ETHICAL AND MORAL LEADERSHIP

"Make people who work for you feel important. If you honor and serve them, they'll honor and serve you."

—Mary Kay Ash, founder of Mary Kay Cosmetics

"If you don't give people information, they'll make up something to fill the void."

—Carla O'Dell, president of O'Dell & Associates

Learning Objectives

6.1 Explain the key principles of ethical and moral leadership

6.2 Compare leaders at different levels of moral development, and the implications of these levels on their behavior and performance

6.3 Appraise oneself in terms of predominant level of moral development

6.4 Discuss the kinds of actions that leaders can take to demonstrate ethical and moral leadership

6.5 Describe and deal with the paradox of control that leaders face

6.6 Appraise the types of issues that can complicate considerations of ethical and moral leadership

The topic of ethical and moral leadership (EML) has grown in importance in recent years. We are frequently exposed to stories in the media of leaders at various levels of management who have acted in an unethical or irresponsible manner.[1] Some of these individuals have suffered a great personal price. As an example, Jeff Skilling, ex-chief financial officer (ex-CFO) and ex-CEO of Enron, has now served over 10 years in prison for his role in that scandal. Such individuals create problems not only for themselves but also for their organizations, as well as the image of the greater management profession. It should not be so surprising that the image of organizational leaders, especially those at higher levels of large

corporations, is not very favorable. Overall, the public tends to lack confidence in these leaders,[2] and they are largely not trusted to tell the truth.[3]

Nevertheless, research shows that organizations that are guided by leaders with a stronger ethical/moral compass do exist, and they tend to outperform their competitors.[4] These organizations do so by first establishing an organizational climate that stresses such things as **procedural justice**, the establishment of fairness and consistency in how employees are treated. Organizations that have a climate of this nature are characterized by decision-making that is free of biases, favoritism, and personal interests.[5] Top-level leaders are the ones who establish and reinforce such climates.

However, issues and challenges pertaining to EML are relevant to leaders at all levels of organizations. For top-level executives, it involves setting policies, making strategic decisions, and leading-by-example—all of which helps to establish an ethical climate. This climate gets reflected in the behavior of lower-level managers, for whom EML is relevant in terms of setting an example, enforcing ethical standards, acting in an open and truthful manner, and avoiding abusive behavior.

What is EML all about? In Table 6.1, we list seven principles that get at the core of EML.[6] They involve values and beliefs, as well as behaviors in which ethical and moral leaders engage. Each of these principles is described in detail below. A guiding premise is that EML is not just about what is in a leader's head (e.g., values); it's also about the decisions and actions that the leader takes. With these principles in mind throughout this chapter, we organize our discussion of EML in terms of (1) the ethical/moral person, (2) ethical/moral actions as a leader, (3) responsibility and accountability, and (4) complicating questions.

Table 6.1 Principles of Ethical and Moral Leadership
1. Acting in accordance with one's own (developed) sense of values or principles pertaining to justice and what is right
2. Speaking and acting truthfully—having integrity
3. Showing courage to go against established norms or popular opinion, if need be
4. Acting authentically with transparency—for example, by openly communicating and not concealing important information
5. Taking steps to actively identify moral/ethical issues and enforce standards
6. Serving the interests of others rather than just oneself—being *responsible* to a wide range of stakeholders
7. Assuming personal *accountability* for results pertaining to all stakeholders

THE ETHICAL/MORAL PERSON

Marine Corps General James Mattis (now the U.S. secretary of defense) argues, "You can't make ethical decisions on the fly. It has to be ingrained in your mind for the entirety of your life." He goes on to note that "if you run down the ethical sidelines, you're likely to step out of bounds. You must coach yourself and your team to run in the ethical middle of the field."[7] It is difficult to consider what EML is all about without understanding its basis in what can be termed the *ethical/moral person*.' In other words, an understanding of what it means to be an ethical or moral leader begins with a consideration of the person's moral development, which gets at the core of the ethical/moral person.[8] Bruce Lee once said, "Knowledge earns you power, but character earns you respect." Character is something that develops in a person, largely in terms of his or her moral reasoning. As shown in Table 6.2, the moral development and reasoning of an individual would suggest three possible levels.

At the **pre-conventional** level, an individual is primarily concerned with following rules or laws in order to avoid penalty or punishment. These rules and laws can be in different entities with which the individual is associated, such as organizations or society as a whole. At the **conventional** level, the individual follows in line with the groups (e.g., fraternities, sororities, clubs, etc.) or societal entities (e.g., religious affiliations, cultural norms, etc.) with which he or she identifies. The individual is also very much in tune with simply correlating existing rules and laws with morality. In other words, conventional moral development would suggest that if it's legal, it must be moral. The **post-conventional** person is in line with the principle in Table 6.1 of acting in accordance with one's own

Pre-conventional
a level of moral development at which an individual is primarily concerned with following rules or laws in order to avoid penalty or punishment.

Conventional
level of moral development at which an individual follows in line with the groups (e.g., fraternities, sororities, clubs, etc.) or societal entities (e.g., religious affiliations, cultural norms, etc.) with which he or she identifies.

Post-conventional
level of moral development at which an individual acts in accordance with his or her own (developed) sense of values or principles pertaining to justice and what is right.

Table 6.2 Levels of Moral Development

Level 3 – Post-conventional

- Does not necessarily adhere to what others think is right vs. wrong
- Has a strong, internalized sense of right vs. wrong
- Tends to put the concerns of others, or the greater good, above his or her own self-interests

Level 2 – Conventional

- Lives up to the expectations, obligations, and norms of groups with which one feels a sense of identity (e.g., religious affiliations, clubs, professions, and so forth)
- Adheres to the laws of society

Level 1 – Pre-conventional

- Acts in accordance with self-interests
- Follows the rules or the law in order to avoid getting into trouble

(developed) sense of values or principles pertaining to justice and what is right. People who are at this level of development act in an independent manner when it comes to ethical or moral values, and if they perceive the necessity, post-conventional people might even violate the law to pursue their own perceptions of justice, right versus wrong, and so forth.

These different levels should not be viewed as stages, whereby an individual is at only a single level in his or her development. Instead, a person might be predominantly at one level, while showing signs of being at the other two levels. For example, an individual might in most spheres of life demonstrate that she is at the post-conventional level. However, when it comes to something like her personal tax returns, she might be more conventional or even pre-conventional by taking her accountant's advice and claiming deductions that, while debatable, simply represent the norm for other taxpayers (i.e., conventional morality). Or perhaps she uses deductions that might be claimed without any likelihood of punishment by the Internal Revenue Service (IRS), that is, pre-conventional morality. Nevertheless, in behaviors involving most other individuals or endeavors, she is largely post-conventional. As another example, criminals are largely at pre-conventional levels of morality. But for certain issues (e.g., other criminals whom they encounter who are child predators), they may actually show signs of post-conventional thinking about right versus wrong.

Among these different levels of development, the conventional level is probably the most prevalent, and that is true in a lot of different spheres of life and for different roles that people take on. Think about the financial collapse of 2008 and 2009 and the fallout that ensued in the housing market. Many homeowners found themselves in a situation where the value of their homes was significantly less than the amount owed on mortgages. And many of those homeowners simply "walked out" on their mortgages—that is, stopped paying their lenders. Although many of these individuals realized that, in a way, it was wrong to do so (i.e., level 3 reasoning), they nevertheless reasoned that so many other people were walking out on their mortgages without immediate punishment. So why not just join the crowd? Such reasoning reflects either level 1 or 2 reasoning.

Many people in leadership roles also engage in conventional, or level 2, reasoning and behavior. As an example, in 2005, Proctor & Gamble took over Gillette. The then CEO of Gillette, Jim Kilts, ended up taking a $160 million golden parachute deal. These deals involve contract agreements at the beginning of an executive's tenure that lay out what would happen if the firm is taken over by another firm, and the executive's employment is terminated. In the case of Gillette, his original employment contract included a golden parachute that specified $160 million in compensation if his employment was to be terminated through acquisition by another firm. To the naive observer, this might seem like an inordinate amount of money. It could even be considered unethical or unjust, since as in all takeover deals, at least some of the employees of Gillette were displaced without favorable severance packages. However, in CEO circles and the minds of many financial analysts, such a golden parachute deal would be seen as simply living up

to the expectations of the CEO culture, at least with regard to CEOs of similarly sized firms. In other words, the CEO of Gillette was doing nothing more, and nothing less, than any CEO would do in his position. In short, he was following conventional moral development.

Two things should be apparent with the examples provided above. *First*, moral development can, at least to some degree, be in the eyes of the beholder. What some people view as conventional morality, or just "following the crowd," might be viewed by others as immoral. Indeed, one of the things that can complicate a consideration of leadership is that it is largely in the eye of the beholder. What one person might identify as an outstanding leader, another person might view with doubts. *Second*, there may be an ongoing coarsening of conventional morality in society and various institutions (e.g., the institution of CEO and executive management). In other words, following the crowd may be increasingly becoming what many people might view as wrong in its nature. Stated another way, from an ethical/moral point of view, the "new normal" might not be such a good thing.

So how do you personally stack up in terms of these three levels of moral development? To answer this question, complete the survey shown in Appendix A. This instrument forces you to choose among three items, each of which may seem somewhat true about you. But you need to pick the one that is most true, then the one that is next most true about you, and finally, which one is least true about you. For the instrument to be accurate, it is important that you answer in terms of how you really are, as opposed to how you might like to see yourself. In other words, do not answer in terms of how you would like to see yourself; answer as you actually are on a day-to-day basis.

ACTIONS AS A LEADER

As leaders, individuals can engage (or not engage) in a number of actions to demonstrate EML. We consider several key actions here: (1) serving as a role model for ethical values, (2) demonstration of courage, (3) enforcing ethical/moral standards, (4) openly communicating and sharing information, and (5) avoiding abusiveness. First, effective leaders in general, and ethical leaders in particular, realize that they are always "on stage," so to speak. So others are watching what they do, or not do. Ethical leaders "walk the talk." They do not expect others to do what they themselves are not willing to do. As an example, if a leader might expect a sales representative to not be exorbitant in terms of expenses that might be charged to a customer (e.g., meals or travel), the leader herself should practice such frugality.

Second, moral courage involves the strength to work through challenges and fears that may involve moral principles or uncertainties. Oftentimes, this means nonconformity and speaking up when immoral behavior is perceived. This can obviously be a difficult thing for a leader. For example, a leader (or any organizational member) may observe that hiring, promotions, favorable job assignments, and so forth may favor the

majority of group members. However, people of different racial and ethnic groups are left out. It can take courage to speak up and at least raise the possibility of injustices.[9]

Third, and related to courage, leaders acting from EML make decisions that pertain to ethics and ethical infractions. Specifically, they enforce ethical standards, even if it might cause problems for the leader or be unpopular. Accordingly, the leader will show consistency in his or her enforcement of ethical violations, while avoiding making exceptions. Along with this consistency, the leader will show "sentinel-like" qualities in terms of monitoring his or her context for ethical violations. In some circumstances, it might be easier to simply adopt the maxim "see no evil, hear no evil." However, an ethical/moral leader will think and act differently. At the same time, an ethical leader should be careful to not go too far in emphasizing the enforcement aspect of taking actions. If enforcement is overemphasized, negative fallout could occur in the organization, such as employee fear, lack of initiative, lack of risk taking, and so forth.

At first glance, it might seem like the enforcement of ethical standards might be anathema to leading with love (see chapter 2) and, instead, might be more akin to leading through fear. But in reality, a leader needs to maintain and enforce ethical standards for the ultimate good of not just the overall organization but also individual followers. For example, if a follower was continually violating ethical standards, it would do no good to just let the problem fester and linger. To demonstrate "tough" love, the leader would need to confront the issue, and perhaps even apply disciplinary procedures.

Fourth, operating from EML, an individual will lean toward open communication and the sharing of information.[10] People in leadership roles tend to be privy to information that others at lower levels of the organization do not have. Nevertheless, the information can be relevant to those lower-level individuals in terms of their own personal needs and security. Examples include pending organizational restructuring (e.g., layoffs), negative information that could affect the future of the firm, radical changes in the technology that are used to accomplish work in a firm, and so forth. Organizations and organizational leaders who tend to not be open communicators might like to use expressions such as "need to know basis," which would imply that only certain individuals (i.e., typically people at higher levels of the organization) should be privy to important information. To be fair, there can be rational reasons as to why only certain people should be privy to certain information, especially information pertaining to potential change in organizations. Specifically, there could be the fear of widespread panic if certain information, such as a pending layoff, was publicly announced. With that said, the ethical/moral leader will attempt to be as open as possible by sharing information whenever possible. In so doing, he or she will be leading with love, rather than fear.

In short, the idea is to try to avoid what has been humorously referred to as the mushroom perspective of leading: "keep them in the dark, feed them a bunch of crap, and hope that they will grow and be productive." The problem is that it is just not an easy thing to avoid being a *mushroom farmer* as a leader. An example of the dilemmas

that can be caused by either sharing or not sharing information can be seen in the case in Appendix B.

Sharing information as an open communicator relates to the principle in Table 6.1 involving speaking and acting truthfully, or having integrity. Indeed, integrity is oftentimes the first thing that people consider when asked about the qualities of an ideal leader. Speaking and acting truthfully can involve acts of both commission and omission. When a leader overtly tells a lie, that person is committing an *act of commission*. When a leader fails to pass on information that is relevant to the interests of others, that leader is committing an *act of omission*. Either way, the leader's integrity comes into question.

Fifth, an ethical/moral leader attempts to avoid abusive or exploitative behavior. Abusive behavior involves the extent to which supervisors engage in the display of hostile verbal and nonverbal behaviors, excluding physical contact. The negative effects of abusive supervision are estimated to be $23.8 billion annually, and these include increased employee health care costs, absenteeism, and reduced productivity.[11] It is important to note that abusiveness can be overt in the form of acts such as publicly ridiculing a subordinate. However, it can also be less overt (or passive-aggressive) in the form of ignoring or giving a subordinate the "silent treatment."[12] Either way, we view such behavior as improper at best and unethical at worst.

Abusive behavior is relevant to the issue of leading with fear, as opposed to leading with love, which we considered in chapter 2. Abusiveness can cause fear, which in turn can lead to a range of negative side effects, such as lack of innovation, people not speaking up about problems, people not willing to take risks, and so forth. One could argue that by enforcing ethical standards, a leader could induce fear. On the other hand, if the standard was enforced in a just and compassionate manner, it is likely to be considered reasonable *tough love*, rather than abusiveness.

RESPONSIBLE AND ACCOUNTABLE LEADERSHIP

As shown in Table 6.1, an important element of EML involves serving the interests of others, rather than merely one's own self-interests. In other words, EML involves being *responsible* to others. For organizational leaders, these others can include a range of people and entities, including followers, owners or shareholders, customers, and the greater community or society. The key words here are *can include*. There can be differences in how a leader determines the breadth and nature of the "others" to whom the leader will acknowledge and show responsibility.
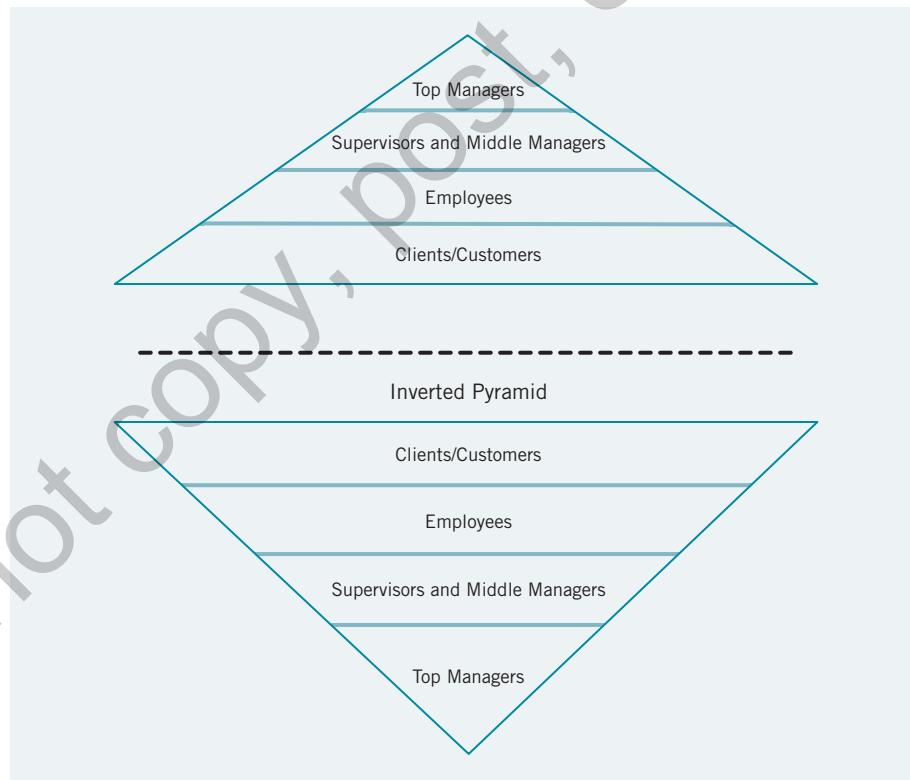
Servant Leadership

One way for a leader to show responsibility toward others, and certainly to lead with love, is for that leader to assume the role of servant. **Servant leadership** can most clearly be seen in the relationship between leaders and followers. It provides a mechanism for a

Servant leadership a way for a leader to show responsibility toward others (especially to followers) by assuming the role of servant, specifically by mentoring, providing necessary tools and information, helping to develop others, and looking out for their welfare.

leader to show responsibility toward others. In the specific case of followers, this means mentoring, providing necessary tools and information, helping to develop followers, and looking out for their welfare.[13]

As stated by Mary Kay Ash, founder of Mary Kay Cosmetics, "make people who work for you feel important. If you honor and serve them, they'll honor and serve you." When assuming this role, a leader will help followers to grow and develop, take care of problems (work related, and perhaps even personal) that followers might not otherwise be able to handle, and so forth. Figure 6.1 shows how servant leadership compares to a traditional, top-down structure. At the top of the figure, we can see a traditional, pyramidal top-down organization. Autocratic leadership is the primary mode of leading that is likely to be associated with such a structure. Lip service may be paid to customers or clients, but in many such organizations, it may seem like customers or clients are really at the bottom of the hierarchy. In contrast, the bottom portion of the figure shows how this structure can be turned upside down in terms of an inverted pyramid.

Figure 6.1 Traditional Pyramid and Inverted Pyramid Structures

Top Managers

Supervisors and Middle Managers

Employees

Clients/Customers

Inverted Pyramid

Clients/Customers

Employees

Supervisors and Middle Managers

Top Managers

Is servant leadership just "pie in the sky," so to speak, or can it be actually implemented in organizations? Skeptics might point to reasons for servant leadership not really being realistic, given short-term productivity or business demands, the nature of the workforce, and common pyramidal structures in organizations. In other words, they might argue that short-term demands and a largely irresponsible (or even lazy) labor force preclude any serious consideration of servant leadership. We argue that servant leadership can work in an organization but only if the traditional pyramidal and inverted pyramid find a way to come together. In other words, we recognize that most organizations will have some sort of *formal* pyramidal structure. But some organizations will also be able to simultaneously incorporate a more informal inverted pyramid into their cultures on a day-to-day basis.

To simultaneously deal with both the traditional pyramidal structure shown in Figure 6.1 as well as the inverted pyramid, leaders face the paradox of control. Examples of this paradox in action involve

- maintaining overall control of situations, while at the same time offering autonomy to followers;

- stressing conformity in how work should be done, while allowing for exceptions;

- being clear with followers in terms of how things should be done but, at the same time, not being picky or micromanaging;

- placing high requirements on followers but also allowing them to make mistakes at the same time; and

- in an overall sense, realizing that the best way to maintain control is to let go of control.

If leaders can simultaneously deal with these seemingly contrasting actions, they are effectively handling the paradox of control, and they are demonstrating servant leadership. Southwest Airlines provides an example of both.[14] Like most organizations, Southwest Airlines has a traditional pyramidal structure in place that includes employees, lower-level managers, and higher-level managers. Thus, in a formal sense, like other organizations, lower-level employees report to higher-level managers. But simultaneously, it has a servant leadership culture. For example, a paradox plays out at this firm by managers stressing high customer service requirements, while followers are allowed simultaneous leeway in exactly how customers are served. Further, mistakes are tolerated, as long as employees are attempting to serve customers' needs. In the true sense of this paradox, management is able to gain control by giving up control.

Responsible Leadership Orientation

Especially at higher levels of leadership, executives increasingly deal with issues pertaining to corporate social responsibility (CSR). CSR essentially involves actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate fiduciary interests of the firm and its shareholders and beyond that which is required by law. Such actions may result in a company embodying socially responsible attributes in their products (e.g., the use of organic ingredients, lack of testing of products on animals, and so forth).[15] It should also be noted that *social good* can pertain to a range of possible stakeholders, including employees, suppliers, and community groups (e.g., charities). The choices regarding policies and actions pertaining to CSR, including the extent and manner in which various stakeholder interests will be addressed, rests with the leaders of firms. That is, different firms will pursue different paths to CSR. These paths depend on the choices that leaders make, and those choices depend on their individual responsibility orientations.

Before considering those orientations, it is important to first reflect on why and how CSR is relevant to leaders, their policies, and their decision-making. First and perhaps foremost, CSR can make money for their firms, since there is consumer demand for "green" products and services, firms that are charitable, and so forth. Firms may even be able to charge a premium for their products and services if their CSR reputations are strong. Second, leaders may use CSR as an expression of their own values of serving others and society. In other words, some leaders may see CSR as a vehicle or mechanism through which they can realize their own values.

Third, beyond a sense of responsibility that is relevant to leaders and CSR, it is important to distinguish a sense of accountability. A leader may feel an obligation to attempt to serve the interests of one or more stakeholder groups. We refer to that as a sense of responsibility. But on the other side of the coin, a leader may or may not take personal acceptance of performance outcomes associated with serving the interests of the stakeholder group(s) toward which he or she perceives responsibility. Indeed, if a leader truly feels a sense of accountability, in the case of poor performance, the leader would accept negative personal repercussions, and she would attempt to make amends by rectifying the negative outcomes that the stakeholder experienced.

Consider the example of a customer service supervisor. That person may feel a sense of responsibility toward serving the needs of customers. However, to also show accountability, she will need to take the blame when the needs of a customer are not met rather than blaming others (e.g., her subordinates). And in addition, she will also show accountability by taking steps to make sure that the customer's concerns are rectified. But again, as noted above, a sense of responsibility does not necessarily equate to a sense of accountability. A leader might have a sense of responsibility toward a particular stakeholder group but, at the same time, not really have a sense of accountability with regard to holding oneself to account for positive outcomes pertaining to those stakeholders.

With these issues in mind, we see three predominant types of orientations that leaders might have: (a) traditional economist, (b) opportunity seeker, and (c) integrator.[16]

A *traditional economist* orientation is centered on the belief that a firm and its leadership should be responsible toward just one narrow set of a firm's constituents, specifically owners or shareholders. This orientation is actually a very defensive approach to CSR and is characterized by leaders who believe that despite possible fiduciary advantages, CSR programs and initiatives can be costly and therefore should not be pursued. One possible exception might be to restore a firm's reputation after an environmental or consumer disaster that is attributable to the firm.

An *opportunity seeker* orientation involves recognition of the concerns of a wide range of stakeholders, including those beyond owners or shareholders. However, for the opportunity seeker, CSR initiatives are pursued only if it can be reasonably demonstrated that they will yield fiduciary benefits for owners or shareholders. As such, although the opportunity seeker may feel a broad sense of responsibility toward multiple stakeholder groups, he or she feels a sense of accountability only toward owners or shareholders. This more narrow sense of accountability is also shared by the traditional economist orientation.

Third, an *integrator* orientation involves a broad sense of both responsibility and accountability on the part of the leader. This type of leader is likely to be characterized in terms of post-conventional morality as described earlier in this chapter. As an example of the opportunity seeker versus integrator orientation, assume the type of takeover and golden parachute scenario described in the Gillette example above. An opportunity seeker might feel a sense of responsibility toward employees and take actions to serve their interests (e.g., better working conditions), especially if those actions yielded outcomes that benefited the firm, such as increased productivity. But in the case of a takeover, and associated displacement of employees, the opportunity seeker would feel little if any sense of accountability toward those employees. On the other hand, the integrator might assume personal accountability by, for example, offering a portion of his or her golden parachute package to help those displaced employees. While the integrator orientation may be relatively rare among high-level leaders, recent movements in leadership circles, such as what has become known as conscious capitalism, have pointed toward the need for an integrator orientation if faith is to be maintained by the public in our capitalistic system.[17]

But unfortunately, many leaders in recent times seem to be lacking appropriate senses of *both* responsibility and accountability. As an example, in responding to criticisms regarding bonuses received by executives at American International Group (AIG; a government bailed-out company following the recent financial crisis), consider the following quote of Robert Benmosche, CEO of AIG: "These criticisms were intended to stir public anger, to get everybody out there with their pitch forks and their hangman nooses, and all that—sort of like what we did in the Deep South [decades ago]. And I think it was just as bad and just as wrong."[18] This quote is troubling for a number of reasons. For example, moral equivalence is given to innocent people being hung by mobs, as compared to executives potentially not receiving multimillion dollar bonuses. Moreover, there is a lack of responsibility and accountability to the American taxpayer, from whom the bailouts needed to fund such bonuses were derived. As another example, consider

the following quote from the CEO of Volkswagen (Martin Winterkorn), who resigned after the scandal regarding falsified emissions tests became public: "I am doing this in the interests of the company even though I am not aware of any wrongdoing on my part."[19] Essentially, this CEO is taking a very limited sense of accountability by resigning, but he is not actually acknowledging personal fault for what transpired at Volkswagen.

ADDITIONAL CONSIDERATIONS OF ETHICAL/ MORAL LEADERSHIP: SOME NAGGING QUESTIONS

EML can be complicated by some difficult questions. We consider some of those questions here.

1. Does ethical/moral leadership involve universal values and behaviors, or is it particular to a context (e.g., cultural context)?

Universalism versus relativism deals with whether a leader believes that there are ethical values or principles that can be applied to his or her actions across contexts, versus whether such actions depend on the context.

The concept of **universalism versus relativism** deals with whether a leader believes that there are ethical values or principles that can be applied to his or her actions across contexts and time, versus whether such actions depend on the particular context and time. For example, should a leader always opt to tell the truth (i.e., universalism), or might there be situations where the leader should "bend" or "spin" the truth in order to best serve the needs of the organization (i.e., relativism)? Research has actually shown that leaders with more universalism values or beliefs tend to be viewed as more ethical, as compared to those who are relativists.[20]

On the other hand, in cross-cultural contexts, issues of universalism and relativism can become tricky for leaders. Take the example of bribery. In various cultural contexts, bribery has traditionally been considered a normal way of doing business. It can take place between business partners, between business and governmental representatives, and so forth. However, in other contexts, bribery would be considered both illegal and immoral. As another example, the use of alcohol, especially in the context of doing business, can vary. In some Western contexts, some minimal or "social" use of alcohol might be deemed appropriate in the course of doing business. But in some Eastern cultural contexts, more excessive uses of alcohol are commonplace. We will address universalism versus relativism again in chapter 10.

2. Who determines what is "ethical" or "moral"? In a secular society (like the United States), what should, or legally can, be the role for religion in determining how ethical/moral leadership is practiced in organizations?

These are difficult questions, and sometimes in the United States, religion does get intertwined in issues pertaining to leadership and organizational practices. Some firms that have recently been in the spotlight in this regard include Chick-fil-A and Hobby Lobby. Given

the laws of the United States, the original founder of Chick-fil-A, S. Truett Cathy, has a right to lead his firm according to what he has termed "Biblical principles." For example, he has the right to not open his stores on Sunday. However, at the same time, Chick-fil-A must operate in accordance with U.S. laws, which are largely more secular in nature. For example, in accordance with equal employment opportunity laws, the firm cannot discriminate based on religion with regard to hiring and promotion purposes. The bottom line is that there can be a tricky tightrope to walk between religious liberty on the one hand, and secular society on the other, in the determination of how EML is actually practiced.

3. To be an ethical/moral leader in an organizational setting, is it necessary that the leader also demonstrate ethics and morality in his or her personal life or personal statements? Who determines what is "ethical" or "moral" in one's personal life?

Let's take the example of a middle-aged man in a leadership position. What if this leader shows that he is highly ethical or moral in how he treats employees, customers, and so forth in his work setting? But in his personal life, despite the fact that he is married, he likes to "party" and pursue the affections of young women (or even young men). Would such behavior preclude us from considering this man to be representative of EML? Or does the man's behavior in his personal life not factor into whether or not we would (or should) consider him to be ethical/moral in his work-based leadership role? Some organizations actually attempt to make this a litigious issue by forcing employees to sign contracts specifying that they will not engage in activities outside of the work setting that might in some way embarrass the employing firm. Of course, what might be considered a legitimate embarrassment to the firm, versus the rights of an individual to behave as he or she chooses outside of work, is oftentimes not altogether clear.

VIDEOS FOR THIS CHAPTER

The case and capstone videos associated with this chapter cover a range of topics pertaining to ethical and moral leadership. These issues deal with the sharing of information, enforcing ethical standards, dealing with leader abusiveness, cross-cultural concerns pertaining to bribery, and being a servant leader. Leaders are featured at both lower and higher organizational levels. To a large extent, these videos illustrate the competing demands or pressures that are often faced by leaders when they engage in ethical/moral decision-making and actions.

Video Case 6.1
"Walking the Line"

Pete Thigpen, an executive in the Levi Strauss organization, struggles with whether or not to share information with a plant manager regarding the strong possibility of that plant being closed, which would mean large-scale layoffs.

Video Case 6.2 "Sharing Bad News"

Debra Reisenthal, CEO of a small medical devices firm, struggles with whether or not to share information with employees regarding failure on the part of the U.S. Food and Drug Administration to approve a urinary incontinence device for women that the firm has developed. This device is key to the firm's sustainability, and the action by the government could cause significant layoffs at the firm.

Video Case 6.3 "Making Exceptions"

In this video, a U.S. Army captain, Dena Braeger, describes a situation where she finds herself debating about whether or not to enforce an ethically based standard that has been violated by an otherwise stellar soldier under her command.

Video Case 6.4 "Abusive Partner"

Gene Kohn, senior partner in a multinational architecture firm, struggles with how to handle a less senior manager who has been abusive to his followers.

Video Case 6.5 "Paying Bribes"

Shawn Wang, chief financial officer of a large Chinese firm, tells the story of how he handled the issue of bribery with one of his employees.

Capstone Video 6.6 "Vision, Values, and Culture"

In this capstone video, the legendary founder of Southwest Airlines, Herb Kelleher, provides his take on the importance of servant leadership.

CONCLUSION

Ethical and moral leadership (EML) is clearly important, and it is on the minds of leaders, followers, and society as a whole. As we have seen in this chapter, issues pertaining to EML are both involved and sometimes not clear. There are a number of actions that leaders can take to demonstrate EML, as well as responsible and accountable leadership. But at the same time, leaders have choices to make that end up shaping their approach to ethics and morality in the workplace. Overall, this topic is likely to become even more important in the coming years.

DEFINITIONS OF BOLDED TERMS

Appendix A

Behavioral Norms and Values Survey

1 = most true of me;   2 = 2nd most true of me; 3 = least true of me

Please respond to items 1–3 using the scale shown above.

_____ 1. My day-to-day actions and choices in life reflect a larger moral purpose or set of values that I have carefully (and frequently) considered in my own mind.

_____ 2. To at least some extent, I follow rules or laws to avoid getting into trouble.

_____ 3. I tend to follow the moral beliefs and norms of the groups or organization(s) (e.g., ethnic group, religion, business organization, etc.) with which I am affiliated or identify.

Please respond to items 4–6 using the scale shown above.

_____ 4. To a large extent, I try to live up to the expectations of others in terms of doing the "right" thing or avoiding the "wrong" thing.

_____ 5. I consistently put the common good and concerns of other people (beyond my family) ahead of my own self-interests or even my family's interests.

_____ 6. To a degree, I defer to the wishes of those in authority because it's best to just accept authority rather than suffer the consequences of defiance.

Please respond to items 7–9 using the scale shown above.

_____ 7. For the most part, I focus on looking out for myself and my family, even if it means sometimes cutting corners in terms of doing what is "right."

_____ 8. I frequently speak out publicly against injustice or other moral wrongs that I observe in organizations or society as a whole—even if my speaking out puts me at personal risk.

_____ 9. If other people are able to benefit or "game" the "system," I would try to do the same rather than being left behind as a "sucker."

Please respond to items 10–12 using the scale shown above.

_____ 10. I always do the "right" thing, even if others who are important to me (e.g., my boss, coworkers, fellow students, family members, and so forth) don't do the "right" thing.

_____ 11. I will generally do most anything that needs to be done to accomplish my goals, as long as I can avoid getting into trouble.

_____ 12. If I really think about it, I generally follow the norms of the groups or organizations with which I am associated, without carefully considering whether those norms are "right" or "wrong."

Refer to Table 6.2 when scoring. Add up your scores as follows:

Level 1 (pre-conventional)	Level 2 (conventional)	Level 3 (post-conventional)
Item 2	Item 3	Item 1
Item 6	Item 4	Item 5
Item 7	Item 9	Item 8
Item 11	Item 12	Item 10

Note that the possible score for each column can range from 4 to 12, and all three columns should add up to 24 in total. Check ratings for each column:

Score of 4–6 = very strong at that level

Score of 7–9 = moderate at that level

Score of 10–12 = weak at that level

Information Sharing (or Not Sharing) at Harmony, Inc.

Harmony, Inc. (fictitious name) is a producer and distributor of a growing product line of naturally processed foods. The company prides itself in preparing foods with all natural ingredients and a minimum of processing in their production. Their foods largely include packaged or bottled items, such as cereals, chips, crackers, peanut butter and jams, and juices. Their products are sold primarily in natural food stores and groceries around the United States, with some recent expansion into Canada and Europe.

The company employs approximately 1,000 individuals, and its facilities are located in the southwestern region of the United States. It was founded 30 years ago by a small group of four partners, and it is still a private firm, previously resisting opportunities in the past to go public. The original partners were strong believers in respect for the natural environment, helping to feed the homeless (such as donations of the firm's products) and maintaining a healthy work setting for its employees. In addition, they have maintained good health care benefits, favorable retirement benefits, the providing of day care for children of employees, and job security for employees. Management believes that these policies and practices have resulted in a committed and loyal workforce.

The company has been able to realize strong sales growth, especially in recent years with the increasing demand from health-conscious consumers. In addition, profits have been strong, due largely to the efficiencies and innovative ideas of the firm's workforce. There has also been consideration on the part of management to expand product lines into such areas as perishable food items, cosmetics, and so forth. Further, there have been plans to work directly with

a grocery store chain specializing in natural foods to produce products that would carry the chain's label. All in all, the future looks bright for Harmony, Inc. On the other hand, all of the partners are nearing retirement age, with no family members waiting in the wings to take over the firm.

Takeover Proposal

Recently, officials of Dynamic Foods, Inc. (fictitious name) approached the founding partners of Harmony, Inc. with a takeover proposition. Dynamic Foods is a large, publicly traded food processing company based out of Chicago, Illinois. It has noticed trends in the marketplace toward naturally processed foods and would like to gain a foothold into this market. Accordingly, the acquisition of Harmony, Inc. seemed attractive. In addition, Dynamic Foods would be able to gain technical knowledge about the processing of natural foods, knowledge that could even be transferred into the processing of foods in their main operations.

The initial proposition seemed interesting to the partners of Harmony, Inc. As mentioned above, all of them had been recently considering retirement, and the offer from Dynamic Foods, Inc. seemed to be quite promising. It appeared that with some work, a deal might be negotiated. Indeed, the two firms are getting closer to reaching a tentative agreement, and the chances of a deal being consummated are quite high.

Dynamic Foods, Inc. has a history of initiating restructurings and layoffs as a result of other takeover deals in the past. Thus, in the event of a takeover, it is likely to use the resources at Harmony, Inc. to find

ways to improve its bottom line, even if it means lay-offs and firings. As the takeover firm in the deal, the manner in which they subsequently manage the targeted firm (i.e., Harmony, Inc.) would be the choice of Dynamic Foods, Inc.—not Harmony, Inc. Indeed, if a takeover occurred, it is quite likely that there would be a significant layoff at Harmony, Inc.

There is a split decision among the partners as to how to deal with the potential sharing of information with employees and others with regard to the proposition by Dynamic Foods, Inc. To a few of these partners, it would seem that the prudent thing to do would be to not divulge any information. In other words, these partners at Harmony, Inc. desire to keep the news of an impending takeover away from employees and the media. The feeling is that if they had knowledge of the impending deal, employees might protest vocally, talking about their fears and potential negative impact on themselves and the community. In addition, they might go to the local media in an attempt to spread their discontent. Although employees had been treated well in the past, the possibility of a takeover by Dynamic Foods might even spur work slowdowns or the sabotaging of company facilities. The upshot of such negative employee actions is that the final consummation of the deal might prove to be difficult or impossible.

In contrast, for the other partners, it would seem that the prudent thing to do is divulge information to employees about the impending deal in the interest of keeping them informed, gaining their opinions about relevant alternatives, and maintaining positive morale. After all, such behavior would be more consistent with how the firm has pursued employee relations in the past.

Upcoming Meeting

Although your firm is not unionized, one of the partners has weekly meetings with an employee representative to talk about employee concerns, new plans of management, and so forth. The partners and lower-level managers generally feel that this proactive approach to employee relations has kept the employees from seeking unionized representation. Recently, the employee representative sent an e-mail message to the partner in preparation for this week's meeting. In that message, he stated that he had heard around the plant that visitors from Dynamic Foods, Inc. had recently visited the company grounds and taken a plant tour. He was just wondering what the visit was all about, and he has indicated that he would like the matter to be the first thing on the agenda for this week's meeting. In the meeting, he is sure to ask some probing questions.

Imagine that you are playing the role of this partner who is about to have the meeting with the employee representative. Also imagine that the representative begins the meeting by asking, "Does this visit by representatives of Dynamic Foods, Inc. mean that the partners of Harmony, Inc. might be considering selling the firm?" Consider the following questions:

1. What information, if any, do you think you should divulge to the representative?

2. How would you report that information (i.e., what exact words would you use)?

3. What would be the pros and cons of your approach with this representative?

Note that in answering these questions, do not assume that there is any legal requirement per se that would require you to keep information secret from the employee representative. But also assume that whatever you report to this person is likely to be spread quickly to employees. As the saying goes, "people talk."

ENDNOTES

1. See Colvin, G. 2003. Corporate crooks are not all created equal. *Fortune*, *27*, 64.

2. See http://www.harrisinteractive.com/vault/Harris-Interactive-Poll-Research-FT-2009-Business-leaders-4.pdf

3. For more information, on the distrust of corporate executives, see Stahl, G. K., & Sully de Luque, M. 2014. Antecedents of responsible leader behavior: A research synthesis, conceptual framework, and agenda for future research. *Academy of Management Perspectives*, *28*(3), 235–254.

4. See Shin, Y., Sung, S., Choi, J., & Kim, M. (2015). Top management ethical leadership and firm performance: Mediating role of ethical and procedural justice climate. *Journal of Business Ethics*, *129*(1), 43–57. doi: 10.1007/s10551-014-2144-5.

5. See Shin et al. (2015).

6. For a review of the area of ethical/moral leadership, see Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. *Leadership Quarterly*, *17*, 595–616.

7. Personal communication.

8. See the work of Kohlberg, such as Kohlberg, L. (1976). Moral stages and moralization: The cognitive developmental approach. In T. Likona (Ed.), *Moral development and behavior: Theory, research, and social issues* (pp. 31–53). Austin, TX: Holt, Rinehart, and Winston.

9. This is not to say that such speaking out might be tempered by a consideration of context. That is, effective ethical/moral leaders always take into account the context in which they voice opinions about right vs. wrong behaviors. For example, if a leader was to speak out against a perceived injustice in a context that might embarrass one's employer in front of peers or constituents, such behavior might not be considered a good example of moral courage.

10. A broad consideration of open communication and information secrecy can be found in Atwater, L. E., & Waldman, D. A. (2008). *Leadership, feedback and the open communication gap*. New York: Lawrence Erlbaum.

11. See Tepper, B. J., Duffy, M. K., Henle, C. A., & Lambert, L. S. (2006). Procedural injustice, victim precipitation, and abusive supervision. *Personnel Psychology*, *59*, 101–123.

12. See Aryee, S., Chen, Z. X., Sun, L. Y., & Debrah, Y. A. (2007). Antecedents and outcomes of abusive supervision: Test of a trickle-down model. *Journal of Applied Psychology*, *92*, 191–201.

13. For more information about servant leadership, see Liden, R. C., Wayne, S. J., Zhao, H., & Henderson, D. (2008). Servant leadership: Development of a multidimensional measure and multi-level assessment. *Leadership Quarterly*, *19*, 161–177.

14. See Gittell, J. H. (2010). *The Southwest Airlines way: Using the power of relationships to achieve high performance*. New York: McGraw-Hill.

15. This definition comes from the work of Waldman, D. A., Siegel, D., & Javidan, M. (2006). Components of transformational leadership and corporate social responsibility. *Journal of Management Studies*, *43*, 1703–1725.

16. Our consideration of these different orientations is based on the classification provided by Pless, N. M., Maak, T., & Waldman, D. A. (2012). Different approaches toward doing the right thing: Mapping the responsibility orientations of leaders. *Academy of Management Perspectives*, *26*(4), 51–65.

17. See http://www.consciouscapitalism.org/

18. See http://www.huffingtonpost.com/2013/09/24/aig-bonuses-benmosche-deep-south_n_3981911.html

19. See http://money.cnn.com/2015/09/23/news/companies/volkswagen-emissions-crisis

20. See Waldman, D. A., Wang, D., Hannah, S. T., & Balthazard, P. A. (2017). A neurological and ideological perspective of ethical leadership. *Academy of Management Journal*, *60*, 1285–1306. doi: 10.5465/amj.2014.0644.