Ethical Leadership, Part 1: Perilous at the Top

This video introduces the behavioral ethics concept of ethical leadership and illustrates some of the ethical perils leaders may face. The moral example set by leaders has a major impact upon the behavior of their subordinates, both good and bad, ethical and unethical. Despite their career success, leaders may be particularly vulnerable to ethical lapses.

This video explains why it is particularly difficult for leaders to be as ethical as they wish to be and focuses on factors that can make leaders particularly susceptible to ethical lapses—even more than average people. 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.

This video is the first of a two-video package that addresses how to be an effective ethical leader. Leaders must (1) act ethically themselves (this video, *Perilous at the Top*); and (2) know how to create an effective ethical culture (see *Best Practices*).

To learn about related behavioral ethics concepts to which leaders tend to be particularly susceptible, watch *Overconfidence Bias* and *Self-serving Bias*. For a closer look at the perils of a powerful leader with political influence, watch *In It to Win: The Jack Abramoff Story* and its accompanying short videos.

The case study on this page, "Dennis Kozlowski: Living Large," takes a look at the former CEO of Tyco, who was an effective leader in his first few years as CEO, but eventually faced criminal charges over his use of company assets. For more detail about Abramoff and the lobbying scandal that eventually ended his career, read the case study "Abramoff: Lobbying Congress."

Behavioral ethics draws upon behavioral psychology, cognitive science, evolutionary biology, and related disciplines to determine how and why people make the ethical and unethical decisions that they do. Much behavioral ethics research addresses the question of why good people do bad things. Many behavioral ethics concepts are explored in detail in **Concepts Unwrapped**, as well as in the video case study **In It to Win: The Jack Abramoff Story**. Anyone who watches all (or even a good part) of these videos will have a solid introduction to behavioral ethics.

Terms defined in our ethics glossary that are related to the video and case studies include: altruism, corruption, overconfidence bias, self-serving bias and prosocial behavior.

Discussion Questions

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 Resources

Babiak, Paul, and Robert D. Hare. 2006. *Snakes in Suits: When Psychopaths Go to Work*. New York: HarperCollins.

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Grant, Adam. 2013. *Give and Take: Why Helping Others Drives Our Success*. New York: Penguin Books.

Heffernan, Margaret. 2011. *Willful Blindness: Why We Ignore the Obvious at Our Peril*. New York: Walker Publishing Company.

Keltner, Dacher, Carrie A. Langner, and Maria Logli Allison. 2006. "Power and Moral Leadership." In *Moral Leadership: The Theory and Practice of Power, Judgment, and Policy*, edited by Deborah L. Rhode, 177-194. San Francisco, CA: Jossey-Bass.

Milliken, Frances J., Elizabeth Morrison, and Patricia F. Hewlin. 2003. "An Exploratory Study of Employee Silence: Issues that Employees Don't Communicate Upward and Why." *Journal of Management Studies* 40 (6): 1453-1476.

Moore, Celia, and Francesca Gino. 2012. Ethically Adrift: How Others Pull Our Moral Compass from True North, and How We Can Fix It." *Research in Organizational Behavior* 33: 53-77.

Price, Terry L. 2006. *Understanding Ethical Failures in Leadership*. New York: Cambridge University Press.

Rhode, Deborah L. 2006. "Introduction: Where is the Leadership in Moral Leadership?." In *Moral Leadership: The Theory and Practice of Power, Judgment, and Policy*, edited by Deborah L. Rhode, 1-54. San Francisco, CA: Jossey-Bass.

Shin, Yuhyung. 2012. "CEO Ethical Leadership, Ethical Climate, Climate Strength, and Collective Organizational Citizenship Behavior." *Journal of Business Ethics* 108 (3): 299-312.

Wiltermuth, Scott S., and Francis J. Flynn. 2010. "Who's with Me?: False Consensus, Brokerage, and Ethical Decision Making in Organizations." *Academy of Management Journal* 53 (5): 1074-1089.

Zak, Paul J. 2012. *The Moral Molecule: The Source of Love and Prosperity*. New York: Dutton.

The latest teaching resource from Ethics Unwrapped is an article, written by Cara Biasucci and Robert Prentice, that describes the basics of behavioral ethics, introduces the videos and supporting materials along with teaching examples, and includes data on the efficacy of Ethics Unwrapped for improving ethics pedagogy across disciplines. It was published in Journal of Business Law and Ethics Pedagogy (Vol. 1, August 2018), and can be downloaded here: "Teaching Behavioral Ethics (Using "Ethics Unwrapped" Videos and Educational Materials)."

For resources on teaching behavioral ethics, an article written by Ethics Unwrapped authors Minette Drumwright, Robert Prentice, and Cara Biasucci introduces key concepts in behavioral ethics and approaches to effective ethics instruction—including sample classroom assignments. The article, published in the *Decision Sciences Journal of Innovative Education,* may be downloaded here: "Behavioral Ethics and Teaching Ethical Decision Making."

A detailed article by Robert Prentice with extensive resources for teaching behavioral ethics, published in *Journal of Legal Studies Education,* may be downloaded here: "Teaching Behavioral Ethics."

An article by Robert Prentice discussing how behavioral ethics can improve the ethicality of human decision-making, published in the *Notre Dame Journal of Law, Ethics & Public Policy*, may be downloaded here: "Behavioral Ethics: Can It Help Lawyers (And Others) Be their Best Selves?"

A dated but still serviceable introductory article about teaching behavioral ethics can be accessed through Google Scholar by searching: Prentice, Robert A. 2004. "Teaching Ethics, Heuristics, and Biases." *Journal of Business Ethics Education* 1 (1): 57-74.

Transcript of Narration

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"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 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. Think of Ken Lay, former CEO of Enron - minister's son, noted philanthropist... convicted felon. Or, think 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, 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.

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. For example, when Ken Lay was found to have violated Enron's Code of Ethics by investing in a 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 the 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 own 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.""