Why Does Trust Mediate the Effects of Ethical and Authentic Leadership in Korean Firms?

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Walumbwa et al. (2008) conducted research into the positive and direct effects of ethical and authentic leadership on organizational outcomes using a student sample in the United States. However, the study hypothesizes that in a non-American context within Korean firms, no direct relationship exists between the two leadership styles and organizational outcomes. This is due to the unique culture of Korea where trust is based on private networks such as regional, school, and blood ties. The results show that both leadership styles are only effective when they are mediated by followers’ trust. The results imply that the achievement of leadership requires more than the authenticity of the leader, rendering support for Eagly’s (2005) suggestion that authenticity is a relational concept.

Keywords: Ethical Leadership, Authentic Leadership, Trust, Organizational Outcomes, Mediation Effect

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I. INTRODUCTION

Recent cases of corporate fraud and other such scandals have heightened interest in value-based leadership, which emphasizes leaders’ ethics and their positive effects on employees. Yet, much remains unexplained with regard to its theoretical construct and empirical effects. Walumbwa et al.’s (2008) pioneering study on authentic leadership illuminates the conceptual distinctions amongst different value-based leadership styles, namely ethical and authentic leadership. The authors investigate the psychometric properties of authentic leadership, demonstrating not only the close association between the ethical and authentic leadership constructs, but also their mutual distinctiveness. Ethical leadership promotes followers’ ethical conduct, whereas authentic leadership focuses on leaders’ authenticity, which is expected to foster followers’ positive self-development. Authenticity can be exhibited as the leaders “align their actions and behaviors with their core internalized values and beliefs” (Harvey et al. 2006, 1).

The present study attempts to further develop Walumbwa et al.’s model by proposing trust as a mediating variable between leadership and organizational outcomes. Trust has long been considered to be a pivotal factor influencing leadership effectiveness, yet how it functions with ethical and authentic leadership constructs is rarely addressed in the literature. Although a host of studies demonstrate a significant association between followers’ trust in leaders and their positive perception of the leaders’ ethical or authentic qualities (e.g., Dirks and Ferrin 2002; Akker et al. 2009; Ponnu et al. 2009), only a few studies treat trust as a mediator between these leadership styles and organizational outcomes. This is surprising as a number of studies on ethical or authentic leaders found mediation effects through various motivational mechanisms such as empowerment and identification (Walumbwa et al. 2010); self-esteem (Avey et al. 2010); and job satisfaction and affective commitment (Ruiz-Palomino et al. 2011), to name a few.

The focus will be placed upon trust-building processes in Korea, which diverge from those in Western societies. Confucian philosophy is deeply embedded in many aspects of social and organizational life in Korea as it is in other East Asian countries. Confucianism is known to place great emphasis on ethics and authenticity in leadership (Zang et al. 2012), and in fact, leadership with ethical quality is not a new concept in Korea (H.S. Kim and Chung 2008; Shin 2012; Shin et al. 2014). However, the effects of leadership in Asian culture, which are often based upon interpersonal relationships, remain largely unexplored. We hypothesize that interpersonal trust based on private networks such as schools, blood, and regional ties in Korean firms, may prevent followers from perceiving leaders’ true ethics or authenticity. Therefore, ethical and authentic leadership can only be effective in influencing organizational outcomes when they are mediated by trust in the Korean context.