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## AUTHENTIC LEADERSHIP AND ETHICAL BEHAVIOR OF EMPLOYEES IN COMMERCIAL BANKS IN KENYA

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### Abstract

**This study conceptualized and tested the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya. Previous researchers have argued that authentic leadership influences performance of organizations. Few studies that have looked at the relationship between authentic leadership and ethical behavior of employees have reported conflicting results. As a result, there was need to conduct more studies to establish the existence of the relationship between the study variables. The main objective of the study was to establish the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya. The study specifically aimed at establishing the effect of authentic leadership on ethical behavior of employees. A descriptive survey design used structured questionnaires to collect data from 384 employees of commercial banks in Kenya. Inferential statistics were used to analyze the data. Hypothesis test was done using simple linear regression analysis. The study findings indicated that authentic leadership had a significant influence on ethical behavior of employees. The findings made significant contribution to knowledge by validating the propositions of Integrity theory that informed the study in commercial banks in Kenya. Further, the results provided value to policy makers in human resource management and commercial banks as far as entrenching authentic leadership in their organizations is concerned. The study therefore recommends that the commercial banks in Kenya leadership promotes authentic leadership so as to improve ethical behavior of employees in their respective banks. The study proposes that future studies consider other contexts and different research designs.**

**Keywords:** Authentic leadership and ethical behavior of employees

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## Introduction

Extant literature show that Human Resource managers today face challenges that they never had before due to the increased call from society for a more accountable, transparent, honest and ethical behavior in the organizations which has led to the growth of authentic leadership (Gardner, Cogliser, Davis & Dickens, 2011). Current literature and observations around the world show that organizations have incurred high business costs as a result of behaviors leading to corporate scandals. These scandals have been responsible for hefty fines, interruption of usual business operations, increased employee turnover and reduced employee morale, difficult recruitment processes, erosion of public trust in the status of the organization and internal fraud (Nash, 1990). In these circumstances, organizational leaders are expected to build strong Human Resource Management (HRM) systems that align human behavior throughout the organization (Bowen & Ostroff, 2004). The role of HRM leadership in developing ethics in organizations is important because of the massive influence that human resource management practices have on employees. HRM need leaders at all levels of the organization who are able to mold the behavior of employees to the required level. This kind of leadership is authentic leadership (Gill, Gardner, Claeys and Vangronsvelt (2018).

This study advances a proposition that authentic leaders by virtue of their inherent role model are expected to play a significant role in the Human Resource (HR) practices which could then impact the behavior of employees. This is because authentic leaders possess the skills and motivation to work with all other leaders within the organization including human resource practitioners, line managers as well as employees for smooth implementation of HR practices to maintain integrity. Sanders and Frenkel (2011) asserts that using leadership behavior of line managers such as supportive

leadership, HR can use their ability and willingness to enter into a partnership with line managers and tap the capability of line managers to implement HR practices which can improve the behavior of employees in their organizations. The assumption here is that authentic leadership could contribute to HRM by providing a link on the role of line managers as leaders in the Human Resource Management systems (Sikora & Ferris, 2014).

## Authentic Leadership

Authentic leadership has several definitions with different observations and emphasis. Authentic Leadership is a design of clear and ethical leader actions that promote transparency in dispensing knowledge required to make conclusions while acknowledging employees' contributions (Avolio *et al.*, 2004). Eagly (2008) described authentic leadership as social processes between leaders and followers. Walumbwa, Avolio, Gardner, Wensing, and Peterson, (2008) on their part defined authentic leadership as a form of leader conduct which is based on constructive psychological capacities which enhance self-awareness, openness in processing information, being transparent and fosters self-progression. Shamir and Eilam (2005) argue that the interpersonal dimension of authentic leadership embraces the leaders' self-concept and exhibits real leadership that lead from confidence and genuineness.

Authentic leadership explains how a leader relates with employees at the place of work and the way the employees are influenced by the form of leadership. Northouse (2010) identified four key elements of authentic leadership as: relational transparency, self-awareness, internalized balanced processing of information as well as moral perspective. A central attribute of authentic leadership is that it challenges long established perspectives of leadership as a top-down process of influence where employees align with and enact the vision of the leader (Avolio & Gardner, 2005) or alternatively,

authentic leadership leans on the idea of empowerment and specifically, proposes that the influence of leaders may occur by creating space for the authenticity of other stakeholders such as employees as well as top management (Gardner, Avolio, Luthans, May, & Walumbwa, 2005). As demand for accountability increases in organizations, the kind of vibrant progression on influences that challenge outdated ideas of strategic alignment, tend to force those in leadership together with their followers to go along with such process in ensuring full implementation of strategic goals in human resource department and/or top management.

Walumbwa, Wang, Wang, Schaubroeck, and Avolio, (2010) have observed that to become an authentic leader, one must have knowledge of his or her strengths and weakness, values as well as what one stands for and also demonstrate to others the meaningfulness of their leadership. Such leaders act genuinely and consistently in public or private and are not afraid of showing their weakness and admit their mistakes which is demonstrated by their self-awareness attribute. Relational transparency attribute is concerned with the genuineness of the leader and subordinate's relationship where sharing of information is in an open mode. An authentic leader's relational transparency is explained by truthfulness as well as straightforwardness of authentic leaders as they handle others because they do not have disguised motives and are clean before everyone. On the other hand, the balanced processing attribute which refers to a leader's consideration of all pertinent facts and different opinions of the stakeholders before making a decision (Gardner *et al.*, 2005). Lastly, internalized moral dimension reflects a leader's internal effort to realize uniformity between his/her values and actions by integrating his/her internal moral standard and values by always sticking to their internal value system and avoiding internal and external pressures (Avolio & Gardner, 2005).

### **Ethical Behavior of employees**

The field of organizational ethics is concerned with the ethics of business firms and of employees and groups in those business enterprises. Lewis (1985) asserted that business ethics are made up of the regulations, norms, philosophies or rules providing parameters for ethically well-founded behavior. Jones (1991) defined ethical behavior as behavior that complies with the ethical requirements which are accepted by the larger society. Muler *et al* (2014) on the hand described ethical behavior as the application moral norms depending on the circumstances and immensely come from traditions and values individuals obtain from learning in society regarding right and wrong actions. Kaptein (2008) described employee ethical behavior as those practices which are compatible with the stipulations of the larger society.

Jones (1991) opines that the implication of ethical behavior is the adherence to the prescribed ethical norms, whereas unethical behavior has an implication of ignoring the prescribed moral norms and as a consequence, unethical behavior inside and outside of business firms are those behaviors which are ethically not accepted by the larger population. Kaptein (2011) posits that ethical behavior does not violate the widely accepted values within an organization or an individual, rather, it embraces legitimate behavior, observance of rules and compliance to formal and clear regulations directly or indirectly while unethical behavior on the other hand deliberately contravenes the commonly accepted moral values of a society or a firm. This violation can be by individual employees of an organization or the organization against the employees or clients.

### **Commercial Banks in Kenya**

There are forty-six (46) commercial banks operating in Kenya under the banking act, Cap 488 laws of Kenya and Prudential Regulation that are issued there under. The report of the

Central Bank of Kenya Fraud Investigation Unit (2017) shows that many clients have lost substantial amount of money due to fraud which in many cases points at the collusion between bank employees and the fraudsters. The World Bank (2003) observed that some of the unethical conducts in commercial banks are: - interest fraud, float abuse, unfair trade practices, in appropriate decisions by managers, employee theft, insider trading and invasion of privacy.

As a result of these un-ethical activities within commercial banks in Kenya, the Kenya Bankers Association (KBA) recognized ethics in banking leading to the development of Banking Code which was operationalized in 2001 to guide the subscribing banks on how to deal with the clients. Key commitments of this code included professional behavior, fairness and being reasonable when handling customers and considering issues related to products and services to be within ethical paradigm (KBA, 2001). However, the situation on the ground suggests the opposite as supported by Jasevičienė (2012) that the codes of ethics for most banks are mechanical, and failed to place much emphasis on complying with ethical norms. Since the success of commercial banks in Kenya depends to a large extent on trust as well as confidence the stakeholders have in them, ethical behavior and values play a very critical role in the creation of confidence and mutual trust they need in order to better their performance (Levine, 2004). Since most of the concerns raised by Banking Fraud Investigation Unit border on ethics, the bank leadership and employees are therefore expected not to be ignorant of what is ethical and what is not ethical.

### **Research Problem**

Ethical issues have caused a lot of distress for business organizations for a long time. The field of organizational ethics is concerned with the ethics of business firms and of employees in business enterprises. Lewis (1985) asserted that

business ethics are made up of the regulations, norms, philosophies or rules providing parameters for ethically well-founded behavior. Jones (1991) conceptualized ethical behavior as action and decisions that comply with the ethical principles which are accepted by the larger society. Geeta, Pooja and Mishra (2016) noted that in business activities, ethical behavior has received continuous development. Though authentic leadership has been found to have strong hold on employee ethical behaviors, some studies have indicated the contrary. For example, Shea (2016) in a study of the impact of authentic leadership on ethical behavior found that authentic leadership does not have effect on ethical behavior of employees; Gill *et al* (2018) found that boundary issues such as country or context can limit the influence of authentic leadership on ethical behavior.

Avolio *et al* (2004) in their study, looking at the process by which authentic leaders' impact follower attitudes and behaviors, found that contextual factors, some of which can be beyond the control of authentic leaders limit the effect of authentic leadership on ethical outcomes. Trevino, Brown and Hartman (2003) in their study of perception from inside and outside executive suite found that most managers use traditional management levers like codes of ethics to manage employee ethical behaviors. However, these approaches were perceived by employees to be manipulative and intrusive. For example, Jasevičienė (2012) found that most banks had mechanical codes of ethics which failed to emphasize compliance with the ethical norms of the banks, resulting in an increase in the number of protests and annoyance from customers. Some of the studies reviewed above found in several organizations that codes of ethics are assumed by employees to be mechanical and have not generated much in enhancing ethical compliance of employees. The current study employed non-manipulative approach to managing organizational ethics, namely authentic leadership which is non-

coercive and has been given little attention in the previous studies on organizational ethics. These conflicting results observed in the previous studies could be due to boundary issues or any other factors. The inconclusive research findings by previous studies arising from the conflicting outcomes imply that there is need for more research on the effect of authentic leadership on ethical behavior of employees. The pertinent question is: what is the relationship between authentic and ethical behavior of employees in commercial banks in Kenya?

Commercial banks in Kenya, as elsewhere, are expected to operate in an accountable, transparent and ethical manner for them to win a continuous confidence from their clients. Ethics in commercial banks is simply about the extent to which customers and other stakeholders perceive employees of the banks as faithful and honest, impartial, trustworthy, value key governance principles and perform their duties in a transparent way (Kour, 2021). In the context of the current study, banking operations are becoming more intricate and the dividing line between what is permissible and what is not continues to be more blurred (World Bank, 2003). Studies around ethical matters and ethical activities in banks have been of great interest (Fetinuic, 2014). These studies have shed more light to the important role of ethical conduct in enhancing loyalty of the customers, profitability as well as overall performance. A significant number of the studies were done with a view to understanding bank failures both in the international and local Kenyan context. For example, a study by Dorasamy and Abdel-Baki (2014) found that unethical banking practices were responsible for commercial banking failures in Egypt. A literature review by Kuor (2021) found that some of these studies blamed unethical behavior as well as failure by banks to observe the codes of ethics as the major causes for most bank failures. A report by the Central Bank of Kenya Fraud Investigation Unit (2017),

many Kenyans have lost substantial amount of money due to fraud which in many cases is due to collusion between bank employees and the fraudsters. These cases include disclosure of account details of the bank clients to fraudsters, inadequate disclosure of vital information regarding bank charges and other criminal acts being investigated and prosecuted by the Bank Fraud Investigation Unit under the directorate of criminal investigation. The World Bank (2003), observes that some of the un-ethical conducts in commercial banks are: - interest fraud, float abuse, unfair trade practices, in appropriate decisions by managers, employee theft, insider trading and invasion of clients' privacy.

Mathenge (2013) did a study on the value system of commercial banking in Kenya and concluded by emphasizing on the need to enhance ethical values in the banking industry in Kenya by establishing policy that leads banks to develop ethical work environment for banks. As apparent from the foregoing literature, ethical behaviors still remain a concern in organizations especially the banking sector and needs more research that may lead to better solutions. Literature reviewed suggests that authentic leadership influences employee work attitudes and behaviors that contribute to organizational performance but boundary issues can affect the influence of authentic leadership. Most studies were done in the western world and their applicability in the developing countries like Kenya is still not known. This is in part the motivation for conducting this study in Kenya. It is therefore likely that authentic leadership can explain ethical behavior of employees. Authentic leadership as pointed out earlier, can enhance moral behavior in organizations due to the fact that it is inspiring, encouraging and enticing and thus gives employees a sense of obligation. The research problem as depicted in the foregoing review of literature, can be captured in the following question: What is the effect of authentic leadership on ethical

behavior of employees in commercial banks in Kenya?

## Literature Review

### *Authentic Leadership and Ethical Behavior of Employees*

Authentic leadership is a form of influence that stimulates and fosters positive mental abilities as well as highlighting the ethical part of behavior (Lopez, Garcia-Guiu, Alonso, Morales, & Moriano-Leon, 2012). Authentic leadership has a strong link to integrity of leaders (Leroy, Palanski & Simons, 2009) as well as identification with followers, of the leader and quality of bonding with their respective leaders (Gardner *et al.*, 2011). From the aforementioned discussions, it is highly possible for line managers who have acquired authentic leadership skills to implement human resource management practices as intended by the organizations and the general stakeholders of the organization as required which results in benefiting the whole organization (Gilbert, De Winne, & Sels, 2015) however, there has been little theorizing on how line managers can be most effective in doing so. Authentic leaders have the skill and motivation to work with HR practitioners, other line managers, and subordinates to implement HR practices, not just because they have interpersonal skills, but because they are driven to maintain integrity between intended, espoused, and implemented practices and to ensure that employees perceive integrity in the implementation of HR practices and their daily job assignments.

Authentic leadership has a critical role in aiding organizations to realize changes they need by allowing employees to discover meaning in their life as well as work by reinforcing a favorable work environment (Avolio & Gardner, 2005). Gardner *et al.* 2005, established that authentic leadership have a remarkable result on employees' conduct by creating hope, trust,

productivity and job satisfaction. Datta (2015) established that authentic leadership influence ethical behaviors of employees by consistently using moral reasoning and ethical scope when making and supporting their commitments which employees emulate. They also build as well as supporting and sustaining a moral organization culture.

Sanchez-Runde, Nardon and Steers (2011) argued that cultural practices affect leadership since leadership is a cultural construct. On this basis, they argued that there is no singular/common application of leadership globally since various culture give different dimensions and meaning to authenticity and ethicality of behaviors of both leaders and employees depending on their culture. Zhang et al (2012) suggested that the concept and authentic leadership theory still generates a lot of contradictions on contexts. For example, they established that what is valid in the western context is not valid in Chinese context bringing the same argument to the African context more so the Kenyan context.

Studies have also indicated that authentic leaders are closely associated with improvements in leaders and the employees as well as the organizational outcomes. For example, Wong et al (2010) found that authentic leadership strongly influence the confidence in the nurses, faith in their administrator and their perceptions of the quality of care as well as feeling more satisfied. Covelli and Mason (2017) found that authentic leadership development influences the employee's attitudes and behaviors in organization. Cianci *et al.* (2014) while studying the effect of authentic leadership on follower's moral decisions more so when faced with temptations found a strong relationship between authentic leadership and temptations in arriving at ethical decisions. This is because authentic leaders make more moral decisions which strengthens employees to resist temptations.

## Theoretical Foundation

The relationship between authentic leadership and employee ethical behavior can be explained by integrity theory proposed by Kaptein and Wempe (2002) which advocates for the simultaneous and balanced application of deontological, utilitarian and virtue ethical theories offering a diversity of perspectives which aids in understanding ethical issues at the workplace. Integrity theory advocates for the simultaneous and balanced application of deontological, utilitarian and virtue ethical theories offering a diversity of perspectives which aids in understanding ethical issues at the workplace (Palanski & Yammarino, 2009). Integrity theory can be used to evaluate both authentic leadership and ethical behavior of employees in commercial banks in Kenya since the values and philosophy of authentic leaders act together with the results aimed at, forming a coherent whole.

The expressions as well as actions of people of integrity are consistent. Integrity is concerned with the level of integration people have at personal level and towards others. Integrity controls the link between the objectives, actions and outcomes. Integrity needs uniformity of ideas and deeds. Additionally, it demands for commitments to beliefs (Kaptein & Wempe, 2002). The choice of integrity theory over other ethical related theories is because it provides links for trade-off propositions between the proponents of other ethical. Furthermore, the theory makes realistic and achievable demands that are connected to roles employees execute. Actions chosen under this theory are justifiable and not controlled by other assumptions.

## Research hypothesis

The study hypothesized that authentic leadership has a direct influence on ethical behavior of employees in commercial banks in Kenya. The hypothesis presented in null form.

*H0<sub>1</sub>: There is no significant influence of authentic leadership on employee ethical behavior.*

## Methodology

This study adopted the positivist philosophical view as it is based on theory and quantitative evidence. It was anchored on theories and tested research hypothesis and linkages among study variables using empirical data. The researcher reviewed literature from related past studies on the basis of which formulation of hypothesis that was tested using statistical methods. The study adopted a descriptive survey research design. The choice of the design was informed by the main purpose of the study that was to establish the relationship among the variables of study. A descriptive survey research design allowed the collection of data for measuring variables of the study at the same time. The choice was consistent with Mugenda and Mugenda (2003) argument that descriptive research is robust in relationship studies and the comparative analysis implied by various research objectives. Further, the design offered opportunity for capturing population attributes as well as examining hypotheses.

The study was done in the commercial banks in Kenya. A sample size of 384 was obtained using the formula outlined by Cooper and Schindler (2006) for population larger than 10,000. Based on the sample size of 384, purposive or selective sampling technique was used to distribute the sample size across the 46 commercial banks in Kenya. Purposive sampling technique is a non-probability sampling method where the researcher uses his or her own discretion to select variables for the sample population depending on the judgement of the researcher and knowledge of the context (Kothari, 2006).

The study gathered primary data by administering semi-structured questionnaires directly to the respondents using a drop and pick method. The choice of researcher administered questionnaire is guided by Cooper and Schindler



(2006) argument that response rate can be enhanced by personally administering questionnaires. The questionnaire was developed using operational indicators of the variables as found in the literature. A five-point Likert-scale ranging from one to five (1-5) was applied to gather information from the respondent. Descriptive and inferential statistics were used to analyse the data.

### Results and Analysis

The study used both descriptive and inferential statistics to analyse data from the questionnaires. Simple linear regression analysis was used to establish the nature and magnitude of the relationship between variables and to test hypothesized relationship. The value of coefficient of determination  $R^2$  shows the degree or amount of variation in the dependent variable attributed to the predictor variable. The Beta values show the amount of

change in the dependent variable attributable to the amount of change in the predictor variable, and the F ratio measures the model fit and show how well the equation line developed fits with observed data. The statistical significance of the hypothesized relationship was interpreted based on  $R^2$ , F, t,  $\beta$  and p values.

### Test of Hypothesis

#### Influence of Authentic Leadership on Ethical Behavior of Employees

The study objective was set to determine the effect of authentic leadership on ethical behavior of employees in commercial banks in Kenya. To determine the effect, the following hypothesis was developed and put to test.

H0<sub>1</sub>: Authentic leadership has no influence on the ethical behavior of employees in commercial banks in Kenya.

The hypothesis was analyzed by the use of simple linear regression analysis. This was done by regressing ethical behavior of employees on authentic leadership. The independent variable was measured using a composite index for the four aspects of authentic leadership, while the dependent variable was measured using a composite index for the fifteen indicators of employees' ethical behavior. Composite index is popular in assessing complex phenomena with distinct facets that are not directly measurable and not are uniquely defined (Jahan, 2015). The regression results are presented in Table 1.

**Table 1: Results of the Effect of Authentic Leadership on Ethical Behavior of Employees**

<b>Model Summary</b>						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	0.228 <sup>a</sup>	0.052	0.048	0.49083		
<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	3.259	1	3.259	13.529	0.000
1	Residual	59.505	247	0.241		
	Total	62.764	248			
<b>Coefficients<sup>a</sup></b>						

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	5.739	0.333		17.212	0.000	5.082	6.396
1 Authentic leadership	0.181	0.049	0.228	3.678	0.000	0.084	0.278

**a. Dependent variable: Ethical Behavior of Employees**

**b. Predictors: (constant), Authentic Leadership**

Source: primary data 2023

The regression results in Table 1 comprise the model summary, the ANOVA and the coefficients of the regression model. The model regression summary results show a positive correlation between authentic leadership and ethical behavior of employees in commercial banks in Kenya ( $R = 0.228$ ). In addition, the results demonstrate that 5.2 % of variation in ethical behavior of employees in commercial banks in Kenya is explained by authentic leadership ( $R^2 = 0.052$ ,  $P = 0.001 < 0.05$ ). The remaining 94.8 % of variation in employee ethical behavior was not explained by the model and thus is a result of other elements that the study did not cover.

The above results suggests that authentic leadership is a weak but significant predictor of ethical behavior of employees in commercial banks in Kenya. The Analysis of variance (ANOVA) of authentic leadership and the ethical behavior of employees in CBs in Kenya intended to gauge if the regression model used fits the data used to predict ethical behavior of employees in CBs in Kenya. The ANOVA results indicated that the overall model was statistically significant as F- statistics,  $F = 13.259$ ,  $P = 0.000 < 0.05$ ) confirming that the model is reliable enough for use to predict the study's results in line with objective of the study which was set out to determine if there was

effect of authentic leadership and ethical behavior of employees in CBs in Kenya.

The regression coefficients demonstrated a substantial relationship between ethical behavior of employees and authentic leadership in Kenyan commercial banks, as seen in table 5.1. The coefficient of the constant term ( $\beta_0 = 5.739$ ,  $p\text{-value} = 0.000 < 0.05$  and authentic leadership ( $\beta_1 = 0.181$ ,  $t = 3.678$ ,  $p = 0.001 < 0.05$ ) exhibited statistical significance. The regression analysis model for authentic leadership was  $Y = 5.739 + 0.181X$ , which implied that a change of one unit in authentic leadership is associated with 0.181 increase in ethical behavior of employees in commercial banks while keeping all other variables or predictors constant. Consequently, the study concludes that authentic leadership and ethical behavior of employees in CBs in Kenya are positively and linearly related. The study hypothesized that authentic leadership has no significant effect on the ethical behavior of employees in CBs in Kenya. The results indicated that authentic leadership has impact on ethical behavior of employees and hence the null hypothesis was rejected.

## Discussion of Findings

### *Influence of Authentic Leadership on Ethical Behavior of Employees*

The goal of the study was to determine the impact of authentic leadership on the ethical behavior of employees in commercial banks in Kenya. The study predicted that authentic leadership has no significant influence on the ethical behavior of employees in commercial banks in Kenya. A simple linear regression analysis was carried out to ascertain the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya. The regression results showed a positive relationship with a 5.2% change in ethical behavior of employees in commercial banks in Kenya being accounted for by authentic leadership. The model demonstrated a statistical significance and the beta coefficients indicating that as authentic leadership increases, ethical behavior increased by 0.181 to a unit change in authentic leadership. As a result, authentic leadership is considered a predictor of ethical behavior among employees in commercial banks in Kenya. However, the correlation coefficient revealed a weak but significant relationship between authentic leadership and ethical behavior of employees in CBs in Kenya. The overall correlation coefficient for authentic leadership and ethical behavior of employees in commercial banks in Kenya indicated that there was a positive relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya.

In comparison, the findings of this study are comparable to the argument of Lopez et al (2015) study which established that authentic leadership is emerging as a form of influence that stimulates and fosters positive mental abilities and highlights the ethical part of behavior. This compares well with the findings of the current study that authentic leadership which accounts for 5.2 % of variation in ethical behavior of employees in commercial banks.

The study produced a positive correlation coefficient, which indicates a favorable impact on ethical behavior of employees in commercial banks in Kenya.

Gardener et al (2005) discovered that authentic leadership have a remarkable result on employees' conduct by creating hope, trust, productivity and job satisfaction through fairness and integrity. The beta coefficients indication of ethical behavior increases of 0.181 to a unit change in authentic leadership is comparable to the findings of Gardener et al. (2005) who found that authentic leadership have a remarkable result on employees' conduct by creating hope, trust, productivity and job satisfaction. The results are also similar to the findings of Datta (2015) who demonstrated that authentic leadership influences ethical behaviors of employees by consistently using moral reasoning and ethical scope when making and supporting their commitments which employees emulate as well as promoting and sustaining a moral organizational culture.

Wong et al. (2010) discovered that authentic leadership strongly influence the confidence in the nurse's faith in their administrator and their perceptions of the quality of care as well as feeling more satisfied when their administrators act fairly comparing well with the findings of this study that authentic leadership through internalized moral perspective which is more of integrity has a positive influence on ethical behavior of employees in commercial banks in Kenya. Covelli and Mason (2017) found that authentic leadership development influences the employee's attitudes and behaviors in organization which compares well with the findings of this study that authentic leadership influences ethical behavior of employees in commercial banks in Kenya. Cianci et al. (2014) while studying the effect of authentic leadership on follower's moral decisions more so when faced with temptations found a strong relationship between authentic leadership and temptations in arriving at ethical decisions. The

findings of this study support this position since authentic leadership has been found to be a significant influencer of ethical behavior of employees in commercial banks in Kenya.

However, the findings of this study are not consistent with Shea (2016) whose study revealed that authentic leadership alone does not have much effect on ethical behavior of employees. The inconsistency of the results is in tandem with Zhang et al, (2012) who found that authentic leadership theory still generates a lot of contradictions on contexts. They observed that what is valid in the western context is not valid in Chinese context, bringing the same argument to the African context, more so the Kenyan context. The results support the predictions of Leroy, Palanski and Simons (2012) that authentic leadership theory may be used in strategic human resource management and is highly possible for line managers who have acquired authentic leadership skills to implement human resource management practices as intended by the organizations and the general stakeholders of the organization as required for the benefit of the whole organization (Den Hartog & Boon, 2013; Gilbert, De Winne, & Sels, 2015; Purcell & Hutchinson, 2007). Authentic leadership theory holds that authentic leaders influence the behavior of their subordinates through self-awareness, transparency, and the objective use of all available information before making decisions. The results of this study established that authentic leadership has positive influence on ethical behavior of employees in commercial banks in Kenya positively.

Authentic leadership theory predicted that authentic leaders have the ability and motivation to collaborate with HR practitioners, other line managers, and subordinates to implement HR practices, not only because they have interpersonal skills, but also because they are driven to maintain integrity between intended, espoused, and implemented practices and to ensure that employees perceive integrity in the

implementation of HR practices and their daily job assignments. The results of this study revealed that authentic leadership explains 5.2% of variation in ethical behavior of employees in commercial banks and a positive correlation. The results therefore, confirms the argument of Gill et al, (2018) that authentic leadership theory can be used to establish a solid strategic human resource management system that can ensure the implementation of the intended HR practices.

## Conclusion

The test focused on the relationship between the predictor variable and was tested with ethical behavior of employees as the dependent variable. The findings revealed a statistically significant link between authentic leadership and ethical behavior of employees. This research has therefore reconfirmed that authentic leaders play an important role as contributors to the quality of behavior exhibited by of employees. To this end, authentic leaders directly enhance the self-awareness of employees by seeking feedback frequently and through balanced processing of information received from employees through feedback. The results also provide support for authentic leadership theory which predicts that authentic leaders impact the behavior of subordinates through self-awareness, transparency, internalized moral perspective, and balanced information processing.

Overall, the study produced consistent results and exhibited statistical significance. The hypothesis demonstrated that authentic leadership can improve Human Resource function by impacting positively on ethical behavior of employees in CBs in Kenya. The results indicated that authentic leadership has a significant impact on ethical behavior of employees in commercial banks in Kenya. Authentic leadership provides a dynamic approach to developing alignment in HRM and helps HRM to attain credibility in organizations. Drawing from authentic leadership theory that

proposes that line managers who display authentic leadership behavior can strengthen HR systems by aligning the intended, actual and perceived HR practices and policies by implementing HR practices in a way that is considered consistent and distinct reflecting consensus among the employees, the results provide evidence that authentic leadership theory can be used promote HR practices that enhances ethical behavior of employees.

Human resource management practitioners can use findings of this study to support the need for implementation of HRM leadership in organizations and practices which may lead to employees identifying with their organizations and effectively improving their ethical behavior. Commercial banks in Kenya can institutionalize authentic leadership practices which will enhance employee commitment and improved behavior which can also maintain customer confidence and retention leading to improved profitability as they deal with their challenges ranging from increased levels of cybercrime to blatant abuse of customer confidentiality which the Commercial banks are preoccupied with addressing these issues which limits the attention given to HRM leadership practices.

### **Limitations of the Study**

Notwithstanding the notable relationship between authentic leadership and ethical behavior of employees, the study had some limitations which necessitate consideration when interpreting results. Despite the fact that respondents are expected to provide objective responses, they may have their own perceptions that lead to misleading responses. Employees may choose to give biased information so as to protect their leaders and the organization leading to biased data. The variables in the study were assessed on a five-point Likert scale. One of the most notable drawbacks of the Likert scale is its closed nature in capturing the respondents' true responses. Respondents are more likely to present themselves in a more

socially acceptable manner rather than being forthright, consequently avoiding extreme response classifications. Correspondingly, respondents' views may be swayed by lack of their true response alternative but only to select what is considered convenient response (for example, being neutral). This may result in an incorrect estimate of the true relationship between study variables. Despite these limitations, the study's standard was not compromised. The design of the study followed a high scientific standard based on a comprehensive review of the literature. Statistical techniques were used to test hypothesis. As a result, these limitations have no negative impact on the study's findings. Overall, the findings have made a significant contribution to the existing body of knowledge in human resource management.

### **Suggestions for Future Research**

The study focused on the relationship between authentic leadership and ethical behavior of employees in Commercial Banks in Kenya. The results of the study indicated that the impact of authentic leadership on ethical behavior of employees in commercial banks in Kenya is significant. Future research could think about work environment and other environmental factors as potential enhancers of relationship. The study provides a reference point for those wishing to study the relationship between authentic leadership and ethical behavior of employees as well as other human resource management practices and outcomes and link leadership and human resource management in handling ethical conduct of employees in organizations. The researchers could use any of the human resource management practices and other environmental factors as mediators or moderators to determine if they can get the same results.

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