

An Analysis of the Relationship of Leadership and Business Ethics with Reference to Indian Corporate Sector

Dr. Nidhi Agrawal

Assistant Professor

Institute of Technology & Science

Mohan Nagar, Ghaziabad

Abstract

In the current market scenario with increasing pace of competition it has been observed that the foremost need of the corporate world is long term survival. To achieve this objective their prime concern is to hire a person who has not only leadership qualities but also a sense of utilizing his ethical skills not merely for the growth of the organization but also for smooth conduct of business with the support and cooperation of other employees in the organization through developing a sagacity of loyalty, social justice, benevolence, trust, honesty, faith, confidence, motivation and a qualitative work culture for maintaining competitiveness and through all actions of the employees to be performed with values and beliefs for taking fair and balanced decisions necessary for long term success.

Leaders must create an ethically friendly work environment for all employees, communicate ethical issues, serve as role models and put mechanism in place for the development of the employees. The leader should assess the areas for ethical risks and try to find the solutions for their revival. Organizations should focus on ethical skills along with the technical skills in the recruitment screening process to hire quality people and also should ensure participation of all employees in ethics training programmes to make them learnt and evaluate the impact of ethics on business activities and organizational performance.

Keywords: *Business, corporate, ethical leadership, ethics, leadership*

INTRODUCTION

Ethics and Leadership – A Conceptual Framework

The corporate leaders and senior managers working with every global organization are facing various dilemmas and concerns spanning various disciplines like marketing, finance, human resource, production etc. (Velasquez M.G., 2009) Ethics present solutions to overcome these dilemmas and concerns. Ethics is an imperative aspect in lifespan of personages as well as business entities and a branch of philosophy that deals with right conduct". It is the science-of-sciences that determines the outcome of a particular mode of action and whether that action is 'right or wrong'. It is a subject of morals and good behavior. It constitutes desirable conduct in a particular set of social circumstances, prescribes moral codes, norms, beliefs, values and practices. Business or corporate ethics is a form of applied ethics or professional ethics or the implementation of ethical norms on a professional platform that examines ethical principles and ethical problems that arise in a business environment. It is a specialized area of moral rights and

concentrates on the application of moral standards to business institutions and organizations. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole.

Gardener and Burns have stressed the centrality and importance of the moral dimensions of leadership. Gardener said leaders ultimately must be judged on the basis of a framework of values, not just in terms of their effectiveness (Gardener, 1990). Burnstook an even more extreme view regarding the moral dimension of leadership, maintaining that leaders who do not behave ethically do not demonstrate true leadership (Burns, 1978).

On the other front, leadership is the process of influencing a group of individuals to achieve shared objectives (Northouse, 2013; Yukl, 2011). The primary function of leadership is to produce change and movement, while the primary function of management is to provide order and consistency to organizations (Northouse, 2013). As both leadership and management are processes, anybody can execute leadership or managerial functions at different times. Leaders cannot be called as leaders simply by virtue of the position they hold in organizations (Kellerman, 2012). Driven by concerns of ethical conduct of today's leaders, several authors have studied one form of ethical leadership, called "authentic leadership" (Gardner *et. al.*, 2011) with diverse results. Walumbwa and other fellow researchers have defined authentic leadership as a pattern of leader behavior that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development. (Walumbwa *et. al.*, 2008)

Ethical Leadership – A Notion

Ethics is a philosophical word rooted in the Greek term *ethos*, meaning custom, character, or behavior (Bell *et. al.*, 2005). Ethical leadership is defined "...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" (Brown *et. al.*, 2005). Ethics can be referred to as a standard of conduct that demonstrates how an individual has to behave based on known virtues, values, and principles (Godfrey, 2013). Ethical leadership has gradually become the focus of most researches nowadays. According to its name, ethical leadership offers more attention to the ethical basics of leadership (Li, 2013). According to Ciulla, Good leadership except by ethics is characterized by effectiveness as well. He also added, leadership studies that pay no attention to values and ethical implications inherent in the leadership process always will be deficient (Ciulla, 1995). According to Yukl, the study of ethical leadership timely and worthwhile due to the ambiguity and immorality of the current business environment contributes a great demand among employees for ethical leaders (Yukl, 2009).

A decent leadership behavior has been recognized as the important factor that contributing to SMEs success. Therefore, organizations require to develop comprehensive leadership behavior such as ethical and effectiveness leadership to direct their organization through difficult times. Suitable leadership behavior in the organizations can keep employees motivated and focused. The examples of organizations exhibiting unethical behavior have caused businesses to re-examine their strategic direction, helping them learn that ethical leadership is the way which leads to profitability (Moss, 2002). However, now in the global marketplace, with fierce competition for business and resources, the scope of problems that can occur in leadership ethics has expanded exponentially"

(Thornton, 2009). As a result of the increasing scope of concerns within today's organizations, it is noted that one of the greatest needs is a charismatic ethical leader (Mackie, 2006)

Yukl summarizes the ethical leader as one who promotes honesty, and mirrors his or her actions with their values and beliefs. However, the author acknowledges the field of ethical leadership is an ambiguous construct, which includes various constituents (Yukl, 2006). As a result, ethical leadership may be difficult to evaluate. Executives at large organizations define ethical leadership as "simply a matter of leaders having good character and the right values or being a person of strong character" (Freeman & Stewart, 2006). Malphurs and Ahmad reinforce the practice of values within an ethical leader's life. Values are instilled by the means of practice, followers are watching more what one does rather than what one says. If behavior is inconsistent, then the leader's integrity is lost. Therefore, an ethical leader can develop inner values only by application. A person grows through action. An ethical leader is produced with practice. (Malphurs, 2004; Ahmad, 2015)

Affiliation of Leadership and Ethics in Business

Up to this point our review of ethics and leadership shows that the elements of leadership and ethics are linked together. From the many real world examples it appears obvious that empirical evidence not only supports links between leadership and ethical issues but also tends to indicate that they are inseparable. Ethics requires power, in that the individual must have the power to act. Leadership requires power; the power given by those led. In both cases, it is the choices and decisions made by the individual on how their power is used that determines both their ethical and leadership qualities. Just as ethics cannot exist without leadership, leadership cannot exist without ethics as the very act of leadership generates ethical dilemmas that must be resolved, even the simplest acts have ethical ramifications.

In current business scenario, ethics, or more specifically perceived ethical practices of organizations and their employees, are coming under greater scrutiny and garnering ever-greater public attention. While different underlying premises may drive individual groups, there is a growing perception by customers, investors, employees, and the public at large, that ethics played an important, if not a critical, role in recent organization failures. It follows that maintaining ethical practices in an organization is, at a minimum, a necessary precaution to be taken against long-term organizational failure. Many organizations have inferred that ethics is not merely a precaution against failure, but that maintaining ethical practices is rapidly becoming a minimum core competency necessary to maintaining competitiveness. And, with the ability to avoid legal battles and reduced public confidence, ethical practices, for many, provide the competitive edge necessary for long-term success. While there are some potentially directly measurable results of an organization's behavior, determining what elements of leadership are affected is not necessarily as easy. It is reasonable to conclude that by virtue of being ultimately responsible for the actions and behavior of the organization, all elements of a leader along with personal ethics impact leadership. In other words, all elements of leadership are in some way impacted by ethics. Today, individual leader's ethics are being held to higher standards. The key interest groups of organizations are beginning to believe that all elements of leadership are impacted by the ethical behavior and decision-making power of the leaders.

Thus, individual characteristics of leaders are also likely to be associated with ethical leadership. Ethical leaders are characterized as honest, caring, and principled individuals who make fair and balanced decisions. Ethical leaders

also frequently communicate with their followers about ethics, set clear ethical standards and use rewards and punishments to see that those standards are being followed by the subordinates or not. Finally, ethical leaders do not just talk a good game - they practice what they preach and are proactive role models for ethical conduct.

King observed numerous managers across industries and noted eight common ethical values shared by all. The author found that ethical leadership is commonly exhibited by - honesty, loyalty, dedication to purpose, benevolence, social justice, strength of character, humility, and patience. These principles may be learned but ultimately originate from a religious faith or spiritual foundation. The author found that those who integrate faith into their workplace were more often considered ethical leaders. Therefore, the author argues that ethics derive from a place of faith. Observers have long believed that personal traits such as integrity would be important to perceptions of leadership effectiveness and research has borne that out. (King, 2008)

Trevino and others found that a number of personal characteristics were related to ethical leadership. Ethical leaders were thought to be honest and trustworthy. Beyond that, ethical leaders were seen as fair and principled decision-makers who care about people and the broader society, and who behave ethically in their personal and professional lives. The researchers characterized this as the moral person aspect of ethical leadership, representing observers' perceptions of the leader's personal traits, character, and altruistic motivation. But, the study also revealed another important aspect of ethical leadership that Trevino and colleagues' labeled the moral manager dimension. This aspect of ethical leadership represents the leader's proactive efforts to influence followers' ethical and unethical behavior. Moral managers make ethics an explicit part of their leadership agenda by communicating an ethics and values message, by role modeling ethical behavior, and by using the reward system (rewards and discipline) to hold followers accountable for ethical conduct. Such explicit behavior helps the ethical leader to make ethics a leadership message that gets followers' attention. (Trevino *et. al.*, 2003)

Most individuals look outside themselves to other individuals for ethical guidance (Kohlberg, 1969; Trevino, 1986). Ethical leaders are likely sources of guidance because their attractiveness and credibility as role models draw attention to their modeled behavior. Power and status are two characteristics of models that enhance their attractiveness (Bandura, 1986), thus making it more likely that followers will pay attention to ethical leaders' modeled behavior. Thus, there is an urgent requirement to establish a link between business and business leadership with ethics and morality in modern business scenario to create a pleasant atmosphere at the workplace and also to develop harmonious relations within and outside of the organizations to achieve a targeted growth and development of business.

The Leader's Role in Fostering Ethical Behavior in Organizations

Leaders are the primary influence on ethical conduct in an organization (Hitt, 1990) and are responsible for the norms and codes of conduct that guide employees' behavior (Cyert, 1990). For Enderle there are three ethical tasks a leader should normatively involve in: perceiving, interpreting and creating reality; showing responsibility for the effects of one's decisions on the human beings concerned; being responsible for the implementation of organizational goals (Enderle, 1987). Thomas believes that the motivation to be ethical comes from one's decision to live life in a certain way. If people opt to follow your leadership, they tend to follow that same conduct that you exhibit. (Thomas, 2001)

The people namely watch the walk, they usually do not listen to the talk. In real life one's behavior depends both on the situation one finds himself in, as well as on standards of behavior. Rost contends that the majority of people do not use particular ethical frameworks to judge morality. Instead, they use personal and cultural values, religious beliefs, ideology, organizational morals, family upbringing practices, own behavioral experience and intuition (Rost, 1995). It is more difficult for businesspeople to adhere to an ethical mind than it is for other professionals, because in business one does not need a license to practice. It is relatively easy to wander off the correct path, as professional standards are more a vocational option than part of the terrain (Kannair, 2007).

Leadership in an organization holds the responsibility for developing and sustaining conditions in which people are likely to behave themselves, and for minimizing conditions in which they may be tempted to misbehave (Gellerman, 1989). It seems that setting the tone at the top is a crucial but not sufficient condition. Leadership must actively pursue that its quest for greater efficiency and effectiveness does not inadvertently lead people into more temptation than they can resist. Leaders who fail to provide ethical leadership and develop procedures that facilitate ethical conduct share responsibility with those who conceive, execute and benefit from corporate misdeeds. (Paine, 1994).

In their essay Kouzes and Posner offer practical suggestions for being an ethical leader, explaining that this emanates not so much from the head as it does from the heart. Based on numerous interviews they conclude that love constitutes the soul of ethical leadership. They also observe that when working at his personal best - that means leading with love, with a feeling of warm personal attachment - leaders are transforming their followers into leaders. Love in an organizational sense creates the desire to see others grow and become better (Kouzes & Posner, 1992). Another "recipe" to keep oneself on the path of ethics is to undergo a "positive periodic inoculations", which happen when one meets individuals or experiences situations that force him to examine what he is doing or is trying to do to set a good example for others. (Kannair, 2007)

REVIEW OF LITERATURE

Various researchers attempt to correctly identify ethical leadership. Greenleaf who theorized servant leadership, states, - Service to followers is the primary responsibility of leaders and the essence of ethical leadership (Greenleaf, 1977). Frank states that transformational leadership is the outward display of ethical leadership (Frank, 2002). The ethical dimension of leadership represents a small component that falls within the nexus of inspiring, stimulating and visionary leader behaviors that make up transformational and charismatic leadership. Ethical leadership is defined 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". (Brown *et. al.*, 2005)

A leader is considered ethical when inward virtues direct the leader's decision-making process. Followers simply are beneficiaries of a leader living a virtuous life. A leader is motivated not by influencing others but rather living by one's own virtues. Virtues are amplified when the leader exhibits imagination, compassion, empathy, and discernment. Ethical leadership is not about a process but rather a way of being and making the right choice. (Darcy, 2010)

As a result, the inner morality of a leader will be examined. Though slightly different definitions have been constructed, all of these authors agree that ethical leadership is focused on influencing followers to do the right thing at the right time and at the right place in a situation. Ethical leadership is knowing one's core values and having the courage to live him in all parts of his life in service of the common good.

Another study examined a multivariate model for predicting leader effectiveness that included both the assessment of the contribution of ethical leadership in predicting the effectiveness of a leader, as well as the effect of related variables that may moderate the relationship between a leader's ethical behaviors and leader effectiveness. The study concluded that leaders who are ethical are more effective, and this behavior can incrementally contribute to explaining and predicting the effectiveness of a leader. Furthermore, this study also assists academics and practitioners in determining how ethical leadership quality may be further developed in leaders to add to their overall effectiveness. (Copeland)

OBJECTIVES OF THE STUDY

The main objectives of the study are:

- To highlight the concept of business ethics and leadership.
- To focus on the need of ethics in Indian corporate sector and also to analyze the reasons and causes for unethical behavior
- To find out various qualities that a person should carry to be a successful leader on ethical ground.
- To explore the ethical practices in organizations.
- To investigate the relationship between ethics and leadership.

RESEARCH METHODOLOGY

The present study is exploratory in nature and based on secondary literature that is available in various books, magazines, websites, journals, research papers and Newspapers. Researcher has also placed her own observations regarding the same. After a deep insight into the available literature for the purpose of a detailed study related to the issue under consideration, a few observations have been pointed out in Indian corporate sector and consequently a few suggestions have been recommended for promoting ethical business practices in India.

CONCLUSION

After a detailed study the researcher found that one of the most serious problem facing organizations in today's business scenario is impoverished ethical behavior and nonexistent ethical leadership. Consequently, a few authors noted that trust in leadership is waning and the situation is worsened by a weak economy and a political turmoil (Plinio *et. al.*, 2010). An alarming increase in misconduct by employees has also been noted at all levels in a

corporate unit. The field of ethical leadership is ever evolving as ethical dilemmas force leaders to re-evaluate existing paradigms (Monahan, 2012). Thus, trustworthiness or being true to the colleagues and others emerges as the best business policy, supported by the principles of economics and business.

With the dawn of a new century, there is an emerging and exponentially accelerating force for global societal and organizational change. From this realization a call has come for more holistic leadership approach. Ethics play an important role in this century where corporate houses are focusing on the good governance practices. Nurturing value-based leadership is a framework that will enable creating a stronger and more ethical culture and the making of the leadership style more effective. Ethical issue is a worldwide phenomenon. It is an important issue to corporate organization; and corporate leaders must take proactive measures. Ethical leaders are perceived as having a broad ethical awareness and concern for all stakeholders which includes employees. Therefore, leaders must create an ethically friendly work environment for all employees, communicate ethical issues, serve as role models and put mechanism in place for the development of responsible employees. It is expected that leaders who exhibit ethical behavior would be more likely to consider the needs and rights of employees and also to treat them fairly. Indeed, every employee wants to work for a truly and responsible employer and as such, corporate leaders have to fulfill their obligations on ethical issues and rise up to these expectations. Thus, the following recommendations from the empirical literatures serve as an important guideline for corporate leaders in business management:

- The leader must ensure a strong ethical culture within the workplace. The values and norms of the workplace should be in accordance with ethical conduct of business.
- Organizations should ensure participation of all employees in training programmes of ethics to learn and evaluate the impact of ethics on business activities and organizational performance.
- Corporate leaders should have sound relationship and developed reputation with customers and their coworkers.
- It is the sole responsibility of a leader in the organization maintaining an atmosphere where the self-respect, and dignity of employees must be on utmost priority.
- Sometimes there is a situation where some leaders as having very long experience of the same workplace try to create a monopolistic environment where they try to exploit the employees. In such case the organization should allocate the responsibility on rotation basis.
- A transparent system must be developed by the organizations where every person should be given freedom to approach to the higher authority for any clarification and justification.

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