

# Ethical Leadership: The Burden on Today's Managers

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**Abstract:** The global business world and market is fast-evolving with regards to technological, legal, economic, social, and political structures as well as competing stakeholders and constituents' power claims. Businesses operate and are embedded within specific social contexts where they interact with multiple changing local, national, and international environments. These environments in several ways impact on the decision making and behaviour of the leadership of such organizations given the pressure to be effective and for the business to survive. In this regard, this paper examined ethical leadership and its challenges within today's management of organizations. It reviews ethical leadership as a burden within the context of shifting organizational values and the eroding morals of corporate entities given the high-end demand for profit and market share. A conclusive position showed that despite such moral erosions, ethical leadership is yet imperative even in the context of today's management and offers a more substantial form of advantage and long-term gain for the organization.

**Keywords:** Ethical leadership, business values, business environment, morality, integrity, transparency, accountability, responsibility, justice

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## Introduction

The thrust of leadership is the control and galvanizing of followers in the direction of specified goals. Within the organization, the forms of leadership are much more significant as they further enrich the content of the relationship between the leader and the follower. One of such forms pertinent to leadership is ethics, which according to Lewis (2002) indicates the leader's adoption and emphasis on morality and principles in dealing with significant others. Such ethicality in leadership presents the leader as not only an exemplary figure for the followers, but also identifies the leader as embodying the values and moral precepts of the entire social collectivity. These places an onus on the actions and behaviour of the leader and given the evident shifts in competition and societal beliefs may even be described as a burden on today's organizations leadership or management. Ethical leadership describes a behavioural disposition of the leadership or management of the organization, which is morally acceptable and considered as right. It reflects the appropriateness and justification of

character and actions and also indicates the extent to which the leader upholds values such as transparency, integrity and accountability. Johnson (2004) opined that ethical leadership scarce and from the right perspective denotes the function of energizing followers and providing a supportive and moral environment where workers are free to express themselves in a manner that is conducive to the moral tenets of the organization.

Tari (2011) notes that in today's business world, there is an evident shift in values and the terms of right and wrong are highly relative. He justifies his assertion by drawing on two major theories concerned with leadership: the stockholders and the stakeholder's theory. These offer a major twist in the assessment of managers as leaders of the organization, with the concerns of the wellbeing and growth of their followers and various constituents in mind, and in the same vein, and in another vein, assessment of managers as agents with the interest of their various business owners as their major concern, especially as it relates to profit and dividends.

In another study, Mish and Scammon (2010) outlined the various challenges (comprising internal and external factors) which constantly impinge on the functionality and role of the leader. These stem primarily from the need to adapt to the changing societal values and prevailing practices which define the internal and external environment of the business. Some include tax evasion, bribery and corruption, as well as fraud. This is as studies Ethisphere (2010) suggest that organizations and their leadership which are adept at modifying their behaviour in line with such pressures are often observed to perform better and sail the tides of competition.

The purpose of this paper is to review content which addresses the growing maladies that impinge on ethical leadership within the context of today's management. The paper is justified on the basis of its assessment of subject given the incidences of poor ethical leadership across the world, and its implications on the organization as well as the society at large. The study is theoretical and will draw significantly from theories pertaining to leadership, ethics as well as models which explain organizational-environmental exchanges and interactions.

### **Ethics**

Perlman and Hughes (2008) in their study revealed that ethics does not and cannot make life better for individuals; however, it can prevent and reduce the extent to which one is exposed or involved in harmful situations and activities. The goal and primary objective of ethics is therefore to allow for or identify an approach through which individuals can achieve a more responsible and principled life (Ethisphere, 2010; Kalshoven *et al.*, 2011). It can also improve the forms of policy evaluation as well as decision-making and in the same manner aid in exploring how morality impacts or contributes towards the economic behaviour of organizations and their workers (Tota and Shehu, 2012).

Perlman and Hughes (2008), described ethics as the adherence to a set of behavioural codes as a way of preventing substantial harm to others, despite having the capacity to act otherwise in the evidence of an opportunity to do so for their own benefit. Similarly, McAntony (2004) stated that moral standards deal with matters can seriously injure or seriously benefit human beings. On his part, Kim (1999) affirmed that moral judgments function to condemn human plans or activities that make life unbearable for others and morality functions to limit selfish actions that cause such harm. By definition, stakeholders represent the groups most subject to potential benefit or harm by business (Johnson, 2004).

In his study, Ferrell (2009) identified the higher intelligence of people, the inclination and tendencies for power abuse as being much more of an issue than for an animal's daily life in the jungle. He sampled 50 multinational corporations operating in the U.S. and with employees of various ethnic groups. In essence, the mission of ethics is to ameliorate the abusive use of power and reduce the negative impact of chance in the everyday lives of humans (Kalshoven *et al.*, 2011; Ferrell and Ferrell, 2011).

Realistically, improving the human condition of stakeholders within the naturally occurring 'human jungle' provides an appropriate test for business ethics (Mish and Scammon, 2010; Ethisphere, 2010). Ferrell (2009) sought to find out what would an ethical society do to help establish an environment for improving the lives of its people? In his opinion, such a society would certainly want to establish an efficient and effective economic system. A system that produces the opportunity for greater economic welfare is very important in facilitating a well-structured, happy life for the citizens of that society (Navran, 2002; Ethisphere, 2010). From the findings of the study, it was clear that the only thing that an ethical society would do is to give more focus to business and business ethics.

Kaptein (2010) in his study generated a model that examined ethics as it was applied within the culture of the organization. The model was designed based on three business ethics theories, namely: (i) virtue ethics, (ii) de-ontological ethics, and (iii) consequential ethics. These three ethical theories are observed to capture in the entirety the intentions, actions, and effects, of ethical behaviour within the workplace or business environment. Kaptein (2010) further, measured the perceptions of both workers and leaders on these three theories to determine the degree of ethical practices and behaviour which could be described as being manifest within their organizations.

### **Ethical Leadership**

Ethical leadership as earlier described, denotes a sense of right and wrong in the behaviour of the leader and identifies leadership as one which is concerned with maintaining morality in its relationships and actions. Ethics stresses on the adoption of fair and just actions. Lewis (2002) opined that although it does appear to address relationships, however, ethics begins from the recognition and assessment of reflectiveness in behaviour. In this way, actions are evaluated and carefully thought-out in line with established moral codes before being expressed or applied.

In leadership, ethics is more concerned with the actions of the leader and the interpretations of such by the followers. This is as leadership is only evident where followership is manifest. Hence the justifications of ethical leadership are often ascribed from perceptions of actions, attitudes and behaviour. Studies show that leaders who are considered as ethical are often viewed to be trustworthy and capable of doing the right things despite the actions or pressures from the environment or subordinates. Ferrell (2010) observed that ethical leadership is more concerned with the implications of its actions on the reputation and wellbeing of the organization.

Studies indicate that most organizations and their leadership in most cases appear to adopt ethical values especially when it is convenient for them. Their activities are often fluid and their character is highly adaptable to the environment. Unfortunately, this presents them as being unreliable and as only looking out for themselves. Hence relationships and work behaviour within such systems are often pretentious and low on commitment. This is as customers too have a low regard for their services. However, research also indicates that such

organizations tend to fare better especially during times of change as their behaviour offers a high level of flexibility and a willingness to do what some might consider as the necessary.

The foregoing presents ethical leadership as being constrained with regards to actions and behaviour. This is as its principles and moral codes are considered as guiding factors which dictate its behaviour and decisions in every event. Hence, one could describe ethical leadership as being highly predictable and in that sense reliable. Studies also affirm that leaders who are considered as ethical are often considered as recommendable and their actions viewed as imbuing the organization with goodwill and trustworthiness. This stems primarily from the perception of the leader's concern and emphasis on acting right and engaging in the most appropriate way through the display of responsibility towards work and others. Likewise, Ferrell (2009) emphasized that ethics in leadership is pre-disposed to possess qualities which are outlined below:

**i. Integrity:** This refers to the leader's capacity for truthfulness and consistency in actions in various situations and circumstances. It implies the quality of maintaining positions and opinions despite the changes and pressures from significant parties and in this way entails an understanding of self and an acceptance of outcomes.

**ii. Discipline:** This refers to the leader's capacity for self-control and focus. Ferrell (2009) notes that discipline is a hallmark of seriousness and describes it as a necessity for effectiveness in leadership. Within the scope of ethical leadership, it describes behaviour which is focused and hardly distracted from its obligations and sense of duty to the organization.

**iii. Accountability:** This describes behaviour which is answerable and liable for its actions and decisions. Leaders with such a capacity are open to criticism and accept the outcomes of their decisions without blaming or shifting responsibility to others. It is considered by Ferrell (2009) as being fundamental to establishing trust and confidence in relationships.

**iv. Transparency:** This describes leadership behaviour that is inclusive and allows for participation. Its actions are based on clear motives and it allows for openness and involvement from other members of the organization. Decisions are also based on considerations of others and not just the selfish interest of a few.

**v. Responsibility:** This behaviour describes the acceptance and commitment to roles and expectations within the organization. It is one which draws on the understanding of one position as a leader and the implications of one's actions and behaviour on the overall functionality and wellbeing of the organization. Ferrell (2009) affirms that responsibility indicates a leader's sense of value for his work and position in the organization and also serves to indicate his concerns for the organization's success and survival.

**vi. Justice:** This implies an emphasis on fair treatment and the application of equity by the leader. As a component of ethics, it identifies right and wrong behaviour in dealing with various parties and emphasizes on actions that are fair and in accordance with moral values. Although its application varies and has a wide scope in terms of interpretations, justice within the scope of ethics, according to Ferrell (2009) describes behaviour which is fair and which recognizes the rights and feelings of other significant parties in any exchange relationship.

### **The Business Environment**

The environment of the business is a significant antecedent of the suitability and tenability of its practices and activities. Perlman and Hughes (2008) study show that business activities within certain economies and markets are subjected to a variety of expectations which are often in conflict with its ethical orientations and values. Scholars affirm that apart from the localized functions of businesses, the advent of globalization has also exposed them to an encroachment of foreign business methods and precepts which in several ways undermine their own cultural tenets and which are prevailing over their behaviour.

From this position, it is evident that organizations to some degree are defined by the factors of the environment. By factors, one considers variables such as the timing or period, the forms of exchange, the political terrain, the economic power nations, and the prevailing global business norms and acceptable practices. Georgescu (2012) observed that organizations are microcosms of their societies and their effectiveness is premised on their capacity to detail and express the dominant features and characteristics of their environment. This he argues is the whole point of learning and adaptation; to modify forms and behaviour in line with the expectations and inclinations of the market or environment.

According to Arnaudov and Koseska (2012), the business environment offers a myriad of values, platforms and thresholds. Some of which, are considered as ethical and responsible, others for which are considered unethical but necessary. In competition, most organizations engage in highly aggressive activities for which some behaviour may be considered as selfish and inconsiderate. Their concerns are driven by an overriding need for gain and to succeed. Such behaviour can be vital as evidence of their growth may spur other organizations within the same industry to adopt practices which are overly opportunistic and exploitative.

From the foregoing, it is evident that organizations are highly dependent on their environment. The trends of both internal and external practices have a way of rubbing off on the actions and behaviour of management. This is as Georgescu (2012) observed that apart from the pressures from the external and internal environment, managers are also considered as agents, answerable to the actual stockholders or owners of the business.

The actions and decisions of such managers are primarily based on satisfying the expectations of these stockholders whose major concerns are not often in regard of the environmental impact of the business but on the maximization of profit. Hence, these factors present the leader or business manager with an ominous burden which weighs down on his or her decisions and responsibilities with regards to the functionality of the organization.

### **Ethical Leadership and the Burden on Today's Managers**

Many question the possibility or if any, evidence of ethical leadership in today's business and global world. This is as some argue that the strict adherence to particular tenets and the emphasis on some sense of morality, despite the obvious irregularities that mar the environment, could be viewed as constraining and detached from the realities of the business world. This is as one might describe the emphasis on tax compliance within a context high on government exploitation of businesses through unnecessary tax levies and charges as unrealistic. Furthermore, within a context wherein some amenities, such as electricity and water are lacking and organizations are yet expected to pay for them, one might consider the evasiveness as being appropriate and suitable. However, as Boddy (2011) puts it, ethics is considered as even more imperative and significant during such value shifts in the internal and external environment. According to Boddy (2011), The resolve to be moral and act

rightfully, is one which first, offers itself as an example for emulation and adherence, second, illustrates one's sense of value and appreciation for qualities that are intangible but which are believed to hold more substance, and third, is self-sacrificial and does not aim at achieving the goals at any cost, but rather is more concerned about the implications of the methods and techniques adopted in the pursuit of such goals.

This is as ethics emphasizes on a set of moral beliefs and conduct that discourages acts of self-gain and encourages honest and modest ways of generating business income (Ghosh *et al.*, 2011). Ethical leadership plays an important role in developing a business' strategic plan as it serves as the backbone of the firm's principles. The firm's goal is to provide services and products, and to also generate profit through the business' sales and operations (Ethics Resource Centre, 2009; Kalshoven *et al.*, 2011). In spite of the business' goal to acquire profit and their return of investment, it is important that the strategies they employ (their techniques, methods and processes) in their operations are bound by moral and ethical standards for their stakeholders (Lewis, 2002).

Such measures are not only applicable to their customers or clients, but also to their employees, the community they operate in, the government, and the media (Johnson, 2004; Elango *et al.*, 2010). However, today, most business practice dictates ethics and corporate social responsibilities to be overlooked due to the firm's drives to increase sales and revenue (Ghosh *et al.*, 2011). The launch of marketing campaigns and sales advertisements as a means to market their products and services must be bound by ethical guidelines, which would ensure the safety of the stakeholders, without compromising the effectiveness of the company's operations (Lewis, 2002; Ferrell and Ferrell, 2011).

Since businesses are a type of human activity, aside from evaluating them from an economic perspective, it is also critical to consider the moral obligations (Georgescu, 2012). Understanding and identifying the employees' common values and priorities is a determinant of the present culture the organization has (Koonmee, 2010). Because of this belief, most leaders and management have then focused on instilling a company standard of work ethics within the organization and workplace, in order for them to slowly adapt into the company's environment (Arnaudov and Koseska, 2012). Organizations are motivated by profitability, and if not approached ethically, such drive could push the organization into amoral actions (Ghosh *et al.*, 2011).

Organizations can be described as having cultures related to, but distinct from the broader society in which they are embedded (Tarí, 2011). Components of culture consist of beliefs (agreements about what is true), values (agreements about what is good and important), norms (behavioural expectations and patterns), symbols, practices, and physical artefacts (Mish and Scammon, 2010; Kalshoven *et al.*, 2011). Organizations and their members have shared beliefs, values, and formal and informal norms, and mechanisms for monitoring member's behaviour, sanctioning non-compliance, and rewarding compliance with norms. It is imperative that the leadership has the capacity to maintain focus and stir the organization towards its goals using the right tools and framework of relationships (Campbell, 2005).

In his study, Crea (2002) observed that one of the primary responsibilities of managers or leaders of a firm is to achieve the maximization of the business's profits. In addition, he clarified that in doing so, it is expected to overcome and find a way around all the obstacles from the surrounding environment. In order to achieve such outcomes, the approach that most leaders or managers adopt is to make the employees of the organization work longer hours,

command a high price in market or even ignore the importance of environmental safety (Boddy, 2011; Ferrell and Ferrell, 2011). In today's world of business, changes transpire with a quick pace, both in the internal and external operations of an organization (Lewis, 2002; Maignan *et al.*, 2011).

Crea (2002) further observed that if the management or leadership of any organization wants to operate successfully in a specific environment, it has to bear responsibility not only for its own self, but towards the society as well. Furthermore, the organization needs to be responsible towards its customers, middlemen, employees and market products, in order to secure environmental and consumer friendly practices (Maignan *et al.*, 2011). This is as Ferrell (2011) argued that there was nothing wrong in seeking improved or increment in profit but the issues lie with the methods. He believed that by maximizing the business's profits, it would also result in the improvement of the economy as the latter would be dependent on the former for success in the long run.

The major argument therefore follows that the maximization of the profits of the organization should be transparent, and not to indulge in any kind of fraud, corruption or tax evasion (Ferrell and Ferrell, 2011; Maignan *et al.*, 2011). Unfortunately, in the present corporate industry, emerging firms and organizations tend to violate moral and ethical standards in their pursuit to achieve corporate financial gains (Harris *et al.*, 2009). Another well-known reason for unethical leadership behaviour is the common misconception in the industry that adhering to social responsibility would imply a loss in the company's profit and a compromise in the firm's competitive edge (Ethisphere, 2010). In this vein Ferrell (2009) stated that the expression of responsibility enhanced the organizations corporate image and reputation (Mish and Scammon, 2010; Elango *et al.*, 2010).

From this view it is evident that ethical leadership is most required even within the context of today's workplace and changing societal dynamics. This is as it further solidifies and establishes the organization as having its focus and uncompromising standpoint on issues which may appear deterring at first but for which their character is already fixed on.

From this position, ethical leadership therefore distinguishes the organization from its peers and enhances its trustworthiness within its industry. By emphasizing on qualities such as integrity, accountability, transparency, responsibility and justice despite the prevailing amorality within the environment, leadership presents itself as being steadfast and well-grounded in its role and decisions.

### Conclusion

Ethical leadership is an imperative even within today's highly globalized and changing business world. This paper has offered a position on the need for ethical leadership despite the shifts in business values and the pressures such leadership may face from the environment. The need for leaders to uphold moral values such as integrity, accountability, transparency, responsibility and justice and even more critical today and present such leaders as unique, predictable, reliable and having the capacity for trustworthiness.

This paper affirms that although ethical leadership is currently considered as a scarce factor within the business environment of today, given the growing pressures from both internal and external environment, however, it is a much required and valued form of leadership which offers the organization much more than the tangible short-term benefits of profit, instead it offers long-term benefits such as goodwill, customer trust and reputation.

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