

Ethical leadership

...the case for

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Edelman Trust Barometer

- Edelman Trust barometer 2016 trust in business risen since financial crisis low (52% 2015, 60% 2016)
- Us and them emerging; those earning £100K+ trust level of 67%, low income ie <£15K only 35%
- = majority of customers
- Affected by perceptions of corporate greed (bonuses and pay) and corruption
- Not paying taxes
- Bad news matters

CIPD: where has all the trust gone?

- The Change Management Consortium found average levels of trust in the line but very low levels of trust in senior managers (Hope-Hailey *et al.*, 2010):
 - Distance of senior managers as organisations have grown bigger (and foreign owned)
 - Increasing centralisation of reporting structures
 - Rounds of job cuts
 - Shift in psychological contracts
 - Differences in remuneration outcomes

Institute of Leadership and Management: the importance of ethical leadership

- Over half (51%) of managers say they are expected to behave in ways that make them feel morally uncomfortable (higher for middle managers than directors)
- One in ten have resigned in response and a further 16% have seriously considered resigning
- Organisations with values statements dealt with unethical behaviour better, staff have more confidence in reporting ethical breaches and less fear in doing so (79% confident versus 62% in those without explicit statements of values)

What is ethical leadership?

- Ethical leadership involves leading in a manner that respects the rights and dignity of others (Ciulla, 2004)
- Resick *et al.*, 2006: character and integrity, ethical awareness, community/people-orientation, motivating, encouraging and empowering and managing ethical accountability
- At the core of ethical leadership exists a cognitive component consisting of leaders' values and knowledge (integrity, ethical awareness, and community/people-orientations) which then influence the way leaders behave and use their social power (motivating, encouraging, and empowering followers and holding people accountable)
- All cultures studies agree the importance of character, altruism, collective motivation and encouragement but differences in degree of endorsement

What is ethical leadership?

- Trevino *et al.* (2000, 2003), **the moral person** aspect of ethical leadership = personal characteristics ie being honest and trustworthy and seen as fair and principled decision-makers who care about people and the broader society. But also **the moral manager** dimension = the leader's proactive efforts to influence followers' ethical and unethical behaviour
- Moral managers communicate an ethics and values message, by visibly and intentionally role modelling ethical behaviour, and by using the reward system (rewards and discipline) to hold followers accountable for ethical conduct
- Brown *et al.* (2005) social learning perspective – ethical leadership involves role modelling and promoting normatively ethical behaviour, demonstrated via actions, decisions and communications

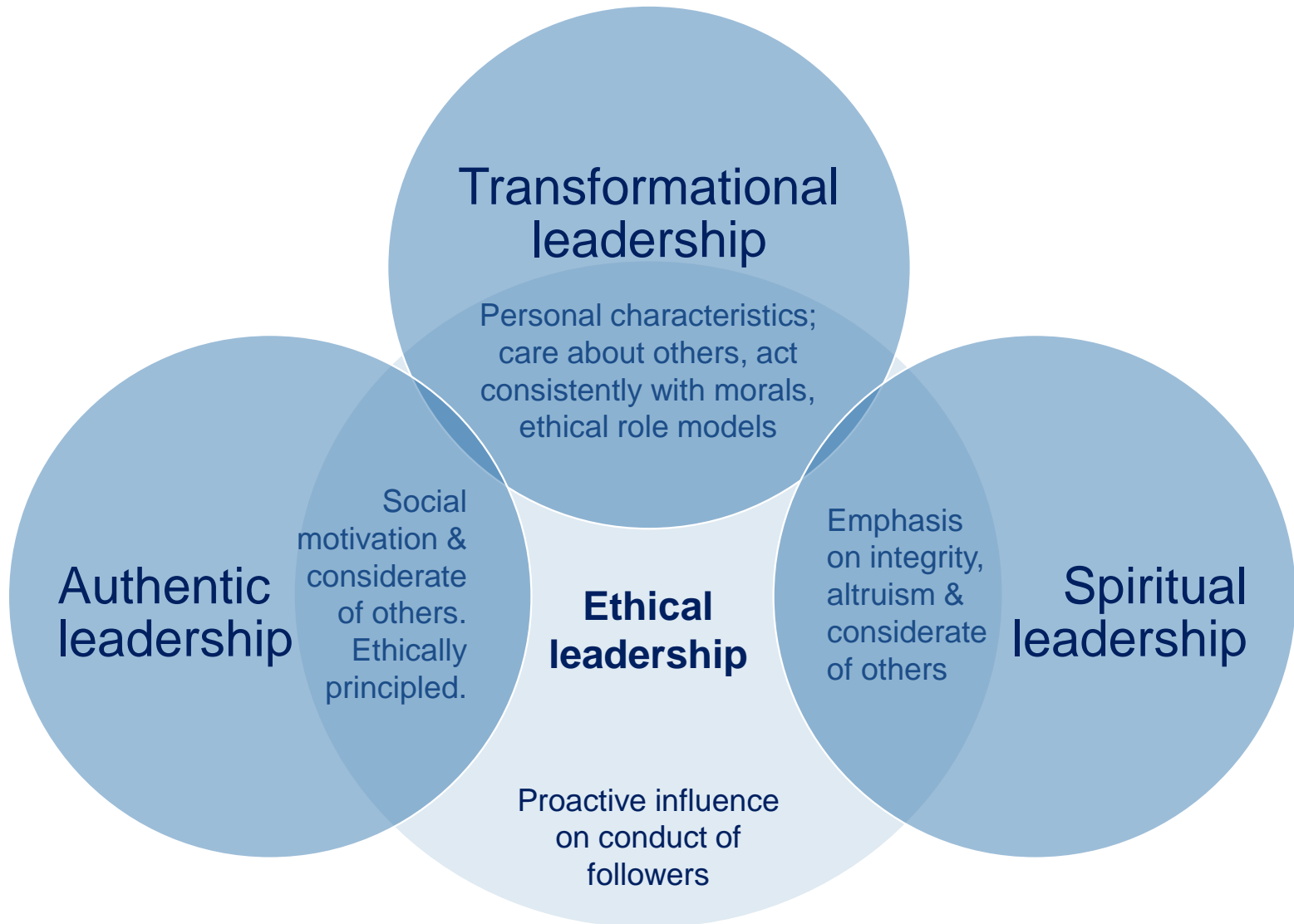
Drivers of trust (Dietz & Den Hartog, 2006)

- To be trusted leaders need to demonstrate:
 - Ability – competence at job
 - Benevolence – concern for others
 - Integrity – adherence to principles encompassing fairness and honesty and lack of hypocrisy
 - Consistency and predictability – regularity of behaviour

Links to...

- Ethical leadership links positively to leader consideration, interactional fairness, leader honesty and idealized influence
- Related to affective trust, predicts satisfaction with leader, perceived leader effectiveness, willingness to exert extra effort and willingness to report problems to management

Overlap with other leadership constructs (Brown *et al.*, 2006)



Influences on ethical leadership

- Role modelling:
 - Having a role model important antecedent (demonstrating caring, honesty, high standards, holding others to account, willingness to turn mistakes into learning, humility)
 - Work closely and frequently
 - Ethical mentor rather than early childhood influences of top managers
- Ethical context:
 - Leadership, authority structures, reward systems, codes and policies, decision making and ethical norms
 - Organisational rewards and punishments
- Moral intensity (draw attention to the leader):
 - Magnitude of consequences
 - Social consensus

The antecedents

- Social learning theory: followers learn from and emulate attitudes, values and behaviours of attractive and credible role models. Power and status enhance attractiveness, demonstration of care and concern, credibility enhances effectiveness as a role model
- Individuals look outside of self for ethical guidance (Trevino, 1986)
- Weaver *et al.* (2005) ethical role modelling is a side by side phenomenon – need to be well known, having an ethical role model in a career related to own ethical leadership
- Ethical climate in organisations (includes role models, formal policies and informal norms) – Trevino (1998, 1999) ethical culture moderates the relationship between moral reasoning and ethical/unethical behaviour and correlates with employees organisational commitment and negatively with unethical conduct
- Ethical behaviour influenced by organisational rewards and punishments (Ashkanasy *et al.*, 2006)

Impact

- Link between perceived leader effectiveness with **perceptions of the leader's honesty, integrity, and trustworthiness** (Den Hartog *et al.*, 1999; Kirkpatrick & Locke, 1991; Kouzes & Posner, 1993; Posner & Schmidt, 1992)
- **Cognitive trust** (the exercise of care in work, being professional, dependable; McAllister, 1995) has been associated with effective styles of leadership (Dirks & Ferrin, 2002)
- Ethical leadership is positively associated with organisational commitment, trust in leaders, employee empowerment mediated via beliefs regarding authenticity (Zhu, May and Avolio, 2004)
- Ethical leadership positively and significantly related to employee performance as rated by their immediate supervisors (Walumbwa *et al.*, 2011)
- Kima and Brymer (2011) ethical leadership enhances job satisfaction, organisational commitment

Outcomes

- Brown *et al.*, 2006
 - Influence the ethical quality of followers' decisions
 - Leaders moral reasoning can influence moral reasoning in work groups (Dukerich et al 1990)
 - Influence pro-social behaviours, social exchange relationship, reduce counter productive behaviour
 - Affect work related attitudes e.g. commitment, motivation and satisfaction
- Searle and Skinner, 2011 on trust...
 - Improved employee performance
 - Improved motivation and positive attitudes, enhanced pro-social behaviour and co-operation
 - Higher productivity, lower wastage, lower turnover, fewer stoppages
 - Better knowledge sharing and innovation

Any questions?

Thank you

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