

INTEGRATING LEADERSHIP AND ETHICS: CONSEQUENCES AND IMPLICATIONS IN ACHIEVING RESULTS IN THE PRIVATE SECTOR

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Abstract

This paper looks at the consequences and implications of integrating leadership and ethics towards achieving results in the private sector. Different concepts and theories of leadership and ethics were examined as put forward by different scholars and writers. So many leadership theories (traditional and modern) were put forward to give meaning to the concept of leadership, and different leadership styles are in place to guide leaders in leading to achieve results. Leaders employ these theories and styles to achieve their organizational goals while not minding the morality and ethics of carrying out the processes of achieving such results through people. Secondary sources of data were used in collecting information for this paper while qualitative method of analysis was used to analyse the data. The findings of this paper were that what is ethical in one country may be unethical in another country, and that leaders who do not integrate ethics in leadership achieve results in the short-run and face crises in the long-run, while those who integrate ethics in leadership do not achieve results in the short-run but achieve it in the long-run, depending on the culture and norms of the society. The paper recommends a revolution of the minds and thinking of leaders towards doing what is good and ethical to achieve goals.

Key Words:Leadership, Ethics, Management, Leadership theory, Effective Leadership

Introduction

In recent times, the global private sector had experienced crises with big corporations falling due to the inability to meet their true financial and nonfinancial goals. These corporate scandals include the failures of Enron, WorldCom, Parmalat, Allied Irish Bank (AIB), and National Irish Bank (NIB) (Knights & O'Leary, 2006; Ebert & Griffin, 2009). Business units in the private sector set goals and objectives that may be financial and nonfinancial, and a direction must be given in order to achieve them. Leadership gives that direction. Leadership can be defined as a process of getting things done through people. Khanka (2006) describes leadership generally as a process of influencing group activities towards the achievement of goals.

Achieving goals is central to leadership through a process that is described by different leadership theories and styles. Different theories, leadership styles and models have been propounded to provide explanations on the leadership phenomenon and to help leaders influence their followers towards achieving organizational goals. Various theories of leadership, which include trait theory, behavioural theory, contingency theory, path-goal leadership theory, situational leadership theory, transactional leadership theory, and transformational leadership theory (Andriessen & Drenth, 1998; Boddy & Paton, 1998; Hodgetts & Luthans, 2000; Khanka, 2006; Ebert & Griffin, 2009) provide important insights about the nature of effective leadership (Chatterjee, Small, & Minkes, 1999; Yukl, 1999). Effective leadership means result-oriented leadership with less or no emphasis on the goodness and rightful ways or processes of achieving the organisational goals. Moreso, that the goals in the private sector are emphasising on profit maximisation and by extension shareholders wealth maximisation. Leadership theories often talk about ethics (Ciulla, 2004).

There is the absence of ethical values such as integrity, objectivity, honesty, independence, reliability, etc in the leadership processes and styles emphasized in the leadership theories towards the achievement of stated goals and objectives in the private sector. This study intends to find out the consequences and implications, which result to a dilemma of integrating leadership and ethics towards achieving results in the private sector. This research is justified by the work of Brown & Trevino (2006), who asserted that ethical leadership remains largely unexplored, offering researchers opportunities for new discoveries.

Leadership And Management

Because leadership is a term that is often used in everyday discussion, you might assume it has a common and accepted meaning. People often misuse the word. As Stogdill (1974:259) observed, 'there are almost as many definitions of leadership as there are persons who have attempted to define the concept.' Some scholars, such as Bernard (1938), Armstrong (2001) define leadership as the quality of individual behaviour and the ability to influence or persuade others to achieve the task set for a group. In this definition emphasis is laid on the personal characteristics of a leader which can be seen in the earliest theory of leadership (trait theory). From this, it can be said that leaders are born, not made. Leadership is described as a process or activity or role of

influencing, motivating and inspiring people or group by leaders or managers, to direct their efforts towards the achievement of certain goals (Bennis, 1989; Andriessen & Drenth, 1998; Khanka, 2006; Ebert & Griffin, 2009). These scholars try to see leadership as a process, activity or role of a leader to achieve organizational goals through people, by motivating and influencing them. The focus here is the 'process' which involves change management, thereby alluding that leadership can be learnt and leaders can be made. Recent theories, such as contingency theory, situational theory, transactional theory and transformational theory support the definition. Functions of leadership may include developing team work, representing the team, delegating responsibilities, managing time, crisis management, and securing group effectiveness (Khanka, 2006; Ahmed, 2010). One of the biggest errors people make is assuming that leadership and management mean the same thing when they are really different concepts.

While leadership involves influencing people to strive towards the attainment of group goals, management involves planning, organizing, staffing, directing and controlling group activities to achieve organizational objectives (Khanka, 2006). Bennis (1989) says that in sum and substance, managers manage things, while leaders lead people. Managers do things right, while leaders do the right thing (Bennis & Nanus, 1985). Ebert & Griffin (2009) identify the differences between management and leadership within some organizational activities as follows:

- When creating an agenda for the business, management involves planning and budget, while leadership involves establishing direction.
- In terms of developing a human network for achieving the agenda, management involves organizing and staffing, whereas leadership involves aligning people
- In terms of executing plans, management engages in controlling and problem solving, whereas leadership embarks on motivating and inspiring.
- In terms of outcomes, management produces a degree of predictability and order and has the potential to consistently produce major results, while leadership produces change, often to a dramatic degree and has the potential to produce extremely useful change (e.g, new products that customers want).

From the above differences, the ultimate outcome of leadership is producing change. This is affirmed by Barker (1997) that managers pursue stability while leadership is all about change. This can be demonstrated by some theories of leadership.

Leadership Theories and Styles

Hodgetts and Luthans (2000) identify three leadership styles, comprising of authoritarian leadership, participative leadership and paternalistic leadership. Whereas Khanka (2006) also identify three leadership styles; autocratic or authoritative style, democratic or participative style, and laissez-faire or free-rein style. The difference between the two classifications is the replacement of paternalistic leadership in the former with free-rain style in th later classification. Ahmed (2010) combines the two classes to make four leadership styles; autocratic styles, democratic style, laissez-

laissez-faire style, and paternalistic style. These styles connote different leadership behaviours to achieve goals and keep the team.

When a leader is task-oriented and not concerned with the people, is said to be an autocratic leader, and when he is more concerned with the people of the team without concern for the work is said to be a laissez-faire leader. A democratic leader is task-oriented and people oriented as well, whereas paternalistic leader is neither task-oriented nor people oriented (Hodgetts & Luthans, 2000; Khanka, 2006; Ahmed, 2010). Different studies were carried out and different theories were propounded to explain these leadership styles. Amongst the studies carried out were Hawthorne studies, Iowa leadership studies, Michigan university studies, Ohio state studies, managerial grid model, and scientific manager's style (Boddy & Paton, 1998; Khanka, 2006). Different theories were also put forward to explain leadership styles.

Early leadership Theories

The early leadership theories are basically, trait theory and behavioural theories. Early studies believed that leaders had some peculiar set of qualities or traits that distinguished them from their peers, rather than the situation in which the leader worked (Boddy & Paton 1998; Ebert & Griffin, 2009). Trait theory of leadership is founded on the assumption that leaders have certain personal qualities, such as courage, intelligence, strength of character, vision, self-confidence, energy, dominance, good health, good judgement, or charisma which their followers do not have (Boddy & Paton, 1998; Andriessen & Drenth, 1998; Khanka, 2006; Ebert & Griffin, 2009). The list of traits unfortunately became so long that it eventually lost any practical value (Ebert & Griffin, 2009).

Behavioural theories came about in the late 1940's where researchers moved away from the trait approach to behavioural approach to leadership (Ebert & Griffin, 2009). These set of theories sought to identify the behaviours or styles of leadership. Behavioural theories best describe leadership in terms of what leaders do rather than what they are. These theories imply that leaders can be trained. Various studies on leadership earlier mentioned were more focused on the behavioural theories.

Recent leadership Theories

Some of the recent leadership theories include contingency/situational theories, charismatic theories, transactional theories, and transformational theories. Most of these theories were derived from the early leadership theories (Boddy & Paton, 1998; Andriessen & Drenth, 1998; Khanka, 2006; Ebert & Griffin, 2009).

Contingency/Situational theories draw attention to the situation in determining the most appropriate leadership style and assume that appropriate behaviour of a leader varies from one situation to another (Ebert and Griffin, 2009). Ahmed (2010) asserts that different leadership styles

are used at different times depending on the circumstance. These theories focused on the behaviour of a leader under different circumstances and situations.

Charismatic leadership theories focus on how leaders are seen through the eyes of their followers. Charismatic leadership is a form of influence based on the leader's charisma, a form of interpersonal attraction that inspired support and acceptance (Ebert and Griffin, 2009). These theories are traits base, such that a leader influences his group by his charisma.

Transactional theories of leadership entails managing the transactions between the organization and its members so that the organizational objectives are achieved (Khanka, 2006). According to Hodgetts and Luttans (2000), transactional leaders are individuals who exchange rewards for effort and performance and work on a 'something for something' basis. Transactional leadership is said to be essentially the same as management in that it involves routine, regimented activities (Ebert and Griffin, 2009). This kind of leadership theories enhances stability of the business and does not promote change.

Transformational leadership theory focuses on the importance of leading for change (as opposed to leading during a period of stability). According to Hodgetts and Luttans (2000), transformational leaders are visionary agents with a mission who are capable of motivating their followers to accept new goals and new ways of doing things. However, transformational leadership is the set of abilities that allows a leader to see the need for change, to create a vision to guide that change, and to execute the change effectively (Ebert & Griffin, 2009). Bass (1996), studied thousands of international leadership cases and came to conclusions that leadership is a universal phenomenon and that most effective managers were transformational leaders and they were characterized by interrelated four factors, referred to as the '4Is', which include idealized influence (charisma), inspirational motivation, intellectual stimulation, and individualized consideration (Khanka, 2006). Transformational leadership theories are more preferred to others because of their focus to change and effective leadership. But it did not focus on the integrity of the change and effectiveness of the leadership.

Ethics and Ethical Behaviours

Ethics is anything that is good and right. Ethical behaviour is any behaviour that is good and right and unethical behaviour is any behaviour that is evil and wrong. The study of ethics generally consists of the examination of right, wrong, good, evil, virtue, duty, obligation, rights, justice, fairness, etc. in human relationships with each other and other living things (Ciulla, 1995). The study of ethics can be traditionally divided into meta-ethics, which tries to study the origin and meaning of ethics, normative ethics, which involves the study of how conduct and behaviour ought to be in terms of right and wrong, and applied ethics, which is the field that codifies and standardizes normative ethics for specific institution, profession, discipline, and practical field

(Institute of Chartered Accountants of Nigeria (ICAN), 2009). Normative ethics is chosen here, because the study seeks to find out what ought to be ethical in leadership.

Solomon (1994) and Elegido (2004) describe the aim of ethics as at the first instance, the quest for, and the understanding of, the good life, living well, a life worth living. It is largely a matter of perspective: putting every activity and goal in its place, knowing what is worth doing and what is not worth doing, knowing what is worth waiting and having and knowing what is not worth wanting and having.

Ethics, as a branch of philosophy is concerned with the study of what is either good or bad and right or wrong for human beings. The essence of ethics is to ascertain and continuously review how human beings should behave in order to lead a fulfilling life (Institute of Chartered Accountants of Nigeria (ICAN), 2009). Goree(2009), defines ethics as the subfield of philosophy that studies the morality of human conduct, that is, what is considered right or wrong, good or bad. To live or lead a fulfilling life will require considering others as well as oneself. It is not enough to assume of what one considers as right or good, but the interest of others who may be affected should be taken into consideration.

To tag behaviour or a conduct as ethical or unethical base on right and wrong is relative. But this can be solved when universal ethical principle known as the Golden Rule is applied, that is, you should treat others as you would want to be treated. Other universal ethical principle are that people should respect the rights of others; people should keep their promises; people should be honest; people should act in the best interests of others; people should help others in need when possible; and people should be fair (Goree, 2009). These principles form the principle-based ethics of integrity (consistent honesty), objectivity, independence, fairness, loyalty, industriousness, and respect. There is the rules-based ethics, which specifies the standards of behaviour or set of rules of a particular institution, profession or field, in that violation of the rules attracts penalty. Different ethical theories and postulations have been put in place by scholars to explain the phenomenon of ethics.

Theories of ethics at a normative perspective can be classified basically into deontological theories and teleological theories. Deontological theories determine the ethics of an act by looking to the process of the decision (the means) (ICAN, 2009). The ethical requirement is based on the 'act' and whether it is 'right' or not. The deontological tradition holds that an action or conduct is right when it conforms to moral law rather than its consequences.

Teleological ethical theory is concerned not with the act in itself but rather with the consequences of the particular act. Hence, it is sometimes referred to as 'ends-based ethics' or 'consequentialism' (ICAN, 2009). It judges the rightness or wrongness of an action based on its consequences. The two types of ethical theories can be summarised as the ethics of the means - deontology and ethics of the ends - teleology.

Methodology

This paper employs exploratory qualitative approach to its analysis. There are extensive studies on leadership, with few studies on leadership and ethics (Ciulla 1995). Ciulla (2004) admits that a literature search of 1800 article abstracts from psychology, business, religions, philosophy, anthropology, sociology, and political science, yielded only a handful of articles that offered any in-depth discussion of ethics and leadership. According to Tende (2010), exploratory qualitative study is a study on a topic or area that not much has been written on it and there is a need to develop on it by researchers. Relevant literatures form the bases of the qualitative analysis of this study.

Result and Discussions

From the review of literature, transformational leadership was favoured based on its effectiveness and change characteristics. History defines successful leaders largely in terms of their ability to bring about change for better or worse (Ciulla, 2005). Effectiveness in leadership means achieving business goals and change leadership means visionary and mission based leadership within the business environment. In essence, whenever you have a vision and a mission to accomplish as a business leader within the business environment, and integrity and ethical values are compromised in order to achieve the goals of the business, then there is a gap between effective leadership and good leadership. According to (Ciulla, 2004), a good leader is an ethical and effective leader. Some leaders are highly ethical but not very effective. Others are very effective but not very ethical in other ways.

Most people have long assumed that business leaders are ethical people. But in the wake of recent corporate scandals in companies like Enron, Worldcom, Parmalat, AIG, Boeing, AIB, NIB, and the recent crisis of the Nigerian banking sector, faith in business leaders has shaken (Knights & O'Leary, 2006; Ebert & Griffin, 2009). Perhaps now more than ever, high standards of ethical conduct are being held up as a prerequisite for effective leadership. More specifically, business leaders are called to maintain high ethical standards for their own conduct. Ciulla (2005) argues that ethics is located in the heart of leadership studies and not in an appendage.

Ciulla (2004), examines two normative theories of ethics and use them to explain ethical leadership. That ethics - and - effectiveness question parallels the perspectives of deontological and teleological theories in ethics. Deontological theories locate the ethics of an action in the moral intent of the leader and his or her moral justification for the action, while teleological theories locate the ethics of the action in its result. We need both deontological and teleological theories to account for the ethics of leaders.

World business leaders use different ethical theories to arrive at their actions, either ethical or unethical. Behaving ethically or otherwise sometimes depend on culture, standards, and norms of a society. Some unethical practices, such as corruption, bribery, etc., have been incorporated and institutionalized in some country's cultures, giving them good names like "kickbacks," facilitation fee, gratification and public relations (PR). Leaders in such countries with those practices may act

in that manner to meet up to their target profits, and they may perceive their acts as ethical. The reason for the institutionalisation of those unethical practices may be due to lack of adequate laws or the will power of the relevant institutions to enforce the law. Nigeria is basically having such features as evidenced in the high corruption perception index of Transparency International in the recent years. Whereas, some other countries have strong laws and institutions to enforce the laws. Business leaders in such countries who may not partake in those unethical practices of corruption, bribery, etc that are basically rule-based, may partake on principle-based unethical practices, such as compromising integrity and ethical values. United States of America (USA) is a good example of such countries, where Sarbanes-Oxley Act was promulgated to enforce ethics in the private sector. Avoiding unethical practices may affect effective leadership.

Business managers; Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), etc. are always faced with the dilemma of either compromising ethical values in business to achieve results or holding on to ethical values in business and not achieving results. The reason for the dilemma is that achieving targets results to higher bonuses for managers and higher returns to shareholders, and not achieving targets results to the contrary. Current and future business leaders are products of business schools, which often teach that money always comes before ethics. Foundations of the business establishment became shaken by the examples of unethical practices, such as insider abuse, manipulative accounting, and blatant fraud (Koetenbaum & Keys, 2005).

The above scenario can be seen in the popular story of the nine richest business leaders (CEOs of stock exchange and multinational corporations) in the world as at 1923, who met that year at Chicago. Twenty-five years later, all of them had one or more encounter that involved unethical practices (Smith & Smith, 2010). This implies that leaders who imbibe unethical behaviour achieve results in the short – run and fail in future, whereas those leaders who imbibe ethics may not achieve business results in the short-run but achieve better results in the long-run. Leadership is a potent combination of strategy (effectiveness and structural change) and character. But if you must be without one, be without the strategy (Smith & Smith, 2010)

Conclusion And Recommendations

Leadership is not a person or a position. Leadership is a complex moral relationship between people, based on trust, obligation, commitment, emotion, and shared vision of the good. Ethics is about distinguishing between right and wrong, or good and evil in relation to the actions, volitions, and character of human beings. Ethics lie at the heart of all human relationships and hence at the heart of the relationship between leaders and followers (Ciulla, 2004). Leadership can be seen as a process of transformative change where the ethics of individuals and the society are integrated into achieving organisational results in the private sector effectively and ethically, without minding the dilemma of achieving such results.

This study recommends the following:

1. Leaders should abide by both rules-based ethics that are punishable by law and the principle-based ethics which ensures good ethical values of integrity, objectivity, honesty, respect, and loyalty. Leaders in a weak legal institutional countries, such as Nigeria should ensure both compliance, while leaders from strong institutional countries, may focus more on principle-based ethics.
2. Good corporate governance should be put in place and enforced by regulators to direct and guide the actions of leaders.
3. There should be a revolution of the minds and thinking of leaders to do good and nothing but the common good that is directed towards relativism and utilitarianism.

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