

Be the Change

Nature of Ethical Leadership

Objectives

- A** Explain the concept of ethical leadership.
- B** Explain how to be an ethical leader.



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So What

Dustin was just promoted to manager at the café where he works.

At first he was excited, but he had no idea how challenging the new position would be. Dustin encountered several situations in which he was uncertain how to respond. First, a customer insisted that the café got his order wrong, even though the server knew she hadn't made a mistake. Then, one of his employees started showing up late and leaving early without reporting it on his timesheet. Dustin also overheard another manager speaking rudely about a subordinate employee. Dustin isn't sure how to handle these dilemmas in a way that reflects both his leadership skills and his commitment to being ethical. He needs to learn about ethical leadership so he can deal with these situations appropriately in his current job and in his future—and so do you!

Lead With Ethics

Think about the leaders that you respect: teachers, supervisors, family members, political figures, entertainers, etc. Why do you respect them? Maybe you admire their talents, personalities, or actions. Chances are, however, that these respectable individuals have one thing in common: They are ethical leaders.



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To know what makes an ethical leader, you must first understand what leadership and ethics are. **Leadership** is the ability to direct or guide the actions of others in a desired manner. It includes providing direction and setting an example to those around you. A leader is someone to whom people look for inspiration, guidance, and motivation. Leaders are those whom people listen to and follow. They are role models to others around them. While you might traditionally picture a leader as someone who is in charge or in a position of power, anyone can take on the role of a leader by being an example to others. Furthermore, while some people believe leadership is a natural quality that only certain people are born with, the truth is that anyone can become a leader through practice and experience. Leaders develop qualities such as **credibility, confidence, emotional intelligence, flexibility, and vision.**

Leadership is important because it keeps people motivated, directed, and organized. It is difficult to unify groups of people around an idea, task, or goal without someone to guide that process. If you've ever played a team sport, imagine how difficult it would be to hold practices and win games without a coach who gives direction, organizes the group, and provides feedback and encouragement. You wouldn't even know where to begin! Leaders help people reach their full potential by guiding them in the way that best suits them. For example, a coach might help a player see where his/her strengths are and how they can be applied to make the team better.

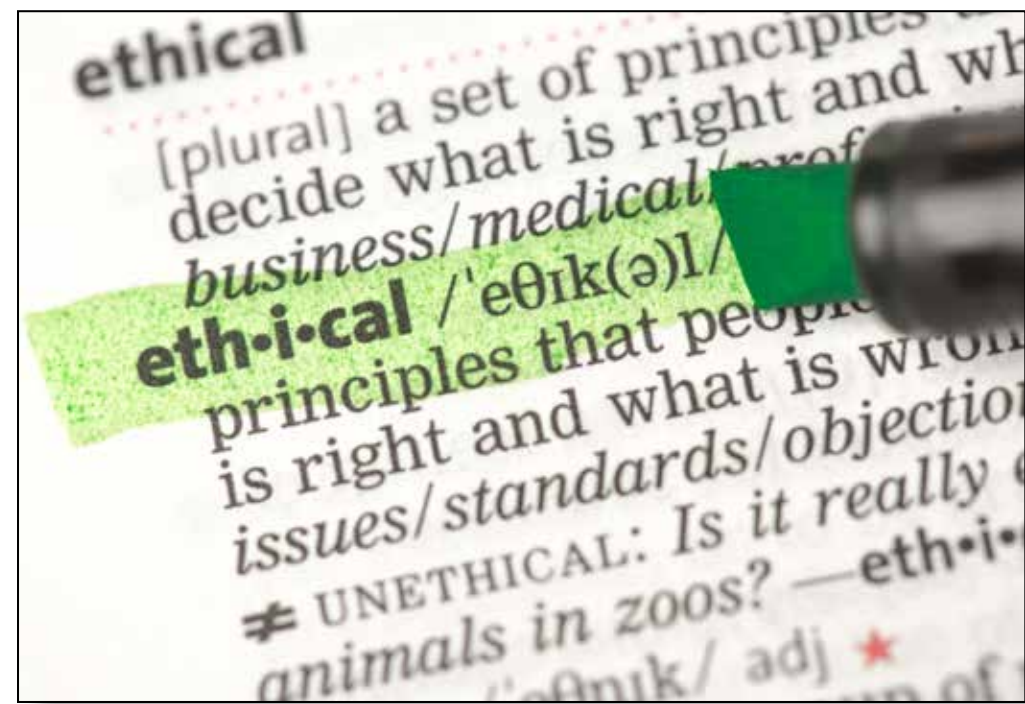


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Now that you have an idea of what a leader looks like, it's time to focus on ethics. **Ethics** are the basic principles that govern people's behavior. They guide our actions and help us make better decisions. People who are ethical always try to do the right thing and contribute to the betterment of society. Ethical principles help people know what is right. They are the standards by which people determine how to act. An ethical person is generally respectful, fair, honest, and just. But ethics are not just important on an individual level. Organizations need ethics to be positive, well-run, welcoming, and productive as well.

Keep in mind that leaders are not always ethical, and ethical people are not always leaders. A leader might be in charge of a group of people—being their role model and giving them direction—but the behavior s/he models might not be ethical. For example, Nick might be the leader of his group of friends, but that certainly does not make him ethical, especially if he encourages his friends to bully others. Alternatively, an ethical person might follow his/her principles in a quiet, private manner without acting as a leader or having any effect on others.

Ethical leadership brings together both leadership and ethics—directing and guiding others in a way that upholds ethical principles. Being an ethical leader means doing what is right and influencing others to do what is right as well. A leader sets ethical expectations, provides an example of what ethics look like in action, and makes ethical behavior a priority for the group. The directions, goals, and examples set by ethical leaders are focused on ethical principles and push others to become more ethically focused as well.



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Where can you find ethical leaders? Anywhere! Ethical leadership is essential to all kinds of organizations, from classrooms to multinational corporations. You can probably think of many examples of situations in which you could be an ethical leader in your own life: your group projects in class, the clubs and teams you are a part of, or your after-school job, to name a few. Ethical leaders aren't just managers, coaches, or team leaders, either. Anyone can be an ethical leader—by guiding and encouraging others to act ethically and setting an example of how ethical principles should be carried out. You can be an ethical leader to your friends, classmates, siblings, and coworkers just through leading by example and following ethical principles.



The video “Ethical Leadership, Part 1: Perilous at the Top” from UT McCombs School of Business demonstrates the incredible responsibility that ethical leaders have in different organizations: <https://youtu.be/gg-cbwOeScA>.



Benefits of Ethical Leadership

Being an ethical leader brings many positive outcomes. Ethical leadership cultivates an ethical environment. Leaders have immense influence over others and can greatly affect their lives; therefore, they have a responsibility to set the standards that everyone else will follow. If you lead others around you to ethical behavior, your group will thrive in many ways. First of all, you will create a positive environment where people feel respected, trusted, and welcomed. People will know that their ethical principles will be upheld and that they will be treated fairly. Your coworkers, classmates, or team members will therefore be more motivated to work hard and succeed because they will have greater respect for the group or organization as a whole. Their work will seem more meaningful and worthwhile.

Ethical leadership also leads to more cooperation and positive relationships. People who trust and respect one another enjoy working together and make progress as a team. For example, if your supervisor is focused on making sure everyone in the group is open and honest with one another, you will feel comfortable asking a coworker for help on an assignment or providing constructive feedback.

Finally, ethical leadership is essential for organizations that want to avoid scandal, bad publicity, or legal consequences. Most of the companies that have been brought to court over their actions had unethical leadership from top to bottom. When an organization and its leaders set a precedent of prioritizing ethics, they will be respected by customers and investors, attract top talent, and avoid negative outcomes such as legal fees, imprisonment, or financial loss.



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▲ *If you are an ethical leader, your coworkers will know they can come to you for help and you will all be more productive.*



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The second video in UT McCombs School of Business's Ethical Leadership series, "Ethical Leadership, Part 2: Best Practices," explains why leadership is important in promoting an ethical workplace as a whole, and how to put ethical principles into practice: <https://www.youtube.com/watch?v=7e-v2h2Dy0A>.

Summary

Leaders are not always ethical, and ethical people are not always leaders. Ethical leadership is directing and guiding others in a way that upholds principles. It includes doing what is right and modeling correct behavior to others. Ethical leadership is important because leaders have the ability to shape the environment and people around them. They set the standards that everyone else will follow and set an example of how to behave ethically. They also guide organizations to success and help them avoid negative consequences.

TOTAL RECALL

1. What is leadership?
2. What are ethics?
3. What is ethical leadership?
4. What are the benefits of ethical leadership?

THE GRAY ZONE

Paula is on a business trip with two other coworkers from her company. After a day of hard work, Paula and her coworkers decide to get dinner at their hotel. Because they are away on company business, they are allowed to charge meals to the company. However, Paula's two coworkers are buying more than just dinner. They have charged tons of food, drinks, spa treatments, on-demand television, and other hotel services to the company. When Paula asks them about it, they laugh and say that the company never checks the receipts anyway, so they might as well spend as much as they want. Paula knows that the company policy does not include all of their purchases, but she doesn't want to get her colleagues in trouble. What should Paula do to demonstrate ethical leadership?

Qualities of Ethical Leadership



Ethical Leadership

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How do people become ethical leaders? They follow a set of principles that guide them in doing what is right. Ethical leaders develop a set of skills that makes them effective. Many of these skills contribute to leadership in general, including credibility, confidence, and emotional intelligence. However, to become an ethical leader, you must take it one step further by developing ethical character traits as well.

Many ethical principles are important for being a strong leader. If you follow these principles in your actions and choices, set an example, and encourage others to do so, you are leading ethically. Let's take a look at several important ethical principles.

Altruism. Altruism is the principle of concern for others' welfare. Ethical leaders put others' interests before their own. They are not only concerned with their own wellbeing, but instead make the effort to check in with others and work to contribute to their benefit. Altruistic leaders care about not only their own colleagues, friends, and family, but also about society as a whole. A company that practices altruism might take a day to do community service, for instance.

Persistence and Patience. Persistence is the ability to continue working at a task or idea until the desired outcome is achieved. Patience is enduring life's aggravations and difficulties calmly. Persistence and patience are both important to ethical leadership because being ethical is not always an easy or quick process. It can be tempting to take shortcuts or give up on the ethical route to achieve quick results. As an example, you might be tempted to look up the answers to your homework assignment so that you don't have to spend time doing it yourself.

It is also sometimes difficult to be patient with others who are struggling or causing problems for the organization. If a member of your hockey team isn't playing well, for instance, you might lose your patience and find it challenging to encourage that team member. An ethical leader practices both persistence and patience in difficult situations. S/He powers through the difficulties and perseveres until the work is done—and done *ethically*.



Brand X Pictures/Stockbyte/Thinkstock

▲ One way to show altruism is by organizing a clothing drive or similar fundraising effort for your community.

Responsibility. Being responsible involves fulfilling one's obligations in a dependable, reliable manner. It is an essential component of ethical leadership because being responsible builds trust and allows work to be completed effectively. An ethical leader can be counted on to arrive on time and meet deadlines—and encourages others to do the same.

“If you take responsibility for yourself, you will develop a hunger to accomplish your dreams.”

–Les Brown,
motivational speaker

Fairness. Fairness is the ability to make judgments without favoritism or self-interest. It means treating people how they want and deserve to be treated. Ethical leaders are not **biased** or **discriminatory**, and they are **consistent** in their relationships with others. Being consistent as a leader ensures that everyone is treated well and given an equal chance to succeed. For example, if one of your classmates has a learning disability, s/he might be given extra time to complete assignments. When someone treats people in a way that is unfair or does not give everyone access to the same opportunities, they are not being ethical.

Fairness

Respect. Respect is regard or esteem. It includes honoring the rights, freedoms, views, and property of others. Respect is a key tenant of ethical behavior. Ethical leaders respect everyone, no matter the situation or circumstances. They listen and weigh others' opinions equally to their own, and they refrain from using hurtful language or harassing others. Ethical leaders can build a culture of respect by encouraging others to do as they do, and having a zero-tolerance policy for disrespectful behavior.

Respect



▲ An ethical leader makes sure people are compensated fairly for their work.



Trustworthiness. Trustworthiness is reliability. It is the quality of deserving others' confidence.

Someone who is trustworthy can be relied upon to follow through on his/her promises.

Ethical leaders can also gain others' trust through honest behavior. **Honesty** is

truthfulness. Honest leaders are open with others and

do not hide important information, even when

it is difficult to share. Honesty is closely linked with transparency. **Transparency**

is the quality of being just as one seems.

It means being open and truthful when communicating.



Integrity. When honesty and transparency are put into action, integrity results. Having integrity means adhering to an established set of personal ethics and sound moral principles.

It includes acting with honesty in all situations—doing the things

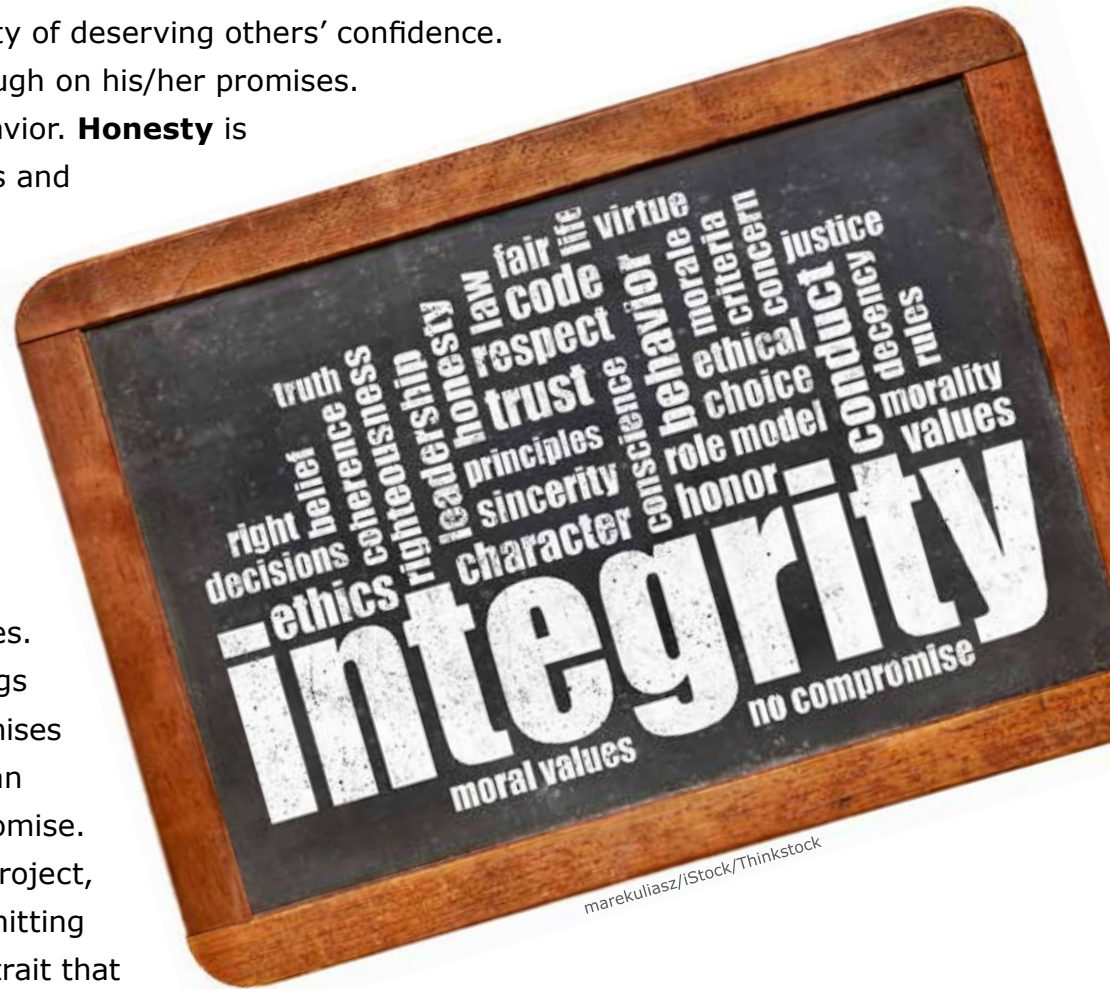
you say you will do. For example, if your friend promises

to help you study for your next exam, s/he can

show integrity by following through on that promise.

Or, if you know that you have made a mistake on your group project, you can demonstrate integrity by taking responsibility and admitting when you are wrong. Integrity is perhaps the most important trait that

an ethical leader can have because it is the foundation for many other principles, including respect, fairness, trustworthiness, and altruism. Integrity leads to positive relationships, loyalty, and stability. A leader who acts with integrity will hold others around him/her accountable, encouraging integrity as a whole.



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Dealing With Dilemmas

While ethical principles help guide ethical leaders, it isn't always easy to follow those principles. Ethical leaders will undoubtedly encounter challenging situations that test their ability to remain ethical and to encourage those around them to engage in ethical practices. These situations are called **ethical dilemmas** and involve issues that require you to decide whether something is right or wrong. Ethical dilemmas also have the potential to cause harm, whether it be insulting someone, creating legal trouble for you or your company, or ruining a relationship.

When ethical dilemmas occur, leaders are tasked with the responsibility of making decisions that maintain an ethical environment. They set the expectation for how others will respond in similar circumstances. Ethical dilemmas can occur in any sort of situation, including in your workplace, school, and personal life.

Workplace. Ethical dilemmas happen on a daily basis in the workplace, in many different ways. Leaders have to navigate these tricky situations and figure out the most ethical course of action. Ethical workplace dilemmas can be related to:

- Human resources issues such as hiring and firing employees
- Using company time and resources appropriately
- Taking credit for others' work
- Harassment
- Favoritism
- Appropriate communication and relationships
- Confidentiality and privacy

Keep in mind that ethical leaders in the workplace aren't just the managers and supervisors; anyone can be an ethical leader by setting a good example. In fact, if you notice an executive at your company acting unethically, you can show your leadership skills by questioning this behavior.



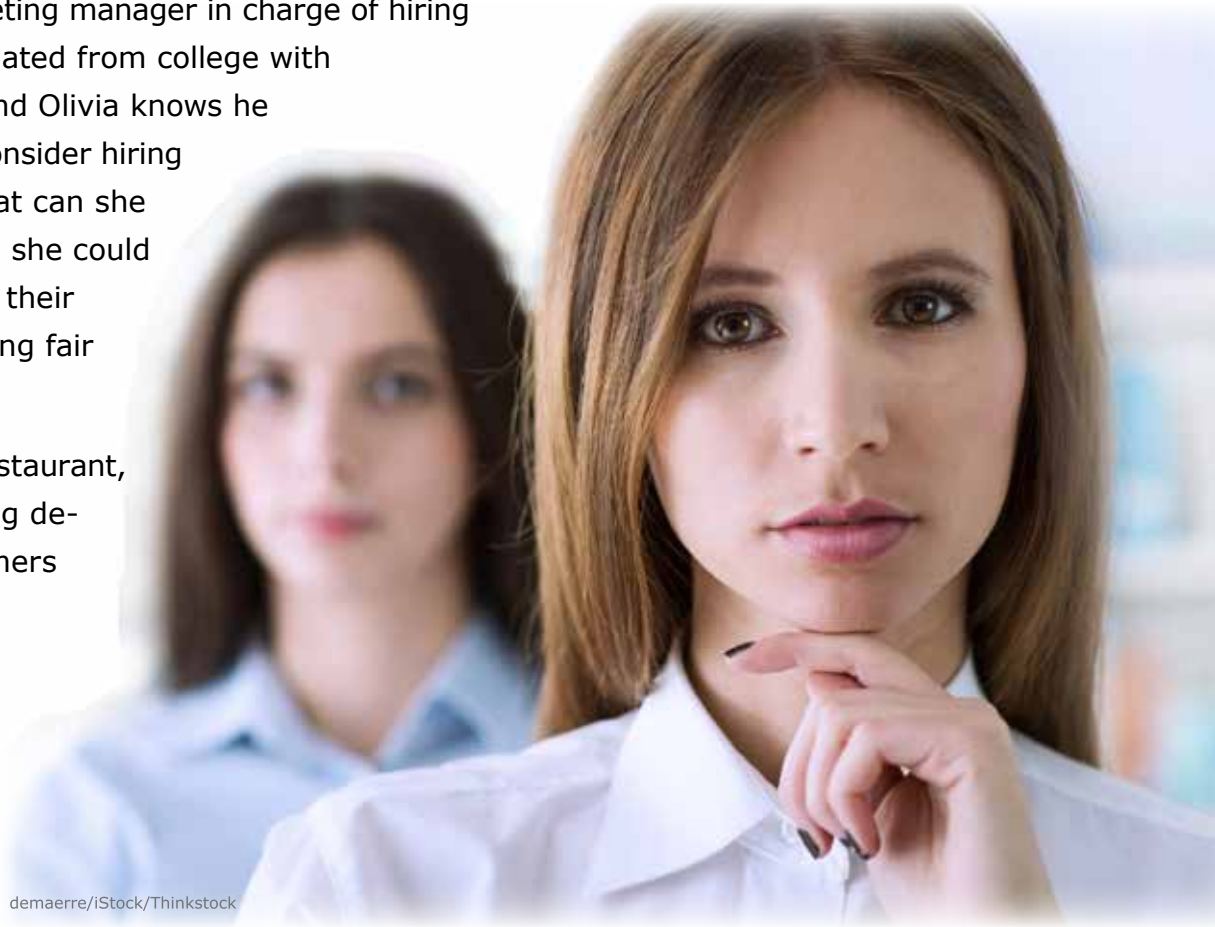
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Watch the video “Moment of Truth—Business Ethics and Better Decision Making” from Media Partners Corporate Training Videos to see an example of an ethical workplace dilemma and how the employee evaluates the situation: <https://www.youtube.com/watch?v=7chfmZ469IE>.

Let’s consider a couple more examples. Olivia is a marketing manager in charge of hiring a new social media analyst. Her friend Marty just graduated from college with a degree in marketing. He is smart and hardworking, and Olivia knows he would be perfect for the job. Is it ethical for Olivia to consider hiring a friend, or is she in danger of practicing favoritism? What can she do to make sure she is ethical in this situation? Perhaps she could disclose the relationship to other managers and ask for their assistance in the hiring process to make sure she is being fair and unbiased.

Another example: Let’s say you work as a server at a restaurant, and you overhear a couple of your fellow servers making derogatory comments about some customers. The customers are not able to hear what is being said about them, but the language is hurtful and disrespectful. What would an ethical leader do? You could confront your coworkers and tell them to stop, or perhaps you could speak with a supervisor and inform him/her that employees are being disrespectful. You could even try to be more polite and kind than usual to set an example for your fellow coworkers.

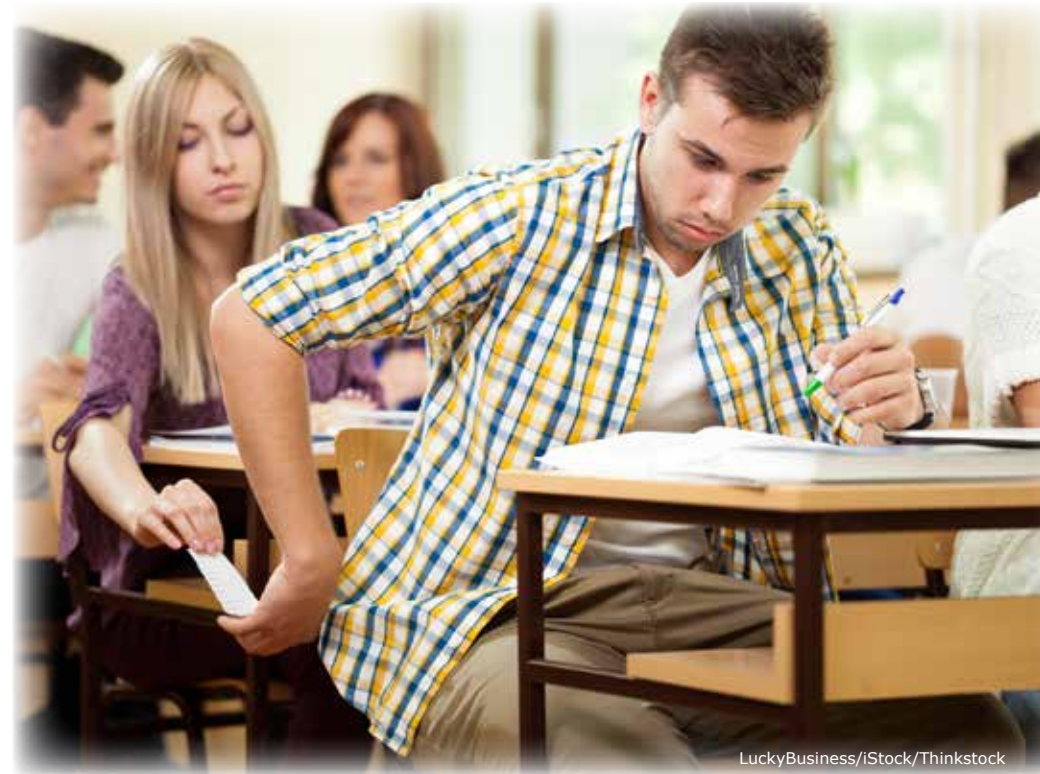


Regardless of the specific situation, leadership is necessary in the face of workplace ethical dilemmas. When ethical leadership is not established in a business, things can go terribly wrong. One of the most infamous ethical workplace scandals in 2016 involved banking and financial service giant Wells Fargo, where employees created millions of fake accounts to falsely bolster sales. Most people believe that executives at Wells Fargo failed to lead in an ethical way, which led to a total breakdown of company practices. Learn more from watching this video, "Wells Fargo scandal explained," from CNN Money: <http://money.cnn.com/video/news/economy/2016/09/13/wells-fargo-explainer.cnnmoney/>.

School. As a student, you have probably already faced dilemmas as an ethical leader in class and in your extra-curricular activities. Ethical dilemmas in school can relate to:

- Academic dishonesty
- Disrespectful behavior
- Bullying and harassment
- Use of the school's resources
- Code of conduct violations

Again, let's look at a few specific cases. Keegan is the treasurer of the student council. He informs the president that they are slightly over budget for the month and do not have any extra funds to promote the winter formal dance. Tina, the president, asks Keegan to fudge the numbers just a little bit to make it appear that there is enough left in the budget to pay for posters. She tells Keegan that after the dance, they will have more than enough money from ticket sales to make up for it. Everyone else on the student council seems to agree. What should Keegan do to be an ethical leader?



▲ *What can you do to demonstrate ethical leadership if you see two classmates cheating on a test?*

Or, imagine you are walking down the hallway and you see a couple of your classmates talking to a younger student. They appear to be threatening him, and he looks scared. In this situation, an ethical leader would not walk by and pretend it isn't happening. S/He would intervene, making sure everything is okay and encouraging the students to be respectful—and reporting the incident to a teacher if necessary. Ethical leaders cannot stand back and let unethical behavior take place. They embody expectations of how others should act and model ethical principles, even when it is difficult to do so.

Personal life. As you go about your day, you will face the opportunity to be an ethical leader, but you will also face ethical dilemmas. These dilemmas could occur with your friends and family, with strangers, or with your community. Here are a few examples:

- Dishonesty and lying
- Taking things that do not belong to you
- Breaking rules and laws
- Treating others with respect

Let's say that Andi notices someone drop money in the street, and then she sees another person pick up and pocket the cash. She could ignore this situation, or she could demonstrate ethical leadership by telling the person to return the money to its owner.

Another ethical dilemma might occur if you become aware that someone is breaking a law. For example, let's say your friends want to stay out past the legal curfew. You will have to decide as an ethical leader whether to go along with this plan, or if you should try to encourage them not to do so. If you make the ethical choice, others around you will notice and follow your example.





Apple CEO Tim Cook talks about his approach to ethical leadership in this short video from the Duke University Fuqua School of Business: <https://youtu.be/3ygNKNaMv4c>.

Summary

Anyone can be an ethical leader by developing leadership skills and ethical principles. These principles include altruism, persistence and patience, responsibility, fairness, respect, trustworthiness, honesty, transparency, and integrity. One of the main requirements of ethical leadership is to handle ethical dilemmas appropriately. Ethical dilemmas involve issues that require you to decide whether something is right or wrong. When ethical dilemmas occur, leaders are tasked with the responsibility of determining what decision to make to maintain an ethical environment. Ethical dilemmas can occur in any sort of situation, including in your workplace, school, and personal life.

TOTAL RECALL

1. What are three qualities of an ethical leader?
2. What is an ethical dilemma?
3. In what environments do ethical leaders have to respond to dilemmas?

Make It Pay!

Think of a leader that you respect. Why do you respect this leader? Is s/he an ethical leader? Which of the ethical principles does s/he follow? What do those principles look like in action? How does s/he respond to ethical dilemmas?