Course Learning Outcomes for Unit VIII

Upon completion of this unit, students should be able to:

4. Examine the role of leadership in corporate culture, leadership styles, and how they affect ethical decision-making.

Reading Assignment

In order to access the following resource(s), click the link(s) below:


Unit Lesson

Click [here](#) to access an introduction video.

Click [here](#) to access the introduction video transcript.

Click [here](#) to access a video that briefly introduces topics in this unit.

Click [here](#) to access the video transcript.

Pinocchio, the slightly mischievous wooden puppet who is doing his best to become a “real boy,” encounters many situations that test his ethics. Jiminy Crickett has been assigned to him as his unofficial “conscience,” to help him make the right decisions, judging the soundness of actions and values so he can become a “real
boy." When Pinocchio is shipped off to Pleasure Island, for example, Jiminy counsels him to go to school and to tell the truth, among other things. Sometimes Pinocchio listens to him, and other times he ignores Jiminy on Pleasure Island (Disney, Luske, & Sharpsteen, 1940).

When companies are vigilant about creating a culture of ethical leadership, not only are fraud and illegality prevented, and in many cases discovered earlier, but the entire organization benefits from the top down and back up. It creates a positive cycle between the highest leaders of the company and its employees, which, in turn, bubbles up and proactively benefits leaders in leading the company down the path they envision.

Previously, we have studied ethical leadership for purposes of efficiency, profitability, and protecting businesses; however, we shall now focus on how it positively impacts employees and what ramifications this effect also has for the company. In order to create true business excellence, a core value must be the health and welfare of employees, psychologically and emotionally. We will see how true ethical culture positively influences performance, which is the pillar of any business. Studies show that this kind of culture increases loyalty and selflessness. It elevates moral awareness and sets the stage for highly motivated employees. Moreover, these benefits include a high rate of job satisfaction and self-actualization, which are the drivers of strong productivity. Successful business cultures marked by transparency and accountability are the platform from which great employees spring.

Ethical leadership is not sufficient, though it is required. Instead, the climate that employees work in must be positively charged with ethical principles set forth by leaders. If the entire climate is transformed to one in which organizational fairness dominates, then employees report high job satisfaction, which is positively correlated with productivity. Ethical leadership has been found to be the linking mechanism between personal happiness and job satisfaction. The strength of employees directly relates to their commitment to their jobs, which in turn directly relates to employee turnover and absenteeism.

Ethical leadership is a two-way street. When employees are more engaged in, and have more identification, with their employers, they can help establish and strengthen positive ethical culture. A positive ethical culture reduces employee anxiety, increases employee energy, and improves employee commitment. There is a positive correlation between a strong ethical culture and employees being considerate, open, trustworthy, honest, and adhering to high ethical principles. Thus, a virtuous cycle is created in which leadership perpetuates ethical culture, which flourishes causing a higher level of commitment and identification with employees, who act by strengthening the ethical culture.

This cycle then holds important lessons for ways in which cultures are created and maintained, such as by promoting managers based on ethical principles, using proactive communication, sharing ideas, and establishing open lines of communication within the organization. The more employees are given the tools and placed in an environment that is caring, transparent, and characterized by high moral values, the more employees begin to share the same goals and vision of their leaders. The implications of such research are that organizations must value ethics as a primary focus to their profitability, long-term health, and success. The strength of the organization is only as strong as its foundation: its employees. Organizations that include ethics as an important criterion upon which hiring and promotion are determined will benefit from the positive effects of ethical leadership upon employees' performances.

The power of your organization’s leadership is vast, and the lack thereof creates a vacuum. The ethical implications of leadership bear not only upon the future health of the company, but on you directly, as the manager. Is cheating to make one’s quarterly goals punished, encouraged, or defended indirectly by managers “looking the other way”? Does leadership set a different standard for itself, for example with regard to lavish corporate spending, and then require you to account for every pencil? Are employees evaluated, hired, and promoted based on the ethical principles and behavior they display or solely based on profit maximizing endeavors?

Against this backdrop, how will you let your “conscience be your guide”? As you take part in the positive and necessary cycle which starts with effective ethical leadership, what important decisions will you make? What will you contribute to the ethical process and the internal discussion? Will you help write and shape your company’s code of ethics? How will you implement it? What does it mean in real observable terms to “walk the walk”? Will you make use of company hotlines if you see fraud or discrimination in the workplace—even if it is a valued colleague? How far are you willing to go? Will you help shape your organization’s corporate
social responsibility? Will you organize a walk or food drive for charity or really go out on a limb to press your company to donate part of its profits to a plight with which you identify?

Letting your “conscience be your guide” requires you to be engaged and proactive, whether it is rooting out illicit behavior or putting a plan in place to donate a share of profits. The key element here is you and how you want to contribute to your company and the greater good of society. Ethical practices do not start and stop at the company door: they are who you are as a person. If you are an ethical person, then you are an ethical employee and an ethical leader as you make your way up the ladder. Based on what we have covered in this course, you now have foundational tools to make the decisions you want in order to define yourself as an ethical person and an ethical businessperson. What will you choose?

Reference