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**AUTHENTIC LEADERSHIP, ORGANIZATIONAL IDENTIFICATION AND ETHICAL BEHAVIOR OF EMPLOYEES IN COMMERCIAL BANKS IN KENYA**

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***Abstract***

*The purpose of this study was to investigate the effect of organizational identification in the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya. The study adopted a cross sectional survey research design. Primary data was collected a cross employees of the forty-six (46) commercial banks in Kenya. The study findings established that organizational identification has partial mediating effect in the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya. The study contributes to knowledge in providing evidence on the influence of authentic leadership and organizational identification on ethical behavior of employees in commercial banks in Kenya. The study recommends that commercial banks in Kenya should put more emphasize and focus on authentic leadership and organizational identification to efficiently manage ethical behavior of employees in their organizations*

**Keywords:** *Authentic leadership, organizational identification and ethical behavior of employees.*

## Introduction

Leaders directly influence individual responses by interacting with followers (Wu *et al.*, 2010). Additionally, authentic behavior of leaders towards their followers may generate differentiated responses as followers perceive their leader's behavior. Individual identities describe how those persons think of themselves (Kreiner *et al.*, 2006). Identification with a target is the feeling that one's relationship with that target is an important, self-defining aspect of one's identity (Sluss & Ashforth, 2007). Employees are motivated to adopt behaviors that reflect the group's values and beliefs as well as their own place within it when they identify with the organization (Kurtessis *et al.*, 2017). Identifying with a leader, therefore, involves a follower's belief that following that leader is an important part of who the follower is as a person. Authentic leaders may induce followers' identification by transparently and consistently displaying their personal values, which allows followers to recognize that they share similar values with the leader or to decide that they want to emulate the leader's values (Avolio *et al.*, 2004). The values associated with authentic leadership are generally considered to be normative and appealing (Gardner, Avolio, Luthans, May, & Walumbwa, 2005), and so their display can make the leader seem an inherently admirable person with whom a follower would want to identify (Luthans & Avolio, 2003). In addition, the authentic leader's self-awareness, transparency and internalized moral perspective make the leader an attractive role model who displays high ethical standards, honesty and integrity (Avolio *et al.*, 2004), all of which make the leader an attractive target for identification. Moreover, an authentic leader's transparency and balanced processing make them more likely to discuss their values with followers (Luthans & Avolio, 2003) and to emphasize

the growth and development of followers (Avolio & Reichard, 2008), further increasing opportunities for value similarity and subsequent identification. Consistent with these arguments, empirical research has linked Personalized Authentic Leadership with follower identification (Walumbwa *et al.*, 2010; Wong, Spence Laschinger, & Cummings, 2010).

## Research Problem

Authentic leadership has been suggested to have strong hold on employee ethical behaviors, some results 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, may limit the effect of authentic leadership on ethical outcomes. Trevino, Brown, & 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 found to be manipulative and intrusive. These conflicting results could be due to other variables or factors that previous studies did not consider. The pertinent question arising from this is: which are these variables and how do they manifest in the relationship between authentic leadership and employee ethical behavior? The current study has identified organizational identification as such variables.

Studies on organizational identification indicates that attitudes and behaviour of employees towards the organization such as job satisfaction, organizational commitment, turnover, and performance indicates their intensity of identification (Zagenczyk & Powell, 2022). Due to its link to key outcomes such as performance and citizenship, researchers have focused more on direct outcomes with few Studies focusing on the mediation role and its impact on ethical behavior of employees. Studies show that employees' identification with their organization influences their behavior. However, these studies have produced mixed results. Umphress, Bingham, and Mitchell, (2010), found that employees may neglect the ethical standards in favor of behaviors that aid the firm while Ashforth and Mael (1989), found that employees who identify with their firms stick to and act in line with the rules and culture of the firm. Commercial banks in Kenya in their financial reports are seen to be making profits even at a time when the business environment faces challenges such as lock down imposed by the government during the peak of Covid-19 pandemic. The question is whether the profit is genuine or as a result of employees engaging in un-ethical behavior which benefits their organizations as found by Umphress, Bingham, and Mitchell, (2010) that employees can possibly engage in unethical behavior that benefits the organization if they identify much with their organizations and the reciprocal action by the organizations. It is therefore not clear whether organizational identification alone can lead to un-ethical behavior in the name of the organization without reciprocity from the organization. The current study therefore tested the role of organizational identification as a mediator in the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya. Overall, these studies imply that organizational identification may have a role

in the relationship between authentic leadership and employee ethical behavior. However, these roles appear to have not been studied as suggested by the literature review conducted for this study.

Commercial banks are expected to operate in a competent, 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 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 continues to be more blurred (World Bank, 2003). Studies around ethical matters and ethical activities in banks have been of great interest and have given more light to the important role of ethical conduct in order to increase loyalty of the customers, profitability as well as overall performance (Fetinuic, 2014). Some of these studies blamed unethical behavior as well as failure to observe the codes of ethics as the major causes for most bank failures. According to the Economic Intelligence Unit and Banking Fraud (2017), many Kenyans have lost substantial amount of money due to fraud which in many cases points at the 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 many other criminal acts being investigated and prosecuted by the Bank Fraud Investigation Unit under the directorate of criminal investigations. According to World Bank (2003), 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 privacy.

Studies in Kenya on the link between authentic leadership and employee ethical behavior in commercial banks are limited. Mathenge (2013) did a study on the value system of commercial banking in Kenya and emphasized on the need to enhance ethical values in the banking industry in Kenya by developing ethical environment for banks. As apparent from the literature reviewed, ethical behaviors still remain a concern in organizations especially the Banking sector and needs more research to find better solutions. Literature reviewed suggests that authentic leadership influences employee work attitudes and behaviors that contribute to organizational performance. It is therefore likely that authentic leadership can explain ethical behavior of employees. Authentic leadership can enhance moral behavior in organizations in a more inspiring, encouraging and enticing approach that give employees a sense of obligation. As discussed earlier, the extant literature appears to suggest a role for organizational identification in the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya. The research problem as depicted in the foregoing literature, can be captured in the following question: What is the influence of organizational identification on the relationship between authentic leadership, and ethical behavior of employees in commercial banks in Kenya?

## **Literature Review**

### **Authentic Leadership**

Authentic leadership has several definitions, each with its own observations and emphasis. Authentic leadership is a set of clear and ethical leader actions that promote transparency in dispensing knowledge required to reach conclusions while

acknowledging employees' contributions (Avolio et al., 2004). Eagly (2005) defined authentic leadership as social processes between leaders and followers. Walumbwa, Avolio, Gardner, Wensing, and Peterson (2008) defined authentic leadership as a type of leader behavior based on constructive psychological capacities that enhance self-awareness, openness in processing information, transparency, and self-progression. According to Shamir and Eilam (2005), the interpersonal dimension of authentic leadership embraces the leaders' self-concept and demonstrates real leadership that leads from confidence and genuineness.

According to Walumbwa, Wang, Wang, Schaubroeck, and Avolio (2010), in order to become an authentic leader, one must be aware of one's own strengths and weaknesses, values, and what one stands for, as well as demonstrate to others the significance of their leadership. Such leaders act genuinely and consistently in public and private, and are not afraid to admit their flaws and mistakes, as evidenced by their self-awareness. The attribute of relational transparency is concerned with the genuineness of the leader-subordinate relationship in which information is freely shared. The truthfulness and straightforwardness of authentic leaders in dealing with others explain their relational transparency because they do not have hidden motives and are honest. The balanced processing attribute, on the other hand, refers to a leader's consideration of all relevant facts and different stakeholder opinions before making a decision (Gardner et al., 2005). Finally, the internalized moral dimension reflects a leader's internal effort to achieve consistency between his or her values and actions by integrating his or her internal moral standard and values by adhering to their internal value system and avoiding

internal and external pressures (Avolio & Gardner, 2005).

### Organizational Identification

Meyer and Allen (1997) define organizational identification as a personal attitude or orientation that links one's identity to the goals of the organization. O'Reilly and Chatman (1986) defined identification as a procedure that a person or employee uses or follows to accept the influences of groups or organizations in order to establish and/or maintain a given relationship. As a result, this can cause an individual to respect the values of a group or an organization, leading to an increase in their adoption, as opposed to internalization, where acceptance of influences comes as a result of persuaded values or attitudes that correspond with one's own, or compliance, where individuals declare acceptance simply because they want to win a certain benefit. Identification motivates employees to adopt behaviors that reflect the values and beliefs of the group and their own position within it (Lee, Park, & Koo, 2015). Employees are encouraged by identification to behave in ways that are consistent with the group's values and views as well as their personal place within it (Zagenczyk & Powell, 2022).

Historically, the major antecedents of employee identification with his or her respective organization can be based on various organizational identity attributes such as prestige, attractiveness, construed external image, distinctiveness, and so on (Lee, Park, & Koo, 2015; Dutton et al., 1994). The main argument in support of this statement is the possibility of employees being identified by their attraction to the organization's image (Dukerich, Golden & Shortell, 2002). Empirical research has found that certain interpersonal, interactional, and dynamic factors tend to improve employees' organizational identification (Avolio,

Walumbwa, & Weber, 2009; Lord & Brown, 2001; Shamir, House, & Arthur, 1993). Employees' immediate leaders play a critical role in the daily operations of their organizations, which has an impact on employee behavior. As a result, existing relationships and social identification within their respective organizations may shape employees' perspectives on leadership behaviors (Ellemers, De Gilder & Haslam, 2004).

### Ethical Behavior of employees

Organizational ethics is concerned with the ethics of business firms, as well as the ethics of their employees and groups. According to Lewis (1985), business ethics consists of the regulations, norms, philosophies, or rules that provide parameters for ethically sound behavior. Jones (1991) defined ethical behavior as "behavior that complies with accepted ethical requirements in society." Muler et al. (2014), on the other hand, defined ethical behavior as applying moral norms based on the circumstances, which are heavily influenced by traditions and values learned in society about right and wrong actions. As a result, Warren, Sampson and McFee (2011), while acknowledging the importance of ethics in business, asserted that ethics extends beyond the actions of an individual employee to the actions of the business as a whole. Employee ethical behavior, according to Kaptein (2008), is defined as practices that are compatible with the stipulations of larger society.

According to Jones (1991), the implication of ethical behavior is adherence to the prescribed ethical norms, whereas unethical behavior implies ignoring the prescribed moral norms, and as a result, unethical behavior inside and outside of business firms are those behaviors that are ethically not accepted by the larger population. According to Kaptein (2011), ethical behavior does not



violate widely accepted values within an organization or an individual; rather, it embraces legitimate behavior, observance of rules, and direct or indirect compliance to formal and clear regulations, whereas unethical behavior deliberately violates a society's or a firm's commonly accepted moral values. This violation can be committed by an organization's individual employees or by the organization itself against its employees or clients.

### **Authentic Leadership, Organization Identification and Employee Ethical Behavior**

Authentic leadership increases work attitudes and conduct of employees by the process of social identification with the organization and personal identification with fellow employees (Javaid et al. 2015). They emphasized the importance of both social and personal identification which the current study adopted and operationalized organizational identification as personal and social identification. According to Kark and Shamir (2002) personal identification is a state where employees or people value their leaders and define themselves according to their values. According to research on organizational identification, employees' attitudes and behaviors toward the organization, such as organizational commitment, job satisfaction and involvement, turnover, and performance, are a reflection of their level of identification (Zagenczyk & Powell, 2022).

A study by Avolio et al. (2004) found that authentic leaders expand employees' social identification when the leaders treat the employees with increased level of integrity and honesty. Hog, Terry and White (1995) argue that organization identification provides employees with social environment of how employees behave. This gives employees chances to regulate their behavior

for the satisfaction of their association with their organization. Mael and Ashforth, (1992) found that strong identity with organizations make employees to behave consistently with the requirements of their organizations. They consider the success and failure of their organizations as their own. However, Umpress et al. (2010) found that strong organizational identification may lead to employees ignoring ethics as long as they aide the organization achieve its desired objectives. This may lead to un-ethical conduct for the sake of the organization. Van Knippenberg (2000) found that Organizational Identification guides how employees behave across different situations, more so whenever the identity of the firm is most dominant, or initiated cognitively. The leaders who are authentic will have employees who solidly identify themselves with the firm as well as their leader when value compatibility of the leader and follower are closer. However, this relationship can be affected by how people learn by observing the actions of their leaders through social learning processes.

### **Theoretical foundation**

This study was based on integrity theory and is supplemented by authentic leadership theory and social identity theories. Kaptein and Wempe's (2002) integrity theory provides for the integration of deontological, consequentialist, and virtue ethical theories, as well as the integrative determination and management of personality and behavior, including the consequences. The choice of integrity theory above other ethical related theories is due to the fact that it provides links for trade-off arguments between proponents of various ethical opinions (Palanski & Yammarino, 2009). The theory sets realistic and feasible demands tied to employee roles. Actions chosen under this paradigm are reasonable and not governed by other assumptions. Here, employees or persons

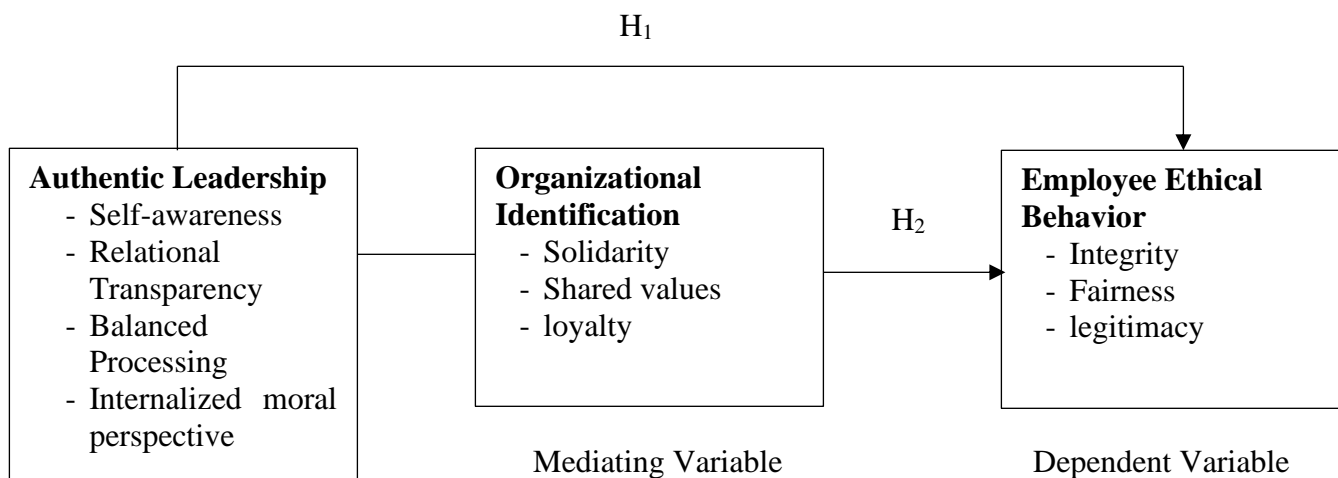
completing roles according to the book may be deemed people of integrity. Since situations cannot be handled just by following rules, actual wisdom is needed in executing a role. Six and Huberts (2008) noted that to make effective assessments of events and determine sound courses of action based on function and moral elements, appropriate values and assumptions must be internalized. When leaders can explain acts, they can decide their own positions in relation to regular explanations of the law.

Authentic leadership theory was put forth by Luthans (2003). Covelli and Mason (2017) argue that authentic leadership theory is multidimensional leadership theory. Authentic leadership theory demonstrates in a dynamic way how the leader's actions and honesty in his or her behavior not limiting the implementation of particular HR practices can contribute to human resource management field. First, authentic leadership theory advocates for leaders who have the skills and motivations in the management work within human resource practitioners, and subordinate staff to implement human resource practices. This ought not to be done based on not only interpersonal skills, but also the urge of maintaining integrity between espoused, intended, and realized practices. An authentic leader ensures that the perceived integrity of every employee is captured in the implementation of human resource practices. Leroy, Palanski and Simons (2012) linked authentic leadership to integrity. On the other hand, Gardner et al., (2011) related authentic leadership to identification of followers, their trust, as well as the quality of relationship with their leaders.

Social identity theory (SIT) was proposed by Tajfel (1978) and later refined by Tajfel and Turner (1979). Social identity theory explains both the behavior and solidarity of people within a group and how they will influence the behavior of employees towards the standards of the social unit and the organization as a whole. Social identity theory assumes that all forms of group behavior like solidarity within our groups is a part of social identity processes which aims to achieve positive self-esteem and self-enhancement (Abrahams & Hogg, 1988). Postulations of social identity theory is that a large extent of person's self-concept depends on the importance and relevance attributed to the group membership (Turner and Oakes, 1986). Accordingly, the theory argues that the individual's motivation for practical identity and esteem is influenced by the social evaluations they make. The attitude and behavior of individual members of a group is influenced by the main features connected with the group particularly when class/group comparisons feature group difference in favor of one's in-group over a relevant out-group are advantaged. Accordingly, distinctions across groups are accentuated and inconsistencies within groups are minimized (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987).

### **Conceptual Framework**

Figure 1 depicts the link between the study variables. The variables are authentic leadership, organizational identification, and employee ethical behavior. The study conceptualizes interactions in which authentic leadership promotes employee ethical behavior of employees through organizational identification.



**Figure 1: Conceptual Model**

Source: Researcher 2023

### Research Hypotheses

The study hypothesized that authentic leadership influences employee ethical behavior and that this relationship could be mediated by Organizational Identification. The hypothesis presented in null form.

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

*H0<sub>2</sub>: The influence of authentic leadership on employee ethical behavior is not mediated by organizational identification.*

### Methodology

The study adopted a positivist view because it was grounded in theory and quantitative evidence and empirical data was used to test research hypotheses and relationships between study variables. On the basis of a review of relevant prior studies, the researcher formulated hypothesis that was tested using statistical methods. The research employed a descriptive survey design. The primary purpose of the study, which was to

establish the relationship among the variables of study, influenced the choice of design. A descriptive survey research design permitted the simultaneous collection of data for measuring variables of the study. Descriptive research design was chosen in line with Mugenda and Mugenda's (2003) argument that descriptive research is robust in relationship studies and the comparative analysis implied by different research objectives. In addition, the design allowed for capturing population characteristics and testing hypotheses.

The population for this study was comprised of all Kenyan commercial bank employees. Using the formula outlined by Cooper and Schindler (2006) for populations greater than 10,000, a sample size of 384 was determined. Purposive or selective sampling was used to distribute the sample size across the 46 commercial banks in Kenya, based on the sample size of 384. Purposive sampling is a non-probability sampling technique in which the researcher uses his or her own discretion to select variables for the sample population based on his or her knowledge of the context and judgment. The study collected primary



data by directly administering semi-structured questionnaires to respondents using the drop-and-pick technique. The selection of a researcher-administered questionnaire was influenced by Cooper and Schindler's (2006) assertion that a higher response rate can be achieved through personal administration. Literature-based operational indicators of the variables were used to develop the questionnaire. Respondent information was collected using a Likert scale ranging from one to five (1-5) points. The data was analyzed using descriptive and inferential statistics.

### Results and Analysis

The target population for this study was all the employees of CBs in Kenya. A sample of 384 was selected from the population of study. The number of questionnaires distributed to employees of CBs in Kenya were 384 in total. Out of the 384 questionnaires administered, 254 were filled and returned. Out of the 254 returned questionnaires, five were not fully filled and therefore were not used in the analysis. This left an effective sample of 249 for analysis representing 64.8 percent. The response rate was deemed representative in comparison to other studies and the opinions of experts like

Mugenda and Mugenda (2003). Despite the lack of scholarly agreement on what constitutes a statistically significant response rate, Saunders, Lewis, and Thornbill (2007) argue that response rates may vary depending on the features of the chosen questionnaire. Academicians have identified a response rate of 30% to 50% as reasonable and relatively high, making it appropriate for use with distributed and collected questionnaires, as in the case of this study. This study's response rate is relatively high in comparison to previous studies. Kuo (2011) received 37.2% of the responses, while Khadra and Rawabdeh (2006) received 54.7%. Murgor (2014) had 58.7%, Kidombo (2007) had 64%, and Ambula (2014) had 66.7 percent.

### Test of Hypothesis

The main objective was to determine whether the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya is indirect through organizational identification. The hypothesis was tested using the Baron and Kenny (1986) mediation model. The testing for mediation involves four steps. The regression results are presented in summary in table 1.

**Table 1: Regression results for the Mediation of Organizational Identification on the Relationship between Authentic Leadership and Ethical Behavior of Employees in Commercial Banks in Kenya.**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	0.285 <sup>b</sup>	0.081	0.074	0.48419	
ANOVA <sup>a</sup>					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	5.092	2	2.546	10.859	0.000 <sup>c</sup>

Residual	57.672	246		0.234	
Total	62.764	248			

Model	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	4.911	0.443		11.096	0.000
Authentic leadership	0.111	0.055	0.139	2.026	0.044
Organizational Identification	0.212	0.076	0.192	2.796	0.006

Dependent variable: ethical employee behaviour

Source: Field Data 2023

The objective of the study aimed at establishing whether the influence of authentic leadership on ethical behavior of employees in commercial banks in Kenya is indirect through organizational identification. The hypothesis which stated that “the effect of authentic leadership on ethical behavior of employees is not mediated by organizational identification” was rejected. Results in table 1 shows that the three steps in the test of mediation hypothesis confirmed conditions for mediation. However, at the fourth and final step of the path analysis, the effect of authentic leadership (independent variable) on ethical behavior of employees (dependent variable) had a non-zero value which was significant in the presence of organizational identification (mediator) ( $R = 0.285$ ,  $R^2 = 0.081$ ,  $p = 0.000 < 0.05$ ). The overall model was statistically significant ( $F = 10.859$ ,  $p = 0.000 < 0.05$ ). The beta coefficients for organizational identification ( $\beta = 0.192$ ,  $t = 2.796$ ,  $p = 0.006 < 0.05$ ) was significant while authentic leadership ( $\beta = 0.139$ ,  $t = 2.026$ ,  $p = 0.044 < 0.05$ ) was still significant. Organizational identification was found to be a significant predictor of ethical behavior of employees of employees in commercial banks in Kenya. The results provided

sufficient evidence to support partial mediation of organizational identification in the relationship between authentic leadership and ethical behavior of employees. This conclusion is based on the fact that statistical tests in step one to three confirmed the necessary conditions for mediation. Partial mediation implies both direct and indirect effect of the independent variable on the dependent variable (Baron & Kenny, 1986).

The direct effect of the study findings can be compared to Wu et al., (2010) who found that leaders directly influence individual responses by interacting with followers and additionally, authentic behavior of leaders towards their followers may generate differentiated responses as followers perceive their leader’s behavior. Avolio et al., (2004) found that Authentic leaders induce followers’ identification by transparently and consistently displaying their personal values, which allows followers to recognize that they share similar values with the leader or to decide that they want to emulate the leader’s values. Lopez et al., (2015) findings indicated that authentic leader’s self-awareness, transparency and internalized moral perspective make the leader an

attractive role model who displays high ethical standards, honesty and integrity. This finding supports the findings of the current study that organizational identification has partial mediation effect on ethical behavior of employees

### **Conclusion**

The main purpose of this study was to examine whether the relationship between authentic leadership and ethical behavior of employees in commercial banks in Kenya is indirect through organizational identification. The study sought to determine the mediation of organizational identification in the relationship between Authentic Leadership and Ethical Behavior of employees. Partial mediation of organizational identification in the relationship between Authentic Leadership and Ethical Behavior of employees was supported. Organizational identification demonstrated a strong explanatory power on ethical behavior of employees. The indirect and significant effect of authentic leadership through organizational identification on ethical behavior of employees in commercial banks in Kenya do not support the proposition of Umpruss et al., (2010) that as employees increase their identification with the organization, they may look away and behave in un-ethical manner so long as it is benefitting the organization. To the contrary is Ashforth and Mael (1986) which proposed that more identification with organization may lead to employees obeying and conforming to the norms of the organization.

The results of the study provide support for social identity theory which assumes that all forms of group behavior like solidarity within groups is a part of social identity processes which aims to achieve positive self-esteem and self-enhancement (Abrahams & Hogg, 1988). In line with Social Identity Theory, the results show that a good portion of person's

self-concept depends on the importance and relevance attributed to the group membership (Turner and Oakes, 1986). The theory argues that the individual's motivation for practical identity and esteem is influenced by the social evaluations they make (Tajfel & Turner, 1979). The attitude and behavior of individual members of a group is influenced by the main features connected with the group particularly when class/group comparisons feature group difference in favor of one's in-group over a relevant out-group are advantaged. Accordingly, distinctions across groups are accentuated and inconsistencies within groups are minimized (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987).

The results of the study provide support for inclusion of HRM practices that encourage employees to identify with their organizations as this can enhance ethical behavior of employees as well as other HRM outcomes in general. This is similar with the findings of Hog, Terry and White (1995) who found that organization identification provides employees with social environment of how employees behave. This gives employees chances to regulate their behavior for the satisfaction of their association with their organization as well as the findings of Mael and Ashforth, (1992) that strong identity with organizations make employees to behave consistently with the requirements of their organizations. They consider the success and failure of their organizations as their own.

### **Implications**

The results showed that organizational identification has a partial mediation effect on ethical behavior of employees in commercial banks in Kenya. The mediation of organizational identification in the relationship between authentic leadership and ethical behavior of employees which

explained a significant percentage of the variance in ethical behavior of employees need to embed in the commercial banking human resource practices to improve ethical behavior of employees. This implies that managers of commercial banks should continuously improve their leadership so as to influence the employees to emulate their actions to achieve superior behavior of their followers. Commercial banks in Kenya need to focus on leadership as a key driver of ethical behavior of employees in the sector.

This finding is in support of social identity theory states that people who identify with their organizations tend to act in accordance with the requirements of the organization's intentions. The mediation results of the study enhance social identity theory that as employees identify more with their organizations, they tend to behave according to the follow the norms and standards of the organization (Ashforth & Mael, 1989). The results support the notion that the behavior of employees who identify both with their leaders and organizations, tends to be in tandem with the ethical requirements of their respective organizations as posited by Turner and Oakes (1986). The results are consistent with the postulation of social identity theory that individual's motivation for practical identity and esteem influences the attitude and behavior of individual members of a group if the main features connecting the group are particularly comparable. Accordingly, Shamir, House and Arthur (1993), argument that social identification is associated with self-regulation and therefore authentic leaders' explication of openness and acknowledgement of their own weaknesses, challenges, transparency and accountability for their actions enables employees to associate with leaders and the values and activities that are identified with the leaders and organization is supported by

the results of the mediation effect of organizational identification.

### **Suggestions for Future Research**

The study focused on the relationship between authentic leadership, organizational identification 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 both direct and indirect through organizational identification. Future research could think about work environment and other environmental factors as potential influencers in the 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. The study used a quantitative approach, future research could use qualitative research design by focusing on in-depth case study to bring out more information since human behavior is dynamic and could be affected by many other factors including time. Qualitative research may give more insight since it involves close observation over a period of time and generate an objective. The results of this study were self-reporting which made an assumption that the responses were objective and were actually given by the target group which qualitative research method can generate more accurate information. The data was collected using self-administered questionnaire by drop and pick method. The

application of this method of data collection makes it difficult to tell whether the respondents presented their own views without prejudice. Future studies should use multiple sources of data such as employees as well as customers.

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