they observed (but could not participate in) the group leader's behavior.

Dependent Variable: Turnover Intentions

As in Study 1, after the chatroom exercise in which they witnessed ethical or unethical leader behavior, participants were told they would be doing another group task. They were asked whether they would like to stay or leave their group for the subsequent task, although ultimately were informed that they would remain working with the same group.

Dependent Variable: Purported Anagrams Solved

Also as in Study 1, group members completed a second task where they competed against one another on a minute-long anagram task, with the group member who solved the most anagrams entered into a lottery to win $100. Because these individuals were privy to the answer key, they would have the opportunity to cheat while their fellow group members would not. As a more anonymous measure, participants entered their anagram score onto a working computer in a separate room where they also answered additional questions.

Additional Measures

Participants completed follow-up and demographic measures on the computer in the second room (e.g., age, gender, GPA), and were then debriefed and excused. A suspicion probe revealed that no participants guessed the purpose of the study.

Baseline Anagram Pretest

A pretest with comparable individuals (business undergraduates recruited from the same university given the same incentive who did the study in the same laboratory ($N = 41$)) indicated that students could solve an average of 3.17 anagrams in 1 min (see Appendix 1).

Results

Dependent Measure: Turnover Intentions

Supporting Hypothesis 1 and replicating Study 1, the results of a logistic regression (Stay = 1; Leave = 0) revealed that 80% of participants chose to leave the unethical leader group, compared to 51% who chose to leave the ethical leader group ($\chi^2(1, N = 110) = 9.78$, $p < 0.01$, Cramer's $\Phi = 0.30$). Follow-up analyses revealed that turnover intentions were unlikely to be driven by actual academic ability as there was no significant interaction between GPA and leader behavior ($\chi^2(1, N = 108) = 0.55$, $p = 0.46$) nor a significant main effect of GPA ($\chi^2(1, N = 108) = 0.29$, $p = 0.59$) on choice to stay or leave the group. Two participants had missing GPA data, hence the change from $N = 110$ to $N = 108$.

Dependent Measure: Purported Anagrams Solved

To control for outliers in reported anagram performance, scores were again winsorized at the 99th percentile (again, this did not change the results). To examine the effects of leader behavior on malfeasance as measured by cheating, we conducted a 2 × 2 ANOVA, *leader behavior* (ethical vs. unethical) × *turnover intentions* (stay vs. leave), on purported anagram scores. Results revealed a main effect of leader behavior such that individuals in the unethical leader condition reported significantly higher anagram scores relative to those in the ethical leader condition ($M_{\text{unethical}} = 5.00$ vs. $M_{\text{ethical}} = 3.87$; $F(1, 106) = 5.46$, $p = 0.02$, $\eta_p^2 = 0.05$). There was no main effect of the choice to stay or leave ($p > 0.30$). Importantly, supporting Hypothesis 3, results also revealed the predicted leader behavior x choice interaction ($F(1, 106) = 4.93$, $p = 0.03$, $\eta_p^2 = 0.04$, see Fig. 3). In the unethical leader group, the number of reported anagrams solved was significantly higher for those who chose to stay with their group ($M_{\text{stay}} = 7.18$ vs. $M_{\text{leave}} = 4.45$; $F(1, 106) = 4.36$, $p < 0.04$, $\eta_p^2 = 0.04$), whereas in the ethical leader workgroup, there was no such difference (Ms = 3.37 and 4.36, respectively; $F < 1$, *ns*). The number of anagrams reported as correct by participants choosing to remain in the unethical leader workgroup was higher than the combined means of all other workgroups ($F(1, 106) = 6.39$, $p = 0.01$, $\eta_p^2 = 0.06$), which did not differ from one another ($p > 0.25$).

Comparison of Results with Anagrams Solved at Baseline

Given the smaller size of the pretest sample ($N = 41$), a 99th percentile winsorization was unnecessary to control for outliers. We compared the pretest results to each of the conditions in Study 2 using a one-way ANOVA. Results revealed a significant main effect of condition: $F(4, 146) = 3.22$, $p = 0.01$, $\eta_p^2 = 0.08$. Planned contrasts revealed that there were no differences between the pretest results and the 'ethical leader/stay' condition ($M_{\text{pretest}} = 3.17$ vs. $M_{\text{ethical, stay}} = 3.37$; $F(1, 146) < 1$, *ns*), nor were there differences between the pretest results and the 'ethical leader/leave' condition ($M_{\text{pretest}} = 3.17$ vs. $M_{\text{ethical, leave}} = 4.36$, $F(1, 146) = 1.87$, $p = 0.17$). There was a marginal difference between the pretest and the 'unethical leader/leave' condition ($M_{\text{pretest}} = 3.17$ vs. $M_{\text{unethical, leave}} = 4.45$; $F(1, 146) = 2.79$, $p = 0.10$, $\eta_p^2 = 0.02$), likely supporting the notion that observing another's unethicality can prime dishonesty (Gino et al. 2009). Most importantly, there was a large difference between the pretest and the 'unethical leader/stay' condition

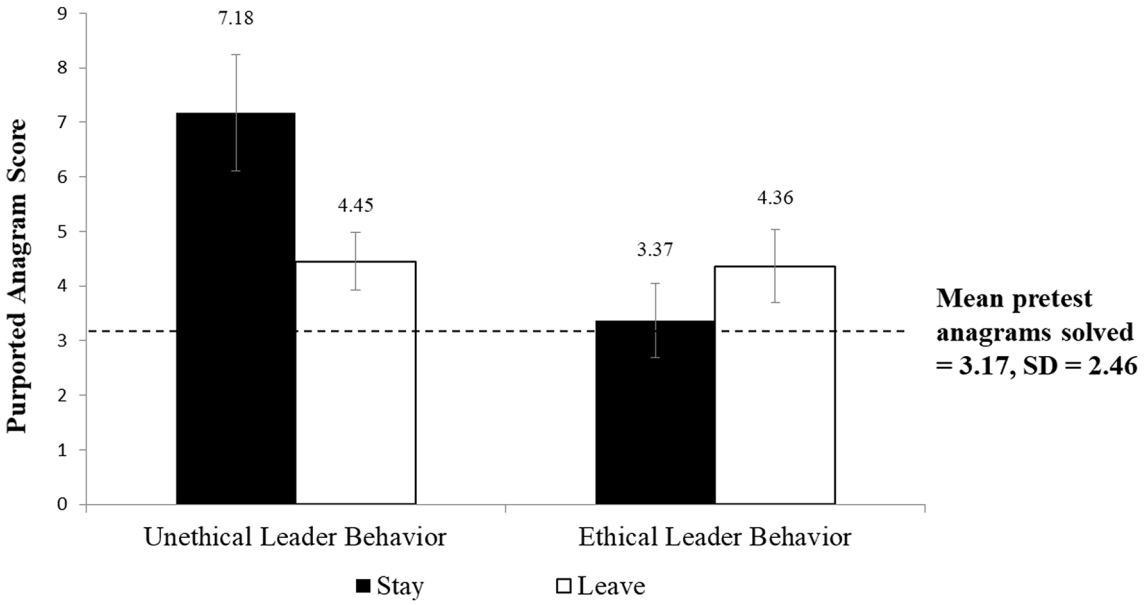

Fig. 3 Purported correct anagrams across groups based on intent to stay or leave group in Study 2

($M_{\text{pretest}} = 3.17$ vs. $M_{\text{unethical, stay}} = 7.18$; $F(1, 146) = 11.11$, $p = 0.001$, $\eta_p^2 = 0.07$).

Discussion

These results support Hypothesis 1, that exposure to unethical leader behavior makes individuals more likely to intend to leave their workgroup, with a new sample, while ruling out academic abilities (measured via GPA) as a driver of turnover intentions. Importantly, replicating Study 1 and supporting Hypothesis 3, participants who chose to stay with the unethical leader were also most likely to cheat the group on a subsequent task. This result supports the ASA model that groups led by unethical (vs. ethical) leaders are more likely to retain unethical members who then are more likely to engage in malfeasance.

Although Studies 1 and 2 document the basic effects of unethical leader behavior on turnover and malfeasance, we have yet to demonstrate that these effects hold in actual business environments, nor do we have support for Hypothesis 2—that group members' psychological distress is the mechanism explaining why group members exposed to unethical behavior are more likely to leave their group. We address these issues in Study 3.

Study 3

The goal of this study was to further explore the relationship between unethical leader behavior, psychological distress, turnover intentions, and malfeasance among individuals surveyed about experiences in their own workplaces. As opposed to manipulating unethical versus ethical leader behavior as in the prior studies, we measured leader ethicality with the established Ethical Leadership Scale, as described below. Our hypotheses predict that less ethical leader behavior is associated with increased psychological distress in group members (Hypothesis 2), which in turn increases their turnover intentions (Hypothesis 1). We also tested Hypothesis 3, which predicts that employee malfeasance rises predominantly among members comfortable enough with leadership unethicality to be willing to remain in such a workplace, and that employees who are willing to stay in an unethical work environment will engage in more malfeasance than those who intend to leave.

Method

Participants and Procedure

Participants were recruited via Amazon Mechanical Turk (MTurk) to participate in a two-part online survey about their workplace. MTurk is a crowdsourcing website in which workers sign up to take surveys or complete tasks for monetary incentives. An increasing number of scholars rely on MTurk for participant data (Goodman and Paolacci 2017), and research has consistently shown that these data are of high quality (Paolacci and Chandler 2014). We restricted participation to U.S. and Canadian residents and specified that each worker must have an approval rating of at least 95%.

Before beginning the study, participants were told that they would complete part one immediately and be contacted to complete part two in 1 week. Participants were contacted through MTurk 7–10 days after completing the Time 1 survey with the link and access code for the Time 2 survey. We experienced an attrition rate of 35%, and nine participants failed an attention check, leaving us with 134 participants (47% female, $M_{age} = 35.6$). For analyses, we excluded individuals listing firm size as zero or one total employee ($N = 7$), and individuals who had missing data on any of the controls or dependent variables ($N = 11$), resulting in a final sample of 120 participants.

Control Measures

In both surveys, participants were asked if they were currently employed full time and what position they held. If employed (87% of our sample), participants were told to answer the upcoming questions about the position that they currently held. If unemployed (8% of our sample), they should think about their most recent full-time position (5% of our sample did not report whether they currently held a full-time job). Participants reported being in their current or most recent position for a median duration of 150 weeks (~3 years) and reported earning a median salary range of $35,000–$50,000 at that position. With regard to ethnic background, 74% were White/Caucasian, 10% were African-American, 6% were Asian, 7% were Hispanic, 0.7% were Native American, and 3% were 'other.' Industrial classification was coded into 5 categories based on the most popular responses: business and technology (25% of respondents), retail and sales (13% of respondents), healthcare (12% of respondents), education (10% of respondents), and other (40% of respondents). Employee position was classified into 4 categories based on the most popular responses: specialized in one area (associate, analyst, specialist, etc.) (27% of respondents); senior staff (supervisor, manager, coordinator, etc.) (25% of respondents), support staff (assistant, administration, clerk, etc.) (19% of respondents), and other (29% of respondents).

To ensure our results were robust to the influence of such individual differences, we included age, gender (Female = 0, Male = 1), organizational tenure (log transformed), hours worked per week, employment status (Yes = 1, No = 0), job position ("other" was used as the reference category), and industrial classification ("other" was used as the reference category) as statistical controls in all analyses for this study. Of note, results hold when excluding unemployed participants. The results also hold with no controls in the model.

Independent Variable: Unethical Leader Behavior

In the Time 1 survey, all participants completed the Ethical Leadership Scale (ELS) to capture leader behavior (Brown et al. 2005). This 10-item scale measures how ethical participants perceive their manager/supervisor to be. Participants indicated their agreement with statements such as, "When making decisions, asks 'What is the right thing to do?'" and "Sets an example of how to do things the right way in terms of ethics" (1 = strongly disagree, 5 = strongly agree). Responses were reverse-scored so that a higher score corresponds to the perception that one's leader is more unethical ($\alpha = 0.95$).

Dependent Measures: Malfeasance, Psychological Distress, and Turnover Intentions

In the Time 2 survey, participants completed our dependent measures. To assess employee malfeasance, we used three items adapted from Vardi (2001) that refer to employee behaviors that may hurt the company's bottom line: i.e., "Make private phone calls during work hours," "Use the expense account not according to formal procedure," and "Use the printer or copier for private purposes" (1 = Never, 2 = Rarely, 3 = Sometimes, 4 = Quite often, 5 = Very often; $\alpha = 0.58$). Psychological distress at the workplace was measured using three items that captured mental and physical health to remain consistent with prior research (Major et al. 2002; Kessler et al. 2002), with a more abbreviated scale specific to the workplace: "How stressful is this job for you?" "While you have worked at your job, to what extent have you felt depressed?" and "How healthy have you felt since being at your job?" (reverse scored) (1 = not at all, 7 = extremely; $\alpha = 0.80$). To assess turnover intentions, we asked participants three questions that, according to Benkhoff (1997), are clear indicators of an employee's desire to stay with the current organization: "It would take very little change in my present circumstances to cause me to leave this organization," "Deciding to work for this organization was a definite mistake on my part" and "There is not too much to be gained by sticking with this organization" (1 = strongly disagree to 5 = strongly agree; $\alpha = 0.78$).

Results

Confirmatory Factor Analysis

Before testing our hypotheses, we used LISREL v. 9.10 to conduct a confirmatory factor analysis on the items for unethical leader behavior, malfeasance, psychological distress, and turnover intentions. Per the model fit criteria provided by Hu and Bentler (1999), a four-factor model

with the items from each measure loading on a distinct factor fit the data well $\chi^2(146) = 215.27$, RMSEA = 0.06, NNFI = 0.97, CFI = 0.98, sRMR = 0.05, and better than a three-factor model with the items for ethical leadership and malfeasance loading together $\chi^2(149) = 282.65$, RMSEA = 0.09, NNFI = 0.95, CFI = 0.96, sRMR = 0.07, $\Delta\chi^2(3) = 67.38$. $p < 0.001$, a three-factor model with the items for ethical leadership and psychological distress loading together $\chi^2(149) = 306.61$, RMSEA = 0.09, NNFI = 0.94, CFI = 0.95, sRMR = 0.08, $\Delta\chi^2(3) = 91.34$. $p < 0.001$, a three-factor model with the items for ethical leadership and turnover intentions loading together $\chi^2(149) = 337.89$, RMSEA = 0.10, NNFI = 0.93, CFI = 0.94, sRMR = 0.09, $\Delta\chi^2(3) = 122.62$. $p < 0.001$, a three-factor model with the items for malfeasance and psychological distress loading together $\chi^2(149) = 290.32$, RMSEA = 0.09, NNFI = 0.95, CFI = 0.96, sRMR = 0.08, $\Delta\chi^2(3) = 75.05$. $p < 0.001$, a three-factor model with the items for malfeasance and turnover intentions loading together $\chi^2(149) = 351.92$, RMSEA = 0.11, NNFI = 0.93, CFI = 0.94, sRMR = 0.12, $\Delta\chi^2(3) = 136.65$. $p < 0.001$, a three-factor model with the items for turnover intentions and psychological distress loading together $\chi^2(149) = 295.10$, RMSEA = 0.09, NNFI = 0.95, CFI = 0.95, sRMR = 0.07, $\Delta\chi^2(3) = 79.83$, $p < 0.001$ and a one-factor model with all the items loading on the same factor $\chi^2(152) = 483.67$, RMSEA = 0.14, NNFI = 0.88, CFI = 0.89, sRMR = 0.11, $\Delta\chi^2(3) = 268.40$, $p < 0.001$. These results support the convergent and discriminant validity of the core measures in this study.

Unethical Leader Behavior on Turnover and Distress

We tested Hypotheses 1 and 2 with two stepwise hierarchical regression analyses in which we regressed intention to leave the firm and psychological distress on unethical leader behavior. We used regression rather than ANOVA because unethical leader behavior was measured as a continuous variable in this study. Descriptive statistics and intercorrelations for study variables are shown in Table 1. The first step in each hierarchical analysis included only control variables, and the second step included control variables as well as our focal variable of unethical leader behavior. Table 2 displays the results of our key outcome measures. All effects were significant. Higher levels of unethical leader behavior predicted more psychological distress ($B = 0.77$, SE = 0.14, $p < 0.001$) and greater turnover intentions ($B = 0.30$, SE = 0.12, $p = 0.02$).

Mediation Analyses

We used the PROCESS macro (Hayes 2013) to conduct a regression-based path analysis testing the significance of the indirect effect of unethical leader behavior on turnover intentions via psychological distress (Hypothesis 2). Because this indirect effect is the product of two coefficients from different regression equations, it is non-normally distributed (Edwards and Lambert 2007). As such, PROCESS uses bootstrapping to create bias-corrected confidence intervals for use in significance testing. The analyses described below used Model 4 of the PROCESS macro and 10,000 bootstrapped samples. The full path model is presented in Fig. 4 and the corresponding coefficients are provided in Table 3.

Results revealed a significant indirect effect of the unethical leader behavior → psychological distress → turnover intentions pathway with an estimated coefficient of 0.21 (SE = 0.07) and a 95% bias-corrected confidence interval (BCCI) exclusive of 0 (0.0951, 0.3772). Hence, Hypothesis 2 was supported.

Selective Attrition on Malfeasance

Finally, we tested Hypothesis 3, which predicts that employees in an unethical workplace who wish to stay with the firm are more malfeasant than those who wish to leave. Specifically, we explored whether there is an interaction between unethical leader behavior and turnover intentions on malfeasance. As before, we conducted a stepwise hierarchical regression. In the first step, we included only control variables. In the second step, we included control variables in addition to our focal variables of unethical leader behavior, turnover intentions, and the interaction. This analysis revealed no main effects of leader unethical behavior or turnover intentions, but a marginally significant interaction effect ($B = -0.09$, SE = 0.05, $p = 0.06$). A simple slopes analysis at one standard deviation above the mean of unethical leader behavior revealed a pattern such that employees who expressed low turnover intentions were marginally more likely to engage in malfeasance than those who expressed high turnover intentions ($B = -0.13$, SE= *0.08*, $p = 0.10$). There was no effect of turnover intention on malfeasance at low levels of unethical leader behavior ($B = 0.09$, SE = 0.07, $p = 0.19$).

Supplemental Analysis: Psychological Distress

Although Hypothesis 2 predicted that psychological distress would mediate the overall positive relationship between unethical leader behavior and turnover intentions, an implication of our theorizing is that the experience of distress is not uniform among all employees. Certain individuals are more likely to experience psychological distress under unethical leaders. Specifically, employees who intend to leave unethical leaders may be more moral and hence experience more distress than people who intend to stay. To test this exploratory moderation hypothesis, we conducted a stepwise hierarchical regression with control variables in

Table 1 Descriptive statistics for study 3 ($N = 120$)

Variable	*M*	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. Unethical leader behavior	2.37	0.96	–																	
2. Age	35.69	11.22	−0.05	–																
3. Gender	0.52	0.50	0.06	0.04	–															
4. Org. tenure (log)	4.83	1.39	0.08	0.44**	−0.03	–														
5. Hours worked	39.20	9.62	−0.05	0.07	0.11	0.09	–													
6. Employ	0.93	0.26	−0.04	0.08	0.04	0.01	0.48**	–												
7. Turnover intentions	2.57	1.24	0.23*	−0.03	−0.07	−0.04	−0.14	−0.06	–											
8. Malfeasance	1.60	0.58	0.16†	0.14	0.11	0.27**	0.09	0.15†	−0.02	–										
9. Psychological distress	3.39	1.57	0.45**	−0.02	−0.17†	0.15	−0.09	0.04	0.39**	0.09	–									
10. Position (specialist)	0.27	0.44	−0.01	−0.13	0.24**	−0.16†	0.09	0.17†	0.03	0.02	−0.02	–								
11. Position (support)	0.19	0.40	0.07	−0.00	−0.29**	0.01	−0.15†	−0.10	−0.04	−0.09	−0.00	−0.29**	–							
12. Position (senior)	0.25	0.43	0.08	0.08	0.02	0.05	0.15	0.02	0.01	0.04	0.07	−0.35**	−0.28**	–						
13. Position (other)	0.29	0.46	−0.13	0.05	−0.00	0.10	−0.09	−0.10	−0.00	0.02	−0.05	−0.39**	−0.31**	−0.37**	–					
14. Industry (healthcare)	0.12	0.32	−0.01	−0.19*	0.04	−0.07	−0.04	−0.09	0.15	−0.06	0.06	0.02	0.09	−0.09	−0.00	–				
15. Industry (business)	0.25	0.43	0.09	0.06	0.06	0.01	−0.07	0.02	−0.01	0.06	−0.01	0.13	−0.04	0.02	−0.12	−0.21*	–			
16. Industry (sales)	0.13	0.34	0.07	−0.05	−0.01	−0.21*	−0.09	0.02	0.14	−0.15†	0.08	0.10	−0.13	0.17†	−0.14	−0.14	−0.23*	–		
17. Industry (education)	0.10	0.30	0.06	−0.02	−0.18†	0.07	0.03	0.09	−0.00	0.18*	−0.04	−0.20*	−0.02	−0.13	0.34**	−0.12	−0.19*	−0.13	–	
18. Industry (other)	0.40	0.49	−0.16†	0.12	0.04	0.14	0.13	−0.03	−0.18*	−0.02	−0.06	−0.07	0.08	0.00	0.00	−0.30**	−0.47**	−0.32**	−0.27**	–

†$p < 0.10$, *$p < 0.05$, **$p < 0.01$

Table 2 Focal linear regression results for study 3

Variable	Turnover intentions		Psychological distress	
	B	SE	*B*	SE
Age	0.01	0.01	−0.01	0.01
Gender	−0.29	0.25	−0.75**	0.28
Organizational tenure	−0.02	0.09	0.18	0.11
Hours worked	−0.01	0.01	−0.02	0.02
Employment status	0.03	0.50	0.83	0.56
Industry (healthcare)	0.74†	0.38	0.34	0.43
Industry (business/tech)	0.09	0.30	−0.23	0.33
Industry (retail/sales)	0.50	0.38	0.11	0.43
Industry (education)	0.05	0.43	−0.68	0.49
Position (specialist)	0.03	0.34	0.00	0.38
Position (support)	−0.34	0.35	−0.48	0.40
Position (senior)	−0.06	0.33	0.02	0.38
Step 1 R^2	0.08		0.11	
Unethical leader behavior	0.30*	0.12	0.77**	0.14
Step 2 R^2	0.13		0.31	
ΔR^2	0.05*		0.20**	

Coefficients are unstandardized. Analysis included 120 participants. Results presented are from Step 2 (final model), though Step 1 R^2, Step 2 R^2 and ΔR^2 are included for completeness. Industry (other) and Position (other) were used as reference categories

†$p < 0.10$, *$p < 0.05$, **$p < 0.01$

the first step and both control and focal variables (unethical leader behavior, turnover intentions, and the unethicality by turnover interaction) in the second step, using psychological distress as the dependent variable. We found main effects of unethical leader behavior ($B = 0.65$, SE$= 0.13$, $p < 0.001$), and turnover intention ($B = 0.38$, SE$= 0.10$, $p < 0.001$), as well as an unethical leader behavior by turnover intention interaction ($B = 0.27$, SE$= 0.11$, $p = 0.01$). Simple slopes analysis (Aiken and West 1991) at one standard deviation above the mean of unethical leader behavior revealed a pattern whereby employees expressing high turnover intentions experienced more psychological distress than those expressing low turnover intentions ($B = 0.71$, SE$= 0.18$, $p < 0.001$). There was no effect of turnover intentions on psychological distress at low levels of unethical leader behavior ($B = 0.05$, SE$= 0.16$, $p = 0.77$).

Discussion

Taken together, the results of this two-period survey provide support for our selective attrition framework and suggest that unethical leader behavior in organizational groups can lead to important internal costs. Employees whose leaders engaged in more unethical behavior reported higher levels of psychological distress and greater turnover intentions.

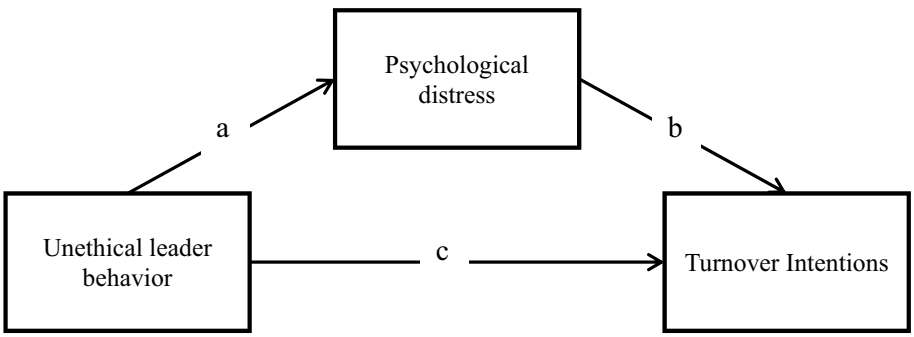

Fig. 4 Summary of mediation model in Study 3

Table 3 Path coefficients from study 3 models estimated using PROCESS

Regression path	Turnover intentions	
	B (SE)	95% CI
(*a*) Unethical leader behavior → Psychological distress	0.77** (0.14)	(0.4941, 1.0435)
(*b*) Psychological distress → Turnover intentions	0.28** (0.08)	(0.1135, 0.4406)
(*c*) Unethical leader behavior → Turnover intentions	0.30* (0.12)	(0.0602, 0.5489)
(*c′*) Unethical leader behavior → Turnover intentions (controlling for psychological distress)	0.09 (0.13)	(−0.1735, 0.3566)

Coefficients are unstandardized. Analysis included 120 participants and included all controls

*$p < 0.05$, **$p < 0.01$

Mediation analyses showed that unethical leader behavior increases turnover intentions through psychological distress. We also found that members who have lower intentions to leave a group with an unethical leader engaged in more malfeasance and experienced less psychological distress than those with higher turnover intentions. These results suggest that over time, unethical leaders could push out ethical group members who feel that their values are a poor fit, and retain unethical group members who engage in behaviors that hurt their group.

General Discussion

Across three studies, we provide converging evidence that unethical leader behavior can have negative consequences for groups due to increased turnover and employee malfeasance. Study 1 revealed support for Hypotheses 1 and 3 by showing that exposure to such unethicality leads to increased turnover intentions and, for those individuals who are willing stay with their group, increased malfeasance. Study 2 replicated the results of Study 1 with business students and compared reported cheating with a measured baseline to ensure that participants are indeed reporting scores higher than their ability levels. Together, these studies demonstrate the robustness of our focal effect across different samples and comparison groups.

To support the two laboratory experiments, Study 3 allowed us to demonstrate the generalizability of our findings to real organizational contexts while better understanding the impact of witnessing unethical leader behavior on psychological distress. This study provided support for Hypothesis 2, which proposed the mediating pathway, unethicality → psychological distress → turnover intentions, among a sample of older adults, the vast majority of whom were currently employed. Moreover, Study 3 showed further support for Hypothesis 3, the predicted selective attrition effect. Employees who had higher intentions to stay with unethical leaders were more likely to engage in malfeasant behaviors toward the company.

Implications

This research extends our understanding of how and why unethical leadership influences follower behaviors. The results of our experiments provide causal evidence that unethical leadership increases group-members' turnover intentions, while our two-part online survey identifies psychological distress as a mechanism for this effect. Our conceptual framework adopts a value congruence framework, thereby moving beyond social learning accounts which typically presume that observing ethical or unethical leadership similarly impacts all employees within a group (e.g., Mayer et al. 2009). We draw on the ASA model to identify the selective attrition of individuals who value ethics more highly as an important means through which a culture of widespread unethical activity might develop in groups. Hence, while prior work on ethical codes (Ethics Resource Center 2012) or culture (e.g. Martin and Cullen 2006) has shown an association between cultures that tolerate unethicality and increased unethical choices and behaviors (Kish-Gephart et al. 2010), the current research begins to explain how such cultures might develop over time, as opposed to identifying a single antecedent or consequence of a tainted ethical climate. Further, in examining the consequences of supervisor-employee fit on selective attrition and employee malfeasance, we are able to explore the interactive effects of person and environment in a group context.

A large body of literature has examined the antecedents of turnover intentions (e.g., Cotton and Tuttle 1986; Griffeth et al. 2000) but has yet to explore the ethical behaviors of people who do and do not intend to leave a group or organization. We demonstrate that people who choose to stay with a group with an unethical leader behave less ethically toward the group than those who want to leave. An implication of this finding is that turnover intentions can be a powerful predictor of whether an employee will engage in malfeasance after witnessing the group leader acting unethically. Because individuals who are willing to stay with an unethical leader are more likely to engage in behaviors that harm the group, this leads to a unique situation in which low (vs. high) voluntary turnover intention among employees may be just as costly to the business in the long term.

More broadly, whereas previous research has focused on the positive effects of person–environment fit (Kristof-Brown et al. 2005), we show the deleterious outcomes of this effect for unethical groups. Our studies are specifically designed to capture the self-selection of more unethical employees into more unethical groups and employment positions and, in doing so, build upon prior work on peer effects of unethicality (Gino et al. 2009). Further, we elucidate how this previously underexplored selection effect can ultimately result in both less profitable companies and, more generally, environments that are less hospitable to ethical employees.

In addition to the aforementioned theoretical contributions, the current research has important practical implications. At the broadest level, we find that unethical leader behavior is worse for organizations than has been previously appreciated. As alluded to above, our focus on the ASA model demonstrates how insidious unethical leadership may be for a given group or organization. Second, our research suggests that organizations should send strong signals regarding ethics in their communications to both leaders and employees. Communications to leaders may decrease their likelihood of engaging in unethical behavior, while communications to ethical employees may cause them to

feel that their personal values "fit" with the larger organization, which may reduce their psychological distress and decrease their chances of leaving the organization even when exposed to unethical leader behavior. Finally, organizations who suspect that certain leaders may be engaging in unethical activity should also be alert for potential malfeasance in employees that report to those leaders.

Furthermore, the two sets of results regarding the impact of unethical practices on turnover and malfeasance should be of focal interest to leaders, as the findings assign unethical leader behavior a causal role in bringing about a particularly damaging dynamic that eats at the organization from within. Of note, the voluntary turnover we studied is particularly harmful to organizations because employees who choose to leave tend to be highly skilled and leaders often find their departure difficult to manage (Shaw et al. 1998; Trevor 2001). Importantly, unethical leadership is likely to give rise not just to the costly burden of turnover but to the uniquely burdensome form of turnover that systematically selects for individuals willing to employ fraudulent means to benefit themselves at the expense of the organization. Such concerns are further bolstered by recent evidence showing that those who willingly and successfully defraud a workgroup become energized by their success (Ruedy et al. 2013), thereby likely reinforcing the malfeasance.

Finally, it should be noted that the negative bottom-line consequences of a commercial organization's unethical practices—toward external partners such as investors, customers, clients, and/or suppliers—are unlikely to have been traced in the past to the injurious internal dynamics these practices produce, as traditional accounting methods are not structured to identify the internal causal impact of these externally oriented practices. Therefore, a broader business analysis that considers the malignant intra-organizational processes documented in this paper appears warranted.

Limitations and Future Directions

Our work is not without limitations. Our experiments tested causality and examined cheating behaviors; however, because of the previously documented long-term consequences of psychological distress (e.g. depression, health decrements), we refrained from testing the mediating role of distress (Hypothesis 2) until we surveyed individuals responding to a true workplace situation. In addition, as is a common limitation of surveys and cross-sectional studies, we could not ascertain whether intentions to leave the company translated to actual turnover. This consideration is mitigated by the experimental data from Studies 1–2, which use objective measures of turnover while determining the direction of causation. Nonetheless, future work would benefit from a longitudinal design to determine whether leader unethicality leads to a formal decision to leave the company.

In addition, we recognize that the sample sizes in Studies 1 ($N=95$) and 2 ($N=110$) may be seen as small when turnover intention is used as a between-subjects factor in the 2×2 ANOVA, *leader behavior* (ethical vs. unethical) × *turnover intentions* (stay vs. leave). However, they are consistent with prior work on self-regulation and unethical behavior [e.g., Jones and Kavanagh (1996) in *Journal of Business Ethics*, Experiment 1, ~ 17/cell; Gino et al. (2009) in *Psychological Science*, Experiment 2, ~ 30/cell; Yam (2018) in *Journal of Business Ethics*, Experiment 2, ~ 20/cell; Mossholder (1980) in *Journal of Applied Psychology*, 20/cell]. Thus, our studies are similar in size to prior experimental research published in top management and psychology journals, yet it would clearly be beneficial for future research to replicate our results using larger samples. Nonetheless, we hope that demonstrating replication across the two separate experiments as well as convergent validity with Study 3 helps alleviate concerns about the robustness of our findings.

There is also the question of how generalizable our experimental paradigms are to actual organizations. We had to sacrifice some external validity in order to create a realistic group scenario in the lab while controlling for as many confounds as possible. Participants did not know their group members prior to the study, and did not interact with them as colleagues normally do. Further, in our studies, we did not allow group members to change groups because we wanted to ensure that all participants were "competing" against the same group members led by the same ethical or unethical leader. As described, this consistency allowed for a more stringent test of our hypothesis, since individuals who chose to leave the unethical group knew their group members were unscrupulous, yet were still less likely to cheat them than individuals who chose to stay with the group. However, future research may also test how unethical leader behavior and turnover intentions would go on to influence cheating within new workgroups.

The involvement of group members in unethicality may also be pursued in future work. Although in our experiments it was the leader who ultimately engaged in the unethical behavior, others were involved. This situation is akin to how unethical leader behavior actually occurs in organizational settings and thus provides realism and external validity. However, a cleaner manipulation would have involved only the leader, which we recommend for future studies. Importantly, we replicate our experimental findings in the Study 3 survey, which focused explicitly on individual leaders and used an established measure of ethical leader behavior.

We also note that the consequences of choosing to leave one's job are much more severe than leaving one's group in an experiment. Hence, unethical behavior may exert less of

an influence on one's actual turnover decision. On the other hand, psychological distress is likely to be much greater in an actual work setting with an unethical leader, which could result in even higher turnover intentions than those observed in the experiments. Finally, we recognize that the tasks used to measure malfeasance are not typically used in organizations, although they were intended to capture cheating more broadly. The results from our survey complement those of our experiments and provide some support for the generalizability of our results to the 'real world.' Nonetheless, it would be useful for future research to replicate the results of our research with different manipulations and measures.

Although we focused on turnover and malfeasance as internal consequences of leader unethical behavior, there could be many others. The hidden cost of surveillance is one. In some preliminary data, we found that unethical leadership predicts greater use of surveillance by the company, presumably to prevent the larger percentage of unethical employees from cheating the organization. Future research could examine exactly how costly increased surveillance is for organizations with high employee malfeasance. Some of these costs may not be direct or immediate. Cialdini et al. (2004) provide a conceptual argument for why surveillance may increase healthcare costs, as employee monitoring is associated with a variety of negative mental and physical health outcomes (Hartman 1998; Martin and Freeman 2003). These problems could result in large expenses for the company in the form of medical bills in addition to increased absenteeism and diminished worker productivity.

Finally, future research should investigate the type of worker that chooses to stay with an unethical leader in more detail. Do they tend to be leaders or followers? Are they hard working and conscientious? If there are differences in the abilities and motivations of workers that stay with an unethical company versus those that leave, the argument against misconduct at the organizational level can be strengthened even further.

We hope that our current findings lay the groundwork for future work on individuals within actual organizations. One major obstacle of studying such sensitive issues of unethical leadership is that companies are unlikely to disclose this information to researchers, or to provide researchers access to independently assess ethical perceptions. Further, employees are likely less willing to be open about such behaviors, particularly if they are still employed at the institution. However, we hope that our key finding that a tainted ethical climate can lead to internal costs to the organization, regardless of whether the unethicality is publicized, will encourage senior management to explicitly seek out and confront issues of leader unethicality within their organizations.

Conclusion

Although the importance of maintaining an ethical work climate has been repeatedly emphasized by both scholars and practitioners, many organizational groups still suffer as the result of unethical activity. In the present research, we explain how such groups may emerge as the product of unethical leader behavior combined with a previously unappreciated form of selective attrition. Across three studies, we find that leadership unethicality results in several important consequences that can significantly affect an organization's bottom line: increased psychological distress, increased voluntary turnover, and increased unethical behaviors toward the organization (malfeasance) by those individuals who are willing to remain with the unethical group. These findings suggest that there may be insidious long-term costs of unethical leader behavior to groups and organizations, and that behavioral ethics researchers may actually be underestimating the harm caused by such behavior. We hope that our novel application and test of the ASA framework spurs additional research on this important topic and provides organizational members with new tools in their efforts to combat malfeasance.

Compliance with Ethical Standards

Ethical Approval All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards.

Appendix 1: Anagram Performance Pretest Method and Results

In Studies 1 and 2, we present participants with an anagram task in which they have the opportunity to cheat. However, to assure participants that any cheating would be undetectable by the experimenter, we did not record actual performance. As such, we ran a short pretest with the same instructions and incentives used in Study 2, except without any opportunity to cheat, since no answer key was provided.

Procedure

Undergraduate business students from the same population as Study 2 ($N=41$; 18 male) participated in a short pretest for partial course credit. Participants were presented with a set of 36 anagrams (see below) and were told that they would be competing with other individuals in the session to solve as many anagrams as possible. The incentive and instructions were identical to Study 2. Specifically, participants were told they had 1 min to solve as many anagrams as they could, and that they would get one lottery ticket for each anagram solved correctly. These tickets would be placed into a drawing for $100.

Results

Results of the pretest revealed that participants completed an average of 3.17 anagrams in 1 min, with a standard deviation of 2.46.

Anagrams presented:

1. HTCOL
2. ODVK
3. LAPNT
4. HMCTA
5. EYHNA
6. HUGOC
7. BCMUR
8. EMCNI
9. KBCIR
10. LAWTZ
11. PTILU
12. KWCER
13. CNULE
14. AHSWL
15. YRBGU
16. DWLRO
17. OBJNA
18. MAUBL
19. BTMUH
20. NAORP
21. AUGRD
22. NCIBA
23. XIMER
24. EKFIN
25. ARTMP
26. EPORA
27. DHNUO
28. FSRAC
29. HMTUO
30. DCLIH
31. HLCNU
32. RLEVO
33. HGPAR
34. KNALE
35. TPOLI
36. EPNUR

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