

Impact of ethical leadership on organisational performance



Abstract

Over the years we have seen many organizations brought down because they have had terrible leadership. They have often been because the person in charge has made some unethical decisions or has not shown their support for world issues. The employees that work at these organizations and consumers that support them are a very significant part of these organization. They are what hold the entire thing together and can determine how successful the organization will run and how many profits it can bring in. Having the correct the leadership is vital because it can push a company forward or hinder its performance. The idea is that the top of the organization or leadership values should flow throughout to the employees and boost overall performance.

Leadership Defined

The definition of leadership has changed throughout the years. It used to be thought of as centralized power or domination around the 1920s. By the next decade, it was correlated with influence. By the 1960s, behavior was also associated with the definition of leadership. Up until the current decade, there has been a debate as to whether leadership and management are the same thing. However, emerging research emphasizes the process of leadership, whereby an individual influences a group of individuals to achieve a common goal, rather than developing new ways of defining leadership. Each organization has their own style of leadership that can attribute to the success of the organization they run or downfall. The impact

of these different styles are thought to drive employee commitment and job satisfaction.

Ethical leadership emphasizes ethical features and specifications centered around honesty, righteousness, love of others, justice, mutual trust, and the impact of ethical leaders on their followers through social learning processes (based on rewards, penalties, and attraction). Day by day fierce competition is threatening the soft edges of ethics. Ethically responsible business enterprises comply with the laws, manage risks, enhance reputation and add value to the community. Ethics are impacting businesses more than they ever have. In the past few decades there have been a few big names in our headlines that have gone down due to the lack of great leadership. Some of those names include Dell, BlackBerry, Wells Fargo, Tyco, Enron, Martha Stewart Living and many others. However, there has also been big names that have thrived because of the strength and good decision their leaders have made.

What does Great Ethics in Leadership look like?

Great leadership should show in every aspect of the company. One of the greatest companies of my generation and overall is Google. For years they have led the pack with great employee reviews about their CEO, workplace culture and ethical standards. Google's CEO Sundar Pichai is among the top rated leaders and has an unmatched reputation. His leadership has brought Google to new heights. Everyone wants to be a google intern or employee. There is even a movie about it. Google offers their staff the idea that they

can have it all while getting work done. They let them know that they support them and care for them as well as those around.

Google offers its staff much more than just a salary and a place to come to each day. They offer an unmatched workplace culture. These workplace incentives include having scooters and ping pong tables, with healthcare services, travel insurance, childcare facilities and academic scholarships making for more meaningful benefits. Employees are also given the chance to spend one day a week working on project of their choice. Google gives their employees a chance to pursue their other passions. Who wouldn't be pleased with being able to start their own Google or whatever dream they may have while adding to their resume? The CEOs also touch base with their employees by holding regular Q&A sessions. This type of communication adds to Google's relationship with their employees. It increases the trust and confidence that employees have in their leaders. Deep down everyone wants to be acknowledged. Google has overall taken an ethical approach towards running a company, but it doesn't stop there. This type of relationship is very much like the path – goal theory. Google is essentially offering rewards and incentives in order to achieve a larger goal. They are also removing typical obstacles that could possibly get in the way of workplace productivity. Google makes a terrific effort in engaging in things that their employees are interested in. The cafés, in house facilities and time to invest in themselves are a motivating force. These actions renew employee investment get Google to the big picture

Have you ever gone to the actual Google search engine homepage? They are consistently given notice to someone who has aided our world by making it a <https://assignbuster.com/impact-of-ethical-leadership-on-organisational-performance/>

better place. Google takes great pride in making sure that they do their part in making the world's better place as well instead of just bringing acknowledgement to others. Google's ethical impact is much larger than we think. The company shares the world green initiative. Google's going green campaign includes cooling their data centers efficiently and harming the planet less in the process. They also offer a free bus service for employees while also encouraging them to drive electric cars by making sure they provide them with multiples of electric charging stations on-site. The company has also been making some huge investments towards their green future. Google has taken a huge liking to solar and wind power, with the hopes of becoming the world's first carbon neutral company in the near future.

Google is not afraid to take part in activism. Google has voiced its opinions on many social issues, including LGBT rights. In 2010, the search engine giant began covering the extra tax paid by its employees associated with being in a gay and lesbian relationships while it was recognized in many eyes as unnatural and still very illegal in many states. This tax that doesn't exist for straight married couples and could've cost some couples nearly 500, 000 over the course of their lifetime. Google is raising the industry standard for corporate and social responsibility. The company has also done its part by signing various referendums and sponsoring Pride celebrations around the world.

Google has addressed the controversial topic of the pay gap and gender imbalance in the tech industry by offering academic scholarships for women.

This is so beneficial with the growing amount of women entering the STEM
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industry each year. The company tops all of this by donating thousands of employee-hours and billions of dollars each year to good causes, including anti-human trafficking charities, wildlife conservation projects and computer science education programmers. Everything google does keeps their employees motivated and completely engaged is leading to more success in googles future and a new generation of a great leaders.

How does Corporate Responsibility Correlate?

Corporate Social Responsibility or CSR refers to the need for businesses to be good corporate citizens. That is the correlation. Ethics is the moral principles that govern a person's behavior or the conducting of an activity. A person without ethics or morals is an individual that likely does not care for others or the world as a whole. CSR is essentially going beyond what the law requires in protecting the environment and contributing to social welfare. For example, Google offering its employee electric charging stations and free busses. That small gesture is serving the world in a great way by cutting down on the pollution released into the world and the extra use of raw materials. Nike has even recently taken a larger step into the social arena by endorsing NFL athlete Colin Kaepernick. By endorsing the former NFL quarterback, Nike has joined the activism arena amongst the many other initiatives they are devoted to. It is becoming second nature modern business to enact some sort of CSR into their organization goals. Enacting CSR programs or reforms can be a way of earning money for shareholders. CSR is not only concerned with the interests of all stakeholders which includes employees, customers, suppliers, but also the communities in which businesses are. Examples of CSR include adopting humane employee

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practices, caring for the environment, and engaging in philanthropic endeavors. Not all people believe that companies do not owe anything to society outside the goods they offer and making a great amount of legal money. Supporters of Corporate Social Responsibility are firm believers that companies should pursue a deeper purpose beyond simply maximizing profits. I'm a supporter of idea of corporate social responsibility. As a consumer and a millennial searching for job, I am often drawn into a company by their platforms and what they do for the communities that I'm a part of. It's nice to know that you mean something to these big businesses and that you aren't just a dollar sign.

Pitfalls of Bad Leadership

The world is who companies are trying to buy or win over. They often fall short by allowing things to slide or not acknowledging the depth of their issues before it has been exposed. This can lead to temporary downfall or something more permanent like extinction. In the past few years we have seen many companies not only lose their employees, but their consumers as well. Looking the other way is essentially what provided banking giant, Wells Fargo a great deal of unwanted publicity. In 2016 and 2017, Wells Fargo lost many of its consumers trust by creating over millions of fake accounts under their user's names and social security numbers. The breach resulted in more than 15, 000 user's cars being repossessed as a result. Wells Fargo agreed to pay \$80 million in remediation. Another result was Wells Fargo's head of consumer banking and nearly 70 senior managers in the bank's retail banking segment being cut. However, before the end of 2017, Wells Fargo also reported that it had uncovered an outstanding 1. 4 million fake accounts <https://assignbuster.com/impact-of-ethical-leadership-on-organisational-performance/>

in addition to the 2.1 million the bank previously disclosed had been created without consumer permission. In 2018, Wells Fargo is still struggling to gain footing.

In searching for a way to understand how this could have happened so many times, I could only think of followership. There was a disconnect somewhere and for so many accounts to be created across the board is an issue. The only problem is that it wasn't effective here. The "sheep" blindly following behind Wells Fargo leadership has led to many issues that could have been avoided. This is exactly why there had to be individuals let go outside of the amount of money that had to be reimbursed or paid out to those involved.

Enron was a successful energy company founded in 1985. It was a result of a merger between Houston Natural Gas and InterNorth. The energy company grew to be a giant over the next few decades until 2001 when the company went bankrupt due to unethical decisions and poor leadership. Kenneth L. Lay and Jeffrey K. Skilling, the chief executives who took Enron to new heights and an even more astonishing fall, were found guilty of fraud and conspiracy. With over 100 counts against them combined, Kenneth Lay and Jeffrey Skilling were found guilty of lying to investors, employees and government regulators in an effort to cover up the downfall of their energy empire's fortune.

Former Enron CEO Kenneth Lay was quoted saying "I was fully exposed to not only legal behavior but moral and ethical behavior and what that means from the standpoint of leading organizations and people." His employees would be exposed to this as well. The unethical actions of Enron's Top

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leadership resulted in the layoff of over 4, 000 employees. Some of these employees had been there since the beginning. They were not only left without jobs, but all the incentive that came with it. That includes insurance and stock investments. Some of the stock investments were worth over six figures. Their employees believed in the dream the company was selling them. They were completely committed and invested in what Enron had to offer. Unfortunately, this is not uncommon and has happened many times before. However, this is worst case scenario. You can only imagine the effect his would have had on the employees had the organization continued on. They would have certainly become less engaged and hostile within the work place. It would have further ruined the company and taken down what was left. Employee trust and hard work can be correlated with employee engagement.

Employee Commitment

What exactly does employee engagement consist of? Employee engagement may confused with happiness but it's not. It's much more than that.

Employee engagement is a combination of multiple factors. I would like to think it begins with a positive attitude. The attitude along will lead to positive outcomes as the energy you put out usually returns to you. The betterment of the organization depends on that positive energy (Kruse, 2015). These are employees who come every day for more than the paycheck or a promotion. They are essentially invested in the organization and all its values. These employees are the ones who you will likely see putting in the extra time even when their shift is up. They are not the ones running for the door once

management says it's okay to leave. These are individuals that love and cherish the organization they are employed under.

The major benefits to employment engagement is more than just increased profits. Those benefits may also include things such as a higher retention rate, innovation, and employee satisfaction. Employment engagement essentially flows in the order of higher service, higher customer satisfaction, increased sales, higher levels of profit and higher shareholder returns. Former Campbell Soup CEO was once quoted saying “ to win the marketplace you must first win in the workplace”. Therefore employee engagement is the key to winning (Kruse, 2015). Many companies are benefiting greatly from mastering this and corporate responsibility.

Types of Leadership That Can Help or Hinder

When you think the types of leadership, I'm pretty sure you think of a leader in the traditional sense. The authoritarian or autocratic style of leadership are both very common. It's more likely the style that you see at your place of work. They may or may not be working. The authoritarian leads as the ultimate decision maker and uses its subordinates as a resource. I personally view this as the most selfish type of leadership. This type of leadership is like that of the Enron CEOs. The people they worked for were nothing more than that instead of an asset. They lied to them and made decisions more concerned with self than team. People in this position have a plan and intend on following it. They have full control and dictates different procedures and policies. This type of leadership is less effective on a team of experts who know more than him or her. The subordinates may find it near impossible to

express ideas which can make a team less efficient because those ideas could be innovative for the organizations policies or procedures. This type of leadership is also very likely to drive an organization into the ground like it has time and time again. There is a lack of communication and care needed to run the modern business of today.

However, the adaptive leader uses change to his or her advantage. They aren't waiting for change either, but constantly looking for the change the organization could need for growth. Unlike the traditional leader, there is room for the subordinates to express their opinion. Those fostered ideas could be a big positive for the organization: They manage the concept and allow the plan to get there to be flexible. They lead with more empathy in comparison the authoritarian leadership style. I believe that both styles may have their place, but the adaptive leader may be the best choice in the ever changing society we live in.

Transformational leadership in theory can also be a great start if you're looking for a way to get on aboard the ethical train. Transformational leadership is the process that changes and transforms people. It is concerned with emotions, values, ethics, standards and long terms goals. Google is an awesome example of this type of leadership. They have firmly invested in working ethically and supporting those around them and those who they employ. Transformational leadership can used in many different way. The strong bond between leadership and follower will determine where this goes as far as organizational effectiveness. Enron could have benefited from this greatly. Under Burn's theory, a leader should respect and serve others while also maintain honesty. The corporation could have possibly <https://assignbuster.com/impact-of-ethical-leadership-on-organisational-performance/>

survived had it come forward and been truthful with its employees instead of continuously not telling them that the company was in trouble and at risk for bankruptcy.

Authentic leadership is also an ethical option. It exist because of the corporate scandals from companies like Enron. This type of leadership focuses on how real or genuine leadership is. Authentic leadership is derived from the leader's experiences and how they have shaped them overall. It also has root in people need to no longer feel insecure about what is going on around them. No one like uncertainty. People are demanding leadership they can trust and for ethical leaders who are all things good.

Conclusion

In the modern business world, ethical leadership is a very significant piece to success. With every new initiative to create a better life by living healthier, protecting others, using less raw materials or searching for ways to lower our pollution levels, leaders must change. We have moved beyond the times where a traditional leader held all the power and did not care for their flock nor those around them. Big business has to have an interest in doing the right thing with the ever changing world wide shift of commitment to betterment or they may fail.

The big names we have seen fall over the years did not take this into consideration. They have often lied to their employees and left them jobless. Competitiveness in the job market might lead to leaders to make some unethical decision, but I would caution against this. People are looking for trust in their leader and commitment to the greater good. Their engagement

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and output it directly related to the profits brought in and treatment they have received from their employers.

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