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Law and the ethics of transformational leadership

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Abstract
Black's Law Dictionary defines law as a body of rules of action or conduct that govern behavior of individuals within society. A contemporary definition of ethical leadership is leadership that engages in ethical conduct that is based on right or wrong behavior towards members of society. Therefore, a common nexus between law and ethical leadership is a concern for the well-being of members of society. The purpose of this article is to explore the relationship between law and ethical leadership. Specifically, through analysis of several legal cases, the author seeks to illustrate how applying principles of transformational leadership: idealized influence, intellectual stimulation, inspirational motivation and individualized consideration, to the ethical dilemmas faced by managers in the respective cases, would have diminished the need for involvement by the courts. Consequently, this article concludes that applying principles of transformational leadership will more likely than not lead to less litigation and better ethical outcomes than the more common transactional leadership style.

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Introduction

Since the middle of the twentieth century, corporate USA has experienced a widening gap in society's expectations of ethical business behavior and the actual ethical conduct of business organizations. A plethora of factors has contributed to this expanding ethical divide, to include: a more informed and educated consumer population, increased wealth, a pluralistic society, and expanded media coverage of corporate activity (Carroll and Bucholtz, 2000). A quick glance at any professional business publication, local newspaper, or television broadcast readily confirms that a concern for ethical behavior permeates every aspect of our society. Business, politics, religion, and education have recently experienced public scrutiny as a result of unethical conduct by respective members. The following examples illustrate this point:

> What several European revolutions, two world wars, and numerous depressions could not do to London's Barings Bank in more than 200 years one 28-year-old employee accomplished with a few computer keystrokes, and the bank collapsed. Management was alerted to the inadequacies of its oversight systems. However, management chose to ignore that advice, presumably because every-one seemed to benefit from the system as it was (Mendonca, 2001, p. 266).

A study of AACSB (Association to Advance Collegiate Schools of Business) Business School Deans found that deans are more likely to participate in unethical actions if they result in substantial donation to their school (Mendonca, 2001). Such evidence suggests that there is a declining moral fiber of organizational leadership that transcends cultures, civilizations, and nations. This paper explores the inextricable relationship between law and ethical leadership. Through an analysis of several legal cases, this paper demonstrates how moral leadership, and specifically transformational leadership, can facilitate establishing a more ethical organizational culture in which leaders do not just do things right, but actually do the right things.

Law and ethical leadership: what is the nexus?

Black's Law Dictionary defines law as a body of rules of action or conduct that govern behavior of individuals within society. A contemporary definition of ethical leadership is leadership that engages in ethical conduct that is based on right or wrong behavior towards members of society (Rost, 1998). Therefore, a common nexus between law and ethical leadership is a concern for the well-being of members of society. This nexus is illustrated in many substantive areas of legal studies. For example, the concern for ensuring people are treated with fairness and equity constitutes the core purpose of the doctrines of ostensible agency and promissory estoppel. Constitutional concepts such as due process and statutory laws prohibiting discrimination and encouraging affirmative action are grounded in ethical principles. Many of the laws impacting the employer-employee relationship, such as the Civil Rights of 1964, Americans with Disabilities Act, and the Family Medical Leave Act, were promulgated as a result of leaders failing to do the right thing. In essence, these laws were an attempt to bridge the gap between what actually occurs and what ought to occur within society (Salbu, 2001).

Recently, several organizations faced public scrutiny and judicial action, because of conduct that was unethical and possibly illegal. An analysis of the implosion of Enron quickly discloses breaches of company ethics that ultimately resulted in the bankruptcy of

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one of the most highly respected *Fortune* 500 companies. More importantly, at a time when Enron was vulnerable to market pressures and in need of an honest appraisal of its financial status, its accounting firm did just the opposite (Salbu, 2001). Enron's CEO sold $37 million of his shares between May 2000 and August 2001 while advising employees that the company's financial status was strong (CNN, 2002b). The Enron scandal is replete with examples of how Enron violated its own code of ethics. A more in-depth discussion of the ethical breaches of conduct at Enron will be addressed later in this paper. However, upon review of the aforementioned behavior and those to follow, the question remains, could ethical leadership have precluded such tragedies?

When leadership fails to act, Congress and the courts often will. Currently, Congress is considering legislation to address the unethical conduct that is resulting from poor corporate leadership. Once again, the law serves as the medium to bridge the gap created when ethical leadership is lacking.

Law and unethical leadership

Unfortunately, many employment law cases are the result of leaders failing to make ethical decisions, resulting in amoral or immoral management. When leaders make unethical decisions, plaintiffs often will resort to the courts for remedy. That is precisely what happened in *Vaughn* v. *Edel*[1]. Emma Vaughn, an African-American female attorney, became an associate contract analyst in Texaco's Land Department. Her supervisors were Robert Edel and Alvin Earl Hatton. Early in her career, Vaughn was the highest ranked contract analyst in the department. However, Vaughn's favor with management did not last long. On return from her second maternity leave, Edel complained to Vaughn about the low volume of her work and the excessive number of people who visited her office. Vaughn brought this complaint to the attention of Roger Keller, the head of the Land Department. In a memorandum concerning this discussion, Keller wrote that he had told Vaughn that he had been given notice that Vaughn's productivity "was very low"; that he "had become aware for some time of the excessive visiting by predominantly blacks in her office behind closed doors"; and that "the visiting had a direct bearing on her productivity." Keller also told Vaughn, and stated in his memorandum, that "she was allowing herself to become a black matriarch within Texaco" and "that this role was preventing her from doing her primary work for the company and that it must stop."

Offended by these remarks, Vaughn sought the advice of a friend who was an attorney in Texaco's Legal Department. Keller learned of this meeting and of Vaughn's belief that he was prejudiced. To avoid charges of race discrimination, Keller told Vaughn's supervisor, Edel, "not to have any confrontations with Ms Vaughn about her work." Between April 1985 and April 1987 when Vaughn was fired, none of Vaughn's direct or indirect supervisors expressed criticism of her work. During this period, all her annual written evaluations of her work performance were satisfactory. Vaughn received her regular salary increases and Keller even testified that he had intentionally overstated on Vaughn's annual evaluations his satisfaction with her performance. He did this because he did not have the time to spend going through procedures which would result from a lower rating and which could lead to termination.

Texaco had a policy allowing substandard employees to be placed on a Performance Improvement Plan (PIP); however, although other workers were given notice of their poor performance and placed on this plan, Vaughn was not. In 1985-1986, Texaco undertook a study to identify activities it could eliminate to save costs. To meet the cost-reduction goal set by that study, the Land Department fired its two "poorest performers," one of whom was Vaughn, as the "lowest ranked" contract analyst; the other was a white male. Vaughn subsequently filed a lawsuit for race and sex discrimination under Title VII of the Civil Rights Act of 1964. The US Court of Appeals for the Fifth Circuit reversed the lower court's decision in favor of Texaco and held that Texaco's behavior was race-motivated and that Texaco violated Title VII.

Considering the aforementioned definition of ethical leadership, the conduct of Texaco's senior managers clearly could be characterized as unethical. Consequently, Texaco was faced with trying to defend an untenable position. As is often the case, the courts once again became the bastions of justice because leadership failed to do the right thing. A more in-depth discussion regarding how this lawsuit may have been avoided through ethical leadership will be addressed later.

Like Texaco, Delta Airlines faced a lawsuit that resulted from senior leaders failing to do the right thing. Penny Ferris and Michael Young, both flight attendants, were employed by Delta Airlines and working the New York City to Rome, Italy flight[2].

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On arrival in Rome, the two, along with the other crew members, boarded a Delta bus to be driven to the Savoy Hotel where Delta had reserved and paid for a block of rooms to be used by the crew until their return flight to New York. After spending time together shopping for wine for Ferris to bring home, they subsequently returned to Young's room to taste some wine he had purchased. After drinking about half a glass, Ferris felt faint. She tried to return to her room, but could not make her legs move. She blacked out. While she was unconscious, she alleges that Young took off her clothes and raped her vaginally, orally and anally. She partially regained consciousness intermittently during the multiple rapes, at one point telling Young to stop before blacking out again. Following the rape, Ferris recounted what had happened to one of her colleagues. She also subsequently reported the rape to her Delta Duty Supervisor. The supervisor set up a meeting between Ferris and the Delta base manager. Over the course of the next several months, interviews were conducted between the Delta base manager, defendant, and several other flight attendants who came forward with similar allegations. Although the defendant was placed on suspension, and subsequently resigned, the investigation revealed that numerous complaints of rape had been reported against the defendant, and supervisory personnel at Delta had not taken any action.

Ferris filed a lawsuit against Delta Airlines for hostile environment and sexual harassment. This case presented an interesting question for the court, considering that the alleged conduct had taken place outside the traditional workplace. Because of this fact, a summary judgment was granted by the US District Court for the Eastern District of New York. However, the US Court of Appeals for the Second Circuit remanded the sexual harassment claim, holding that the off-duty nature of the rapes did not absolve Delta of all responsibility to take reasonable care to protect co-workers.

As a result of the holding of the Second Circuit, Delta Airlines may face financial liability for the failure of its supervisory personnel to exercise appropriate ethical leadership.

The statute relied upon by Ferris to establish her cause of action, the Civil Rights Act of 1964, Title VII, is predicated on basic moral beliefs. Unfortunately, the moral belief that one should not be treated differently based on sex was apparently not a part of the ethical ethos of the supervisory personnel faced with the complaints filed by Ferris and her co-workers. Regardless of whether we individually view ourselves as ethicists, we cannot avoid incorporating ethics into our day-to-day activities. A fundamental commitment to high ethical standards must permeate everything we do and must be a foundation of action of leaders throughout the organization.

The relationship between employers and employees is replete with ethical challenges. One situation that often raises ethical concerns is the termination of an employee. Due process requirements may establish a legal cause of action when an employee is terminated without following proper procedures. However, compliance with the legal requirements may still raise ethical questions regarding whether the employer did the right thing. Notwithstanding the employment-at-will doctrine, many federal and state statutes protect employees from termination at the whim of their employers. Courts and legislators recognized the inequality of bargaining power between employer and employee and "that the inability of employees to protect themselves from unjust actions by their employers had not just economic ramifications, but also emotional and social ramifications" (Nash, 1993). One of the primary reasons why the employment relationship often raises ethical concerns is because for most individuals the terms of the employment contract are imposed on a "take it or leave it" basis by the corporate employer. The employee lacks the equal bargaining power to protect himself. Studies also show that the dependence on the employment relationship is not just economic. Within the employment relationship, the employee seeks fulfillment of many of his needs for social status and identity. Therefore, the employment relationship is one that requires fairness when discharge is being considered. In order to ensure fairness, several exceptions to the employment-at-will doctrine have been established (Ballam, 2000).

Many of the limitations on the ability of the employer to discharge employees at will arise from tort and contract law. The most significant limitation on the employment-at-will doctrine deriving from tort law is a cause of action for wrongful discharge based on public policy claims (Ballam, 2000). These claims are consistent with ethical principles of justice and fairness, and formed the legal basis for Kevin Gardner in his lawsuit against Loomis Armored, Inc.[3].

Gardner was an armored car guard and driver for the Loomis Armored Company. Loomis' policy required that at least one of the guard/drivers remain in the armored car

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at all times. Loomis' employee handbook made it clear that the penalty for violating the rule was termination of employment. The purpose of this rule was to ensure the safety of the driver and the guard who delivered the money into the business premises.

During one of the regular customer stops, at a branch bank, Gardner, who had remained in the armored car consistent with company policy, observed the branch bank manager, whom he knew from previous deliveries, running from the building and being chased by a man wielding a knife. The bank manager ran in front of Gardner's armored car and screamed for help. Gardner looked around and seeing no one coming to assist her, got out of the armored car, locking the door behind him. He then chased the knife-wielding man back into the bank where the man was tackled to the floor and disarmed. The Loomis Armored Company subsequently fired Gardner for violating the company rule. Gardner filed a wrongful discharge claim, arguing that the termination violated public policy, alleging that one should not be fired for violating a company rule when the motivation was attempting to assist another who was in danger of serious physical injury or death. Historically, the public policy exception to the employee-at-will doctrine was narrowly construed to apply to only specific types of claims and to those claims protected by a state or federal statute. Fortunately for Gardner, the Washington Supreme Court was persuaded by his final argument that a "fundamental public policy … clearly evidenced by countless statutes and judicial decisions" that places the highest priority on human life and that encourages people to go to one another's assistance does exist. Although Gardner did not cite any specific state or federal statute expressly requiring one to go to another's assistance, the Washington Supreme Court adopted a more liberal and expansive interpretation of the public policy exception in supporting Gardner's wrongful discharge claim.

As a result of the Washington Supreme Court's ruling, Loomis' termination of Gardner was held to be illegal. Loomis' conduct resulted in litigation cost and possibly negative publicity for the organization. However, aside from the legal implications, the larger ethical question is, did Loomis do the right thing? The Washington Supreme Court seems to suggest that the "right thing" was to value the preservation of human life over the rigid interpretation of a corporate policy.

The final case for review that illustrates the relationship between law and ethics is Enron. Enron was Wall Street's darling. Unlike the ephemeral dot-coms, it dealt with real and measurable commodities; and by anyone's measure "Enron was the bet for smart money" (Sloan *et al.*, 2002). Although initially a small natural-gas company, Enron eventually became the seventh ranked company on the *Fortune 500*, reporting over $100 billion in annual revenue, in only 15 years. On paper, Enron's code of ethics and corporate ethos reflected a corporation with the highest regard for ethical behavior (Enrom, 2002). However, the demise of Enron has become arguably the most compelling business ethics case in perhaps a generation.

The Enron story is replete with instances of ethical misconduct. Although a legal determination regarding whether Enron officers or directors traded on inside information has yet to be determined, based on previous congressional testimony by senior Enron leaders, strong inferences of insider trading have been raised. Moreover, the evidence disclosed in the internally-commissioned investigative report known as the *Powers Report* raises more serious ethical concerns (CNN, 2002a). It appears that Enron had engaged in a series of high-dollar financing schemes that were embedded in off-balance-sheet entities, created to conceal Enron's wheeling and dealing.

Unfortunately, as the ten-year bull market came to an end, so did Enron. Operating contrary to Enron's published ethical code of conduct, the behavior of its senior leaders during the crisis period exacerbated Enron's problems. According to Enron's ethical code, the company values open communication, integrity, and respect for its stakeholders. Moreover, the policy states that, in the process of becoming the world's leading energy company, it would do so by treating others as they would like to be treated, and working with customers and prospects openly, honestly and sincerely. During a time of crisis, Enron's leaders chose to ignore its ethics for purposes of achieving the bottom-line. While some of Enron's senior leaders were selling their shares of Enron stock, employees were being advised to hold their shares. Assuming *arguendo* that these sales were a result of information to which Enron employees did not have access, the leaders engaged in serious unethical and possibly illegal conduct (Gini, 1998). Not only was such conduct a breach of ethical responsibility, but also the senior leaders may have breached their fiduciary duty to the corporation. While that fact remains to be determined, Enron's own ethical code suggests that, at a minimum, employees could expect good faith and full disclosure of

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conduct by its executives. This apparently did not occur. Unfortunately, Enron seemed to follow its own code of ethics only when it was convenient to do so. For example, Enron waived its code of ethics to permit a senior officer to serve as a general partner for partnerships that were dealing with the company and which may have shredded documents when a federal investigation was imminent.

The lack of ethical leadership at Enron has harmed thousands of employees, undermined the credibility of brokerage services, consumer confidence in the US stock market, and will result in more expansive regulation by the Securities and Exchange Commission. Could this tragedy have been avoided through ethical leadership?

Resolving ethical dilemmas through transformational leadership

A common thread connecting *Vaughn, Ferris, Gardner* and Enron is the behavior of managers and senior leaders when faced with ethical dilemmas. Leaders within an organization help create and perpetuate the ethical climate. In addition, ethical leadership helps establish a positive reputation among the public regarding the organization. A *New York Times*/CBS News poll revealed that 55 percent of the US public believes that the vast majority of corporate executives are dishonest and 59 percent think that executive white-collar crime occurs on a regular basis (Gini, 1998).

When leaders fail to do the right thing, the courts, federal and state legislatures, and administrative agencies are forced to intervene and either make a wrong right, or implement laws to preclude future breaches of ethical behavior. According to Laura Nash in her bestselling book entitled *Good Intentions Aside: A Manager's Guide to Resolving Ethical Problems*, most leaders have good intentions, but unethical behavior is often the result of moral rationalization. Despite good intentions, corporate leaders have a tendency to deny those activities and decisions that would be damaging to their self-image if examined dispassionately. Leaders have a tendency to judge their intentions "good" even when the facts are otherwise (Nash, 1993). For example, moral rationalization would suggest that Enron's decision to invest in risky high-dollar financing schemes was OK because the senior leaders had good intentions. Ultimately, if successful, everyone would have benefited.

Assuming *arguendo* that unethical behavior is often the result of good intentions, what can leadership do to ensure good intentions lead to good behavior? In order to ensure good intentions lead to good behavior the organization must first have ethical leadership. Leadership that is capable of:

- identifying ethical issues when they inevitably arise;
- utilizing an ethical decision-making process for resolving ethical disputes; and
- having the courage to make the ethical decision.

Although many theories and styles of leadership exist, the question remains, is there a style of leadership more conducive for resolving ethical issues? Two popular leadership styles are transactional and transformational. A review of leadership research suggests that most leaders are characterized as transactional (Wren, 1998).

Transactional leadership is described as leadership based on contingent rewards. The leader motivates the follower to achieve a certain goal based on the reward for achieving the goal or the consequence of not achieving the goal (Gini, 1998). While transactional leadership can be highly effective, its primary focus is on the bottom-line. Consequently, this type of leadership may be more prone to amoral management because of the bottom-line focus. The leadership displayed in the previous cases is consistent with transactional leadership. The emphasis in the cases *supra* was primarily on strict adherence to employee production, company policy, avoiding negative publicity or profit maximization. Although it would be improper to suggest that transactional leadership is devoid of ethics, in comparison with the alternative style of transformational leadership, transactional leadership creates a greater propensity for good intentions to result in unethical behavior. Unlike transactional leadership, transformational leader, although no panacea for resolving the many ethical dilemmas leaders face, is a form of leadership that is more likely to result in an ethical resolution to ethical dilemmas (Gini, 1998).

Since first articulated by Burns (1978), transformational leadership has become one of the most dominant paradigms of leadership studies. Transformational leadership is a construct of leadership that focuses on the moral development of the followers. Let us take a closer look at the relationship between transformational leadership and ethical behavior. Although not without scholarly criticism, research

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suggests that transformational leadership creates an organizational climate that is more conducive to ethical behavior than transactional leadership (Ciulla, 1998). Transformational leaders incorporate the factors known as the 4Is of transformational leadership: individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence, to align the interest and vision of the followers with those of the organization and develop followers to their fullest potential (Northouse, 2001). They inspire their followers to share in the mutually rewarding visions of success, while enabling and empowering them to convert the visions into reality.

Although transformational leaders are concerned with more than just the bottom-line of making profits, this emphasis does not necessarily diminish the chances of being successful. There are many who argue that, while transactional leaders may experience more financial success as a result of their emphasis on the bottom-line, transformational leadership actually provides a higher financial return over a long period. In a landmark study, Collins and Porras compared companies that were founded before 1950 and have left "an indelible imprint on the world in which we live," such as American Express, Ford, GE, Nordstrom, and Walt Disney, with companies in similar industries which once flourished but ultimately failed (Collins and Porras, 1996). The authors offer 12 management myths shattered by their research into these companies. One myth they found was that the most successful companies exist first and foremost to maximize profits. This research lends credence to the transformational argument of diminished emphasis on the bottom-line. Collins and Porras indicate that, contrary to a historical business school doctrine, "maximizing shareholder wealth" or "profit maximization" has not been the dominant driving force or primary objective through the history of the visionary companies. Visionary companies, guided by transformational leaders, pursue a cluster of objectives, of which money is only one, and not necessarily the primary one. These organizations seek profits, but they are equally guided by a core ideology that places emphasis on core values and a sense of purpose beyond just making money. Their actions are guided by a concomitant concern for the moral development of the employee and attainment of the organizational mission. These type organizations, which demonstrate a transformational approach to leadership, work sincerely with followers to determine and achieve the mutual interests of the organization and followers. The leaders in these and other organizations led by transformational leaders make decisions with the interest of the follower-stakeholder paramount (Bass and Avolio, 1994). This type of leader places less emphasis on contingent rewards, which could lead to moral rationalization for purposes of achieving the bottom-line. The transformational leader, through the factors of idealized influence and inspirational motivation, seeks to be a positive role model and mentor. His focus is not just the alignment of the follower's interest with those of the organization, but to ensure the moral development of the follower. A true transformational leader would avoid making self-centered decisions, but decisions with the mutual benefit of the organization and follower in mind. This type of leadership stresses human development, relationships of reciprocal trust, and the resolution of values/conflicts to the mutual satisfaction of the respective parties (Bass and Avolio, 1994).

When leaders are truly transformational, and serve as role models of ethical behavior, a positive culture will permeate the whole organization. However, it is important to understand that not all leaders who aspire to be transformational leaders are in fact true transformational leaders. Some leaders are what Bass refers to as psuedotransformational leaders (Ciulla, 1998). Bass refers to true transformational leaders as people like Mahatma Gandhi and Martin Luther King Jr. Pseudo-transformational leadership may appear to be transformational, but the real objective to the leader is about maintaining the dependence of their followers. These types of leaders may create the impression that they are doing the right thing, but secretly fail to do so when doing the right thing conflicts with their own narcissistic interests. However, the true transformational leader is concerned about development of followers into ethical leaders. True transformational leaders openly bring about changes in followers' values by the merit and relevance of the leader's ideas and commitment to their followers' ultimate benefit and satisfaction (Howell and Avolio, 1993).

Conclusion

Could true transformational leadership have prevented the breaches of ethical behavior in the aforementioned cases? While one cannot affirmatively answer this question with absolute certainty, a retrospective analysis

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suggests true transformational leadership, more likely than not, would have resulted in different outcomes. Let us briefly analyze each case, applying principles of transformational leadership.

Vaughn alleges, and the court agreed, that she was singled out and treated differently because of her race. Although as alleged, she did have poor performance, her race became an issue because of the manner in which leadership decided to handle her specific situation. However, through individual consideration and inspirational motivation, two key components of transformational leadership, Vaughn possibly could have been motivated to achieve performance beyond expectations. Vaughn had proven through past performance that she was capable of doing the job at an exceptional level. Therefore, placing her on a PIP and inspiring her to produce at the level of which she was capable would have resulted in a complete alignment of the interest of the follower and the organization. The transformational leader would have created an environment conducive for Vaughn to recapture the outstanding performance she previously displayed. Moreover, the decision to ignore company policy and discharge Vaughn without giving her a chance to correct the poor performance was a decision made without regard for the development of the employee. Through true transformational leadership, Texaco could have avoided the ethical dilemma of which they ultimately were faced and the financial cost of litigation. Because this style of leadership has at its core a high regard for moral development of the follower and leader, decisions based on disparate treatment discrimination would be inconsistent with the ethical philosophy of transformational leadership. True transformational leaders are role models and serve as mentors for their followers. The conduct of Vaughn's supervisors was obviously devoid of ethical consideration and inconsistent with the transformational component of idealized influence.

An alignment of the interest and values of the follower with those of the organization is an important objective of transformational leaders. On paper, Enron's formal code of ethics was one of which any organization would be proud. However, the conduct of its senior leaders was more consistent with the behavior of transactional or pseudo-transformational leaders. The self-interest of Enron's corporate officers led to consistent violations of the organization's own Statement of Human Rights. It is quite apparent that the interest and values of the senior leaders were not aligned with the published interest and values of the organization. Moreover, some of the decisions that were made were inconsistent with a sincere concern for the moral development and welfare of the employees. Enron unequivocally and consistently violated the 4Is of transformational leadership.

Finally, applying transformational leadership would have resulted in very different outcomes in both *Ferris* and *Gardner*. Wren in his article entitled "James Madison and the ethics of transformational leadership", states:

> Transformational leadership occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality ... transforming leadership ultimately becomes moral in that it raises the level of human conduct and ethical aspirations of both leader and led and thus has a transforming effect on both (Wren, 1998).

In *Ferris*[2] and *Gardner*[3], the ethical challenge faced by Delta Airlines and Loomis Armored Inc. was of the highest level. The decision made by senior leadership would have serious implications for the respective employees. A true transformational leader would have considered how his decision would impact the moral development of the follower/employee. For the sake of argument, let us assume that the interests of the employees and the respective organizations had been properly aligned. In such a case, the decision by the leader would have been consistent with the mutual interests of the employees and organization. For example, notwithstanding the policy of Loomis Armored Inc., through individual consideration and intellectual stimulation, transformational leadership would have recognized Gardner's conduct for what it was ... an exercise of leadership at the lowest level. Under the specific circumstance facing Gardner, he chose to make a conscious decision to violate the policy to save a human life. Rather than terminate Gardner for his heroic act, true transformational leadership would have seized the opportunity to create a win-win situation without diminishing the importance and value of the company policy.

Because of the emphasis on the moral development of the follower, transformational leadership seems to lead to more ethical decision making. However, one must also recognize that such leadership is not a panacea for resolving all the ethical challenges leaders face within an organization. Although transformational leadership espouses the alignment of

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individual and organizational interests for the common good, there may be times when this is not possible. Moreover, there may be times when the leader is unable to use the 4Is of transformational leadership to develop the follower to a higher level of ethical maturity. In light of these facts, true transformational leadership, utilizing the components of idealized influence, intellectual stimulation, inspiration motivation, and individual consideration, facilitates resolving employer-employee issues in a manner consistent with the highest ethical standards. Consequently, the need for judicial or legislative intervention to ensure leaders do the right thing would be greatly minimized.

Notes

1 *Vaughan* v. *Edel*, 918 F.2d 517 (5th Cir., 1990).
2 *Ferris* v. *Delta Airlines*, 277 F.3d 128 (2nd Cir., 2001).
3 *Gardner* v. *Loomis Armored, Inc.*, 913 P.2d 377 (Washington, 1996).

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