ETHICAL LEADERSHIP

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ETHICS FUNDAMENTALS

• ETHICS - A THEORY OR SYSTEM OF MORAL PRINCIPLES GOVERNING THE APPROPRIATE CONDUCT FOR AN INDIVIDUAL OR GROUP

• MORALITY - A SET OF ACCEPTED STANDARDS OR RULES ABOUT WHAT CONSTITUTES RIGHT OR WRONG CONDUCT

• CONDUCT (BEHAVIOR) - THE WAY A PERSON RESPONDS TO A SET OF CONDITIONS / CIRCUMSTANCES

• VALUES - SET OF PRINCIPLES AND IDEALS CONSIDERED MEANINGFUL AND IMPORTANT (THEY DEFINE CHARACTER AND DRIVE BEHAVIOR)
ETHICAL PRINCIPLES AND THEORIES

• **BENEFICENCE** - DOING GOOD

• **LEAST HARM** – HARMING FEWEST PEOPLE POSSIBLE (UTILITARIAN)

• **RESPECT FOR AUTONOMY** - PEOPLE HAVE RIGHTS, THAT SHOULD NOT BE VIOLATED; PEOPLE MAKE DECISIONS THAT APPLY TO THEIR LIVES

• **JUSTICE** - ACTIONS THAT ARE FAIR TO PEOPLE INVOLVED (DUTY AND OBLIGATION)

• **CARE** - WHAT MAKES ACTIONS RIGHT OR WRONG IN HUMAN RELATIONSHIPS
• VIRTUE ETHICS – CHARACTER DRIVEN ACTIONS
  • GOOD CHARACTER TRAITS (VIRTUES)
  • BAD CHARACTER TRAITS (VICES)
• ETHICAL EGOISM – ACTING IN SELF-INTEREST
• ALTRUISM - ACTING IN THE INTEREST OF OTHERS
• ETHICAL RELATIVISM - NO UNIVERSALLY VALID MORAL PRINCIPLES; ALL ARE RELATIVE TO CULTURE OR INDIVIDUAL CHOICE
  • MORAL RULES DIFFER FROM SOCIETY TO SOCIETY
ETHICAL DECISION MAKING

• FOUR COMPONENT MODEL (JAMES REST, 1994)
  • MORAL SENSITIVITY - AWARENESS/RECOGNITION THAT THE
    SITUATION HAS A MORAL ISSUE (POTENTIAL HARM TO PEOPLE)
  • MORAL JUDGMENT – EVALUATION OF ALTERNATIVE DECISIONS TO
    DETERMINE IF MORALLY SOUND
  • MORAL MOTIVATION – CHOOSING VALUE OF MORALITY OVER
    VALUE OF POWER /AUTHORITY
  • MORAL COURAGE – DECIDING TO TAKE ACTION IN THE DIRECTION
    OF MORAL JUDGMENT AND MOTIVATION

• MORAL ISSUE INTENSITY — AFFECTS ALL FOUR
  COMPONENTS
  • PROBABILITY AND MAGNITUDE OF CONSEQUENCES
  • TIME ELAPSED BETWEEN ACTION AND CONSEQUENCES
  • PROXIMITY OF PEOPLE AFFECTED
  • SOCIAL CONSENSUS - AGREEMENT WITH EXPECTATIONS
    OF PEER GROUP, OR SOCIETY AT LARGE
CRITICAL THINKING

• A PURPOSEFUL, ORGANIZED, MENTAL PROCESS THAT WE USE TO UNDERSTAND THE WORLD TO MAKE INFORMED DECISIONS
  • ASKING QUESTIONS TO COME UP WITH POTENTIAL SOLUTIONS TO DIFFERENT PROBLEMS (OF VARYING COMPLEXITY)
  • ACTIVELY AND SKILLFULLY CONCEPTUALIZING, APPLYING, ANALYZING, SYNTHESIZING, OR EVALUATING INFORMATION GATHERED FROM OR GENERATED BY OBSERVATION, EXPERIENCE, REFLECTION, REASONING, OR COMMUNICATION, AS A GUIDE TO BELIEF AND ACTION (NATIONAL COUNCIL FOR EXCELLENCE IN CRITICAL THINKING)

• CRITICAL THINKING REQUIRES APPLICATION OF BROAD INTELLECTUAL CRITERIA (STANDARDS), SUCH AS CLARITY, ACCURACY, PRECISION, RELEVANCE, DEPTH, BREADTH, LOGIC, SIGNIFICANCE, AND FAIRNESS (ELDER and PAUL, 2012)
INTELLECTUAL STANDARDS

• CLARITY – UNDERSTANDABLE; MEANING CAN BE GRASPED
• ACCURACY – TRUE; FREE FROM ERRORS, DISTORSIONS
• PRECISION – EXACT (RELATIVE TO DESIRED LEVEL OF DETAIL)
• RELEVANCE – RELATING TO MATTER/ISSUE AT HAND
• DEPTH – CONTAINING COMPLEXITIES WITH MULTIPLE INTERRELATIONSHIPS
• BREADTH – ENCOMPASSING MULTIPLE VIEWPOINTS
• LOGIC – PARTS MAKE SENSE TOGETHER; NO CONTARDICTIONS
• SIGNIFICANCE – FOCUSING ON THE IMPORTANT, NOT THE TRIVIAL
• FAIRNESS – JUSTIFIABLE, NOT SELF-SERVING OR ONE-SIDED
FAIR-MINDED BEHAVIOR

- Adhering to intellectual standards, understanding limitations uninfluenced by one’s own advantage (self interest); this requires
  - Intellectual humility – understanding of one’s biases and limitations (degree of ignorance)
  - Courage – willing to challenge beliefs (even when painful)
  - Empathy – entertaining opposing views (understanding others, diversity)
  - Integrity – holding oneself to the same standards that one expects others to meet (walking the walk vs. talking the talk)
  - Perseverance – working with complexity and frustration (tolerating uncertainty, risk)
  - Confidence in reason – reason/rationale comes first (respecting reasonable suggestions – being unstubborn)
  - Intellectual autonomy – being an independent thinker, while avoiding uncritically accepting others’ thoughts
KOHLBERG’S STAGES OF MORAL DEVELOPMENT

**PRECONVENTIONAL**
1. OBEDIENCE OR PUNISMENT (STRICT RULES)
2. SELF INTEREST (WHAT’S IN IT FOR ME ?)

**CONVENTIONAL**
3. GOOD INTERPERSONAL RELATIONSHIPS (PEER APPROVAL)
4. LAW AND SOCIAL ORDER (FOLLOW RULES, PERFORM DUTY, RESPECT AUTHORITY)  
   (TERMINAL STAGE FOR 80 % OF PEOPLE)

**POSTCONVENTIONAL**
5. SOCIAL CONTRACT (RESPECT MAJORITY DECISIONS AND COMPROMISE)
6. UNIVERSAL ETHICS (PRINCIPLED CONSCIENCE)
ETHICAL MATURITY AND FITNESS

• **CRITICAL REFLECTION**: ABILITY TO REFLECT ON LIFE EXPERIENCES AND ANALYZE THEM FOR ISOLATING IMPORTANT PRINCIPLES AND CONTINUOUSLY LEARNING OVER TIME

• **ETHICAL FITNESS**: “CAPACITY TO RECOGNIZE THE NATURE OF MORAL CHALLENGES AND RESPOND WITH A WELL-TUNED CONSCIENCE, A LIVELY PERCEPTION OF THE DIFFERENCE BETWEEN RIGHT AND WRONG, AND AN ABILITY TO CHOOSE THE RIGHT AND LIVE BY IT.” ~KIDDER, 1990

• **ETHICAL AND INTELLECTUAL MATURITY**: A STATE OF UNDERSTANDING AND KNOWLEDGE THAT ENABLES AN INDIVIDUAL TO CONSISTENTLY AND RESPONSIBLY FUNCTION IN AN ETHICALLY FIT MANNER
INTELLECTUAL AND ETHICAL DEVELOPMENT

• 4 STAGES –
  • BASIC DUALISM (RECEIVED KNOWLEDGE): INDIVIDUAL NEEDING AN AUTHORITY TO TELL HIM/HER WHAT IS RIGHT VS. WRONG); DIRECTION FOR DECISION MAKING --"TELL ME THE RIGHT ANSWER."
  • MULTIPLICITY (SUBJECTIVE KNOWLEDGE): BEGINNING TO FORM OWN OPINIONS AND DESIRES, MULTIPLE PERSPECTIVES; TESTING BELIEFS AND VALUES
  • RELATIVISM SUBORDINATE (PROCEDURAL KNOWLEDGE): DEVELOPING AN ANALYTICAL AND EVALUATIVE APPROACH; ETHICAL CHOICES BASED ON RATIONALE SUPPORTED BY EVIDENCE AND REASONING; "WHY DO YOU BELIEVE THAT?"
  • RELATIVISM (CONSTRUCTED KNOWLEDGE): GROWING TO AN UNDERSTANDING THAT "RIGHT VS. WRONG" IS RELATIVE, DEPENDING ON THE CONTEXT OF THE EVENT/SITUATION (NO "ONE RULE FITS ALL") ; LOOKING BEYOND HIS/HER OWN "TRUTH" TO DETERMINE THE AVAILABLE ETHICAL CHOICES
Intellectual and Ethical Maturity Continuum

Stage One
Basic Dualism
State of Received Knowledge

Stage Two
Multiplicity
State of Subjective Knowledge

Stage Three
Relativism
Subordinate State of Procedural Knowledge

Stage Four
Full Relativism
State of Constructed Knowledge

Experiential Learning & Critical Reflection
“ETHICAL LEADERSHIP” IS AT THE INTERSECTION OF LEADERSHIP AND ETHICS
LEADERSHIP IS ABOUT INFLUENCING PEOPLE TO ACHIEVE COMMON GOALS
ETHICAL LEADERSHIP IS ACHIEVING THOSE GOALS IN AN ETHICAL WAY (THROUGH FAIRNESS AND JUSTICE)
MANY BELIEVE THAT ETHICAL LEADERSHIP IS ABOUT “STRONG CHARACTER” AND “RIGHT VALUES”.
HOWEVER, ETHICAL LEADERS MUST BE CONCERNED WITH MORE THAN RUNNING THEIR BUSINESS. THEY MUST BE CONCERNED WITH THEIR EMPLOYEES, CUSTOMERS, SUPPLIES, COMMUNITIES, SHAREHOLDERS AND THEMSELVES (REACHING OUT TO STAKEHOLDERS)
• WHAT IS MEANT BY THE TERM “ETHICAL LEADERSHIP” IS NOT ALWAYS CLEAR


• BEING AN ETHICAL LEADER WILL BE EASIER IF ONE INCORPORATES FOLLOWING QUESTIONS IN THOUGHT PROCESS (NORTHOUSE, 2013)
  • IS THIS THE RIGHT THING TO DO?
  • IS THIS WHAT A GOOD PERSON WOULD DO?
  • AM I RESPECTFUL TO OTHERS?
  • DO I TREAT OTHERS GENEROUSLY?
  • AM I HONEST TOWARDS OTHERS?
  • AM I SERVING THE COMMUNITY?
CHARACTERISTICS OF ETHICAL LEADERS

• ARTICULATE AND EMBODY THE PURPOSE AND VALUE OF THE ORGANIZATION
• FOCUS ON ORGANIZATION SUCCESS RATHER THAN ON PERSONAL EGO
• FIND THE BEST PEOPLE AND DEVELOP THEM
• CREATE A LIVING CONVERSATION ABOUT ETHICS, VALUES, AND THE CREATION OF VALUE FOR STAKEHOLDERS
• CREATE MECHANISMS OF DISSENT
• TAKE A CHARITABLE UNDERSTANDING OF OTHERS` VALUES
• MAKE THOUGH CALLS, WHILE BEING IMAGINATIVE
• KNOW THE LIMITS OF VALUES AND ETHICAL PRINCIPLES
• FRAME ACTIONS IN ETHICAL TERMS (WITHOUT BEING PERCEIVED AS RIGHTEOUS)
• CONNECT THE BASIC VALUE PROPOSITION TO STAKEHOLDER SUPPORT AND SOCIETAL LEGITIMACY (INTEGRATE ETHICS AND BUSINESS; DO NOT MAKE EXCUSES SAYING “IT`S JUST BUSINESS”)
MORAL PROBLEMS VS. ETHICAL LEADERSHIP

• MORAL PROBLEMS - SITUATIONS IN WHICH FINANCIAL PERFORMANCE (REVENUES, COSTS AND PROFITS) COME IN CONFLICT WITH SOCIAL PERFORMANCE (OVERALL WELL-BEING AND GENERAL SATISFACTION OF STOCKHOLDERS, FIRMS, EMPLOYEES, CUSTOMERS, SUPPLIERS, DISTRIBUTORS, CREDITORS, LOCAL RESIDENTS, NATIONAL CITIZENS AND GLOBAL INHABITANTS)

• DIMENSIONS OF ETHICAL LEADERSHIP
  • “MORAL PERSON” ASPECT: PERSONAL TRAITS (E.G. INTEGRITY, CHARACTER AND ALTRUISTIC MOTIVATION) – PERSONAL DEVELOPMENT
  • “MORAL MANAGER” DIMENSION: LEADER’S PROACTIVE EFFORTS TO INFLUENCE HIS/HER FOLLOWERS’ (ETHICAL AND UNETHICAL) BEHAVIOR – INTERPERSONAL OUTREACH
  • “MORAL SERVANT” DIMENSION: LEADER’S COMMITMENT TO CHARITABLE, CIVIC AND PUBLIC SERVICE – CORPORATE SOCIAL RESPONSIBILITY
PAST AND PRESENT

• UNETHICAL BEHAVIOR/ CORRUPTION IS NOT NEW
  • 1800’S : RAILROAD BARONS AND STEAL MAGNATES
  • YEARS BEFORE GREAT DEPRESSION: FIRMS DEALING WITH STREET RAILWAYS, INSURANCE, BANKING
  • 1990’S : ENRON, TYCO, WORLDCOM- EXECUTIVES FALSIFYING INCOME STATEMENTS AND BALANCE SHEETS REPORTING MUCH GREATER PROFITS TO DRIVE UP STOCK PRICES, AND RECEIVE SUPERLATIVE BONUSES (RECEIVING JAIL SENTENCES)

• PRESENT
  • IN AN INCREASINGLY COMPETITIVE GLOBAL ENVIRONMENT, WE SEE A SHIFT ON MORAL PROBLEMS IN MANAGEMENT FROM DELIBERATE ACTION OF SENIOR EXECUTIVES FOR PERSONAL GAIN TO CONTINUAL PRESSURES ON COMPANIES AND MANAGERS AT ALL LEVELS FOR IMPROVED PERFORMANCE (RISK AND REWARD RELATED)
ETHICS RESOURCE CENTER – BUSINESS ETHICS SURVEY (2012)

• SURVEY COMPARED FORTUNE 500 COMPANIES WITH A CONTROL GROUP OF OTHER COMPANIES

• ETHICAL MISCONDUCT IS OBSERVED IN BOTH GROUPS; HOWEVER INDUSTRY IS IMPROVING IN ETHICAL CONDUCT (ESPECIALLY FORTUNE 500)

• 59% OF FORTUNE 500 HAVE STRONG ETHICS CULTURE COMPARED TO 53% OF ALL U.S. WORKPLACES

• 60% OF FORTUNE 500 HAVE COMPREHENSIVE ETHICS AND COMPLIANCE PROGRAMS, COMPARED TO 41% FOR THE CONTROL GROUP

• 16% OF FORTUNE 500 EMPLOYEES FELT THAT OTHERS PRESSURED THEM TO COMPROMISE ETHICAL STANDARDS, VS. 13% IN CONTROL GROUP

• 81% FORTUNE 500 BELIEVE DISCIPLINE FOR ETHICAL WRONGDOING WILL APPLY ACROSS THE BOARD (FROM MOST JUNIOR EMPLOYEE TO THE CORPORATE SUITE)
• **MISCONDUCT IS HIGHER AT PRIVATE COMPANIES (59%) THAN PUBLICLY-TRADED BUSINESS (50%)**

• **IF MANAGEMENT COMMITMENT TO ETHICS IS STRONG, 48% REPORTED MISCONDUCT; 89% REPORTED MISCONDUCT FOR WEAK MANAGEMENT COMMITMENT**

• **MOST REPORTED MISCONDUCT IS BRIBES TO CLIENTS (79%); LEAST REPORTED IS CONDUCTING PERSONAL BUSINESS ON COMPANY TIME (38%)**

• **EMPLOYEES REPORT INTERNALLY, BUT WILL GO OUTSIDE IF COMPANY DOES NOT RESPOND**
  • 60% REPORT FIRST TO SUPERVISORS
  • 21% REPORT TO HIGHER MANAGEMENT
  • 11% REPORT TO HOTLINE
  • 17% WENT OUTSIDE, IF COMPANY DID NOT RESPOND
  • **EMPLOYEES EXPERIENCING RETALIATION WERE MORE LIKELY TO GO OUTSIDE**

• **MAIN RECOMMENDATION: REWARDING GOOD CONDUCT**
ETHICS AND COMPLIANCE PROGRAMS – BEST PRACTICES

- **WRITTEN STANDARDS** of ethical workplace conduct
- Orientation or **TRAINING ON ETHICS STANDARDS**
- A **SPECIFIC RESOURCE** (office, telephone line, e-mail address, or website) for **ADVICE** about workplace ethic issues
- A means for an employee to confidentially or anonymously **REPORT VIOLATIONS** of ethics standards (whistle blowers)
- **EVALUATION OF ETHICAL CONDUCT** as part of regular performance appraisals
- **DISCIPLINE** for employees who violate ethics stds
- Set of **STATED VALUES OR PRINCIPLES** to help guide employee conduct
ETHICAL BREAKDOWNS

• EVEN THE BEST EXECUTIVES MAY NOT BE AWARE OF THEIR EMPLOYEE’S UNETHICAL BEHAVIOR, BECAUSE OF “ETHICAL BLINDERS”
  • ILL-CONCEIVED GOALS MIGHT ENCOURAGE UNETHICAL BEHAVIOR (UNINTENDED CONSEQUENCES)
  • MOTIVATED BLINDNESS – OVERLOOK UNETHICAL TENDENCIES, THINKING “IGNORANCE” WILL BE BENEFICIAL (CONFLICT OF INTEREST)
  • INDIRECT BLINDNESS – TOLERANCE TO UNETHICAL BEHAVIOR BY THIRD PARTY (OUTSOURCED WORK)
  • SLIPPERY SLOPE - GRADUAL DEVELOPMENT OF UNETHICAL BEHAVIOR
  • OVERWHELMING OUTCOMES: GOOD OUTCOMES BASED ON UNETHICAL ACTS (BE CAREFUL!!)
CORPORATE SOCIAL RESPONSIBILITY

• CORPORATE SOCIAL RESPONSIBILITY IS THE CONTINUING COMMITMENT BY BUSINESS TO BEHAVE ETHICALLY AND CONTRIBUTE TO ECONOMIC DEVELOPMENT WHILE IMPROVING THE QUALITY OF LIFE OF THE WORKFORCE AND THEIR FAMILIES AS WELL AS OF THE LOCAL COMMUNITY AND SOCIETY AT LARGE.

• ISO 26000:2010 - GUIDANCE STANDARD

• CORE SUBJECTS
  • ORGANIZATIONAL GOVERNANCE
  • HUMAN RIGHTS
  • LABOR PRACTICES
  • THE ENVIRONMENT
  • FAIR OPERATING PRACTICES
  • CONSUMER ISSUES
  • COMMUNITY INVOLVEMENT AND DEVELOPMENT

• CORE PRINCIPLES
  • ACCOUNTABILITY
  • TRANSPARENCY
  • ETHICAL BEHAVIOR
  • RESPECT FOR STAKEHOLDER INTERESTS
  • RESPECT FOR THE RULE OF LAW
  • RESPECT FOR INTERNATIONAL NORMS OF BEHAVIOR
  • RESPECT FOR HUMAN RIGHTS
Standards for a better world
THE ETHISPHHERE INSTITUTE

• GLOBAL LEADER IN DEFINING AND ADVANCING THE STANDARDS OF ETHICAL BUSINESS PRACTICES THAT FUEL CORPORATE CHARACTER, MARKETPLACE TRUST AND BUSINESS SUCCESS

• MEASURES COMPANY PERFORMANCE ON ETHICAL BUSINESS PRACTICES AGAINST STANDARDS AND THE BEST, LEADING COMPANIES

• RECOGNIZES PROGRAMS AND COMPANIES WHICH HAVE SUPERIOR ACHIEVEMENTS IN TRANSPARENCY, INTEGRITY, ETHICS AND COMPLIANCE.
THE ETHISPHHERE INSTITUTE - THE WORLD’S MOST ETHICAL COMPANIES PROGRAM

• THE ETHICS QUOTIENT - AN EXTENSIVE QUESTIONNAIRE (SURVEY) DESIGNED TO CAPTURE DATA ON ETHICAL CULTURE, COMPLIANCE PROGRAMS, POLICY AND PROCEDURE, AS WELL AS OTHER ASPECTS OF AN ETHICAL ORGANIZATION

• THE EQ FRAMEWORK CONSISTS OF FIVE WEIGHTED CATEGORIES:
  1. COMPLIANCE & ETHICS PROGRAM CATEGORY (%35)
  2. CULTURE OF ETHICS CATEGORY (%20)
  3. GOVERNANCE CATEGORY (%15)
  4. CORPORATE CITIZENSHIP AND RESPONSIBILITY CATEGORY (%20)
  5. LEADERSHIP, INNOVATION & REPUTATION CATEGORY (%10)
THE ETHISPHHERE INSTITUTE - THE WORLD’S MOST ETHICAL COMPANIES PROGRAM

• 132 COMPANIES WERE DESIGNATED AS THE WORLD’S MOST ETHICAL COMPANIES WHICH REPRESENT 56 INDUSTRIES SPREAD ACROSS 21 COUNTRIES (2015)
THE ETHISPHERE INSTITUTE - THE WORLD’S MOST ETHICAL COMPANIES PROGRAM

WME Honorees by Sector

- Utilities: 6.8%
- Aerospace/Defense: 1.5%
- Basic Materials: 4.5%
- Consumer Goods: 15.9%
- Finance: 19.7%
- Industrial Goods: 12.9%
- Healthcare: 3.8%
- Government: 1.5%
- Philanthropy: 0.8%
- Services: 16.7%
- Technology: 15.9%

WME Honorees by Annual Revenues (US$)

- $100M or less: 2.3%
- $100M - $200M: 1.5%
- $200M - $500M: 3.0%
- $500M - $1B: 4.5%
- $1B - $5B: 22.0%
- Over $5B: 66.7%
REFERENCES


• Stewart, K. M., & Witter-Merithew, A. (2003). Teaching Ethical Standards and Practice within PreService and In-Service Interpreter Education Programs.


• Kidder, Rushmore. Chapter 5: Right vs. right in How good people make tough choices

• http://ethisphere.com/