Ethical Leadership, Part 1: Perilous at the Top
Questions for classroom discussions

1. Do you agree that ethical leaders have both individual as well as organizational responsibilities? Why or why not?

2. Many sports figures say that they do not wish to be role models. They don’t want the responsibility of having children look up to them for how to lead their lives. Is it fair to put a responsibility on leaders of organizations to be role models for their employees?

3. The video mentions Ken Lay and Jack Abramoff as potential examples of leaders whose overconfidence in their own morality helped lead to their downfall. Do you agree? Can you think of other examples that have been in the news in recent years?

4. Many leaders in recent years have been involved in career-damaging scandals that involved personal improprieties—extra-marital affairs, most commonly. Is this a particular problem for leaders?

5. If companies are prospering under a CEO’s leadership, should the CEO have any responsibility to also lead an upright personal life?

6. Can you think of any other reasons, besides the ones mentioned in the video, that might make it more difficult for leaders to stay on the straight-and-narrow than it is for regular people?

7. Have you ever done anything unethical because you “looked up the chain” and saw a superior doing something that you know recognize as improper?
Additional Teaching Note

This video is the first of a two-video package that addresses moral leadership. The overall theme is that to be an effective ethical leader, CEOs and others must both (a) act ethically themselves, and (b) know how to create an effective ethical culture.

This first video explains why it is particularly difficult for leaders to be as ethical as they wish to be or should be. Many of the Ethics Unwrapped videos address how cognitive biases, social and organizational pressures, and various situational factors can make it difficult for even well-intentioned people to be as ethical as they would like to be. Our Concepts Unwrapped series has videos on Obedience to Authority, the Conformity Bias, Incrementalism, Framing, and Role Morality, among others.

This video is research-based and focuses on factors that can make leaders particularly susceptible to ethical lapses—even more than average people. Ethics Unwrapped has videos on some of these topics, such as the Overconfidence Bias (to which leaders tend to be peculiarly susceptible) and the Self-Serving Bias (ditto).

Unfortunately, it is usually not too difficult to find timely examples of leaders’ moral failures in the daily news. These examples can be recruited to supplement discussion of this video.

The In It to Win video about Jack Abramoff with its accompanying short videos can be particularly helpful in this regard. Abramoff was America’s most influential lobbyist for a time and, like Spitzer, Ebbers, and Lay who are mentioned in the video, seemed to come to think that the rules that applied to everyone else simply did not apply to him.

This video does not discuss the literature that indicates that psychopaths who do not care about ethics but instead care only about advancing their own interests can often rise to the top of organizations. (See Babiak & Hare). Fortunately, Adam Grant shows that, in general, it is “givers” rather than “takers” who do better in most organizations.
Additional Resources


**Transcript of Narration**

*Written and Narrated by Professor Robert Prentice*

What does it mean to be an effective ethical leader? It means at least two things. First, effective ethical leaders act ethically as an inspiration to others. No single factor has a bigger impact on the ethicality of firm culture than the personal examples set by firm leaders. Second, they communicate and manage their organization’s culture so as to promote ethical action by subordinates.

Professors Cropanzano and Walumbwa have observed that most adults do not have an adequate moral compass and therefore “look outside themselves for guidance in moral dilemma situations.” It is the leaders of their organizations to whom they primarily look, and studies show that few things impact the ethical climate of a firm more than the actions of their leaders. Importantly, leaders’ unethical actions are copied by subordinates even more readily than their ethical actions.

Although it is especially important for leaders to act ethically, they are often particularly vulnerable to acting unethically. Professors Tenbrunsel and Bazerman note that it is clear that most people have high opinions of their own character and do not realize the substantial gap between how ethical they think that they are and how ethical they truly are.

Believing that we are moral people and will automatically do moral things, many of us act with little self-reflection and thereby often make ethical mistakes. Overconfidence renders leaders particularly vulnerable, because they have typically had great success in their lives. Leaders are often given uncritical support, which Professor Frances Milliken found, leads them to be even more overconfident than the rest of us. Think of Ken Lay, former CEO of Enron—minister’s son, noted philanthropist ... convicted felon. Or of disgraced lobbyist Jack Abramoff—devout Jew, devoted family man ... convicted felon.
Another behavioral factor that particularly affects leaders is the “instant entitlement bias.” Studies show that if people are told that they are part of a team and that they should divide up resources allocated to the team, they tend to divide the resources equally among team members. But if they are told that they have been selected as the “leader” of the team, even if they have done nothing at all to deserve that title, they tend to keep a much larger share of the resources for themselves. In real life, leaders often fall victim to the instant entitlement bias, as can be seen in the lavish lifestyles often lived by corporate bigwigs. Think of former Tyco CEO Dennis Kozlowski, who spent $2 million of company money on his wife’s birthday party.

Studies show that leaders tend to be extroverts who are prone to impulsive behavior. Many surround themselves with “yes” men (and women) to gain the self-validation that we all desire. A study by Professors Flynn and Wiltermuth demonstrated that people at the center of social networks, such as CEOs, are more likely than others to mistakenly believe that other people agree with them regarding what is an ethical course of action.

It is often shocking how top corporate officers (like WorldCom’s Bernie Ebbers) and high government officials (like New York’s Eliot Spitzer) come to the view that the rules that apply to everyone else do not apply to them. Often they do outrageous things with little or no effort to hide their wrongdoing because they become so convinced of their importance to their firm’s mission, which somehow justifies their exempting themselves from legal and ethical standards that apply to others. For example, when Ken Lay was found to have violated Enron’s Code of Ethics by investing in company that did more than 80% of its business with Enron, he called suggestions of impropriety “form over substance.” Rules, he said, “are important, but you should not be a slave to rules either.”

Professor Dacher Keltner of University of California at Berkeley, who studies ethical leadership, further finds that leaders are often tone deaf on ethical issues and that they have “uniquely self-serving rationalizations for their unethical actions that often focus on their rights and crowd out any consideration” of others’ rights. As Professor Zak notes: “Achieving high social status appears to make it not just lonely at the top but morally perilous as well.”

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