

EFFECTIVE ETHICAL LEADERSHIP FRAMEWORK

Sharanya Nair, Team CEA*

ABSTRACT

Ethical scandals in businesses have raised important questions about the ethical conduct of leadership. The world has seen major corporate scandals in the last decade which were a result of unethical practices. Increasingly, ethical leadership has received considerable attention in recent times. Various corporate scams and skeletons, around the globe, keep surfacing almost on a daily basis. Given this stormy business weather, the answers to all these issues in bringing tranquillity and equilibrium point towards developing and enhancing ethics in leadership. Ethics can be defined as the well-founded standards of right and wrong, that prescribes what a human ought to do, usually in terms of rights, obligations, benefits to society or specific virtues. Therefore, every leader has to be backed by ethics in order to emerge as an ethical leader.

Ethical leadership is leadership that is directed through respect for ethical beliefs and values and for the dignity and rights of others. Ethical leadership can be an essential component of a thriving, reputable, and ethical organization. Ethical leadership influences corporate culture and enhances an organization's reputation beyond the company. Ethical leaders make use of all those traits, skills, and abilities that are essential for the effective functioning of the organization as it contributes both to short term and long-term benefits for an organisation. In the long term, ethical leadership can prevent corporate fraud, moral conundrums, and difficult choices. It can also enhance corporate reputation and branding in the market place and establish market leadership. It also helps organizations gain more partnerships and customers who are also on the journey of ethical leadership, which can lead to more solid and sound business at the end of the day. When faced with a challenge, decision-making is a process that requires some level of insight and social action to decide from among a set of possibilities. A strong leader can use his position to encourage and enable others to act and think in approaches that advance strategic goals.

Humans are bound to make mistakes, but then how a leader restrains from committing an error while making a decision is the main theme of this paper.

* **Sharanya Nair** (Associate, CEA) under the guidance of Dr. Sunita Chugh (Advisory Board Member, CEA)

* Compliance and Ethics Academy (CEA) at <https://www.ethicsindia.com/> and <https://ethicsindia.online/>

Ethical Leadership (EL) is an important concept to understand the development of ethics within an organization. Leaders make the difficult decisions — the “tough calls”. This paper explores the various challenges faced by the leaders, also the challenges posed to the leader by the organization itself as well as the marketplace.

Additionally, this paper focuses on clarifying and explaining the circumstances that lead to errors or difficulties faced by leaders in decision making, in particular ethical decision making, in order to keep up with ethical values. The fundamental to developing ethical leaders is to increase personal, leadership, cultural and corporate values to a higher level of consciousness and to raise their awareness of how their behaviour impacts their own performance and that of the people around them. Developing leaders in an organization is a lifelong process.

Along with how a leader restrains himself and various stakeholders including his team, this paper further tries to explain the need and ways in which Ethical Leaders can be developed through training and education.

OBJECTIVE

1. To Understand The Concept Of Ethical Leadership-Ethical leadership (EL) is an essential component of successful and reputable organizations. Ethical leadership impacts corporate culture and positively affects an organization's external reputation. An ethically operating organization reaps many external benefits. Regardless of industry, the correlations between ethics, professionalism, and leadership in the workplace all yield similar findings. Because the benefits of having an ethical leader in command are numerous, it is significantly preferable. EL not only hold short term benefits like boosting employee morale and promoting positivity in the organisation but also has long terms benefits such as prevention of company scandals, ethical dilemmas and ethical issues. Therefore, the paper tries to understand the very concept of EL in an organisation.

2. To analyze how ethical leaders, withstand challenges and make error free decisions-All management and company operations are built on decision-making (DM), and excellent decision-making starts with each executive's deliberate and consistent strategic thinking process. High ideals, earnest efforts, intelligent leadership, and, of course, skilled implementation lead to good judgments, assessments, evaluations, and thus decisions. As a result, the idea of organizational performance and organizational goals are closely related. The paper will explore how ethical leaders withstand ethical dilemmas and how they attempt error free decisions under all conditions.

RESEARCH METHODOLOGY

The present study has adopted the doctrinal method of research. It is also following the secondary research guidelines. The study has been divided into three parts based on the objectives sought to be achieved by the present study. The study has first tried to present the background of the key subject matter, that of Ethical Leadership, in brief through a literature review.

Secondly, the study presents the major concerns of the research, especially, the conditions under which the decision making of leaders gets challenged. Lastly, the study concludes with a critical analysis of both EL and DM and the author recommends steps for further research and consideration.

INTRODUCTION

Ethical scandals in business raise important questions about the role of leadership in ethical behaviour. The world has experienced large corporate scandals over the last decade due to unethical practices. Since then, EL has received a great deal of attention in recent years. In a highly competitive business environment, the top-level authorities of a company are often insensitive to people and the planet and usually end up pursuing only profit and success. To make a profit at any cost, they do not hesitate to break/bend the law, ignore rules and regulations, harm the environment, hurt stakeholders and even distort their image as a responsible corporate citizen. In this stormy business climate, the answer to all these questions to create calm and balance is the trend of EL. Managers need to be an important source of ethical guidance for their employees. It's time to make EL a central topic in leadership conversation and leadership development programs¹. It is leadership that separates good companies

from other companies and is an important element of effective leadership.

Every organization strives for optimal performance and should consider all improvement opportunities. While doing so, they can use EL as a tool to gain a competitive advantage. Leaders can influence employee behaviour and can be a very important tool. EL is leadership based on ethical beliefs and respect for values, and the dignity and rights of others. Therefore, it is related to trust, honesty, compassion, fairness, and impartiality. Ethics is also related to the types of values and morals that an individual or society considers desirable or appropriate. Another important aspect to ensure prosperity in business is consistency in performance. It is also a primary goal of any organisation, as it ensures growth.² Therefore, it is important they understand the concept of EL, and the factors effecting decision making of the leaders in an organisation³.

UNDERSTANDING ETHICAL LEADERSHIP

Organizations those value employees, community and customers equally with their profits encourage positive corporate behaviour and it enhances their public reputation. Many organizations, as part of their social responsibility, consider helping the community in times of necessity and otherwise too. This exercise reflects the values of the organization and helps them build its reputation in public. Business ethics is about integrity, morality, credibility, fairness, integrity, and obedience to rules and laws; no matter what the industry the correlations between ethics, professionalism and leadership within the workplace all yield similar findings. EL is a vital component of successful and reputable organizations. It impacts corporate culture and positively affects an organization's external reputation. An ethically operating organization reaps many external benefits. There are various definitions put forward as to what is EL and the most used definition is the one given by Brown, "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"⁴. Ethical leaders have the character of respecting and tolerating different views and values among employees. It also supports trust, honesty, compassion, virtue, and

impartiality in conducting relationships with employees.

There are many advantages to having an ethical leader in command. While in the short run ethical leaders can help boost employee morale and help them feel excited about their management and their work, in the long term it can increase positivity, productivity, health, innovation and collaboration in your organization and make everyone feel happier to be at work. Additional long-term benefits of EL are that, it can prevent company scandals, dissolve ethical dilemmas and resolve ethical issues. It can even help organizations gain more partnerships and customers, which may cause extra money at the top of the day. Another long term benefit of EL is having a loyal and employee customer base. With strong values and strict adherence to business ethics leaders pave their path. High ideals, earnest efforts, intelligent leadership and, skilled execution and implementation of those always result in good judgments. As a result, the thought of organisational performance and organisational goals are closely related.⁵ But is it that easy for leaders to stay ethical, what about the situations and challenges faced by them?

ETHICAL CHALLENGES FACED BY THE LEADERS IN DECISION MAKING

Success depends on how leaders choose to respond to the urgent challenges of today. In view of the level of uncertainty and dynamism

that exists, this is a more complex requirement than ever before. Decision-making is the foundation of all management and business activities, and good decision-making begins with the intentional and consistent strategic thinking process of each executive. Good decisions are always the result of the best intentions, sincere efforts, intellectual leadership and skilful execution. What is certain is that all companies are trying to reach their set goals with the help of existing resources. Therefore, when defining an organization's performance, you can consider two aspects of the concept: your organization's goals and your organization's inputs or resources. However, EL must come first before organizational goals and inputs. This is because it is a factor that defines and determines the overall performance of your organization. Leadership is a very important function of management.⁶ Leadership is a factor that motivates people to achieve their best performance. Any organization that consistently makes ethical business decisions are successful in the long term, but ethical decision makers do less well financially within the near term than their less ethical colleagues.⁷ Making moral business decisions not only ensures a loyal client base but also establishes standards for the complete organization and helps firms build a robust and favorable reputation within the market. the moral decision-making process involves multiple stages that are fraught with complications and contextual pressures. Individuals might not have the cognitive

sophistication to form the proper decision.⁸ Therefore, leaders and also the remainder of us must follow must prioritize learning on: How and Why these mistakes occur. As mentioned earlier, making an ethical decision is a complex process, where the leaders are posed with a number of challenges. These challenges can be categorized under two heads (1) Organizational Challenges and (2) Moral Challenges; a few of them are enlisted below:

1. ORGANISATIONAL CHALLENGES INCLUDES:

1.1 Pressure To Take Care Of Numbers- Every company aspires to keep up a specific level of performance, but when it gets fixated on achieving quantitative goals, it puts aside morality and sound judgment so as to ensure the numbers. These objectives could be centered on one or the other performance metric; however, they're frequently pecuniary in nature. A charity organization's personnel are also compelled to sign on a selected number of contributors every week, for example, or a university may pressurise its academic staff to author a specific number of papers annually. Although essential indicators should be monitored by all firms, sound and good organisations include safeguards against fraud and manipulation. There is always good pressure on leaders to make sure, that they must maintain a certain level of performance and not just demonstrate ethics. Being an ethical leader is complex, but the leader must

make sure that the organisation's primary goal isn't compromised.

1.2 Fear And Silence-Ethical issues may readily be concealed in a culture of fear and silence. As an example, important decision makers might not share identical concerns if others notice disparities or failures. Others could be reluctant to voice their concerns because they think they'd face promotion or termination. Others can feel powerless and believe there's nothing they will do to vary true.

1.3 A Weak Board-An organization's board is also weak if senior leaders are accountable for a variety of reasons, including inexperienced members, internal strife, conflicts of interest, or absenteeism from important votes or meetings. The Board of Directors determines, clarifies, and communicates the values and standards of the corporate and therefore the policies, procedures, and controls in situ function to include the moral values throughout the corporate, instead of impeding them.

A weak board often heralds an ethical collapse of a corporation just because it lacks the courage and cohesiveness to challenge unethical CEOs and senior management teams. This may often indicate that your organization is at an ethical risk. Often, failures of integrity result from the people within the top management who violate ethical boundaries and ignore or avoid the

principles stipulated by law.

2. MORAL CHALLENGES INCLUDES :

2.1 Temptation Of Non-public Gain-Personal growth is extremely important to manoeuvre forward, but leaders must constantly develop an attitude to unlock the potential of the team. The challenge here is to resist the temptation of non-public interests at a collective cost.

2.2 Use Of Power-*Power corrupts and absolute power corrupts absolutely.* Leaders have power and authority, and it is crucial for them to use it efficiently to encourage team engagement and team growth. At times leaders are willing to misuse their power and authority, and it becomes challenging to not misuse that for benefit of any sort.

2.3 Managing Justice-Every leader has a prejudice against something or someone. Therefore, it is necessary that fair play and justice should prevail. Leaders should always be fair and not let prejudice cloud their judgment whilst handling teams. Some of the biases of leaders are even found to be conscious and not just unconscious.

2.4 Pursuing An Ethical Mandate-Every leader is posed with a challenge, to make a choice for the good of the organisation but it shouldn't comprise his own individual moral mandate.

2.5 Addressing Failure-At times for various reasons the leaders only focus on success at any cost, thereby adopting first time right approach. This limits a leader's ability to embrace and tackle failure. This is extremely unfortunate because successful leaders are the ones who have tasted failures during their initial years as professionals.

2.6 Doing Good-Leaders might want to do good for the organization and individuals every time. While it is appreciated but realistically it is not possible to do good at all times. As leaders have various responsibilities it is important for them to use their judgment and weigh them to do good.

HOW ETHICAL LEADERS WITH STAND THE CHALLENGES?

Strong ethical character: an ethical leader has a strong sense of morality and will usually be brave⁹.

Passion to do "right": This enthusiasm, drive and inspiration serves as the foundation for all ethical ideas. Like many other personality traits or dispositional traits, it's not often obvious why someone wants to do the right thing. Some people may have this awareness from birth, while others gradually acquire it through spiritual, intellectual, or sensory sources. Regardless of where it originates from, it is hard to see a moral leader operating without it. It becomes the foundational characteristic that inspires and supports the

other traits and behaviours.

The fundamental goals or arguments for morality have probably been absorbed by leaders who have a moral sense or the will to act morally. These leaders view morality as serving at least the following goals¹⁰, whether they are idealistic or practical.

Ethical leaders are morally positive, sensitive, perceptual, aware and ready to tackle ethical issues and provide EL. Ethical Leaders use moral imagination to try to imagine or predict situations in which people may be injured and take timely actions. Moral leaders do not wait for ethical issues to arise or for decisions that do not consider moral aspects. Ethical leaders are always anticipating and acting¹¹. One-way moral leaders can actively shift is to shift the background and foreground

As an ethical leader, one may prevent many frequent disagreements by employing effective communication methods and learning about and putting tried-and-true conflict resolution procedures to use. Especially in difficult decision making situations, establishing safeguards to evaluate and compare standards of behaviour and decision-making will give another wonderful way to create an ethical culture among all stakeholders of an organisation. Common standards and fundamental values should be upheld consistently. These guidelines and protections will go a long way toward encouraging moral conduct and reducing the

likelihood of ethical breaches.

ROLE OF ETHICS IN LEADERSHIP

DEVELOPMENT

The ethical factor has assumed unprecedented urgency given the increasing influence of global corporations not only on economic life but also on such domains as culture, politics and the environment.¹² The easiest part of the leader's task in ensuring good behaviour on the part of employees, managers, and executives is to ensure that everyone follows the law and the rules. Ethical conundrums are particularly challenging in those murky areas of a leader's responsibilities. The repercussions of breaking the law are obvious and widely known. Making the appropriate choice, however, when presented with complicated challenges that could have an influence on numerous stakeholders and society as a whole. Ethics helps leaders to make sure their decision is best in the interest of the organisation as well as their own moral code of conduct¹³. Therefore, maintaining ethical practices within an organization is at least a much-needed precaution for a long-term organization failure¹⁴. Following this line of reasoning, many organizations have inferred that ethics not only prevent failure but also help to avoid legal battles, and increase public trust and ethical practices, thus providing the competitive edge necessary for long-term success. This is possible if a leader implements the code of ethics and ethical

business practices in decision making by¹⁵

Maintaining a high level of professional responsibility

Avoid situations of conflict of interest and destroy personal interests for the common good of the organization and society.

Always act and work with integrity in any situation you find yourself in.

Never discriminate against people for any reason

Maintain professional relationships based on mutual respect between individuals and organizations.

Stay committed to your personal work ethic for whatever reason.

Be honest and objective in all your dealings with third parties

Establish a fair system in the organisation with special perks such as rewards

Organizations to maintain corporate transparency even if it is not mandated

Ensuring the code against any form of harassment is in place and the same is communicated to all the employees of the organisation

Code of Conduct to be enforced for the outsourced companies

A dedicated hotline, accessible for all employees for reporting any misconduct in an organisation

To organisation must contribute towards social developmental activities

To make sure, the customers are well aware about the company's product and services

EFFECTIVE ETHICAL LEADERSHIP FRAMEWORK: A PROPOSITION BASED ON THIS PAPER.



CONCLUSION

Organizations today must constantly adjust their organisational structures to the highly competitive and dynamic environments in which they operate¹⁶. Capabilities are *core or foundational* to leadership even today and will assume greater significance in the future on account of their impact on emerging

capabilities. The new paradigm for leadership is the real deal. Every leader today requires the following capabilities to build up an ethical organisation¹⁷.

BUILDING AND NURTURING NETWORKS:

Every leader has to have the capacity to collaborate with a variety of traditional and non-traditional partners and stakeholders in a network that is constantly evolving

ORIENTATION TOWARD INSTITUTION BUILDING:

Every leader must have the capacity to prioritise an organization's mission and goals over all other considerations, including one's own accomplishments

DISRUPTIVE ENVISIONING:

A leader must have mental fortitude and perspective to cut through the noise of today in order to challenge paradigms and plan for multiple futures for tomorrow's organisation.

MANAGING MULTIDIMENSIONAL DIVERSITY:

A Leader should have the capability to lead a workforce that span generations, cultures, employment models (part-time with multiple contracts, full-time) and compositions (machines AI etc)

A corporation is more likely to foster high standards for honesty, integrity, and justice when it successfully communicates its culture, values, and beliefs. These ideas must permit direct and unfiltered criticism from your team, your division, and even your own bosses. Colleagues can feel at ease expressing the positive and the negative when leaders foster that degree of trust and unity. Ethical leaders should actively promote openness, and considered disagreement, and a range of viewpoints from across the organisation.

The ethical practices of an organisation and its employees must be monitored carefully as they have gained significant public attention. Leadership style represents organisations values and explains the goals. The discovery of multiple immoral actions and controversies exposes the self-centered, egoistic pattern of business leadership, notwithstanding the penchant for public display. It is obvious that in order to overcome this situation, leaders in modern businesses must serve as role models for ethical corporate leadership throughout society.

Having the finest human resource is a fundamental component of any organisation. As mentioned earlier EL is about having compassion, respect for others' values and ideas, and tolerance to accept failure. These combined and embedded within the corporate culture helps an organisation to cultivate the finest human resource.

This paper reflects an important aspect of EL which is knowing one's place in the vast network of stakeholders and constituencies and putting the organization's success before one's own ego. Moral leaders place more focus on some greater good than themselves. EL recognizes and utilizes the lever that improves employee satisfaction and loyalty. Leadership and Ethics must go hand in hand. While some people have a tendency to believe that one must choose between being prosperous and successful and acting morally, this is simply untrue. Success depends on moral people and moral leaders. As it is rightly said

The function of leadership is to produce
more leaders and not more followers
~Ralph Nader

BIBLIOGRAPHY

Dr Subhasree Kar, "Ethical Leadership: Best Practice for Success", <https://www.iosrjournals.org/iosr-jbm/papers/ICIMS/Volume-1/14.pdf>, visited on 10th July 2022

Mek Bahadur Thapa, "IMPACTS OF ETHICAL LEADERSHIP AND DECISION MAKING ON ORGANIZATIONAL PERFORMANCE", https://www.theseus.fi/bitstream/handle/10024/171577/Thapa_Mek%20Bahadur.pdf;sequence=3, visited on 8th July 2022

Mohammed Mohammed Shoukry Naiem, “ E t h i c a l Leadership”,<https://www.scribd.com/document/322305243/Ethical-Leadership>, visited on 8th July 2022

“The Importance of Ethical Leadership”,<https://online.norwich.edu/academic-programs/resources/importance-of-ethical-leadership> visited on 10th July 2022

IndiaFreenotes, “ E t h i c a l Leadership and L e g a l C o m p l i a n c e ”,<https://indiafreenotes.com/ethical-leadership-legal-compliance/> visited on 12th July 2022

“What is Ethical Leadership”,<https://www.wgu.edu/blog/what-is-ethical-leadership2001.html> visited on 6th July 2022

Ruchika Kapur, “Ethical Leadership”,https://www.researchgate.net/profile/Radhika-Kapur-2/publication/323829602_Ethical_Leadership/links/5aad09adaca2721710f986c0/Ethical-Leadership, visited on 13th July 2022

Marianne M. Jennings, Seven signs of ethical collapse,<https://www.mindtools.com/pages/article/jennings-ethical-collapse.htm> visited on 10th July 2022

“The importance of ethical leadership”,<https://online.norwich.edu/academic-programs/resources/importance-of-ethical-leadership> visited on 15th July 2022

visited on 15th July 2022

Prentis & Igoni, “Leadership: A Case Study on the Importance of Ethics and Trust”,https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3947969 visited on 12th July 2022

Imam Gozilly, Ethical Reflections on Society, W o r k p l a c e a n d Life,https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3965924 visited on 5th July 2022

Arda, Alsan, Alpkam, “Review of Practical Implications in Ethical Leadership Studies”, visited on 6th July 2022

Abdullah Sammy , “The Effect of Ethical Leadership on Organizational Creativity in the Midst of Work from Home (WFH) System Due to Pandemic COVID-19”,https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3828905 visited on 10th July 2022

Dr. Jim Collins, “3 Benefits of Ethical Leadership in the Workplace”,<https://www.drjimcollins.com/3-benefits-of-ethical-leadership-in-the-workplace/> visited on 10th July 2022

Mohammed Mohammed Shoukry Naiem, “ E t h i c a l Leadership”,<https://www.scribd.com/document/322305243/Ethical-Leadership> visited on 9th July 2022

Palomino, Metwally, & Gartzia “ How ethical leaders change readiness in employees” , <https://www.frontiersin.org/articles/10.3389/fpsyg.2019.02493/full> visited on 9th October 2022

1 R e i m a g i n i n g L e a d e r s h i p
“<https://www.pwc.in/assets/pdfs/consulting/mc/po/reimagining-leadership-steering-indias-workforce-in-2030.pdf>” , visited on 10th Oct 2022