



THE INSTITUTE OF
LEADERSHIP
& MANAGEMENT

No.3

Leadership Essentials

Ethics

Authentic leaders recognise what underpins ethical decision making



“Ethics” are rules of behaviour based on ideas about what is morally good and bad. ‘Acting ethically’ means to act in ways which are morally good. Acting in morally bad ways may bring you and your organisation short term success, but will undermine the chances of longer term success.

The History of Business Ethics

Many textbooks suggest that the idea of business ethics didn’t even appear until the 1970s, although arguably there are precedents, such as the ancient Greek ideal of being “an honest tradesman”. But it was the scandals of the early 21st century that really brought business ethics into sharp focus – first Enron, then Worldcom, and Tyco.

Then in 2008 the banking sector meltdown occurred. These were mainly financial scandals, but more recently, gross corporate failures of the likes of Mid Staffordshire NHS Trust, where between 400 and 1,200 patients died as a result of poor care and negligence over a 50 month period, prompted much soul-searching. Even more recently there have been scandals over the use of ‘zero hours contracts’ which means people have to be available for work but don’t get paid unless they’re actually required.

Such scandals brought attention to what should be judged proper behaviour in the following areas:

- Corporate governance, i.e. what attitudes the people at the very top of the organisation should be taking about their organisation’s activities;
- Corporate social responsibility i.e. how far should you go beyond what is legally required of you in looking after the best interests of the people affected by your organisation;
- Sustainability both of the organisation itself, and of the ecological environment;
- Taking care of other people’s money responsibly i.e. fiduciary duties;
- Proper treatment of employees and/or contractors; and
- Proper treatment of customers.

As identified by Lucy (2013) ethical **behaviour** is now considered to involve demonstrating respect for key moral principles that include: **honesty, fairness, equality, dignity, diversity and individual rights**.

This should be applied to a range of stakeholders: **employees, customers, suppliers, host communities and shareholders**. Many people would now additionally include respect for **the environment and animal rights**.

Ethical Leadership

There is a growing consensus that ethical behaviour is good for business. People, including customers, do not want to be associated with unethical businesses. Furthermore, unethical businesses incur costs (employee turnover, low productivity by unmotivated and untrained workers, fines, etc.) that affect the cost and availability of their product or service.

There is increasing evidence that an ethical stance has to start at the top, or be supported by the top, if the culture, structure and processes of an organisation are going to change; although the leader of any particular section can bring about changes within their own team’s behaviour to a certain extent.

According to thought leaders in ethical leadership (O’Toole, 2009; ilm LearningZone) the following can bring about a cultural change in an organisation and make it more ethical:

- Decentralisation (pushing decision making down the hierarchy)
- Consulting and involving employees in decision making,
- Creating a sense of community – both within the organisation and with the wider world,
- Creating transparency and accountability,
- Enabling people to feel free to express their ideas, and
- Having systems that reward continuous change and innovation.

Examples of ethical organisational behaviour include:



Research shows that companies with high-involvement cultures are also more likely to be leaders in protecting the environment(Moire, 2001; Trompenaars & Hampden-Turner, 1997).

Many organisations now draw up a code of ethics for themselves:

- To define what behaviour is acceptable
- To promote the highest standards of behaviour
- To supply a benchmark against which employees/members can compare themselves
- As a means of establishing an individual identity

Behaving Morally

Behaving morally concerns how you make decisions, and what you actually decide, how you treat the stakeholders you come into contact with, and how fair, kind and trustworthy you are with stakeholders you may not come into contact with, particularly those who have no voice of their own, such as animals and the environment. Leaders should constantly ask themselves the following questions:



Of course, what is considered ‘moral’ behaviour does in fact differ from one part of the world to another. Trompenaars and Hampden-Turner (2011) identify seven critical ways in which cultures differ. They found that people from different cultures aren’t just randomly different from one another; they differ in very specific, even predictable, ways. This is because each culture has its own way of thinking, its own values and beliefs, and different preferences placed on a variety of different factors. What distinguishes people from one culture compared with another is where these preferences fall in one of each of the following seven dimensions:

1. Universalism versus particularism (rules vs relationships)
2. Individualism versus communitarianism (the individual vs the group)
3. Specific versus diffuse (how far people get involved)
4. Neutral versus emotional (how people express emotions)
5. Achievement versus ascription (how people view status)
6. Sequential time versus synchronous time (how people manage time)
7. Internal direction versus outer direction (how people relate to their environment).

Germany and Greece, for example, differ on the dimension of ‘rules’ vs ‘relationships’. Germans would choose to follow the rules when asked to break them to help a friend, but Greeks consider this is wrong:

And, most importantly both countries consider their own approach as the ethical way to behave.

Establishing where any country stands on a number of the 7 dimensions will give you an idea of what will be considered moral behaviour there.

It is worth remembering that your employees will do as you do, not as you say! You are their ethical role model.

Ethics Top Tips

- Remember that an organisation's culture, structure and processes all reinforce each other. If you want to change one, you have to change them all.
- Encourage transparency and accountability in all the systems you are involved in.
- Frequently ask yourself if what you are doing is fair, equitable, honest, respectful and sustainable.
- Model ethical behaviour for your colleagues and your team. Show them what ethical behaviour is expected of them.

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Dimensions Of Leadership

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