

White Paper Series

THE JOHNSON A. EDOSOMWAN
LEADERSHIP INSTITUTE
UNIVERSITY OF MIAMI



Ethics and Leadership

© 2009 University of Miami

UNIVERSITY OF MIAMI LEADERSHIP INSTITUTE

ETHICS AND LEADERSHIP

Susan P. Mullane, Ph.D.

Associate Professor, Department of Exercise and Sport Sciences
School of Education

Leadership is not a genetic gift or a family legacy; we have sympathetically observed some failures of those assumptions. It is not a warranty with a degree from an excellent graduate business school, though a rigor of that experience can provide valuable returns. Becoming a leader is an intentional process of growth that must be lived out experientially. One must have the will to say “yes” and even “no” to an unending series of tests, large and small, each demanding that we take one more step toward a definition of all who we are. We must be ready to define our values, our character, and our leadership style. For durable, strong leaders, the process will not end. It will become a way of life, not only in business, but within our families, our various communities, and the world.

Bowen H. “Buzz” McCoy (2007)

Ethics is the heart of leadership, as reflected in the title of the 1998 leadership classic by Joanne B. Ciulla. Indeed, ethics and leadership should go hand in hand. In his book *Meeting the Ethical Challenges of Leadership*, Craig E. Johnson uses the analogy of heroes and villains when discussing how leaders attempt to affect change. “The power that comes from being a leader can also be used for evil as well as good. When we assume the benefits of leadership, we also assume ethical burdens,” he asserts. In making ethical decisions, the leader tries to cast “light” not “shadow.” Although a graphic and unpleasant comparison, think of the Hitler and Ghandi. If one subscribes to traditional definitions such as influencing people toward achievement of a common goal, both were leaders. Clearly, however, their ethics were different.

For many years, corporate America has been marred by unethical decision making and scandalous behavior. As examples, one can recall Ford’s defect in the Pinto’s gas tank, false advertising by Nutri-System and Jenny Craig, fraud and illegal cash management by E. F. Hutton, Salomon Brothers’ Treasury auction scandal, fraudulent accounting schemes by Enron, embezzlement practices from Tyco managers, and mutual fund abuses by Morgan Stanley. And most recently, Bernard Madoff pleaded guilty to the biggest investor scheme in history, defrauding investors of billions of dollars. The sport industry has certainly not escaped scandal and faulty decision making with the endless focus on steroid use and inappropriate conduct of high visibility professional athletes. Indeed “ethical mistakes are responsible for ending careers more quickly and more definitively than any other errors in judgment or accounting” (Osland, Kolb, & Rubin, 2001, p. 102). By looking at even these recent examples, the need for ethics in leadership becomes obvious.

An understanding of ethics begins with an analysis of values, both individual and organizational. Effective managers and leaders must be aware of their values, morals, and system of ethics and ethical decision making. Good character and integrity are what we look for in our leaders. In fact, in their research, Kouzes and Posner (2007) identified honesty as the number one characteristics most identified by leaders. Employees choose their work environments based on their ethical preferences and the connection of their

values and those of their workplace. There must be a connection between a sound value system and the ability of the leader to use these values in his/her decision making.

The Josephson Institute's (1999) Six Pillars of Character might easily be applied to a business (or another) setting. These six pillars are:

- Trustworthiness - honesty, integrity, reliability, loyalty, keeping promises and not deceiving others
- Respect – using the Golden Rule or treating others as you wish to be treated, in addition to being courteous, listening to others, and accepting individual differences
- Responsibility – accountability, self-control, the pursuit of excellence, and considering consequences of our actions prior to making them
- Fairness – playing by the rules, not taking advantage of others, making informed judgments without favoritism or prejudice, and not blaming others
- Caring - kindness, compassion, and altruism, acting to minimize hardship and to help others whenever possible.
- Citizenship – working to make one's community better, protecting the environment, making our democratic institutions work, and operating within the law

From a virtue or principle based ethical perspective, if leaders, executives, and managers adhered to the six pillars in day to day decision making, an ethical environment might likely be created, and in turn, employees might follow. Once an ethical environment is created, employees and management develop trust in one another. Good leaders garner trust. Trust can be developed in many ways but most fundamentally through leading by example. Leaders must do ethical things on a consistent basis in plain and full view for their constituents to see. Transparency is critical in creating an ethical environment.

Why not, then? What makes leaders stray from the ethical path? Why do people do unethical things? What happens to the “moral compass?” Most leaders, particularly in important positions, are equipped with a good education and hopefully a basic knowledge of right and wrong. And still, when faced with an ethical challenge, they know what the “right” thing to do is, but do what is wrong anyway. Madoff knew what he was doing wasn't right, but he did it anyway. Short term gain, greed and other “nonethical” values took precedence over traditional values like honesty and accountability. The six pillars of character mentioned above were “tossed out the window.”

Ethical dilemmas occur when important values come into conflict, and the decision maker (the leader, in many cases) must make a choice between these values. Since both values are important, success and honesty, for example, priorities must be assigned to values and one takes precedence over the other. To the extent possible, a careful balance must be preserved to maximize both values in order to avoid unethical decision making. A common example in business might be to utilize dishonest business practices to achieve financial stability. In sports, the dilemma becomes seeking unfair advantages in order to “win” the contest, commonly known as winning at all costs. Whether in business

or in sport (ethics is ethics, after all), the “winning is the only thing” mentality is the root of much of the unethical behavior. Business parallels sports in that there is a need to win by prevailing over competition and gaining a competitive advantage, sometimes unfairly.

To further complicate things, ethical dilemmas usually involve multiple stakeholders (those affected by the ultimate decision), and the outcome is marred by uncertainty. In his book *Leadership and Ethics*, William Hitt offers the concept of making “right good” decisions, or those that are right ethically and good from an economic perspective. Indeed, if the leader tries hard enough, he/she can make a decision that falls into both categories. Certainly, as evidenced by the Enron scandal and the Bernie Madoff debacle, while unethical decision making by the leader might “work” in the short term, eventually honesty and integrity are necessary for the long term success of our leaders.

Kidder (2005) offers two classifications of ethical dilemmas. In the first type of dilemma, a *right* versus *wrong* dilemma, ethical issues emerge when a core moral value has been violated or ignored. When *honesty* is an important value to a person, and another person is found to be acting *dishonestly*, it is generally acknowledged that the action was unethical. In this case, ethics is simply the obvious difference between what is right and what is wrong. In the second type of dilemma, a *right* versus *right* dilemma, however, ethical issues emerge when two core values come into conflict with each other. When one important value raises powerful moral arguments for one course of action, while another value raises equally powerful arguments for an opposite course, we must make a choice since we can’t do both. In such cases, ethics is a matter of right versus right.

Kidder also identifies four paradigms of dilemmas. In the first category of truth versus loyalty, honesty or integrity is in conflict with commitment, responsibility, or promise-keeping. In the justice versus mercy dilemma, fairness, equity, and equal application of the law conflict with compassion and care. The individual versus community paradigm is geared toward us versus them, self versus others, or smaller versus larger groups. And finally, the short term versus long term dilemma deals with immediate needs versus future. The business examples previously discussed fall into these categories

In his 2005 book, *Moral Courage*, Kidder refers to the need for “moral courage” when making difficult moral decisions. His definition of moral courage is the intersection of three concentric circles: applying values, recognizing risks, and enduring the hardship. The last one, “enduring the hardships” is the perseverance piece of the moral courage model. A leader has to be willing to persevere and stick with the “right” decision, and ignore distractions, faulty rationalizations, and justifications. Ghandi noted that the ethical person will “think, say, and do” the same thing. Implicit in his quote is the moral courage of a leader to follow through and go beyond merely thinking and talking about doing the right thing. It is the actual decision making piece that defines the ethical leader.

Kidder also points out that the act of “whistle blowing” is an example of moral courage. Whistle blowing consists of an individual acting with the intention of making

information public, and then conveying the information to parties outside the organization who then makes it public and a part of the public record. In a true whistle blowing scenario, the information has to do with possible or actual nontrivial wrongdoings in an organization and the person exposing the agency is not a journalist or ordinary citizen but a member or former member of the organization. Famous cases include Enron, WorldCom, the Pentagon Papers, “Deep Throat” in the Watergate scandal, and the coverage of the tobacco industry depicted in the movie “The Insider.” Although examples of whistleblowers in sports are difficult to identify, there are those that made a difference and affected change. Jan Kemp, a University of Georgia professor, gained notoriety after being fired for publicly criticizing the University for allowing student athletes to continue playing sports after failing remedial classes. As a result of her lawsuit against the University, reforms were made at the University of Georgia and nationwide to raise academic standards for college athletes. Perhaps baseball’s steroid dilemma would not have reached its current level if there were more whistleblowers in sports. It is clear that whistleblowers certainly must have a great deal of moral courage.

For leaders to facilitate solutions to ethical dilemmas in the workplace, written guidelines in the form of a code of conduct are useful. According to Driscoll and Hoffman (2000), a code of conduct is intended to be a guide and reference for users in support of day-to-day decision making. It is meant to clarify an organization's mission, values and principles and to link them with standards of professional conduct. It can also serve as a reference used to locate resources related to ethics within the organization. While many organizations have noteworthy codes of ethics, the “Credo” of Johnson and Johnson is often cited as a model example of a well written and highly effective one.

It is important that a code of ethics provide standards of behaviors, as opposed to a list of rules. The code of ethics should be based on organizational values, a philosophy of ethics, and the mission statement of the organization. Codes require the commitment of the company’s leaders and other higher levels of management, and should address the needs of the various constituencies and stakeholders in the organization. For example, in a college athletic department, the Athletic Director and Associate/Assistant Athletic Directors would be considered, as would the coaches, student-athletes, boosters and fans, trainers, and staff. Similarly, for a school system such as that of Miami-Dade County, the fourth largest in the country, a code was developed and implemented for school employees (the superintendent, his assistants, school principals, and teachers), the students, and the outside vendors who do business with the schools. Though certain ethical considerations might apply to all, there are those that are specific to different constituencies.

A code is an open disclosure for the way an organization operates. It provides visible guidelines for behavior. A well-written and thoughtful code also serves as an important communication vehicle that reflects the covenant that an organization has made to uphold its most important values, dealing with such matters as its commitment to employees, its standards for doing business and its relationship with the community (Driscoll & Hoffman). A code is also a tool to encourage discussions of ethics and to improve how

employees/members deal with the ethical dilemmas, prejudices, and “gray areas” that are encountered in everyday work. A code is meant to complement relevant standards, policies, and rules, not to substitute for them. Codes of conduct offer an excellent opportunity for organizations to create a positive public identity for themselves which can lead to a more supportive political and regulatory environment and an increased level of public confidence and trust among important constituencies and stakeholders.

Wherever possible, having employees participate in development of the organization’s code of conduct is useful to create buy-in and commitment. It is critical to include the top management and leadership in the code’s development and implementation. It is also useful to define the enforcement capacity of a code of conduct, as frustration can be created when the code of conduct has no real “teeth” in terms of its punitive capabilities. Many times, however, when one is considering unethical behavior, having a set of published guidelines will serve as the necessary deterrent to prevent unethical acts.

Ethics training for companies and organizations is another solution that has been used extensively and effectively. Given the possibility that some might shy away from the term “ethics” training, a more creative and less threatening title could be substituted. For this to be an effective tool, as in the use of codes of conduct, there must be a commitment from the leadership of the organization to participate and embrace the program. All employees should attend, and to the extent possible, they should have a voice in putting an ethics program together. Ethics training can be centered on the company’s mission statement and code of ethics, but should be participatory in nature. Outside facilitators can be utilized to assist with objectivity and efficiency. Once ethical issues and dilemmas facing the organization are identified, employees can have open discussions on strategies and solutions. Ethics training should have an academic component, where decision making models are taught, and evaluation is critical.

Ultimately, the ideal solution for promoting ethical behavior is not a punitive one, but a positive approach by the leaders of organizations. Ethical behavior must be practiced by the leaders and modeled by those they lead. Ethical decision making should be acknowledged and rewarded. Ethics and leadership go hand in hand, and as Cuilla (1998), noted, ethics is the heart of leadership. We must return to that philosophy and make ethics a way of life.

References

- Ciulla, J. B. (Ed.). (1998). *Ethics, the heart of leadership*. Westport, CT: Praeger.
- Driscoll, D. M. & Hoffman, W. M. (2000). *Ethics matters: How to implement values-driven management*. Waltham, MA: Center for Business Ethics.
- Hitt, W. D. (1990). *Ethics and leadership*. Columbus, OH: Batelle.
- Johnson, C. E. (2001). *Meeting the ethical challenges of leadership*. Thousand Oaks, CA: Sage Publishers.
- Josephson Institute (2009). *The six pillars of character*. Retrieved February 25, 2009 from <http://charactercounts.org/sixpillars.html>.
- Kidder, R. M. (2005). *Moral courage*. New York: HarperCollins Publishers, Inc.
- Kouzes, J. M. & Posner, B. (2007). *The Leadership Challenge*. New York: John Wiley and Sons.
- McCoy, B. H. (2007). *Living into leadership*. Stanford, CA: Stanford University Press.
- Osland, J. S., Kolb, D. A., & Rubin, I. M. (2001). *Organizational behavior: An experimental approach*. Upper Saddle River, NJ: Prentice-Hall, Inc.