

RESEARCH ARTICLE

Ethical Leadership: Need for Business Ethics Education

Shetty Pushpa

Diksha Consultancy Pvt. Ltd., Regd Office: Singapore.

*Corresponding Author: E-mail: pushpa@dikshabl.com

Abstract

"Leadership is lifting a person's vision to higher sights, the raising of a person's performance to a higher standard, the building of a personality beyond its normal limitations" – Peter F Drucker. Leadership is a special talent based on timeless wisdom that not all people possess. Leadership is based on one's vision, principle and integrity. To be effective, a leader must be ethical. Ethical leadership involves one's core values, to live a life of integrity and in service of the common good. It is ultimately about ethically motivating others in ethical directions. Management and businesses are constantly facing important ethical challenges. Ethical decision-making and leadership are the basis of ethical organizations. There is sheer dearth of ethical leadership which is evident by the recent financial crisis that triggered the worst global recession. The current unrelenting scandals by the politicians and the business community are having serious negative repercussions on business, society and the environment which needs to be addressed immediately. This article introduces the concept and reasoning behind ethical leadership and the role it plays in today's business and society. The article discussing the role of education in nurturing ethical culture in future professional business leaders in depth is addressed to educationists, students and professionals in view of the urgency in the current context.

Keywords: Business ethics, Leadership, Management education, Professional challenges.

Introduction

The world Economic Forum 2010 [1] reports that inadequate supply of infrastructure, rampant corruption, inefficient government bureaucracy; restrictive labor regulations and access to financing are the top five most problematic factors deterring for collaborating or doing business in India. Of these five, corruption being rampant is crucial. With such background, Indian companies face enormous pressure to cope with the challenging global economy. To compete in the global market, Indian companies need to gear up with sound ethical governance and ethical leadership at the helm of an organization. Mahatma Gandhi epitomizes ethical leadership embodying principles of sincerity, integrity, voice, vision and moral values. He gave the world an alternative to violent conflict resolution-philosophy of nonviolence, which is based on high moral practice. He was inspired by Lord Rama depicted as the epitome of ethical leadership in Hindu mythology. Gandhi often

talked of creating a 'Ramarajya' in India after Independence, an administration based on such high ethics and morals. On the contrary, what an *irony* today - in the current context of successive scams by the so called political and the business leaders!! Much has been written about leadership. Regrettably, lack of discussion and less thought to the concept 'ethical leadership' has created the current business greed, impropriety, accounting frauds and scandals. There is a clarion call for 'ethical leadership' on account of recent scandals and accounting frauds resulting in ethical crisis in business and society. This has triggered focus on teaching and research into leadership, ethical values and social responsibility. Ethics is a very broad area. There are no universally agreed rules of ethics, no absolute standards or controls, and no fixed and firm reference points. Despite these, with turbulence in every sphere, ethics has now become an important

dimension of thought in modern business and society.

Relationship between Leadership: Ethics - Organization & Society

Ethics' is derived from the Greek word 'ethikos', referring to one's moral character and the way in which society expects people to behave in accordance with accepted norms and principles. Business ethics is the code of good conduct that a business is expected to adhere in its business practices. Leadership is the most important element of an organization's ethical culture. Ethical culture starts at the senior management and must embody the organization's values and articulate those values that are compelling on all stakeholders. The management should live their lives with great personal integrity. They illuminate, communicate, embody high moral standards. Ethical business leaders 'talk the talk' and 'walk the talk' [2]. Our society requires socially responsible and ethical organizations that can build a better social fabric. Organizations are built by people, the 'leaders'. The state of our leaders has a direct impact on the state of our society. The leaders face intellectual, emotional, spiritual and ethical challenges. Organizational and societal wellbeing is based on the leaders who are emotionally connected, intellectually confident, socially responsible and ethically directed. The most effective leaders are those who empower their employees to follow the model of integrity. Velasquez [3] states when employees believe an organization is just, they are more willing to follow the organization's managers, do what managers say, and see managers' leadership as legitimate. In short ethics is a key component of effective management. So, with this, who decides what ethics really is? Society mainly directs the moral standards which make up the discipline of ethics. It's we, the people, who decide what is ethical and what is not. Despite this, with dearth for leadership of integrity, where does leadership and ethics meet?

What is Ethical Leadership?

It is generally believed that ethical leadership is simply a matter of leaders having good

character, without denying the importance of a person with a 'strong character' and 'right values'. In reality ethical leadership is far more complex. Ethical leadership is based on the model of four 'V's: Values, Vision, Voice and Virtue. Leadership is effective, when these four 'V's are embedded in the personality of the leader. Leadership is a relationship between leaders and followers. The foundation of this relationship is trust. The leaders must themselves be ethical in their decisions and actions in order to influence others to behave accordingly. Ethical leadership is to know one's core values and having the courage to live them through one's life. Gardner [4] says that great ethical leaders embody the message they advocate, they teach, not just through words but through actions. Leaders distinguish themselves by doing that which is inconvenient, unpopular and even temporarily unprofitable in the service of long term health and value to business organization.

Distinct Features & Characteristics of Ethical Leaders

- Ethical leaders articulate and exemplify the vision and values of the organization. It is important for leaders to keep re-iterating by articulating the ideologies and also personify and live those ideals as Dhirubai Ambani, JRD Tata. Apart from leading by example, it must become a company slogan, downward. Communication should be open, truthful and qualitative to ensure sustainability of the organization. Ironically currently, many of the leaders including the politicians and the business leaders are involved in numerous scandals and unethical behavior.
- In order to realize the goals and dreams of the organization, ethical leaders go beyond personal ego and individual goals, recognizing that value is in the success of organizational goal for the benefit of its stakeholders. Leaders champion the process of quality throughout the organization, endorsing quality initiative at all levels to reap its benefits for the

sustenance of the organization through quality product, quality customer care and quality delivery to ensure success in the global market.

- In view of long term sustainability of the organization, ethical leaders let potential leaders surface within the company or identify persons of integrity and personally mentor them for the roles of successors with the requisite leadership skills through 360 degree communication.
- Empathizing with the subordinate employees, promoting team spirit by appreciating the importance of every employee as part of the team is crucial. Nelson Mandela being nestled up for twenty-seven years in South African prisons was still able to see the good in his jailors and felt that it was his responsibility to see goodness in all people.
- Ethical leaders welcome challenges and are imaginative: Ethical leaders consistently face challenges and engage in doing the right thing for the businesses, making difficult decisions from re-orienting the company's strategy to basic value propositions and personnel decisions.
- Ethical leaders exemplify their lives making the world a better place. Ethical leadership is about 'raising the bar', helping people to realize their hopes and dreams, creating value for stakeholders by collaborating and providing their organizations succession plans that ensure sustainable growth of the organization over time.

Challenges to Becoming an Ethical Leader

Ethical leadership requires a commitment to examine one's own behavior and values, and the willingness and strength to accept responsibility for the effects of one's own actions on others. What ethical leaders have in common is a deep sense of ethical principles, values and character at the core of their leadership. It is their ethical cores which pervades their relationships with their

followers and ensure making their followers better, enabling them to pursue their dreams and aspirations despite complications. In today's business world, 'responsibility principle' is a necessary ingredient for 'managing for stakeholders' and not just 'shareholders'. Ethical leaders must take accountability and be responsible for the effects of their actions to all stakeholders - customers, suppliers, employees and community. To become an ethical leader, one needs to introspect on these following crucial questions:

- What are my most important values and principles in life?
- Do my actions and words reflect these values?
- Am I using the right process and mechanisms in accomplishing the goals of my organization, follower and self?
- What do I want to accomplish as a leader?
- Can I talk with conviction about myself and my actions at the end of the day?
- What do I want people to talk about my leadership when I am gone?

Mahatma Gandhi once described that Business without ethics is one of the seven things that have the power to destroy human beings. To be an ethical leader in business or for that matter in any field is not easy. Challenges are bound to arise which should be addressed appropriately. Making the right decisions which are ethical may adverse profits. But still it is worth compromising in view of the business advantages which go a long way. With pressures from the stakeholders, there is an outcry for corporate governance. It's a challenge for leaders to be ethically and socially responsible for a sustainable business.

Evaluation of Ethical Leadership

Though many leaders practice good principles, yet it is time to introspect deeply what it means to lead with ethics. The world is full of strong leaders; however leadership is a neutral term. Stalin, Hitler, Mussolini or Saddam was regarded as good political leaders at some point in time by a certain group of population.

History has proven, however, that each was guilty of an immoral use of the tremendous power leadership afforded them. What will history tell about our current business leaders? Are they leading their companies in an ethical way? Perhaps the best evaluator of achievement in this regard is the sustainable success of an organization over a period of time. It is ethically imperative for every establishment to absorb the cost of doing business, produce qualitative products for its customers, provide sustenance for its members and re-invest its profits to make the company stronger in lean periods. General Electric following and sustaining such principles for the last 120 years is still a globally admired company known for its quality of management. Similar is the case of sustainable success with the Tata's in India. Many companies have leadership development programs. However, companies engaging in leadership development programs need to focus on 'ethical leadership', social audit and ethical audit. Beyond complicated models, engage participants in shared conversation about their viewpoints and conceptions of how 'ethical leadership' can be implemented to their organizational culture. Such an enterprising approach on stakeholders' values and principles are sure to yield effective business results helping to develop pride and loyalty in the organization. Leadership code of ethics guides leaders not only in their roles as leaders but also for ethical decision making. It also lays principles for fair and equitable treatment of all employees in the organization. It emphasizes fair business practices with all the stakeholders, confidentiality, legal compliance and enforcement of company standards and code of conduct. It guides leaders in maintaining ethical, social and environmental responsibilities in business practice

Need for Ethics Education

Recent corporate accounting scandals have brought ethics back into the limelight. The recent global meltdown and recurring political and business scandals have elicited a newfound emphasis on ethical behavior within organizations. Therefore, business ethics is

becoming more important in education. While ethics education is considered to be the responsibility of many entities, organizations typically look to educators for the ethical development of potential employees, debating about the effectiveness of ethics courses. This has necessitated academics to take a closer look at the current ethics education program for effective internalization of the concepts. Ethics education, as defined by Langenderfer & Rockness, [5] is more than studying the code of professional conduct, but rather a process whereby individuals become more consciously involved in making ethical decisions. Lehman [6] states that one of the main goals of ethics education is to encourage students to recognize social responsibilities within their professions. Accounting and ethics are intertwined, the challenge being to integrate ethics into the accounting and general curriculum. American Assembly of Collegiate Schools of Business (AACSB) [7] recommended that students receive ethics education at the general education level, the business administration level and in every accounting course. Members of both Professional and business schools have debated on the relative merits of teaching ethics through stand-alone foundation programs or teach ethics by integrating in every course, across the curriculum. Despite widespread agreement that ethics should be an integral part of education, implementing has not been successful. A 2003 survey by the American Accounting Association found that only 46% of schools offered a separate course in ethics. The majority of those courses did not provide adequate coverage of ethics, values and appropriate professional conduct as reported in the CPA journal. [8] There are arguments stating that it is too late to teach ethics at graduate levels. Study by Kohlberg [9] reveal that children go through six stages of moral development between the age of ten and sixteen. Therefore moral values are shaped in children before they enter their graduate studies. But Kohlberg also believed that explicit discussions on moral dilemmas in classroom will enhance individual moral development. But as education is a broader experience, education need to be supplemented

by a learning environment. The goals of ethics education are to create an awareness of ethical dilemmas and providing methods of resolution. With mutual respect, shared responsibility, teachers and students can involve in co-operative governance of the institution, whereby students may be motivated to personally take the responsibility of their learning and drafting their own code of conduct. Students at Niagara University developed an academic code for their classroom, demonstrating that ethical behavior is an integral part of the workplace. [10] Many studies have concluded that ethics education does have a positive effect upon students. In a survey conducted at Norway, the alumni MBA students' yielded information about the usefulness of ethics course after it has been running for 10 years. The goal of the course was to help students understand the normative demands of good leadership without sacrificing either managerial effectiveness or ethics. Participants, who were international, could relate ethics to the concept of leadership based on their own cultural traditions. The survey confirmed increased ethical awareness and the usefulness of skills for moral reflections and decision making. [11] In a survey conducted at IIM Bangalore, revealed that 20% students are aggressive moralists, with a conviction to adhere to their personal values at any circumstance. About half other students although ethical but practical and would allow their personal behavior to be shaped by the prevailing norms and expectations of the organizations where they work [12]. In a national survey conducted in China in 2009, in order to understand the status of business ethics education in MBA programs reveals that business ethics instruction is offered in a limited scale, and there are constraints impacting business ethics education. However, the study also revealed promising future prospects for business ethics teaching. [13] Robert Starrat, [14] one of the leading thinkers on the topic of ethics and education, explains that educational leadership requires a moral commitment to high quality learning for all students- a commitment based on three essential virtues: proactive responsibility;

personal and professional authenticity; and an affirming, critical and enabling presence to the workers and the work involved in teaching and learning. A profession's ability to self-regulate may be ineffective unless individual professionals understand and apply their profession's ethical standards in actual practice.. To ensure a just and sustainable future, it is required to focus on values and education to establish global leaders who are ethical. To accomplish ethical leadership, Poff [15] states, the key internal driver is a commitment to integrity and excellence as part of the core values of the individual leader. However, leaders don't wake up one day with a strong set of ethics – they must be taught. To create global ethical leaders, Poff argues that it is the responsibility of universities to educate future leaders in the knowledge of ethics and the moral responsibility of leadership. To do this, the universities must retain the key goal of establishing a curriculum that is grounded in ethics. So to create leaders for a sustainable future, institutions need to educate them now and instill future leaders with values of integrity, trustworthiness, honesty, service mind and a commitment to virtue. [16-17]. Students will appreciate the importance of ethics only when educators exemplify ethical standards in their actions. Academia should accept ethics as a research and teaching specialty equal to other areas of study. [16] Professional bodies and institutions need to emphasize to faculty and administrators the importance of ethics teaching, such as orienting students, conducting faculty training, curriculum development in ethics. While stressing the importance of the fundamentals of the subject area of study, it is equally important to build character, integrity, socially responsible and ethical value systems as part of the general and professional curriculum.

Conclusion

Indian companies have recognized the importance of integrity, transparency and open communication. Companies have also realized the goodwill resulting from adopting and successfully implementing code of business ethics which would in the long run, translate

into economic gains. Today investors want to ensure that the companies they invest in are not only managed well but also ethically oriented with corporate governance. Organizations have now begun to integrate ethics into their corporate culture and business practices. Successive corporate scandals and the recent meltdown reveal the need for deep transformation of education so as to profess and promote moral and ethical leadership as the students are the future leaders. It is

recommended for a foundation course in ethics at undergraduate and graduate levels of management education addressing business in society, legal & ethical environment of business. Instruction by ethical specialists should be infused with business curricula for moral, legal, social, environmental knowledge of future managers. Compulsory ethics education at all professional programs is recommended. Much research is required in this area especially at the context of India.

Reference

1. The Global Competitiveness Report 2010-2011. World Economic Forum. 2010.
2. Covey R Stephen (1991) Principle-Centered Leadership : Summit Books, New York
3. Velasquez MG (2006) Business ethics: concepts and cases. 6th ed. New Jersey: Pearson Prentice Hall.
4. Gardner H (1995) Leading Minds. New York: Basic Books, Inc.
5. Langenderfer HQ, JW Rockness (1989) Integrating ethics into the accounting curriculum: Issues, problems, and solutions. *Issues in Accounting Education* 4:58-69.
6. Cheryl R Lehman (1988) Accounting Ethics: Surviving, Survival of the Fittest, *Advances in Public Interest Accounting*.
7. Report of Ethics Education Task Force to AACAB International: (2004) Ethics Education in Business Schools.
8. Nicholas J, Mastracchio Jr (2005) Teaching CPAs About Serving the Public Interest, *CPA Journal*, January 2005.
9. Kohlberg L (1969) Moral Stages and Moralizations: The Cognitive-Developmental Approach to Socialization. In *Handbook of Socialization Theory and Research*, ed. D. Goskin: 347-480. Chicago, Rand McNally.
10. Kidwell Linda (2001) Student Honor Codes as a Tool for Teaching Professional Ethics, *J. Business Ethics*.
11. Crane FG (2004) The teaching of business ethics: An imperative at business schools. *J. Education for Business* 79(3):149-52.
12. Krishnan I Rishiksha (2010) Ethics should be Taught in Professional Courses; <http://www.edu-leaders.com> accessed on 12.07.2011
13. Zucheng Zhou, Ping Ou, Georges Enderle (2009) Business ethics education for MBA students In China: Current Status and future prospects. *J. Business*.
14. Starratt Robert J (1991) Building an ethical school: A theory for practice in educational leadership. *Educational Administration Quarterly*, 27(2):185-202. EJ 425 540.
15. Deborah C Poff (2010) Ethical Leadership and global citizenship: Consideration for a just and sustainable future. *J. Business Ethics* 93:9-14
16. Hansen DT (2007) *Ethical visions of education: Philosophies in Practice* New York: Teachers College Press.
17. Norman Wayne (2004) Put an ethicist on the team! A promising but neglected "third way" to teach ethics in a business school. *J. Business ethics education* 1(2):257-74.