

Ethics and leadership

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INTRODUCTION

News reports on corruption, unethical practices, scandals and other forms of misconduct have reached an apex that has brought forth citizen outcries for reform and increased government attention and regulation.

Obeying the law and adhering to regulations are the easy part of the leader's job in assuring good behavior on the part of employees, managers and executives. It is in those gray areas of our responsibilities that ethical dilemmas are the most difficult. If one breaks the law, the consequences are easily seen and broadly known. However, making 'the right' decision when faced with complex issues that potentially impact many stakeholders and society itself requires a great deal more from our leaders. Joanne Ciulla begins her 1995 book *Ethics, the Heart of Leadership* by saying, 'We live in a world where leaders are often morally disappointing' (Ciulla, 1995, p. 5).

At Rutgers University, the Institute for Ethical Leadership (IEL) was created to have a positive effect on civil society by helping to educate and support this current generation and a new generation of leaders. The IEL will be a resource for Leaders as they pursue sustainable ethical practices and behaviors and sustainable performance for their organizations.

Sustainable ethical practices and behaviors are those that all of our citizens expect and demand from their leaders and one another. They become sustainable because they are supported, nurtured and recognized as the practices and behaviors that respect the common good and build up our civil society.

Sustainable performance is the type of performance that can be opportunistic to achieve short-term results but must equally be focused on long-term performance of organizations. Thus, all results, short and long term, accrue to the benefit of the organization, its stakeholders and our civil society.

Achieving results that accrue to our current benefit and/or help to build our future must be accomplished through practices and behaviors that create the basis for a society in which each person has the opportunity for a successful life.

THE STATE OF THE FIELD

Most of us realize that individual questions of ethics can be complex. As Linda Treviño and Michael Brown put it, 'The ethical decision-making process involves multiple stages that are fraught with complications and contextual pressures. Individuals may not have the cognitive sophistication to make the right decision. And most people will be influenced by peers' and leaders' words and actions, and by concerns about the consequences of their behavior in the work environment' (Trevino and Brown, 2004, p. 71).

At the same time, it is vital to recognize that the field of ethical leadership is as complex as individual ethical questions can be. The sources of empirically sound research to address that complexity come from a relatively young field, about 30 years old and just beginning to mature. In theory and in practice, today's researchers continue to define and develop ways of approaching ethical leadership, but

most of the work so far has been focused on descriptive studies and has been confined to decision making.

Our research suggests that decision making involves recognizing that an issue is an ethical one, evaluating it, making an ethical judgment, establishing ethical intent to take action, and engaging in ethical behavior. Making the ethical choice for most people means bowing to the overwhelming influence of peer pressure, avoiding punishment, or getting a reward. In other words, too often doing what others do and avoiding personal pain trumps doing what is right or best.

In light of this reality, researchers acknowledge that much more systematic analysis and research need to be done. Ethical leadership is not learned from greeting cards and pop slogans. It is not as simple as 'do the right thing' or 'if you talk the talk, and walk the walk'. The ethical missteps and meltdowns that fill the media have driven ethical leadership toward the top of national and international agendas. The task now is to connect our research, education, training, and consulting services to the decision makers themselves, those who can create a healthy organizational culture.

Many executives say ethical leadership is 'simply a matter of leaders having good character. By having "the right values" or being a person of "strong character," the ethical leader can set the example for others and withstand any temptations' (Freeman and Stewart, 2006, p. 2). It is not quite that simple.

The optimistic view point of interest in ethics and leadership is supported by The Aspen Institute's *Beyond Grey Pinstripes* 2007 survey, which investigated 112 business schools by 'looking at how well MBA programs incorporate social and environmental issues into the training of future business leaders' (*Beyond grey pinstripes: Quick facts*, 2008a). The study found an increase of 34 per cent from 2001 to 63 per cent in 2007 in the percentage of schools requiring students to take a course dedicated to business and society issues that seems to include business ethics, corporate social responsibility, and

sustainability' (*Beyond grey pinstripes: Quick facts*, 2008b). Tempering this optimism is the Association to Advance Collegiate Schools of Business decision in 2003 to not recommend a requirement for ethics content in its accreditation standards.

'With increasing competition for the most desired positions in the job market and for the few coveted places available at the nation's leading business, law, and medical schools, today's undergraduates experience considerable pressure to do well. Research shows that all too often these pressures lead to decisions to engage in various forms of academic dishonesty' (for example Bowers, 1964; McCabe *et al*, 1999). Research also shows that these transgressions are often overlooked or treated lightly by faculty who do not want to become involved in what they perceive as the bureaucratic procedures designed to adjudicate allegations of academic dishonesty on their campus (for example Singhal, 1982; Nuss, 1984; McCabe, 1993). Students who might otherwise complete their work honestly observe this phenomenon and convince themselves that they cannot afford to be disadvantaged by students who cheat and go unreported or unpunished. Although many find it distasteful, they too begin cheating to 'level the playing field'. Fortunately, the picture may not be as bleak as this brief summary suggests.

'One of the most encouraging aspects of the research conducted on academic dishonesty is the many students and faculty who are genuinely concerned about the issue and who are willing to devote time and effort to addressing it on their campuses' (McCabe *et al*, 2001, p. 220).

There needs to be a focus on sustainability of an ethical environment within our business schools, on University campuses and within our corporations, government and our nonprofit organizations.

Of course, the challenge here is not whether we beef up the focus on ethics or whether the field is flourishing. The real issue is that 'these academic achievements have not translated into similar successes in terms of influence



on management practice' (Soule, 2002, p. 114). The important task now is to take the work underway in academia and 'connect it to the business people where they are'.

The work of ethical leadership has enormous potential to bridge the gap between the rigors of research and academia and the relevance of connecting to the practitioners.

Through our own survey and interview work at the IEL we found that the participants in our interview study were very clear about the importance of applied research, which one interviewee described quite simply as 'rigor and relevance'. Another explained with a question, 'How can we connect leading thinking with leading practice?' A third said, 'Universities are wonderful in helping you to lay the theoretical foundation, but less valuable as you confront actual situations, less valuable in the actual practice. The theory has to be applied in the context of your business, your business' culture, your business' challenges, and if it comes off as pie-in-the-sky you're going to lose the connection with your business people who are not just busy, but pursuing very aggressive business goals'.

To influence management practice or the way leaders lead, we first will examine some of the classic ways of thinking about ethics:

- In a *consequentialist approach*, a person thinks about the consequences of his or her actions. In this approach, the ends justify the means.
- In a *duty approach*, a person does what is 'right', no matter what the consequences may be. In this approach, the means are the ends.
- In a *virtue approach*, individual motivations are more important than consequences or duties. In this approach, character is what matters.

But how much help are these theoretical approaches to a real human being who stands face-to-face with an ethical dilemma?

As one researcher summed it up, 'Each school of philosophy believes it has knockdown

arguments against its adversaries, but none has vanquished the others. The debates are quite complex and elicit brilliant intellectual fireworks, but they cast dim light on practical problem' (Badaracco, 1997, pp. 36–37).

This is where ethical leadership enters the picture. Here are some of the classic ways of thinking about ethical leadership:

- In *transforming leadership*, 'persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality' (Burns, 1978, p. 20).
- In *servant leadership*, servant leaders ask themselves, 'Do those served grow as persons, ... become healthier, wiser, freer, more autonomous, more likely themselves to become servants?' (Burns, 1978, pp. 13–14).
- In *authentic leadership*, ethical leaders 'are more interested in empowering the people they lead to make a difference than they are in power, money, or prestige for themselves. They are as guided by qualities of the heart, by passion and compassion, as they are by qualities of the mind' (George, 2003, p. 12).

No matter which approach resonates for you, there is no doubt that individual ethical decision making and ethical leadership play themselves out within the total culture of an organization. As a result, leaders need to behave in ways that influence the conduct of their followers. This means more than incorporating ethics into education. After all, even though over 60 per cent of the nation's top MBA programs require their students to take a course in social and ethical issues, it is MBA students, as Professor McCabe has discovered, who cheat the most.

There is little doubt that leaders who practice transformational, servant, or authentic leadership are 'altruistically motivated, demonstrating a genuine caring and concern for people [and] are thought to be individuals of integrity who make ethical decisions and who become models for others' (Brown and Treviño, 2006, p. 600). But Linda Treviño and Michael Brown argue



that these qualities on their own do not make for a robust theory of ethical leadership:

None of these approaches (transforming leadership, servant leadership, authentic leadership) focuses on leaders' proactive influence on the ethical/unethical conduct of followers in the context of work organizations. Ethical leaders explicitly focus attention on ethical standards through communication and accountability processes. This more 'transactional' aspect of ethical leadership is a key differentiator between ethical leadership and these related constructs (Brown and Treviño, 2006, p. 600).

Even though some of the most respected scholars in the field of leadership recognize that highly effective leaders must use both methods (Tosi, 1982, p. 420), most still overly dichotomize the two theories and favor transforming leadership (Ciulla, 2004, p. 6; Burns, 2007, p. viii).¹ After all, why should we have to coerce people to do the right thing when leading by example should be enough? Why should we need ethics and compliance officers if our corporate leaders are walking the talk of ethical conduct?

According to Joe Badaracco, such questions deny the reality that 'men and women who have power over the lives and livelihoods of others must almost inevitably get their hands dirty – not in the sense of rolling up their sleeves and working hard, but in the sense of losing their moral innocence'.

Losing one's innocence begins by acknowledging that greeting-card ethics are not enough. Getting your hands dirty begins with recognizing that people have mixed motives about ethical behaviors. Sometimes we are most-certainly altruistic, but at other times we are self-interested to the exclusion of everything else. As one interviewee put it, 'If you've got salespeople who are paid in a compensation structure that is heavily weighted on commission – they eat what they kill – then some of the controls become very difficult for them to buy into it because they see it as taking food off their plates'.

Which is better – self-interest or self-sacrifice? Joe Badaracco recommends a both/and approach,

observing that 'people who embrace complexity, in the world around them and inside themselves, are more likely to succeed at difficult everyday challenges than individuals who try to airbrush away these stubborn realities' (Badaracco, 2002, p. 35).

ETHICS AND LEADERSHIP

At the IEL we examined definitions of Ethical Leadership and then established our own definition for working purposes:

Define ethical leadership: Wikipedia

Traditionally, the view of *leadership* has been that the main goal of leaders is to increase production, profits and to fulfill the organizations mission. The traditional view of leadership is slowly diminishing, as more theorists are asserting that leaders also have the responsibility for ensuring standards of *moral* and *ethical* conduct. Good leadership refers not only to competence, but to ethics and *transforming* people as well.

All leadership is responsible for influencing *followers* to perform an action, complete a task or behave in a specific manner. Effective leaders influence process, stimulate change in attitudes and values, augment followers' *self-efficacy* beliefs, and foster the *internalization* of the leaders' vision by utilizing strategies of *empowerment*.

It is believed that the nurturing aspect of leaders can raise organizational cultures and employee values to high levels of ethical concern. Ethical leadership requires ethical leaders. If leaders are ethical, they can ensure that ethical practices are carried out throughout organization.

Michael E. Brown, Linda K. Treviño and David A. Harrison define ethical leadership as the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and decision-making (Brown *et al*, 2005, pp. 120–121).



The term 'normatively appropriate' is deliberately vague because, beyond the generalities noted above, what is deemed appropriate behavior is somewhat context dependent. Ethical leaders set ethical standards, reward ethical conduct and discipline those who do not follow the standards (Gini, 1998 and Treviño *et al.*, 2003), contributing to vicarious learning. The final element of the definition related to 'decision-making' reflects the fact that ethical leaders consider the ethical consequences of their decisions, and make principled and fair choices that can be observed and emulated by others (Burns, 1978; Howell and Avolio, 1992 and Bass and Avolio, 2000).

AT THE IEL WE DEFINE ETHICAL LEADERSHIP

Ethical Leadership is the way in which a leader behaves (context and culture appropriate), sets the tone and builds the culture of an organization to effectively develop and empower the people in the organization so that products, services, and mission are promoted, enhanced and sustained while building up our civil society (Alex Plinio and Judy Young, August, 2009, unpublished and available from the authors on request).

THE RESEARCH

Research shows that the need for Ethical Leadership is a worldwide challenge. Results from the 2007 National Business Ethics Survey compiled by the Ethics Resource Center suggest that things continue to decline:

- Ethical misconduct in general is very high and back at pre-Enron levels—during the past year, more than half of employees saw ethical misconduct of some kind.
- Many employees do not report what they observe – they are fearful about retaliation and skeptical that their reporting will make a difference. In fact, one in eight employees experiences some form of retaliation for reporting misconduct.
- The number of companies that are successful in incorporating a strong enterprise-wide

ethical culture into their business has declined since 2005. Only 9 per cent of companies have strong ethical cultures (National Business Ethics Survey, 2007, p. v).

(As we were going to press, the results of a new survey were near completion and will be reported on in a subsequent issue of this journal.)

Organization culture matters. Here is the key: as the 2007 National Business Ethics Survey demonstrated, 'companies that move beyond a singular commitment to complying with laws and regulations and adopt an enterprise-wide ethical culture dramatically reduce misconduct (National Business Ethics Survey, 2007, p. v).

The Ethics Resource Center describes four primary characteristics of an effective culture:

1. Ethical leadership: tone at the top and belief that leaders can be trusted to do the right thing.
2. Supervisor reinforcement: Individuals directly above the employee in the company hierarchy set a good example and encourage ethical behavior.
3. Peer commitment to ethics: ethical actions of peers support employees who 'do the right thing.'
4. Embedded ethical values: values promoted through informal communications channels are complementary with a company's official values (National Business Ethics Survey, 2007, p. 9).

Culture 'refers to the taken-for-granted values, underlying assumptions, expectations, collective memories, and definitions present in an organization. It represents 'how things are done around here [and] is undetectable most of the time' (Cameron and Quinn, 1999, p. 14).

In other words 'what defines moral behavior is a commitment to do right whether or not it is personally beneficial. What defines moral leadership is adherence to fundamental principles even when they carry a cost' (Rhode, 2006, p. 20).



THE INSTITUTE FOR ETHICAL LEADERSHIP, RUTGERS BUSINESS SCHOOL (IEL)

The IEL seeks to create awareness and education about the importance of ethical leadership. Part of a broad-based academic institution, the IEL understands that a sure means for improving the conduct of leaders is through cultivating, and rewarding sustainable ethical practices and behavior. The IEL, under the direction of co-founders Alex J. Plinio and James Abruzzo, aspires to establish itself as the place that leaders, across all sectors, look to for guidance, partnership, and support to develop and improve the ethical culture among their executive and board leadership and within their organizations.

Working with business and government entities, nonprofit and philanthropic organizations, and within the University, the IEL provides leaders and future leaders with the education, training, consulting and critical-thinking tools needed to make ethical decisions for real-world challenges. The IEL believes that ethical behavior drives good business and that merely operating a business within the confines of compliance and the law can fail to address the complexities that constitute ethical conduct and considerations. Leaders must be prepared to deal with the more complicated and subtle critical-thinking and decision-making processes required to create an organizational culture where ethical practice and behavior become habit so that their organizations can be sustainable over the long term.

NOTE

1 Fortunately, experts are becoming more appreciative of the complementary nature of the two approaches. Joanne Ciulla argues that 'leadership scholars should spend more time understanding the dynamics of transactional leadership. Transactional leadership, especially viewed in terms of long-term reciprocity, promises richer insights into the social and moral dynamics of leadership than the current emphasis on transformational leadership' (Ciulla, 2004). Even James

MacGregor Burns – father of transforming leadership – now sees his contrast between transforming and transactional leadership in 1978 was 'overly dichotomized ... There is a stronger connection between transforming and transactional leadership than I led readers to believe' (Burns, 2007).

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