Ethical Leadership in Organisations: A Synthesis of Literature

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Abstract: A lot of controversies have arisen in recent times, as corporate leaders are brought under scrutiny by the media and other stakeholders. This has changed the game for a lot of them and it is no longer business as usual. What would have been ignored in times past would make headlines especially when it comes to ethical issues. As a leader of an organization, one is no longer responsible to just the shareholders in terms of maximizing profit. But as ethical leadership is concerned, the responsibility of ensuring that there is a clear line between what is acceptable and what is not acceptable while driving the organization to reaching set goals becomes paramount. The pitfall for several leaders is that, in the bid to achieve short-term goals, they cross the ethical lines which has major repercussions for the entire organization. This paper takes a holistic review of literature at the concepts of ethics, leadership and ethical leadership and the fundamental principles of ethical leadership. It also discusses cases of ethical misappropriations by selected organizations and the consequences of such actions. This conceptual paper provides practical solutions to the issues bordering on ethics and leadership in organisations.

I. INTRODUCTION

Change in the business environment is happening so fast due to several factors such as globalization, and technology. With such changes taking place, competition, innovation and good leadership are the norms for organizations to stay afloat in the market (Friedman, 2007). The concept of leadership is one that has gained significant attention over the years, as both scholars and professionals have taken up the discussion on what leadership is and is not. Leadership is a core component for every organization if they are to achieve sustainable growth in their business in a volatile environment. The definition of who a leader is has been critically analysed 2 by several scholars and experts. Jackson and Parry (2008) described leadership as the process where leaders utilize their competencies and experiences to lead and drive employees in the wanted direction that is profitable to the goals and objectives of the organization. Cabeza-Erikson, Edwards, and Van Brabant (2008) defines a leader as that person who regulates and oversees the entire operations of an organization. To them, effective leaders are responsible and capable of setting optimistic goals and objectives while directing the operations of the objectives towards those goals via strategic management. Beyond this, a leader is an influencer – influencing both the culture and employees' perceptions, thus, optimizing performance and productivity. Leaders must possess the ability to utilize their skills and knowledge to successfully drive their organizations towards accomplishing set goals despite the uncertainties and reduce the tension of insecurity employees sometimes have due to the uncertainties. As a leader, influencing success throughout the organization not just from the strategic perspective, but from the individualistic behaviour he/she exemplifies. Leadership is having the ability to influence or change a person's values, conducts, convictions and mindset (Ganta & Manukonda, 2014). Such a leader who exhibits moral and ethical standards will definitely be a decent example to employees, this follows from the fact that employees trust and would want to emulate one who demonstrates quality leadership morals and values. Therefore, he inadvertently influences and changes their own conducts, values, convictions and way of thinking (Grint, 2007). In the same vein, Northhouse (2009) opines that the degree of pursuit of organizational goals and objectives are to an extent affected (positively) by leaders that possess unyielding leadership belief systems. The concept of ethics is fundamental to any discussion of leadership and this is so because of the dynamics between leaders and their followers (employees). Ethics helps decide what is right and wrong or good and bad in any given situation. It entails what is found appropriate by the society in context.

When it comes to leadership, ethics is about who leaders choose to be and how they choose to act. The ideal occurrence present in such a relationship is that Leaders influence followers— which implies that leaders often affect the lives of their followers' either negatively or positively (Yukl & Michel 2006). The type of influence a leader has is subject to the personality and character of such a leader. For the leaders, having more power (positional or interpersonal) comes with a greater responsibility to influence their followers. For leaders with high moral ethos, it is easier to impact the lives and behaviour of employees towards achieving a common goal. In driving employees to a set goal, it is imperative that leaders respect and treat their followers with dignity — in other words, as individuals with distinctive identities. Therefore, it is the core responsibility of leaders to develop, establish and drive organizational values. The personal character and values of the leader would go a long way in determining the nature of ethical climate that the organization would have. Mihelič, Lipičnik and Tekavčič (2010) posit that it is especially during periods of organizational controversies and lapses in ethical judgements that stakeholders and does who have vested interests think to ask questions of level of ethical behaviours their managers possess. It is in light of this that Trevino & Brown (2005) observe that studies and managers have only recently shifted their focus to ethics management. Ideally, an important source of ethical guidance for the organization should be the leaders and they are supposed to care about the ethical growth of members of the organization. It has been argued that ethics has nothing to do with management, as long as organizational goals and objectives are met at whatever cost. However, how goals are met and how individuals in an organization behave should be a thing of consequence. It must be legal and legitimate, especially in recent 3 times when consumers seek for something more than the mere value provided to them by a firm's products or services and transparency, justice and fairness also count for business success. It is on this basis that this paper aims at shedding light on the concept and principles of ethical leadership by reviewing relevant literature. It also uses relevant case studies as examples to further drive home its point.

Conceptualization of Terminologies

The concept of ethics dates back to ancient Greek philosophy and derived from the word "ethos" which means convention or character. Its implication is focused on defining and recommending moral necessities and practices, which proposes that there are satisfactory and unsuitable methods for conducts that acts as an element of philosophical standards (Minkes, Small, & Chatterjee, 1999). One can also define ethics as a set of guidelines that informs our actions on what is morally recognised as "good" and "right" as opposed to "bad" or "wrong" in a given situation (Sims, 1992). In a way, it is a non-stop discovery, reiteration and assessment of values and ideologies (Freeman & Stewart, 2006). Ethical conduct in organizations has been often defined in terms of moral standards of management (leaders) and the ethos to which they significantly contribute (DeGeorge, 1986). Leadership is characterized as the process of impacting an individual or group to follow the directions of a leader in the pursuit of the achievements of defined objectives. Leadership is more serving than bidding. It is the process of influencing an individual(s) to achieve a common goal. Leadership in the context of normative organizational ethics would be defined with regard to how individuals should or ought to behave in an organization. This includes speculations about criteria that define ethical decisions and personality characteristics. Based on the above definitions of ethics and leadership, ethical leadership can thus be defined as the process of influencing people through principles, values and beliefs that embrace what might has been defined as right behaviour (Van-Buren, n.d.). Ethical leadership is crucial and vital in providing direction that enables the organization to fulfil its mission and vision and achieve declared goals (Kanungo & Mendonca, 1996). Ethical leadership is regarded as a key factor in the management of an organization's reputation in the external environment and in comparison with competitors (Blanchard & Peale, 1996; Kanungo & Mendonca, 1996). An organization's moral health depends upon the standards and the example of its leaders. According to Hitt (1990), senior leadership has two key responsibilities: 1) to ensure that ethical decisions were made; 2) to develop an organizational climate in which ethical follower conduct was fostered. Instead of perceiving ethical leadership as preventing people from doing the wrong thing, authors propose that we need to view it as enabling people to do the right thing (Freeman & Stewart, 2006). An ethical leader is a person living up to principles of conduct that are crucial for him. To be an ethical leader one needs to adhere to a more universal standard of moral behaviour (Thomas, 2001). Leading ethically is believed to be a process of inquiry – asking questions about what is right and what is wrong – and a mode of conduct – setting the example for followers and others about the rightness or wrongness of particular actions (Guy, 1990).

Prior Research on Ethical Leadership

Most research on the ethical aspect of leadership has been linked with transformational leadership. This follows from the fact that Burns (1978) described transformational leaders as those that inspire followers by aligning their value systems with their followers toward important moral principles (as cited in Brown, Trevino & Harrison, 4 2005, p. 118). Attempts have also been made to link transactional leadership with ethics, in that transactional leadership encourages compliance from followers through rewards and punishments. However,

Kelman (1958) suggested that this influence based style of transactional leadership is what specifically makes it unethical. A portion of the primary formal examinations concentrated on characterizing moral authority (ethical leadership) from an engaging point of view and were led by Treviño and colleagues (Treviño, Hartman & Brown, 2000, 2003). Their subjective research uncovered that moral leaders were best portrayed along two related measurements: moral individual and good manager. Treviño (2003) stated that persons in authority are required to be both morally strong as individuals and as managers in order to be viewed as ethical leaders by those around them. According to Barnes & Doty (2010), ethical leadership has been defined by psychology researchers as the show of suitable behaviours by one's personal actions and interactions and encouraging subordinates to emulate such actions through two-way communications, decisions made and reinforcements. This implies that, first, leaders become credible and authentic in the eyes of their subordinates by displaying ongoing behaviours perceived as ethically suitable. These include, honesty, empathy, treating all with fairness and regard. In doing this, leaders become obvious examples and models of how to act. This is an ongoing process; subordinates are continuously evaluating their leaders, so a leader who is ethical at one point in time and not at another sends mixed messages that damage his authenticity. Second, ethical leadership has to do with constantly directing attention to ethical issues and standards. Employees, just like the rest of human beings, have a limited attention span and a lot of competing information to process. Therefore, an ethical leader would continuously emphasize and communicate the place and significance of the organizations ethical standing. Hypocritical leader's talk about the importance of ethics, but their actions show them to be dishonest and unprincipled. Conversely, a strong moral person who is a weak moral manager runs the risk of being seen as an ethically "neutral" leader. Therefore leaders must take a stand and their actions must manifest the said stand. Subsequent research by Brown, Treviño, and Harrison (2005) further clarified the construct and provided a formal definition of ethical leadership as the practice of "normatively appropriate" behaviours by way of a leaders actions and interactions with other employees, it goes further to explain that these behaviours must be encouraged through two-way communication, decisions made, as well as reinforcements. However, Brown, Trevino & Harrison (2005) pointed out that the phrase "normatively appropriate" is "deliberately vague", being that norms across organizations vary.

For Heifetz (1994), the paramount responsibility of leaders is to create a work atmosphere characterized by empathy, trust, and nurturance and to help followers to change and grow when faced with difficult situations (as cited in Yukl & Michel, 2006). In line with this, Burns (1978) argued that leadership should focus on helping followers achieve higher ethical standards when differing values conflict. He argued that the interaction of leaders and followers should raise the ethical behaviours and characters of both parties. Leaders would do this by assisting followers to emphasize values such as equality, justice, and liberty. Greenleaf (1970, 1977) championed servant leadership. The underlying principles of servant leadership are as follows:
Leaders need to be aware of followers' concerns and needs, attend to followers' needs and concerns, empathize with followers, nurture and support followers, and look after followers. Servant leaders make others better by their presence. Through serving their followers, servant leaders encourage followers to gain more knowledge, freedom, and autonomy and to develop as servant leaders themselves. 5 These perspectives emphasize the relationship between leaders and followers and argue that this relationship is at the heart of ethical leadership.

Theories Associated with Ethical Leadership

Studies have used both the social learning theory and the social exchange theory to explain the effects of ethical leadership. Brown & Mitchell (2010) posit that employees learn acceptable behaviours via their leaders. A social learning perspective on ethical leadership proposes that leaders influence the ethical conduct of followers via modelling. Modelling has to do with observational learning, imitation and identification. Leaders are usually the source of this learning because of their status and the power to affect behaviour of employees below them. According to principles of reciprocity in social exchange theory, subordinates reciprocate leader's behaviour to them as part of a social developmental process. Under this theory, individuals feel obligated to return beneficial behaviours when they believe another has been good and fair to them. In line with this reasoning, researchers argue and find that employees feel indebted to ethical leaders because of their trustworthy and fair nature; consequently, they reciprocate with beneficial work behaviours (e.g., higher levels of ethical behaviour and citizenship behaviours) and refrain from engaging in destructive behaviour (e.g., lower levels of workplace deviance).

Principles of Ethical Leadership

The five principles of ethical leadership stated in this paper can be traced back to Aristotle. The importance of these principles has been conferred in a variety of disciplines. While it is still not exhaustive, these principles offer a basis for the expansion of comprehensive ethical leadership. These principles include respect, service, justice, honesty, and community.
iRespect for Others

An ethical leader must treat everyone including shareholders and shareholders with dignity and esteem. Ethical leaders must realize that people are not a means to and end but an end in itself and should not be treated like mere tools to achieving a goal. This form of respect acknowledges that individuals have goals and aspirations and confirms followers as human beings who have worth and value to the organization. In addition, it leads to understanding, active listening, and tolerance for contradictory viewpoints. ii. Service to others Leadership by standards is service to humanity. Even so ethical leaders must serve others. They behave in an unselfish manner as different to acting in a way that is founded on moral vanity. Ethical leaders puts the interest of their followers first before their personal gains. Their duty as leaders is to care for and encourage subordinates. Service too is demonstrated through actions such as mentoring, building teams, and empowering (Kanungo & Mendonca, 1996). iii. Justice for Others Justice and equality are the pillars of ethical leaders. Ethical leaders when making decisions that affects their organizations must be fair and just. No favouritism but merit when it comes to policies and allocation of resources. This implies giving all followers similar treatment, excluding when there is a very strong requirement for 6 discrepancy treatment and there is transparency about why this need exists. In addition to being transparent, the logic for differential treatment should be morally sound and reasonable.

Honesty Toward Others

Ethical leadership requires honesty. Deceitfulness ruins trust which is a fundamental characteristic for any "leader–follower" relationship. However, on the opposite side, honesty increases trust and builds the leader–follower relationship. Honesty means candidness with others in that leaders express their thinking and their reality as best as they can. This means complementing candidness with divulging only what is suitable in a given situation. Dalla-Costa (1998) states that honesty for leaders means the following:
Do not promise what you can't deliver, do not misrepresent, do not hide behind spin-doctored evasions, do not suppress obligations, do not evade accountability, do not accept that the "survival of the fittest" pressures of business release any of us from the responsibility to respect another's dignity and humanity.
The debate is that leaders need to guarantee that what they have faith in, what they reason, what they say, and their actions are internally reliable. This internal consistency, along with openness, will build trust among followers toward the leader.

Building Community with Others

Ethical leaders build community with others. This is crucial because leadership is about influencing others to achieve a communal goal. This means that leaders develop organizational or team goals that are appropriate for the leader and his or her followers. These goals need to excite as many people as possible, and ethical leaders achieve this by taking into account the goals of everyone in the team or organization.

II. DISCUSSIONS

When it come to the immediate goals of an organization, profits and margins are the variables to be considered. However, looking at the long-term accomplishments of an organization, the issue of ethical leadership is a crucial indicator of whether such organization would be successful. To attain goodwill from customers, organizations must show ethical leadership while protecting the interest of the stakeholders and that of the shareholders. But for organizations with unethical leaders, short term wins and personal interest drives the actions of such leaders which ultimately puts the whole organization in jeopardy. It becomes a necessity to help such leaders see beyond the immediate while making decisions that would affect the organization years to come. Recent events have shown several organizations rattled by actions of unethical leadership and for the purpose of this paper, we shall consider four organizations that have come under scrutiny for ethical reasons.

British Petroleum (Deep-water Horizon Disaster)

It was in April 2010, when a major explosion happened in an oil well that saw about 4.9 million barrels of oil spill into the Gulf of Mexico. Almost the entire coastline was affected by the 87 days continues spillage.
After the incident, in 2011, an investigation was conducted and the US government found British Petroleum guilty of multiple ethical violations that had led to the magnitude of such spillage. The organization had decided to use chip and inferior construction materials to build the rig in a bid to 7 maximize profit. This was a safety violation and the Government found the organization guilty of 11 counts of manslaughter and deceiving congress they were fined over $4.6 billion. Although shareholders expect to earn returns, putting profit at the cost of public lives is unethical and the consequences of such unethical leadership cost the organization their reputation and finance.

Volkswagen

In a bid to reduce emissions due to several health reasons and global warming, the EPA established new protocols for automobiles manufacturers in 2010. The new guidelines brought about an increment in cost which Volkswagen felt that the best option was to cheat the testing systems as they failed to meet the new standards. In 2016, Volkswagen management instructed their engineers to hoax the testing system by configuring the emission-saving feature to only work during the test. This was an unethical conduct and Volkswagen was found guilty. In a bid to salvage the situation, the company bought back over 500,000 cars and upgraded the rest. Due to the incident, several leaders from the management team met the edge of the knife and lost their jobs.

This again showed the consequences of unethical leadership as it brought about huge financial implications. However, Volkswagen leadership retracting their steps and firing members of management team and calling back the cars demonstrated that the company would not accept any form of unethical leadership. This shows that occasionally, for an organization to recover from such unethical scandal, it would require the organization to disassociate itself from such leadership.

Starbucks

Back in 2007 and 2008, during a period of great droughts, Starbucks used excessive amount of water in producing their drinks and their cups created so much waste which cost the city a lot to clean-up. Many criticised the company for such environmental insensitivity but Starbucks swiftly responded by redesigning machines that drastically reduced the use of water for their drinks and initiated a strategy that rewarded customers who brought back their cups to the store. This saw Starbucks experience tremendous profits after a while although it cost them money in the interim, because as seen, customers would naturally be drawn to organizations and brands with robust commitment to environmental sustainability and ethical leadership.

3M

The brand 3M is reputable for its commitment to ethics spanning over a century in the States and even awarded the most ethical organizations in the world three years consecutively. A great story of an organization that has shown unwavering compulsion to always draw the line between ethical and unethical (accepted and unaccepted) leadership. Investing so much in creating a sustainable culture of ethics and responsibility, the leadership of the organization established a cde of conduct that informs every staff of the organization and is a tool for annual performance evaluation. The organization has successfully demonstrated that ethical leadership when infused into the organizational culture would bring about tremendous benefits, as what informs leadership is not a quest 8 to exploit and manipulate situations for unethical gains as they have a strong value system and a commitment to the longevity of the organization. Organizations that seek ethical leadership must beyond the management, create a system that reinforces such zeal towards ethics throughout the organization. Accountability and unwillingness to short-change long term goals for short term wins would help prevent the organization from crossing ethical lines which would put the organization in jeopardy.

III. CONCLUSION AND RECOMMENDATION

Globalization and technology is fast redefining how businesses run these days. With businesses thriving to break new grounds and maximize profit as often as possible, it is necessary for leaders now more than ever to understand the concept of ethical leadership. As a person in leadership position, your values would easily be diffused throughout the organization and it is important that such a person possesses strong moral compass and is of impeccable character. The sacrifice of ethical leadership is unflagging dedication to sets of principles and high standards, but the cost of unethical leadership is loss of brand reputation and financial sanctions. Compromising the future of the organization for immediate benefits and profit maximization is a typical reaction of an unethical leader. Several organizations have gone down the drain due to lack of ethical leaders. When the leadership of an organization has the wrong set of value system, then the entire organization would suffer. Posterity would only favour ethical leaders who would not cut corners or bribe their way through to success. Therefore, now more than ever leaders of organizations must be trained to behave ethically in the pursuit of goals and objectives, so that results are attained in socially responsible, as this will amongst other things, protect the organizations reputation.

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