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An Integrative Ethical Approach to Leader Favoritism

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Abstract

Relationship building is one of the most important aspects of leadership; however, it can pose ethical challenges. Though particularistic treatment of employees by leaders, i.e. leader favoritism, commonly occurs, it is conventionally regarded negatively as fairness norms require leaders to treat followers equally. In this conceptual study, we explore different views on leader favoritism based on different ethical principles. We develop an alternative to the conventional view and suggest that leader favoritism may not necessarily lead to negative outcomes when empathy-based favoritism is applied. In this vein, we recommend drawing on the ethical principles of a utilitarian approach by balancing particularism and universalism, which is also helpful to build organizational social capital. We contribute to leadership theory by developing an early concept of an integrative ethical approach to leader favoritism.

Keywords: favoritism, ethics, leadership, leader–member exchange (LMX), fairness monitoring, organizational social capital, utilitarianism

Introduction

As leadership primarily concerns the process of influencing subordinates (e.g. Haslam et al. 2010; Yukl 1998), the question of how to treat subordinates fairly and justly becomes an important ethical question for leaders. Favoritism has been observed in the context of leadership since the individualized and particularistic treatment of subordinates by leaders is important for relationship building (Hooper & Martin 2008). In fact, leadership is manifested in terms of the leader's favoritism toward individual members and affective displays (cf. Dasborough et al. 2009). At the same time, leaders encounter challenges between differentiating their interactions with employees to build a more personal relationship and levelling their interactions with employees in an indiscriminate manner (Lämsä & Pučėtaitė 2006; Whetstone 2002; Yang 2015a). However, the balancing act between two different priorities may pose an ethical dilemma for leaders. Moreover, most research tends to consider favoritism as something negative with adverse consequences, such as low perceptions of trust and justice (Chen et al. 2004; Jiang et al. 2013).

Ethical judgment of fairness and justice is particularly relevant for leaders because of their positional power, which raises the issue of subordinates' dependency (Ciulla, 2005). So far mostly negative aspects have been attributed to leader favoritism, suggesting it would be better to suppress or abandon it. While studies suggest that favoritism is quite pervasive in many organizations (e.g. Brandts & Sola 2010) and that controlling leader favoritism is unrealistic and ignorant to the relationship-building process between a leader and subordinates, the organizational social capital (OSC), goodwill, and resources (Adler & Kwon 2002) leaders gain from their relationships with subordinates enables a leader to assemble the resources (e.g. knowledge) necessary for successful change. Taking into account the negative assumptions attached to the leadership favoritisms as well as leadership favoritism commonality in organisations, an in-depth exploration of how leader favoritism

could be perceived by both leaders and subordinates is undertaken. These perceptions may vary depending on the adopted ethical principles. Additionally, the relevance of leadership at the dyadic and team level as well as its influence and meaning for the organization cannot be ignored. Leadership shapes the organizational culture and the employee's well-being, and in turn it is an important contextual factor at the organizational level.

In this vein, the goal of this paper is to conceptualize leader favoritism in a more integrative way by adapting different ethical principles. We achieve this goal by examining leader favoritism from divergent ethical positions and alternative views, and suggest solutions to leader favoritism by adapting Mill's utilitarianism. Our approach contributes to leadership theory by responding to consistent calls for research to take into account a more global view of ethics to diminish the gap between the values people stand for and the reality they face (c.f. Eisenbeiss 2012). In line with the statement that the leader is merely a human being, not a hero (Rosenblatt 2012), this paper illustrates the values–reality gap. This paper also contributes toward improving our knowledge of the importance of context for perceived justice (c.f. Cohen-Charash & Spector 2001). Moreover, our proposal of building OSC in the context of Mill's utilitarian ethical principle moves away from the conventional approach of looking at the divergent ethical views toward favoritism as competing or contradictory. Such alternative conceptualizations taking a more balanced approach toward leader favoritism in the literature, different from extant discussion on ethical concerns over leader favoritism, has been limited or concentrated so far mostly around its negativity. Centrally, we propose that under certain conditions leader favoritism may not lead to negative outcomes.

The structure of the paper is as follows. We begin by examining the divergent views and subsequent ethical outcomes of leader favoritism in relation to the justice and ethics of leadership. To offer initial guidance on balancing leader favoritism, we introduce the notion

of OSC in relation to Mill's utilitarianism. Finally, theoretical, practical, and methodological implications are discussed.

Leader favoritism defined

Favoritism in an organization can take many forms. For example, it is not uncommon to observe the friends and relatives of managers being promoted at work or for employees to recommend their friends for job openings (e.g. Brandts & Sola 2010; Horak 2017). Favoritism can be horizontal between colleagues at the same level or vertical between the superior and his or her subordinate(s) (Khatri & Tsang 2003). In this paper we focus on the relationship between leaders and subordinates in an organizational context, and accordingly examine vertical favoritism, which we call leader favoritism.

Leader favoritism encompasses affinity or friendship-like relationships between leaders and followers (Turhan 2014). While favoritism is often regarded negatively *per se*, our view on favoritism is closer to the term's ancient Greek and Latin origins, where the term favor has both a positive (a generous act) and a negative (unjustified partiality) connotation. Favor can therefore mean help, support, or the act of doing something for the benefit of somebody in need. Alternatively, favor can also refer to undeserved and unfair preferential treatment that is partial or lenient (Nguyen & Cragg 2012).

As favor requires access to means (e.g. influence or authority) (Blau 1964), there are two types of participants in favoritism: those who provide (providers) and those who benefit (beneficiaries) from the particularistic treatment. Although the giving and receiving of favors is interpersonal by nature (Nguyen & Cragg 2012), the benefits of favoritism are not limited to individuals in a dyadic relationship; a group of people who belong to an intimate group with a leader (e.g. a group of people who share friendship) could also benefit from favoritism. In sum, we define leader favoritism as particularistic treatment that results in an individual attaining both intangible and tangible resources as well as more favorable working conditions

4

than others, owing to the individual's personal ties, irrespective of his or her knowledge, abilities and skills (c.f. Horak 2016, 2017; Horak & Yang 2018).

As leader favoritism or particularistic treatment can be tangible, such as financial rewards and career advancement, or intangible, such as informational and emotional support, the individualized consideration of transformational leadership (Van Knippenberg & Sitkin 2013) as well as leader–member exchange (LMX) differentiation within groups (e.g. Boies & Howell 2006; Henderson et al. 2009) could be regarded relevant for and an extension of leader favoritism. However, while individual consideration and LMX focus more on influencing subordinates either by transformational or transactional leadership approaches, leader favoritism in this paper is more inclusive, concerning leader attitudes reflected in relationship quality as well as leader behaviors. For example, although it may be hard to really know about leader attitudes or intentions, leader behaviors resulting in positive outcomes for a subordinate continuously would be perceived as a sign of positive relationship quality and positive leader intentions toward the subordinate. Once the positive leader attitude or intention is established then the relationship quality is perceived to be more stable and most leader behaviors affecting subordinates would be seen positively even if it may not be clear at times. Therefore, while leader favoritism is mainly related to perceived leader intentions, it is manifested in relationship quality as well as leader behaviors.

How is leader favoritism perceived?

Fairness monitoring

The ethical implications of leader favoritism stem mainly from issues of power imbalance between a leader and subordinates, and from the broader implications of the leader's behavior for the overall organization. Employees pay close attention to behaviors that are rewarded or punished (Kanfer 1990; Podsakoff et al. 2010). Legitimate power and control over employees mean that leaders are in a unique position to set perceptions of justice and ethics (Brown et al.

2005), as leaders are often responsible for enacting the organization's policies and procedures, and teams are often reliant on them for performance evaluation, salary, and promotion (c.f. Brown et al. 2005; Burke et al. 2007).

Employees' primary ethical concern is organizational justice, which comes in three forms: interactional, procedural, and distributive justice. Distributive justice concerns fairness in allocating rewards in an organization, including pay and salary (Adams 1965; Hsu et al. 2008). Procedural justice refers to the fairness of the procedures used to derive these outcomes (Ehrhart 2004; Thibaut & Walker 1975). Interactive relations exist between distributive and procedural justice, as negative outcomes (distribution) lead people to examine the procedure (Brockner & Wiesenfeld 1996; Cohen-Charash & Spector 2001). Interactional justice relates to aspects of the communication process, such as politeness and respect (He et al. 2017; Tyler & Bies 1990). Employees' support for their leaders is heavily based on judgments of fairness, and studies show that a leader is influential mainly in judging procedural and interactional justice (Cropanzano & Byrne 2000; Folger & Konovsky 1989).

We further argue that divergent judgments about leaders exist because people use different fairness norms to assess different situations (Long et al. 2011). We adapt the notion of *fairness monitoring*, or employees' efforts to gather and process fairness information to make sense of their organizations, to explain the divergent attitudes toward leader favoritism. Following the three different forms of justice, as mentioned above, there are three forms of fairness monitoring: interpersonal, procedural, and distributive fairness monitoring. Interpersonal fairness monitoring, for instance, describes how employees gather and examine information to make sense of a situation, such as to determine whether their supervisors are treating them with respect (Long et al. 2011). Also, as pointed out earlier, leadership is closely related to interpersonal and procedural justice. We therefore expect interpersonal and

procedural fairness monitoring to become more relevant in our examination of leader favoritism.

Membership status

Research on reactions to injustice assume a self-interested focus on justice that we could characterize as "What's in it for me?" (Skitka 2002) and studies indicate that leader favoritism is open to interpretation (e.g. Jiang et al. 2013). In that regard, attribution bias may occur in determining interpretations and responses to leader favoritism, which ultimately influences perceptions of justice (Kelley 1973; Thompson & Glasø 2015). Behaviors that yield adverse consequences may lead to negative inferences, whereas behaviors that benefit the observer tend to result in positive attributions (Martinko & Gardner 1987; Martinko et al. 2011). For example, if an employee benefits from favorable treatment by the leader, the employee in question will view the differential treatment as fair; however, if his/her co-worker receives favorable treatment by the leader, the differential treatment is perceived as unfair by the first employee (c.f. Grienberger et al. 1997).

Moreover, while it is not always clear how to make sense of leader behaviors, subordinates would collect information and compare themselves with others at work. In a similar vein, social comparison theory claims that people consider the way others are treated when they judge how fairly they themselves are treated (e.g. Colquitt et al. 2005; Festinger 1954). The notion of relative gratification (or employees' belief that they are more entitled than those around them) is also suggested to be a result of the awareness that the in-group has a favorable position on some dimension of comparison (Anier et al. 2016; Grofman & Muller 1973). As most behaviors, including leader behaviors, are open to interpretation, how they are perceived may depend on observers' and/or recipients' information gathering and subsequent comparison with others.

We argue that perceived membership status (i.e. in-group or out-group) is an important contextual criterion for fairness judgments on leader behaviors. Members are more likely to be emotionally connected to and thus identify with the in-group through feelings of closeness and belonging. This might go well beyond the dyadic relationship with a leader and may not be limited to contact-based terms. Out-group members, on the other hand, may not have much sense of belonging or closeness with a leader. Perceived membership and the sense of belonging may be fluid, based on accumulated experiences.

Applying the process of fairness monitoring to leader favoritism, we argue that employees will engage in different types of fairness monitoring depending on their membership status (or lack of it) with their leader. Although fairness is a universal moral concern (Graham et al. 2013), justice theory states that a psychological group or social identity may inform expectations of authority fairness (Deutsch 1985; Urbanska et al. 2019). In this vein, we presume that the quality of the relationship with the leader is relatively significant for in-group members given the efforts and contribution they have made to build such a relationship. In-group members will be likely to pay more attention to how they are treated by the leader and to gather such information in making sense of interpersonal fairness. This is in line with the research indicating that in-group identification is positively associated with in-group fairness considerations and/or in-group favoritism (de Dreu 2010), whereas in-group members do not see the importance of procedural justice from authority *per se* (e.g. Urbanska et al. 2019). That is, for those who are perceived to belong to the same group or community, they value the same rules of fairness, while it does not matter much to them if out-groups are denied fair treatment. Therefore, in-group members engage in the process of interpersonal fairness monitoring, and leader favoritism will be perceived to be fair according to the principle of interpersonal justice.

For out-group members, the relationship, or lack of it, with the leader may signify that the quality of the relationship with the leader is not meaningful. Since out-groups tend to already expect to receive less favorable outcomes from authority, and with a high level of overlap on perceptions between distributional and procedural fairness (Urbanska et al. 2019), they are very sensitive to procedural justice communicating respect and inclusion. That is, out-group members may pay more attention to whether they have access to decision making, and they will gather information to make sense of procedural fairness. Moreover, as people have self-serving attributions regarding their own contributions and performance, employees are less likely to perceive the allocation procedure as fair if they receive unfavorable outcomes, which is more likely to be the case for out-group members (Brockner & Wiesenfeld 1996; Davis & Gardner 2004). Therefore, while out-group members engage in the process of procedural fairness monitoring, they will perceive leader favoritism to be unfair, especially in relation to procedural justice.

Based on the discussion so far, we present our first set of propositions below, suggesting the moderating role of membership status with a leader.

Proposition 1: *Membership status with a leader moderates the justice perceptions of leader favoritism.*

Proposition 1a: *Employees who belong to an in-group 1a1) engage more in interpersonal fairness monitoring and 1a2) perceive leader favoritism to be fair according to the principle of interpersonal justice.*

Proposition 1b: *Employees who belong to an out-group 1b1) engage more in procedural fairness monitoring and 1b2) perceive leader favoritism to be unfair according to the principle of procedural justice.*

We note that it is not our intention to suggest that interpersonal fairness monitoring is the only sense-making process employed by in-group members, or that procedural fairness monitoring is the only sense-making process employed by out-group members. However, employees will pay *more* attention to information that is most pertinent to them to make sense of their leaders' behavior. In other words, interpersonal fairness is the most relevant information for in-group members in judging leader favoritism, given the importance of shared membership with a leader, whereas procedural fairness is more relevant for out-group members in judging leader favoritism, given the lack of a shared membership with the leader.

Membership status and ethical perception

Justice orientation is one of the essential ethical normative reference points for a leader (c.f. Bass & Steidlmeier 1999; Eisenbeiss 2012). However, judgment of favoritism is not based on sound morality as employees' judgments of ethical leadership are influenced primarily by their experiences with that leader (Brown et al. 2005; Cottingham 1986). It has been suggested that judgment of fairness and endorsement of leader favoritism are informed by ethical considerations of equality or equity (e.g. Hooper & Martin 2008; Platow et al. 2000). Extending such a view, we argue that divergent ethical judgments of leader favoritism exist under the principles of universalism or particularism.

Firstly, as a general ethical principle, universalism entails treating everyone alike, disregarding intimacy shared among interactants (Beekun at al. 2010; Dempsey 2011; Parsons & Shils 1951). A universal approach relies on principles that are context-*in*dependent, since universalists taking a Kantian approach emphasize the fundamental principles of right, where it is essential to treat people as ends, rather than merely the means to an end (Demuijnck 2015). Similarly, leader favoritism is not in line with rule-based bureaucratic organization based on universalistic organizational practices (Turhan 2014).

However, in cultures that emphasize the importance of interpersonal relationships, favoritism – including leader favoritism – is considered to be a natural phenomenon (Javed et al. 2019; Lee et al. 2019; Wang et al. 2019). Such contrasting viewpoints toward favoritism may depend on people's perception of their chances of belonging to various types of in-groups. That is, favoritism is considered to be common where and when most people belong to a group.

On the other hand, favoritism would be less appreciated when people do not see the necessity of belonging to a group. That is, those who belong to an out-group do not share any personal relationships, which in turn renders the contexts irrelevant. Thus, for the out-group members, fairness is when the people are treated equally regardless of a prior togetherness history, whilst the rules need to be applied equally and universally. We could expect, therefore, that universalism will perceive favoritism or favor exchange to be unethical because it involves treating some people differently from others (e.g. Nguyen & Cragg 2012). This is related to equality-based fairness which promotes treating people the same regardless of contexts, including personal relationships.

Following Aristotle, on the other hand, particularism is based on the logic of the heart and human friendship. Particularism claims that moral deliberation should be considered as a form of practical wisdom. Under this approach, particular cases take precedence over general rules in ethical judgment (Demuijnck 2015; Nussbaum 1986). Thus, particularism emphasizes specific obligations that arise from personal relationships and the duty that individuals must care for those with whom they interact in organizational settings. Accordingly, reciprocity is valued in terms of moral excellence resulting in creating and sustaining a supportive context (Bass & Steidlmeier 1999; Hackman 2005; Heimer 1992). Similarly, in this vein, studies found that LMX differentiation and/or individualization has

been found to fulfil psychological contract and be related positively to fairness perception (cf. Henderson et al. 2009; Van Knippenberg & Sitkin 2013).

We would expect particularism to perceive favoritism or favor exchange as a natural, ethical, and even obligatory behavior (Blau 1964; Nguyen & Cragg 2012). Paying attention to his or her relationship with employees along a continuum of reciprocity (c.f. Davis & Gardner 2004) is also in line with equity-based fairness. Equity theory is about rewarding individuals based on their merits (Adams 1965; Teng & Leong 2017). However, studies indicate that bias and challenges exist in merit- or equity-based evaluations at work (e.g. Salimäki & Jämsén 2010). A merit pay practice often enhances the power of the immediate supervisors, which can be influenced by friendship and favoritism (Greene & Podsakoff 1981; Salimäki & Jämsén 2010), and self- and attributions bias would lead in-group members to perceive their rewards as well-deserved and fair (Meng & Wu 2015).

We therefore suggest that the divergent positions about leader favoritism being unethical (e.g. Chen et al. 2004; Jiang et al. 2013) or being ethical (e.g. Oceja & Fernandez-Dols 2001) may depend on the different principles between universalism and particularism. Such differing judgments of a moral mandate would be influenced by membership status or group identity, as individuals do not share the same moral standards for treatment of the in-group and out-group (i.e. dual process model: Duckitt 2001; scope of justice: Opotow 1995). In other words, if an employee is an out-group member, he or she may perceive the leader's *consensus* treatments as being ethical based on the principles of universalism and equality, whereas if the employee is an in-group member, he or she may perceive the leader's *differential* treatments as being ethical based on the principles of particularism and equity. Our second set of propositions are therefore as follows.

Proposition 2: *Membership status with a leader moderates the ethical perceptions of leader favoritism.*

Proposition 2a: *Individuals who belong to an in-group consider leader favoritism to be ethical based on the principles of equity and particularism.*

Proposition 2b: *Individuals who belong to an out-group consider leader favoritism to be unethical based on the principles of equality and universalism.*

The examination of leader favoritism so far sheds some light on the challenges concerning a leader's sense of justice and ethics. Leader favoritism could be a realization of personalized social relations and exchanges, which may improve in-group members' perceptions of the leader's interpersonal justice and particularistic ethical judgment. However, it may also run the risk of lowering out-group members' perceptions of the leader's procedural justice and universalistic ethical judgment. Table 1 summarizes the divergent views of leader favoritism in the workplace.

<Insert Table 1 here>

Given the challenges of leader favoritism, how should leaders approach them? We argue that a leader should take a balanced view, moving away from considering favoritism as competition between an in-group and an out-group. We adopt the concept of Organizational social capital (OSC) (Andrews 2010; Leana & Van Buren 1999) in the context of Mill's utilitarianism to evaluate the significance of leader favoritism. Furthermore, we argue that a leader could take an approach to favoritism by considering particularism and universalism as complementary rather than competitive. In line with Heimer's (1992) claim that the

dichotomy between universalism and particularism is false, we suggest that Mill's

utilitarianism could be a good base for an ethical principle of leader favoritism.

Organizational social capital in the context of Mill's utilitarianism

While social capital has multiple definitions and interpretations, some view social capital

simply as goodwill or a kind, helpful, or friendly feeling or attitude available to individuals

and groups (Adler & Kwon 2002). As the sources of social capital lie in social relations, and

leader favoritism is manifested in social relations, our consideration of social capital for its

effects would be adequate. While there are different views as to where social capital resides,

such as in individuals (Putnam 1993), within a group (Adler & Kwon 2002), or in a

community (Fukuyama 2001), in looking at effects of leader favoritism at the organizational

level, we adopt the idea of OSC (Andrews 2010; Leana & Van Buren 1999): the intangible

resources made available to all the members of an organization.

In line with broad qualities of social capital, OSC is reflected in multi-dimensional

forms, including overall trust (+, i.e. increases), turnover intentions (−, i.e. decreases),

citizenship behaviors (+), satisfaction (+), commitment (+), as well as the emotional well-

being of employees (+) within an organization. Among these factors, the overall trust

displayed by employees could be a representative indication of OSC (Andrews 2010; Leana

& Van Buren 1999), as trust in a leader brings both higher team and organizational

performance (Andrews 2010; Mayer & Gavin 2005). Collective trust based on OSC may also

become an organizational advantage (Ghoshal & Moran 1996); group members can rely on

each other to help solve problems of cooperation and coordination. We argue that both the

leader and the organization could apply OSC to gauge the overall balance of leader

favoritism.

However, even if a leader strives to achieve a high level of OSC, he or she may face

morally confusing situations, during which it is not clear what should be done (e.g. Lurie &

Albin 2007). Here, we suggest that Mill's utilitarianism, which focuses on "creating bonds between the individual and humanity at large" (Heydt 2006: 105), could provide good ethical guidance, such as when facing the contradiction between particularism and universalism. The ethical criterion of utilitarianism is the maximization of utility in terms of its social consequences (see also Beekun et al. 2010); however, Mill's utilitarianism is not concerned with profit utilitarianism based on the rational actor model nor with asking that one group be sacrificed for another group (Gustafson 2013). In fact, it is about preserving others' rights, duties, and justice with the long-term benefit of offering the moral guidance of the Greatest Happiness Principle (GHP) (Gustafson 2013). Mill's utilitarianism is an approach that nurtures and trains social sentiment and sympathy by thinking of oneself in the context of a broader community (Gustafson 2013).

Mill's utilitarianism is therefore in accordance with Kantian thought pursuing the right actions of happiness, as well as with Aristotle's virtue ethics suggesting that politics and leaders play important roles in developing moral feelings and habits to help people act ethically through socialization and education (Gustafson 2013). Along with the claim that particularism and virtue ethics do not contradict universalism (Demuijnck 2015), the ethical principle of Mill's utilitarianism, which emphasizes that fellow feelings should be nurtured toward a strong culture of social concern (Gustafson 2013), consolidates the principle of particularism (and equity-based justice) and the principle of universalism (and equality-based justice).

Table 2 demonstrates the ethical principles of leader favoritism that have been discussed in this paper. Overall, the ethical principle of particularism of care is in line with personalized leadership, whereas the ethical principle of context-independent universalism is in line with depersonalized leadership. Mill's utilitarianism, encompassing the GHP,

15

underpins the ethical principle of integrative leadership in consolidating both personal and de-personal leadership.

<Insert Table 2 here>

In line with the GHP of Mill's utilitarianism to achieve a high level of OSC, a leader should consider the radius of trust and/or externalities from his or her favoritism in an organization. The notion of social liability also highlights the fact that personal ties are not necessarily helpful for all employees (Labianca & Brass 2006), as they benefit exchange parties at the expense of others or the organization as a whole (e.g. Chen et al. 2004). Ideally, the goal would be to maximize cohesiveness or trust (social capital) and minimize the radius of distrust (social liability) for the higher level of OSC from leader favoritism. We argue that this may be achieved when an in-group's social capital from leader favoritism produces positive externalities, during which the radius of trust can be larger than the group itself, with the potential for cooperation to spread beyond the in-group members (Fukuyama 2001). In other words, the factor affecting the supply of social capital is not the internal cohesiveness of in-groups *per se*, but rather the way in which these groups relate to outsiders (Fukuyama 2001). OSC is about one's willingness to participate in collective action. Benefiting the whole directly will also benefit the individual indirectly; the opposite of which is maximizing the material and short-term advantage of the nuclear family or in-group members (Leana & Van Buren 1999). Based on resilient (rather than fragile) trust resting upon ongoing reciprocity norms as well as on values holding communities together, OSC is a moral resource, the supply of which increases rather than decreases with use (Leana & Van Buren 1999).

We therefore suggest that a leader should focus on the empathic bond among in-group members (social concerns) rather than on loyalty (equity), since equity-based interactions

cannot be free from bias (Salimäki & Jämsén 2010; Rozuel & Kakabadse 2010). Since focus on solidarity within organizations can increase the negative externalities associated with closure, restricting the free flow of information and knowledge (e.g. groupthink) (Adler & Kwon 2002), a leader should encourage good particularism and discourage bad particularism (Heimer 1992). OSC is not easily acquired and must be cultivated (Andrews 2010). Research shows that equality with out-group members could protect against abuse of power by in-groups (Hogg 2001), and the positive impact of perceived in-group favoritism on personal self-esteem disappears when the pro-discriminatory in-group norm is attenuated; such impact is even reversed when the in-group norm is clearly anti-discriminatory (Iacoviello et al. 2017). Similarly, research shows that when facing severe adverse situations such as mortality (e.g. mortality salience), activation of the value of egalitarianism reduces prejudice toward the out-group (Gailliot et al. 2008) which would ease possible group conflicts.

Empathy and the activation of a fairness norm increase forgiveness and generosity to out-group members whereas opposite norms (e.g. proself vs. prosocial) enforces opposite reactions in line with the activated norms (Jonas & Fritsche 2013). Favoritism and favor exchange based on emotional support and the humanistic values of empathy, acceptance, and genuineness could generate positive externalities and help to build a positive working environment with the rubric of respect, further underpinning the right to well-being and to equality for employees (e.g. Nguyen & Cragg 2012). In addition, as work attitudes can be contagious (Cardon 2008; Salancik & Pfeffer 1978), we would expect empathetic and respectful relationships among in-groups to have spill-over effects for the overall organization.

While the inclusiveness of group boundaries is rarely fixed and can also be shaped by the actions of authorities, out-group empathy – as a combination of concern for the out-group's welfare and the ability to take their perspective – would be a first step toward more

17

harmonious intergroup relations and inclusion in an organization (Platow et al. 2015). An organization may achieve this with descriptive in-group norms consisting of beliefs about how members of a group actually behave since they have the potential to eliminate hard-wired (positive) in-group bias (Jonas & Fritsche 2012). As research also shows that subtle reminders of shared human experiences or higher purpose (e.g. preventing climate change) would eliminate possible negative reactions toward out-groups (Pyszczynski et al. 2012), an organization could engage in continuous communication with employees about the importance of being caring and empathetic to each other. Our third proposition mainly concerns interpersonal leadership behaviors, as shown below.

Proposition 3: *Leader favoritism, based on empathy among in-group members increases rather than decreases organizational social capital.*

Figure 1 illustrates the overall arguments on leader favoritism from the motivation by a leader to divergent ethical views depending on membership with the leader and subsequent OSC.

<Insert Figure 1 here>

Contribution and implications

Theoretical implications

Existing research on leader favoritism in particular remains largely fractured and riddled with contradictory findings (Chemers 2000), although scholarly interest in the intersection of ethics and leadership is not new (c.f. Simola et al. 2012). For example, although individuals' ethical judgment of a leader relates to a key component of the leader's ability, that is, the degree to which subordinates trust him or her (Burke et al. 2007), studies show that

18

subordinates' trust in their supervisor is positively affected by supervisor favors. On the other hand, trust is also negatively affected by personal favor attribution (Jiang et al. 2013). Moreover, subordinates expect leaders to treat them as unique individuals, whereas an organization expects leaders to depersonalize subordinates so that they behave uniformly (Davis & Gardner 2004). Finally, studies indicate that most leaders disagree significantly on the specific demands of honesty, loyalty, and fairness, as well as on what constitutes justice (Price 2003). Therefore, in the midst of very complicated views on leadership and ethics, our discussion on leader favoritism sheds some light on how leaders could take on a balanced approach to resolving the possible dilemma.

The present paper has argued that leader favoritism can be viewed differently based on divergent ethical principles and fairness monitoring. We suggest that membership shared with a leader is an important context influencing the ethical judgments of leadership. Our consideration on membership for ethical judgment is supported by the notion of ethical contextualism (Buckley 2013) and is also in line with Brown et al.'s (2005) position. Their term, normatively appropriate, is deliberately vague in defining ethical leadership, because what is deemed appropriate behavior is somewhat context-dependent. Similarly, this paper suggests the importance of understanding the reality of leadership beyond the normative approach, especially given the ethical consequences of leadership.

The paper also contributes to the ethics literature by taking a more balanced approach to favoritism. McCarthy et al. (2012) suggest that general conceptualizations of favoritism within the management literature are embryonic at best. In this paper, we argue that favoritism is not negative, *per se*. On the contrary, favoritism is a natural human behavior occurring in everyday life. An in-group favoritism norm may be functional, in the sense that it is reassuring for people to believe that they can rely on and benefit from other in-group members' support (Yamagishi & Kiyonari 2000). At the same time, there is consensus about

how the legitimacy of authority is underpinned by the expectation of fairness for all (Tyler 2006). Leader favoritism can be fair, and justice for in-group members can be based on their leader's particularistic ethical virtue and the process of interactional fairness. Moreover, we suggest that favoritism with positive externalities and with a wide radius of trust is averse to neither out-group members nor an organization. In other words, if favoritism is based on empathy rather than loyalty among in-group members, it may be perceived as neutral or even positive, which may eventually have positive spill-over effects.

Practical implications

Being excluded from in-groups or from leader favoritism often gives rise to feelings of alienation and devaluation (Pelletier & Bligh 2008) causing feelings of discontentment, dissatisfaction, and injustice (c.f. Smith et al. 2008). Realistically, not everyone can become an in-group member. Also, it is not possible for a leader to achieve a high level of interactional justice for everyone in the organization. The negative effects of perceived leader favoritism on team members' emotions and subsequent attribution processes could be reduced by certain types of reward systems (Dasborough et al. 2009) such as tenure and/or a monetary reward system (e.g. Leana & Van Buren 1999; Yang 2006, 2015b; Yang & Horak 2019). Formal policies and procedures could also promote overall ethical attitudes in employees (Ruiz-Palomino & Martinez-Cañas 2011) and may be associated with a high level of organizational ethical leadership, which supports employee commitment to the organization (e.g. Hansen et al. 2013).

Since leadership favoritism is informal and leaders may take advantage of unregulated organizational processes to benefit their in-group, organizations should create transparent processes to complement the intangible or unregulated side of organizational processes. This can relate to decision-making processes in relation to promotions and career advancements in general; the way how, when, and by whom positions are created; how budgets are distributed,

20

etc. In times of crisis when reorganization becomes necessary, or in any other setting that creates uncertainty, for example, unfairness becomes more detrimental than in a more certain setting (Kimura 2013); therefore, the organization must implement a consistent and reliable system to ensure a high level of organizational procedural justice. Transparent organizational processes would reduce employees' vulnerability to the direct relationship with their leader and would guarantee a certain level of fairness to those who fall outside in-group membership with the leader (Yang 2015b; Yang & Horak 2019).

Trust is arguably the bedrock of OSC, and appropriate human resource practices – including stable employment relationship and organizational reciprocity norms – can contribute to greater trust between leaders and members (Leana & Van Buren 1999) by being aligned with OSC. High OSC in an organization could be a potentially critical asset in maximizing organizational advantage by reducing monitoring procedures (Andrews 2010).In efforts to build high-level OSC, however, we must consider organizational contexts such as organizational structure (e.g. size, activities, decentralization, formalization, and specialization) as well as situations and cultures. For instance, a focus on OSC based on empathy and trust could generate positive externalities for performance cultivated through decentralized decision-making and high levels of occupational specialization (cf. Andrews 2010). On the other hand, while centralized and formal structures (traditional Western-centric perspective) may prevent the emergence of OSC by constricting its free development (Andrews 2010), many East Asian organizations (exercising clan control with their appreciation of informality and shared values (Yang 2015b)) could be a fertile environment where OSC could flourish.

Direction for future research

As this is a conceptual paper, it will need to be followed by empirical studies. The causes of favoritism could be explored by in-depth interviews with leaders in order to better understand

why leaders engage in leader favoritism. However, this can be challenging, as many of those who engage in favoritism may not be aware of it. Studies show that leaders make exceptions for themselves when it comes to generally applicable moral requirements (e.g. Pfeffer & Fong 2005; Price 2003). This feature, in addition to the negative connotations of favoritism in general, may intensify the challenges of studying favoritism empirically, despite the commonality of leader favoritism. Nonetheless, there should be more studies reflecting the reality, beyond normative aspects of leadership.

On the other hand, justice perception and ethical considerations toward leader favoritism that depend on membership (P1, P2) could be explored through a combination of interviews and surveys of subordinates. These methods can be used to compare the different sense-making processes of leader favoritism and subsequent judgments of the ethics of leadership. One interesting line of research could be about how both leaders and subordinates perceive the notions of equity as well as of equality *per se*. That is, even though equity has been perceived to be fairer as it is more in line with merit-based reward, there has been growing research recognizing possible bias and non-objectivity in defining equity or merit (Greene & Podsakoff 1981; Meng & Wu 2015; Salimäki & Jämsén 2010). More research on perceptions as well as exercises based on equity and equality could offer insights in relation to whether we should pursue either or both as well as how to achieve fairer processes and systems at work.

Finally, although evaluating the level of OSC to quantify the overall effect of leader favoritism in an organization may be difficult, an organizational-level survey on the level of trust and in-depth interviews with employees may yield insights into the possible nature of, and attitudinal outcomes from, leader favoritism. Relatedly, organizational-level comparison could be useful in relation to OSC by looking at organizational climate (e.g. caring versus aggressive) as well as cultures (e.g. strong versus weak). We expect for example that a strong

caring culture may stem from leader favoritism based on empathy, with which there should

be a high level of organizational trust or OSC. Longitudinal studies exploring the change of

leadership and subsequent change of organizational cultures and practices would help to

explain this better in terms of the causality of such a process.

Conclusion

Leader favoritism is common and can be regarded as an important part of relationship-

building, which poses constant ethical challenges for leaders. In this article we have

highlighted the challenges of leadership ethics in relation to leader favoritism and discussed

the role that in-group/out-group relationships play. Favoritism toward an in-group is difficult

to control, however, at the same time, a leader's obligations at a broader organization level

cover both in-group and out-group members. Accordingly, a leader should apply empathy-

based favoritism in order to achieve a high level of OSC. This can be enabled by regarding

in-group and out-group behavior as complementary not competitive. By drawing on the

ethical principle of Mill's utilitarianism, it requires taking an integrative ethical approach by

balancing particularistic and universalistic treatment of subordinates. Potential negative

effects of perceived leader favoritism by out-group members can be reduced by implementing

fair reward systems and transparency in decision-making behavior and operational

procedures.

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Tables and Figures

Table 1: Divergent attitudes toward leader favoritism in the workplace

	Leader favoritism	
	Positive attitude	**Negative attitude**
Membership status	In-group members	Out-group members
Applied ethical principles	Particularism and equity	Universalism and equality
Fairness monitoring type	Interactional	Procedural

Table 2: Ethical integration of leader favoritsm

	Ethical position		
	Particularism	**Universalism**	**Utilitarianism (Mill)**
View of leader favoritism	Natural, ethical, and obligatory	Unethical	Should consider externality of, and radius of trust from, leader favoritism
Based on which principles?	Virtue of moral sensibilities and care	Fundamental principles of right, which is context-independent	Greatest Happiness Principle (GHP)
Representative leadership style	Relationship-focused leadership	Task-focused leadership	Integrative leadership
Possible challenges of favoritism	Conflicting duties: ambiguous moral knowledge	No available principles for dealing with individual cases: ethical arrogance	Breaking the code of conduct (i.e. rule utilitarianism)

Figure 1: Integrated model for leader favoritism