Moderating Role of Transformational Leadership on the Relationship between Moral Disengagement and Workplace Deviance

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Abstracts: Moral disengagement is the key to deactivate an individual’s self-regulatory process. Once it is deactivated, an individual will be freed from psychological feelings of discomfort when performing deviant behavior. This study aims to analyze the relationship between moral disengagement and workplace deviance by integrating the moderating effect of transformational leadership style. Data were randomly collected from 669 employees in large electrical and electronic manufacturing companies in Malaysia. Applying a two-staged structural equation modeling software (Analysis of Moment Structures or AMOS), results indicate that moral disengagement is associated with workplace deviance. Furthermore, transformational leadership style is found to moderate the relationship between moral disengagement and interpersonal deviance. Also, interpersonal deviance is found to be associated with organizational deviance. Implications for theory and practice from the findings are discussed.

Key words: Moral disengagement, workplace deviance, social cognitive theory, transformational leadership

INTRODUCTION

Understanding individual psychological processes has long been argued as the best way to explain unethical behavior in organizations (Messick and Bazerman 1996; Tenbrunsel and Messick 2004; Daboub et al. 1995; Diefendorff and Mehta 2007; Ferris, Brown, and Heller 2009; Ferris et al. 2009; Vazsonyi and Li 2010). A possible reason behind this argument is that little evidence is found to support the effectiveness of rule enforcement in handling unethical behavior in organizations (Sackett and DeVore 2002). Although ethical codes of conduct commonly have been established to curb unethical behavior in organizations, the effectiveness of this approach is still inconclusive (Weeks and Nantel 1992). The problem of unethical behavior in organizations becomes more alarming because the majority of people who are involved in wrong-doing in the workplace are not necessarily inherently bad (Bersoff 1999). In fact, most of the unethical practices in the workplace are committed by ethical individuals (Anand, Ashforth, and Joshi 2005).

Few recent studies reflect the attempt to acknowledge the importance of individual psychological aspects, such as self-esteem (Ferris, Brown, and Heller 2009; Ferris et al. 2009), self control (Vazsonyi and Li 2010), or neurobiological motivational traits (Diefendorff and Mehta 2007) in obtaining a better understanding about deviant behavior in organizations. According to Robinson and Bennett (1995), several behaviors which are considered deviant also could be considered unethical, since the only difference between these two types of behavior is that ethics concentrates on behavior that is right or wrong, based on justice, law, or other societal guidelines, whereas deviance focuses on behavior that violates significant organizational norms.

Although much has been done to investigate various outcomes of moral disengagement, such as unethical decision making (Detert, Trevino, and Switzer 2008), support of military force and war (McAlister 2000; McAlister, Bandura, and Owen 2006; Aquino et al. 2007), violence towards non-human animals (Vollum, Buffington-Vollum, and Longmire 2004), aggression and antisocial behavior in children and adolescents (Bandura et al. 1996; Bandura et al. 2001), to the knowledge of the authors, none has related moral disengagement to deviant workplace behavior. Applying social cognitive theory (Bandura 1977, 1986, 1990, 1991, 1999, 2002; Bandura et al. 1996; Bandura et al. 2001), this study attempts to bridge this gap in the literature by proposing this relationship.

However, constraints may reduce the likelihood that moral disengagement leads to workplace deviance. Leadership is claimed as a vital factor contributing to both employee perceptions in the workplace and workforce engagement (Bass et al. 2003; Buckingham and Coffman 1999). Also, leadership is reported to have a direct relationship with organizational performance (Aragon-Correa, Garcia-Morales, and Cordon-Pozo 2007; Lowe, Kroecck, and Sivasubramaniam 1996). Specifically, this study proposes that transformational leadership style may serve to constrain or moderate this relationship. Daft (2008,p.356) asserts that transformational leadership can “bring about significant change in both followers and organizations”. Researchers describe transformational leadership in terms of four main elements: idealized influence, (displaying leaders as the role...
model of high ethical and performance standards); inspirational motivation, (the ability of leaders to encourage their employees to achieve vision through creating individual and team spirit); intellectual simulation, (integrating multiple viewpoints to broaden perspectives on problem solving without criticizing employees for mistakes); and individual consideration, (a leader’s mentor role in developing employees’ potential and learning opportunities as well as providing selfless service to fulfill employees’ needs, achievement and growth) (Bass 1985; Nemanich and Keller 2007; Bass et al. 2003; Sosik and Cameron 2010).

In this study, transformational leadership style is selected, based on two main reasons. First, this choice is based on the argument that transformational leadership may improve the level of moral maturity of the followers (Avolio and Bass 2002). According to Burns (1978,p.455) a transformational leader could elevate a follower’s morality to “more principled levels of judgment”. Transformational leaders could achieve this by influencing others to transcend personal gain and self interest by raising the level of consciousness regarding values (Bass 1985). Therefore, it is logical to assume that having transformational leaders may restrict employees’ tendency to act deviantly because transformational leaders have the ability to establish norms in organizations which, in turn, shape the ethical conduct of subordinates. In other words, they are able to convey the expected ethical values within the organization and inspire employees to act accordingly. Barling et al. (2002) found that transformational leadership is negatively associated with safety accidents. Similarly, charismatic leadership is negatively related to workplace aggression (Hepworth and Towler 2004); charisma is an important element of transformational leadership (McGuire and Kennerly 2006; Feinberg, Ostroff, and Warner Burke 2005).

Secondly, this study views transformational leadership as being aligned with the collectivistic culture of Malaysia. Collectivistic cultures refers to “societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout their lifetime continue to protect them in exchange for unquestioning loyalty” (Hofstede 1997,p.51). The four behavioral factors of transformational leadership, namely idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, are found to be connected to cultural values and norms in collectivistic cultures (Jung, Bass, and Sosik 1995). Similarly, Walumbwa and Lawler (2003) revealed that transformational leadership impacted positively with collectivistic cultures.

Taken together, the main objective of this study is to analyze the relationship between moral disengagement and workplace deviance in Malaysia. This study focused on large electrical and electronic manufacturing companies. Previous research has shown that large organizations have a greater incidence of deviant behavior (Lau, Au, and Ho 2002). Electrical and electronic manufacturing companies were chosen because they are the largest employment providers in Malaysia (FMM. 2008). In view of this objective, this study addresses the following research questions: 1), Is moral disengagement associated with employees’ deviant behaviors? 2), Is interpersonal deviance associated with organizational deviance? and, 3), Does transformational leadership moderate the relationship between moral disengagement and workplace deviance? The theoretical framework that guides the present study is presented in Figure 1.

![Theoretical Framework](image)

**Fig. 1: Theoretical Framework.**

**Hypotheses:**

**Moral Disengagement and Workplace Deviance:**

The moral disengagement framework proposed by Bandura appears to be similar to findings from earlier studies carried out to identify an individual’s cognitive mechanisms that serve to disconnect an act from the
moral element. For example, Diener (1977) found that certain individuals tend to displace responsibility for their actions onto powerful others, or attempt to diffuse responsibility by pointing to collective decision making (Kelman 1973). In short, moral disengagement is about the deactivation of an individual’s self-regulatory function, which will tend to result in unethical behavior (Bandura 1986, 1990). Moral disengagement will reduce an individual’s self-deterrents that usually prevent an individual’s tendency toward unethical behavior (Bandura et al. 1996).

In recent years, scholars have cited Bandura’s idea of moral disengagement when discussing cognitive processes which could lead to unethical actions in organizations. For instance, Tenbrunsel and Messick (2004) found euphemistic language to be a key self-deception tactic that allows individuals to behave unethically in organizations. Similarly, Anand et al. (2005) linked selected rationalization tactics (denial of responsibility, denial of injury, denial of the victim) as well as euphemistic language, to the facilitation of corruption in organizations. Umphress et al. (2010) investigated unethical pro-organizational behavior (UPB) which refers to unethical acts which are claimed to be conducted for organizational benefit. In a more recent study, Bunk et al. (2011) explored individuals’ justifications for becoming involved with interpersonal deviance at work.

Furthermore, moral disengagement has been found to reduce pro-social behavior and increase anti-social behavior in children (Bandura et al. 1996; Bandura et al. 2001; Bandura, Underwood, and Fromson 1975). In evaluating attitudes toward war and terrorism, moral disengagement is said to be positively related to the support for military attacks in Iraq and Yugoslavia (McAlister 2001). More recently, Detert et al. (2008) found that moral disengagement influences unethical decision making. Therefore, based on the above findings and theoretical discussion, this study proposes the following hypotheses:

Hypothesis 1a: Moral disengagement is positively associated with interpersonal deviance.

Hypothesis 1b: Moral disengagement is positively associated with organizational deviance.

**Interpersonal Deviance and Organizational Deviance:**

A theoretical basis for expecting a relationship between interpersonal deviance and organizational deviance is social exchange theory (Blau 1964; Thibaut and Kelley 1959), which is based on the principle of reciprocity. Gouldner (1960, p.171) notes two assumptions which govern the principle of reciprocity: “1) people should help those who have helped them, and 2) people should not injure those who have helped them”. However, in an unjust situation, negative reciprocity may take place. In the case of experiencing interpersonal deviance, employees may feel that they are treated unfairly and as a result their positive attitudes and behavior suffer (Tepper 2000; Tepper et al. 1998).

Social exchange theory (Thibaut and Kelley 1959) and the norm of reciprocity (Gouldner 1960) propose that employees retaliate against unsatisfactory conditions and unjust workplaces by participating in behaviors which harm the organization or other employees or both. Moreover, people usually decide to reciprocate behavior when the gains of the behavior are greater than the costs (Cook and Emerson 1978; Gergen 1980; Meeker 1971). In the case of employees who experience interpersonal deviance, gains could be perceived if: the retaliatory behavior is satisfying and enjoyable.; the retaliation is seen as balancing the exchange (Gouldner 1960; Molm, Quist, and Wiseley 1994); or retaliation demonstrates the possibility of defending the self (Bies and Tripp 1996) . Accordingly, the following is posited:

Hypothesis 2: Interpersonal deviance is positively associated with organizational deviance.

**Moderating Role of Transformational Leadership:**

Although this study posits that moral disengagement leads to deviant workplace behavior, constraints may reduce the likelihood of this relationship occurring. Normally, when managers set an example by behaving ethically, employees are less likely to have the tendencies to behave deviantly (Kurland 1995). Specifically, the current study proposes that transformational leadership may serve to constrain or moderate this relationship. This proposal is consistent with Litzky et al. (2006) who view that deviant workplace behavior is a function of individual factors as well as a function of leadership and norms of the organizations.

This study expects transformational leadership style to moderate the relationship between moral disengagement in several ways. First, transformational leaders pay attention to their subordinates’ needs (Avolio and Bass 1999; Bass 1998). As a result, employees working with such leaders may perceive that they are working in organizations which care about their well-being and value their contributions. In return, they will be less likely to commit deviant acts. Previous research indicates that leaders who show consideration to their subordinates cause their subordinates to become more attached to the group (Korsgaard, Scheiger, and Sapienza 1995), in this case, the organizations.

Secondly, transformational leaders are more open to new creative ideas about how to get the work done (Bass 1998). Employees are given more opportunities to explore new approaches or utilize their creativity in performing their work. Consequently, employees perceive this situation as them receiving support from their organization in doing their work. Organization support is found to have a positive influence on affective
commitment (Eisenberger, Armeli, and Rexwinkel 2001; Thomas, Bliese, and Jex 2005; Joiner and Bakalis 2006). Having high affective commitment may, in turn, prevent employees from committing deviant acts.

Finally, transformational leaders provide inspirational motivations by behaving in ways that motivate and inspire their employees and become a sign of reference (Bass 1985). For example, transformational leaders’ self-determination and positive commitment as well as an optimistic view of the future, inform their subordinates regarding the expected behavior at work. Based on the above arguments, the following hypotheses are proposed:

Hypothesis 3a: Transformational leadership moderates the relationship between moral disengagement and interpersonal deviance.
Hypothesis 3b: Transformational leadership moderates the relationship between moral disengagement and organizational deviance.

Methods:
Sample and Procedure:
In order to achieve an adequate response rate, 200 questionnaires were distributed to each of the 15 randomly selected companies from a total of 81 which are listed in the Federation of Malaysian Manufacturers (FMM) directory for electrical and electronics companies. Thus, a total of 3,000 surveys were distributed to employees in the production departments of these randomly selected companies. Of the 3,000 surveys, 753 were returned, which is equivalent to a 25.1 percent response rate. However, 81 surveys were found to have more than 25 percent of unanswered items and three surveys were excluded because respondents gave the same responses to all questions in the survey, resulting in an effective sample of 669 usable completed surveys (a 22.3 percent usable response rate). This response rate is considered appropriate because the rate is within the common range of response rates reported in business ethics research (Randall and Gibson 1990) and is similar to other research on ethics carried out in the Malaysian environment (Zakaria 2010). In addition, the sample size of 669 is adequate to provide precise and reliable analysis when applying structural equation modeling (Boomsma and Hoogland 2001).

Sixty-nine percent (69%) of the respondents were female. The respondents were mainly Malay (82%), followed by Indian (11%) and Chinese (7%), with an average age of 30.84 years. More than half of the respondents (63%) worked as operators in the production department, the remainder worked as production officers (12%), technicians (12%), supervisors (8%) or engineers (6%), with twenty-one (21%) percent having experience within the workforce of more than ten years. Only ten percent (10%) of the total respondents had a first degree qualification. The other ninety percent (90%) had a diploma, a certificate or other qualification.

The profile of respondents in this study is similar to characteristics of respondents in a previous study using the same sampling frame (Abdul Rahim and Mohd Nasurdin 2008). Therefore, the sample in this study is believed to be representative of the wider population of employees working in electrical and electronic manufacturing companies in Malaysia.

Measures:
Given the fact that respondents are from Malaysia and little research using the specified measures has been conducted outside of western countries, a rigorous back-translation process has been used to minimize potential variance due to cultural and linguistic differences (Behling and Law 2000; Brislin 1970; Weeks, Swerissen, and Belfrage 2007).

The 32-item scale developed by Bandura, and used in multiple studies by Bandura and others (Bandura et al. 1996; Bandura et al. 2001; Detert, Trevino, and Sweitzer 2008; Pelton et al. 2004), was adapted to measure the moral disengagement of employees in this study. Moral disengagement was determined from eight subscales corresponding with the eight interrelated moral disengagement mechanisms. Since Bandura’s scale was developed for use with children and young adolescents, the wording of the scale used in this study was adapted to reflect adult language as well as organizational circumstances. A sample statement is “it is alright to fight to protect your colleagues”. The reliability of the adapted scale is $\alpha = 0.75$. A significant correlation between the adapted and the original versions demonstrates the concurrent validity of the adapted scale. Further, a confirmatory factor analysis (CFA) was used to examine the construct validity of the adapted scale. Respondents were asked to rate their agreement or disagreement with the statements given on a 6-point Likert scale, ranging from (1) strongly disagree to (6) strongly agree.

Workplace deviance was assessed by measuring organizational deviance and interpersonal deviance. This study utilized self-reporting data to assess deviant workplace behavior. According to Bennett and Robinson (2000), it is possible to assess workplace deviance through self reports, provided that the respondents are assured of anonymity. In addition, no significant differences result from self-reports in comparison to other methods of assessing workplace deviance (Fox and Spector 1999). Thus, seven items from an interpersonal deviance scale and twelve items from an organizational deviance scale by Bennett and Robinson (2000) have been utilized to measure this construct. Sample statements are “made fun of someone at work” and “taken
property from work without permission”. The reliability of the scales is \( \alpha = 0.83 \) and 0.94, respectively. For both measures, respondents were asked to indicate, on a 6-point scale ranging from 1 (never) to 6 (daily), the extent to which they had engaged in each of the behaviors in the previous year.

This study measures transformational leadership style by adapting the global transformational leadership scale of Carless et al. (2000). A seven item scale, which captures transformational leadership behaviors, is the best alternative scale to measure transformational leadership style since many other available scales are relatively too long and time consuming to complete (Carless, Wearing, and Mann 2000; Carless 1998). This scale also provides a strong convergent and discriminant validity (Carless, Wearing, and Mann 2000; Carless 1998). A sample item is “communicates a clear and positive vision of the future”. The reliability of the scale is \( \alpha = 0.86 \). Respondents were asked to rate the leadership groups of their firms in terms of how frequently they engage in the behavior described. A 6-point Likert scale, ranging from (1) never to (6) always was employed.

**Analysis:**

The covariance-based structural equation modeling (SEM) software AMOS (Analysis of Moment Structures) was applied to test the hypotheses. This study applied the two-stage modeling by first developing the measurement model (CFA), before proceeding to test the structural model (Anderson and Gerbing 1988).

Before applying the two-stage modeling, a descriptive analysis was conducted to examine inter-correlations between the constructs (see Table 1). Secondly, a non-response bias was checked by using the Armstrong and Overton (1977) method of comparing responses of late respondents with those of early respondents on key demographic variables. For this analysis, the early respondents (62 percent of the sample) were compared with late respondents (38 percent of the sample) using an independent samples t-test. A comparison between early and late respondents revealed no significant difference for key demographic variables: age of respondents, work experience, firm size, gender and language proficiency. Therefore, the evidence suggested that the responses of those surveyed were typical of the target population. Finally, to check for common method bias, this study relied on Harman’s single-factor test (Podsakoff and Organ 1986). An unrotated factor analysis of all variables yielded 4 factors in total, explaining 78 percent of the variance. This analysis demonstrates that a single factor solution does not emerge, thus offering evidence that this type of bias is not a concern in this study.

The measurement model was developed in order to determine how the observed variables depend on the unobserved variables or latent variables (Hair et al. 2006). For this purpose, confirmatory factor analysis (CFA) using AMOS 18.0 was utilized. Each of the constructs was analyzed in a separate measurement model. In any case, where the results were found not to be consistent with an a priori specified measurement model, the measurement model was respecified and reanalyzed (Holmes-Smith, Coote, and Cunningham 2006; Kline 2005; Tabachnick and Fidell 2001).

Following the CFA, the hypotheses were then tested using the structural model. The measurement and structural models were evaluated by using five absolute fit indices (Joreskog and Sorbom 1981): \( \chi^2 \) goodness-of-fit statistic, Goodness-of-Fit Index (GFI), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), and Root Mean Error of Approximation (RMSEA). As for the GFI, CFI and TLI, values greater than 0.90 were acceptable, whereas for RMSEA, a value equal to, or smaller than, 0.08 was deemed acceptable (Byrne 2001).

**Results:**

A construct reliability (Bagozzi 1980) and the average variance extracted (Fornell and Larcker 1981) also were calculated to further confirm the reliability of the measures (Table 1). For each of the constructs, the construct reliability and average variance extracted met the minimum benchmark of 0.60 and 0.50, respectively (Bagozzi and Yi 1988).

The bivariate correlation between the constructs were all in the predicted direction and were found to be significant at \( p<0.01 \) except for the correlation between transformational leadership and organizational deviance. Most respondents were not highly prone to morally disengage, as indicated by the mean (2.64) and standard deviation (0.59) for moral disengagement, which was assessed on a 6-point Likert scale. A mean of 4.09 for transformational leadership assessed on a 6-point Likert scale indicated that transformational leadership is quite prominent in the manufacturing companies.

For both deviance constructs, the means (2.26, 2.30) indicated a low frequency of deviance committed by respondents. However, the standard deviations (1.21, 1.10) suggested reasonably high variability in the respondents’ willingness to declare their deviant behavior. The interpersonal and organizational deviance was found to display only a moderate strength (Cohen 1988) of correlation (0.335, \( p<0.01 \)).

The overall fit of all the measurement models (CFA) were within acceptable levels (Table 2). The Goodness-of-Fit Index (GFI), Comparative Fit Index (CFI) and Tucker-Lewis Index (TLI) all exceeded the recommended cut-off value of 0.90. The value of the root mean square error of approximation (RMSEA) was below the value of 0.08, as recommended by Browne and Cudeck (1993). Although the chi-square statistic for moral disengagement is statistically significant, this is not deemed unusual given the large sample size (Bagozzi, Yi, and Phillips 1991). A single indicator latent variable approach was used to represent moral disengagement.
in the structural model. This approach, utilizing composite scores as the single indicator, was chosen to reduce model complexity (Kline 2005) because this construct consisted of sixteen (16) indicators.

Table 1: Means (M), standard deviations (SD), reliability and correlations of constructs.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>M</th>
<th>SD</th>
<th>α</th>
<th>Average Variance Extracted</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Moral disengagement</td>
<td>2.640</td>
<td>0.596</td>
<td>0.748</td>
<td>0.939</td>
<td>0.502</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Interpersonal deviance</td>
<td>2.258</td>
<td>1.211</td>
<td>0.831</td>
<td>0.832</td>
<td>0.500</td>
<td>0.411**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Organizational deviance</td>
<td>2.296</td>
<td>1.104</td>
<td>0.942</td>
<td>0.798</td>
<td>0.499</td>
<td>0.364**</td>
<td>0.335**</td>
<td></td>
</tr>
<tr>
<td>4. Transformational leadership</td>
<td>4.092</td>
<td>1.150</td>
<td>0.860</td>
<td>0.800</td>
<td>0.500</td>
<td>-0.117**</td>
<td>-0.123**</td>
<td>-0.041</td>
</tr>
</tbody>
</table>

Note: **p<0.01, N= 669. The number of items indicated in parentheses.

A more recent approach in analyzing moderating effect using AMOS (Marsh, Wen, and Hau 2004) was applied to test the hypotheses. This approach is claimed to be the easiest method to apply and can estimate the nonlinear effect without bias (Marsh, Wen, and Hau 2004). In addition, according to Bagozzi et al. (1992), when variables are measured as continuous it is preferable to model moderated variable effects as multiplicative interactions compared to multi-group analysis, in order to retain the full information contained in continuous variables.

Figure 2 illustrates the structural model of the hypothesized moderating model (M1). Indices of goodness-of-fit indicate that the hypothesized moderating model (M1) fits the data adequately, even though the chi-square was significant ($\chi^2 = 188.542$, df= 72, p=0.000). The GFI was 0.961, CFI=0.983, TLI=0.979 and RMSEA=0.049. The model has a significant chi-square statistic of p<0.000. However, as mentioned earlier, it is common to have significant chi-square statistics for a model with a large sample size (Bagozzi, Yi, and Phillips 1991). In addition, the Bollen-Stine bootstrap provides a better statistical fit of p=0.015.

This model was then compared with the null model (M0) and alternative direct effects model (M2) (Table 3). The hypothesized moderating model (M1) appeared to be the best fit model as displayed by a significant change in chi-square against the null and alternative direct effects models. Thus, the hypothesized moderating model (M1) was concluded as the best model and was used to test the hypotheses (Figure 2).

Table 3: Fit indices and comparisons of alternative models.

<table>
<thead>
<tr>
<th>Models</th>
<th>Type</th>
<th>$\chi^2$</th>
<th>df</th>
<th>GFI</th>
<th>CFI</th>
<th>TLI</th>
<th>RMSEA</th>
<th>$\Delta \chi^2$ (df) Sig Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Null Model M0</td>
<td>6987.55</td>
<td>91</td>
<td>0.315</td>
<td>0.000</td>
<td>0.000</td>
<td>0.337</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesized moderating model M1</td>
<td>188.54</td>
<td>72</td>
<td>0.961</td>
<td>0.983</td>
<td>0.979</td>
<td>0.049</td>
<td>6799(19)*** M1-M0</td>
<td></td>
</tr>
<tr>
<td>Direct effects model M2</td>
<td>197.73</td>
<td>74</td>
<td>0.959</td>
<td>0.982</td>
<td>0.978</td>
<td>0.050</td>
<td>9(2)* M2-M1</td>
<td></td>
</tr>
</tbody>
</table>

Note:*p<0.05, ***p<0.001

The findings support hypothesis 1a: that moral disengagement is positively associated with interpersonal deviance, with $\beta=0.48$, p<0.001. The findings also support hypothesis 1b: that moral disengagement is positively associated with organizational deviance, $\beta=0.52$, p<0.001. The analysis also revealed that interpersonal deviance is positively associated with organizational deviance (hypothesis 2); $\beta=0.19$, p<0.001. Therefore, hypotheses 1a, 1b and 2 were confirmed.

As for the moderating role of transformational leadership style, the findings support hypothesis 3a, with $\beta=-0.12$, p<0.01. However, hypothesis 3b was not supported ($\beta= -0.02$, p>0.05). Therefore, transformational leadership was found to have significant moderating effect only on the relationship between moral disengagement and interpersonal deviance.

The significant moderating effect of hypothesis 3a was further evaluated by using a graph (Figure 3). The graph indicates a positive relationship between moral disengagement and interpersonal deviance. However, the rate of change is greater for low transformational leadership compared to high transformational leadership. In other words, high transformational leadership provides a less profound effect on the relationship between moral
Moral disengagement was found to have contributed to deviant behavior. Implicitly, the results indicate that moral disengagement mechanisms, when activated, violate employees' self-regulatory functions which, in turn, help them to obscure psychological feelings of discomfort when performing deviant acts. At this stage, deviant behavior becomes the justified behavior. The findings are in line with theoretical arguments on moral disengagement proposed by Bandura (Bandura 1986, 1990, 1999, 2002). The positive relationship between moral disengagement and workplace deviance is also in line with neutralization theory of (Sykes and Matza 1957). Sykes and Matza (1957) argue that deviant acts occur whenever an individual is able to neutralize the individual perception or social perception, or both, of a norm violation, by applying techniques of neutralization such as: 1) denial of responsibility; 2) denial of injury; 3) denial of the victim; 4) condemnation of condemners, and 5) appealing to higher loyalties.

The results of this study corroborate previous studies in the western context which have found that moral disengagement could foster unethical action within organizations. For instance, Moore (2008) reveals that moral disengagement leads to lower levels of moral awareness and higher levels of unethical decision-making which, in turn, could initiate organizational corruption. Another study (White, Bandura, and Bero 2009) provides evidence that moral disengagement is applied by industries to mitigate the moral consequences of producing products which are harmful to human health such as tobacco, lead and vinyl chloride. Therefore, this study echoes the above findings and supports the claim that moral disengagement is a universal concept which is applied when individuals perform deviant actions in organizations. Furthermore, this study bridges the Western/Asian divide within this field of research.

More than 50 percent of variance in workplace deviance was predicted to be caused by other factors (Figure 2). This result may be influenced by the collectivistic culture in Malaysia. People in collectivist cultures view
themselves in terms of social connections and group harmony (Spector et al. 2004). In order to be effective in a collectivist society, an individual must cultivate relationships with colleagues at all levels and must express a high level of sensitivity. Applying this concept, the results may indicate that employees in the manufacturing companies prefer to apply social standards in their self-monitoring orientation by behaving in ways that seem socially appropriate for the situation (Snyder 1987) and, thus, demonstrate low levels of self-directedness (Bandura 1991).

Nevertheless, the results also suggest that employees’ interpersonal deviances are associated with organizational deviance. From a theoretical perspective, the results reveal that social exchange and norm of reciprocity explanations of workplace deviance may apply in the Malaysian manufacturing environment. The perceived feeling of injustice by the victims of interpersonal deviance may lead them to commit behavior that may negatively impact on the workplace organization. The findings could also be explained by applying equity theory (Adams 1963). Equity theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress which, in turn, may lead to efforts to restore equity. In this study, an employee who is the victim of interpersonal deviance may find ways to restore equity by reciprocating the organizational deviance. Sackett and DeVore (2002,p.160) comment that, “there is a certain poetry in behaving badly in response to some perceived injustice”. Furthermore, people may often engage in aggressive behavior in order to improve their own affective states (Bushman, Baumeister, and Phillips 2001; Spector and Fox 2002).

Finally, this study revealed that transformational leadership moderates the relationship between moral disengagement and interpersonal deviance. The results show that employees may not want to deactivate their self-regulatory function when they perceive their leaders as inspiring, challenging and individually considerate, as would be the case with transformational leaders. Indeed, the graph of interaction suggests that the tendency of moral disengagement leading to interpersonal deviance is less likely to happen under the condition of having a high level of transformational leadership. Although the results do not support hypothesis 3b, earlier evidence on the significant association between interpersonal and organizational deviance may suggest that transformational leadership style may also indirectly constrain the occurrence of organizational deviance. Transformational leaders display idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, which reflect their ethical standards and at the same time help to create a moral culture (Bass and Steidlmeier 1999), character strengths and virtues (Sosik 2006; Sosik and Cameron 2010) within their subordinates. Thus, having leadership that is supportive, caring and emphatic, such as transformational leadership (Avolio and Bass 1999; Bass 1998), is likely to be an effective way of controlling workplace deviance.

**Implications for Theory:**

This study makes four major contributions to theory. First, an examination of the link between moral disengagement and employees’ interpersonal and organizational deviance revealed that moral disengagement can indeed contribute to both categories of deviance. To date, to the best knowledge of the authors, this is the first study to empirically link moral disengagement to both types of workplace deviance. Previous empirical work on moral disengagement clusters within the context of predicting aggression and antisocial behavior in children and adolescents (Bandura et al. 1996; Bandura et al. 2001), decline of civic behavior (Caprara and Capanha 2004), computer hacking (Rogers 2001), reactions to war (Aquino et al. 2007) and execution process (Osofsky, Bandura, and Zimbardo 2005).

Secondly, the effect of moral disengagement on workplace deviance was tested by separating the workplace deviance into two categories: interpersonal and organizational deviance. The moderate correlation between interpersonal and organizational deviance found in this study was in contradiction with Dalal (2005) which asserts that interpersonal and organizational deviance should not be separated, as both are highly correlated. On the other hand, the results appear to support argument that examining both types of deviance, rather than the general behavior of deviance, would provide further understanding about the pattern of interrelationships among different forms of deviance (Sackett and DeVore 2002). In fact, both types of deviance were found to have a deferential relationship with the Big Five personality traits and organizational citizenship behavior (Berry, Ones, and Sackett 2007). Thus, the differences in variance that were explained, together with a moderate strength of correlation between both types of deviance, as displayed in the current study, lend further support to the separability of interpersonal and organizational deviance.

Thirdly, this study found that transformational leadership moderates the relationship between moral disengagement and interpersonal deviance. This link has not been made in the previous work of moral disengagement. The findings imply that, although employees have the opportunity to deactivate their self-regulatory function to enable them to act deviations without psychological feelings of discomfort, an appropriate leadership style, namely transformational leadership, could prevent their tendency to do so.

Finally, the moral disengagement literature was expanded through this research which investigated moral disengagement within the organizational context of a non-western country, namely Malaysia. Thus, this study
provides a new avenue of research surrounding moral disengagement which extends beyond the ordinary scope of western countries.

**Practical Implications:**

The results demonstrate that employees’ moral disengagement is associated with their tendency to commit workplace deviance. However, the strength of the association differs between interpersonal and organizational deviance. Thus, the findings indicate that, despite being related, interpersonal and organizational deviance are different phenomena. If organizations are serious about controlling employee deviance, they need to be certain about what behaviors they would like to control. In addition, it may be useful for organizations to review their policies in an effort to reduce feelings of injustice among employees, which could be a consequence of interpersonal deviance. A secure and psychologically safe working environment will consequently help further reduce the occurrence of organizational deviance, as these factors were found to be linked. As mentioned by Litzky et al. (2006, p.100), “preventing deviant behaviors from cropping up is the most cost-effective way to deal with employee deviance”.

Transformational leadership style may be a good option to be adopted by manufacturing companies in Malaysia. The findings suggest that transformational leadership could help in preventing workplace deviance, specifically interpersonal deviance. Also, the findings provide further evidence on the assertion that transformational leadership fits adequately with collectivistic cultures (Jung, Bass, and Sosik 1995; Walumbwa and Lawler 2003). Having acknowledged this, organizations, particularly manufacturing companies in Malaysia, should realize that all positive psychological elements inherent in transformational leadership may sometimes be too idealistic to be practised in a complex business environment (Conger and Hollenbeck 2010). Here, the challenge to organizations is to balance out the transformational leadership style with their strategic vision, expected performance and productivity. The worst one expects to happen is to have leaders with charismatic characters who could lead organizations to bankruptcy, as was the case of the former president and chairman of Malden Mills in the US (Conger and Hollenbeck 2010; Coltin 2009).

**Limitations and Directions for Future Research:**

This study is not without its limitations. First, this study is conducive to socially desirable responses or a desire to present oneself favorably in light of social norms and standards (Zerbe and Paulhus 1987). However, several preventative steps were taken to minimize social desirability bias (Podsakoff et al. 2003), such as guaranteed anonymity and confidentiality of individual responses, and the use of some reverse scored items. Secondly, employees might be more willing to report particular types of deviance than others. For instance, employees may feel more comfortable reporting their involvement in organizational deviance, rather than reporting their own deviance, in a circumstance in which the victim was a human being. This differential willingness to report may have somehow distorted the findings of this study. Thirdly, the moral disengagement scale applied was previously designed and validated only in samples of children and young adolescents in western countries (Bandura et al. 1996; Bandura et al. 2001). Therefore, it is possible that there may be some potential setbacks when applying this measure to an adult sample in a non-western country such as Malaysia. However, a rigorous back-translation process was used to carefully adapt and tailor the sample of this study to accommodate this concern. Finally, the sample of this study was derived from the FFM directory, and thus excludes companies that are not listed in the directory. Consequently, this may have limited the possibility of generalizing the findings.

Future research could develop a general scale of moral disengagement especially to cater for an organizational setting in non-western countries, as this would assist in engaging a new avenue of research. A mixed-method approach (Creswell 2003) also could be applied in order to get better insights into the relationship between moral disengagement and workplace deviance. Future research also could integrate the effect of ethics training on the relationship between moral disengagement and workplace deviance. Ethics training is posited as an important factor in an individual’s intention to act ethically (Jones, Massey, and Thorne 2003). Moreover, it is believed that training could help to improve an individual’s ethical reasoning process (Trevino, Weaver, and Reynolds 2006).

**Conclusion:**

This study responds to recent calls to investigate individual psychological processes in order to explain unethical or deviant behavior within organizations (Messick and Bazerman 1996; Tenbrunsel and Messick 2004; Daboub et al. 1995; Diefendorff and Mehta 2007; Ferris, Brown, and Heller 2009; Ferris et al. 2009; Vazsonyi and Li 2010). The effort has made several tentative contributions to the literature of moral disengagement, especially in the non-western context. In general, this study provides, perhaps for the first time, an analysis of the relationship between moral disengagement and workplace deviance by integrating the moderating effect of transformational leadership style. Further, the moderating effect of transformational leadership style is analyzed using a more recent method introduced by Marsh et al. (2004). However, realizing this could be the first study...
to analyze the proposed relationships, replication of the study in future using samples from other sectors or cultures could be a fruitful attempt to confirm a robust conclusion of the findings.

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