

## Teaching Note for Chapter 8: Lead an Ethical Organization

**General overview:** This chapter describes what it means to be an ethical leader and why it is critical in organizations. It also describes a number of strategies leaders can utilize to improve their own ethical leadership as well several practices leaders can implement to create an ethical organizational culture. The chapter concludes with a case analysis of Kelly Services and their CEO, Carl Camden. The chapter can be used to elucidate the notion that beyond managing tasks and relationships at work, leaders are also responsible for managing the ethical environment in organizations and it is critical to adapt their own actions and the structures and practices they set up accordingly to influence their employees' ethical conduct. This chapter highlights many of the ideas I draw on when teaching my seven-week MBA elective class titled "leading with values" (see <http://positiveorgs.bus.umich.edu/teaching-resources/course-syllabi/>), but can also be used as a stand-alone module in courses on business ethics, business and society, leadership, management, or organization behavior.

### Core concepts introduced:

- Ethical Leadership
- Strategies for Improving My Own Ethical Leadership
  - Make sure to walk the talk
  - Find your mantra
  - Avoid self-serving pitfalls
  - Do not go at it alone
- Practices to Develop an Ethical Organizational Culture
  - Your ethics code is more than window dressing
  - Bring in the right troops
  - Do an ethics audit
  - Remind employees about a larger purpose

### Preparation

- Early in class or before class, ask students to think about one extremely ethical leader and one extremely unethical leader that they have worked with in the past. What are the key behaviors and characteristics you would use to describe these leaders?

### Possible class flow

1. Provide an example of an ethical and unethical leader recently covered in the news.
2. Ask students why it matters for organizational leaders to be perceived as ethical.
3. Emphasize how critical a role the leader plays in determining the behavior of his/her employees. You could consider playing the Milgram or Zimbardo video to drive this point home. For better or worse, leaders matter a lot in influencing their employees' behavior.

4. Discuss what it means to be an ethical leader—including a moral person and moral manager.
5. Have students take part in the Moral Person and Moral Manager Exercise. Debrief the exercise highlighting the importance of being a moral manager and identifying ethical role models.
6. Ask students about barriers to being an ethical leader. In other words, what factors inhibit us from leading in line with our values? Then discuss tools, tactics, and practices that are useful for making sure our behavior is in line with our espoused values.
7. If time permits and the students are currently employed then have them complete the Ethical Culture Audit (either the qualitative or quantitative version). Then debrief about strengths and shortcomings of the culture.
8. Wrap up by asking students to write down 1-2 ways they will act differently going forward based on the class session.

## Supplementary materials

### Readings

Messick, D. M., & Bazerman, M. H. 1996. Ethical leadership and the psychology of decision making. *Sloan Management Review*, 37: 9-22.

Treviño, L., & Brown, M. 2004. Managing to be ethical: Debunking five business ethics myths. *Academy of Management Executive*, 18: 69-83.

Treviño, L., Hartman, L., & Brown, M. 2000. Moral person and moral manager: How executives develop a reputation for ethical leadership. *California Management Review*, 42: 128-142

Weaver, G. R., Treviño, L. K., & Agle, B. 2005. Somebody I look up to: Ethical role modeling in organizations. *Organizational Dynamics*, 34: 313-330.

### Videos

- For illustrating the power that leaders/authority figures have over others, consider the following: a modern version of the Milgram studies (<http://www.youtube.com/watch?v=y6GxIuljT3w>) and/or the classic Zimbardo study (<http://www.youtube.com/watch?v=760lwYmpXbc>). These film clips are not uplifting but they poignantly highlight the critical role leaders have over their subordinates' behavior.

### Tools (Reflections, Interventions, Assessments)

- Moral Person-Moral Manager Exercise (see Appendix A)
- Ethical Culture Audit (see Appendix B1, B2)

Appendix A: MORAL PERSON AND MORAL MANAGER EXERCISE

**PURPOSE:** To get students thinking about what it means to be an ethical leader. An important takeaway is that students almost always focus on the moral person component of ethical leadership but almost never mention the moral manager part.

**PROCESS:** In teams asks students to share stories about an extremely ethical leader and an extremely unethical leader they have worked with in the past (or currently). Then ask them to complete the exercise as a group.

**DEBRIEF:** Ask students about their answers to these questions. Make the point that it is easier to come up with moral person characteristics/behaviors than moral manager actions. Get students to see the importance of being a moral manager as well as a moral person (i.e., they have to do more than just be ethical themselves). In debriefing it is also useful to talk about ethical role models. Who do students emulate? How can they work towards becoming their ideal self when leading others?

1. What examples of the “moral person” component came up when discussing the ethical leaders you have worked with in the past (or currently)?
  
  
  
  
  
  
  
  
  
  
2. What examples of the “moral manager” component came up when discussing the ethical leaders you have worked with in the past (or currently)?
  
  
  
  
  
  
  
  
  
  
3. Any examples of ethically neutral leadership? Ethically neutral leadership involves not overtly behaving ethically or unethically per se but simply not saying anything related to values or ethics.
  
  
  
  
  
  
  
  
  
  
4. Can you fill in the table below with leaders you have interacted with in the past (or currently). Just put their initials in the spots below.

	Weak Moral Person	Strong Moral Person
Strong Moral Manager		
Weak Moral Manager		

## Appendix B1: ETHICAL CULTURE AUDIT (Qualitative)

**PURPOSE:** To get students thinking about how to create a positive ethical culture in their team or organization. Students will realize their team/organization is strong in some areas but weak in others.

**PROCESS:** Have students complete this independently and then talk in small groups about key takeaways.

**DEBRIEF:** Ask students about the various practices in their teams/organizations. What areas are their strengths? What areas are their deficiencies? Can competent but unethical employees move up in the organization? Did you only focus on how to avoid bad behavior? What about how to encourage good (ethical) behavior? What are key takeaways? It is important to emphasize that there must be a consistent ethical system in organizations or else employees will have less clarity about how to act and may view management as being hypocritical. Thus, a key is to make sure these various practices are in alignment.

### **Recruitment and Selection**

### **Orientation and Training**

### **Policies and Codes**

### **Reward and Punishment Systems**

### **Decision Making Practices**

### **Additional Ideas**

## Appendix B2: ETHICAL CULTURE AUDIT (Quantitative)

### *Foundational Ethical Practice: Recruitment & Selection*

1. When hiring new employees the department follows ethical practices.
2. We attempt to hire new employees with strong ethical values.
3. In recruiting new employees, my department emphasizes the importance of ethical behavior.
4. An effort is made to search for applicants of a high moral standard.

### *Foundational Ethical Practice: Orientation & Training*

1. All employees are required to attend ethical training.
2. Ethics training is consistent with how employees actually perform their jobs.
3. The things employees learn about in ethics training are used when performing our jobs.
4. Ethical issues are discussed with new employees as part of their initial orientation.

### *Foundational Ethical Practice: Policies & Codes*

1. Employees strictly follow the written code of ethics.
2. The ethics code is followed strictly, and serves as more than just window dressing.
3. The ethics code is followed strictly, and serves as more than just a way to improve the company's image.
4. All ethical behaviors are enforced, *not* just the ones that are high profile.

### *Foundational Ethical Practice: Reward & Punishment Systems*

1. Employees receive positive feedback for making ethical decisions.
2. A good effort is made to measure and track ethical behaviors.
3. Employees are rewarded for following ethical standards.
4. Employees who violate ethical codes are disciplined.

### *Foundational Ethical Practice: Accountability & Responsibility*

1. Employees are held accountable for their actions.
2. When unethical acts occur employees take responsibility for their actions.
3. Employees at all levels take responsibility for the outcomes of their actions.
4. Employees question authority if an unethical behavior occurs.

### *Foundational Ethical Practice: Decision-Making*

1. Ethical issues are taken into consideration when decisions are made.
2. Employees consider ethical issues when making decisions even during stressful times.
3. Ethical concerns are discussed in departmental meetings when decisions are being made.
4. When decisions are made, we talk about whether something is the "right thing to do."

### *Global Ethical Climate*

1. Employees have a lot of skill in recognizing ethical issues.
2. Success is defined not just by the results, but also the way they are obtained.
3. Employees continually strive to maintain high ethical standards.
4. Employees have a lot of knowledge regarding how to handle ethical issues.
5. Employees rarely feel pressured to compromise the organization's ethical standards to achieve business objectives.
6. There is a positive ethical climate.