Fostering Ethical Leadership in Organizations

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Abstract
High profile ethical scandals engulfing every sphere of life and profession have gained importance currently. For example, major business failures such as WorldCom, Enron, Tyco International, HealthSouth, Parmalat, and Lehman Brothers are among business organizations where leaders failed ethically for a number of reasons. It has been noted that ethical leadership failures have affected the culture, reputation and productivity of organizations. With the ever-increasing number of extensively discussed ethical scandals, the question has come up how these ethical failures could have been prevented. Moreover, previous research work shows that ethical leadership remains largely unexplored and there is still paucity of knowledge regarding antecedents of ethical leadership. Thus, this study addresses the question: What facilitates and increases ethical leadership? This paper is an attempt to look for strategies that could foster ethical behaviour as well as prevent unethical practices in organizations. Pedagogical and didactic implications for leadership educators have been delineated. Equally, future research directions are suggested. Future at embracing authentic ethical leadership in various domains of society embracing educational institutions, businesses, civil organizations, governments and homes can only be secured by reinstating holistic education and character formation of students in all places of learning.

Keywords: ethical leadership, ethical failures, holistic education, character formation

1. Introduction
The present economic circumstances and ethically questionable business practices have motivated a study of ethical leadership. Given the recurring high profile ethical scandals, the extent and depth of their effect, and their span across almost every sphere of life and profession, the significance of an ethical aspect of leadership appears evident (Yukl, Mahsud, Hassan & Prussia, 2013; Klann, 2007; Brown & Treviño, 2006; Sims & Brinkmann, 2003). Multiple ethical failures affect reputation, culture and production of an organization (Klann, 2007). Green & Odom (2003) observe that the lack of ethical leadership in Enron brought unimaginable suffering and pain to many employees, destroyed consumer trust and confidence in the financial services industry as well as encouraged greater government regulation (Thompson, Thach, & Morelli, 2010). To facilitate understanding of ethical leadership and its links with history it is crucial to discern the essence of ethical leadership.

2. The Critical Role of Ethics to Leadership
Ethics is a critical topic that is increasingly growing in importance among people in leadership positions particularly after the ethical corporate scandals of the 1970s, 1980s and 1990s. Corruption has gained currency in human activities in all fields of life, and attention of the world is focused on actions and conduct of leaders in government, business, society and equally in religious associations (Marsh, 2013). Ethics in business and leadership has become the focus of interest (McCann & Holt, 2013; Brenkert, 2010). Consequently, both academic researchers and practitioners are becoming conscious that rules and regulations are needed and that leadership may be the key determinant in ethical engagement.

It is usually leaders who lay down standards for managerial goals and organizational behaviour at most workplaces and subsequently establish systems that impact employee outcomes (Yukl, 2013). Moreover, leaders at the higher level of the organization communicate initial values and guide employees in ways of attaining rewards for adhering to them. Employees also depend on their leaders for direction when they meet ethical questions. Scientific research tends to corroborate the conviction that employees will obey and stick to ethical values espoused by their leaders (Treviño & Brown, 2004). Personal values of leaders determine what kind of ethical climate to cultivate in their organizations. The complete integration of ethical principles into the curriculum of higher educational institutions and corporate organizations is therefore critical and indispensable for long-term survival of organizations and society as a whole.

3. Conceptualization of Ethical Leadership
3.1 Definitions of Ethical Leadership
Ethical leadership as defined by various scholars has basically contained traits, behaviours and values. Brown and colleagues (2005, p.120) define ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and inter-personal relationships and the promotion of such conduct to followers through two-way communication, reinforcement and decision-making”.

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Treviño & Brown (2004) suggest that ethical leadership encourages ethical behaviour by consistently practicing and managing ethics as well as holding every person accountable. Kanungo (2001) observes that ethical leaders usually engage in behaviours and activities that benefit people and avoid doing things that can cause harm to other people. Khuntia & Suar (2004) proposed that ethical leaders integrate moral standards in their values, behaviours and belief system. Brown, Treviño, & Harrison, (2005) on the other hand recommended that the combination of ethical principles, personal integrity and treatment of followers as the foundation stone of ethical leadership.

Some scholars believe that certain principles lead to the development of ethical leadership. These principles are honesty towards people, building community together with others, providing service to others, ensuring fairness and justice must be central aspect of the decision making process and treating others with dignity and respect (Northouse, 2013; DuBrin, 2010).

Theorist and philosophers have given the meaning of ethical leadership from a normative point of view and stipulate how ethical and principled leaders ought to conduct themselves (April, Locke, & Mlambo, 2010; Ciulla, 2004; Treviño et al., 2004). Ethical leaders are perceived to be sincere, trustworthy and open (Treviño, Brown & Hartman, 2003). In addition, ethical leaders are fair and moral decision-makers and care for their employees and others in the society with compassion, kindness and respect (Caulfield, 2013). Ethical leadership has often included being just when distributing benefits and rewards, frequently emphasizing the importance of values, making sacrifices for the benefit of others and communicating with others in an honest and open manner (Yukl et al., 2013). It’s construed that the ethical leadership domain is broad and a diversity of values such as compassion, fairness, altruism, honesty and justice are relevant.

3.2 Integrity and Ethical Leadership
Ethical leadership discussions usually entail notions of personal integrity. Personal integrity is a characteristic or quality that helps to elucidate the effectiveness of leadership. McCann and colleague (2013) maintained that personal integrity is necessary to bring about a leader and organizational success. Bennis & Thomas (2002) conducted interviews with 40 leaders and discovered that a critical trait of effective leadership was integrity. A cross-cultural field research was carried out to determine the required personality traits for effective leadership, and integrity was found to be near the top of the inventory in all the sampled cultures studied (Yukl, 2013). Several academic researchers regard integrity as an essential component of ethical leadership a suitable definition remains a topic of debate (Yukl, 2013; Trevino, Weaver, & Reynolds, 2006; Simons, 2002; Barry & Stephens, 1999; Locke & Becker, 1998). Fundamental definition place stress on honesty as well as coherence between an individual’s held values and behaviour. However, the manner in which an individual acts and what the leader values is not included in this definition. Commentators maintain that this definition is inadequate, because values relate to morality whereas behaviour more akin to ethics (Yukl, 2013). According to these commentators, integrity connotes that behaviour is coherent with a series of justifiable moral standards.

4. Consequences of Ethical and Unethical Leadership
A plethora of theories of ethical leadership have stressed on the importance and enormity of leader influence on subordinates and the ethical environment that prevails within the organization (Yukl, 2013). Also, various measures have been applied to evaluate the consequences of ethical leadership on employees, and these consist of certain criteria infrequently used in previous leadership styles: subordinate values and ethical behaviour, employee self-awareness and subordinate feelings of spiritual gratification (Yukl, 2013). Theories failed to agree with regards to the specific method or technique used to evaluate the outcomes of ethical leadership. Examples of empirical studies on the consequences of ethical leadership are identified and discussed by various studies (Yukl, 2013; Reave, 2005), and evidence is documented regarding the useful effects for followers.

Ethical leadership research has emerged as a key theme in an endeavour to comprehend the effects of leadership in business organizations. In a research involving 845 employees across several organizations, the interface between ethical leadership and positive employee results were investigated (Avey, Wernsing & Palanski, 2012). The research findings indicate that ethical leadership has a significant relationship with both emotional health and work satisfaction among employees. However, variables involved are not the same. Also, employee voice mediated the association between ethical leadership and emotional health and feelings of emotional ownership mediated the association between ethical leadership and work satisfaction (Frisch & Huppenbauer, 2014; Avey et al., 2012). Employees obtain a sense of security and happiness at the workplace from responsibilities that give autonomy, group support, and decent policies. Other studies have revealed a positive association between transformational leadership styles and employee emotional health, stress and anxiety and psychological well-being (Avey et al., 2012; Arnold, Turner, Barling, Kelloway, & McKee, 2007).

Yukl (2013) also reports that leaders influenced subordinates development at the work environment as they offer support and individualized consideration, encourage innovative ways of thinking regarding the job as well as motivate followers to live up to their best. This positive impact nourishes followers’ expressiveness of
behaviours are generally considered as forms of unethical leadership and studies reveal negative outcomes from these behaviours and performance of followers (Zellers, Tepper, & Duffy, 2002). Furthermore, it leads to more displaced aggression and revenge towards employees as well as the organization (Mitchell & Ambrose, 2007). A research on abusive behaviour using a sample of restaurant managers showed higher and unnecessary food loss from the waste and theft of employees (Detert, Trevino, Burris, & Andiappan, 2007). Employees found a way to revenge or retaliate for the abusive treatment meted out on them at the workplace by some of their supervisors.

In many ethical leadership theories, the major focus when evaluating outcomes is on the effects for individual’s staff members rather than the influence on corporate performance. Occasionally, these consequences are uniform and steady (Yukl, 2013). In prominent cases where higher employee commitment and trust leads to increased and sustained financial performance for the company. Nonetheless, ethical practices alone do not, at all times, increase measures of existing financial performance, particularly when they bring in higher costs. Some examples include execution of prior commitments regardless of unforeseen expenses, accepting responsibility for errors committed and unsafe products (leading to refunds and recalls), as well as offering satisfactory health care benefits to workers.

Similarly, the undesirable effects of unethical behaviour may not be manifested correctly in measures concerning leader performance or short-range corporate performance. For instance, lower level managers who increase productivity and minimize costs may obtain superior performance assessments, even when these supervisors mishandled employees so as to achieve these goals (Yukl, 2013). Managers can use unethical practices to drive up measures of short-range performance, especially when it is intricate to monitor their accuracy. Yukl (2013) identified several concrete examples from current corporate scandals such as preparing accuracy. Yukl (2013) identified several concrete examples from current corporate scandals such as preparing accounting reports to mislead investors, misrepresenting sales figures, and issuing bills to the government, forging clients or other consumers for services which were never offered; issuing loans to customers and other interested persons knowing well that they will never be able to pay back these loans and including forecasting future sales revenue as part of real current income. By these practices, the manager is simply and deceptively blowing up the value of the company’s stock. Another questionable practice is to overstate short-term measures of real performance by decreasing or slashing off actual costs for business activities that have no negative consequences until at a future period they then surface (Yukl, 2013). Another example is cutting down or understating required maintenance of equipment regardless of the greater risk of costly failures, breakdowns or industrial accidents in the future.

5. Facilitating Ethical Leadership
There are many different approaches that can be employed to increase and promote ethical behaviour among leaders and followers in an organization. One method is for individual managers or corporate leaders as well as subordinates to promote ethical practices and eschew unethical actions or activities (Nielsen, 1989). Another approach according to Yukl (2013) is to employ company or institutional programs to assist people to cultivate positive values, improve awareness of ethical matters, support ethical behaviour, and deter unethical practices. Let us review the two approaches.

5.1 Influence of Leaders on Ethical Behavior
Leader actions to foster ethical behaviour and prevent unethical behaviour are listed below. The two methods can be implemented concurrently since they are not mutually exclusive. Leaders can engage in many activities to encourage and support ethical practices within their organizations. The personal actions of a leader give an example of ethical behaviour to be emulated by individuals who appreciate and identify themselves with the leader (Yukl, 2013; Klann, 2007). Giving appropriate counsel and guidance concerning acceptable behaviour on the task and prevention of ethical setbacks is valuable. To lessen out of the ordinary and unethical behaviour, it is necessary for the leader to model correct behaviour and promoting it (Dineen, Lewicki, & Tomlinson, 2006; Bandura, 1986). Leaders at all levels of the organizational hierarchy and in various fields can establish transparent principles and strategies for coping with ethical problems. Leaders can help design an ethical code of conduct, offer opportunities for employees and subordinates to obtain advice or information about managing
ethical problems. Also, leadership can design an ethics hotline and initiate discussions with reference to ethical matters to make them more prominent. Corporate leaders can strengthen and highlight ethical behaviour by incorporating it in the standards applied to assess and compensate employees’ performance. Furthermore, the leader can assist in conflict mediation in a manner that is consistent and aligns with procedural justice and ethical values.

5.1.1 Fostering an Ethical Environment
Yukl (2013) proposes the following ways to promote an ethical climate.

- Give an example of ethical behavior in all your actions and activities.
- Promote the creation and transmission of a code of ethical conduct.
- Open candid discussions with subordinates regarding ethics and personal integrity.
- Acknowledge and reward employees’ ethical behavior.
- Take personal risks to promote and encourage moral solutions to problems.
- Assist others to seek just and ethical solutions to conflicts.
- Introduce support services, such as an ethics hotline or on-line advisory group.

5.1.2 Preventing Unethical Practices
Below are some ways one can prevent unethical practices within the organization (Yukl, 2013).

- Refuse to share in the gains obtained through unethical activities.
- Reject assignments that entail unethical activities.
- Strive to oppose or persuade against unethical activities and conduct by others.
- Publicly protest against unethical or unjust policies in the organization.
- Disagree with unethical decisions and try to get them reversed.
- Notify the appropriate authorities concerning unsafe products or destructive practices.
- Offer help to other people who oppose unethical practices or decisions.

The leader can assist others to seek an integrative solution and promote trust, equity and fairness as well as mutual respect among the splinter groups. Resistance against unethical practices can also happen in several different ways and this must be seen as a responsibility of each and every person in the organization, not just ceremonial leaders (Hinrichs, 2007; Nielsen, 1989). Concrete ways of resisting unethical practices include refusing to obey or observe unethical assignments or regulations, threatening to report to top management, making real and authentic complaints to top-level management, threatening to expose unethical practices and activities to the public and really disclosing unethical practices to the general public or any regulatory enforcing agencies (Hinrichs, 2007). However, it is important to be aware that opposition to unethical actions is generally a hard and risky choice.

Speaking out against unfairness and challenging unethical behaviour could put one’s life in jeopardy and powerful individuals within the organization may retaliate. According to Yukl (2013), several “whistleblowers” have acknowledged that their utterances and actions cause them to lose their employment or derail their profession. Resistance against unethical decisions and practices may obligate the use of questionable tactics such as deception, manipulation and coercion. An inadvertent consequence of applying such tactics for laudable courses of action may be to intensify the legality of applying similar forms of manoeuvres for unethical purposes. Consequently, coming to a decision as to whether the means justify the ends may turn out to be a complicated dilemma for leaders who strongly desire to stop or prevent unethical practices.

5.2 Promoting Ethical Behaviour through Organizational Programs
A leader can influence the behaviour of subordinates indirectly by establishing programs and systems. Some large organizations put in place ethical programs and these usually entail an effort to increasing and consolidating important internal values as well as features to force employee compliance with ethical rules and guiding principles (Weaver et al., 1999). Practical examples of classic components of ethics programs consist of a prescribed code of ethics, procedures to oversee and monitor ethical behaviour and disciplinary processes to manage unethical actions. Another example is to set up an ethical committee which will be in-charge of designing strategies and procedures of reporting ethical problems to upper-level management.

All executive leaders must take responsibility for ethics seriously and not simply delegate this to professional staff (Weaver et al., 1999). Specific ways top management can promote and foster an ethical climate within an organization include: engaging in conversations concerning the significance of positive values, being role models of ethical behaviour, taking decisions that demonstrate integrity as prized and treasured and enforcing discipline where there are ethical infringements.

Environment pressures also have great influence on the use of ethical programs within an organization.
business scandals in related types of corporate organizations. It is always better to keep away from financial failure and public scandals by creating a robust ethical environment and being proactive. A practical example of the kind of strategy that can be utilized to prevent ethical problems is given by Costco code of ethics. At Costco it is unethical to accept gifts from vendors. On yearly basis, Costco also sends out a letter to the president or chairperson of every vendor clearly indicating that gratuities are not accepted (Yukl, 2012). Through this action the company puts a check on corrupt practices.

5.3 Cultural Values, Regulations and Professional Standards
Environmental factors that influence ethical leadership consist of social norms, cultural values, professional standards, and legal requirements in countries where a company is situated (Svensson & Wood, 2007). It is somewhat easy for executives to disagree with unethical practices, particularly when there is solid and open support for such disagreement and when principles for undesirable behaviour are transparent rather than vague (Reynolds, 2006). Upper-level managers, religious leaders, political leaders as well as the mass media, opinion leaders within university settings and professional groups, such as the Academy of Management, all can assist to create transparent ethical standards and a robust concern for corporate social responsibility in profit-making companies, governmental agencies and non-profit organizations.

6. Practical Implications for Leadership Educators
Leadership educators can obtain substantial understanding about how to treat ethics as a unique subject in the classroom based on the moral deficiencies of leaders and followers. The pedagogical and didactic implications could include:

6.1 Striving for Ethical Integration
The teaching of ethics is more often than not separated from the rest of the curriculum. Discussions and treatment of ethics usually is disconnected, limited to just a single unit or to a particular course within the whole leadership core curriculum (Johnson, 2003). Additionally, the placement of ethical contents also reduces its value. Ethics components and text modules at times seem to be an afterthought, only briefly introduced towards the end of a course or textbook, and for that matter likely not to be treated, if the professor lags behind the course outline during the semester (Johnson, 2003). To be purposefully, focused and effective, ethical considerations must be part and parcel of every course, set of readings and class work.

6.2 Ensuring a Holistic Education and Character Development of Students
Educational professionals have always emphasized the importance and need for educating the whole student as a fundamental goal of their profession. Presently, a focused method of character education based on the training of mind and heart towards constructive and positive behaviours is reappearing as an effective approach to develop and cultivate superior ethical standards in students (Bennett, 1993; Klann, 2007). Helping a student to know, understand, crave, and act rightly is the core of educating for character. An essential aspect of addressing the whole student is through character education, which according to Dalton (1985) is the development of ethical reasoning, understanding and behaviour in the learner. Moreover, Berreth & Scherer (1993) believe that the goal of character education is to increase the capacity of the learner to defer impulses so as to take the right decision. Schweingruber (1985) proposed seven strategies, by which professional educators can foster, facilitate and support character education:
   a) Create a climate of trust and mutual respect within the learning environment.
   b) Teachers or educators should be open and willing to share their personal values with students.
   c) Educators should not be legalistic in their approach; however they must still operate within the boundaries of the law, since moral development is hindered by an excessively legalistic environment.
   d) Students should never be protected from the consequences of criminal behaviour.
   e) Give students the freedom to solve the problems and challenges they face; the art of selective negligence should be employed.
   f) Maintain disciplinary processes and punishment as important contributors to moral development.
   g) Take advantage to relate and interact with students on the basis of one-on-one time.

If educators are ready and willing to take risks, take positions on ethical issues, challenge students, share personal values, then they are promoting the moral as well as ethical development of their students (Schweingruber, 1985). Teachers and professional educators, have a responsibility and mandate to offer sound character education if they are to remain authentic and devoted to their professional mission. A holistic development and education of a person inherently entails educating each and every student for character, promoting within the student the abilities to evaluate and then act on what is good and appropriate. Sandeen
7. Implications for Future Research

Further research could concentrate on the role of professional organizations/associations in leadership ethics. This could be particularly essential for setting of professional standards and teaching leadership. Additionally, this paper would like to support the development of recruiting and assessment tools as well as training programs for ethical leadership.

Finally, the paper proposes that ethical leadership initiates awareness of the macro ethical climate. However, unquestionably other factors assist in the promotion of an overall ethical climate including ethics-associated managerial practices and through support and reinforcement demonstrated by peers. Future research studies need to focus on factors other than leadership that facilitate an overall ethical environment to develop.

8. Conclusion

An ethical workplace culture is one that makes it much easier for people to focus on the right action and a lot harder to focus on the wrong action (Josephson, 2010). An organization that desires to create an ethical culture must, first and foremost, discern what this would mean in their workplace. The next step will be to create an environment supported by informal as well as formal motivation processes within the organization, which encourage the values such as respect, fairness, responsibility, caring, citizenship and trustworthiness (Josephson, 2010). These values can be strengthened when top-leaders teach, enforce, advocate and model the six pillars of character. In the 21st century, people all over are advancing towards a shared future of global interdependence. Therefore, if the future is to be livened up with optimism and a sense of meaning, it is critical that leaders in all places be the models of ethical fitness. Organizations which possess sound ethical cultures are dedicated to robust ethical practices on a continuing basis. They give education and training to guarantee that ethical practices are properly understood and adhered to. Organizations that pay heed to ethics also make huge efforts to revise their policy guidelines and practices regularly. Some have created special standing committees to concentrate on ethical and related matters. Employees at all levels of the organization should be encouraged to constantly put into practice ethical policies at the workplace and also in their actions.

Furthermore, the relevance of a purposeful and determined character education is increasingly becoming more urgent. Regrettably, intensified attempts presuppose that many students are not getting adequate character development just before they get to the college or university level. If educators at the higher education level such as the colleges and universities can effectively impart and communicate moral as well as ethical wisdom to the present generation of young adults, they successively can educate the new generation yet to come as parents, the initial most important source of moral education. To be able to meet these requirements, the current educational policies and practices need modifications. Educators, as well as professors need not have to reinvent the wheel. They only need to fine tune them. Professional educators should adapt existing programs into opportunities that will enable them to educate for character by modifying their objectives. After all, education is all about character education (Berreth et al., 1993), with the right attitude and focus in. A future that embraces robust, ethical leaders in educational institutions, businesses, civil organizations, governments and homes will be secured only by bringing back on board personal character development and character training as the first priority. Leaders should take up this challenge and actively seek to transform their behaviours if nations and companies are to shift from an attitude of compromise and corruption to a position of character and conviction.

Finally, this current study is an addition to the emerging and increasing research discipline of ethical leadership by distinguishing explicit behaviours of ethical leaders towards employees and different constituents and by increasing our understanding of what facilitates ethical leadership as well as the diversity of consequences that are to be required from the concept.

References


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Remy Nyukorong is a Doctoral Candidate in Business Administration at the School of Business at the Swiss Management Center (SMC University) in Switzerland - Transknowlogy Campus. He expects to graduate in October, 2015. He holds an MBA in Accounting and Finance from the Maastricht School of Management (MsM), in The Netherlands (2007) and a Bsc.Ed majoring in Mathematics from St. Mary's University of Minnesota (Nairobi Campus), in 2003. He was a lecturer at the Wa Polytechnic Business School in Ghana from 2008 until 2013. Subjects he taught included Business Finance, Quantitative Methods and Organizational Behaviour. His research interests lie in management and leadership in organizations, entrepreneurship, cross-cultural diversity and human capital theories. Currently, he is the General Treasurer of Stichting Kongregatie F.I.C. in the Netherlands.
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