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A Blueprint to Build Ethical Leadership Globally ***Examples and Illustrations***

– by *M.S. Rao*

Abstract

The purpose of this research paper is to underscore leadership ethics and to assist in building ethical leaders globally. It explains the concept of ethics and elaborates on the phrase ethical leadership. It outlines the tools and techniques necessary to inculcate ethics. It explains the fundamental reasons for the collapse of global companies such as Enron, Tyco, Lehman Brothers, WorldCom, and Global Crossing due to unethical practices which help explain the more recent fall from grace of BP, Volkswagen, and Wells Fargo. It illustrates these salient points with inspiring examples of ethical leaders including Mahatma Gandhi, Martin Luther King Jr., and Mother Teresa. It places emphasis more on the “means” rather than on the “ends” to excel as ethical leaders. It implores to achieve success with integrity. It concludes that a life spent in simplicity and humility is far better than a life spent with fame, initially, and infamy, finally.

Introduction

“There are seven things that will destroy us: Wealth without work; Pleasure without conscience; Knowledge without character; Religion without sacrifice; Politics without principle; Science without humanity; Business without ethics.” — Mahatma Gandhi

Leaders must learn lessons from the collapse of several large companies due to its unethical practices, a corrupting culture, and the unscrupulous methods of their leaders. When those at the helm emphasize the “ends” rather than “means,” such downfalls will inevitably happen.

When one evaluates the reasons for the collapse of companies and their moral shortcomings, it is obvious that there was a complete disregard for ethics and principled decision-making by their leaders. This is the reason why there is a need for teaching ethics in business schools. But, will teaching ethics alone suffice? The answer is clearly not! Ethics is something that needs to be identified and imbued not only in business schools, but also throughout the corporate culture to enable leaders to acquire ethical habits and practices.

Fall from Grace

Leaders must realize that it is tough to climb the ladder of success, but very easy to fall from the top due to wrongdoing. Power, reputation, and money are certainly tempting but

often represent the unmaking and subsequent collapse of a company. Executives should not get tempted by short-term gains which ultimately prove to be unsustainable. The following corporate heads have dubiously entered the annals of history as having succumbed to short-term advancement, threatening the very existence of the entities they once shepherded:

- Jeff Skilling, the former CEO of Enron which went bankrupt due to an accounting scandal, was convicted in 2006 on one charge of insider trading and 18 counts of fraud and conspiracy. He was sentenced to 24 years in jail.
- TV personality, Martha Stewart, was indicted for insider trading in 2003. Stewart saved over \$45,000 by dumping her ImClone stock just before it substantially decreased in value, using non-public information from that company provided by an insider. She was jailed for five months.
- Former IBM executive Robert Moffat provided insider information to New Castle Funds consultant Danielie Chiesi, who was one of the key people in Galleon's Raj Rajaratnam's network of people providing such non-public information. Moffat was sentenced to six months' imprisonment and fined \$50,000.
- Tyco International Ltd.'s L. Dennis Kozlowski and WorldCom Inc.'s Bernie Ebbers were convicted for similar misdeeds.

What are Ethics?

**"There are no universally agreed upon rules of ethics in leadership, no absolute standards or controls, and no fixed and firm reference points. This is fascinating given how hugely important ethics have now become in modern life and society."
— Warren Hoffman**

Ethics are the standards, rules and norms, values and morals, and principles and policies that people must observe while conducting their regular businesses in order to have a profound impact on the business and its stakeholders. Ethics are a set of morals and values that govern every individual in personal, professional, and social life, especially within workplace where leadership is judged based on equitable decision-making and etiquette. When a person assumes a public position, people will judge his or her leadership abilities based upon that individual's values and principles.

Ethics means doing the right things without necessarily being publicly monitored. Ethics means figuring out what is fair and just and involves deciding *what* is right and wrong — not *who* is right and wrong. Ethics differ from culture to culture but uniformly necessitate exploring one's own conscience. At times, there is a thin line that separates ethics from what might be deemed unethical behavior. What is considered ethical in a particular culture may be considered unethical in another culture as ethics are environment specific.

Ethics is not merely a rote practice about following rules and regulations, principles and policies, and values and morals. It transcends these things. For instance, science without

humanity, knowledge without character, and business without morality are considered unethical.

Ethical Leadership

The role of leadership is changing with changing times and technologies. In the past, leaders were treated basically as individuals imbued with extraordinary powers to influence and motivate people in order to execute tasks. With growing civilization and democratization, there is more emphasis on leaders to display ethical decision-making where means matter more than ends. Historically, the sole guidepost was the final result. Currently, it is the means that are more focused upon to give meaning to life, and to make a difference in the lives of others.

Ethical leadership places more emphasis on ideas, ideals, values, and morality. It is about being transparent – just and fair in dealings while leading. It is to resolutely stand by values, sharing same with others with enthusiasm. According to the Center for Ethical Leadership, “Ethical leadership is knowing your core values and having the courage to live them in all parts of your life in service of the common good.”

“Truth alone triumphs at the end” is the hallmark of ethical leadership. It is the values that count. It is the journey that matters, not the destination. How long one lives is not important, but how well one lives with values and morals is sublime. It is not the material but the principles, values, and morals that count for ethical leaders.

All human beings have a conscience that clearly reminds them about what is right and what is wrong. There are cultural issues involved in the development of ethics and morals. What is right in some societies may be wrong in other societies. Hence, ethical leadership is contextual and cultural but at its core, it is based on convictions and everlasting values and morals. Additionally, ethical leadership skills enhance behaviors that shape and inspire organizations to thrive in a disruptive world and ensure organizational sustenance.

Ethical leadership calls for corporate social responsibility. It looks for all-round development of the organization and society as a whole. It calls for paying taxes promptly and looks for longevity, without succumbing to short cuts. The path to ethical leadership is full of thorns, but treading the path makes the journey more exciting and interesting.

James MacGregor Burns said, “Divorced from ethics, leadership is reduced to management and politics to mere technique.” Both ethics and leadership are closely connected for leadership effectiveness. Ethics is something that should be cultivated among all people whether they are leaders or followers.

In order to ensure sustainable progress, leaders must take the responsibility to be ethical in their practices and influence others to do that same. Hence, there is a dire need for ethical leadership worldwide. According to Albert Schweitzer, “Ethics is the activity of man directed to secure the inner perfection of his own personality.” And Potter Stewart says, “Ethics is knowing the difference between what you have a right to do and what is right to do.” Thus, we can define ethical leadership as one which leads from the front with moral values and principles as well as with an emphasis on what is right and just.

Leaders are always closely observed. People search for negative traits and transactions displayed by leaders rather than the positive aspects of their actions. Hence, leaders must

be very careful all the time. They must display honesty, integrity, and total transparency in their dealings to enable them to influence others in a positive way.

People respect leaders more for their ethical values than any other traits such as charisma, compassion, or commitment. Although all these traits are needed for effective leadership, it is ethics that differentiates the leaders. It is rightly said that although the righteous person falls ten times, he rises if his means are right as God supports him. However, the person, who does wrong and displays unjust and ethical ends never falls twice as there is no second opportunity for him.

Acquiring an Ethical Core

“Have the courage to say no. Have the courage to face the truth. Do the right thing because it is right. These are the magic keys to living your life with integrity.”
— W. Clement Stone

Discover your own values first. Crosscheck how far they are correct. If convinced, communicate with others. Being ethical requires a lot of courage. Hence, have the courage to follow through. Be in the company of people who respect your values and principles. Specifically:

- Always remember the cliché, *what* is right and wrong rather than *who* is right and wrong.
- Emphasize the *means*, not the *ends*.
- Attend seminars and training programs on ethics.
- Be transparent wherever needed.
- Strive for goodwill, not for money.
- Don't be greedy. Differentiate between ambition and avarice.
- Look at your conscience and feel what is just and right.
- Adjudicate the issues from both legal and ethical perspectives.
- Examine the long-term implications and complications.
- Balance all the stakeholders involved in the issue.
- Ensure that the outcome is win-win. It must emphasize “live and let live.”

Achieve Success with Integrity

“It is better to suffer wrong than to do it and happier to be sometimes cheated than not to trust.” — Samuel Johnson

Do you prefer ethics to success, or success to ethics? If you prefer ethics, you will excel as an ethical person, but might not achieve immediate success. In contrast, if you prefer success, you may achieve success immediately, but end up in a great fiasco. There are people who are revered even today after several generations for their ethical values – not

for their individual successes. Success is short-lived while ethics are everlasting. In this cut-throat, competitive world, individuals and institutions must refrain from joining an unhealthy race to attain certain objectives at the cost of values and ethics. Albert Einstein rightly quoted, “Try not to become a man of success but rather try to become a man of value.”

Ethical Leaders

“Do you prefer ethics to success, or success to I am not interested in power for power's sake, but I'm interested in power that is moral, that is right and that is good.” — Martin Luther King, Jr.

Leaders like Martin Luther King, Jr., Mahatma Gandhi, Mother Teresa, and Dalai Lama have championed the means as a critical component of attaining the final objectives. It is their emphasis on methods which brought them laurels and made them legends. If Martin Luther King, Jr. had adopted violent means to elevate the stature and status of African-Americans in the United States, would he have become a great leader? If Mahatma Gandhi had adopted violent means to attain India's independence, would he have lived as a great leader in the hearts of the people for so long a time? No, never!

Mother Teresa lived for the poor and the lepers and made a significant difference to their lives. Although Florence Nightingale was a rich woman, she gave up her comforts to serve patients in the Crimean war. Dalai Lama is seeking Tibet's independence through non-violent means. Aung San Suu Kyi fought for democracy in Myanmar through peaceful means. All of these leaders remain salient figures because they elevated the methods of obtaining particular outcomes.

In contrast, both Hitler's means and ends were despicable and heinous although many followers advocated his populist and xenophobic approach in championing a distorted view of German pride. Individuals occupying positions of power and wielding hateful and incendiary messages must be immediately called out as such tyrants will rear their ugly heads periodically through history. It takes courage and commitment to point out what is right to be diligent in this fashion.

It is true that all effective leaders may not be ethical leaders, but all ethical leaders can be effective leaders as they influence others by leading by example. Nothing is more powerful than setting example while leading others.

A Blueprint to Build Ethical Leaders Globally

“Do not worry if you have built your castles in the air. They are where they should be. Now put the foundations under them.” — Henry David Thoreau

Ethical leaders generously donate their wealth and participate in philanthropic activities to make a difference in society. For instance, in 1998, in a bold gesture demonstrating how

he valued the company's line employees, Roger Enrico.¹ former Chairman and CEO of PepsiCo, chose to forego all but \$1 of his salary, requesting that PepsiCo, in turn, contribute \$1 million to a scholarship fund for employees' children. Here is a blueprint of how to build ethical leaders globally:

- Keep your organizational interests above your personal interests.
- Put people before the profit.
- Emphasize means, not ends.
- Identify those with the best talents and right attitudes to train and groom new leaders.

Linda Fisher Thornton remarked, "Ethical leaders have a tremendous impact on how people in their organizations behave and what they achieve." Hence, you must walk your talk. Don't excuse anyone for failing to comply with ethical expectations and aspirations. Don't play favorites. Appreciate that ethics is an ongoing process. Be clear that there is no gap between words and deeds. There must not be any credibility gap or character gap. There must be total consistency in ethical approach and behavior to create ethical leaders.

Conclusion

"Successful modern leadership requires ethical thinking that brings transparency, impartiality and clarity of outcomes."

— Professor Robert Wood, Centre for Ethical Leadership

The leaders who exhibit ethics have strong convictions. They influence others with their integrity and trust. Followers also expect their leaders to be ethical. Hence, don't lose pretty values for the sake of petty things. Sometimes we find people losing so much for so little. What counts at the end of the day are the values, principles, and ethics, not short-term temptations.

No organization can survive without ethics, rules and regulations, policies and procedures, and clearly-defined vision and mission. However, some companies resort to "short cuts"; in a hurry to reach to the top and to stave off the competition, they compromise ethics. In the end, they have to pay a heavy price when the truth emerges. Similarly, leaders who adopt unethical means end up losing whatever they earned. Hence, it is imperative to emphasize "means" over myopically chasing "ends" as once again, a life spent in simplicity and humility is far better than a life spent with fame, initially, and infamy, finally.

"A man does what he must ... in spite of personal consequences, in spite of obstacles and dangers, and pressures ... and that is the basis of all human morality."

— John F. Kennedy

¹ www.corporate-ethics.org/pdf/ethical_leadership.pdf

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Professor M. S. Rao, Ph.D., a regular contributor to the *JVBL*, is the Father of “Soft Leadership” and Founder of MSR Leadership Consultants, India. He is an internationally-acclaimed leadership educator, keynote speaker, executive coach, speaker, and consultant. He is the author of 36 books including *21 Success Sutras for CEOs* and *Success Tools for CEO Coaches: Be a Learner, Leader, and Ladder*. He is passionate about serving and making a difference in the lives of others.

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