

TOWARDS A THEORY OF NATIONAL AND ORGANIZATIONAL LEVEL ETHICAL LEADERSHIP FOR SUSTAINABLE COMPETITIVE ADVANTAGE

C.C. Tan and SangchanKantabutra

School of Management, Mae FahLuang University, Chiang Rai 57100

drectan@yahoo.com

ABSTRACT

The nature of ethical leadership is shown to exhibit deontological and utilitarianism characteristics, while the other supporting roles of being fair and trustful, and showing caring and being disciplined should also not be neglected. Leaders possessing of these characteristics are shown to lead to employees' organizational commitment. In this paper, two commitment attributes are revealed in factor analysis, namely the social contract and being beyond normative or obligations. The latter commitment characteristic shares the same theme with the literature of extra-role and corporate citizenship behaviors. The research also shows significantly positive relationships among ethical leadership of a nation, represented and inferred by available data in the corruption perceptions index and the national social responsibility index, and the dependent variables such as the global competitiveness index, the global innovation index, and national intellectual capital. Thus, ethical leadership effort should stimulate the commitment of employees at organizational level or the industry performance at the national level, through exhibiting both social contractual roles and extra-role behavior.

Keywords: Ethical leadership, extra-role behavior, corporate citizenship behavior, employee's organizational commitment, Hofstede's cultural dimensions, innovation, competitiveness.

INTRODUCTION

Leaders touch the heart before they ask for a hand, and thus leadership is influence, nothing more, nothing less (Maxwell, 1998). National leaders move the nation forward, while leaders at organizational level stimulate growth and performance for their organizations. In short leadership, being smart as well as leader behaviours, is an important antecedent to effectively stimulate commitment at the workplace (Klein, Brinsfield, and Molloy, 2006) and for organizations (Wright and Kehoe, 2009). Nevertheless, leaders, whether they are of transactional or transformational type (Bass, 1997), may not necessarily demonstrate beneficial leadership that moves followers to transcend their own self-interests for the good of the group, organization, or country (ibid, p. 133). Besides, judging from the pervasive corporate scandals at a global scale, the study of how corporate leadership fails to demonstrate ethical leadership and thus causes negative impact on employee outcomes has become important. A research gap of such a nature is argued in Ponnu and Tennakoon (2009, p. 21), "Despite its theoretical and practical significance, empirical research on the ethical dimensions of leadership and leaders' ethical behavior on employees' level of commitment to their organization is lacking, more so in the case of Malaysia," and certainly for Thailand as

well. No empirical data for the Thai context is obvious to the authors at this juncture, which renders this research effort necessary.

Thus the following four research objectives are established to help understand the nature of ethical leadership to commitment of employees for their organizations, and also at national level that is reflected by overall industry performance. The former is a study based on primary data while the latter uses the available secondary data at national level but also on a global basis.

Research Objective 1

The first research objective is aimed to study the nature of ethical leadership at the organizational level, through explorative factor analysis, in identifying its key characteristics. This confirms to the multidimensionality nature of ethical leadership by Etzioni (1961).

Research Objective 2

How does this nature of ethical leadership have an impact on employee commitment for their organization is to be studied and examined through inferential statistical analysis. The aim is to build a theory based on this preliminary observation i.e. a questionnaire-based survey. This is an inductive research process that reverses the process of the original deductive conception that suggests a hypothesis i.e. a form of theory. In this sense, a cyclical research process that embraces both deduction and induction is completed. Thus this move toward a theory of how ethical leadership takes its nature and influences of employee's organizational commitment could be suggested in the future. According to Crowther and Lancaster (2009), this act of theory building is premised on the present situation that is knowable to help build a theory which has predictive capability and utility.

This research does not investigate the downstream effect of having built strength in employee's organizational commitment. While future research on this area is necessary, research findings on how commitment is a better predictor of jobs and organizational performance can be found in the early work of Mowday, Porter and Dubin (1974).

Research Objective 3

Being capable to show the nature and effect of the role of ethical leadership on employees' organizational commitment, it would be useful to see how ethical leadership at the national level influences the state of the nation's competitiveness achievement. This is the third research objective in this paper. Ethical leadership in this sense is indicating how national leaders influence the industries of their nations ethically, that is through a social contractual commitment in order to prevent corruption.

Research Objective 4

National Culture is a topic made visually reasonable to believe so by the work of Hofstede (1980a; 1980b) and Hofstede, and Minkov (2001), who claim to have successfully "uncovered the secrets of entire national cultures." (Hofstede, 1980b, p. 44). Thus it is useful

to study how the cultural dimensions of Hofstede (1980a; 1980b; 1991; see also House, Hanges, Javidan, Dorfman and Gupta (2004) at national level play towards ethical leadership as reflected in the perceived national corruption status.

LITERATURE REVIEW

Ethical leadership, as cited in Monahan (2012, p. 56), is “The study of ethical leadership is increasing in relevancy, as once famed organizations have fallen from grace.” On the one hand, this paper aims to study the nature of ethical leadership using exploratory factor and inferential statistics to explore the impact of ethical leadership on employees’ organizational commitment. On the other hand, the research intends to explain the outcome of the significant role played by ethical leadership of the government, measured using secondary data in the corruption perceptions index (Transparency International, (2013) and the national social responsibility index (Adam-Hopkins & Hopkins, 2014), on national competitiveness (GCI, 2013) and innovation (GII, 2013).

Gaining commitment is an extremely important variable to enable organizations to gain positive performance and for a nation to realize competitive advantage over others. Commitment is important because commitment, as studied and discussed in Klein et al. (2009), which captures the drivers for sustainable advantage on performance over others and competitors, i.e. commitment is an attitude, is a force, a bond, investments, identification or internalization, as congruence and motivation. In Klein, Wesson, Hollenbeck and Alge (1999), commitment is studied to moderate the relationship between goal difficulty level and task performance. This research shows that commitment does have this moderating effect, but it is presented in terms of the behavior of corporate citizenship (Organ, Dodsakoff, and Mackenzie, 2006), or as extra-role behavior, which is a term defined in van Dyne, Cummings and McLean-Parks (1995) as behavior that attempts to benefit the organization and that goes beyond existing role expectations.

Employee’s Organizational Commitment

A comprehensive literature review on employee’s organizational commitment by Barling and Cooper (2008) highlighted three distinguishable eras of knowledge evolution of this construct, namely the early years (Pre-1980), the expansionary period of the 1980s and 1990s, and the new age beginning at the turn of the millennium. They discovered that in this evolutionary body of knowledge, attitudinal and behavioral commitments are two essential themes and foundations.

While the former is viewed as a measurable psychological state that focuses on identifying its antecedents and consequences, the latter is focused on identifying conditions that bind individuals to a course of action and shape beliefs that sustain that action (Barling and Cooper, 2008). For the attitudinal front, Meyer and Allen (1991) proposed a three-component model that describes the relevant descriptive attitudinal domains to the commitment construct, namely affective attachment to the organization, perceived cost of leaving, and

obligation to remain. Meyer and Allen's (1991) work clearly indicates that commitment is multi-dimensional in nature, a theme early discovered by Etzioni (1961). This research aims to further shed light on this multi-dimensionality aspect of the construct through exploratory factor analysis, in the Thai context.

Ethical Leadership

As argued in Ponnu and Tennakoon (2009), albeit the awareness generated by the corporate scandal lately, there is scarce empirical evidence suggesting that leaders need to uphold ethical values by creating a positive commitment workplace atmosphere. Thus, the study of ethical leadership behavior becomes necessary. To this end, Brown, Trevino and Harrison (2005, p.120) presented a definition of ethical leadership which has been highly acknowledged in the literature – that is, ethical leadership is characterized by “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and, decision-making.” However, how this definition fits into the traditional domains of business ethics is still open to further study (Ponnu and Tennakoon, 2009). This research thus intends to fill the gap, albeit on a preliminary basis, through re-examining the explorative factor structure of Brown, Trevino and Harrison (2005) survey instruments in the domains of both business ethics and leadership.

Ethical Leadership and Employee's Organizational Commitment

How does the personal integrity of a leader play its impact on employees' organizational commitment is relatively unexplored. To this end Ponnu and Tennakoon (2009) studied a Malaysian case, based on a sample of 77 males and 97 females from companies that were located in the Klang Valley, which was premised on an understanding that Klang Valley represented a variety of industries in the corporate sector. They identified two factor loadings for the ethical leadership level – the demonstration and the promotion of ethical behavior to fit the definition given by Brown, Trevino and Harrison (2005). However, as argued earlier in this paper, exactly how this helps to explain the conventional theories of business ethics is not clear. It remains a gap to perceive the nature of leadership and whether it can reflect the domains of the principles of business ethics. In this way, both ethical leadership and business ethics would share the same domain of themes and thus it provides content and construct validities to an ethical leadership construct as well. In addition, both the disciplines of the knowledge become transferrable in a meaningful manner. This is the ultimate direction of this research effort so that the future research could be made more enriching to provide better utility.

Thus the following hypothesis is proposed:

H1. There is a significant relationship between ethical leadership behavior and employees' organizational commitment. The explanatory structure of this relationship is also explored and discussed.

National Ethical Leadership and National Competitive Advantage

A well-known Diamond model of Porter (1998) clearly outlines a significant relationship structure among the effort of government, factors of infrastructural and structural competencies, and the state of competitiveness of the industries. Most previous research focused on the role that national culture plays in national innovation success (Rinne, Steel and Fairweather, 2012) and innovation outcomes at organizational level (Banerjee and Srivastava, 2012). However, to what extent ethical dimension of actions of the government influence national competitiveness is relatively unknown, and to how culture plays a role on government's ethical governance is also unfound. As "culture is the meaning which people in a society create, and which creates people, as members of societies" (Kitayama, 2002, p. 3), understanding cultural forces as the antecedent to both national innovation and government's ethical governance is important. This issue is presented in the intention of research objective 4 in the Introduction. Nevertheless, some qualitative examples are available; for instance, Brady & Spence (2010) illustrated the ethical leadership role that the Singapore government played in developing national competitiveness, citing the policy statements of the then Senior Minister Goh Chok Thong as follows:

"Leadership that is selflessly devoted to national interest and not pursuit of party/individual interests and, having integrity, honesty, and incorruptibility." (ibid, p. 108). To further support the stance of the importance of ethical leadership at a national level on national competitiveness advantage, available secondary data is sought from Transparency International (2013) and Adam-Hopkins and Hopkins (2014) on national social responsibility. The latter provides a perceived measurement of how a nation treats its citizenship fairly, looks after their well-being, and is respectful to foreigners – immigrants as well as their trading partners. This would serve as an explorative preliminary research to investigate the interrelationship between ethics and overall competitiveness performance of a nation. What exactly is the nature and depth of commitment reflected by the industries at the national level is recommended for future research.

Thus the following hypothesis is suggested:

H2: The National corruption level is significantly associated with the level of achievement in innovation and national competitiveness. This is the third research objective. Both national innovation and competitiveness state of achievements are considered as the outcomes of an overall industry commitment enabled by the government state of governance, which is a theme reinforced by Porter (1998).

In addition, being firmly rooted in well-known findings of culture's consequences for performance at national and organizational level (Hofstede, 1980a; 1980b; 1991), there probably exists as well an influence of cultural characteristics on corruption in governments. The nature of corruption at the microscopic level will not be discussed in this research and such an effort can already be seen, for instance, in Nepal (2006) who studied corruption in the form of bribery which also was linked to national culture. As such, the following hypothesis is proposed:

H3: Hofstede's cultural dimensions depicting culture unique to a nation have significant association to the corruption perceptions index.

The following section discusses how the research is designed.

RESEARCH DESIGN

This article exploits both primary and secondary data to pursue the research, based on a positivistic paradigm (ontology, Hussey and Hussey, 1997) that upholds the principle of the researchers remaining distant and neutral (epistemology, *ibid*, p. 52) when conducting the research and not allowing values and bias to distort their objective views (*ibid*, p. 52). To be specific, the three questions to answer ontology, epistemology and methodology are given in Guba and Lincoln (1994, p. 108).

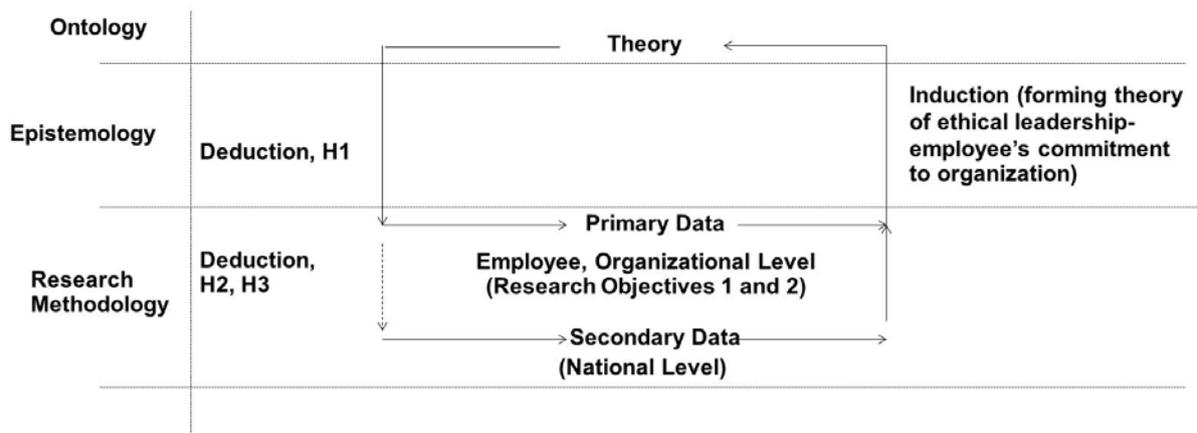
- The ontological question is “What is the form and nature of reality?”
- The epistemological question is “What is the nature of the relationship between the knower or would-be knower and what can be known?”
- The methodological question is “How can the inquirer (would-be knower) go about finding out whatever he or she believes can be known?”

As such, a structure of the research design is proposed, as shown in Figure 1, which involves a cycle of research effort from deduction to induction – that is:

- From the literature describing the general knowledge structure of the variables and their interrelationship, to
- Deductive reasoning which begins with general statements (premises) and, through logical argument in the Literature Review section (Walliman, 2011), comes to propose the three hypotheses. Once the hypotheses are suggested, then:
- Empirical data can be collected by maintaining epistemologically neutral relationship with the researched.
- And, data is analyzed using both descriptive and inferential statistical tools. To enable induction with the support of the existent literature, factor analysis is used. Factor analysis, according to Hair, Black, Banin, Anderson, and Tatham (2006), is aimed to define the underlying structure among the variables in the analysis, which in this case is ethical leadership and employee commitment to organizations. The way factor analysis works in the inductive interpretation is that, through the principal axis factoring procedure (Harman, 1967), specific items that correlate highly are assumed to be a member of that broader dimension (Hair et al. 2006).
- Having obtained the construct’s domains of characteristics, inferential statistics based on correlation and multivariate regression analyses, and t-test can be used to analyze the relationship structure of the variables (i.e. the way the deontological and utilitarianism domains of ethical leadership influence the social contract commitment and beyond-obligation commitment. The existing bodies of knowledge in the relevant literature are then further reviewed in order to give weight to the explanatory power of the research finding. This completes one research cycle, which is an effort made to build towards a theory of national and organizational level ethical leadership for sustainable competitive advantage.

In short, the cyclical stages of research effort, as it is shown in Figure 1, allow the theory to gradually take shape.

FIGURE 1: STRUCTURE OF THE RESEARCH DESIGN



Sampling Design and Data Collection

There are two types of data to be collected – secondary data at national level and primary data for the analysis at employee-organizational level. For the primary data, at this preliminary level, nonprobability sampling method is used. According to Neuman (2006), such a sampling method means “they rarely determine the sample size in advance and have limited knowledge about the larger group or population from which the sample is taken” (ibid, p. 220).

Primary data are the questionnaire-based instrument that is consisted of the items of questions to aim to study the nature of the characteristics and the structure of relationship among factors of ethical leadership and employee’s organizational commitment. The instrument was conveniently distributed to the second-year students of the Bachelor of Business Administration Programme at Mae FahLuang University, Thailand. The instrument was discussed in the class and systematically went through with the students to make sure every question is understood and that every student knew his or her role in the self-administered survey. The students, from every part of Thailand, were asked to engage one participant either from their working family members or friends. The survey and the post-survey publication efforts would strictly respect the privacy, anonymity and confidentiality of participant, following the guideline given in Neuman (2006, p. 138-39). In addition, it was told to the students that all participations were on voluntary basis. All students responded back in two weeks. While seventy questionnaires were given out, only sixty-two were returned and all confirmed valid for further analysis, which yielded an 88.5 percent response rate. Out of the sixty-two valid responses, twenty-nine came from the Private and the rest came from the public establishments such as the universities and the ministry offices. The T-test indicated no significant differences across all the variables being studied when comparing the private- and the public sector-employees’ perceptions. As such, no moderating effects from either private or public organizations are found.

Section of Measures

To study how Hofstede's national cultural dimensions are interrelated to the national innovation, competitiveness and corruption perceptions of nations, secondary data are sought from the renowned research institutions and research scholars, as follows:

- The data of the five dimensions of national culture that manifest the patterns of different mental programming and values commonly shared by the citizens of their respective nations (Hofstede, Hofstede, and Minkov, 2001), are obtained from www.harzing.com/download/hgindices.xls.
- National intellectual capital, consisting of market capital, financial capital, human capital, renewal capital, and process capital, are extracted from Lin and Edvinsson (2011).
- National innovation capability represented by the Global Innovation Index, which is co-developed and co-published by Cornell University, INSEAD and the World Intellectual Property Organization (2013). The Global Innovation Index relies on two sub-indices, the innovation input Sub-Index and the innovation Output Sub-Index, with each built around the given pillars i.e. the input to innovation strength is built around institutions, human capital and research, infrastructure, market sophistication, and business sophistication (2013), and the only two output pillars capture actual evidence of innovation outputs, namely, knowledge and technology outputs and creative outputs.
- National competitiveness level of nations is represented by the Global Competitiveness Index (GCI, 2013), which assesses the competitiveness landscape of 148 countries and provides insight into the drivers of their productivity and prosperity (published by World Economic Forum; GCI, 2013).
- Transparency International's Corruption Perception Index which ranks and scores the perceived levels of public sector corruption in 177 countries and territories, essentially representing the ethical governance leadership of the Government (TI, 2013)
- National social responsibility index that indicates the social responsibility commitment practice of nation States, which studies how different nations treat their stakeholders in an ethical and socially responsible manner (Adam-Hopkins and Hopkins, 2014)

To study how ethical leadership relates to employee organizational commitment, the nine-item shortened positive-worded version of OCQ (Organizational Commitment Questionnaire) of Mowday, Steers and Porter (1979) and Brown, Trevino and Harrison (2005)'s Ethical Leadership Scale (ELS) were adopted. Both questionnaire instruments were answered using the Five-point Likert Scale, which state the extent to which the respondents agree with the questionnaire items (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, and 5 = strong agree). Thus responses of both ethical leadership and commitment were sought from the perceptions of the employees. This makes sense as leadership, as shown in Osborn, Hunt, and Jauch (2011, p. 221), is "not something one does by itself. Its dimensions emerge from actions and interactions."

Exploratory factor analyses were performed. Ponnu and Tennakoon (2009) identified two factor loadings from Mowday et al.'s (1979) questionnaire items, namely the demonstration of ethical conduct and the promotion of ethical conduct to followers. This research shows a different factor loading pattern that actually is more aligned with the traditional definition of

business ethics text (Carroll, 1979), consisting of the de-ontological factor, the utilitarianism factor, fair and trustful factor, and caring and discipline or contingent reward factor in the ethical leadership construct, and the social contract and beyond normative obligation factors in the employee's organizational commitment construct.

DATA ANALYSIS, RESULTS AND DISCUSSION

This section presents the analysis of the results of the research, organized according to the respective research objective.

Discussing Research Objective 1

Exploratory factor analysis of employee's organizational commitment indicates two distinctive factors, as shown in Table 1:

- Social contract factor and
- Beyond normative or obligation factor

The latter is a theme of the extra-role behavior (van Dyne, Cummings, and McLean-Parks, 1995) which has a meaning similar to that of organizational citizenship behavior (OCB; see Organ, Dodsakoff, and Mackenzie, 2006). OCB attempts to benefit the organization and that goes beyond existing role expectations. However, social contract factor signifies commitment as a bond, investment, exchange, identification (Klein, Becker and Meyer, 2009) and is a motivation and willingness to persist a course of action because of some sense of social contract or obligation (Vance and SHRM Foundation, 2006).

Cronbach-Alpha confirmatory reliability measure of 0.7339, that assesses the degree of consistency between multiple questionnaire item measurements, is obtained for the social contract commitment factor, which is consisted of six loaded items. Since 0.7339 is above the minimum acceptable level of 0.70 (Hair et al. 2006), the items are considered meaningfully and reliably measured. The other loaded items are 2-3 numbers of items and thus are excluded from the reliability Cronbach-alpha analysis as the factor analysis has reflected the intended construct meaning.

Specifically, Table 1 indicates the VARIMAX rotated factor loadings for both the ethical leadership variable and the employee organizational commitment variable. According to Hair et al. (2006), VARIMAX seems to give a clearer separation of the factors, as clearly shown in Table 1.

TABLE 1: EXPLORATORY FACTOR ANALYSIS OF ETHICAL LEADERSHIP (THE LEFT TABLE) AND EMPLOYEE ORGANIZATIONAL COMMITMENT (THE RIGHT TABLE) (SOURCE: DEVELOPED FOR THIS RESEARCH)

Rotated Component Matrix

	Component			
	1	2	3	4
Head Ethics 6	.804	-.133		.127
Head Ethics 5	.791	.237	.228	
Head Ethics 10	-.133	.791	-.201	
Head Ethics 9	.107	.636	.302	
Head Ethics 8		.590	.139	.517
Head Ethics 4			.751	
Head Ethics 3	.320		.730	.210
Head Ethics 2			.214	.730
Head Ethics 7	.215	.264	-.286	.627
Head Ethics 1	.399	-.149	.138	.426

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Rotated Component Matrix

	Component	
	1	2
Respondent 6	.831	
Respondent 5	.797	
Respondent 7	.709	.118
Respondent 2	.627	
Respondent 8	.573	.370
Respondent 4	.349	
Respondent 3	.113	.798
Respondent 1		.626

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Ethical leadership (cf. Brown, Trevino, & Harrison, 2005):

Factor 1 – de-ontological (items 8, 9 and 10)

Factor 2 – utilitarian or result (items 5 and 6)

Factor 3 – Fair and trustful (items 3 and 4)

Factor 4 – Caring and discipline or Contingent reward (items 1, 2 and 7)

Employee organizational commitment (cf. Mowday, Steers, & Porter, 1979):

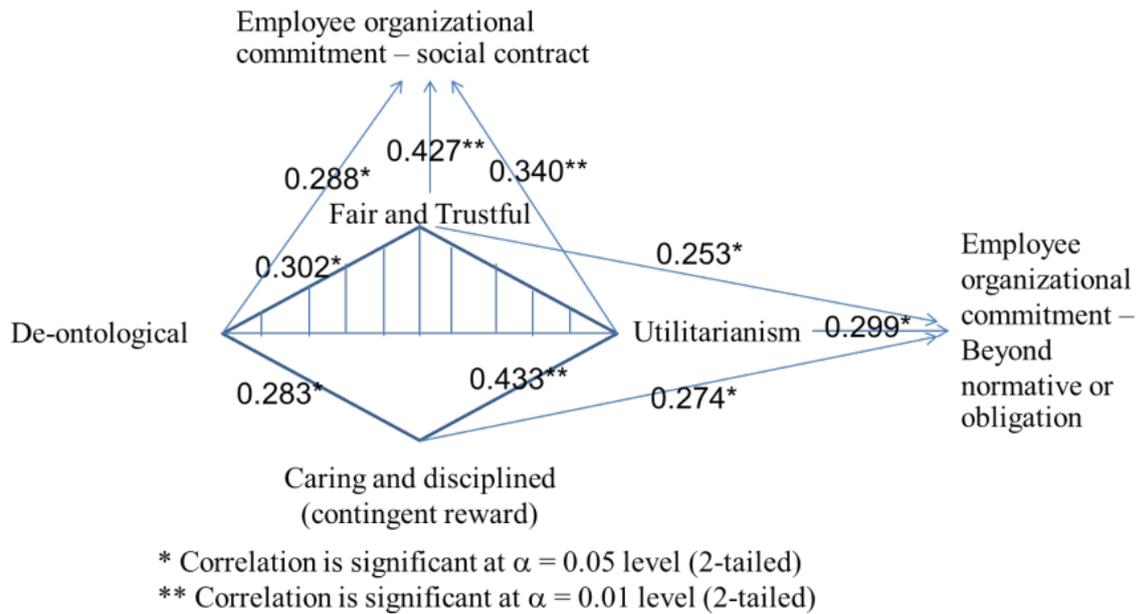
Factor 1 – social contract (items 1 and 3)

Factor 2 – Beyond normative or obligation (items 2, 4, 5, 6, and 8)

Discussing Research Objective 2

The correlation and regression analyses lead to a structure, depicted in Figure 2 that describes the significant interrelationship among the factors of ethical leadership domain and the employee’s organizational commitment. Thus hypothesis 1 is supported. The characteristics of ethical leadership resemble to those of business ethics (Carroll, 1979), namely, de-ontological approach, utilitarianism approach, fair and trustful, and caring and discipline or contingent reward aspects of business ethics (Carroll, 1979; Tan, 2014). Virtue, caring and being justice actually manifest the ethical characteristics of the individualized consideration of transformational leadership (Bass and Avolio, 1997). In addition, commitment variable, consisting of social contract and beyond normative obligation factors, also represent a significant implication for corporate citizenship behavior (Organ, Dodsakoff, and Mackenzie, 2006) and extra-role behavior (van Dyne, Cummings, and McLean-Parks, 2006).

FIGURE 2: ETHICAL LEADERSHIP – EMPLOYEE ORGANIZATIONAL COMMITMENT DYNAMICS (SOURCE: DEVELOPED FOR THIS RESEARCH)



As such, the hypothesis suggesting a significant relationship between ethical leadership and employee's organizational commitment is supported. However, it is supported in the following understanding.

There is a commitment to persist the obligation to remain and the affective attachment to the organization, which shared the same finding by Meyer and Allen (1991). This type of commitment is seen as an attitude, obliging force, a bond to the commitment target, as investment, identification, congruence, and motivation to obligate a social contract (Klein, Becker, and Cooper, 2009).

In addition, beyond-normative or obligation dimension of employee's organizational commitment is also important, as this factor manifests a role of corporate citizenship or extra-role behavior. This commitment enhances the effective bonds among organizational members through employees seeing evidences of ethical leadership in clarifying the mission, vision and ends (doing the ethical right things, utilitarianism) and also showing the attitude of caring, rewarding rightly, and being fair and trustful. These conditioning variables are important as without them, employees are losing the willingness to reach beyond the norms as designated in their roles. Thus feature of transactional leadership such as rewarding rightly also augment the effects of the transformational leadership in terms of articulating an inspiring vision to the employees and to provide a caring atmosphere and trust to help stimulate their intellectual contribution. Thus, employee's commitment to organization clearly has strong interaction with how employees perceive their leader acting, and Figure 2 also possess the characteristics of transactional leadership (i.e. disciplined and contingent reward), transformational leadership (i.e. caring as in individualized consideration and intellectual stimulation through de-ontological principle and utilitarianism vision) and authentic leadership (cf. Avolio and Bass, 1991).

In short ethical leadership, as shown in Figure 2, is a process that is similar to business ethics management, which is concerned with ethical means and ends, while being authentic, fair and trustful, yet caring and reward employees fairly.

Social contract commitment, which shares the similar themes of Rousseau (1995) in terms of commitment, as psychological contract fulfilment, describes this perception of mutual obligation as a “psychological contract”, which can take various forms, the most common being transactional contracts and relational contracts. To achieve this social contract commitment, ethical leadership of both deontological and utilitarianism nature of attitude is demanded, which implies the employees gain commitment through seeing the leaders demonstrating doing the things ethically right (deontology, or making decisions based on ethical principles), or doing the ethically right things (utilitarianism, or making decisions based on ethical consequences), while also showing being fair and trustful, caring and reward accordingly.

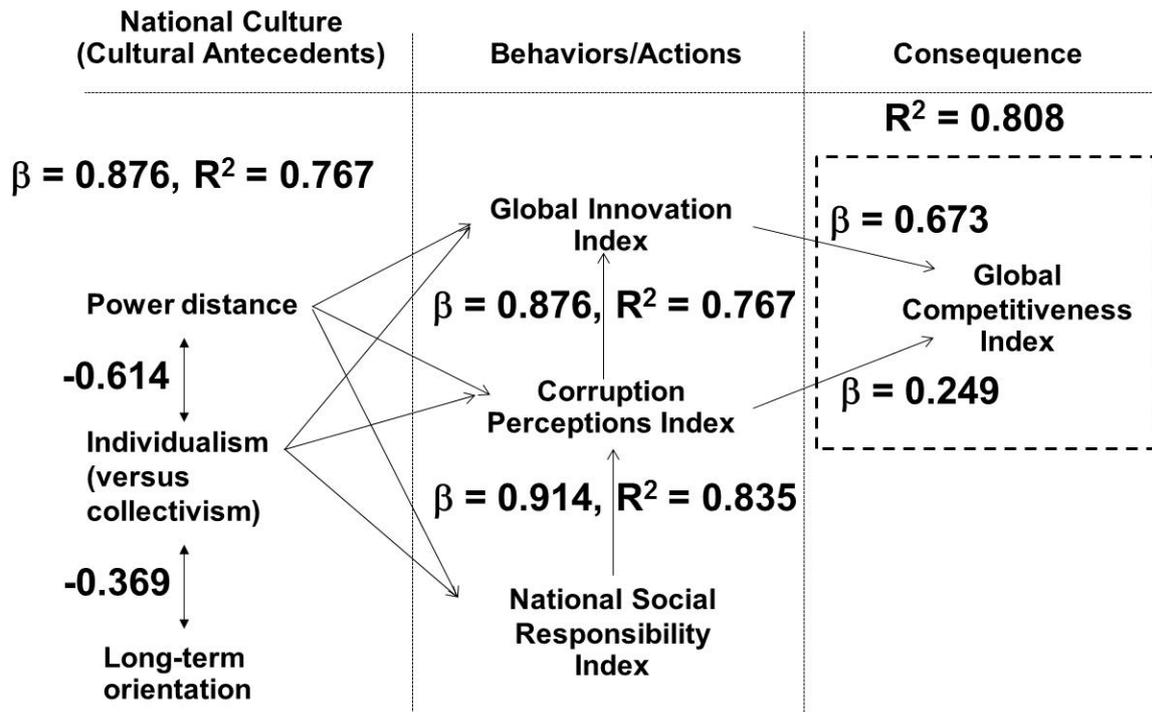
Discussing Research Objectives 3 and 4:

Correlation and multivariate regression analyses were performed. Only global innovation index and corruption perceptions index have shown significantly positive association with global competitiveness index. Thus, hypothesis H2 is supported. Figure 3 indicates the outcome, which also shows the percentage of variance in the dependent variables that the predictor variables collectively account for:

- Both the global innovation index and corruption perceptions index account for a significant 80% of variation for the global competitiveness index.
- National social responsibility index accounts for a significant 83.5% of the corruption perception index.

The significant level of both cases is 0.001. Besides, each of the predictor variables also shows significant weight of standard coefficients (or Beta values), and this gives an indication of the relative importance of the predictor variables in uniquely accounting for the variance in the dependent variable. In addition, the t-test, which is used to examine whether the variance explained by each predictor variable is statistically significant, confirms the significance at 0.001.

FIGURE 3: DETERMINANTS OF NATIONAL COMPETITIVENESS (SOURCE: DEVELOPED FOR THIS RESEARCH)



Multivariate regression's beta significant at 0.001 level while correlation [for Hofstede's Cultural Dimensions only] at 0.01 level (2-tailed)

The explanation of Figure 3 is as follows, which has significant implication to what has been observed at the employee-organizational level. It indicates that corruption perceptions index, an indicator of social contract of the government to the nation and the industries, together with extra-role behavior, that of global innovation index, account a significant percentage of variation in the level of achievement in global competitiveness of nation. Thus these two variables consist of the same dimensions of employee's commitment to organization in the view of ethical leadership. Ethical leadership can also be inferred by national social responsibility index and corruption perceptions index.

The interrelationship among the ethical factors of the government and national innovation state of achievement is a crucial result. Ethicality could be upheld, as shown in Figure 2 at organizational level, through its influence on the social contract and extra-role level, and this is represented by adhering to laws without corruption (social contract) and governmental role in promoting and realizing innovation strength (extra-role behavior). As argued in Visser (2011), while social contract focuses predominantly on standardization it does not foster the kind of creativity that is needed to solve the complex social, environmental and ethical problems we face (see Visser, 2011, p. 167). Also, creativity and innovation have tendency to be destructive – a theme popularly made known by Schumpeter (2009) in his creative destruction concept. Since there has never been a shortage of creativity (ibid, p. 165), ethical leadership in this innovation process becomes important. Thus, Figure 3 and the result of Table 2 provide important perspectives to both practitioners, researchers, and the government. This also provides alternative empirical evidence to the Diamond model of

Porter (1998). Figure 3 also shows a negative correlation between future orientation and individualism. This can be understood by the fact that the majorities of higher level of future-oriented countries are the Asian countries, represented in majority by the middle-income nations of the Hofstede's data (Hofstede, 1980a; 1980b; also see www.harzing.com/download/hgindices.xls).

Table 2 fills up the blanks of parts of the linkages in Figure 2 which indicates the effects of Hofstede's national culture dimensions on the three determinants to national competitiveness. Hofstede (1980a; 1980b; 1991) argues that societies can be uniquely described along four major cultural dimensions: power distance, individualism, masculinity and uncertainty avoidance, while future orientation, being incorporated later (see Hofstede, Hofstede, and Minkoy, 2001; Hofstede, Neuijen, Ohayv, and Sanders, 1991). Only power distance and individualism-versus-collectivism cultural characteristics play significant role in influencing the corresponding dependent variables, namely global innovation index, corruption perceptions index, and national social responsibility index. To Hofstede (1980a), individualism pertains to individual responsibility over their roles and commitment for progress in life, whereas collectivism reinforces members to be tightly integrated into strong, cohesive in-groups throughout lifetime. In terms of power distance, according to Hofstede (1980a), power distance is the extent to which the less powerful individuals in a society accept inequality in power. In fact, the term power distance was coined by Mulder (1976) to mean "the degree of inequality in power between a less power individual and a more powerful other in the social system (ibid, p. 90).

TABLE 2: STANDARDIZED REGRESSION COEFFICIENTS (BETA VALUES) OF THE PREDICTOR VARIABLES TO THE DEPENDENT VARIABLE AND VARIATION PERCENTAGE

Dependent Variable Predictor Variables	Global innovation index	Corruption Perceptions Index	National Social Responsibility Index
Power distance	$\beta = -0.344$	-0.371	-0.363
Individualism	$\beta = 0.546$	0.560	0.526
	R² = 0.598	0.460	0.625

From Table 2, the hypothesis H3, that describe the influence of various Hofstede's cultural dimensions to global innovation index, corruption perceptions index and national social responsibility index, are supported:

- Power distance is significantly negatively associated with the three dependent variables.
- Individualism (versus collectivism) is significantly positively associated with the three dependent variables.

These findings were also shared the similar research outcomes of Vitell, Nwachukwu and Barnes (1993), being argued that in countries with a large power distance, superiors are expected to act autocratically without consulting subordinates, resulting in higher tendency for corruptions and unethical behaviors. On the lower scale of individualism, it reflects the cultural characteristics towards collectivism, which is a cultural norm that members in a society try to protect the interests of their members in response to receive permanent loyalty and membership. The multivariate regression analysis shows that the higher the collectivism or the lower the individualism the perceived corruptions of nation increases, national social responsibility is reduced, and innovation capability is also reduced.

Lastly, to study how the ethical leadership of nation, depicted by corruption perceptions index and national social responsibility, influences the competitiveness-enabled factors as originally advocated by Porter (1998) in the Diamond model, data of Lin and Edvinsson (2011, p. 3-4) are incorporated that capture the following dimensions of national intellectual capitals:

- Market capital – refers to the general assets embodied in the nation’s relationships with the international market.
- Process capital – which is the cooperation and flow of knowledge that require structural intellectual assets.
- Renewal capital – refers to a nation’s capabilities and real investments made in an effort to increase its competitive strength in future markets i.e. capacity for innovation.
- Financial capital – refers to GDP (Gross Domestic Product), external debt, industrial production by major branches and inflation.
- Human capital – is the knowledge and competency level of the nation.

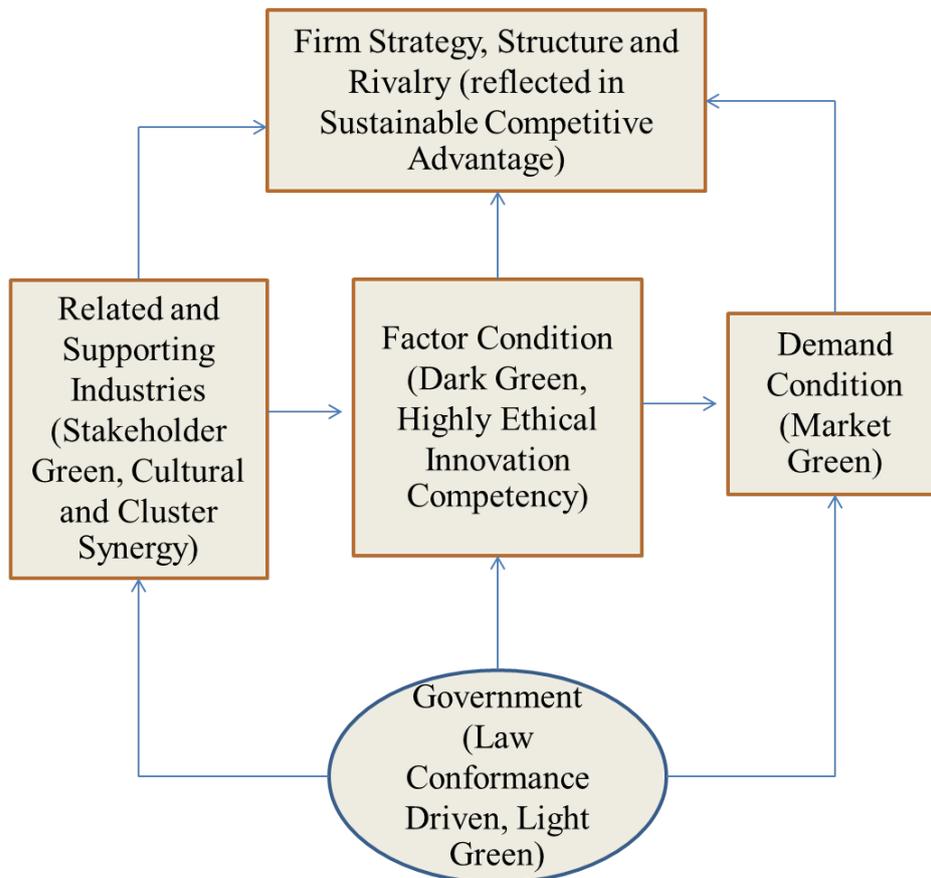
TABLE 3: CORRELATIONS BETWEEN NATIONAL INTELLECTUAL CAPITALS AND GLOBAL COMPETITIVENESS AND INNOVATION INDEX, CORRUPTION PERCEPTIONS INDEX AND NATIONAL SOCIAL RESPONSIBILITY (SOURCE: DEVELOPED FOR THIS RESEARCH)

	Human Capital	Renewal Capital	Financial Capital	Process Capital	Market Capital
Global Competitiveness Index	0.736	0.873	0.642	0.865	0.646
Global Innovation Index	0.841	0.868	0.805	0.919	0.633
Corruption Perceptions Index	0.845	0.789	0.758	0.917	0.685
National Social Responsibility	0.864	0.757	0.839	0.912	0.605

All correlation coefficients significant at 0.01 level (2-tailed)

In short these five capitals give an integrated and balanced picture of a country’s potential and commitment for future growth as we see it today (ibid, p. 3). The current movement towards Marketing 3.0 (Kotler, Kartajaya and Setiawan, 2010) and the innovative strategy development of corporate social responsibility concepts (Newman and Robbins, 2011) are evidencing that these capitals have now captured the essence of some exemplary greenness practices (see Freeman, Pierce, and Dodd, 1995; 2000). As such, ethics is not just an inseparable part of strategy but the strategy itself, as highlighted in Figure 4.

FIGURE 4: THE FOUR GREENNESS ETHICAL LEADERSHIP STRATEGY AND COMMITMENT FOR SUSTAINABLE COMPETITIVE ADVANTAGE (SOURCE: DEVELOPED FOR THIS RESEARCH, ADAPTED FROM PORTER, 1998)



Source: Adapted or modified from Michael Porter’s (1998) Diamond Model

The four shades or levels of green commitment, first originated in 1995 (Freeman et al. 1995) and as shown in Figure 4, remain an effective way to describe some of the nuances in how business extend ethical contribution to the environment (Newman and Robbins, 2011).The following illustrate the four green ethics-as-innovation leadership practice and commitment of some of the Thai organizations, as depicted in Figure 4, as a result of the synthesis from their recent annual reports:

- Light green ethics-enabled business strategy – companies committed to this light green strategy actively pursue public policies, and challenge their innovation competencies to comply with the laws in order to bring the best products or services to the consumers. Thus this ethics-induced innovation i.e. technology enables a company to gain an advantage over competitors. For instance the mobile industry (see DTAC, 2013) introduced smaller mobile SIM card as ways to help reduce pollution and save energy and also to meet the compact desire of the consumers.
- Market green ethics-enabled business strategy – skillfully challenges the utilitarianism mindset of the company to attend to the trendy needs of the market i.e. for environmental friendly products. This commitment helps promote maturity in the demand condition for greenness and market ethics, along the current marketing 3.0 direction as advocated by Kotler, Kartayaja, and Setiawan (2010). For instance, Thai Government Savings Bank (GSB) implemented a CSR (corporate social responsibility) driven strategy that helped the communities to build fish home, to protect the sea and the coastline areas and to provide the necessary education to help improve their living conditions. This ethics as social engineering strategies as such allows the communities to forge good relationship with GSB, build GSB brand image which ultimately improve revenue creatively (GSB, 2010). Another example is Siam Cement Group's COTTO hygienic tile product with ninety percent anti-bacteria tile surface that attends to health and cost saving needs of the society (SCG, 2012).
- Stakeholder green ethics-enabled business strategy – companies seek collective commitment and motivation from the value chain members and broader stakeholder groups in order to share and implement common greenness ethical values. Thus the stakeholder members share some similar cultural values. Examples include President Bakery's CSR (Corporate Social Responsibility) commitment on value-chain operations (i.e., on energy saving and reduction of pollution), to societies (i.e., to provide nutrition knowledge via "Farm House Cooking Club" and help set up libraries for learning to train youths to read, write and narrate), and as corporate citizen to help maintain clean environment (i.e. supporting conservation and cleaning activities. Another example is the traceability, ISO 22000 and ISO 14000 management systems committed by Charoen Pokphand Foods public listed company (CP, 2013).
- Dark green ethics-enabled business strategy – companies intend to bring its factor conditioning, to its climax by instilling and promoting a culture of and competency for ethical innovation i.e. by exploring and exploiting the cradle-to-cradle concept. Thus commitment is aimed to not just to reduce, recycle and reuse, but to actually re-conceptualize the entire business model and product concepts that contain a large portion of earth-and-health regenerative mechanisms. As this strategy needs higher competency in both scientific knowledge and ethical vision commitment, Thai industries do not yet engage in this dimension of strategy. Examples available from Canada and the States of America include 100 per cent biodegradable shoes concept, 100% hemp-made body of sport car, in replacement of steels, and building construction materials (Tan, 2014).

Thus the ultimate cognitive capability level of business ethics is that business ethics is not a separate dimension of strategy, but is the strategy itself as well as its context. Altogether, the ethical inclusion actually creates a space of innovation and creativity that enables business strategists to look beyond the traditional routes of thoughts in delivering the profitability

objective. Essentially, these four greenness strategies provide an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage. Thus realizable capable strategies to establish sustainable competitive advantage is a manifestation of organizational commitment (Hitt, Ireland, and Hoskisson, 1996, p. 115), which needed the support of the government (i.e. in conforming to their social contract in preventing corruption) and the overall innovation capability of the nation and its industries, as illustrated in Figure 3.

IMPLICATIONS FOR RESEARCH, PRACTICE AND THE GOVERNMENTAL POLICY

The empirical study suggests that leaders should actively focus on the deontological factor of leaderships (i.e. making decisions based on ethical principles), utilitarianism (i.e. making decisions based on ethical consequences), fair and trustful, and caring and being disciplined, to stimulate and develop employee's organizational commitment. Future research on ethical leadership now can share the same dimensions of themes as traditionally discussed in the texts and research of business ethics (cf. Carroll, 1979). Thus practical aspect of this finding is that ethics and leadership now become two sides of the same thing, a similar theme shared by the four shades of greenness practices originally proposed by Freeman, Pierce and Dodd (1995), further illustrated in Freeman, Pierce and Dodd (2000).

The structured parsimony of the interrelationships of the factors characterizing and developing ethical leadership is aimed to promote research utility that has wide scopes of applications in the community and the industry. The government could use this research finding to help them actively focus on the ethical leadership dimension and contents of their governance strategies and attitude. Research shows positive correlation and interrelationship among the national intellectual capitals and corruption perceptions index, national social responsibility, global innovation index and global competitiveness index. In short, whether leaders at organizational or national level, it is vital to stimulate overall ethical context and infrastructure so as to develop people commitment. In addition, the research shows the important role played by national culture on the nature and effort of ethical leadership as well as on national competitive advantage, innovation and national intellectual capitals.

The research, indicated through Figure 3, also indicates an ABC framework that captures how cultural antecedent influences the ethical leadership behavior and the people commitment in developing and implementing competitiveness-enabled infrastructure and systems that in the end could result in competitive advantage. Thus organizational and national leaders must actively focus on HRD (Human Resource Development) strategies and provide a learning atmosphere to inculcate applicable sets of culture, as the association among culture, innovation, intellectual capitals (i.e. business model) and competitiveness have been significantly supported.

LIMITATIONS

Lately the movement of Marketing 3.0 towards embedding the concept of spiritual orientation in their business pursuits, with a trust on spiritual fulfillment, community-based

participation and co-creation, could gradually build a global culture of future orientation. This movement that shifts to spiritual theme and creative zones of corporate social responsibility, responsiveness and rectitude can already be seen in Kotler, Kartajaya and Setiawan (2010), Freeman, Pierce and Dodd (2000), and Newman and Robbins (2011). Thus, future orientation which does not show significant relationship to either ethical commitment of government may be altered. At this juncture future orientation is seen as having a negative correlation with individualism. Thus may be a more microscopic detailed investigation into future orientation measurement should be investigated.

The other limitation is sample size for the primary data on employees' commitment to organization and their perception of their leader's ethical attitude and behavior in organizations. Future research should extensively broaden the sample size while also make an effort to conduct causal-comparative research which aims to compare across industries, both private and public sectors, the SMEs and the larger enterprises.

In addition, primary data should be obtained at national level by studying the nature and structure of commitment at the industry level, represented by the perception of the organizations, and the perception of their government's ethical leadership in the view of the preliminary model as identified in Figure 2. Doing so allows the research to consolidate evidences to either support or to refute a theory of ethical leadership, as depicted in Figure 2, to extend to national level.

CONCLUSION

Recent concern over numerous misdeeds by business and government leaders worldwide (Lin, 1999) justifies this research effort, particularly in Thailand and elsewhere in ASEAN countries where graft and corruption are pervasive and have negatively impacted on social progress (Egan and Perryer, 2012; Perryer, Egan and Sheehan, 2012).

The effort of this research clearly showed the significant relationship of the two disciplines of knowledge, namely ethical leadership and business ethics. Also, ethical leadership is action of leader that is heavily loaded with ethical commitment but also possess the characteristics of the traditional leadership themes i.e., transactional leadership, transformational leadership and authentic leadership. Both social contract and beyond contractual obligation dimensions of employee's organizational commitment were found and both showed significantly positive correlations to ethical leadership. While deontological and utilitarianism dimensions of ethical leadership, together with being fair and trustful are important to social contract commitment, the vision-driven or utilitarianism-focused factor of ethical leadership plays more significant role for establishing beyond-obligation commitment, corporate social citizenship or extra-role behavior.

Finally, the research extended the works of ethical leadership and its influences on employee's organizational commitment to the national level, by studying how ethical leadership actually play a significant role to the state of achievement in national innovation and competitiveness. The result shows that nations of higher corruptions perceptions and lower degree of national social responsibility lead to lower levels of achievement in both

innovation and competitiveness. The same relationship structure is also exhibited for the national intellectual capitals. Although the exact mechanisms and configurations of the ethical leadership at national level are not studied in this research, the preliminary research findings, based on the available secondary data on national level, already indicate a significant role of ethical leadership in enabling positive outcomes i.e., competitiveness and innovation.

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