



## RESEARCH ARTICLE

### ETHICAL LEADERSHIP AND THE 21<sup>ST</sup> CENTURY WORKPLACE

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#### ABSTRACT

Ethics in organisations now gets added focus due to the rampant violations of ethics seen in many quarters. Sometimes it becomes a moral catch-22 situation while comparing ethical and moral standpoints with financial gains. However, many organisations do stick to what they preach in and their business decisions are a reflection of their beliefs. This paper explores how a better workplace can be built (specifically based on the GPTW framework) by having robust ethical standards in organisations. This paper explores the point that ethical leadership (as it is naturally the leadership that takes crucial business decisions) can go a long way in establishing a 'Great Place to Work'. To reinforce this opinion the paper explores various models that provide groundings to build a better workplace.

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#### INTRODUCTION

There has been a steady shift in the issues concerning the world at large over the contours of history. An industrial society gave way to a post-industrial one, and generations raised with high levels of economic and physical security during their formative years displayed a "post-materialist" mind-set, putting greater emphasis on autonomy and self-expression. As post-materialists became more numerous in the population, they brought new issues into politics, leading to a decline in class conflict and a rise in political polarization based on noneconomic issues (such as environmentalism, gender equality, abortion, and immigration). Organisations too are a part of this very system and cannot escape its realities. These issues now define how organisations and workplaces should behave, both towards internal stakeholders as well as external. Organisations now are not just money making machines; they are seen a reflection of the society. We see more and more organisations embracing issues like diversity, social responsibility and individual autonomy at work. In such a scenario, it is imperative that the leadership of the organisations are ethical in nature. A clear description of the complexities is outlined by Langlois (Langlois, 2011, p. 35). "In the world today, it is increasingly difficult to lead with a clear vision of reality. Situations are complex, the context changes rapidly; obligations and duties are rarely fully defined and well delimited. More and more,

*rights are demanded without thought for their accompanying obligations and without taking into consideration the issue of accountability, whose indicators do not always fit with organizational realities. To this is added an understanding and application of variable geometric norms. For some, applying a standard or rule can become unethical because each situation demands analysis, rather than a blanket solution. Standards thus represent an obstacle to ethical action. For others, rules must be applied without necessarily requiring any critical reflection because their purpose is to assist in quick decision making. A good conscience has thus been preserved since the rules have been respected. However, the good conscience of some is not always the good conscience of others. In such a context, making an ethical decision can become a perilous obstacle course through a maze of reflection and organizational rules. People face new human, organizational, or structural challenges and thus encounter increasing difficulty when depending on their moral and professional capacities to identify solutions that go beyond the simple status quo."*

Before we go ahead, it is important that we define terms such as ethics and morality. Ethics comes from the Greek *ethos*, meaning character. Morality comes from the Latin *moralis*, meaning customs or manners. Ethics, then, seems to pertain to the individual character of a person or persons, whereas morality seems to point to the relationships between human beings. Nevertheless, in ordinary language, whether we call a person ethical or moral, or an act unethical or immoral, doesn't really make any significant difference. In philosophy, however,

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the term ethics is also used to refer to a specific area of study: the area of morality, which concentrates on human conduct and human values (Thiroux, 2012, p. 2). Values, here, can be understood as the qualities that signify what is important and worthwhile. Values serve as the basis for moral codes and ethical reflection. Each person has their own values based on family, religion, peers, race culture, gender etc. However, for the purpose of this paper, I will use the words ethics and morality interchangeably as has been done in the past by many researchers such as Ricoeur (1992), Langlois (2011) as well as famous Italian diplomat, Roberto Toscano. According to Langlois (*ibid.*), it is possible to accord both the terms the same practical meaning even if their etymological roots are different. This paper will delve into the intricacies of how ethical leadership is best suited for the complexities of the 21<sup>st</sup> century. Ethical leadership can also contribute to build a value driven organization and this paper will explain how. In a time when more and more companies are striving for an inclusion in the Great Places to Work (GPTW) list, this paper will correlate ethical leadership to building a Great Place to Work.

### 1. The Need for Leader(ship) to be Ethical

Historically, some of the finest leaders have been accused of moral and ethical shortcomings. Martin Luther King Jr., John F Kennedy, Mahatma Gandhi are prominent among them. However, to err is human and it just proves that these great leaders are only humans. In an age of information and transparency it is easier to keep a close eye on the details and this is where these shortcomings come to the fore. The more defective our leaders are, the greater is our longing to have highly ethical leaders (Ciulla, 1995). Ciulla (*ibid.*) also goes on to highlight that the critical question in leadership studies throughout history (such as the Ohio and Michigan Studies) has never really been "what is leadership?"; rather it has been "what is good leadership?". By good, it is implied in a sense of morally good and effective and this is precisely she postulates that ethics lies at the heart of leadership studies and *de facto* in leadership as well. In an environment of global activity, of multinational companies, and of collaborative ventures across national boundaries, there are likely to be moral dilemmas if on the one hand, firms seek to apply their own value systems to business decisions in cultures other than their own and on the other hand, firms required to 'do as the Romans do' may find this at odds with their own attitudes (Minkes, Small, & Chatterjee, 1999). Therefore in such a scenario it is imperative that leadership in the organisation articulates those expectation establishes the norms that govern the behaviour of people in organisations. What the top leadership permeates is going to govern the organisational climate and the work culture. Now it is up to the top leadership to take a decision on how to permeate this strategy- either in a proactive way or in a reactive way. The better decision here is to establish ethical systems and imbibe them in the decision making process in a proactive way. If the organisational leadership implements them as a reaction to the opinions of it, then they damage is already done and the reactive strategy may never work and in certain cases may even backfire. The ethical leader therefore understands that ethical practices give way to better public image as well as financial performance. With the sort of scrutiny that corporations are in due to increased awareness and a vibrant civil society, the ethical leader understands its importance and formulates a complete business strategy in accordance with the ethical principles.

### 2. Ethical Leadership and a better workplace

Ethical leadership, as a distinct strand of leadership stresses on adopting new professional standards of conducting routine activities. It is an ideal construct to build a new form of workplace behaviour. Instrumental relationships are discarded to promote greater humanization in the workplace through a shared construction of values, which foster commitment (Langlois, 2011). Ethical leadership views human nature in a positive way and considers the human being as capable of contributing positively to the development of an organization. Essentially we can say that concepts such as scientific management and policing are to be ditched by the managers and place trust in their subordinates, an extension of the inherently good nature accorded to humans by Kant. As we move ahead, we will find that this promotion of trust is a primary concern to the concept of GPTW that is connected to ethical leadership. We can find heavy similarities of such a thought process to Douglas McGregor's Theory X and Theory Y. Just to give a background on McGregor's theory, he postulates that there are two ways in which the nature of employees can be viewed by the management. Theory X assumes that employees are naturally unmotivated and dislike working, avoid responsibility and need to be directed. Hence, this encourages an authoritarian style of management. According to this view, management must actively intervene to get things done. On the contrary, Theory Y assumes that employees are happy to work, are self-motivated and creative, and enjoy working with greater responsibility. In Y-Type organizations, people at lower levels of the organization are involved in decision making and have more responsibility. Through this, management fosters respect for people and shows its commitment to individuality of its employees and maximizes autonomy at the workplace as well. Autonomy here is crucial in the context of (ethical) leadership as many earlier leadership theories and definitions (especially in the 1920s and 1930s) that promulgated a coercive approach to leadership are now out-dated in the current socio-economic and political context. This can be corroborated in the writings of Joseph Rost (1991), one of the foremost voices in leadership who believed that the leadership process is ethical only if the people in the relationship (the leaders and followers) freely agree that the intended changes fairly reflect their mutual purposes. Such a thinking of leadership is characteristic of the theories that came out in the latter half of the 20<sup>th</sup> century. Rost (*ibid.*) further goes on to highlight the moral attractiveness of these theories. Rather than induce, leaders in these theories influence, which implies that leaders recognize the autonomy of followers. Further, they imply recognition of the beliefs, values and needs of the followers. Followers therefore are viewed as the leader's partner in shaping the goals and purposes of a group or organization and not just outliers in leadership.

According to Smith (1995), integrity and trustworthiness are essential for leaders at all levels. He also stresses on the leader's responsibility of creating the organizational culture which provides an overarching framework to discuss and act upon moral dilemmas. By steadily modelling, advocating, and reinforcing fundamental values such as honesty, respect for persons, and appreciation of diversity as central to the corporation's culture, a leader can achieve far-reaching and long-enduring positive organizational consequences. Smith (*ibid.*) also establishes an imminent need to link leadership development and ethics. Through proper ethics education,

decision making of leaders shall be honed with an ethical undertone to it. Now, we have to understand that employees are internal customers and their perception about how the organization treats them. If the organization treats them fairly and respects their individuality, they are bound to take pride in the fact and spread the good word about the organization among the general public. This is garden-variety employer branding and should ideally start here, from your very own employees. Now we see another essential element of GPTW entering the sphere of our discussion i.e. Pride. A leader who bases his/ her decisions on ethical grounds is bound to percolate such a culture into the workplace, where employees take pride in being associated with such a name.

Ethical leadership and the linkage to the work conditions and the culture at the workplace can be viewed through two dichotomous relationships:

- Rights vs. Privilege
- Just vs. Legal

Now it is imperative for an ethical leader to do the right things and not the things right. The latter one is for managers. Therefore, ethical leaders go beyond what is stipulated in the requirements or the law and do what is right. For instance, one employer goes only by the statutory requirements and is compliant with the law as far as maintenance of workplace culture, safety and other employee issues are concerned. The other employer goes beyond that and provides what he/ she feels that the employees rightly deserve. The ethical leader therefore understands that laws don't engender an ethical culture in organizations. Laws don't encourage professional people to initiate policies that promote an innovative approach to solving ethical dilemmas; they encourage compliance to ready-made solutions and minimalistic and self-interested (bottom-line) approaches to ethical decision making. Laws don't create communities or organizations that look out for the commons that are generative about the future, that take responsibility for the planet Earth. Laws don't generate people who take the higher moral ground as a matter of practice. In sum, laws do not develop virtuous people, organizations, and societies (Rost, 1995).

### 3. GPTW and Ethical Leadership

Before getting to understanding how ethical leadership in organisations can help shape a Great Place to Work, it is important to understand the essential elements and the complete model of the GPTW. Over 22 years of research by the Great Place to Work Institute, San Francisco, reveals that it is the nature of the web of relationships between organisational entity and its elements that makes a company a great place to work. This relationship can further be broken down into three fundamental questions.

- Do I *trust* the people I work for? The relationship between an employee and his management is based in trust.
- Do I take *pride* in what I do? This is the relationship between an employee and his job and the employee should be proud of the work that he or she does. The GPTW organizations help people to realize their own unique gifts and leverage them to give off their best on a sustainable basis. People in these entities produce greater innovation and create more value for

all stakeholders and demonstrate many more instances of 'Inspired Work'.

- Do I enjoy the people I work with? This signifies the relationship between an employee and his peers i.e. *camaraderie*.

A great place to work therefore is one where employees trust the people they work for, have pride in what they do and enjoy the people they work with. To put things into perspective we need to see the role of an ethical leader in the organisation. A comprehensive model for ethical organization identity, a necessity in the current external climate, has been developed by Verbos *et al.* (2007). The model posits that ethical organizational identity emerges from the multiplicative interaction of authentic leadership, aligned organizational processes, and ethical organizational culture. Authentic leadership is a positive organisational scholarship theory of leadership anchored in positive values, beliefs and behaviours incorporating moral capacity. Within a positive ethical organization, ethical practices are (1) modelled and promoted by authentic leaders; (2) infused through a positive organizational context in which formal and informal organizational structures, processes and systems are aligned with ethical practices; and (3) sustained and reinforced in an ethical organizational culture in which heightened ethical awareness and salient ethical identities among members contribute to a strong positive climate regarding ethics.



Figure 1. Model of the living code of ethics in a positive ethical organization Source: Verbos *et al.* (2007)

A symbiotic and interdependent relationship exists between the leader and the culture of the organisation. They both influence one another in multiple dimensions. Culture represents an enabler of ethical choices. Tradition, authority levels, and accountability systems may encourage, allow, or facilitate making ethical choices and acting upon those choices (Harshman & Harshman, 2008). So we can establish a link between leadership and the permeated influence on processes and culture. Now reverting back to building a GPTW through ethical leadership, we can see that the three elements of GPTW i.e. trust, pride and camaraderie are value laden terms i.e. they can be viewed in the dichotomy of good vs. bad. As Thiroux (2012) explains, when we speak of people as being moral or ethical, we usually mean that they are good people, and when we speak of them as being immoral or unethical, we mean that they are bad people. When we refer to certain human actions as being moral, ethical, immoral, and unethical, we mean that they are right or wrong. Therefore moral, ethical, immoral, and unethical essentially mean good, right, bad, and wrong, often

depending upon whether one is referring to people themselves or to their actions. To delve more into the GPTW framework, *Trust* in the framework includes three elements i.e. *credibility, respect and fairness*. Credibility will include elements such as better two way communication and high levels of integrity. Respect includes demonstrated caring and collaboration. Fairness includes equity, impartiality and justice. Similarly pride and camaraderie here lie in the 'good' domain as far as the dichotomy is concerned. The actions that are judged contrary to what is commonly defined along the lines of the aforementioned 'good' domain are considered bad and therefore unethical. This is where we can establish a link that to establish a Great Place to Work, it is essential for the leader to hold ethics in the highest regard. We can establish from the statements mentioned below the inherent 'goodness' that GPTW aims to establish in an organisation. These statements are a part of the GPTW framework and cannot exist unless the leadership and the organisation are ethical in nature.

- *Management keeps me informed about important issues and changes.*
- *Management trusts people to do a good job without watching over their shoulders.*
- *Management makes its expectations clear.*
- *Management delivers on its promises.*
- *Management's actions match its words.*
- *Management is honest and ethical in its business practices.*
- *Management shows appreciation for good work and extra effort.*
- *Management recognizes honest mistakes as part of doing business.*
- *Management genuinely seeks and responds to suggestions and ideas.*
- *Management involves people in decisions that affect their jobs or work environment.*
- *This is a physically safe place to work.*
- *This is a psychologically and emotionally healthy place to work.*
- *Management shows a sincere interest in me as a person, not just an employee.*
- *People here are paid fairly for the work they do.*
- *I feel I receive a fair share of the profits made by this organization.*
- *Everyone has an opportunity to get special recognition.*
- *I am treated as a full member here regardless of my position.*
- *Promotions go to those who best deserve them.*
- *Managers avoid playing favourites.*
- *People avoid politicking and backstabbing as ways to get things done.*
- *People here are treated fairly regardless of their age.*
- *People here are treated fairly regardless of their race or caste.*
- *People here are treated fairly regardless of their sex.*
- *If I am unfairly treated, I believe I'll be given a fair hearing if I appeal.*
- *I feel good about the ways we contribute to the society.*
- *When you join the organization, you are made to feel welcome.*
- *When people change jobs or work units, they are made to feel right at home.*
- *You can count on people to cooperate.*

#### 4. Conclusion

As Barclay (2015) suggests, the more awareness and self-mastery you (the leader) develop of your own values, the more consciousness you develop for appreciating and understanding the values of others (employees). The demand for such conscious leadership is arising and leaders are now expected to integrate values such as ethics, integrity and transparency, along with non-traditional business concepts such as co-creation, love, and wholeness in the management of profit, people and process. This is the exact type of amalgamation of leadership qualities that are needed to create a Great Place to Work, thereby ensuring a win-win situation on whole. In this era where companies are in more scrutiny than ever before, conscious and ethical leadership is important for conscious capitalism, thereby creating an overall positive impact on the society as a whole. Conscious leadership is an important element of this jigsaw (refer to the pictorial below) as is conscious culture and management.



**Figure 2. The four tenets of conscious capitalism**  
Source: (Mackey, Sisodia, & George, 2013)

Another comprehensive picture of ethical leadership and its externalities, antecedents as well as precedents has been proposed by Brown and Trevino (2006) (see Figure 3 below). The key takeaways from this model are:

- The ethical leader is high on agreeableness, conscientiousness, moral reasoning and also has a high locus of control. Simultaneously, the ethical leader is low on Machiavellianism and neuroticism.
- The ethical leader is characterised by high levels of moral intensity, self-monitoring and moral utilization and is a role model for his/her followers.
- The outcomes of ethical leadership include increased follower ethical decision making, increased pro-social behaviour while a simultaneous reduction in counterproductive behaviour. Similarly, there will be an increase in follower satisfaction, motivation and commitment which are essential elements in GPTW.

Although, ethical leadership is essential for establishing a Great Place to Work, it is not the only type of leadership required in an organisation. Varied situations demand varied leadership styles and leaders are bound to exhibit them. However if the leader prioritises ethics, all the actions will be taken in accordance with that framework thereby providing a valid justification and reasoning for his/ her actions.

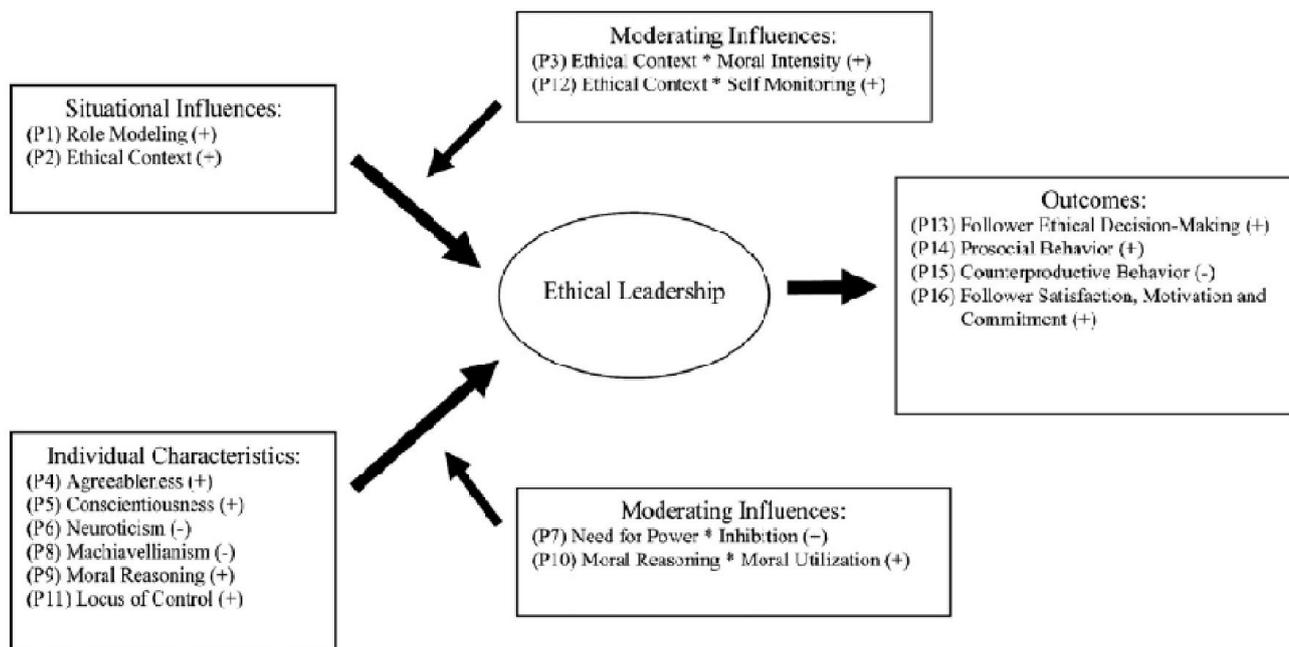


Figure 3. Ethical Leadership Influences Source: (Brown & Treviño, 2006)

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