

**CITY UNIVERSITY OF HONG KONG**  
**香港城市大學**

**Ethical Leadership and Rewards in Global Investment  
Banking: Preventing the Dark Side**

**環球投資銀行的道德領導力與獎勵：預防陰暗面**

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## **ABSTRACT**

The frequency of unethical behavior in the banking industry is alarming. The general problem is that even with strong regulatory oversight and efforts by the banks to strengthen their internal controls, unethical behavior continues to persist in the banking industry. The specific problem is that, while ethical leadership explicitly promotes ethical behavior, the reward system may be implicitly encouraging unethical behavior, and more needs to be known about how employees respond to conflicting messages from ethical leadership and rewards. Therefore, the purpose of this quantitative study was to survey front office employees at a global investment bank, to investigate the interaction between ethical leadership and rewards and their effect on employee's organizational citizenship behaviors (OCB). This study aims to understand to what extent does (1) ethical leadership influence OCB (2) perceived rewards for financial performance influences OCB and (3) ethical leadership create a situation where perceived rewards for financial performance leads to OCB. The research questions in this study were explored using a multiple regression model of 92 front office employees from a global investment bank.

This study found that ethical leadership is associated with OCB. There was no significant association between perceived rewards for financial performance and OCB. Ethical leadership moderates the relationship between perceived rewards for financial performance and OCB, such that the relationship between perceived rewards for financial performance and OCB is stronger when ethical leadership is high. Future studies are recommended to examine other conditions where moral manager behaviors can mitigate the unintended consequences of rewards. Senior management at banks should design training programs to promote the practice of ethical leadership within their leadership teams.