

Chapter 6

Leadership Ethics and Social Responsibility

LEADERSHIP: Research Findings, Practice, and Skills

Andrew J. DuBrin, 8th Edition

Chapter Outline

CHAPTER OUTLINE

Principles and Practices of Ethical and Moral Leadership

Four Ethical Leadership Behaviors

Factors Contributing to Ethical Differences

The Ethical Mind for Leaders

Guidelines for Evaluating the Ethics of a Decision

A Sampling of Unethical Leadership Behaviors

Leadership, Social Responsibility, and Creating an Ethical Organizational Culture

Providing Strategic Leadership of Ethics and Social Responsibility

Creating a Pleasant Workplace

Helping Build a Sustainable Environment

Engaging in Social Entrepreneurship

Engaging in Philanthropy

Working with Suppliers to Improve Working Conditions

Establishing Written Codes of Ethical Conduct

Developing Formal Mechanisms for Dealing with Ethical Problems

Accepting Whistleblowers

Providing Training in Ethics and Social Responsibility

Placing Company Interests over Personal Interests

Ethical and Socially Responsible Behavior and Organizational Performance

Summary

Key Terms

Guidelines for Action and Skill Development

Leadership Case Problem A

Leadership Case Problem B

Notes

Learning Objectives

- Specify key principles of ethical and moral leadership.
- Apply a guide to ethical decision making.
- Present representative examples of unethical behavior by business leaders.
- Describe what leaders can do to foster an ethical and socially responsible organization.
- Explain the link between business ethics and organizational performance.

Principles & Practices of Ethical & Moral Leadership

- **Ethics**

- The study of moral obligations
- The study of separating right from wrong

- **Morals**

- An individual's determination of what is right or wrong
- Influenced by a person's values

- **Values**

- Connected to ethics because ethics become the vehicle for converting ethics into action

Ethical Leadership Behaviors

Ethics is at the center of leadership because the goal of a rational leader is to merge the interests of all parties so that everyone benefits and the organization prospers.

- Be Honest and Trustworthy and Have Integrity in Dealing with Others
- Pay Attention to All Stakeholders
- Build Community
- Respect the Individual

Factors Contributing to Ethical Differences

- Leader Moral Identity
- Level of Greed, Gluttony, & Avarice
- Rationalization and Implied Permission
- Level of Moral Development
 - Pre-conventional
 - Conventional
 - Post-conventional
- Sense of Entitlement
- Situational Influences
- Person's Character
- Motivated Blindness

The *Ethical Mind* for Leaders

The view that helps individuals aspire to good work that matters to their colleagues, their companies, and their societies in general.

- *Behaving ethically*
- *Establishing an ethical compass*
- *Adhering to ethical values*
- *Reflecting on ethical behavior through self-tests*
- *Asking mentors to comment on ethical behavior*
- *Acting quickly to confront unethical behavior of others*

Dimensions of Ethical Leadership

- Fairness
- Power sharing
- Role clarification
- People orientation
- Integrity
- Ethical guidance
- Concern for sustainability

Guidelines for Evaluating the Ethics of a Decision

- Ethical Screen/Guidelines to Help Leaders Determine if a Given Act is Ethical or Unethical
 - *Is it right?*
 - *Is it fair?*
 - *Who gets hurt?*
 - *Would you be comfortable if the details of your decision or actions were made public in the media or through email?*
 - *What would you tell your child, sibling, or young relative to do?*
 - *How does it smell?*

Leaders regularly face the necessity of running a contemplated decision through an ethics test.

A Sampling of Unethical Leadership Behaviors

- A statement often made is that about 95 percent of business leaders are ethical and that the 5 percent of bad apples (mostly senior executives) get all the publicity.
- The **impact of unethical leadership** has been enormous:
 - Bankruptcy
 - Layoffs of thousands of workers
 - Diminished trust in stock investments
 - Discourage talented young people to study business
- **Unethical business leaders:**
 - Bernard Madoff
 - Angelo Mozilo
 - Deon Anderson
 - Paul Shinn Devine

Leadership & Social Responsibility

- Idea of corporate social responsibility continues to evolve.
 - Is part of a company's efforts to manage its external engagement.
- Obligations to society beyond the company's economic obligations to owners or stockholders – and – beyond those prescribed by law or contract.
- Both ethics and social responsibility relate to the goodness or morality of organizations...
 - But social responsibility relates to an organization's impact on society and goes beyond doing what is ethical.

Socially Responsible Actions

- Creating a Pleasant Workplace
- Guarding the Environment
- Engage in Social Entrepreneurship
- Engaging in Philanthropy
- Working With Suppliers to Improve Working Conditions

Creating an Ethical Organizational Culture

- Providing Strategic Leadership
- Creating a Pleasant Workplace
- Conducting an Environmental Audit
- Helping Build a Sustainable Environment
- Engaging in Social Entrepreneurship
- Engaging in Philanthropy
- Working with Suppliers to Improve Working Conditions
- Establishing Written Codes of Ethical Conduct
- Developing Formal Mechanisms for Dealing with Ethical Problems
- Accepting Whistleblowers
- Providing Training in Ethics and Social Responsibility
- Placing Company Interests over Personal Interests

Ethical Behavior & Organizational Performance

- High ethics and social responsibility are sometimes related to good financial performance.
- Relationship between social responsibility and financial performance may be a virtuous circle.
- Corporate social responsibility and corporate financial performance may feed and reinforce each other.

Summary

- Key principles of ethical leadership include having honesty and integrity, paying attention to all stakeholders, building community, and respecting the individual.
- Examples of factors contributing to how one person's ethics differ from another include person's moral identity; the person's level of greed, gluttony, and avarice; the person's rationalized and implied permission to engage in unethical acts; the person's level of moral development; the person's sense of entitlement; the situation itself; the person's character; and/or motivated blindness.
- Leaders should seek answers to a series of important questions before reaching a decision about an issue that is not clearly either ethical or unethical.
- Unethical behaviors have had detrimental effects on many companies.
- Leaders can encourage ethical behavior by promoting social responsibility and entrepreneurship.
- Ethical behavior is related to financial performance.