

The Impact of Ethical Leadership on Organisational Behaviour: A Conceptual Analysis

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Abstract

Studies suggest a strong interlink between ethics and leadership. However, the significant personality traits that mark as the constituents of ethical leadership is still a debate. Experts, critics and researchers often focus on the lack of adequacy on the existing literature of ethical leadership and its identity. Broadly viewing, ethical leadership comprises of enormous strengths and limitations with multiple dimensions and objectives like what amount of leadership is ethical, what key capacities ethical leaders must develop, what is important for an ethical leader; duty or the consequences, how would an ethical leadership decide during ethical dilemma and many others. Much of the ethical leadership is governed and guided by the virtue of beliefs, thoughts and decisions to protect the dignity and the rights of others. Today, leadership roles do not simply succumb to increase productivity and profits but also strive to maintain a high standard of morality and ethics and also what changes can ethical leadership bring in organisational behaviour? This paper studies and explores the identity of an ethical leadership and the roles they play in transforming organisational behaviour to improve organisation's effectiveness.

Key words: Organisation Behaviour, Ethical Leadership, Organisational Effectiveness

Introduction

Organisations are large structures of multiple bodies functioning together connected through a network of functional, divisional, team designed chiefly to achieve a goal, grow and expand. Hence, every organisation has a goal to be accomplished or some purposes to be fulfilled through a series of planning, coordination, analysis, and decision making among many more consecutive and dependent activities. Now the question is who plans, coordinates, analyses and makes decision? Palmer views organisations “as an entity formed by a group of people” (Palmer, 2017, p. 15). Palmer also describes organisation as “a group of roles arranged in a structure to pursue a set of objectives” (p. 16). Akay also claims that organisation “is a group of individuals, each with the responsibility to perform specific functions. The common building block, however, is the personnel, the people who will make up the body of the organisation”(Akay, 2006, p. 101). Daft is also of the same opinion that “organisations are social entities

that are goal-directed, are designed as deliberately structured and coordinated activity systems and are linked to the external environment” (Daft, 2010, p.11). Thus authors around the globe assert that organisations are made of people, created by people, and formed for the benefit of people. People who work in the organisations are the actually the ones who make organisations work through their behaviour. It is the people who bring in a culture, a climate to an organisation through their behaviour.

No two organisations work or function similarly because along with a difference in their structure, design, mode of operation, management, goals and purposes, their culture too is different. Hence, simply analysing organisational concept through its structure, design, aims and objectives is not the only criteria. Organisational behaviour and its culture are equally or even more imperative. In fact, the scope of organisational behaviour is very broad. It includes a number of aspects pertaining to various areas like culture, society, gender issues, motivation, perception, leadership, team management, conflicts, power, theories, ethics and values, competition, trade, costs and many more and it is perhaps therefore that Cole identifies organisational behaviour “not as a homogeneous subject, but the result of mingling of other disciplines such as psychology, sociology, politics, philosophy and economics” (Cole, 2000, p.2). Cole further discusses “organisational behaviour to be the systematic study of the behaviour of individuals within work groups, including an analysis of the nature of groups, the development of structures between and within groups, and the process of implementing change” (p. 3).

Organisational behaviour is critically related with the behaviour of the people working in an organisation towards the functions that the leaders and the managers of the organisation perform and again what impact do the employees of the organisation have and further how do they react to those actions of the managers and the leaders. Therefore Ahmad, Gilkar and Darzi believe “management and organisational behaviour are interrelated. They cannot be separated from each other. Management without organisational behaviour cannot work successfully and organisational behaviour has no meaning and use without management”. (Ahmad, Gilkar and Darzi, 2008, pp. 5-6).

In an organisational context much of the organisational behaviour is shaped and governed by a leader or a manager who is in charge of a number of responsibilities. However,

there is a subtle difference between managers and leaders. Bertocci discusses that “management is responsible for functions such as planning, organising, controlling, budgeting, staffing, problem solving, and other fundamental tasks necessary to run at the business, whereas a leader typically provides a vision of what needs to be done and how it is going to be accomplished that drives the performance of the organisation in accomplishing its goals” (Bertocci, 2009, p. 9). While managers perform their duties and responsibilities, leaders make things happen. Although both of them are indispensable for every organisation and that both of them deal with various activities, one of the major difference according to Kozak is while managers are task oriented and mainly sort out systems and processes, leaders on the other hand are goal oriented and emphasize mostly on people and vision. Hence, organisational behaviour is mostly influenced by leaders as it is the leaders who handle people, their behaviour through their principles and working style.

In this extremely unpredictable global economy when there is a speedy change in almost every aspects of the organisations, it has been increasingly complicated for the leaders of the organisations to have a clear picture on getting their visions right. Leaders are viewed as role models whose actions are typically considered as exemplary to the employees who strengthen the establishment of ethics, morals and values within the organisation. Millar and Poole ascertain that “employees in organisations with strong ethical leadership are more committed to their organisations, more ethically aware and more willing to report problems” (Millar and Poole, 2010, p. 193). This commitment is the result of the values, the ethics that are constructed and shared to promote greater harmony in organisations. Langlois views ethical leadership as “a first step in this search for a new form of working behaviour” (Langlois, 2011, p. 39).

Objective

This paper does not focus on one particular type or style of leadership rather on the quality of a leader that is essential and crucial for every organisational success. This paper does a conceptual analysis on ethical leadership that brings transformation in organisational behaviour.

Ethical Leadership

Leadership cannot be deprived of ethics. In fact, studies and history show leadership and ethics are often both

scandalous and crucial combination whether it is business, politics, religion or any other genre. In business organisation particularly, there has been a growing concern over ethics, values and morals in studying and bringing change in behavioural pattern of each and every one. Now the question is who is a leader or who can be a leader and where does ethics stand in leadership. Studies suggest people who carry certain personality traits like temperament, appeal or passion can become a leader as they are known to be someone who can attract attention of the common person. Others view that people who have great minds and ideas to make great things happen can be considered as leaders. However, Ciulla describes "Leadership is not a person or a position. It is a complex moral relationship between people, based on trust, obligation, commitment, emotion, and a shared vision of the good" (Ciulla, 2014, p. xv). In other words leadership is a relationship between leaders and the followers who follow willingly because the leaders were committed and were able to gain trust from their followers.

Most of the theories of ethical leadership propose that "ethical leadership of people and organisations usually start with a deontological perspective" (Witzel, 2018, p. 121) that emphasizes on duties, responsibilities and actions of the leaders who mostly abide by the rules and regulations disregarding the outcomes. When duty comes first ethics like commitment, fairness, concern and respect for others, trustworthiness, loyalty and accountability describe the kind of behaviour an ethical leadership carry in order to transform the entire organisational behaviour. As it is, leaders are considered the role models; hence the followers would never deviate from the path that has been already taken by the leaders. In fact, ethical leaders are expected to show up most of these characteristics during major events in organisation like threats, crisis where leaders are mostly relied on. In such cases, ethical leadership need to be dynamic, strong and extreme so as to inculcate an ethical ambience. Bachmann describes "if ethical leadership is the dominant form of leadership, it will potentially create an ethical climate and influence the leadership culture" (Bachmann, 2016, p. 28). A point here also needs to be understood that a leader however strong or highly rated for the organisation, is vacuous and bleak if his ethics are not upright and persistent.

Let's understand the case of Turing Pharmaceuticals and its founder and chief executive Martin Shkreli. What did he do? He hiked the price of a drug called Daraprim from

13.50 dollars to 750 dollars in one night. Sources say "Daraprim is used to treat the life-threatening parasitic infection toxoplasmosis in pregnant women and their unborn babies, and people with compromised immune systems as a result of illness like cancer and AIDS" (Dishman, 2015). And the worst part is Shkreli believes he should not be accused for his act as he does not consider it to be greedy as the duration of this medicine as used by patients is less. As an ethical leader concern for others must be of the highest priority. Shkreli's decision to sharply hike the price overnight of a medicine so indispensable showed a loose interest towards people's wellbeing and concern. This is unethical in every means. An ethical and authentic leader "should match their words and deeds with their values and that values should include concern for others and for the community. These authentic individuals become leaders in order to enact their values rather than to obtain status and privileges (Gardner, Avolio, Luthns, May, and Walumbwa, 2005, p. 352). The unethical step taken by Shkreli not only made a drastic fall in stock prices but also "in a freeze or reduction in R&D spending, with negative impact on headcount" (PP, 2015). This resulted in less or no funding by the investors further impacting negatively also in the sales force. Overall, the organisational climate experienced a deep, serious and unyielding culture. Shkreli is now in prison.

Ethical leadership is a complex expression and a blend of several traits of which commitment to excellence is one that depicts not just what an ethical leader is but also what an ethical leader does. Based on the parameters of both conscious and subconscious beliefs, ethical leadership are governed by their inner capability, an internal spirit that lets them grab and hold on opportunities and maintain a balance between duty and commitment and thriving towards achieving excellence and transforming every bit of the organisation. CEO of Starbucks Howard Schultz who is today considered as a self made billionaire and who saw it all between rags-to-riches was in fact the first and the only one who could envisage the future of Starbucks as early as in the 80's. Taylor reports "Schultz joined the company and became convinced that Starbucks could achieve a seemingly impossible goal: remain premium while becoming ubiquitous" (Taylor, 2018). Schultz leadership has been also been remarkable by his commitment towards excellence not only towards his organisation but also towards social issues. One among the many initiatives that Schultz has undertaken is covering "college tuition for its

U.S. employees working more than 20 hours per week who enrol in an online college degree program from Arizona State University” (Dishman, 2015). Schultz has successfully created a more committed workforce as he believes “Values are a big part of both the balance sheet and the income statements of Starbucks—it's behind the performance” (Dishman, 2015). It is because of this thought and commitment towards values, responsibilities and social issues today “Starbucks now has more than 28,000 stores in 77 countries. The chain reported net revenues of \$22.4 billion in 2017, and the company's market cap is roughly \$84 billion. Schultz's net worth is roughly \$2.8 billion” (Taylor, 2018).

Ethical leadership has the capability to shape an organisational culture both by their words and deeds because they know how to keep their words and also that they are being followed and watched by many. They know that they have to provide answers to their commitments. Hence, they remain loyal. Comey asserts “a commitment to integrity and a higher loyalty to truth are what separate the ethical leader from those who just happen to occupy leadership roles” (Comey, 2018, p. iv). Another case on disloyalty goes like this. As the Vice President of Deutsche Bank, Dr Eric was responsible to evaluate and inspect “the most complex and exotic financial instruments, the ones that many bankers themselves no longer understood but were traded in enormous quantities in the years before the financial crisis” (Hesse and Schulz, 2012). According to Dr Eric, the bank should have provided detailed balance sheet but it in fact wiped off every transactions that might have caused high risks. Also during its time of loss when the bank should be clear with its investors, it acquired more and more funds without showing transparency in their values. The bank did not stay loyal with its employees, its investors or its clients rather adopted all unethical means by ornamenting financial statements and entirely poisoning the organisational climate. “Ben-Artzi first told his superiors about his concerns, and then he contacted more senior members of management and, finally, the bank's tip hotline. A few months later, at the end of 2011, he was fired” (Hesse and Schulz, 2012). Although, the bank didn't provide exact reasons behind his dismissal, but Dr Eric knew that it was the punishment he received because he exposed the fraudulent behaviour of the organisation. Considering the act of Dr. Eric Ben-Artzi who is regarded as the whistleblower of Deutsche Bank, debates arise whether his act was ethical or unethical. However, whether he was

supposed to keep quiet and let the unethical practices continue or blow whistle to reveal the inappropriate act, if the consequences are taken Dr Eric did loyalty with his own conscience and saved the clients and investors from massive losses. The organisational climate got polluted, and Deutsche Bank had been under investigation by the regulators. Reports also suggest that even USA has sued the bank based on the continuous complexities that the bank keeps involving itself in leading to financial crisis.

Toyota is considered as one among the top companies who is known to generate innovation and fresh ideas thereby being the global leader of automobile industry. Toyota strives on ethics like fairness and implementing it strictly on the miscellaneous employees. “Despite having a very diverse workforce, there are no prejudices or stereotypical assumptions are apparent at Toyota, as there is a fair policy” (Essays UK, 2018). The organisational culture thus at Toyota does ensure fairness among all the employees. It is therefore that transparency is maintained among all levels of the organisation. Even, the employees who are not having growth mindset are trained and handled in a proper way that furthers continuous development in the organisation.

Many employees at workplaces get motivated by the trust that dwells in their organisation. Every employee in an organisation expects to belong to their organisation. However, untrustworthiness modifies an organisation working in harmony to a hostile environment. Latouche subsequently, believes that “by creating a hostile, untrustworthy work environment corporations are slowly but surely depriving themselves of highly talented and valuable assets” (Latouche, 2013, p.46). In the light of these arguments taking the example of Equifax may highlight breach of data and that breach of trust. Sources reveal that the CEO of Equifax, Richard Smith “makes its profits from selling personal, often sensitive information to financial institutions and lenders” (Shen, 2017) so much so that the organisation became the most untrustworthy organisation that exposed the information of more than 150 million people. Meanwhile reports also revealed that the company might remain committed to insider trading as well. Discussing about the organisation behaviour of the employees and the staff working in Equifax, even they have shamelessly adhered to their leaders who put customers' private information at risk. “Such situations illustrate exactly how certain companies can easily prioritize their bottom line over customers' financial security and privacy,

especially when industry-wide standards for safety are largely unmet or simply nonexistent as more personal data becomes digitally accessible” (Turner, 2017).

Conclusion

Running an organisation big or small is a responsible task and what is seemingly more difficult yet responsible is the leader sticking to ethics. Although it's a common belief that being and following whatever is right in terms of law is ethical, however, avoiding what is not right before law does not necessarily mean whatever the leaders do is right. Hence, the leaders require a moral compass as guidance to pilot, control and manage personal actions that directly influence organisational behaviour and climate. Without ethics being embedded in leadership, organisational behaviour cannot transform. Hence, leadership does not simply mean having skills but also carrying ethics to deliver high quality organisational behaviour. This paper studied various ethics like fairness, trustworthiness, commitment, loyalty that the leaders of different organisations exhibited. The findings show that if the leaders of the organisation deliver ethical leadership, the organisation climate prospers and vice versa. The role of ethical leadership in moulding organisational ethical culture is placed on their personal behaviour and character. In terms of ethics, if a leader fails to deliver unconventional attitude and behaviour, a number of difficulties will only increase and become worse that ultimately closes down the organisation and poisons the organisational behaviour.

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