

Ethical Leadership: Everything you need to know

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The importance of leadership in promoting ethical conduct in organizations has long been understood. In a work environment, leaders set the tone for organizational goals and behaviour. Leaders are often in a position to control many outcomes that affect employees from strategies and goal-setting to promotions and appraisals, resources). This is why ethical leaders are important. Ethical leadership is a form of leadership in which individuals demonstrate conduct for the common good that is acceptable and appropriate in every area of their life. Ethical leadership is leadership within an organization centred on respect for ethics and values, as well as the rights and dignity of others. The concepts of honesty, integrity, trust and fairness are all critical to ethical leadership. Ethical leadership can provide value to businesses by inspiring employees to be motivated and live up to the company's values.

Having ethical leaders is crucial for many reasons. What leaders incentivize communicates what they value and motivates employees to act in ways to achieve such rewards. It is not surprising, then, that employees rely on their leaders for guidance when faced with ethical questions or problems (Treviño, 1986). Research supports this and shows that employees conform to the ethical values of their leaders (Schminke, Wells, Peyrefitte, & Sabora, 2002). Furthermore, leaders who are perceived as ethically positive influence productive employee work behaviour (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009) and negatively influence counterproductive work behaviour (Brown & Treviño, 2006b; Mayer et al., 2009).

The State of Moral Leadership in Business survey revealed that 8% of employees believe their workplace would make better decisions if their business leaders treated others in the way they'd like to be treated. With the moral authority that would come from such behaviour, 59% say their organisations would be more successful in addressing their biggest challenges. And 62% agreed their colleagues would be more effective and productive if their business leaders could rely more on their moral authority than on their formal authority. So, it makes good business sense that organisations with ethical leadership will have more satisfied employees and a healthier bottom line. It follows that there will be a higher demand for ethical leaders.

Impacts of Ethical Leadership

According to the principles of reciprocity in social exchange theory (Blau, 1964; Gouldner, 1960), individuals feel obligated to return beneficial behaviours when they believe another has been good and fair to them. In line with this reasoning, researchers argue and find that employees feel indebted to ethical leaders because of their trustworthy and fair nature; consequently, they reciprocate with beneficial work behaviour (e.g., higher levels of ethical behaviour and citizenship behaviours) and refrain from engaging in destructive behaviour (e.g., lower levels of workplace deviance).

Emerging research has found that ethical leadership is related to important follower outcomes, such as

employees' job satisfaction, organizational commitment, willingness to report problems to supervisors, willingness to put in extra effort on the job, voice behaviour (i.e., expression of constructive suggestions intended to improve standard procedures), and perceptions of organizational culture and ethical climate (Brown et al., 2005; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009; Toor & Ofori, 2009; Walumbwa & Schaubroeck, 2009). At the group level, supervisory ethical leadership is positively related to organizational citizenship behaviour and psychological safety, and negatively related to workplace deviance (Mayer et al., 2009; Walumbwa & Schaubroeck, 2009). Ethical leadership enhances followers' perceptions of important job characteristics such as autonomy and task significance (Piccolo, Greenbaum, Den Hartog, & Folger, 2010), the later mediating the relationship between ethical leadership and follower effort. At the highest levels of management, executive ethical leadership is positively related to the perceived top management team (TMT) effectiveness as well as optimism among TMT members (De Hoogh & Den Hartog, 2008).

Ethical leaders can help establish a positive environment with productive relationships over three levels: the individual, the team and the overall organization.

Nurturing the relationships at each of these levels can lead to the following outcomes and benefits:

1. **The Well-Being of the Individual**-Maintaining a positive working atmosphere is an important responsibility of a strong ethical leader. Ethical leaders who lead by example may influence others to do the same. Generally, people are affected by the interactions that occur around them. Positive communication among co-workers may help influence job productivity and attitude.
2. **The Energy of the Team**- Ethical leadership can also involve the management of conduct and collaboration within a team. Typically, morale is higher in the workplace when people are getting along with each other. When co-workers are working as a team, it can help build relationships in the workplace and help the overall performance of the group. Generally, strong leaders lead by example.
3. **The Health of the Organization**-The importance of maintaining a [positive attitude](#) in the workplace has a lot to do with improving the overall health of the organization. When people can show respect for one another and can value other's opinions, it may help create a productive working environment. An ethical organization can occur when communities of people work together in an **ethical** of mutual respect, where they can grow personally, build friendships and contribute to the overall goal.

Importance of being an ethical leader in business

Ethical leadership is a management style that works for any organization. These are the top benefits for a company that relies on ethical leadership:

Ethical leadership importance to the individual

At the individual level, ethical leadership can help maintain a positive work environment for each individual. Ethical leaders can inspire employees to follow their example. Positive communication among co-workers as a result of ethical leadership can in turn influence productivity and improve each

individual's attitude in the workplace.

Ethical leadership importance to the team

Ethical leadership can also improve team dynamics and overall morale within the unit. Ethical leaders help team members to communicate and get along with one another, which in turn affects the team's performance. Strong ethical leaders set an example for their team.

Ethical leadership importance to the organization

The overall health and well-being of an organization can be deeply affected by ethical leadership. The leaders should foster an environment of collaboration and mutual respect, one that allows individuals to grow and contribute to the organization's overall goals.

Characteristics of an ethical leader

- An ethical leader is always fair and just.
- An ethical leader shows respect all members of the team by listening to them attentively, valuing their contributions, being compassionate, and being generous while considering opposing viewpoints.
- Honesty is particularly important to be an effective ethical leader because followers trust honest and dependable leaders. Ethical leaders convey facts transparently, no matter how unpopular they may be.
- Ethical leaders place importance in being kind and act in a manner that is always beneficial to the team.
- Ethical leaders foster a sense of community and team spirit within the organization.
- In ethical leadership, all decisions are first checked to ensure that they are in accordance with the overall organizational values. Only those decisions that meet this criterion are implemented.
- Under an ethical leader, employees thrive and flourish. Employees are rewarded for coming up with innovative ideas and are encouraged to do what it takes to improve the way things are done. Employees are praised for taking the first step rather than waiting for somebody else to do it for them.
- Ethical leadership is not just about talking the talk, this type of leader also walks the walk.
- An ethical leader will regularly discuss the high values and expectations that they place on themselves, other employees, and the organization.
- An ethical leader expects employees to do the right thing at all times, not just when it is convenient for them.

Unethical Leadership

Unethical leadership represents one of the most serious examples of managerial misconduct in organizational setting. Brown and Mitchell, in their 2010 Business Ethics Quarterly article [*Ethical and Unethical Leadership: Exploring New Avenues for Future Research*](#), define unethical leadership as "behaviours conducted and decisions made by organizational leaders that are illegal and/or violate moral

standards, and those that impose processes and structures that promote unethical conduct by followers.”

Types of Unethical Leadership

Unethical leadership appears in a wide variety of forms and happens for a variety of reasons. Sometimes unethical leadership is motivated by greed and involves harming others to make more profit. Unethical leadership may also happen when leaders fail to take the time to consider the impact of their choices on the many stakeholders involved. Decisions with unintended consequences can be just as harmful as intentionally unethical decisions.

While seeking to accomplish organizational goals, leaders can encourage corrupt and unethical acts within their organizations. For instance, Clement's (2006) review of corporate scandals in Fortune 100 corporations concluded that actions perpetrated by executives, boards of directors, and government officials were the primary cause of such transgressions. Leaders foster unethical behaviour among followers without engaging in the behaviour themselves and do so by way of rewards, condoning nonconformers, and ignoring unethical acts (Ashforth & Anand, 2003; Brief, Buttram, & Dukerich, 2001). For instance, qualitative research shows leaders who reward short-term results, model aggressive and Machiavellian behaviour, do not punish followers' wrongdoing and promote like-minded individuals heighten unethical behaviour within organizations (Sims & Brinkmann, 2002). Indeed, research shows employees engage in unethical acts to boost organizational performance or help the organization in some other way (Finney & Lesieur, 1982; Umphress, Bingham, & Mitchell, 2010; Yeager, 1986). Such embedded practices can insulate leaders from primary blame, essentially providing them "plausible deniability" (Baker & Faulkner, 1993; Braithwaite, 1989). Leaders who engage in, enable, or foster unethical acts within their organizations do not display ethical leadership (Brown et al., 2005). Instead, leaders who harness and embed the unethical behaviour of their followers display unethical leadership (Pinto, Leana, & Pil, 2008). In sum, we define unethical leadership as behaviours conducted and decisions made by organizational leaders that are illegal and/or violate moral standards and those that impose processes and structures that promote unethical conduct by followers.

Research shows unethical leadership negatively influences employees' attitudes (e.g., Pelletier & Bligh, 2008; Tepper, 2000; Tepper, Henle, Lambert, Giacalone, & Duffy, 2008), task and extra-role performance (Harris, Kacmar, & Zivnuska, 2007; Zellers, Tepper, & Duffy, 2002), resistance behaviours (Tepper, Duffy, & Shaw, 2001), psychological well-being (e.g., Tepper, 2000; Tepper, Moss, Lockhart, & Carr, 2007), and personal lives (Ferguson, Carlson, & Whitten, 2009; Hoobler & Brass, 2006). Moreover, unethical leadership positively influences deviant and unethical work behaviour among employees (e.g., Mitchell & Ambrose, 2007; Tepper et al., 2008; Tepper, Carr, Breaux, Geider, Hu, & Hua, 2009; Thau, Bennett, Mitchell, & Marrs, 2009).

Unethical leadership is formed by these “prerequisites”

1. The leader acts badly.
2. The leader allows bad acts to happen
3. A leader is ethically silent.
4. Leader is absent

5. A leader is self-centred, self-protective and self-serving
6. Leader lacks respect to rules.

In conclusion, ethical leadership is easiest when ethical behaviour is ingrained in the company's culture. Change comes from the top.

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