

Are ethical leaders good for business?

Written by

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Humans are natural-born followers, so it's important that those of us who are willing to step up and demonstrate strong ethical behaviour

Ethical leadership has always been important, but we have always failed at it as much as we succeed. Now that our world is more connected, global business leaders have far more reach and clout than they ever had before. In that way, ethical leadership has become more important. A quarter of a century ago, we didn't have to worry whether Jeff Bezos was looking out for us all.

An ethical leader is someone who has the highest regard for others and tries to make decisions that result in the greatest good for the greatest number of people who are affected by their choices. In a world where there are many morally dubious "strongmen", some ethical leaders stand out – from German chancellor Angela Merkel to New Zealand prime minister Jacinda Ardern – for having modelled courageous and compassionate behaviour. There are many, many quiet ethical

leaders who we will never know about, including hundreds on the front lines of the fight against COVID-19. These individuals are more interested in serving the common good than ensuring we know about their bravery.

We are designed to obey people who are stronger and more powerful than us.

From an evolutionary perspective, humans are naturally more followers than leaders. We are designed to obey people who are stronger and more powerful than us. Only a minority of people don't function that way, and it's easy for them to find others willing to follow them, even if they lead them off a cliff. So the behaviour of those who influence others to follow them is very important to business and society as a whole.

Nobody's perfect, but most of us try

An ethical leader takes responsibility for their actions and considers the needs of others. Whatever you think of Bill Gates, [his philanthropic work](#) at least demonstrates a serious effort at ethical leadership.

On the other hand, Google [originally had a strong ethical core](#) as defined in its mission statement, but has been tempted to make less ethical choices to support its enormous growth and profitability. A tension between making easy money and doing what's right will always exist within large organisations.

Companies can get better or slide backwards, but it's a fool's errand to search for an unadulterated ethically "pure" institution. Even NGOs and charities [have ethical leadership crises](#). Our attention would be better focused on seeking examples of ethical individuals within organisations, or ethical policies or practices within organisations. Individuals don't have to be high up an organisation to be ethical leaders; we can be ethical at any level of any organisation, and model more positive behaviour to those around us.

Attracting ethical leaders

Past research focused on the effect ethical leaders have through decisions about concrete outcomes for employees – who gets rewarded or promoted – and there's a belief that if you boot out an unethical leader, a company will mend its ways. At

Uber, replacing the original chief executive and co-founder Travis Kalanick [with former Expedia chief executive Dara Khosrowshahi](#) was a direct attempt to remedy former ethical issues with fresh leadership.

Once they are pointed in the wrong direction, removing the leader that pulled them off course won't fix the problem.

But our research shows a leader can actually reorient their subordinates' moral compasses; once they are pointed in the wrong direction, removing the leader that pulled them off course won't fix the problem. After replacing unethical leaders, efforts must be made to ensure those who remain recalibrate their morals and amend what they believe is appropriate.

We need our leaders to be able to stand their ground and refuse easy gains that can only be achieved by violating broader moral standards. But acts of courage in the corporate world are rare. In one of the most famous examples of ethical leadership, back in 1982, [Johnson & Johnson put consumers before profits](#) and recalled millions of bottles of its bestselling painkiller Tylenol after some had been sabotaged with cyanide. A costly move, but the company went on to enjoy decades of shareholder trust as a result, and chairman James Burke earned a legacy as an exemplary leader.

My work is driven by an internal optimist, who sits on one shoulder, and a cynic, who sits on the other – and the cynic's voice can grow loud. But I don't think I would do this if, ultimately, the optimist wasn't louder. I don't believe the world will survive if we don't learn how to cooperate and face today's great challenges, from climate change, to a dangerous rise of nationalism, to the coronavirus. And humans are interested in survival; I believe we will eventually prioritise what is best for everyone.

This article is based on findings from [“Leaders Matter Morally: The Role of Ethical Leadership in Shaping Employee Moral Cognition and Misconduct”](#) by Celia Moore (Imperial College Business School), David M. Mayer (University of Michigan), Flora F. T. Chiang (China Europe International Business School), Craig Crossley (University of Central Florida), Matthew J. Karlesky (University of South Florida Sarasota-Manatee) and Thomas A. Birtch (University of Exeter Business School).

The accompanying video was recorded before the UK Government-initiated lockdown.

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About Celia Moore

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Celia's teaching sits at the intersection of leadership and ethics, and she is particularly interested in supporting individuals to enact their moral agency responsibly. She has worked with several organisations on how to support more ethical behaviour at work, including the UK's Financial Conduct Authority, the Institute of Chartered Accountants of England & Wales, the UK's National Health Service, the International Anti-Corruption Academy in Vienna, the Brookings Institute in Washington, and several major financial institutions.

Before joining Imperial, she held positions at Bocconi University in Milan and London Business School, where she was on the faculty for nine years. She has also been a visiting scholar at Harvard Business School and a Fellow of the Edmond J. Safra Center for Ethics at Harvard University. She is currently an Academic Fellow of the Ethics and Compliance Initiative and sits on the UK's Banking Standards Board Assessment Steering Committee.

You can find the author's full profile, including publications, at their [Imperial Professional Web Page](#)

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