

SMC Working Paper

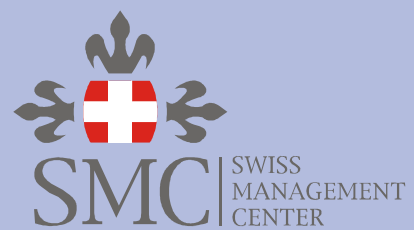
No. 06/2008

UmmeSalma

Ethical Leadership

Supervised by Dr. Mark Esposito

www.swissmc.ch



About the Author

UmmeSalma is an Assignment Supervisor for University of Cambridge Professional Postgraduate Program in Management in UAE. Franchise partner of the program in UAE is Knowledge Horizon. In addition the author is a DBA Candidate at Swiss Management Center, a Research Scholar, freelance education columnist with GULFNEWS, Management lecturer and Corporate Trainer for Middle and Senior Management.

Mark Esposito, Ph.D. is Director of Research & Associate Professor of Management and Strategic Leadership at Swiss Management Center and he has supervised UmmeSalma during the Strategic Leadership doctoral course, from where this research paper has originated.
m.esposito@swissmc.ch

ETHICAL LEADERSHIP

During one's lifetime we are exposed to many types of leaders, we find them at work, in school, in our families, in the community and elsewhere. Carefully review the leaders you have known and experienced in your lifetime. Select two individuals, the

¹We live in a world where leaders are morally inadequate. Even the greats of the past Martin Luther King Jr. and George Washington, are diminished by probing biographers who document their ethical shortcomings.

It is therefore, fairly tricky to reflect on leaders in one's own life. Here are my experiences.

One of the defining features of an ethical conflict is that it involves being pulled between two or more objectives, values, or ideals which often elicit strong emotional reactions. The competing objectives or values may both be ethical in nature, as in the conflict between loyalty to a friend and duty to report that friend's unlawful behavior. Alternately, one of the competing values may be ethical (e.g., the desire to help a person in need or in danger) while the other is pragmatic (e.g., financial prudence or self-protection). In either situation, a moral or ethical conflict more than other conflicts often has a strong emotional component. One of the challenges decision makers face in such situations is the need to integrate their emotional reactions to different choice options with their cognitive evaluations of the possible or expected outcomes of these options. Following this definition of an ethical decision, ethical or moral decisions do not simply constitute a specific content domain of decisions that parallels and complements other content domains such as financial decision making or recreational decision making (²Weber, Blais, & Betz, 2002).

AUTHOR'S EXPERIENCES:

The least honest and unethical leader(X), that I have encountered was a female heading an educational institution in United Arab Emirates. On the contrary, one of the most honest and ethical leader(Y), that I know of is a Senior Projects manager at an international contracting company. (Identities with held).

¹ The Ethics of Leadership by Joanne Ciulla

² Weber, E.U., Blais, A.R., & Betz, N. (2002). A domain-specific risk-attitude scale: Measuring risk perceptions and risk behaviors. *Journal of Behavioral Decision Making*, 15, 1-28.

Leaders know what they value. They also recognize the importance of ethical behaviour. The best leaders exhibit both their values and their ethics in their leadership style and decision making. Leadership ethics and values should be visible because you live them in your actions every single day.

Actions and circumstances involving ethical decision making by the leaders identified above.

Most of our decisions aren't ethical dilemmas. But the stakes can be high even in mundane matters, for everything we do and say represents a choice. Making decisions that are ethical requires the ability to make distinctions between competing choices.

In a simple situation of hiring an employee for both the individuals identified above, when in the applicant was a relative/family member or friend. X would not even consider inviting applications for the vacancy. Further would allot the job to an incompetent and ineffectual person just on the basis of personal association/liking. Educational establishments have faculty appraisal at the end of every semester. X has had the history of going against all the evidence that would prove a faculty knowledgeable and skilled for the job and award the course to a lecturer much less capable just on the basis stated above.

On the other hand, Y would not entertain personal relationships at work and would follow the laid out procedures by the organization. To the extent that even if a known associate would be well competent for the posted job, Y would still ask him/her to follow the prescribed channel to apply.

Causes of the identified behaviour:

General causes of unethical behaviour according to a ³global survey commissioned by American Management Association (AMA) and conducted by the Human Resource Institute (HRI) are: unrealistic business objectives and deadlines as the leading factor most likely to cause unethical corporate behavior, The desire to further one's career and to protect one's livelihood are ranked second and third respectively as leading factors. Working in an environment with cynicism or diminished morale, improper training about or ignorance that acts are unethical, and the lack of consequences when caught are the next leading factors likely to cause unethical behavior. These factors are followed by the need to follow the boss's orders, peer pressure/desire to be a team player, desire to steal from or harm the organization and, paradoxically, wanting to help the organization survive.

³ The AMA/HRI survey on "The Ethical Enterprise" included responses from 1,121 managers and HR experts from around the world. The survey was conducted in conjunction with AMA's affiliates and global partners, including Canadian Management Centre in Toronto, Management Center de Mexico in Mexico City, Management Centre Europe in Belgium and AMA Asia in Japan.

Observation, in line with the study referred to above leads to indicate that X had a desire to further her career and was utterly sure about the lack of consequences when caught, rather there were no chances of being caught due to management located in another country and decision making being decentralized. X's decision making was consistently unethical at work. She was also found to conceal evidence that could suggest against her motives. Therefore, X could also be counted among many people who think that ethics are not, in fact, grounded in reasons but merely based on how a person feels about an issue. But, ethics can't just be a matter of how we feel.

This is not to say that emotions do not have an important place in our ethical thinking. If we did not rely on our emotions to some degree – if we didn't care about others at all, for example – it would be hard to see why we would take any ethical reasons seriously at all. So, emotions certainly can inform our ethical judgments and can motivate us to act out of deep concern for others, but they cannot be all there is to ethical judgment.

Variables that have been classified as "personal characteristic" or "individual factors" in the literature, such as values (e.g., Hunt and Vitell 1991), attitudes and intentions (e.g., ⁴Ferrell and Gresham 1985; ⁵Ferrell, Gresham, and Fraedrich 1989), according to general models of decision making (Kirsch 1977; Engel, Blackwell, and Miniard 1993:364) constitute underlying elements of decision making rather than determinants. Therefore in the case of X, negative motivations pertinent to the institution she was part of were one of the main reasons behind the deposed attitude.

The main point here is that good ethical judgments are considered judgments, rather than unexamined biases or emotional intuitions. It is important to feel strongly about our ethical convictions, but feelings alone are not enough – we must think carefully about our ethical judgments in order to ensure that they are justified and consistent.

Because people bring to their jobs their own ideas of what is morally right and wrong, the individual must shoulder much of the credit (or blame) for the ethical choices he or she makes. Honesty as an ethic comes from within, it cannot be built by any code of ethics folder at work. What values we hold as a person has by and large a significant role to play at work places.

⁴ Ferrell, O. C. and Larry G. Gresham. 1985. "A Contingency Framework for Understanding Ethical Decision Making in Marketing." *Journal of Marketing* 49 (Summer): 87-96.

⁵ Ferrell, O. C., Larry G. Gresham, and John Fraedrich. 1989. "A Synthesis of Ethical Decision Models for Marketing." *Journal of Macromarketing* 9 (2): 55-64.

Y is a morally a strong person. He comes from a practiced religious background, the debate of religion being a strong factor in ethical or otherwise behaviour is supported by studies in history of ethics. Bommer et al. (1987) specify religion as a determinant of ethical decisions. Y's behaviour can be better explained under the topic "Does our private life affect our public life

"A bad man cannot be a good sailor, soldier, or airman"

Sir John Hackett

Y's conduct was persistently found to be equivalent in any given situation. His inline moral and ethical conduct can be well aligned to the fact that he would be happy to tell you what his organization stands for i.e. his ultimate pride in his own character and his organization's name. Thus making him practice always in affiliation with what he espouses.

⁶LaFleur et al. (1996:67, 74) argue: "[I]ndividuals use rules derived from a variety of sources ... from the family, from religion, from the norms of various levels in the cultural hierarchy ... to assist in the judgment process.

Motivations, personal characteristics and leadership styles

⁷The Realm-Individual Process-Situation (RIPS) Model of Ethical Decision Making:

Components of RIPS

Realm	Individual Process	Ethical Situation
Individual	Moral Sensitivity	Problem or issue
Institutional/ Organizational	Moral Judgment	Temptation
	Moral Motivation	Distress
Societal	Moral Courage	Dilemma
		Silence

Motivation as per RIPS is an individual process. Individuals are motivated to enact in different manners, where prioritizing ethical values over financial gain or self-interest can be

⁶ LaFleur, Elizabeth, Eric R. Reidenbach, Donald Robin, and Pj Forrest. 1996. "An Exploration of Rule Configuration Effects on the Ethical Decision Processes of Advertising Professionals." Journal of the Academy of Marketing Science 24 (1): 66-76.

⁷ Glaser JW. *Three Realms of Ethics: Individual Institutional Societal: Theoretical Model and Case Studies*. Lanham, MD: Rowman and Littlefield: 1994.

termed under moral motivation. Both X and Y have moral motivations that form elements in their decision making process where one chooses ethical values over self interest.

A workplace leader communicates expectations and responsibilities can revolve around an individual's style of decision making.

Vroom and Yetton (1973) and later Vroom and Jago (1989) identified different methods of leadership directly related to the leader's preferential basis for making decisions

X illustrates an **Autocratic (non-participative) leadership style and directive style of problem solving**, where in she would like to direct and control the establishment completely.

Her desire to seek power and reinforce her authority can be seen as one of the majors driving forces in her expressed decision making behaviour. Her command style is observed to be highly interventionist in processes and decisions. Thus the observed is reasoned via her leadership style.

On the other hand based on Vroom and Yettin's theory, Y demonstrates **Individual Consultative Style i.e.** he defines the problem and completes the diagnostic process relating to the problem. Investigation of problem causes and potential solutions is completed with input from select individuals. Feedback on solutions and evaluation of options usually involves expert group prior to choice of optimum solution, though choice of 'best' solution still remains with the leader, ensuring consideration of ethics as per Y's moral motivation and individual ethics that are the product of deeply held personal convictions.

AUTHOR'S ETHICS AT THIS TIME.....

All said and elucidated, my personal ethics on a scale of 1-10, where 1 represents the least honest and ethical leader and 10 the most honest and ethical leader fall between 6 and 7. To be able to reach the Y's magnitude of principles, I would like to look at the situation from the other perspective i.e. I would like to answer what are some of the impediments to showing ethics in leadership?

I believe one of them is lack of imagination: sometimes what stops us from doing the ethically right thing is that we cannot see beyond the usual confines of an issue – we cannot see our way through to ethically better solutions. And sometimes what prevents us from leading ethically is staleness: we have been at the same job for too long and cannot see that the creative spark and tenacious dedication necessary to ethical leadership has long ago disappeared.

Therefore, to be able to reach the ideal, I do not require moral/ethical/code of conduct teachings. Rather I believe the focus should be to think big and see beyond the regular limited vision.

In presence of defined core values in corporate world why do they go unobserved and underpractised by leaders?

- **Broadly stated corporate code of conduct**..... A broadly stated corporate code of conduct leaves a company at risk of having only vague and limited substantive standards to draw upon when confronted with an ethical dilemma. No clear platform of meaning in which to address this issue.
- Due to **conflicting personal and corporate values**, core values are being overlooked by leaders
- Values are connected with basic beliefs, how they can affect behavior and how they need to be supported by management systems. **Company's culture plays an important and significant role**. A process for changing a company culture by analyzing the present values and behaviors, defining the desired culture, implementing an action plan, and measuring the results could be one of the ways to address the disbalance
- Non interest by the executive team.

The Leader's within an organization are responsible for leading the way. Leader's must put the values into practice and ensure that everyone knows and understands how to live the values. **When Leader's lead the way and consistently live the values, employees feel passion and enthusiasm for the company**. When employees see the organization living the values they will commit to both the company and its mission and will deliver the core purpose with passion and enthusiasm.

Improving personal and corporate ethical decision making:

We would expect ethical leaders to recognize the importance of consultation with those affected by their decisions before they take action. To take consultation seriously is to treat people impacted by a decision with the dignity and respect they are due. Much better outcomes are often produced because a broader range of input has been taken into account. Corporate ethics must steer towards the center and be in accord with consensus values.

SUGGESTED PROCESS TO FACILITATE ETHICAL DECISION-MAKING

While the substantive standards underlying a corporation's ethical judgments may not be as clear and fixed as senior managers would hope, the process (as compared to the substance) of ethical decision-making can be established with a reasonably high level of certainty. The procedural elements should include the following:

1. Early detection of ethically challenging issues. All too often, the instinctive reaction to controversial, or embarrassing, developments is simply to ignore them in the hope that the problem will pass. Big mistake! *Potential problems need to be identified at an early stage* so that the decisions made in response to them are informed and deliberate.

2. Collection of all relevant information. An under-informed decision carries a high risk of being made incorrectly. Ethical judgments require sensitivity to the unique facts of the situation presented. In addition, it may be necessary for the company to assemble information regarding industry practices or codes of conduct. In some situations, it may also be useful to research how community groups and national advocacy organizations are positioned on issues bearing closely on the subject at hand. While a company should avoid simply following the pack or adopting the politically correct approach, it should, nonetheless, attempt to understand the larger dialogue and public debate that surrounds a charged and controversial subject.

3. Input from those persons who should be heard on the issue. Bad decisions can result from like-minded people reinforcing the views of their colleagues to the exclusion of opposing, or differing, perspectives. The decision-makers must be satisfied that they have entertained all reasonable views on a controversial subject before choosing among them.

Ordinarily, the solicitation of various views will be limited to persons within the company (perhaps informally), but, at times, it may also be appropriate to seek input discreetly from outside sources. Not only will this process improve the quality of deliberations, but it may also assist those whose views were not adopted to accept that the process was a fair one. Fairness in reaching decisions is itself an ethical value.

4. Assignment of decision-making to persons of good judgment and senior status.

There is no substitute for having people with good and respected judgment make difficult ethical decisions. In fact, in some organizations the resolution of an ethically challenging predicament may best be made by a group of persons who are not in the regular chain of command or who are not employed in the functional area in which the problem arose. The same process may apply where there is no crisis, but the company must decide among strategic options which contain ethical considerations. The decision-making team should include managers with sufficient seniority to speak for the company and assume ownership of the consequences of the decision.

5. Scope of appropriate considerations. The decision-makers should ask themselves the following questions:

a) Have we considered all of the relevant information and viewpoints appropriate to making this decision?

b) Is our decision consistent with the mission statement and enduring values the company has identified and announced to its employees and the public?

c) Is our decision consistent with how the company has treated similar, or analogous, situations in the past?

d) What are the likely consequences of our decision, and how will it be viewed by, and affect, the company's various stakeholders?

e) Who are likely to be the critics of our decision, and are we prepared to respond to their criticism with a clear and cogent explanation of the reasons for our decision?

f) At a minimum, is our decision consistent with the company's legal obligations?

g) Have we acted fairly in the broadest sense of that term? Are we comfortable that the ethical standards we applied would be applicable if a similar situation arose in the future?

LAST BUT NOT THE LEAST.....AUTHOR'S NOTES

There is a Connection between Character and Leadership

"Ethical behaviour and military competence are closely interrelated and inadequate performance in one area contributes to inadequate performance in the other"

-U.S Army War College Study

"We are the product of our practices"

Aristotle

Of 462 executives who were asked, "What characteristics are needed to be an effective leader today?" 56 percent ranked ethical behavior as an important characteristic, followed by sound judgment (51%) and being adaptable/flexible (47%). –

Source: American Management Association, New York,

BIBLIOGRAPHY

1. The Ethics of Leadership by Joanne B. Ciulla
2. LaFleur, Elizabeth, Eric R. Reidenbach, Donald Robin, and Pj Forrest. 1996. "An Exploration of Rule Configuration Effects on the Ethical Decision Processes of Advertising Professionals." *Journal of the Academy of Marketing Science* 24 (1): 66-76.
3. Ferrell, O. C. and Larry G. Gresham. 1985. "A Contingency Framework for Understanding Ethical Decision Making in Marketing." *Journal of Marketing* 49 (Summer): 87-96.
4. Ferrell, O. C., Larry G. Gresham, and John Fraedrich. 1989. "A Synthesis of Ethical Decision Models for Marketing." *Journal of Macromarketing* 9 (2): 55-64.
5. Weber, E.U., Blais, A.R., & Betz, N. (2002). A domain-specific risk-attitude scale: Measuring risk perceptions and risk behaviors. *Journal of Behavioral Decision Making*, 15, 1-28.
6. Maslow, AH (1970) 'A theory of human motivation', extract chapter 4 from *Motivation and Personality* , Second edition, Harper & Row: New York. Available at <http://www.xenodochy.org/ex/lists/maslow.html> .
7. Moral Leadership and Ethical Decision Making (Paperback) by J. Owen Cherrington (Author), David J. Cherrington

Swiss Management Center is a truly global University, providing executive education aimed at the working professional. Supported by our centers in Europe and Latin America, as well as our partner network in the Middle East and Asia, we assist you in creating locally professional solutions

