

THE ETHICS PENALTY

Why ethical leadership does not always translate into recognised leadership authority

1 The core idea



Most organisations say they want ethical leaders. Ethical leadership is visible in **fairness, honesty, trust, care, respect and responsibility for the impact of decisions**, and in **setting ethical standards, speaking up, confronting misconduct, holding people accountable and setting boundaries**.

In this framework, these are two interdependent forms: **Relational Leadership**, centred on care, fairness and relational responsibility; and **Ethical Authority**, centred on voice, accountability, boundaries and confronting wrongdoing.

But these behaviours do not automatically become recognised leadership authority. **The same ethical behaviour can be interpreted differently depending on who is showing it.**



Ethical leadership can be recognised without becoming recognised leadership authority.

2 The Competence Gate

Both forms of ethical leadership are interpreted through **The Competence Gate**. The question is whether ethical judgement is recognised as evidence of **leadership competence, legitimate authority, and judgement that should carry weight**. Depending on how that judgement is interpreted, it can lead to three different outcomes.

This evaluation is not gender-neutral. Gendered expectations can shape whose ethical judgement is more readily recognised as leadership competence and whose authority is more readily questioned.



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1. Recognised leadership authority
The judgement is recognised as evidence that the person is competent and entitled to lead. | = |
3. Legitimacy-contestable authority
The person exercises authority, but their legitimacy to do so is questioned. |
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3 The Moral Double Bind in practice



1. Sarah protects her team

Sarah pushes back on an unreasonable workload because it is unfair and risky. She is described as supportive and caring. Later, when a senior role opens, people question whether she is "commercial enough" or "tough enough". Her ethical behaviour is valued, but it is not recognised as leadership.



2. David shows the same care

David also protects his team from the unreasonable workload. He considers the impact on his people, supports them and explains why the demand needs to change. His care is read as evidence of effective leadership and strengthens perceptions of his leadership capability.



3. Sarah challenges upwards

Later, Sarah refuses to approve a senior executive's proposal because she believes the risks are understated. She is exercising ethical authority through ethical voice, boundary setting, accountability and judgement in a contested situation. Now she is described as difficult. Her judgement has not changed, but her right to exercise authority becomes more contestable.



The Moral Double Bind: When women enact care, fairness and relational responsibility, it may be valued but not recognised as leadership. When they enact authority through challenge, accountability or boundary setting, they may instead be judged as difficult, disruptive, excessive, abrasive or emotional, making their authority more contestable. The bind is that women may be recognised as ethical without authority, or authoritative without legitimacy, but not readily as both ethical and legitimately authoritative.

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How it accumulates, and what leaders can do

Making invisible evaluation more visible

4 How the penalty accumulates

One judgement rarely determines a career. But organisations use connected evaluation systems: performance reviews, talent discussions, succession planning, promotion decisions and informal reputation. Small differences in how behaviour is interpreted can accumulate, leaving capable leaders with less standing, opportunity or authority than their judgement warrants.

This is when the pattern becomes The Ethics Penalty.



Small differences in interpretation can accumulate across systems.

5 Questions for leaders



- ✓ Did we describe care as leadership, or simply as being nice?
- ✓ Did we interpret challenge as courage, or as difficult behaviour?
- ✓ Would we describe the same behaviour differently if it came from a man rather than a woman?
- ✓ Are we mistaking confidence, dominance or "looking like a leader" for competence?
- ✓ When a woman shows care, is collaborative or acts fairly, do we see that as evidence of leadership capability, or simply as expected behaviour?
- ✓ When a woman challenges, sets a boundary or holds others accountable, is her authority more likely to be questioned than when a man shows the same behaviour?

6 Making Leadership Talent Visible

A practical implication of the framework

The Ethics Penalty can operate through ordinary organisational evaluation systems that appear neutral. When ethical leadership is interpreted differently depending on who is showing it, organisations can overlook capable leaders.

When organisations fail to recognise and select ethical leaders, individuals are unfairly denied opportunity and organisations risk consequences for performance, trust, teamwork, retention, customer service and governance.

When making performance, talent or promotion decisions, ask:

- What behaviour did we actually observe?
- What leadership capability does that behaviour demonstrate?
- Are we applying the same interpretation to women and men?
- What evidence are we using when we describe someone as "leadership material"?



You may already have the leadership talent you are looking for. Your evaluation systems may simply not be recognising it.



Explore the framework

ABOUT THE FRAMEWORK

The Ethics Penalty is a research-developed conceptual theory, developed by Kristyn Haywood, Leadership Educator and Coach and CEO of People for Success and HealthKind, through a rigorous Master of Research theory-building review at Macquarie Business School. It explains how gendered evaluation can shape whether ethical judgement is recognised as leadership competence and authority.

While this guide focuses on gender, intersecting factors such as race, class, disability, age and organisational status can also shape evaluation.