

UNDERSTANDING ETHICAL LEADERSHIP

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ABSTRACT

Ethical Leadership, as introduced by Pickett (2001), is an integration of organizational theory that provides a contingency model allowing organizations to strategically develop the types of socially responsible outcomes that are based on internal climates, environments and decision-making processes and abilities.

Based on the Ethical Leadership model, an argument is made for restructuring management and leadership thought. In other words, organizational behaviors are adapted to the desired outcomes, based on individual organizational norms and mores. It is in this capacity that each individual organization will “fit” their management and leadership needs to their desired outcomes.

Ethical Leadership creates a synergistic combination of managerial and visionary leadership, which serves to enhance organizational survival, growth, and long-term viability of an organization.

INTRODUCTION

While Bass (1990) dates the concept of leadership back to the old and new testaments, according to Peter Drucker, the concept of the “professional manager” originated by Eiichi Shibusawa in Japan in the 1870s and 1880s (Drucker, 1974) with Bass tracing the management and leadership dichotomy to studies beginning in the 1950s (Bass, 1990).

The leadership literature does little to prepare leaders to assume the dynamic responsibility of future endeavors as Aristotle argues that morality cannot be learned by simply reading a treatise on virtue (McKeon, 1970). However, it is hoped that the development of this paper will find its readers understanding the behavioral nature of our propensity to categorize and compartmentalize ideas helps us focus on the overall philosophical underpinnings surrounding the nature of leadership and management theory. The focus of this paper is to develop a greater understanding of the interconnectedness of corporate social responsibility, strategic management and the conceptualization of Ethical Leadership™. Based on years of organizational observations, the researcher believes the managerial and leadership capabilities that exist in today’s organizations are in need of a restructuring, not just another face-lift.

By “face-lift” I refer to the “flavor-of-the-month” new management crazes that typically sweep through organizations; identified by heightened awareness by the HR and training departments; that result in employee cynicism, management’s half-hearted attempts and overall decreasing satisfaction with the work environment.

By restructuring management and leadership thought, the very philosophical essence of theory application changes. In other words, management and leadership behavior is based on outcomes assessment; meaning that organizational behaviors are adapted to the desired outcomes, based on individual organizational norms and mores. It is in this capacity that each individual organization will “fit” their management and leadership needs to their desired outcomes.

ETHICAL LEADERSHIP

Pickett (2001) began the initial steps in the introduction of a model in Ethical Leadership by researching the relationships between employees’ beliefs and their subsequent observed behaviors. The opportunity to study two distinct organizations however, provides a one the opportunity to reflect on the many similarities and differences found.

The study was made between an organization that has won the coveted Malcolm Baldrige National Quality Award and an organization that has not won the award. Both organizations were in the same industry and among the surveyed respondents had similar occupations.

Some of the results that were found was that the MB group espoused a quality/standards-oriented, process-driven focus that, while not perfect, demonstrated efforts to adhere to nationally recognized quality standards. On the other hand, the Non-MB group did not display these efforts based on reported behaviors (Pickett, 2001). Additionally, Pickett (2001) found that the Non-MB group, when contrasted with the MB group, lacked many of the beliefs that could lead to truly incorporating the ethical norms within an organization. More times than not, it displayed a façade, or pretense of ethical norms that did not materialize from the reported observed behaviors.

Lastly, reflecting on the old adage “Actions speak louder than words” rekindles the importance of how employees’ behaviors take on a new meaning from within the context of an organization. Given these findings, it appears as though organizations that espouse ethical standards and subsequently normalize them create an environment that nurtures and matures the behaviors in their employees, thereby providing an overall ethical environment (Pickett, 2001).

INTRODUCING THE MODEL FOR ETHICAL LEADERSHIP

Ethical Leadership sounds like a very illusive “pie-in-the-sky” sort of concept; however, given the evolution of our society, it is becoming an issue that needs to be attended to in today’s organizations. I propose a 5-step model that, based on academic research, has the ability to truly provide organizations the wherewithal to apply the concepts that can revolutionize their methods of leadership and views of corporate social responsibility.

The Components of the Model

Taking a moment to view Figure 1, we see 5 distinct components that contribute to Ethical Leadership.

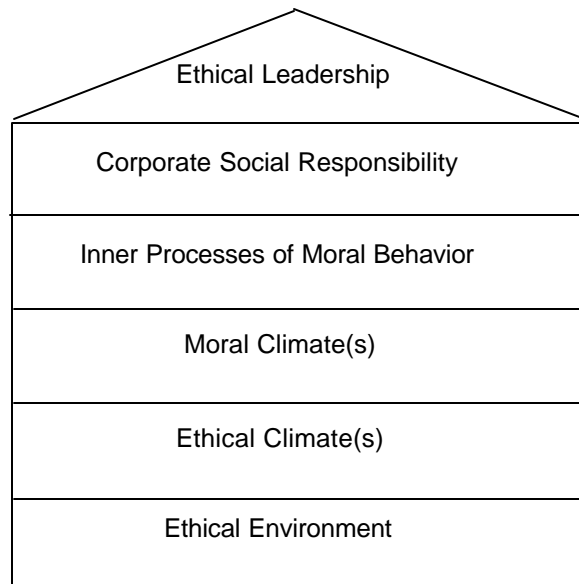


Figure 1. Model for Ethical Leadership.

Ethical Environment and Ethical Climates

Treviño, Butterfield and McCabe (1998) performed an exploratory factor analysis of various ethical contexts in organizations and found that ethical climate and ethical culture espouse different elements of ethical context. The study expands the nine ethical climate types posited by Cullen and Victor (1993; cited in Treviño, Butterfield and McCabe, 1998, p. 448-449) in an unpublished manuscript.

Ethical Environment. Ethical environment encompasses ethical leadership, role modeling, ethical norms, reward systems that support ethical conduct and identifies the degree to which unethical behavior is punished in organizations and contains various ethical climates.

Ethical Climate. The nine ethical climate types identified by Cullen and Victor (cited in Treviño, Butterfield and McCabe, 1998, p. 448-449) include the:

1. Egoist-individual - self-interest is the expected norm
2. Egoistic-local - the company's interest guides the decisions that are made
3. Egoist-cosmopolitan – efficiency is the expected norm
4. Benevolent-individual – the welfare of individuals inside the organization guide decisions
5. Benevolent-local – the welfare of groups inside the organization guide decisions

6. Benevolent-cosmopolitan – the welfare of individuals and groups outside the organization guide decisions
7. Principled-individual – personal morals guide decisions
8. Principled-local – organizational rules and regulations are the norm
9. Principled-cosmopolitan – external laws and codes guide ethical decisions

The various ethical climates that were identified in the Treviño, Butterfield and McCabe (1998) study were employee-focused (benevolent-individual), community-focused (benevolent-cosmopolitan), obedience to authority (egoistic-local), code implementation (benevolent-local), self-interest (egoistic-individual), efficiency (egoist-cosmopolitan), rules and procedures (principled-local), personal ethics (principled-individual) and law and professional codes climate (principled-cosmopolitan).

In summary, Treviño, Butterfield and McCabe (1998) found that “...the ethical context of the organization is associated with employee attitudes and behavior” (p.470).

Moral Climate. Cohen (1998), however, states that, “...to identify the normative systems that guide organizational decision-making and the systemic responses to ethical dilemmas...” (p. 1212), while providing broad-based classification schemes, prior research “...did not specify what the practices and procedures might be”, (p. 1212) that would truly operationalize the models.

Cohen (1998) identifies a moral climate typology that identifies the types of organizational decisions that include a moral component:

1. Deontological – organizational decisions with a moral component that concern intentions to fulfill constituent obligations or meet other social responsibilities.
2. Utilitarian/consequentialist – focus on the potentially harmful consequences that might result.
3. Contractarian – consider the existence of any implicit or explicit social contract to constitute a moral concern.
4. Distributive justice – emphasize the importance of fairly distributing benefits and burdens within the firm.
5. Procedural justice – concerned with the fairness of procedures for determining duties, rewards and punishments. (p. 1213)

Thus, Cohen (1998, p. 1213) defines moral climate as, prevailing employee perceptions of organizational signals about norms for establishing intentions, considering consequences, observing contracts, determining distribution and implementing procedures. Cohen (1998) also includes a multi-dimensionality component to her framework that includes five dimensions, goal emphasis, means emphasis, socio-emotional, task support and reward orientation. Lastly, one caveat that Cohen (1998) expresses is that “...climate for a certain behavior does not cause individuals to perform that behavior” (p. 1214).

Inner Processes of Moral Behavior. Rest (1984) argues that previous theoretical concerns in morality are grounded in three basic constructs of behavior, affect and cognition. Additionally, Rest (1984) posits that by segregating research into these three notions, research remains divided, and the “...three-

part scheme is deficient for many reasons” (p. 25). In short, Rest (1984) proposes a four-component model identifying the inner processes producing behavior (Table 1).

Table 1

Inner Processes of Moral Behavior

Component Major Functions

1	a) Interpret the situation in terms of how one's actions affect the welfare of others.
2	a) Formulate what a moral course of action would be. b) Identify the moral ideal in a specific situation.
3	a) Select among competing value outcomes of ideals, the one to act on. b) Deciding whether or not to try to fulfill one's moral ideal.
4	a) Execute and implement what one intends to do.

Note: Adapted from Rest, J.R. *The major components of morality* in Kurtines, W.M. & Gewirtz, J.L. (1984). *Morality, moral behavior, and moral development*. New York: John Wiley & Sons.

While the four components of the inner processes of moral behavior appear to be linear in fashion, Rest (1984) disclaims that moral behavior is a "unitary process" and that moral behavior is a "...manifestation and result of four inner cognitive-affective processes" (p.29).

Rest (1984), through extensive research, categorized the various situational factors that influence these four components.

Lastly, Rest (1984) argues that moral behavior involves the use of all four components and that "...deficiencies in any component can result in failure to behave morally" (p. 36).

Corporate Social Responsibility. Carroll and Buchholtz (2000) argue a four-part definition of corporate social responsibility that includes the economic, legal, ethical and philanthropic perspectives of the organization.

An organization's economic responsibilities include the notion to be profitable. Businesses are in the business of being profitable; to maximize sales revenues while attempting to minimize costs.

Legal responsibilities include the ideology that businesses obey all laws and regulations to include consumer and environmental laws. In addition, society expects businesses to fulfill all contractual obligations.

Society expects businesses to fulfill their ethical responsibilities by avoiding questionable practices that may not be codified into law and assume that the law is a “floor” of behavior and also adhere to the spirit of the law.

Lastly, a business’ philanthropic responsibilities are highly “desired” by society; however is not a perceived requirement by society of a business to pursue such activities.

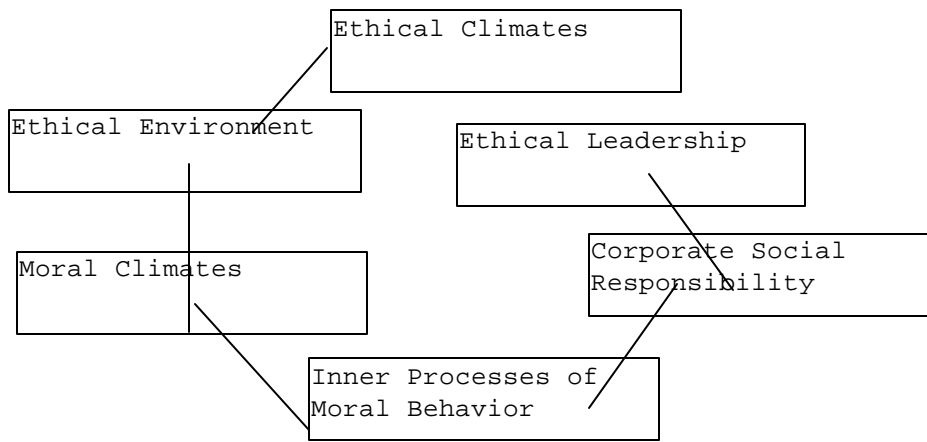


Figure 2. Process Model for Ethical Leadership.

Process Model for Ethical Leadership

As depicted in Figure 2, ethical climates make up the overall ethical environment. The overall ethical environment gives rise to the various propensities for moral climates from which the every day operations of the organization takes place. The moral climates give rise to the conditions from which the decision-making processes in organizations are accomplished. These various decisions contain the components that make up the inner processes of moral behavior that lead to the organization’s perceived corporate social responsibility. The extent of Ethical Leadership that an organization portrays is directed related to the make up of the previous components. As an example, for an organization to succeed at high levels of corporate social responsibility, they must first maintain an environment that allows for all four of the components of the inner processes of moral behavior to be present.

Thus, this model serves as somewhat of a prescriptive tool in that if an organization wishes to maintain Ethical Leadership, they must maintain high levels of corporate social responsibility; to do that, they must be able to accommodate the four of the components of the inner processes of moral behavior. As can be seen from the process model (Figure 2), ultimately, leaders and managers can evaluate the types of ethical climates that they need to espouse that will get them the overall behaviors that they truly want represented from within their organization.

As can be seen, this model provides many provocative behavioral avenues from which to approach an organization. Reflecting on the old adage “Actions speak louder than words” rekindles the importance of how employees’ behaviors take on a new meaning from within the context of an organization.

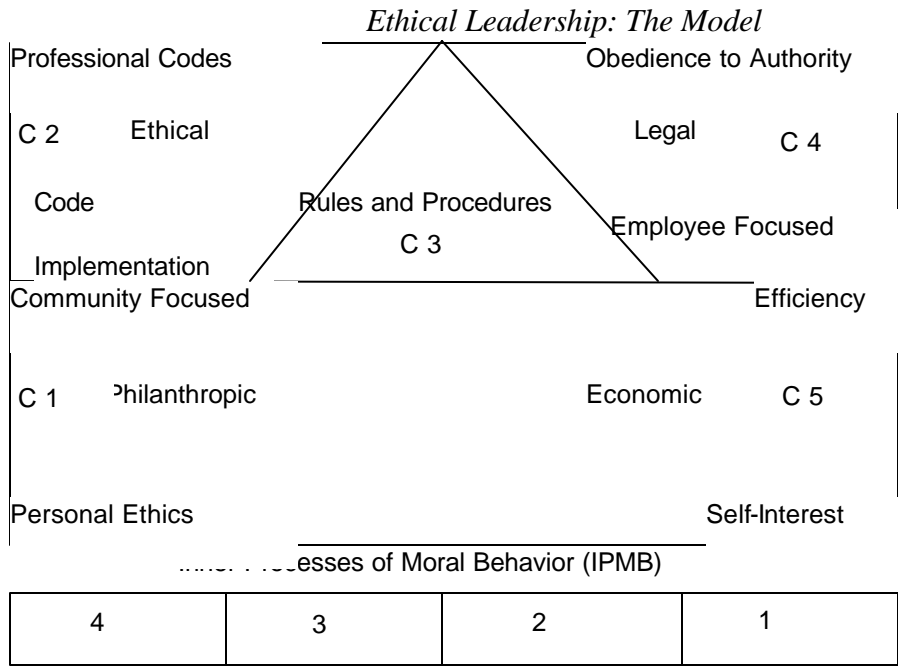


Figure 3. Ethical Leadership Model.

Quadrant C5

This quadrant contains the ethical climates of self-interest and efficiency (Figure 3). Organizations that operate in these types of environments typically are not self-directed or self-actualized workgroups. Additionally, this area of the Ethical Leadership (EL) model only encompasses the inner-processes of moral behavior (IPMB) components 1 and 2; where employees may interpret the situation in terms of how one’s actions affect the welfare of others and formulate what a moral course of action would be and maybe even identify the moral ideal in a specific situation, however, the guiding behaviors and decisions would be based on the overriding economic organizational concerns, individuated self-interest and efficient operations.

Quadrant C4

Quadrant C4 contains the employee-focused ethical climate (Figure 3). As organizations mature, they tend to move toward an employee-focus where obedience to authority and maintaining adherence to legal issues are prime concerns.

This quadrant relates to IPMB, components 1 and 2, similar to EL model quadrant C5.

Quadrant C3

This quadrant (Figure 3) provides a transition into the ethical arena for the organization. The obedience to authority and legal focuses turn into standardizations and eventually transition into the categories of EL model quadrant C2, professional codes, code implementations and an overall ethical focus for the organization. From an organizational structural perspective, this quadrant incorporates many of the beginning characteristics of Henry Mintzberg's professional bureaucracy (Mintzberg, 1979).

Additionally, Bass (1990) further defines a bureaucracy as "...an organization that is operated on the basis of rules, regulations and orderliness and that focuses on legitimacy, the duties of jobs, and the rights of the office" (p. 916). Lastly, this area of the model incorporates IPMB 2 and 3 where leaders formulate what a moral course of action would be, identify the moral ideal in a specific situation, select among competing value outcomes of ideals, the one to act on, and deciding whether or not to try to fulfill one's moral ideal.

Quadrant C2

In quadrant C2 (Figure 2) ethical behavior is quantified by maintaining adherence to professional codes and the implementation of these codes. Many organizations operate within this quadrant. Society's view of these organizations is that the organization has participative management and maintains an atmosphere of professionalism.

Additionally, quadrant C2 may either incorporate IPMB components 3, 4 or both, in which employees select among competing value outcomes of ideals (the one to act on), decide whether or not to try to fulfill one's moral ideal and execute and implement what one intends to do.

Quadrant C1

Quadrant C1 (Figure 2) encompasses a community-focused climate where employees incorporate a high sense of personal ethics, in contrast to quadrant C2 where professional codes and their implementation define ethical behaviors. Personal ethics allows for individualism that rids the organizational mores of "leaving your ethics at the door when you come in".

This quadrant also espouses philanthropic behavior in organizations when organizations participate in community-focused activities in order to promulgate goodwill.

At this level in the EL model, all four IPMB components are present truly permitting for leaders to select among competing value outcomes of ideals (the one to act on), decide whether or not to try to fulfill one's moral ideal and execute and implement what one intends to do.

CONCLUSION

An introduction had been presented of Ethical Leadership. Ethical Leadership provides a synergistic combination of managerial and visionary leadership which serves to enhance organizational survival, growth, and long-term viability of organizations. Enabling this leadership behavioral outcome is within the reach of all organizations by considering and integrating organizational norms and mores into the

strategic planning process thereby espousing a systemic organizational capacity that truly “fits” an organization’s management and leadership needs to long-term goals and objectives.

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