



Exploring Ethical Leadership

UGA IOMP Capstone
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Are you as ethical as you think you are?

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Introduction

It all came down to one final question, and the future of a major corporation was at stake. The successful business executive faced off against the inexperienced founder's son to determine who would lead the firm after the founder stepped down. The executive was well-versed in finance, the competitive landscape, mergers and acquisitions, and even fine arts. But his weakness was revealed when he could not demonstrate expertise in a critical topic: business ethics.

If that sounds familiar, it's because it's a pivotal scene in the 1995 Adam Sandler comedy *Billy Madison*. The film itself may be corny and crude, but it reaches its climactic joke when it's obvious that ethics is the only area in which the executive is not an expert. While the film was released nearly 30 years ago and referenced insider trading and the savings and loan scandals of the 1980s, most would agree the joke is even more apropos in 2023. At the time of the movie's release, Enron was a vital company. The Volkswagen emissions scandal was two decades away. Lehman Brothers hadn't yet filed for bankruptcy after hiding at-risk assets.

A recent Yale Center for Emotional Intelligence survey found that nearly **one in four** American workers report feeling pressured by their immediate manager to do things they consider ethically wrong at work. (Ivcevic et al., 2020)

In a 2017 study examining toxic leadership, Kenneth Matos surveyed 1,000 college-educated American workers. The researchers described toxic leadership behaviors such as publicly belittling subordinates, taking credit for others' work, and having emotional outbursts. Over *half* of the respondents reported that their immediate manager was mildly (32%) or highly toxic (24%). Matos also found that over 80% of those surveyed believed their manager represented typical leadership in their organization. The implication is dire: the number of toxic and unethical leaders in our organizations is far greater than we think.

Greed and immoral actions are easy to spot and identify as "wrong"; ethical dilemmas are complex and exist in the gray between absolute right and wrong. Despite its complexity and impact on business results, little time is dedicated to developing ethical leadership within organizations. As leaders, we must understand ethical leadership from a moral imperative, a business responsibility, and how to cultivate and measure it within ourselves and the organizations we lead. And the first key to developing ethical leadership is to acknowledge that *you're not as ethical as you think*.

Defined

In 2005, Michael E. Brown and colleagues proposed the now-widely accepted academic definition of ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making”. Put simply, it’s behaving in a way that sets the tone for others to follow.

It is far more challenging and nuanced in practice. Before Enron was, well, Enron, good people went to work there every day. The ethical lapses that created the Enron scandal and others started small. Seemingly inconsequential everyday choices led to larger mistakes and, eventually, criminally fraudulent behavior that ushered in multiple corporate bankruptcies and devastated workers, their families, and communities. The presence of good people is not enough to prevent poor ethical choices. Ethical leadership is about actions and the choices we make as leaders. It is much more than just being a “good person.”

Ethical behavior is *not* simply the difference between right and wrong.

We all know stealing is wrong, but is it wrong to turn a blind eye when your colleague files an expense report for a personal meal? Or when your manager asks you to conceal a mistake to their new boss? What if reporting either may jeopardize your job? In isolation, we can thoughtfully examine the merits of an example like this. In reality, these dilemmas present themselves daily. And while we might think these are inconsequential, small ethical lapses without consequence embolden us to normalize the behavior and push the ethical boundaries further. In a series of experiments, David T. Welsh and colleagues (2015) studied this slippery slope by exposing 188 volunteer undergrad students to cheating opportunities in various ways. Participants were split into two groups. One group was exposed to gradually increased cheating, and the other group experienced a large amount of cheating in one instance. Throughout the experiments, students who gradually increased unethical behavior were nearly twice as likely to engage in the largest ethical violation than those immediately presented with the large “cheat”. They also studied this behavior across a sample of 299 U.S. residents recruited to participate via Amazon; the results were consistent and have potentially devastating consequences. In short, the existence of even the smallest ethical violations creates the momentum needed for Enron-sized scandals.

Many ethical leadership models have been created and proposed (Kalshoven et al., 2011, Li et al., 2022, Brown & Treviño, 2006). The examined models can be distilled into **actions** and **behaviors** that fall into three main categories:

Fairness

Demonstrates honesty and transparency, does not display favoritism, makes decisions consistently based on merit, explains why decisions are made, provides equal opportunities for all, celebrates great work, does not blame others for mistakes, and distributes rewards justly.

Respect

Treats others respectfully regardless of role, moderates confidence with humility, shares power with others, favors collaboration over control, empathizes with others, speaks well of others when absent, demonstrates care and concern for other humans, places other's interests above own, and engages in constructive conflict.

Responsibility

Clarifies expectations, keeps promises, maintains a focus on future success, takes care to consider sustainability, delegates work appropriately, provides guidance for others to succeed, and holds self and others accountable for their behaviors and achievements.

If we are to safeguard against ethical lapses, it begins with a focus on fairness, respect, and responsibility. Preventing scandal and corporate malfeasance is certainly enough reason to develop ethical leadership within the individual and the organization, but it is more than just preventative. Ethical leadership benefits the entire organization.

First, ethical leadership breeds an environment of **trust**. Ethical behavior includes transparency and honesty, especially when making unpopular decisions. Believing that our leader makes fair decisions consistently enables us to focus on our job and team performance and reduces pushback when new information arrives from that leader. When others experience a leader who behaves ethically, they are more likely to be committed to their work because they trust their leader's decisions (Brown et al., 2005).



Ethical leadership breeds an environment of trust.

Ethical leadership creates **psychological safety**. In their 2009 study, Walumbwa & Schaubroeck surveyed over 1,000 employees and managers at a large financial institution to better understand ethical leadership outcomes, surveying each participant at two different points in time. In the first survey, respondents were asked to rate their manager on multiple items, including “Makes fair and balanced decisions” and “Employees in this workgroup are able to bring up problems and tough issues.” Five weeks later, the same set of participants were asked to complete another survey, this time measuring their perception of psychological safety. Their study found that ethical leadership predicted an employee’s perception of psychological safety. That is likely because when ethical leaders see something wrong, they speak up, even at great personal risk. When a leader role models this behavior, it becomes easier for employees to do the same, which can prevent corporate fraud and malfeasance. In their analysis of results from 287 studies and a sample size of over 100,000 workers and managers, Ng and Feldman (2015) also found that ethical leadership creates a culture hostile to toxic work behaviors and welcoming to collaboration, where misconduct, bullying, disrespect, and unfairness have little fuel to grow and spread.

Preventing nightmare outcomes, whether headline-worthy or quieter and more insidious, also creates a remarkable upside for business: employees that experience higher levels of psychological safety are far more **innovative**. They demonstrate helpful behavior to their team and constructively challenge the world around them to drive improvement, otherwise known as employee voice behavior (Walumbwa & Schaubroeck, 2009). Because a foundation of ethical leadership is responsibility, it creates opportunities for employees to take on stretch assignments, knowing they have the support of a leader that will guide them to success. These factors generate positive momentum for new ideas and talent growth.

With a trusting, innovative, psychologically safe, and high-performing environment, it should come as no surprise that ethical leadership also improves **employee retention**. While it depends on your business and the specific type of work, it is estimated that turnover costs a business anywhere from 33% to 150% of the exiting employee’s salary. The high cost of turnover could be reduced if more employees believed they were following an ethical leader. In a 2016 study, Mayowa Babalola and colleagues surveyed 250 groups of Belgian employees, coworkers, and managers across myriad industries and organizations experiencing frequent change. Overall, as change levels increased, so followed employee turnover intention. The fascinating finding is that turnover intention among employees experiencing high ethical leadership actually *decreased* during frequent change, while employees who reported having low ethical leadership experienced a dramatic increase in turnover intention. Ethical leadership can help organizations retain talent, even during change.

Implications for Practice

Most of us will read the description and feel like we are ethical leaders. The problem? Most humans believe they are more ethical than their peers. This “ethical mirage” makes us think we behave more ethically than we do, and we remember our actions in a much better light than those around us who observed the behavior (Tenbrunsel, 2009). As Stephen Covey famously wrote, “We judge ourselves by our intentions and others by their actions” (Covey, 1989). As leaders, we must consider the *appearance* of our actions from other perspectives. A hastily made decision without explanation can leave employees wondering about motives, and if not given a reasonable explanation, humans will make up a reason. And thanks to the efficiency of our brains, we make it up quickly, and it is typically far worse than reality.

None of us thinks we’ll be the next Enron, Volkswagen, or Wells Fargo. We make good decisions because we believe we are good people. It is precisely that belief in our character that should drive us to behave more ethically and create a culture where ethical behavior is the norm. It is not enough to be a good person, but it is necessary to be a leader of character and integrity to develop ethical leadership within oneself. It shouldn’t be surprising that there is a high correlation between a leader’s integrity and ethical leadership. Integrity is the foundation, and without a commitment to consistently align our actions with our strong moral principles, efforts to develop ethical leadership will fail.

Best Practices to Develop Ethical Leadership

Increasing ethical behavior will naturally diminish unethical behavior, but it takes more than a desire to develop ethical leadership. There are steps an organization can take to create systems that enable an ethical leadership culture, but it begins with an individual leader making the decision to develop greater ethical leadership. It begins with us as individual leaders, and it requires intentional **action**. We need to discuss it with others to generate awareness, ask others for feedback to understand where we can improve, create an action plan based on feedback, and continually reinforce it with ourselves and others.

Ask about it. Work on it. Reinforce it.

Ask about it.



Developing ethical leadership requires a commitment to growth, beginning with understanding the current state and the humility to receive feedback. We can ask ourselves if a decision is ethical, but because of the ethical mirage, we need to know how employees, peers, and managers view our ethical behavior. Request and utilize a 360-degree feedback program if it is available. This typically includes a survey of direct reports, peers, and managers and is guided by a professional coach or other members of the HR department. This is so a leader can identify strengths and opportunities as perceived by those that work all around them, then create a plan to address those areas. Leaders can informally collect this feedback via email or in person, but ideally, an unbiased third party gathers feedback specific to your ethical leadership. Regardless of the method, focus the questions for feedback on the behaviors listed previously, such as “Explains why decisions are made,” “Does not display favoritism,” “Demonstrates care and concern for others,” “Keeps promises,” and other behaviors listed. We cannot consider ourselves ethical leaders without knowing how others view us.

Work on it.

Receiving feedback helps to create self-awareness, but change happens through action. If an existing performance management system exists, take the opportunity to incorporate the feedback you’ve received into an individual development plan (IDP) on record with your manager. Utilize a mentor or network of mentors if you don’t have access to an executive coach and be a mentor to others as you set goals and create action plans for development. If possible, utilize a trained and capable coach. Multiple studies demonstrate the powerful impact of 360-degree feedback and coaching on developing leadership effectiveness, often showing 50% improvement in perceived leadership effectiveness (Thack, 2002). Share the feedback and how you’re working on it with others around you for extra support along the way.

Reinforce it.

We may set aside time to read an article, take a training course, or watch a TED Talk that inspires us to act immediately. Still, without reinforcement, we’ll lose our enthusiasm and ability to make noticeable changes. In his best-selling book *Atomic Habits*, James Clear (2018) makes a compelling argument for implementing small changes over time to benefit from the compound effects of 1% improvement, day over day. Applying Clear’s method of creating systems, not goals, to support our desired behavior changes can vary, but some examples are:





- ✓ **Set reminders:** if you live by your calendar, use that to your advantage. Perhaps you heard from a 360-degree survey that at times, you interrupt others to get your point across. Create a reminder to ask for feedback as you work on listening fully, e.g., “8:15am Thursdays: Ask Daniella and Nizar if they’ve noticed a difference in how often I interrupt others during team meetings”. You could schedule a 30-minute block each Monday morning to read a new article on ethical leadership or add an item to your meeting agendas to ask if anyone has encountered an ethical dilemma they’d like to discuss. Even starting small, like a message that pops up every morning reminding you to thoughtfully consider ethical leadership can be helpful.
- ✓ **Create an Anchor:** a friend once shared that a secret to remembering to stretch properly every morning was to connect it to another routine behavior, e.g., yogi squat for two minutes while brushing teeth. Since brushing her teeth was an established habit, creating the habit of stretching her body was almost instant. If you want to create a new habit of discussing ethical leadership regularly, anchor it to an existing habit, like a weekly team meeting. Before long the rest of the team will remember it even if you forget because it becomes habitual.
- ✓ **Find your people:** to reinforce ethical behavior, find others open to discussing and working on it together. These aren’t sycophants; you’ll get valuable feedback and reinforcement from those who disagree. Create a support network for yourself that includes others with similar values but different personalities and backgrounds so they can help you see past the ethical mirage and make real and significant changes.

Lessons

Ethical lapses are not one-time mistakes. Instead, they build and grow larger over time when ethical leadership is lacking. However, an environment with strong ethical leadership sets a foundation for trust, empowering employees, and leaders to do “the right thing” with support. Developing ethical leadership in ourselves and our organizations requires behaving with fairness, respect, responsibility, and the humility to ask for feedback and support. We may not be able to root out unethical leaders the way Billy Madison did, but as business and the world change rapidly, our stakeholders deserve the protection and benefits of ethical leadership; fortunately, we have a good start on how we can develop it.

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