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1

Ethical Leadership in a Global World – a roadmap to the book

Carla Millar and Eve Poole

Introduction

This book is inspired by the observation of both practitioners and academics that, somehow, as the millennium has turned, we seem to have ventured onto a slippery slope where one organisational scandal erupts after another. Most people are aware of Enron in the United States and Northern Rock in the United Kingdom, and the accounting scandals that led to the introduction of Sarbanes Oxley in the United States and corporate governance codes in the United Kingdom and beyond. Since then, many firms have adopted strict ethical codes of conduct, some have even appointed chief ethics officers (Fombrun, 2004), and the number of courses and modules on ‘ethics’ in business schools and universities has risen dramatically. These various measures, however, did not stop the recent spate of banking scandals, and the near meltdown of the global financial system. While there were rules in place designed to make the system function smoothly and safely, it seems that those who were in charge – the leaders of organisations – took a position that allowed them to find ways around these rules, by inventing products and transactions not covered by them, or by reinterpreting them so as to permit profit maximisation. They did this without regard for the possible consequences for the rest of society, and the term ‘greed’ has often surfaced in analyses of what happened.

We wanted to understand the reasons for the actions that precipitated such events. We wanted to penetrate the complexities, collecting views and providing a platform for a discussion of these phenomena. We wanted to put ethical leadership under the microscope, in a global context. We ultimately hoped, through our work at Ashridge, to come up with routes to a solution to ‘How to help bring ethics back into the practices

of leaders, executives, and business life'. This vision led to the convening of an International Research Conference on 'Global Ethical Leadership – in Search of a Moral Compass' (Ashridge, 2009). The conference brought together a rich mixture of academics and practitioners from around the world and across disciplines. Consultants talked to theologians, historians talked to CEOs, and philosophers talked to marketers, creating an extraordinary confluence of discourse, geography, cultural similarity, and cultural difference. The event showed the value of a broad-ranging discussion of ethical leadership, and of the presence of an eclectic mix of disciplines and geographical backgrounds, and led to this book being conceived as a way to bring together a wide range of perspectives on the subject.

We are not alone in our concern for this topic. Leadership and business ethics are of increasing interest to both academics and practitioners, and the volume of research work is mounting. The world of practice is discussing seriously what changes to implement – more rules, fewer rules, codes of practice or not, and so on. There is now an increased willingness in the business world to change and adapt to new standards of behaviour. And in the United Kingdom, political scandals concerning MPs' expenses claims and 'cash for questions' has shown that the public sector is not exempt from scrutiny over sharp practice. This provides an opportunity for genuine reform that we are anxious for the world not to miss. While ethical leadership is a mysterious, somewhat magical intangible for many academics and executives, it urgently needs to be grasped and understood in this new global millennium. For so many people, uncertainties seem to be piling up, familiar anchors are disappearing, and the importance of leadership (and a multiplicity of recipes for its success) is proclaimed by ever-increasing numbers of populist management books. In contrast, in this book we do not offer prescriptions, but an open discussion and varied analyses of the issue of ethical leadership, its drivers, scope, and obstacles – particularly in a global context. We offer three perspectives in three parts of the book: theoretical challenges, practice from around the world, and a visionary look at the future.

Looking to the future, as we do in the final chapter, many issues arise. Is there a need to balance the leader's personal ethical values with the potentially manipulative task of aligning others in the organisation with such values? What underlies the ability to balance corporate responsibility obligations with more immediately pressing matters that, for instance, would argue for cost-cutting in the face of a global slowdown? And what is the influence of national institutional and cultural contexts on leadership ethics and corporate responsibility? Such quandaries emphasise that even the identification of a personal moral

compass cannot guarantee that an executive's values will guide the actions of their colleagues, or that these values are the most appropriate or effective in achieving the intended results. This issue becomes particularly complex in the context of globalisation, where value systems collide and the complexity of decision-making creates new ethical dilemmas faster than the old ones can be solved.

To set the scene, in this introduction we offer a pre-theoretic set of observations, highlighting factors that seem worth investigating on the basis of their relevance to recent events, and the context and trends that attend them. We see important changes taking place at three levels: the individual, the organisation, and the environment.

The individual

At an individual level one would like to know how ethical leadership is arrived at. What makes one leader an ethical leader, the other one not? Leadership is not new, and neither are texts on how to do it well. In his famous work *The Art of War*, written around 500 BC, Sun Tzu formulated his leadership lessons for warriors (see Figure 1.1).

There are Five Fundamentals

For deliberation

For the making of comparisons

And the assessing of conditions:

The Way	Causes men To be of one mind With their rulers To live or die with them And never to waver
Heaven	Ying and Yang Cold and Hot The cycle of seasons
Earth	Height and depth Distance and proximity Ease and danger Open and confined ground Life and death

Figure 1.1 Sun Tzu on Leadership

Leadership (Command)	Wisdom Integrity Compassion Courage Severity
Discipline	Organization Chain of command Control of expenditure

Figure 1.1 Continued

Every leader is aware
Of these
Five Fundamentals

He who grasps them
Wins;
He who fails to grasp them
Loses

Sun Tzu (c551–496 BC)

'Every leader is aware of the five fundamentals', but there is a difference between being merely aware and truly understanding them: 'He who grasps them wins; he who fails to grasp them loses.' *The Art of War* (Sun Tzu, 500 BC/2002) offers its five vantage points from which to study an opponent or organisational entity. If the leader studies them to a point where he has true clarity, Sun Tzu says that by this understanding he will succeed. However, if he does not, he will fail, by the very lack of such an understanding. Sun Tzu's advice marks an early attempt in the long tradition of trying to teach leadership, and his leadership blueprint includes compassion and integrity, those qualities we would expect to be prominent in the make-up of an ethical person. However, he also stresses that the guide to behaviour is 'the way' which demands loyalty to the powers that be. In effect, this demands acceptance of the corporate rather than the individual ethic. There are obvious parallels with modern dilemmas concerning the individual and the corporate ethic, as well as with the wider debate about individualism in society.

But after so many centuries of the teaching of leadership, why has it not advanced to the point where it is more commonplace and more usually successful? Clearly there are many leaders who are viewed as role

models, but too often their success comes with a lack of visible commitment to clear ethical standards. Whatever has been learned seems to have neglected the ethical side of leadership. We will not rehearse here the nature versus nurture arguments (Meaney, 2001), but there is evidence that courses with the title 'ethics' can have an effect on those who take them. One such study demonstrated that the studying of ethical scandals positively impacted MBA students' ethical decision-making and their perceptions of the ethics of business people (Cagle and Baucus, 2006). Whether ethics courses do in fact deal with ethics in the purest sense has been questioned (Van Liedekerke and Dubbink, 2009), but in any case there is no conclusive evidence that an ethical education is contagious. And no matter how successful any such course proves to be, we have to recognise that, among the totality of behavioural influences, individuals in business organisations are subject to pressures that emphasise economic results irrespective of their moral value. Finance courses invariably teach future managers to believe that the purpose of business is to 'maximize shareholder value' (Jensen, 2000; Rappaport, 1998) and even an original focus on long-term shareholder value has quickly given way to short-term shareholder value maximisation: in Aspen's most recent MBA poll, 93% of the MBA students indicated that they 'strongly or somewhat agree that managers place too much emphasis on short-term performance measures when making business decisions' (Aspen, 2008, p17). This followed business practice (Handy, 2002; Mintzberg et al., 2002), to please ever more demanding institutional shareholders and investment analysts, as well as in reaction to the distortion caused by remuneratory stock options (Wolf, 2002, Emiliani, 2004). When all indicators point towards profit maximisation, moral scruple can simply be crowded out. Our supposition therefore is that a full account of what is happening will need to accommodate the various forces acting on individuals and the way they respond to them, whether through good or poor role-modelling, standard-setting, training, or inculcation, and throughout the world.

The organisation

As a further development, the structure of organisations may be encouraging a propensity for unethical behaviour. Increasingly complex global and matrix-managed organisations can confuse accountability and provide ample room for the miscreant to hide. Increasingly transactional employment contracts, enforced through objective-based performance management systems, limit staff to their role-responsibility. 'Going beyond that

is not encouraged or even punished. This implies that at all levels of the organisation we are confronted with moral muteness, the unwillingness to speak out when confronted with practices which one considers to be problematic' (Van Liedekerke and Dubbink, 2009:11). Such issues are compounded when organisations operate in many different cultural contexts, with employees whose moral codes differ. In such situations 'moral muteness' may be considered a wise move for both the individual and the organisation in order to avoid disputes, and the diversity and cultural sensitivity rhetoric provides welcome shelter from these particular storms. Even corporate policies and ethical codes can backfire if these feed a reluctance to challenge questionable behaviour in case such a challenge is seen as violating a human right or affecting employability.

The transactional nature of much employment is mirrored in the worrying compartmentalisation of ethics, it being delegated to suitably vague and unenforceable codes of conduct, or collectively to the Corporate Social Responsibility (CSR) team. Where this division of labour can fall down is where it absolves individuals from the need to engage in genuine moral deliberation, because this is supposedly done elsewhere (Van Liedekerke and Dubbink, 2008:273). Distinguishing ethical, altruistic and strategic CSR, Lantos argues that altruistic CSR is not a legitimate role of business, but that ethical CSR, grounded in the concept of ethical duties and responsibilities, should be mandatory. His research suggests that strategic CSR, underpinned by senior leadership involvement, is good for business and society (Lantos, 2001).

A further organisational trend might be shorthanded 'forgetting Kotler', the marketing *eminence grise* who taught generations to delight customers, not just serve them. Many businesses interact directly with members of the public, and the growth of the service sector has been a notable feature of recent decades. The 'stars' of this growth have tended to be the technology-rich information and computing companies, with their ability to deliver standardised performance and 'solutions' on a global scale. Although their direct contact with consumers and their ability to marshal data might have been expected to engender a greater ability to deliver 'mass customisation' and tailored sensitivity to the array of customer needs, values, and preferences, the opposite seems to have been the case. Indeed, their interaction with consumers often seems similar to that of the manufacturing companies of the early marketing days, who are roundly castigated in the literature for their old-fashioned sales and product-driven approaches. Even Google (whose professed ethic 'don't be evil' is a good example of low expectations in the ethical sphere) can be criticised for allowing economic efficiency to

be their default driving force. Only after prompting did they accept the need for considered ethical reflection in areas such as the handling of personal information, privacy, the acceptance of government censorship, or, allegedly, predatory activity to protect market share.

The environment

While organisations exert influence on those within them, they are themselves shaped by their surrounding environment. This environment is radically different from that of even a generation ago. Many of the essays in this collection discuss these trends, which are too numerous to be adequately summarised here, neither do we wish to rehearse the crucial effect discussions on sustainability are having on a consideration of future business models and ways of operating. However, one structural change is worth mentioning, because it has turned the face of business from the consumer towards the financial markets. Facilitated by sophisticated financial instruments, many businesses have adjusted their capitalisation, using leverage to fuel growth. In many industries, businesses are now able to differentiate themselves by their different financing positions. Those that are well financed have the opportunity to give better service to consumers, or they can use their access to resources as a basis for rewarding shareholders. This has two consequences. On the one hand, superior shareholder rewards result in an improved ability to attract capital. On the other, the actual offer to consumers can be limited to matching that of the less well-financed players, possibly with cosmetic differences and the heavy use of brand. As more businesses become dependent on strategies that only financiers understand, they become financial institutions in their own right, increasingly focusing their attention on the secondary financial markets to the detriment of the consumer. While this may have an altruistic intent about the management of risk, its effect does not tend to favour the consumer in practice. This is fundamentally changing the traditional focus of business, reinforcing the bias towards shareholder value, which can only ever be fundamentally guaranteed by exquisite and persistent customer focus. This point was also made in a recent edition of *The Economist*, which argued for the replacement of shareholder value by ‘customer-driven capitalism’ (*The Economist*, 24 April 2010, p. 64).

A book such as this is timely because of the widespread feeling that business has lost its moral compass. Business leaders seem to be more interested in their own remuneration than in serving their customers,

and few could name more than a handful of business leaders they regard as global ethical role models. This book focuses on the role of leaders and their role in ethics, forcing back on the agenda an uncomfortable but crucial topic for our future global flourishing.

Roadmap

While it is our strong belief that leadership in the world today is not as ethical as it should or could be, this book does not pretend to give all the answers. However, it does open a number of gateways and comprises three sets of perspectives. The first part offers perspectives on the nature of the challenges faced by global leadership ethics. The second offers perspectives from around the world, widening our field of experience, and the third offers perspectives for the future. Each section will be briefly outlined here. While the chapters may be read in isolation, this chapter offers a logic to assist the reader who wishes to digest the collection as a whole.

First – Perspectives on the Nature of the Challenge. In this first part, a number of challenges that bring pressure to bear on ethical leadership are analysed: environmental pressures from the media and shareholders, the impact of the personality type of the leader for good or ill, and the impact of operational pressures at the sharp end.

Many commentators have laid the blame for the recent turmoil in world markets at the foot of unethical leaders. In support of this thesis, Boddy uses the psychopathy scale to show that psychopaths appear to be disproportionately represented in senior leadership positions. He introduces the concept of the Corporate Psychopath, a ruthless, selfish and conscience-free employee who finds it easy to gain entry to and promotion within organisations. Using new data, Boddy argues that the higher than normal incidence of this type of profile in businesses seriously affects an organisation's ability to be ethical, given the lack of moral accountability among psychopaths and their seniority, and the problems associated with screening employees for psychopathy.

One way in which organisations are increasingly giving voice to their ethical intent is through corporate social responsibility initiatives. Given their prevalence, Manner has investigated what sort of leadership correlates with exemplary corporate social performance. Given the direction of travel towards more 'applied' university topics, he finds that strong performance in this area is positively related to the CEO having a Bachelor's degree in humanities. Further, interestingly given the increasing number of women in senior leadership positions, he finds a positive correlation between exemplary performance and being female.

While he also identifies a positive correlation with breadth of career experience, he identifies negative correlations between strong socially responsible performance and the CEO having a Bachelor's degree in economics, and between performance and their level of short-term compensation. His findings suggest that CEOs have more discretion in promoting strong and exemplary social performance than in counteracting poor performance in this area, which offers a degree of optimism for the success of such initiatives in the future.

Chen, too, focuses on the role of the leader, examining the proposition that a major cause of recent financial accounting scandals was unethical leadership. Using computer modelling, he demonstrates the additional role played by financial analysts, by the press, and by shareholders in bolstering unethical leadership in companies. He concludes that, as well as unethical leadership, a combination of CEO narcissism, financial incentives, shareholder expectations, and media praise can do much to explain the incidence of financial accounting scandals.

Thomas and Walker add to this complexity, discussing life 'at the sharp end' in organisations, where there is little room for intellectual introspection or detailed post-hoc ethical analysis. Describing, with examples, a complex activity space, the authors show how individual biases, group dynamics, and countervailing forces shape behaviour. They also show how these collective influences can often derail well-intentioned actions by creating irrational moments that spiral out of control.

Second – Perspectives from Around the World. This second part gives an insight into the world of practice. In this part we have collected research from across the continents on how leadership is perceived and implemented, challenged and encouraged.

Mària and Lozano examine leadership in the contrasting settings of a federation of co-operatives in Nicaragua and an employer organisation in the DR Congo. The authors explore the visions, roles, and virtues of leadership, comparing two theoretical approaches and illustrating them with two cases. The theoretical approaches compare a management theory with a sociological theory of leadership, in terms of the perspective adopted, the diagnosis of the situation, the focus and style of the leader, and the outcome.

Bibu et al. use the lens of the Romanian cohort of the Global Leadership and Organisational Behaviour Effectiveness (GLOBE) project to discuss the relationship between ethical issues and the characteristics of the ideal leader within a post-communist societal context. The GLOBE project was carried out by a consortium

of 12 universities from different regions of Romania. Using GLOBE data to examine Romania's societal culture profile at practice level (as it is) and at value level (as it should be), the authors explore the gaps between these levels, concluding that leadership in Romanian culture and society is changing from the traditional model towards a more modern idea of leadership. They suggest that this trend is closely linked to the changes in both organisational culture and the Romanian societal context as a whole.

Abimbola and Abimbola then offer the contrasting cases of The Body Shop in the UK and the Nigerian Stock Exchange. Using the example of The Body Shop, they use virtue ethics, new institutional theory, and the stakeholder perspective to offer a view designed to bridge the gap between leadership, the organisation, and society as a whole. They argue that micro and macro economic factors require an alignment between strategic leadership at these personal, organisational, and societal levels, defending the viewpoint that a virtue-based theory of ethical leadership is applicable and desirable in all environments.

Szeto takes us next to China, to examine the influence of Chinese folk wisdom on leadership behaviour. It has been argued that Western concepts of capitalism undermine traditional Confucian values in business dealings, and Szeto uses a survey of business managers to examine the impact of Chinese folk wisdom on ethical practices and behaviour. He finds that Chinese folk wisdom remains an effective carrier of the Chinese traditional ethical values, acting as an effective 'firewall' to guard against possible unethical practices by Chinese managers.

Finally, April et al. use empirical research conducted among MBA students in the Netherlands and in South Africa to identify the enablers and stumbling blocks for ethical leadership. Focusing on the personal challenges of leading ethically, the authors set out to understand what prevents individuals from acting courageously on their often substantial theoretical ethical knowledge, as well as what helps those who do feel able to live and act ethically. The authors use the data to suggest a range of practical actions that help leaders to behave well.

Third – Perspectives for the Future. In this last part of the book, we focus these various perspectives with a set of views about ethical leadership for the future, concluding with our own view on the topic. The role of regulation is discussed, and the tension between being ethical and being merely compliant. While long-term vision and a stakeholder orientation are characteristics of a great ethical leader, so is moral

direction, and a moral compass can help leaders through the maze of uncertainty and challenge in a global world. Spiritual anchors, too, can help to capture and analyse the diverse configuration of value sets within organisations.

One remedy for unethical behaviour that is very much in vogue is the introduction of more legislation. But Lager argues that ethics is not readily susceptible to legislation, requiring clear and consistent ethical leadership beyond the limits of a compliance-based culture. He argues that ethical leadership requires the recognition that the standards of compliance set by law and regulation are merely standards and not measures of ethical conduct. He concludes that leaders should integrate ethical values into the fabric of the organisation by responsible ethical leadership, values-based training, and a genuine concern for employees and other stakeholders. Such behaviour will naturally inspire the behaviour in others that complies with most legislative and regulatory commands, while greatly enhancing productivity and brand strength.

Thompson then offers a perspective on globalisation as a labyrinth, a maze of opportunities, risks, and dilemmas with few clear directional signals. To be effective, leaders need tools for engaging with human values and moral will to create new wisdom to meet new ethical challenges. Drawing many strands together, she therefore proposes a moral compass as a model for building common moral ground, across social boundaries, values, and the competing claims of religion, ethnicity, and culture. Thompson argues that morality is a culturally situated human structure, and that moral direction is the work of leaders. Given modern complexity, contemporary leaders face the demands of new, untested challenges that preclude reliance on any single wisdom tradition for moral guidance. Thompson's moral compass is more than a metaphor, because it structures moral meaning to enable adaptive leaders to create new guiding wisdom traditions.

Karakas then introduces the spiritual dimension, discussing nine spiritual anchors as a framework for capturing and analysing diverse value compasses of leaders in organisations. Building on Schein's concept of 'career anchors', this article introduces the concept of 'spiritual anchors', patterns of deeply held spiritual motives, values, and attitudes that provide direction, meaning, wholeness, and connectedness to that person's life and work. Based on qualitative interviews, the article develops a typology of spiritual anchors, each of which can be thought of as the spiritual DNA of a person, or a fractal of that person's holistic value system.

The collection concludes with a reflection by the editors, drawing together the themes raised. In it, we look at the skills, characteristics and competences an ethical leader is likely to need in the future, and we discuss the particular ethical challenge of leading in a global and increasingly knowledge-based world. Finally, we reflect on future directions in leadership ethics.

This chapter concludes the book, a book that is distinctive because it combines academic rigour and research with a realistic sense of application. It does this through modelling and other abstract approaches as well as through research derived from the realm of practice. It is also distinctive in drawing together chapters from authors around the world to show diverse perceptions and interpretations of ethical leadership through their academic and practical work – and it draws together a perspective and positive outlook on the better prospects that exist for ethical leadership globally, in the future.

The conference at which some of the material in these chapters was first presented was held at Ashridge Business School in May 2009, chaired by Carla Millar and Marc Jones. It led to guest-edited publications in the *Journal of Public Affairs* and in the *Journal of Business Ethics*. This collection also draws from this rich source, supplementing it through additional contributions to ensure the flow and integrity of an academic book.

We trust that this book will satisfy the needs of scholars and executives from around the world who would like to read about theoretical and practical issues of ethical leadership against a global backdrop. Our Ashridge experience tells us that the ‘collection’ format will particularly appeal to the reading habits of an executive audience, while permitting academic readers access to a range of approaches, research, ideas, and references.

We hope that you will find it thought-provoking.

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