

Leadership: Ethics at the Organizational Level

by Sophia

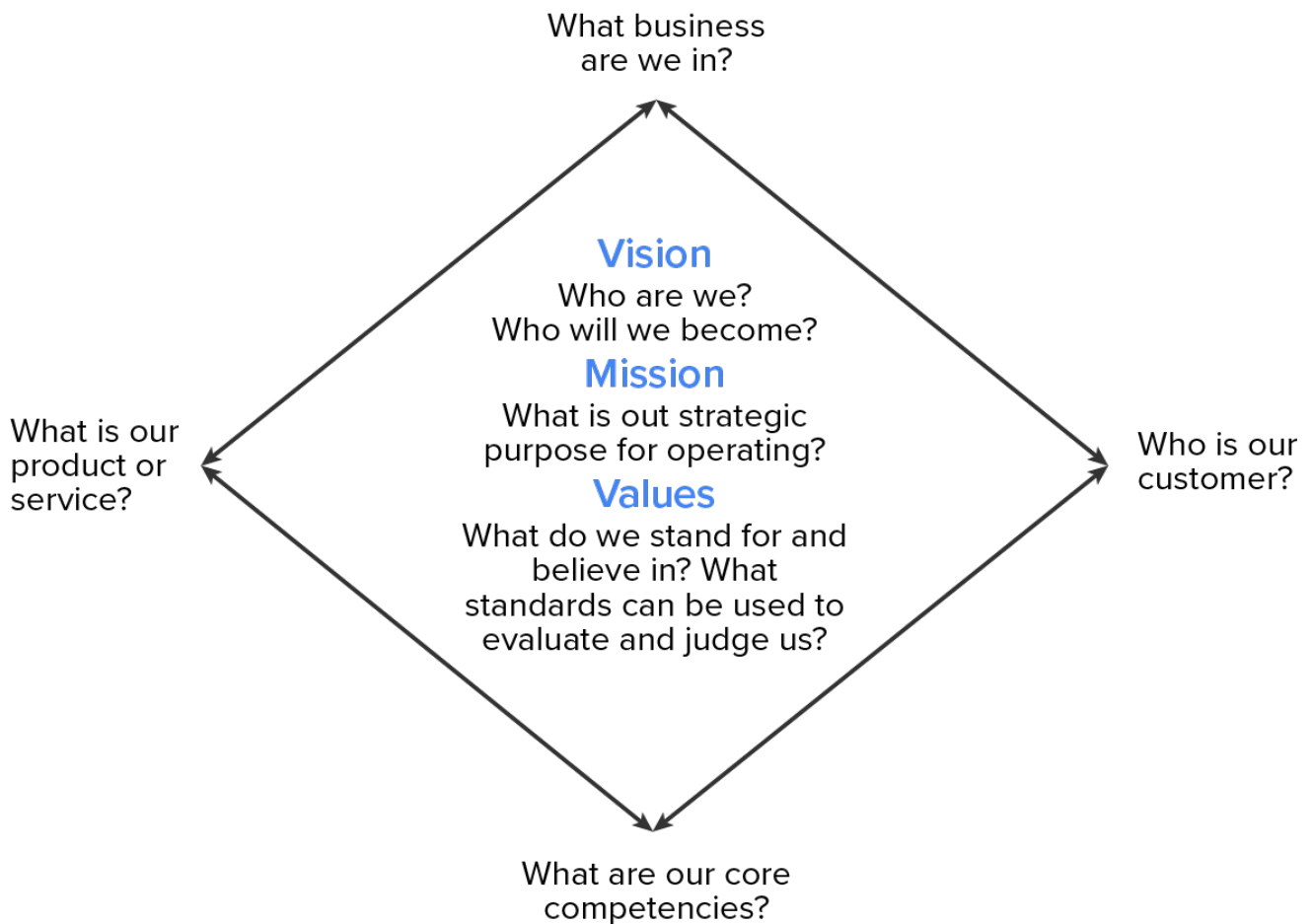


WHAT'S COVERED

In this lesson, you will learn why ethical leadership is important in organizations. Specifically, this lesson will cover:

1. Vision, Mission, and Values

Organizational leadership is an important first step toward identifying and enacting purpose and ethical values that are central to internal alignment, external market effectiveness, and responsibility toward stakeholders (Collins, 2001). The scholar Chester Barnard defined a values-based leadership approach in 1939 as one that inspires “cooperative personal decisions by creating faith in common understanding, faith in the probability of success, faith in the ultimate satisfaction of personal motives, and faith in the integrity of common purpose” (Barnard, 1939). The diagram below illustrates how vision, mission, and values are foundational in guiding the identification and implementation of the strategic and operational questions and alignment of an organization—which is a major part of leadership.



Source: Joseph W. Weiss. © 2014.

Leadership is defined as the ability to influence followers to achieve common goals through shared purposes (Rost & Barker, 2000). Organizational leaders are responsible to a wide range of stakeholders and stockholders as well as employees toward meeting the goals for the organization. How responsibly and ethically they choose to do so depends on a number of factors. From an ethical and related effectiveness perspective, the leader's values count since these generally become the values of an organization. A leader's influence is referred to as "the tone at the top."



BIG IDEA

While a leader's values should align to those of the organization, its vision, and mission, this is not always the case, as we know from the crises discussed earlier when referring to the classical failures at Enron, Tyco, WorldCom, Wells Fargo, and other notable companies.

2. Ethical Leadership

Since leadership is a most important element in forming and directing an organization's strategy, culture, and governance system, it is often a shared responsibility among other officers and followers that cascades throughout the organization.

The widely acknowledged Ethisphere, a private firm that evaluates firms' ethical behavior and responsibilities, uses five criteria that produce a single Ethics Quotient (EQ) score. The first is a company's ethics and compliance program, which accounts for 35% of the EQ. The second criterion is whether or not and the extent

to which ethics is embedded into a company's culture. The third element is corporate citizenship and responsibility, elements that measure companies' environmental impact. The fourth component is corporate governance—whether a firm's CEO and board chair are held by one or separate people. An increased focus recently emphasized diversity in board and leadership positions. The fifth criterion is leadership, innovation, and reputation (Kauflin, 2017).

3. Virtue-Related Values

For ethical leaders, authenticity and integrity, in addition to their values, are also important components of character and behavior that must also be translated into attitude and action toward followers, external stakeholders, and broader communities. Leaders have a responsibility to show respect toward others, treat all stakeholders fairly, work toward a common good, build community, and be honest. These virtue-related values, also referred to as character-related, as discussed earlier, help create an ethical corporation and environment:

3a. Show Respect for Others

Respecting others requires leaders to recognize the intrinsic worth of others and forces them to treat people as ends in themselves—never as means to an end. In other words, people should be seen as valuable because of who they are (a universal principle), not only because of what they can do for others or how they can help others advance. Showing respect for others includes tolerating individual differences and affording followers the freedom to think independently, act as individuals, and pursue their own goals.



BIG IDEA

When a leader shows respect for followers by providing them autonomy, subordinates can feel more useful, valued, and confident. Such a situation often leads to greater loyalty and productivity among subordinates.

3b. Treat All Stakeholders Fairly

Ethical leaders strive to treat everyone their decisions may affect in a fair and just manner. Equality is also a top priority for ethical leaders and needs to factor prominently into their decision-making. Ethical leaders must refrain from offering special treatment to others; failure to do so creates winners and losers—in-groups and out-groups—and can breed resentment between those who receive special treatment and those who do not. The only exception occurs when an individual's specific situation warrants special treatment in order for a just outcome to be realized.

Preventing winners and losers from emerging is not always easy. Some situations require the distribution of benefits and burdens, and such situations can test a leader's ability to ensure that justice is achieved. Beauchamp and Bowie defined the common principles that guide leaders facing such dilemmas; their findings can help leaders allocate responsibilities fairly and justly (Beauchamp & Bowie, 1988).



BIG IDEA

These principles stipulate that every person must receive an equal share of opportunity according to his needs, rights, effort, societal contributions, and performance.

3c. Work Toward a Common Good

Ethical leaders strive to further social or institutional goals that are greater than the goals of the individual. This responsibility requires the ethical leader to serve a greater good by attending to the needs of others. This

type of behavior is an example of **altruism**: a steadfast devotion to improving the welfare of others.

Mahatma Gandhi offers an example of what striving toward a common good entails.



DID YOU KNOW

Known for his commitment to nonviolent protests and mass civil disobedience, the Indian activist and ideological leader spent 20 years in South Africa opposing legislation that discriminated against Indians. He spent the remainder of his life in India fighting for independence from foreign rule and working to reduce poverty and taxation, liberate women, and end multiple forms of discrimination (Lelyveld, 2011). Gandhi championed such causes not because he would personally benefit, but because a larger, more substantial population would. He devoted his life to furthering social causes he believed in and developed a personal sense of purpose and meaning that later translated into a societal and then global ethic.



BIG IDEA

Altruistic behavior may manifest in a corporate setting through actions such as mentoring, empowerment behaviors (encouraging and enabling others), team building, and citizenship behaviors (such as showing concern for others' welfare), to name a few.



TERM TO KNOW

Altruism

A steadfast devotion to improving the welfare of others.

3d. Build Community

When an ethical leader focuses on the needs of others rather than the self, other people will often follow suit. This can lead to a strong contingent of followers working with the leader to achieve a common goal that is compatible with the desires of all stakeholders. Furthering a common goal means that no one can place his or her needs ahead of the group's goals and an ethical leader cannot impose his or her will on others. A successful CEO who works with many charities or other individuals to feed the homeless exemplifies a leader building community.



DID YOU KNOW

Whole Foods Market, recently purchased by Amazon, is well known for its community outreach programs on both local and global scales. Every Whole Foods store donates to community food banks and shelters and throughout the year holds "5% days," when 5% of the day's net sales are donated to local nonprofit or educational organizations. Globally, the company established the Whole Planet Foundation to combat world hunger and supports programs addressing issues such as animal welfare, nutrition, and environmentally friendly production methods.

The effort of Whole Foods to strengthen its stores' local and global neighborhoods is a perfect example of leaders building community.

3e. Be Honest

Honesty is considered desirable by practically everyone, but it is sometimes unclear what honesty actually demands of us. Being honest is not simply telling the truth and avoiding deceitful behaviors; it requires leaders to be as open as possible and to describe reality fully, accurately, and in sufficient detail. Telling the complete truth is not always the most desirable action, however. Leaders must be sensitive to the feelings and beliefs of others and must recognize that the appropriate level of openness and candor varies depending

on the situation.

According to a recent survey, 58% of people internationally trust companies, but 42% are less sure. Being more transparent with customers, stakeholders, and stockholders should become a priority for leaders and boards of companies (The Guardian, 2014). Dishonesty can be a disastrous practice for a leader. Dishonest leaders distort reality, which can lead to unfavorable outcomes for all stakeholders. Researchers Cialdini, Petia, Petrova, and Goldstein found that dishonest organizations suffer from tarnished reputations, decreased worker productivity, and various damages related to increased surveillance. They concluded that the costs of organizational dishonesty greatly outweigh any short-term gains from such behavior (Cialdini et al., 2004).

4. Stewardship and Servant Leadership Styles

Stewardship is concerned with empowering followers to make decisions and gain control over their work. **Servant leadership** involves selflessly working with followers to achieve shared goals that improve collective, rather than individual, welfare. There is a wealth of information on both of these styles. We will briefly address both here, as both involve treating followers with respect—a key component of ethical leadership—and endowing followers with the ability to grow both personally and professionally.

The stewardship approach instructs leaders to lead without dominating followers. Leaders who practice stewardship sincerely care about their followers and help them develop and accomplish individual as well as organizational goals. Effective stewardship breeds a team-oriented environment in which everyone works together. Organizations led by steward leaders are marked by decentralized decision-making—that is, leadership is not centered in one person, group, department, or administrative unity; power is distributed among all stakeholders (Lussier & Achua, 2006).

The servant leadership approach was formulated by Robert K. Greenleaf, who believed that leadership is a natural corollary of service. Servant leadership goes beyond stewardship by requiring leaders to eschew personal accolades and devote themselves entirely to a greater cause. The following aspects are central to servant leadership:

1. Placing service before self-interest. The servant leader's primary concern is helping others, not receiving recognition or financial reward.
2. Listening to others. Servant leaders recognize the importance of listening to the ideas and concerns of stakeholders; they never attempt to impose their will on others. This aspect allows servant leaders to strengthen relationships, understand group needs and dynamics, and effectively allocate resources to improve the group's welfare.
3. Inspiring through trust. As we discussed earlier, ethical leaders must be trustworthy. It does not take much effort for servant leaders to be truthful because they usually have strong moral convictions.
4. Working toward feasible goals. Servant leaders realize that many problems cannot be solved by one person. They also tackle the most pressing issues facing their groups.
5. Helping others whenever possible. Servant leaders lend a helping hand when the opportunity arises. An example is the district manager of a fast-food chain who helps part-time employees flip burgers during a lunchtime rush hour. Another is the director of a business unit who observes that a team is short a member and needs help in meeting a deadline; the director joins the team for the afternoon to help meet the deadline (Greenleaf, 1977).



TERMS TO KNOW

Stewardship

Concerned with empowering followers to make decisions and gain control over their work.

Servant Leadership

Involves selflessly working with followers to achieve shared goals that improve collective, rather than individual, welfare.

5. Dark Side of Organizational Leadership

Not all leaders lead or model high standards or values. Seven symptoms of the failure of ethical leadership provide a practical lens to examine a leader's shortsightedness (Driscoll & Hoffman, 2000):

1. Ethical blindness: They do not perceive ethical issues due to inattention or inability.
2. Ethical muteness: They do not have or use ethical language or principles. They "talk the talk" but do not "walk the talk" on values.
3. Ethical incoherence: They are not able to see inconsistencies among values they say they follow; for example, they say they value responsibility but reward performance based only on numbers.
4. Ethical paralysis: They are unable to act on their values from lack of knowledge or fear of the consequences of their actions.
5. Ethical hypocrisy: They are not committed to their espoused values. They delegate things they are unwilling or unable to do themselves.
6. Ethical schizophrenia: They do not have a set of coherent values; they act one way at work and another way at home.
7. Ethical complacency: They believe they can do no wrong because of who they are. They believe they are immune.



BIG IDEA

A major takeaway is that organizational culture counts and that without an ethical culture both poor and exemplary moral leadership decisions flourish (Fortune, 2016).



REFLECT

1. What role does leadership play in how ethically organizations and its members act and perform?
2. Explain what stewardship is and the role of servant leadership.



SUMMARY

In this lesson, you learned how **vision, mission, and values** are foundational in guiding the identification and implementation of the strategic and operational questions and alignment of an organization; ideally, a leader's values should align to those of the organization, its vision, and mission. You learned that **ethical leadership** is a critical element in forming and directing an organization's strategy, culture, and governance system. You examined the **virtue-related values** embodied by ethical leaders that help create an ethical corporation and environment: **show respect for others, treat all stakeholders fairly, work toward a common good, build community, and be honest**. You learned

that a key component of ethical leadership involves treating followers with respect and endowing followers with the ability to grow both personally and professionally, demonstrated by the **stewardship and servant leadership styles**. Lastly, you learned about the **dark side of organizational leadership**, examining seven symptoms of the failure of ethical leadership: ethical blindness, ethical muteness, ethical incoherence, ethical paralysis, ethical hypocrisy, ethical schizophrenia, and ethical complacency.

Best of luck in your learning!

Source: Access for free at <https://openstax.org/books/principles-management/pages/1-introduction>

REFERENCES

Barnard, C. (1939). *The functions of the executive*. Harvard University Press.

Beauchamp, T. L., & Bowie, N. F. (1988). *Ethical theory and business* (3rd ed.). Prentice Hall.

Cialdini, R. B., Petrova, P. K., & Goldstein, N. J. (2004, Spring). The hidden costs of organizational dishonesty. *MIT Sloan Management Review*, 45(3), 67.

Collins, J. (2001). *Good to great*. HarperCollins.

Corporate transparency: Why honesty is the best policy. (2014, August 4). *The Guardian*.
www.theguardian.com/sustainable-business/corporate-transparency-honesty-best-policy

Driscoll, D. M., & Hoffman, W. (2000). *Ethics matters: How to implement values-driven management* Bentley College.

Fortune editors. (2016, March 30). The world's 19 most disappointing leaders. *Fortune*.
fortune.com/2016/03/30/most-disappointing-leaders/

Greenleaf, R. K. (1977). *Servant leadership: A journey into the nature of legitimate power and greatness* Paulist Press.

Kauflin, J. (2017, March 14). The world's most ethical companies. *Forbes*.
www.forbes.com/sites/jeffkauflin/2017/03/14/the-worlds-most-ethical-companies-2017/#1a0f42e07bc3

Lelyveld, J. (2011). *Great soul: Mahatma Gandhi and his struggle with India* Knopf.

Lussier, R., & Achua, C. (2006). *Leadership: Theory, application, and skill development* Thomson/South-Western.

Rost, J. C., & Barker, R. A. (2000, January 1). Leadership education in colleges: Toward a 21st century paradigm. *Journal of Organizational Studies*, 7(1), 3-12. doi.org/10.1177/107179190000700102

Weiss, J. W. (2015). *Introduction to leadership*, (2nd ed.). Bridgepoint Education, Inc.



TERMS TO KNOW

Altruism

A steadfast devotion to improving the welfare of others.

Servant Leadership

Involves selflessly working with followers to achieve shared goals that improve collective, rather than individual, welfare.

Stewardship

Concerned with empowering followers to make decisions and gain control over their work.