

# Ethical, Servant, Spiritual, and Authentic Leadership

## Learning Objectives

After studying this chapter you should be able to:

- Understand different conceptions of ethical leadership.
- Understand the difficulties in defining and assessing ethical leadership.
- Understand the individual and situational influences on ethical leadership.
- Understand servant, spiritual, and authentic leadership theory.
- Understand the consequences of ethical leadership for followers and the organization.
- Understand limitations of the ethical leadership theories.
- Understand what types of research on ethical leadership are desirable.
- Understand some ways to promote ethical behavior and oppose unethical practices.

Influence is the essence of leadership, and powerful leaders can have a substantial impact on the lives of followers and the fate of an organization. As Gini (1998) reminds us, the primary issue is not whether leaders will use power, but whether they will use it wisely and well. Powerful leaders can advance their own careers and economic gains at the expense of organization members and the public. Moreover, by making unethical practices appear to be legitimate, a leader can influence other members of the organization to engage in “crimes of obedience” (Beu & Buckley, 2004; Hinrichs, 2007). The great potential for misuse of power is one reason so many people are interested in the ethical aspects of leadership. Another reason is the declining public trust in business and public leaders, which has been fueled by repeated scandals publicized in the news media, in books, and in movies (Kouzes & Posner, 1993). The companies in which top executives were involved in unethical activities include Enron, Global Crossing, HealthSouth, Qwest, Scandia, Tyco International, and WorldCom (Carson, 2003; Flanagan, 2003).

Interest in ethical leadership and the influence of leader values and integrity has been growing rapidly, and several different theories describing ethical leadership have emerged. The chapter will examine different conceptions of ethical leadership, describe ethical dilemmas commonly faced by leaders, and identify some things leaders can do to promote ethical behavior in organizations. The theories include servant leadership, spiritual leadership, and authentic leadership as well as earlier ideas that influenced much of the current thinking about ethical leadership.

## Conceptions of Ethical Leadership

Despite the growing interest in ethical leadership, there is considerable disagreement about the appropriate way to define and assess it. In a scientific discipline that values objectivity, even to discuss this subject causes some people to feel uneasy. However, as Heifetz (1994) pointed out, there is no ethically neutral ground for theories of leadership, because they always involve values and implicit assumptions about proper forms of influence.

### Defining Ethical Leadership

Ethical leadership has been defined in different ways, and definitions may include values, traits and behaviors. When asked to describe ethical leaders, executives identified several aspects of behavior and motives (e.g., honest, trustworthy, altruistic, fair), but they also identified aspects of behavior involving attempts to influence the ethical behavior of others (Trevino, Brown, & Hartman, 2003). Several types of influence may be used by the leader, including statements about the importance of ethics, dissemination of ethical guidelines for members of the organization, modeling ethical behavior to set a visible example for others, including ethical behavior in the assessment of performance, and criticizing or punishing unethical behavior. It is also useful to make a distinction between the ethics of an individual leader and the ethics of specific types of leadership behavior (Bass & Steidlmeier, 1999), and both types of ethics are difficult to evaluate.

Several criteria are relevant for judging individual leaders, including the person's values, stage of moral development, conscious intentions, freedom of choice, use of ethical and unethical behavior, and types of influence used. Famous leaders usually have a mix of strengths and weaknesses with regard to these criteria. One difficulty in evaluating the morality of individual leaders is the subjectivity inherent in determining which criteria to use and their relative importance. The final evaluation can be influenced as much by the qualities of the judge as by the qualities of the leader.

Judgments about the ethics of a particular decision or action usually take into account the purpose (ends), the extent to which behavior is consistent with moral standards (means), and the consequences for self and others (outcomes). The three criteria are usually considered in relation to each other, and a common issue is the extent to which the ends justify the means. For example, is deception justified when the purpose is to help another person avoid serious personal harm?

Moral standards used to evaluate means include the extent to which leader behavior violates basic laws of society, denies others their rights, endangers the health and

lives of other people, or involves attempts to deceive and exploit others for personal benefit. Examples of behavior that is usually considered unethical in Western nations include falsifying information, stealing assets for personal use, blaming others for one's own mistakes, provoking unnecessary hostility and distrust among others, selling secrets to competitors, showing favoritism in return for a bribe, and engaging in reckless behaviors that are likely to injure others. Judgments about ethical leadership vary somewhat across cultures, but researchers find that some types of leader behavior (e.g., exploiting followers) are considered improper regardless of national culture (see Chapter 14).

## Personal Integrity and Ethical Leadership

Discussions of ethical leadership invariably involve the concept of personal integrity. As noted in Chapter 7, personal integrity is an attribute that helps to explain leadership effectiveness. Bennis and Thomas (2002) interviewed 40 leaders and found that an essential aspect of effective leadership was integrity, which depends on honesty and consistency of behavior with espoused values. In cross-cultural research on the essential traits for effective leadership, integrity is near the top of the list in all cultures that have been studied (see Chapter 14). Most scholars consider integrity to be an important aspect of ethical leadership, but the appropriate definition is still a subject of debate (Barry & Stephens, 1999; Locke & Becker, 1999; Simons, 2002; Trevino, Weaver, & Reynolds, 2006).

The most basic definition emphasizes honesty and consistency between a person's espoused values and behavior. What the leader values and how the person acts are not part of this definition. Critics contend that this definition is insufficient, because the values must be moral and the behavior must be ethical (e.g., Becker, 1998). For these critics, integrity means the behavior is consistent with a set of justifiable moral principles; integrity is not consistency between actions and immoral principles. Thus, a thief who believes it is morally acceptable to steal from corrupt organizations would not be classified as high in integrity. A limitation of this more rigorous definition is the difficulty of getting agreement about justifiable moral principles. It is especially a problem for values and principles that differ across cultures, and for principles that involve competing values (e.g., the abortion controversy or mercy killing).

Some examples of behaviors usually regarded as morally justifiable include following the same rules and standards applied to others, being honest and candid when providing information or answering questions, keeping promises and commitments, and acknowledging responsibility for mistakes while also seeking to correct them. However, a leader may have ulterior motives for using behaviors that appear morally justifiable. An example is to use kindness to gain the trust of people who will later be exploited. For this reason, it is necessary to consider a leader's intentions and values as well as behaviors when evaluating ethical leadership. To be ethical, the leader must intend no harm and respect the rights of all affected parties (Gini, 1998).

## Dilemmas in Assessing Ethical Leadership

Influencing follower commitment and optimism are central aspects of most theories of effective leadership. Leaders are usually expected to influence follower commitment to an existing task or a new activity. However, this influence is also the

source of ethical concerns. The problem for evaluating ethical leadership is to determine when such influence is proper. It is easier to evaluate ethical leadership when the interests of the leader, the followers, and the organization are congruent and can be attained by actions that do not involve much risk or cost to any of the parties. However, in many situations the influence process may involve (1) creating enthusiasm for a risky strategy or project, (2) inducing followers to change their underlying beliefs and values, and (3) influencing decisions that will benefit some people at the expense of others. Each type of influence involves some ethical dilemmas.

## Influencing Expectations

An important leadership responsibility is to interpret confusing events and build consensus around strategies for dealing with threats and opportunities. Sometimes success requires a strategy or project that is bold and innovative. A risky venture may result in great benefits for followers if completed successfully, but the costs can also be high, especially if the project fails or takes much longer than expected. How the leader influences follower perception of the risks and prospects for success is relevant for evaluating ethical leadership.

Most people would agree that it is unethical to deliberately manipulate followers to do something contrary to their self-interest by making false promises or deceiving them about likely outcomes. One proposed standard for ethical leadership in the case of risky ventures is for the leader to fully inform followers about the likely costs and benefits and ask followers to make a conscious decision about whether the effort is worthwhile. However, it is often difficult for the leader (or anyone else) to find any objective basis for predicting the likely outcomes of an innovative strategy and project. If an obvious crisis already exists for the group or organization, expressing doubts and sharing complete information can create panic and ensure failure. As Heifetz (1994) proposed, it is important to help people understand a problem without demoralizing them. Effective leaders do not dwell too much upon the risks or obstacles, but instead emphasize what can be accomplished with a concerted, shared effort. Hope and optimism can eventually become a self-fulfilling prophecy if combined with effective problem solving. Thus, in situations where sharing information and interpreting events involves competing values, there are complex ethical issues to be resolved. This aspect of ethical leadership deserves more attention in the future.

## Influencing Values and Beliefs

Even more controversial is an attempt to change the underlying values and beliefs of individual followers. Some writers contend that this type of leader influence is clearly unethical, even when the intended outcome is to benefit followers as well as the organization (e.g., Stephens, D'Intino, & Victor, 1995; White & Wooten, 1986). These writers question the implicit assumption that the leader knows what is best for followers, and there is concern about the misuse of power and control over information to bias follower perceptions about problems and events. A special concern is the influence of charismatic leaders on followers who are weak and insecure.

A contrary view is that leaders have a responsibility to implement major changes in an organization when necessary to ensure its survival and effectiveness. A large-scale

organizational change will not be successful without changes in member beliefs and perceptions. Effective leaders engage members and other stakeholders in a dialogue to determine what types of changes are necessary and morally right for the organization. The process may (or may not) result in the emergence of a new set of shared beliefs and values. However, as noted in Chapter 10, the chief executive cannot dictate changes in the organization culture. The change, if it occurs, will reflect the influence of many leaders throughout the organization. How much influence the CEO or any other individual should try to exert on this process, and the form of the influence, are ethical questions that are yet to be resolved.

## Multiple Stakeholders and Competing Values

The difficulties in evaluating the effectiveness of leaders (see Chapter 1) include multiple criteria with complex trade-offs and stakeholders with partially conflicting interests. The diverse consequences of a leader's decisions and actions complicate the evaluation of ethical leadership. The same actions that benefit followers in some ways may also harm followers in other ways or at a later time. The same actions that serve the interests of some followers may be contrary to the interests of other followers. Doing what is best for one type of stakeholder (e.g., owners) may not be what is best for others (e.g., employees, customers, the community). Efforts to balance competing values and interests involve subjective judgments about rights, accountability, due process, and social responsibilities. When stakeholder interests are incompatible, it is more difficult to evaluate ethical leadership.

The traditional perspective is that managers in business organizations are agents who represent the interest of the owners in achieving economic success for the organization. From this perspective, ethical leadership is satisfied by maximizing economic outcomes that benefit owners while not doing anything strictly prohibited by laws and moral standards. For example, the decision to move a manufacturing plant from Kansas to Mexico would be considered ethical if it would significantly improve profits, regardless of the effects on plant employees or the local economy. The pursuit of short-term profits is often used as the excuse for making strategic decisions that are harmful to stakeholders other than shareholders looking for a quick increase in the value of their stock.

A very different perspective is that managers should serve multiple stakeholders inside and outside the organization (Block, 1993; Gini, 1998; Greenleaf, 1977; Jones, Felps, & Bigley, 2007; O'Toole, 1994; Sharp-Paine, 1994). From this perspective, judgments about ethical leadership must take into account the extent to which a leader balances and integrates the interests of different stakeholders within the constraints imposed by legal and contractual obligations. An integrative orientation appears more ethical than supporting the faction that will provide the highest personal gain for the leader, playing stakeholders off against each other (e.g., by encouraging negative stereotyping and mutual distrust), or trying to ignore substantive conflicts of interest. The following incident described by Nielsen (1989) provides an example of the integrative approach.

The division manager for a paper products company was confronted with a difficult problem. Top management decided to close some paper mills unless operational costs for them could be reduced. The manager was concerned that cutting costs would prevent the mills from meeting government pollution control require-

ments. However, unless costs were reduced, the mills would close, seriously hurting the economy of the local community. The manager decided to look for an integrative win-win solution. He asked the research and engineering people in his division to look for ways to make the mills more efficient and also reduce pollution. He asked the operations and financial people in his division to estimate how much it would cost to build better mills, and when the operations would achieve a breakeven payback. When a good solution was found, he negotiated an agreement with top management to implement the plan.

Unfortunately, when different stakeholders have incompatible objectives, an integrative solution is not always possible. Leaders of business organizations sometimes have an opportunity to support a worthy cause, even though it does not provide any short-term benefit to the financial performance of the organization. However, making this type of decision requires courage and strong convictions, because powerful stakeholders may expect a leader to protect their interests, regardless of the harm to people who are not viewed as legitimate stakeholders (Jones et al., 2007). A good example of this type of ethical dilemma is provided by Useem (1998).

In the 1970s river blindness was one of the world's most dreaded diseases, and it had long frustrated scientists trying to stop the spread of river blindness in developing countries. Then a potential cure for the disease was discovered by researchers at Merck. The new drug (called Mectizan) would cost more than \$200 million to develop, and it was needed only by people who could not afford to pay for it. When Roy Vagelos, the CEO of Merck, was unsuccessful in his effort to get governments of developing nations to agree to pay for the drug, it became obvious that Mectizan would never make any profit for Merck. Nevertheless, Vagelos decided to distribute Mectizan for free to the people whose lives depended on it. Many people in the company said the decision was a costly mistake that violated the responsibility of the CEO to stockholders. However, Vagelos believed that the decision was consistent with Merck's guiding mission to preserve and improve human life. The development of Mectizan was a medical triumph and it helped to nearly eradicate river blindness. The humanitarian decision enhanced the company's reputation and helped to attract some of the best scientific researchers in the world to work for Merck.

## Determinants and Consequences of Ethical Leadership

Two interesting research questions are the reason for differences in ethical behavior among leaders, and the consequences of ethical leadership for followers and the organization. Both questions are briefly discussed in this section of the chapter, because they are relevant for understanding the theories of ethical leadership described later in the chapter.

### Individual Determinants of Ethical Leadership

One explanation is provided by theories of cognitive moral development. Kohlberg (1984) proposed a model to describe how people progress through six sequential stages of moral development as they grow from a child to an adult. With each

successive stage, the person develops a broader understanding of the principles of justice, social responsibility, and human rights. At the lowest level of moral development the primary motivation is self-interest and the satisfaction of personal needs. At a middle level of moral development, the primary motivation is to satisfy role expectations and social norms determined by groups, organizations, and society. At the highest level of moral development, the primary motivation is to fulfill internalized values and moral principles. A person at this level may deviate from norms and risk social rejection, economic loss, and physical punishment in order to achieve an important ethical objective. The Kohlberg theory of moral development is similar in many ways to Kegan's (1982) theory of psycho-social development.

Unlike physical maturation, moral development is not inevitable, and some people become fixated at a particular developmental stage. A leader who is at a higher level of development is usually regarded as more ethical than one at a lower level of development. Some research indicates that cognitive moral development is related to ethical decisions in business organizations (e.g., Trevino, 1986; Trevino & Youngblood, 1990). However, a recent review of research on the theory found a lack of clear evidence that leadership behavior or effectiveness is related to stage of development (McCauley, Drath, Palus, O'Connor, & Baker, 2006).

Another explanation for moral behavior involves self identity theory. A person with a strong moral self identity is motivated to act in ways that are consistent with ethical values and beliefs (Bergman, 2002; Reynolds & Ceranic, 2007). A moral self-identity is less important as a determinant of behavior in the situation where there is a strong consensus about ethical behavior. Most people will conform to the social norms, even if they do not have a strong moral self-identity. However, if there is not a consensus about a moral issue, then judgments about ethical consequences of actions are more important as determinants of behavior.

Decisions about moral behavior are also affected by values involving the consequences of behavior and the observance of formal rules, policies, laws, or traditional practices (Reynolds, 2006a). A person for whom consequences are very important will favor actions likely to result in the greatest benefit to all affected parties. A person for whom formalism is very important is more inclined to obey rules and policies. A person's moral identity usually emphasizes one value over the other, and the impact of the values on behavior is most evident when there are rules or traditions about proper behavior, but there is not a strong moral consensus about it. In this situation people with a strong moral identity and a primary concern for consequences will be the most likely to select a behavior that will result in benefits for others, even if it violates formal rules or laws. In contrast, people with a strong moral identity and primary concern for formality will be the most likely to conform with existing rules or laws, even when the behavior is likely to have adverse consequences for some people.

Ethical leadership is also related to a leader's personality traits and needs (Brown & Trevino, 2006b; Mumford, Gessner, Connelly, O'Connor, & Clifton, 1993; O'Connor, Mumford, Clifton, Gessner, & Connelly, 1995). Most of the individual traits that were found to be associated with effective leadership (see Chapter 7) are also related to ethical leadership. Unethical, abusive leadership is more likely for a person who has low conscientiousness, low emotional maturity, high neuroticism, high narcissism, an external locus of control orientation, and a personalized power orientation. This type of leader is likely to perceive that other people are untrustworthy and to view them

as objects to be manipulated for personal gain. Power is used to exploit others and achieve personal objectives, rather than to benefit others and achieve organizational objectives.

## Situational Influences on Ethical Leadership

Ethical behavior occurs in a social context, and it can be strongly influenced by aspects of the situation (Brown & Trevino, 2006b; Trevino, 1986; Trevino, Butterfield, & McCabe, 1998). The organizational culture and the formal reward system can encourage and support ethical or unethical behavior by leaders and members. Unethical behavior is more likely when performance goals are unrealistically difficult, there is high pressure for increased productivity, there is intense competition for rewards and advancement, and the organization does not have strong cultural values and norms about ethical conduct and individual responsibility. For example, the strong success-oriented culture at Enron and the compensation and performance appraisal systems that supported it encouraged employees to exaggerate results and help hide the company's growing debt (Reynolds, 2006b; Probst & Raisch, 2005). Cultural values and beliefs in the community or nation are another influence on ethical behavior (see Chapter 14). For example, unethical behavior is more likely in societies where violence is prevalent, fraud and bribery are accepted, and corruption of officials is widespread (Mumford, Espejo, Hunter, Bedell-Avers, Eubanks, & Connelly, 2007).

Follower characteristics are another aspect of the situation that can encourage unethical leadership. Unethical leadership is more likely when followers believe that formal leaders should have strong position power and obedience to authority is necessary. These beliefs are common in societies with strong cultural values for uncertainty avoidance and power distance (see Chapter 14). Followers are also more likely to passively accept a domineering and abusive leader if they lack self-esteem and self-efficacy and do not have much confidence in their own ability to deal with threats and hardship. As noted in Chapter 9, these conditions also foster the emergence of charismatic leadership.

Studies of “abusive supervision” and “toxic leaders” provide additional insights about the conditions that make it easier for a chief executive to act in ways that are destructive for an organization and its members (Padilla, Hogan, & Kaiser, 2007). In organizations that lack mechanisms to limit the power of the chief executive, abusive leaders are more difficult to restrain or remove once they have been appointed or elected. Examples of ways to limit executive power include an independent board of directors, term limits for leaders, procedures that allow followers to periodically evaluate their leaders, procedures for appealing decisions by leaders (including decisions about punishment or dismissal), and formal procedures for removing a leader who misuses power or is incompetent.

Leader personality and cognitive moral development interact with aspects of the situation in the determination of ethical and unethical behavior. That is, ethical behavior can be explained better by consideration of both the individual leader and the situation than by either variable alone. Emotionally mature leaders with a high level of cognitive moral development are more likely to resist the temptation to use their power to exploit others, and they are less likely to use unethical practices to accomplish objectives.

## Consequences of Ethical and Unethical Leadership

Most theories of ethical leadership emphasize the importance of leader influence on followers and the ethical climate of an organization. Many different measures have been used to assess the effects of ethical leadership on followers, and they include some criteria seldom used in the earlier leadership research (e.g., follower values and ethical behavior, follower self-awareness, follower feelings of spiritual fulfillment). The theories differ somewhat with regard to the criteria used to assess the effects of ethical leadership. Examples of research on the effects of ethical leadership are provided by a number of studies (Reave, 2005), and there is clear evidence of beneficial effects for followers.

Abusive supervision includes using power and authority to humiliate, ridicule, bully, and otherwise mistreat subordinates (Tepper, 2000). Such behavior is usually regarded as a form of unethical leadership, and the research on it finds negative consequences for followers and the organization. Abusive supervision results in less organizational citizenship behaviors by employees (Zellers, Tepper, & Duffy, 2002), and it also results in more retaliation and displaced aggression toward coworkers and the organization (Mitchell & Ambrose, 2007). For example, a study of abusive behavior by restaurant managers found that it resulted in higher food loss from employee theft and waste (Detert, Trevino, Burris, & Andiappan, 2007).

In most theories of ethical leadership, the primary focus when assessing consequences is on the consequences for individuals such as employees rather than the impact on organizational performance. Sometimes these effects are consistent, such as when higher employee trust and commitment also result in improved financial performance for the organization (see Chapter 12). However, ethical practices do not always improve measures of current financial performance, especially when they increase costs. Examples include providing adequate health care benefits to employees even though competitors do not, accepting responsibility for mistakes and defective products (e.g., recalls and refunds), and carrying out prior commitments despite unexpected expenses.

Likewise, the adverse consequences of unethical behavior may not be reflected accurately in measures of leader performance or short-term organizational performance. For example, supervisors who increase output and reduce costs may get better performance ratings, even when they mistreat subordinates to accomplish these objectives. Unethical practices can be used to inflate measures of short-term performance when it is difficult to check on their accuracy. Examples from recent corporate scandals include billing the government or other customers for services that were not provided, providing loans or mortgages to customers who would not be able to repay them, and counting future sales revenues as current income (to prop up the value of the company's stock). Another dubious practice is to inflate short-term measures of objective performance by reducing actual costs for activities that will not have adverse effects until a future time. An example is reducing necessary maintenance of equipment, despite the increased risk of costly breakdowns or accidents in the future.

## Improving Research on Ethical Leadership

The growing interest in ethical leadership has spurred more research on the subject, but much of the research has been very superficial. To understand the determinants and the consequences of ethical leadership will require more than simple,

linear models with unidirectional causality. Leaders and followers influence each other's values and ethical behavior. Over time the reciprocal influence processes can result in synergistic effects. Reciprocal influence also occurs between leaders and the organization culture. As already noted, ethical leadership can be encouraged by strong cultural values and appropriate reward systems, but the cultural values and management systems are also influenced by the decisions and actions of the leaders (see Chapter 10).

Kahn (1990) proposed an agenda of research questions that would help to produce knowledge that strengthens both the theory and practice of ethical conduct in organizations. Examples of relevant research questions include the language used to frame and communicate ethical issues, the conditions under which conversations about ethics are likely to occur, the process by which ethical dilemmas and disagreements are resolved, the process by which ethical principles are adapted to changing conditions, and the ways that leaders influence ethical awareness, dialogue, and consensus.

Brown and Trevino (2006b) suggested several interesting research questions, including the extent to which ethical behavior is related to a leader's level of authority, amount of position power, and type of position; the extent to which ethical leadership by top executives influences ethical behavior by middle and lower-level managers and by non-managerial employees, and the extent to which ethical leadership is related to different outcomes such as follower satisfaction, commitment, behavior, and performance.

Reynolds (2006a, 2006b) recommended research to explore cognitive processes that seem relevant for understanding why ethical judgments and individual behaviors are often inconsistent. One implication of his neurocognitive model of ethical decision making is that organizations need to provide more guidelines to help managers deal with unique situations where it is difficult to determine what choices are ethical and appropriate.

## Transforming Leadership and Adaptive Problem Solving

Much of the current thinking about ethical leadership was influenced by a few scholars who studied political leaders in national or local government, leaders of social movements, leaders of religious groups, community leaders, and leaders in not-for-profit organizations. Two scholars who had a strong influence on conceptions of ethical leadership are examined next.

### Transforming Leadership

As noted in Chapter 9, Burns (1978) formulated a theory of transforming leadership from descriptive research on political leaders. For Burns, a primary leadership role or function is to increase awareness about ethical issues and help people resolve conflicting values. Burns (1978, p. 20) described transforming leadership as a process in which "leaders and followers raise one another to higher levels of morality and motivation." These leaders seek to raise the consciousness of followers by appealing to ideals and moral values such as liberty, justice, equality, peace, and

humanitarianism, not to baser emotions such as fear, greed, jealousy, or hatred. Followers are elevated from their “everyday selves” to their “better selves.” For Burns, transforming leadership may be exhibited by anyone in the organization in any type of position. It may involve influencing peers and superiors as well as subordinates. It can occur in the day-to-day acts of ordinary people, but it is not ordinary or common.

Burns described leadership as a process, not a set of discrete acts. It is a process in which leaders and followers influence each other as the relationships evolve over time. Transforming leadership is an influence process between individuals, but it is also a process of mobilizing power to change social systems and reform institutions. The leader seeks to shape, express, and mediate conflict among groups of people, because this conflict can be useful for mobilizing and channeling energy to achieve shared ideological objectives. Thus, transforming leadership involves not only the moral elevation of individual followers, but also collective efforts to accomplish social reforms. In the process, both the leader and followers will be changed. They will begin to consider not only what is good for themselves, but also what will benefit larger collectivities such as their organization, community, and nation.

### Adaptive Problem Solving

In his book entitled *Leadership without Easy Answers*, Ronald Heifetz (1994) proposed that the primary role of leaders is to help followers confront conflict and find productive ways to deal with it. The leader must engage people in facing challenges, changing perspectives, and learning new ways to work together effectively. Like Burns, Heifetz described leadership as both a dyadic and collective process. Leaders influence individuals, and they also mobilize collective efforts to accomplish adaptive work. The type of influence used by leaders includes not only use of rationality and appeal to values, but also formal authority. Leaders can use their authority to direct attention to problems, frame issues, structure decision processes, mediate conflicts, allocate resources to support problem solving, and delegate specific responsibilities to individuals or groups. However, formal authority is not necessary to provide ethical leadership. Emergent leaders can acquire informal authority by taking responsibility for exercising leadership in situations where it is needed. Heifetz emphasizes that meaningful change requires shared leadership, and it cannot be accomplished by a single, heroic individual.

Leaders can do many things to help people collectively solve problems in an effective way. One important leadership function is to influence people to acknowledge an important problem, rather than denying it, discounting the seriousness of the problem, procrastinating about corrective action, or providing fake remedies and stress-reducing diversions. Another important function is to help frame problems by clarifying key issues, encouraging dissenting views, distinguishing causes from symptoms, and identifying complex interdependencies. Leaders can facilitate problem solving by helping people get information, by identifying points of agreement and disagreement, and by encouraging people to find integrative solutions to conflicts.

It is important to set the pace of collective work at a rate people can tolerate. If pushed too fast, people may resort to defensive avoidance mechanisms, such as con-

cluding that temporary relief or limited progress is a complete solution. Leaders must educate people about the difficulties that will be encountered and the self-sacrifices that will be necessary to succeed. At the same time, it is important to build hope and optimism about finding a solution. Finding the right balance is a difficult challenge for leaders. Heifetz's ideas seem especially relevant for evaluating political candidates who deny or oversimplify problems, promise unrealistic solutions, and pander to short-term individual interests rather than collective needs.

## Servant Leadership

Another early conception of ethical leadership builds on examples of “servant leadership” found in the New Testament (Greenleaf, 1977; Sendjaya & Sarros, 2002). Servant leadership in the workplace is about helping others to accomplish shared objectives by facilitating individual development, empowerment, and collective work that is consistent with the health and long-term welfare of followers (Greenleaf, 1977; Graham, 1991; Smith, Montagno, & Kuzmenko, 2004).

### Conceptions of Servant Leadership

In 1970, Robert Greenleaf proposed the concept of “servant leadership,” and it became the title of a book published in 1977. Greenleaf proposed that service to followers is the primary responsibility of leaders and the essence of ethical leadership. Service includes nurturing, defending, and empowering followers. A servant leader must attend to the needs of followers and help them become healthier, wiser, and more willing to accept their responsibilities. It is only by understanding followers that the leader can determine how best to serve their needs. Servant leaders must listen to followers, learn about their needs and aspirations, and be willing to share in their pain and frustration.

The servant leader must stand for what is good and right, even when it is not in the financial interest of the organization. Social injustice and inequality should be opposed whenever possible. Even the weak and marginal members of society must be treated with respect and appreciation. Greenleaf proposed that providing meaningful work for employees is as important as providing a quality product or service for the customer. He advocated that business organizations should consider social responsibility as one of the major objectives, and the board of directors should take primary responsibility for evaluating and facilitating progress on this objective.

The servant leader must empower followers instead of using power to dominate them. Trust is established by being completely honest and open, keeping actions consistent with values, and showing trust in followers. Greenleaf believed that followers of such leaders are inspired to become servant leaders themselves. People should prepare themselves to lead and accept the opportunity when offered. The result will be more people who serve as moral agents in society.

These early ideas about servant leadership were recognized in the leadership literature for many years, but they did not elicit much attention until recently (Graham, 1991; Russell & Stone, 2002; Sendjaya & Sarros, 2002; Smith et al., 2004).

As in the case of other theories in this chapter, increased interest in servant leadership may be a reaction to corporate scandals and declining confidence in elected officials. Other theorists have extended theory to include a more explicit description of key values and the effects of servant leaders on followers and theory organization. The values emphasized in servant leadership are primarily about helping people and fostering a relationship of trust and cooperation. Following is a list of key values and examples of how they may be expressed in a leader's behavior:

1. **Integrity:** communicates in an open and honest way, keeps promises and commitments, acts in ways that are consistent with espoused values, admits and accepts responsibility for mistakes, does not attempt to manipulate or deceive people
2. **Altruism:** enjoys helping others, is willing to take risks or make sacrifices to protect or benefit others, puts the needs of others ahead of own needs, volunteers for service activities that require extra time and are not part of the formal job requirements
3. **Humility:** treats others with respect, avoids status symbols and special privileges, admits limitations and mistakes, is modest about achievements, emphasizes the contributions by others when a collective effort is successful
4. **Empathy and healing:** helps others cope with emotional distress, encourages acceptance of diversity, acts as a mediator or peacemaker, encourages forgiveness and reconciliation after a divisive conflict
5. **Personal growth:** encourages and facilitates the development of individual confidence and ability, even when not important for the current job; provides learning opportunities despite a risk of mistakes; provides mentoring and coaching when needed; helps people learn from mistakes
6. **Fairness and justice:** encourages and supports fair treatment of people, speaks out against unfair and unjust practices or policies, opposes attempts to manipulate or deceive people or to undermine or violate their civil rights
7. **Empowerment:** consults with others about decisions that will affect them, provides an appropriate amount of autonomy and discretion to subordinates, shares sensitive information with them, encourages them to express concerns or dissenting views without becoming defensive

## Effects of Servant Leadership

The potential benefits of servant leadership are similar to those suggested by theories of supportive and empowering leadership, and by theories of spiritual and authentic leadership. Leader integrity and concern for subordinates is likely to increase their trust, loyalty, and satisfaction with the leader. A favorable relationship and increased referent power for the leader make it easier to influence subordinates to carry out requests. The potential benefits derived from development and empowerment of subordinates have been demonstrated in research on participative leadership, supportive leadership, and transformational leadership. The attempt to ensure fairness and equity can influence subordinate perceptions of distributive and procedural justice and increase their loyalty and organizational commitment. If a servant leader is able to influence other leaders to become servant leaders as well, the result may be an employee-oriented culture that attracts and retains talented, committed employees.

## Research on Servant Leadership

Most of the evidence about effects of servant leadership is from anecdotal accounts and case studies of historical leaders (e.g., Graham, 1991). Other evidence comes from research on related subjects such as supportive leadership, empowerment, leader integrity, self-sacrifice by leaders, and ethical leadership. The recent development of questionnaires on servant leadership will encourage more research (Barbuto & Wheeler, 2006; Dennis & Bocarnea, 2005; Dennis & Winston, 2003). However, the questionnaires are still in the early stage in their development, and they differ greatly with regard to the type of leader characteristics measured (values, traits, skills, behaviors) and the type of raters who provide the data (leader self-report, ratings by others). Several of the subscales involve behaviors, traits, or skills that are also included in earlier leadership theories, and in other theories of ethical leadership. More research is needed to assess the validity (uniqueness, meaningfulness, accuracy) of the subscales in these questionnaires.

## Limitations of the Theory

The potential consequences of servant leadership are not all beneficial for an organization. The emphasis on social responsibility means that the welfare of followers has top priority for servant leaders, and it is more important than the leader's career or the short-term performance of the organization (Graham, 1991). When the needs of the organization are incompatible with the welfare of members, the conflict may be especially difficult for servant leaders. An example is when leaders in a company need to consider drastic measures such as downsizing, outsourcing, or cuts in benefits in order to remain profitable. The potential for this type of conflict may be a reason why servant leadership theory is vague about the likely outcomes with regard to unit or organizational performance. Competing values for performance and employee welfare may be less common in nonprofit and voluntary organizations. Thus, some aspects of servant leadership may be less appropriate as a guide for effective leadership in business corporations than in humanitarian, religious, health care, education, and government organizations.

Little is known about the conditions that facilitate servant leadership. Is it related to personality and more likely to occur for some types of leaders than for others? Are there facilitating conditions such as an employee-oriented organizational culture, or an organization with a humanitarian mission? Is servant leadership encouraged or inhibited by cultural values? For example, in societies that have strong values for power distance (see Chapter 14) the leader's emphasis on humility, equality, and empowerment may be viewed as a weakness. More research is needed to determine how servant leadership affects followers and the conditions that determine if this type of leadership is likely to be effective.

## Spiritual Leadership

Spiritual leadership describes how leaders can enhance the intrinsic motivation of followers by creating conditions that increase their sense of spiritual meaning in the work. The popularity of books on spirituality in the workplace (e.g., Chappel, 1993;

Fairholm, 1997) suggests that many people are seeking deeper meaning in their work (Fry, 2003). Several types of research indicate that people value the opportunity to feel interconnected to others in a mutually supporting community of people who are collectively involved in meaningful activities (Duchon & Plowman, 2005; Pfeffer, 2003). The integration of spirituality with work is difficult if not impossible in organizations that encourage or require employees to act in ways that are inconsistent with their values (Mitroff & Denton, 1999). Consistency between personal values and work objectives is important to leaders as well as to followers.

Fry (2003) makes the point that religion usually involves spirituality, but spirituality does not need religion to be meaningful. Theories of spiritual leadership include values that can be found in several major religions (Kriger & Seng, 2005), but the theories do not explicitly include any other aspects of these religions. Confusion about the difference between spirituality and religion may be the major reason why most earlier leadership theories did not include spirituality (Fry, 2003). Theorists wanted to avoid any controversy about implied support for one religion or another.

## Conceptions of Spiritual Leadership

The definition of spirituality provided by Fry (2003, 2005) includes two essential elements in a person's life. Transcendence of self is manifest in a sense of "calling" or destiny, and the belief that one's activities, including work, have meaning and value beyond being instrumental for obtaining economic benefits or self-gratification (need for power, achievement, esteem). Fellowship is manifest in the need for meaningful relationships and being connected to others in a way that provides feelings of joy and wholeness). Both elements involve altruistic love and faith. Altruistic love is associated with values or attributes such as kindness, compassion, gratitude, understanding, forgiveness, patience, humility, honesty, trust in others, and loyalty. Faith or hope is associated with values or attributes such as optimism, confidence, courage, endurance, persistence, resilience, and serenity.

By doing things to help people satisfy the two essential needs for transcendence and fellowship in the workplace, spiritual leaders increase their intrinsic motivation, confidence, and organizational commitment. As in the case of transformational leadership, spiritual leaders can enhance the meaningfulness of the work by linking it to follower values and self-identities. In addition, spiritual leaders increase mutual appreciation, affection, and trust among members of the organization. As a result, spiritual leadership can increase cooperation, encourage collective learning, and inspire higher performance.

## Research on Spiritual Leadership

Much of the knowledge about spiritual leadership for leaders is provided by research on related subjects. Reave (2005) reviewed more than 150 studies that appeared relevant for understanding spiritual leadership. A few of the studies provide evidence that the opportunity to express spiritual values in one's work is related to a person's mental health, life satisfaction, and intrinsic motivation (e.g., Duchon & Plowman, 2005; Milliman, Czaplewski, & Ferguson, 2003). Research in medicine and

positive psychology provides evidence that altruistic love can overcome negative feelings such as fear, anxiety, anger, guilt, hatred, pride, envy, and resentment. Other studies show that a high-commitment organizational climate and highly motivated members will improve organizational performance (e.g., Harter, Schmidt, & Hayes, 2002).

As in the case of servant leadership and authentic leadership, spiritual leadership can be studied with intensive, longitudinal case studies and analysis of biographical accounts. For example, in a study of several CEOs in successful companies, the executives described how a new awareness of spiritual values made their leadership more meaningful, satisfying, and effective (e.g., Chappell, 1993). The theory can be tested also with a longitudinal survey research. Fry, Vitucci, and Cedillo (2005) conducted a survey study with a newly formed Army helicopter squadron to assess the relationship among key variables in the theory. The survey questionnaire was filled out by squadron members at the beginning and end of their 5-month training program. The results were generally consistent with the theory.

### Limitations of the Theory

The limitations of spiritual leadership theory are similar to those for servant leadership. How leader values and skills influence leader behavior is not clearly specified in the theory, and the processes by which leaders influence followers are not clearly explained. The relative importance of calling and fellowship and how they are inter-related is not clear. The theories include many different values, and it is not clear whether some values are more important than others, or how the values are related to leader behavior. It is not clear how a person becomes a spiritual leader, or what types of life experiences can explain why some leaders are more spiritual than others. Even though the theorists emphasize that spirituality is distinct from religious beliefs, some religious beliefs and cultural values may encourage spiritual leadership, especially for individuals in an organization, community, or nation with strong cultural values and religious traditions. More research is needed to identify antecedent conditions for spiritual leadership and conditions that facilitate the effects of spiritual leadership on followers and organizations.

## Authentic Leadership

The idea of authentic leadership has received a lot of attention in recent years, and it provides another perspective on ethical leadership. *Leadership Quarterly* published a special issue on authentic leadership in 2005 (see Avolio & Gardner, 2005), and a former CEO provides practitioner insights about authentic leadership in his recent book (George, 2003). The definition of authentic leadership varies for different theorists, but they all emphasize the importance of consistency in their words, actions, and values. Additional aspects of authentic leadership include positive leader values, leader self-awareness, and a trusting relationship with followers. Authentic leadership is primarily a normative theory that describes an ideal leader for organizations. The theory attempts to integrate earlier ideas about effective leadership with concerns for ethical leadership.

## Conceptions of Authentic Leadership

Several scholars have provided versions of authentic leadership theory (e.g., Avolio, Gardner, Walumbwa, Luthans, & Mayo, 2004; Gardner, Avolio, Luthans, May, & Walumbwa, 2005; Ilies, Morgeson, & Nahrgang, 2005; Shamir & Eilam, 2005). The self-concepts and self-identities of authentic leaders are strong, clear, stable, and consistent. These leaders have a high self-awareness about their values, beliefs, emotions, self-identities, and abilities. In other words, they know who they are and what they believe. They also have a high degree of self-acceptance, which is similar to emotional maturity (see Chapter 7). Authentic leaders have positive core values such as honesty, altruism, kindness, fairness, accountability, and optimism.

The behavior of authentic leaders, including their espoused values, is consistent with their actual values. They do not seek leadership positions to gratify a need for esteem, status, and power, but rather to express and enact their values and beliefs. Their actions are strongly determined by their values and beliefs, not by a desire to be liked and admired or to retain their position (e.g., be re-elected). They do not conform to role expectations that are inconsistent with what they believe is proper and necessary. Their values and convictions are strongly internalized, rather than superficial reflections of prevailing social norms that can easily change. Because authentic leaders are motivated by a desire for self-improvement and self-verification, they are less defensive and more open to learning from feedback and mistakes.

The core values for authentic leaders motivate them to do what is right and fair for followers, and to create a special type of relationship with them that includes high mutual trust, transparency (open and honest communication), guidance toward worthy shared objectives, and emphasis on follower welfare and development. In most versions of the theory, an authentic relationship also means that followers share the leader's values and beliefs, and followers recognize that the leader's behavior is consistent with their shared values.

With regard to essential leadership behaviors, there is less agreement among different versions of authentic leadership theory. George (2003) emphasized the need for authentic leaders to empower other people. Gardner et al. (2005) proposed that authentic leaders encourage self-determination by followers to enable them to fulfill their needs for autonomy, competence, and relatedness. However, Avolio et al. (2004) explicitly stated that authentic leadership can be either directive or participative. In the version of authentic leadership theory that is an extension of transformational leadership theory, leaders use transformational and transactional behaviors (Bass & Steidlmeier, 1999). For Shamir and Eilam (2005) no specific types of leadership behavior are required, and authentic leaders may or may not be empowering or transformational.

## Effects of Authentic Leaders on Followers

The effectiveness of authentic leaders comes from their motivation, as defined by their energy, persistence, optimism, and clarity about objectives in the face of difficult challenges, obstacles, setbacks, and conflicts with rivals or opponents. Their influence with some followers is enhanced by their confidence, clarity of values, and integrity. It is easier for followers to be influenced by a leader who is perceived to be credible,

focused, and confident. The leader can enhance follower commitment to the mission and confidence in their ability to accomplish it by articulating an appealing vision, providing encouragement, and modeling appropriate behaviors. There is also an indirect effect through influence on follower self-concepts and self-identities. Followers of authentic leaders have more personal identification with the leader and more social identification with the team or organizational unit. Social identification is increased by the leader's emphasis on morality and high level of personal integrity and honesty. Authentic leaders increase follower trust, which includes beliefs about the leader's integrity and honesty. Leaders perceived to have expertise and credibility are more successful in influencing followers to support changes and new initiatives with enthusiasm, and to be optimistic and hopeful about their collective success, despite the obstacles and difficulties.

### Research on Authentic Leadership

Research on related topics provides much of the available evidence for authentic leadership. Only a few studies have directly investigated the antecedents, consequences, and facilitating conditions for authentic leadership. Until differences in the definition of authentic leadership are resolved, and differences between authentic leadership theory and other theories of leadership (e.g., servant, spiritual, transformational) are resolved, it will be difficult even to determine what should be included in the research. Some scholars may view authentic leadership as merely an extension of transformational leadership theory, whereas other scholars see it as a distinct theory of ethical leadership.

The large number of variables in some versions of the theory and the emphasis on development of authentic leadership suggests that intensive, longitudinal case studies may be more useful for the research than static survey studies. The leader's life story can sometimes provide a basis to assess authenticity (Shamir & Eilam, 2005). Analysis of biographical accounts and interviews was used to show how a leader's core values and beliefs were shaped by personal life experiences (Shamir, Dayan-Horesh, & Adler, 2005). The researchers identified four major themes in the developmental experiences of authentic leaders, and they are not mutually exclusive. One theme involved leadership development as a natural process (e.g., an inherent talent for leadership is discovered, or a sense of destiny develops with regard to serving as a leader or guru for a group of followers). Another theme involved leadership development out of struggle and hardship (e.g., ordeals involving the need to overcome some injustice, personal loss, disability, or affliction). A third theme involved leadership development as a result of finding a cause that is worthy of strong commitment (the values and beliefs are internalized and become a strong self-identity). The fourth theme involved leadership development as a process of learning from experience (e.g., personal mistakes or failures, influence of positive or negative role models).

### Developing Authentic Leaders

The research on development of authentic leaders suggests that an organization cannot duplicate the essential experiences in training seminars, but various approaches can be used to facilitate development (Shamir & Eilam, 2005). One

approach is to ask people to describe incidents involving their heroes and role models and explain why the behaviors are perceived as worthy of emulation. Another is to have people analyze their own experiences and ordeals to better understand their values and strengths. A more extreme approach is to provide opportunities to experience trigger events in which the need to overcome difficult challenges and crises will help people learn about their individual and shared values, beliefs, and competencies. However, these processes for developing authentic leadership are very personal, they require skilled facilitators, they will not be useful for everyone, and they may provide the desired benefits only in some stages of a person's life and career (Shamir & Eilam, 2005).

## Limitations of the Theory

A leader's authenticity is the most prominent aspect of the theory, and although conceptualized as a continuous variable, it is often discussed in terms of a dichotomy. A sharp distinction between authentic and inauthentic leaders implies that a clear basis exists for determining authenticity, but the definition makes accurate measurement difficult if not impossible. Authenticity requires consistency between leader values and behavior, and between leader values and follower values, but the relative importance of the two types of consistency is unclear. If a leader's values and actions are consistent, but most followers reject these values, then the leader is unlikely to have much influence over follower commitment. The amount of agreement is likely to vary for different values and beliefs, and it seems more important for core values than for minor values. Accurate assessment of authenticity is also difficult when followers differ among themselves in values or beliefs, which is likely to occur when there is diversity of cultural background, ethnicity, religion, age, education, and gender (see Chapter 14). Finally, consistency of leader values and actions may provide little influence over subordinates who do not consider the leader to be legitimate or who have reason to doubt the leader's credibility (Cha & Edmondson, 2006).

Some follower characteristics can be influenced over time by the leader (e.g., self-awareness, values and beliefs, agreement with the leader), but in the short term they may serve as situational moderator variables that enhance or limit the effects of leader actions. Thus, including these follower characteristics in the definition of authentic leadership confounds effects with causes and makes the theory more difficult to test. As noted in Chapter 1, it is better to treat follower characteristics as outcomes or situational moderator variables.

The importance of leader self-awareness is also central to authentic leadership, but it is not clear how to define and measure self-awareness. Some cultural values and beliefs influence behavior despite little or no conscious awareness. Is it necessary for the leader and the followers to recognize and understand such values and beliefs as long as leader behavior is consistent with them? Moreover, leader self-awareness may be greater for some values, beliefs, self-identities, emotions, and behaviors than for others. Comparisons of self-ratings of behavior with ratings made by others can be used to assess and improve self-awareness (see multisource feedback in Chapter 15), but self-awareness of values and emotions is more difficult to assess accurately, and it may require intensive forms of psychological analysis (see developmental assessment centers in Chapter 15).

## Comparison and Evaluation of Theories

The theories of servant, spiritual, and authentic leadership all share some features in common with transformational leadership, but important differences are also evident. Scholars have proposed different versions of the same theory and have made changes in their theories over time, and these variations make comparisons more difficult. This section will compare the various theories and identify issues that require more research and clarification.

### Servant, Spiritual, and Authentic Leadership

Theories of servant leadership, spiritual leadership, and authentic leadership all share some common features (Avolio & Gardner, 2005). They are all normative theories of ideal leadership, they all focus on the interpersonal relationship between leader and followers, and the ideal relationship is one with high mutual respect, trust, cooperation, loyalty, and openness. The theories all emphasize the importance of leader self-awareness (about values and beliefs) and consistency between values and behavior. The positive values or attributes in the theories are very similar, and they include honesty, altruism, kindness, compassion, empathy, fairness, gratitude, humility, courage, optimism, and resilience.

One difference among the theories involves the conceptual foundation. Authentic leadership is based on positive psychology and psychological theories of self-regulation. Spiritual leadership is based on values and concepts found in several major religions, and the version by Fry (2005) also includes some aspects of positive psychology. Servant leadership is based on ideas from Christianity, but it includes humanitarian and altruistic values that are accepted as important and worthwhile in other religions.

A second difference involves the number and types of variables included in the theory. The theories all include the effects of role modeling and articulation of an inspiring vision as important forms of leader influence on followers. However, authentic leadership theory describes a wider range of interpersonal influence processes, including personal identification, social identification, emotional contagion, and social exchange (reciprocity). As compared to the other theories of ethical leadership, authentic leadership theory also identifies a wider range of follower characteristics (e.g., self-awareness, accurate perception of leader values, agreement with leader values).

Another difference among the theories is the importance of context as a facilitating condition. Authentic leadership describes the type of organizational culture that encourages development of authentic relationships. Some versions of spiritual leadership theory also describe the benefits of a culture with relevant values. The importance of a favorable organizational culture is less explicit in servant leadership theory, but some companies mentioned as examples have an employee-oriented culture (Sendjaya & Sarros, 2002).

### Comparison to Transformational and Charismatic Leadership

The primary differences between the ethical leadership theories and the theories of transformational and charismatic leadership include the relative emphasis on leader

values versus leader behavior, and on consequences for stakeholders versus enhancement of subordinate motivation and performance.

The three ethical theories are primarily focused on leader values and how they affect the leader's relationship with subordinates. The positive values emphasized in all the theories indicate that some types of leadership behavior are more relevant than others, and leader integrity includes consistency between values and behavior. However, the ethical theories do not provide a list of essential behaviors. The theories describe how ethical leaders can improve the lives of followers, and the leader's effects on followers have implications for improving collective performance, but maximizing performance is not a primary concern.

The initial version of transformational leadership was focused on the effects of specified leader behaviors on subordinate motivation and performance. Leader values are not explicitly specified, and there is no requirement that leader behavior (including espoused values and beliefs) must be consistent with the leader's actual values and beliefs. The transformational behaviors can be used in a manipulative way to influence follower task commitment and loyalty to the leader (Stephens, D'Intino, & Victor, 1995; White & Wooten, 1983). For example, individualized consideration can be used in an inauthentic way to build subordinate loyalty. Inspirational motivation can be used to increase subordinate commitment to task objectives, even though the leader cares only about self-enhancement and career advancement. Intellectual stimulation can be used to increase creative ideas that will enhance the leader's reputation (e.g., the leader may claim credit for them). Idealized influence includes leading by example and making sacrifices, but this behavior may be used to manage follower impressions and gain their trust rather than to express a leader's true concern for the mission or subordinates.

When the potential for unethical use of transformational behaviors was pointed out, the theory was modified to distinguish between authentic and inauthentic transformational leadership (Bass & Steidlmeier, 1999). Both types of leaders use transformational behaviors, but the authentic leaders have integrity and do not attempt to manipulate or exploit followers. However, even in the revised version of the theory, improvement of performance remains a stronger priority than improvement of subordinate welfare and happiness. History is full of examples of leaders who caused much suffering and misery in their dedicated pursuit of virtuous objectives (Price, 2003).

The earlier charismatic leadership theories described in Chapter 9 emphasized the effects of leader behavior on the motivation of followers and their relationship with the leader. As the charismatic leadership theories evolved, there was more emphasis on leader values and socialized charismatics were differentiated from personalized charismatics (e.g., Brown & Trevino, 2006a; Howell, 1988; House & Howell, 1992). Nevertheless, follower attribution of charisma to the leader remains a central feature of the theory. In contrast, the ideal leader described in theories of servant, spiritual, and authentic leadership has strong values for humility, openness, and transparency in decision making. These values and the emphasis on follower autonomy and development make it unlikely that the leader will be viewed as a charismatic.

Proponents of the revised versions of transformational and charismatic leadership theories have attempted to clarify the criteria for determining when this type of leadership is ethical (e.g., Bass & Steidlmeier, 1999; Howell & Avolio, 1992), and examples of

**TABLE 13-1 Suggested Criteria for Evaluating Ethical Leadership**

Criterion	Ethical Leadership	Unethical Leadership
Use of leader power and influence	<ul style="list-style-type: none"> <li>To serve followers and the organization.</li> </ul>	<ul style="list-style-type: none"> <li>To satisfy personal needs and career objectives.</li> </ul>
Handling diverse interests of the multiple stakeholders	<ul style="list-style-type: none"> <li>Attempts to balance and integrate them.</li> </ul>	<ul style="list-style-type: none"> <li>Favors coalition partners of who offer the most benefits.</li> </ul>
Development of a vision for the organization	<ul style="list-style-type: none"> <li>Develops a vision based on follower input about their needs, values, and ideas.</li> </ul>	<ul style="list-style-type: none"> <li>Attempts to sell a personal vision as the only way for the organization to succeed.</li> </ul>
Integrity of leader behavior	<ul style="list-style-type: none"> <li>Acts in a way that is consistent with espoused values.</li> </ul>	<ul style="list-style-type: none"> <li>Does what is expedient to attain personal objectives.</li> </ul>
Risk taking in leader decisions and actions	<ul style="list-style-type: none"> <li>Is willing to take personal risks and actions to accomplish mission or achieve the vision.</li> </ul>	<ul style="list-style-type: none"> <li>Avoids necessary decisions or actions that involve personal risk to the leader.</li> </ul>
Communication of relevant information operations	<ul style="list-style-type: none"> <li>Makes a complete and timely disclosure of information about events, problems, and actions.</li> </ul>	<ul style="list-style-type: none"> <li>Uses deception and distortion to bias follower perceptions about problems and progress.</li> </ul>
Response to criticism and dissent by followers	<ul style="list-style-type: none"> <li>Encourages critical evaluation to find better solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Discourages and suppresses any criticism or dissent.</li> </ul>
Development of follower skills and self-confidence	<ul style="list-style-type: none"> <li>Uses coaching, mentoring, and training to develop followers.</li> </ul>	<ul style="list-style-type: none"> <li>De-emphasizes development to keep followers weak and dependent on the leader.</li> </ul>

these criteria are shown in Table 13-1. The criteria appear plausible, but they may not take into account all of the complexities and dilemmas in evaluating ethical leadership. How the various criteria can be applied remains a question of discussion and debate.

### Summary Evaluation of the Theories

The theories described in this chapter are still in the early stage of development, and like most new theories there is substantial conceptual ambiguity (Cooper, Scandura, & Schriesheim, 2005). Conceptual confusion is increased and theory testing made more difficult when theories include many different types of constructs (i.e., leader traits, skills, values, and behaviors; follower values, perceptions, and needs; dyadic, group-level, and organizational explanatory processes; and several different outcome criteria). The development of new measures for research on the theories has only begun, and more validation research is needed for them. Only a few studies have compared different theories or examined the implications for improving leadership in organizations. The research involves mostly anecdotal accounts and testimonials, plus a few case studies and field survey studies. More research, including some intensive, longitudinal studies, will be needed to clarify the relationships proposed by the theories and determine their utility for explaining effective leadership.

## Increasing Ethical Leadership

Several different approaches can be used to increase ethical behavior by leaders and followers. One approach is for individual leaders (and followers) to encourage ethical practices and oppose unethical activities or decisions (e.g., Nielsen, 1989). Another approach is to use organizational programs to help individuals develop positive values, increase awareness of ethical issues, encourage ethical behavior, and discourage unethical practices. Each approach will be described briefly.

### Influence of Leaders on Ethical Behavior

Examples of leader actions to encourage ethical behavior and discourage unethical behavior are shown in Table 13-2. The two approaches are not mutually exclusive, and both can be used at the same time.

Leaders can do many things to promote ethical practices in organizations. The leader's own actions provide an example of ethical behavior to be imitated by people who admire and identify with the leader. Providing advice and guidance about correct behavior on the job and avoidance of ethical problems is useful, but to reduce deviant and unethical behavior, it is essential for the leader to model proper behavior as well as espousing it (Dineen, Lewicki, & Tomlinson, 2006). Leaders can set clear standards and guidelines for dealing with ethical issues (e.g., help to establish an ethical code of conduct), provide opportunities for people to get advice about dealing with ethical issues (e.g., ethics hotline), and initiate discussions about ethical issues to make them more salient. Leaders can reinforce ethical behavior by including it in the criteria used to evaluate and reward follower performance. The leader can help to mediate conflicts in a way that is consistent with ethical standards and procedural justice. The leader can

**TABLE 13-2 Two Aspects of Ethical Leadership**

#### Promoting an Ethical Climate

- Set an example of ethical behavior in your own actions.
- Facilitate the development and dissemination of a code of ethical conduct.
- Initiate discussions with followers or colleagues about ethics and integrity.
- Recognize and reward ethical behavior by others.
- Take personal risks to advocate moral solutions to problems.
- Help others find fair and ethical solutions to conflicts.
- Initiate support services (e.g., ethics hotline, on-line advisory group).

#### Opposing Unethical Practices

- Refuse to share in the benefits provided by unethical activities.
- Refuse to accept assignments that involve unethical activities.
- Try to discourage unethical actions by others.
- Speak out publicly against unethical or unfair policies in the organization.
- Oppose unethical decisions and seek to get them reversed.
- Inform proper authorities about dangerous products or harmful practices.
- Provide assistance to others who oppose unethical decisions or practices.

help people find an integrative solution, but even if one cannot be found, it is still desirable to promote trust, fairness, and mutual respect among the factions.

Opposition to unethical practices can also take many different forms, and it should be viewed as a responsibility of all people, not just formal leaders (Hinrichs, 2007; Nielsen, 1989). Examples include refusing to comply with unethical assignments or rules, threatening to complain to higher management, making actual complaints to higher management, threatening to publicize unethical practices to outsiders, and actually revealing unethical practices to outsiders or a regulatory agency. Opposition to unethical practices is usually a difficult and risky course of action. Speaking out against injustices and opposing unethical practices may put one in danger of retaliation by powerful people in the organization. Many “whistleblowers” discover that their actions result in loss of their job or derailment of their career. Opposition to unethical practices may involve the use of questionable tactics, such as coercion, deception, and manipulation. An unintended result of using such tactics for worthy purposes may be to increase the legitimacy of using the same types of tactics for unethical purposes. Thus, deciding whether the means justify the ends can become a difficult dilemma for leaders who want to stop unethical practices.

## Organizational Programs to Promote Ethical Behavior

An indirect form of leadership influence on the behavior of followers is to establish programs and systems (see Chapter 12). Many large organizations have ethical programs, and they often involve both an attempt to strengthen relevant internal values, and features to enforce compliance with ethical guidelines and policies (Weaver, Trevino, & Cochran, 1999). Examples of typical features of ethics programs include a formal code of ethics, an ethical committee that is responsible for developing policies and practices, methods of reporting ethical concerns to the ethics committee or top management, ethics education programs, methods to monitor ethical behavior, and disciplinary processes to deal with unethical behavior.

A study conducted in large U.S. corporations (Weaver et al., 1999) found that top executives with a strong concern for ethical behavior are more likely to implement ethical programs, and the scope of the programs is likely to be broader. The types of leadership values associated with the use of ethics programs are similar to the ones discussed earlier in this chapter (e.g., treating people fairly, doing what is right, ensuring justice is done). The research also indicates that responsibility for ethics should be taken seriously by all executives and not simply delegated to staff professionals. Some ways a top executive can influence the ethical climate in an organization include talking about the importance of positive values, setting an example of ethical behavior, making decisions that show integrity is valued as much as profits, and enforcing discipline for ethics violations. The use of ethical programs in an organization is also influenced by environmental pressures, such as media attention for ethical failures and corporate scandals in similar types of companies. However, as was demonstrated for several companies mentioned at the beginning of the chapter, it is better to avoid public scandals and financial failure by being proactive and creating a strong ethical climate. An example of the type of policy that can be used to avoid problems is provided by Costco. The company ethics policy includes not accepting gifts from vendors. Costco also sends a yearly letter to the president of every vendor stating that gratuities are not accepted.

## Cultural Values, Laws, and Professional Standards

Environmental influences on ethical leadership involve cultural values, social norms, legal requirements, and professional standards in countries where an organization is located (Svensson & Wood, 2007). It is much easier for managers to oppose unethical practices when there is strong and explicit support for such opposition and the standards for unacceptable behavior are clear rather than ambiguous (Reynolds, 2006a). It is more difficult to discourage unethical behavior in countries where bribes and kickbacks, gender and religious/ethnic discrimination, child labor abuse, hazardous working conditions, unsafe products, deceptive advertising, sexual harassment, and falsifying accounting records to evade taxes are widely accepted practices in organizations. Top executives, political leaders, religious leaders, and opinion leaders in universities, the news media, and professional associations (e.g., American Management Association, Academy of Management) all can help to establish clear ethical standards and a strong concern for the social responsibility in companies, nonprofit organizations, and government agencies.

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## Summary

Interest in ethical leadership has been increased by cynicism about the motives, competence, and integrity of business and political leaders. Conceptions of ethical leadership include nurturing followers, empowering them, and promoting social justice. Ethical leadership includes efforts to encourage ethical behavior as well as efforts to stop unethical practices. Ethical leaders seek to build mutual trust and respect among diverse followers and to find integrative solutions to conflicts among stakeholders with competing interests. Such leaders do not foster distrust or play favorites to gain more power or achieve personal objectives. Determinants of ethical behavior by a leader include situational influences and aspects of leader personality such as level of cognitive moral development. The criteria for evaluating ethical leadership include leader values and intentions, and the extent to which leader behavior is morally justifiable. Evaluation of morality for individual leaders is complicated by multiple stakeholders, the diverse consequences of a leader's actions, and disagreements about the extent to which ends justify means.

The importance of ethical leadership and integrity is emphasized in theories of ethical leadership. Transforming leaders seek to raise the consciousness of followers by appealing to ideals and moral values rather than to materialistic desires or negative emotions such as fear and jealousy. Another theory describes how ethical leaders influence followers to recognize the need for adaptive problem solving that will improve their long-term welfare rather than denying the need or settling for superficial remedies. Servant leadership theory explains why the primary concern of leaders should be to nurture, develop, and protect followers. Spiritual leadership theory explains how leaders can enhance the spiritual meaning in the work experienced by followers. Authentic leadership theory describes an ideal leader whose behavior is guided by strong positive values. The theories all emphasize the importance of leader consistency between values and behavior. The positive values include honesty, altruism, kindness, compassion, empathy, fairness, gratitude, humility, courage, optimism, and resilience.

The theories of ethical leadership described in this chapter emphasize leader values rather than behavior, and the long-term welfare and development of followers rather than financial performance. The theories provide important insights about effective leadership by making explicit ethical concerns that are only implicit in most other leadership theories. The theories are still evolving, and they have not been adequately tested with strong research methods. Nevertheless, some ways to encourage and support ethical practices have been identified.

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## Review and Discussion Questions

1. Why is it so difficult to evaluate ethics and morality for individual leaders?
2. What are some examples of ethical and unethical leadership?
3. Can unethical behavior occur for a leader who has proper values and intentions?
4. Why is it important to study ethical leadership?
5. What are the key propositions of Burns' transforming leadership theory?
6. What are the key propositions the Heifetz theory of leadership?
7. What are the key propositions of servant leadership theory?
8. What are the key propositions of spiritual leadership theory?
9. What are the key propositions of authentic leadership theory?
10. Compare servant, spiritual, and authentic leadership theories.
11. What are some individual and situational determinants of ethical leadership?
12. What can be done to increase ethical behavior and decrease unethical practices?

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## Key Terms

adaptive problem solving  
 authentic leadership  
 ethical dilemmas  
 ethical leadership

integrity  
 multiple stakeholders  
 servant leadership  
 self-awareness

spiritual leadership  
 stages of cognitive moral  
 development  
 transforming leadership

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## CASE

### Unethical Leadership at Enron

Enron was an energy and communications company that grew rapidly after the 1988 deregulation of the energy markets in the United States. Early in 2001, the company employed around 22,000 people, and at that time Kenneth Lay was the Chairman of the Board and the CEO was Jeffrey Skilling. *Fortune* magazine named Enron "America's Most Innovative Company" for 6 consecutive years from 1996 to 2001. The company was on *Fortune's* list of 100 best companies to work for in America for the year 2000, and it was widely praised for having good benefits and for effective management.

However, the public image of benevolence and effective management was false, and the company was not as successful as it appeared.

With the help of their accountants and attorneys, top executives created subsidiaries that looked like partnerships and made it possible to sell assets and create false earnings. Offshore entities were used to avoid taxes, inflate assets and profits, and hide losses. Risky new ventures were initiated, such as EnronOnline, a web-based service for buying, selling, and trading energy contracts. Conflict-of-interest rules were relaxed to allow executives to benefit personally from questionable ventures that in most cases were a drain on company funds and resulted in losses. Contorted financial deceptions were used to hide losses and create the illusion of billions in profits. This practice drove up the price of Enron stock to new levels, and in August of 2000, the stock reached its highest value of \$90.

Unethical practices were not limited to top executives, and the company culture of individualism, innovation, and unrestrained pursuit of profits eroded the ethical behavior of many Enron employees. In one scheme used to increase profits, energy was transferred out of California to create blackouts and increase the price of electricity. Then the energy was transferred back to California and sold at the higher prices, generating billions of dollars in extra profits. Under Skilling, Enron began using an accounting practice in which anticipated future revenues from any deal were counted as actual earnings in the current reporting period. To attain unrealistic profit objectives and increase their bonuses, employees were encouraged to exaggerate estimated future profits from sales. Employees involved in arranging sales were pressured to out-perform each other wherever possible. Each year 15 to 20% of the employees with the lowest performance were fired and replaced by new employees. Anyone who questioned the unethical practices or conflict of interests at Enron was fired, reassigned, or passed over for promotion.

Top executives at Enron who knew about the financial deceptions and growing losses began selling millions of dollars worth of their own company stock. At the same time, they told the investors and employees to buy the stock because it would continue to climb much higher. As executives sold their shares, the price began to drop, but Kenneth Lay made appearances to calm investors and assure them that Enron was headed in the right direction. Skilling resigned in August of 2001 for “personal reasons” and was allowed to sell significant amounts of stock at a premium price. He was replaced as CEO by Kenneth Lay, who promised the public there were no hidden problems at Enron. By August 15, 2001, the stock price was down to \$15, but many investors still trusted Lay and continued to hold their stock or buy more of it. The final plunge in stock values occurred after the discovery that Enron’s recorded assets and profits were inflated and the company’s debts and losses were not being reported accurately. At that point some executives attempted to cover up their unethical actions by destroying records that could be used as evidence against them, and they attempted to shift the blame for the problems to others.

Enron filed for bankruptcy in December, 2001. It was the biggest and most complex bankruptcy case in U.S. history, and it had a devastating effect on thousands of employees and investors. The scandal also caused the dissolution of Arthur Andersen, one of the largest accounting firms at the time, after employees of the firm were discovered to have destroyed documents concerning the auditing of Enron finances.

Andersen was supposedly serving as an independent auditor of Enron finances while at the same time charging millions of dollars in fees as a management consultant. This conflict of interest could explain why Enron's financial deceptions were not revealed by Andersen audits.

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Note: Sources of information for this case include Fox (2003), Fusaro & Miller (2002), McLean & Elkind (2003), Sims & Brinkmann (2003).

#### QUESTIONS

1. How can the theories in this chapter and the theories of leader influence on organizational culture (Chapter 10) be used to explain the unethical practices at Enron?
  2. What can be done to reduce this type of unethical leadership in the future?
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