ABSTRACT
The study shows how leader’s moral intelligence predicts employees’ affective commitment and if transformational leadership mediates such relationship. One hundred and sixty nine employees from 117 organizations operating in Portugal from the secondary and services sectors participated. Leaders reported their moral intelligence, their subordinates having described their own affective commitment and their perceptions of transformational leadership. The results suggest that moral intelligence predicts employees’ affective commitment, and that transformational leadership fully mediates such relationship. Considering that employees’ affective commitment influences their performance, our study suggests that leaders’ moral intelligence may indirectly promote employees’ and organizational performance.

KEY WORDS: Moral intelligence, Transformational leadership, Affective commitment.

1. INTRODUCTION
Moral intelligence (MI) gains particular relevance at a time when the moral standards of leaders are under heavy scrutiny. The recent moral and financial scandals affecting organizations that were once reputable call the attention to the need for more responsible and honest leadership. Recent lines of research have been devoted to the study of moral leadership (Becker, 2007), where moral intelligence in the service of leadership is implicit. On the other hand, MI is strongly related to effective leadership (Bass & Steidlmeier, 1999; Lennick & Kiel, 2008). Previous literature shows that transformational leadership seems valuable, such that employees with transformational leaders exhibit more favorable outcomes (Rubin, Munz, & Bommer, 2005).

Many studies (Deluga, 1995; Schnake, Dumler & Cochran, 1993; Wayne & Green, 1993) reveal that leadership is related to subordinate’s behavior, and the leader’s integrity is an important predictor of subordinate’s behavior. Therefore, leaders are “role models” responsible for establishing standards of how other individuals such as members of their teams shall be treated (Sims & Brinkmann, 2002). Lennick and Kiel (2008) state that morally competent leaders revealed consistency in their behaviors and alignment of attitudes with their moral principles, values and beliefs, with positive consequences for their organizations. These leaders show the highest ethical
standards in their decisions, goals and actions. According to the authors, through implementing a moral structure in their organizations and teams, morally intelligent leaders kept stable and lucrative organizations, preserving organizations from economic and financial crises. In fact, if the leader acts as a “model” with integrity, responsibility, compassion and forgiveness, thus promoting these virtues within the organization, with upward spirals emerging at the organizational level and the whole organization reciprocating with higher affective commitment (Coyle-Shapiro, 2002).

The lack of research exploring leader’s MI provides a key motivation for this study. In do so, our research offer several contributions to the leadership literature. It seeks to answer to the current challenges in the framework of organizations. More specifically, this study aims to show how MI predicts employees’ affective commitment (AC), both directly and through the mediating role of transformational leadership (TL). The paper is structured as follows: (1) explaining the key constructs of the model, (2) discussing arguments for supporting the hypothesized model; (3) showing the method and results; (4) presenting discussion and conclusions; (5) discussing the limitations of the study and suggesting avenues for future research.

1. KEY CONSTRUCTS OF THE MODEL

2.1. Moral Intelligence

Moral intelligence refers to “our mental capacity to determine how the universal human principles (…) should be applied to our personal values, goals, and actions” (Lennick & Kiel, 2008, p. 7), meaning how we distinguish good from evil, what is right and what is wrong, based on the principles common to all the cultures of the world.

Moral intelligence differs from emotional intelligence: "Emotional intelligence is values free. Moral intelligence is not. Emotional skills can be applied for good or evil. Moral skills, by definition, are directed toward doing good." (Lennick & Kiel, 2008, p. 9). Although there is a conceptual distinction, they are complementary: there is nothing necessarily moral in emotional intelligence, however, "emotional competencies are essential tools for the morally smart leader" (idem, p. 115).

In order for us to act consistently with our moral intelligence and develop it, we must follow our "moral compass” which refers to the alignment that we must give our principles, values and beliefs, along with our goals and behaviors (Lennick & Kiel, 2008). In other words: it implies keeping on the right track to achieve our life goal and to achieve the best possible performance in everything we do.

The four dimensions of MI are (1) integrity (e.g., Acting consistently with universal principles, personal values and beliefs; Telling the truth; Standing up for what is right; Keeping promises); (2) responsibility (e.g., Taking responsibility for personal choices; Admitting one’s mistakes and failures; Embracing responsibility for serving others); (3) compassion (e.g., Actively caring for others) and (4) forgiveness (e.g., Letting go of your own mistakes; Letting go of others’ mistakes).

2.2. Affective commitment

Together with normative and continuance commitment, AC is one component of the organizational commitment construct, and one of the most challenging and well-researched concepts in the fields of management, organizational behavior, and human resources management (Cohen, 2007). AC is possibly the most studied component of organizational commitment (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Riketta, 2002).

AC may be defined as the identification with, involvement in, and emotional attachment to the organization (Allen & Meyer, 2000). The literature suggests a wide range of antecedents (Allen and Meyer, 1996; Meyer et al., 2002), including demographic variables, locus of control, organizational support, role ambiguity, role conflict, competence-related variables, organizational justice and transformational leadership.
AC leads to fewer intentions to quit the organization, lower turnover, reduced absenteeism, more customer-oriented behaviors, and improved in-role and extra-role performance. Thus, to strive for better performance, organizations must be able to develop their employees’ AC (Meyer & Herscovitch, 2001).

2.3. Transformational Leadership

The genesis of the concept of transformational leadership is due to Burns (1978), who referred to political leaders, saying that the transformational process elevates leaders and followers to increased levels of morality and motivation. Transformational leadership has been defined as a set of behaviors that motivate followers to achieve performance beyond expectations by changing followers’ attitudes, beliefs, and values (Bass, 1985; Yukl, 1999).

In transformational leadership the relationship between leader and followers goes beyond the satisfaction of individual interests, building up a sense of common identity based on the collective ideal. Feelings of commitment and mutual help are observed which reveal to be more “resistant” to the pressures and problems in the organization (Burns, 1978). Bass’s (1985) model of transformational leadership has been embraced by authors alike as one way how organizations can inspire employees beyond expectations. Transformational leaders incite and inspire, appealing to the conscience of subordinates to achieve elevated ideals and values, inducing them to exceed their own interests on behalf of the interests of the group or organization (Cunha, Rego, Cunha, & Cardoso, 2003). This occurs due to the trust, admiration, loyalty and respect that the subordinates manifest by the leader.

TL has been defined as influencing followers by broadening and elevating their goals and providing them with confidence to perform beyond the expectations. The construct includes four main components (Bass & Avolio, 1990; Bass et al., 2003): (1) idealized influence (The leader adopts behaviors, e.g. of respect and moral elevation, that trigger strong emotions in the followers, raises confidence and identification of these with him, influence their ideals and the “larger than life” aspects, (2) inspirational motivation (The leader communicates a compelling vision uses symbols to support the efforts of the followers, acts as a model of behaviors, instilling optimism), (3) intellectual stimulation (The leader encourages in the followers consciousness for their problems, for their own thoughts and imagination. Helps them to recognize their own beliefs and values. Fosters in them the innovative/creative thinking. Encourages them to question their own assumptions), and (4) individualized consideration (The leader meets the needs of development of the followers, supports them, encourages them, trains them, attempts to develop their potential, provides them with feedback, and delegates responsibilities to them).

In short, transformational leaders present an ability to demonstrate behaviors that lead to positive changes in four distinct areas: (1) stimulation in the sense of people adopting new work perspectives, valuing the ideals and values that are common to all; (2) everyone's involvement in the mission and "vision" that the group or organization wants to achieve; (3) feelings of higher competence and effectiveness at work and (4) greater availability to make sacrifices and abdicate from personal interests when such is necessary (Bass & Avolio, 1994; Conger, 1999).

3. HYPOTHESES

3.1 Moral Intelligence and Affective Commitment

Studies suggest a wide range of antecedents (Allen & Meyer, 1996; Meyer et al., 2002), but neglect variables such as MI as possible antecedent of AC. The leaders’ ability to act based on moral principles (i.e., IM) may inspire the followers to reach their full potential and generate the highest levels of affective commitment. For example, if the leader acts as a “role model” with integrity, responsibility, compassion and forgiveness, thus promoting these virtues within the organization, with upward spirals emerging at the organizational level and the whole organization reciprocating with higher affective commitment (Coyle-Shapiro, 2002).
Clarken (2010) argues that greater MI results in healthier and more positive individuals demonstrating, consequently, greater sensitivity to the feelings of others (Borba, 2001), which in turn, can lead to a stronger emotional connection. Thus, MI may make employees more affectively attached to their organizations and more committed to improving organizational performance. In this line of analysis, it is relevant to question the relationship between the MI of leaders and the affective commitment of their subordinates. Hence, we hypothesize:

H1. Leaders’ MI relates positively with employees’ AC.

3.2 Moral Intelligence and Transformational Leadership

Morally intelligent leaders act with integrity, responsibility and compassion, and they forgive the “honest mistakes” of subordinates and their own mistakes. Such features of their behavior promote the TL. For example, the compassion of morally intelligent leaders may promote TL.

Transformational leaders respect his or her followers and are concerned with followers’ feelings and needs (Podsakoff et al., 1990). Then, they create a friendly and psychologically supportive work environment (House, 1996). MI may influence TL because moral leaders are more likely to act as role models (idealized influence), to treat individuals as person and not just as resources (individualized consideration), to provide meaning and challenge to their followers’ work (inspirational motivation), and to motivate followers to present ideas and creative solutions without fear or being punished (intellectual stimulation). Thus, we hypothesize:

H2. Leaders’ MI relates positively with their TL.

3.3 Transformational Leadership and Affective Commitment

Transformational leaders have a powerful influence on a range of outcomes, including the attachment to the organization (Bass, 1985; Shamir, House & Arthur, 1993). The literature reveals a positive relationship between transformational leadership and affective commitment (Bycio, Hackett & Allen, 1995; Kark, Shamir & Chen, 2003; Podsakoff, MacKenzie & Bommer, 1996; Rafferty & Griffin, 2004), transformational leadership being considered an important antecedent of affective commitment (Allen & Meyer, 1996; Meyer et al., 2002). Researchers have found that all of the dimensions of TL are strongly positively associated with affective commitment (Bycio et al., 1995). According to Popper, Ori and Ury (1992), transformational leaders have an extraordinary effect on subordinates and their success in establishing their commitment. A transformational leader transforms and creates meaning for the subordinates, a meaning that promotes the subordinates’ affective commitment. Thus, we hypothesize:

H3. TL relates positively with employees’ AC.

3.4 The mediating role of Transformational Leadership

Moral intelligent leaders foster employees’ affective commitment because they adopt transformational leader behaviors, literature suggesting that transformational leadership (TL) predicts employees’ affective commitment (Bycio et al., 1995; Meyer et al., 2002; Podsakoff, MacKenzie & Bommer, 1996; Rafferty, & Griffin, 2004). MI may influence employees’ AC through other mechanisms that not TL. For example, leaders with higher MI are fairer and more supportive, and foster employee’s trust and identification with the organization, thus leading employees to reciprocate with higher AC toward the organization (Allen & Meyer, 1996; Borba, 2001; Clarken, 2010; Meyer et al., 2002; Settoon et al., 1996). Hence:

H4. The relationship between leaders’ MI and employees’ AC is partially mediated by TL.
4. METHOD

4.1. Participants and Procedures

One hundred and sixty nine individuals participated in the study. Individuals worked in 117 organizations (114 private and 3 public) operating in Portugal, in the secondary and service sectors. All are located at the center area of Portugal. In each organization, we talked personally with a member of the top management team, asking for cooperation. Leader-subordinate dyads were built. An important input of our investigation concerns the use of dyads. Making use of a double-source method for collecting data on dependent and independent variables, we hope to contribute for reducing risks of common method biases (Podsakoff et al., 2003). Thus, leaders reported their MI, their subordinates describing their own AC and their perceptions of TL.

The construction of the questionnaire obeyed several criteria in order to minimize and control the impact of potential systematic errors according to Podsakoff et al. (2003) suggestions. To avoid any form of embarrassment, subordinate and supervisor were asked to fill out their questionnaires in separate locations. Answers were anonymous and delivered directly to the researchers within a sealed cover. Only individuals who worked in the organization for at least 6 months were considered (Subrahmaniam & Ramanujam, 2008), this being the minimum time the researchers considered necessary for people to gain a reliable impression of their organizations. This is a pragmatic criterion and a conservative one as well, considering that other researchers employ a shorter time as an exclusion criterion (e.g., Litwinenko & Cooper, 1997; Tse, Dasborough, & Ashkanay, 2008).

Employees were also asked to report age, gender, organizational tenure and school years. Males account for 54.8%; 45% have 36-45 years old; 62% have more than 9 years of organizational tenure; 50.3% have a university degree.

4.2. Measures

Moral Intelligence. Leaders’ MI was measured through 12 items previously developed and validated by Mamede (2011). Items were collected in the literature (Lennick & Kiel, 2008; Martin & Austin, 2008). The items were translated from English into Portuguese by a first translator and then independently back-translated into English by a second translator (Brislin, 1970). Discrepancies between the original and the back-translated versions were discussed between the translators. The final version was discussed once again with two bilingual Portuguese scholars, and some final adjustments were made. A 5-point Likert scale (from 1: "Never", to 5: "In all situations") was used.

We had the concern of assuring that each variable constitutes an independent construct for this sample. As such, an Exploratory Factor Analysis (EFA) with varimax rotation was carried out for testing the four-factor model (Lennick & Kiel, 2008; Mamede, 2011; Martin & Austin, 2008). Additionally, we had the concern of deleting all items that presented distribution problems as well as using content criteria for item positioning purpose (Hair et al., 2006). Table 1 shows the results of the EFA performed, with the imposition of a four factor structure (KMO: 0.64), which corresponded to the study variables, accounting with 62.7% of the total variance (Table 3). The factorial analysis results have evidenced a dimensional structure in line with Martin e Austin’s (2008) proposal in a study conducted in the USA. For reliability purposes we have followed Nunnally’s (1978) directions, and have verified that all variables have evidenced Cronbach Alpha’s levels close or above 0.70. We have also performed the Harman test as a statistical test for assuring that the collected data do not account for a significant amount of common method bias errors (Podsakoff et al., 2003), which has showed that the data are robust to significant common method bias errors.
### Table 1 – Exploratory Factorial Analysis (EFA) (varimax rotation)

<table>
<thead>
<tr>
<th>Items</th>
<th>Components</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Integrity</td>
</tr>
<tr>
<td>My friends and coworkers know they can depend on me to keep my word.</td>
<td>0.907</td>
</tr>
<tr>
<td>My friends know they can depend on me to be truthful to them.</td>
<td>0.878</td>
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<tr>
<td>When I agree to do something, I always follow through.</td>
<td>0.474</td>
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<tr>
<td>I am able to &quot;forgive and forget,&quot; even when someone has made a serious mistake.</td>
<td>-0.057</td>
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<tr>
<td>When I forgive someone, I find that it benefits me as much as it does them.</td>
<td>0.047</td>
</tr>
<tr>
<td>Even when people make mistakes, I continue to trust them.</td>
<td>0.216</td>
</tr>
<tr>
<td>I appreciate the positive aspects of my past mistakes, realizing that they were valuable lessons on my way to success.</td>
<td>0.229</td>
</tr>
<tr>
<td>I own up to my own mistakes and failures.</td>
<td>-0.075</td>
</tr>
<tr>
<td>When I make a decision that turns out to be a mistake, I admit it.</td>
<td>0.030</td>
</tr>
<tr>
<td>I am willing to accept the consequences of my mistakes.</td>
<td>0.262</td>
</tr>
<tr>
<td>My first response when I meet new people is to be genuinely interested in them.</td>
<td>-0.018</td>
</tr>
<tr>
<td>My coworkers would say that I am a compassionate person.</td>
<td>0.431</td>
</tr>
</tbody>
</table>

**% variance by factor**

<p>| | | | | |</p>
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<tr>
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<tr>
<td></td>
<td>18.20</td>
<td>16.91</td>
<td>16.27</td>
<td>11.30</td>
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</table>

**% total explained variance**

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<tbody>
<tr>
<td></td>
<td>62.7</td>
</tr>
</tbody>
</table>

**KMO: 0.642**

**Bartlett p = 0.000**

*Transformational Leadership.* TL was measured through an instrument (15 items) previously validated by Rafferty and Griffin (2004). The items were adapted from House (1998) and Podsakoff et al. (1990). The same translation process used for MI was conducted. Participants were asked to indicate the degree of (dis)agreement with statements (1: "Strongly disagree" to 5: "Strongly agree"). This scale had a Cronbach’s alpha of 0.87.

*Affective Commitment.* AC was assessed through 5-items adapted from Allen and Meyer (1996). The same translation process used for MI was conducted. A 7-point Likert type scale (1: “The statement does not apply to me at all” to 7: “The statement applies to me completely”) was used. This scale had an alpha of 0.90.

### 5. RESULTS

Table 2 shows the means, standard deviations, and reliabilities. Cronbach Alphas are higher than 0.70. MI, TL, and employees AC are positively intercorrelated.
Table 2 – Descriptive statistics and correlations

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>MEANS</th>
<th>STANDARD DEVIATION</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Moral Intelligence (MI)</td>
<td>4.2</td>
<td>0.3</td>
<td>(0.74)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Transformational Leadership (LT)</td>
<td>3.7</td>
<td>0.7</td>
<td>0.24**</td>
<td></td>
<td>(0.87)</td>
</tr>
<tr>
<td>3. Affective Commitment (AC)</td>
<td>5.2</td>
<td>1.1</td>
<td>0.18*</td>
<td>0.48**</td>
<td>(0.90)</td>
</tr>
</tbody>
</table>

* p < 0.05  ** p < 0.01

MI: 5-point Likert scales; LT: 5-point Likert scales; AC: 7-point Likert scales.

Cronbach Alpha in parentheses

The procedure suggested by Baron and Kenny (1986) for testing the mediation was used. Four criteria are necessary for establishing mediation: (1) MI predicts employees’ AC; (2) MI predicts TL; (3) TL predicts employees’ AC; (4) the effect of MI on employees’ AC, controlling for TL, is zero. There is full mediation if all criteria are met. There is partial mediation if the effect of MI on employees’ AC is smaller when both MI and TL are considered than when only MI is taken into account.

The findings (Table 3) show that MI predicts 3% of unique variance of employees’ AC (1st condition met; H1 supported), MI predicts 5% of variance of TL (2nd condition met; H2 supported), TL predicts 21% of unique variance of employees’ AC (3rd condition met; H3 supported). When both MI and TL are included in the regression, the relation between MI and AC becomes non-significant, the effect of TL in AC being significant. Thus, TL fully mediates the relationship between MI and employees’ AC, H4 being only partially supported.

Table 3 - Hierarchical regression analysis: MI and TL predicting employees’ AC

<table>
<thead>
<tr>
<th></th>
<th>TL</th>
<th>Employees’ AC</th>
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<tbody>
<tr>
<td></td>
<td>1st step</td>
<td>2nd step</td>
</tr>
<tr>
<td>MI</td>
<td>0.24***</td>
<td>0.17*</td>
</tr>
<tr>
<td>TL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>10.44**</td>
<td>5.44*</td>
</tr>
<tr>
<td>R²</td>
<td>0.05</td>
<td>0.03</td>
</tr>
<tr>
<td>R² change</td>
<td></td>
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</tr>
</tbody>
</table>

*p<0.05  ** p<0.01  ***p<0.001
6. DISCUSSION AND CONCLUSIONS

The findings suggest that leaders with higher MI are more transformational and, thus, foster employees’ AC. These are consistent with the literature that suggests that individuals tend to act reciprocally with greater affective commitment when they feel that there is concern for their well-being and that their contribution is valued (Meyer et al., 2002; Rhoades, Eisenberger & Armeli, 2001; Rhoades & Eisenberger, 2002). Once followers’ needs are met with morally intelligent leaders, they are more likely to contribute back to the organization to balance the exchange process resulting in increased levels of emotional attachment to the organization (i.e., affective commitment).

If individuals experience positive emotions at work as consequence of MI and TL, they develop an affective attachment with the workplace. Empirical evidence supports such prediction (Fisher, 2002; Wegge, van Dick, Fisher, West, & Dawson, 2006; Mignonac & Herrbach, 2004). For example, Lilius, Worline, Maitlis, Kanov, Dutton and Frost (2008) suggest that frequent experiences of positive emotion at work may lead to pleasant emotional associations with the workplace and accumulate over time into strengthened AC to the organization (Fisher, 2002; Weiss and Cropanzano, 1996).

Considering that AC and TL are significant predictors of variables directly and indirectly related to employees’ and organizational performance, the study contributes to understand how leaders and organizations may foster AC and, this way, performance. This study also contributes to enrich literature about MI, a field where empirical studies are scarce.

7. LIMITATIONS AND FUTURE STUDIES

Naturally, although the study has several strengths (e.g., data about dependent and independent variables were collected in different sources), it also has several limitations. Sample size is small. Only a mediating variable was included. Future studies may include variables such as trust in organization and the supervisor, authentic leadership, and employees’ positive emotions, optimism, self-efficacy and hope. Just AC was included as dependent variable, thus future studies may include other variables such as in-role and extra-role performance. Future studies must also collect data at the team and organizational level. Moderating variables may also be included. For example, do individuals with different moral/ethical values respond differently to their leaders’ MI?

In spite of these limitations, our study suggests that MI is a relevant construct, both from a theoretical and practitioner point of view. In a time where organizations and leaders are invited to create shared value, our study suggests that such endeavor may be carried out through ethical and transformational leadership.

8. REFERENCES


