

## Ethical Leaders: Do we need them and how do we find and keep them?

In addition to economic goals, organizations today are also challenged to promote and ensure ethical and responsible practices. Thus, when illegal or unethical practices occur in an organization, the organization's leaders, especially those at the top of the organizational hierarchy, play an important role in redirecting the organization to a more honorable path. In fact, people across cultures agree that those at the top of the organization are responsible for preventing misconduct and ensuring good practices. It is therefore all the more astonishing that recent research has found that people in high-rank positions are less likely to take action against such practices (Kennedy & Anderson, 2017). This has contributed to an increased call for more ethical leaders. Of course, this also raises important questions.



### What constitutes ethical leadership?

In the last decades, understanding the constituents of ethical leadership has captured the interest of researchers and practitioners alike. Seminal work has been done by Brown and colleagues (Brown, Treviño, & Harrison, 2005; Treviño, Hartman & Brown, 2000) according to which a reputation for ethical leadership rests upon two pillars. The first pillar is based upon being a moral person. Being a moral person depends on one's own values, traits and motivations. Ethical leaders are those who communicate and behave in line with ethical values (such as honesty, fairness, caring, respect). They are those who practice what they preach; that is the fundament of personal integrity. But practicing an ethical person does not suffice. An ethical leader is also a moral manager, i.e., the leader should be also proactive in finding ways to infuse the organization with ethical principles. The ethical leader is influencing others by serving as a role model and reinforcing ethical conduct of others by holding everybody accountable to the values and standards. Taken together, ethical leadership is the art of being a moral person and of leading people based on a defined set of values.

### Is ethical leadership beneficial for the organization?

No doubt, an essential question is whether ethical leadership pays off. In fact, there has been a surge of empirical research seeking to examine how far-reaching and deep the impact of ethical leadership can be, first of all with regard to follower's attitudes and behaviors. Noteworthy is the meta-analysis conducted by Ng and Feldman (2015), comparing numerous empirical studies with an overall sample of about 30,000 participants over the world. The analyses revealed that ethical leadership contributes positively to beneficial job attitudes and behaviors; e.g. employees display more job satisfaction, organizational commitment, greater job performance, organizational citizenship and constructive

voice behavior. Furthermore, when leaders behave ethically, employees are less likely to turnover or to engage counterproductive work behaviors. Employees are also less likely to suffer from job stress.

The findings also suggest that the positive impact of ethical leadership on followers goes beyond merely strengthening employee's sensitivity to ethical values; employees are more likely to trust ethical leaders. This perceived trustworthiness is the core reason why followers of ethical leaders demonstrate more positive attitudes and behaviors in the workplace. All these can also lead to direct positive impact on the financial result of the company via higher productivity of the employees, better reputation, and less non-compliance cases. Thus, we can conclude: Ethical leadership does pay off.

## **How to become an ethical leader?**

It seems clear that leader's capacity of being an ethical role model is grounded in a leader's ability to act upon ethical value (Tanner, Brügger, van Schie & Lebherz, 2010). Only by engaging habitually in ethical behavior, leaders can come to be seen as ethically credible and integer models by the staff members. Obviously, this is sometimes rather difficult. It is often not simple to know and decide what is the right thing to do, and acting upon ethical values can sometimes be associated with unpleasant consequences, rendering ethical behavior less likely. It would therefore be unrealistic to expect perfection from leaders. But ethical leadership is a competency, and competencies can be acquired and learned. For instance, in their work, Carmen Tanner and her team are working on the development of digital tools (e.g. serious game) with the aim to provide people opportunities for repeated practice and feedback to promote personal integrity (Tanner, Schmocker, Katsarov, & Christen 2022). In short: Ethical leadership is something one can strive for and learn through repeated practice across situations and situational challenges.

Some organizations also attempt to promote engaging habitually in ethical behavior by creating and implementing decision heuristics (simple but smart questions) that ought to help taking the right decision in dilemma situations (examples for such heuristics can be found in the code of conducts of VW Group, General Motors, TESLA, Deutsche Post DHL Group and SAP and under [www.pllob.com](http://www.pllob.com)). Such heuristics applied by leaders are also intended to be a powerful token and commitment of being an ethical leader.

## **How can we identify ethical leaders and ensure ethical leadership?**

Identifying and keeping ethical leaders proves to be a rather difficult task in practice. It may be helpful to differentiate situations where an organization is faced with this challenge. One typical situation might be a job interview. To make this professional, the organization will have to rely on a good set of tools and on the professional experience of the people taking the interview. There will be limits on the nature of the questions being asked and tests taken depending on the jurisdiction. It can also be helpful sending a clear message to the applicant that ethical leadership is taken very seriously in the organization. Another typical situation may be a promotion of a person who is considered having management capabilities. To this end, the organization will have to apply similar tools as during a job interview. It can also build on past experiences with the person within the work environment. Of central importance here may be the ethical superior's view of the candidate.

A third situation on the basis on which one could identify and ensure ethical leadership has a more retrospective focus. Some organizations have implemented claw back clauses into their employment agreements. These clauses enable these organizations to claim back money for a defined period in case leadership has proven to be unethical in the past within the organization. In a similar vein, ethical behavior can be made part of yearly target agreements, resulting in reduction of payments in case of unethical behavior. Having these contractual mechanisms installed may help fostering an overall corporate culture of ethical leadership. In doing so, the organization may also keep and attract persons sharing this expectation. Ideally only ethical candidates will apply to become part of such an organization.

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