

Module VI : Leadership: Foundation And Ethics

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Chapter I

The Importance of Trust in Leadership

Trust is a central ingredient in human relationships, and thus, in organizational dynamics.

At its root, trust is interpersonal; it exists in some state between two people. Within a group, interpersonal connections multiply exponentially. Even within small groups—whether families, teams, or small organizations—these connections become multifold, complex, and interdependent. Within organizations, the quality of a wide range of interpersonal relationships—especially between and among formal leaders and their close colleagues—depends significantly on the degree of trust that exists in these relationships. The aggregate status of "organizational trust," in turn, strongly influences the cohesiveness and effectiveness of the institution.

So, what is "trust"? A dictionary definition would include these meanings:

- confidence in, or reliance on, some quality or attribute of a person or thing, or the truth of a statement;
- accepting, or giving credit to, without investigation or evidence;
- the confident expectation of something.

Various other shades of meaning have been put forth:

- the willingness to be vulnerable under conditions of risk and interdependence ;
- confident positive expectations regarding another's . . . words, actions, and decisions ;
- an absence of, or reduction in, the need to monitor others' behavior, to formalize procedures, or to create completely specified contracts .

There are five key dimensions that underlie the concept of trust:

1. Integrity: It refers to honesty and truthfulness.
2. Competence: It encompasses an individual's technical and interpersonal knowledge and skills.

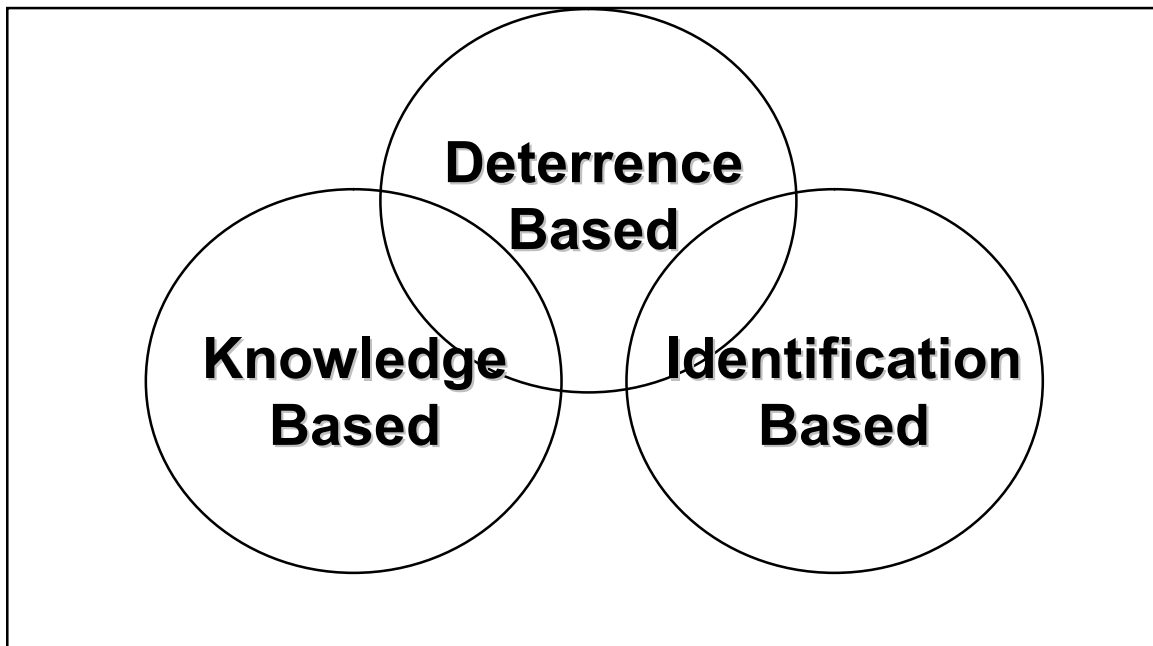
3. Consistency: It relates to an individual's reliability, predictability and good judgement in handling situations.
4. Loyalty: It is the willingness to protect and save face for another person
5. Openness: This dimension means can one rely on the person to give out the whole truth.

Trust is a primary attribute associated with leadership and when this trust is broken, it can have serious adverse effects on a group's performance.

A. The Three types of Trust

There are three types of trust in organizational relationships

- Deterrence based trust
- Knowledge based trust
- Identification based trust



The three types of trust identified in professional relationships are linked and sequential. By understanding how trust changes, grows and declines, we learn about change, growth and decline in relationships.

Deterrence-based trust depends on consistent behavior and the threat of punishment if people don't follow through on what they say they

will do. The most fragile relationship is contained in deterrence based trust. One violation or inconsistency can destroy the relationship. This form of trust is based on fear of reprisal if the trust is violated. Individuals who are in this type of relationship do what they say because they fear the consequences of not following through on their obligations. Deterrence based trust will work only to the degree that punishment is possible, consequences are clear, and the punishment is actually imposed if the trust is violated. To be sustained, the potential loss of future interaction with the other party must outweigh the profit potential that comes from violating expectations

Calculus-based trust takes deterrence a step further. This form is grounded not only in the fear of punishment for violating trust, but also in the rewards for preserving it. Trust is based on a calculation comparing the costs and benefits of creating and sustaining a relationship versus the costs and benefits of severing it.

For deterrence to be an effective threat, the potential loss of a relationship must outweigh the gain created by defecting from it. There must be monitoring and reporting between the parties. The person who has been harmed must also be willing to follow through on threats of punishment.

Control of another person's behavior is central to calculus-based trust (CBT). A metaphor for growth of CBT is tactical climbing, as in scaling ladders or mountains. Parties coordinate their actions as they increasingly take risks and reveal their vulnerability to each other.

Knowledge-based trust occurs when an individual has enough information and understanding about another person to predict that person's behavior. Accurate prediction depends on understanding, which develops from repeated interactions, communication, and building a relationship.

Most organizational relationships are rooted in knowledge based trust. That is, trust is based on the behavioural predictability that comes from a history of interaction. It exists when you have adequate information about someone to understand them well enough to be able to predict their behaviour accurately. Knowledge based trust relies on information rather than deterrence. Knowledge of the other party and

predictability of his or her behaviour replaces the contracts, penalties and legal arrangements more typical to deterrence based trust. This knowledge develops over time, largely as a function of experience that builds confidence, trustworthiness and predictability. The better you know someone, more accurately you can predict what he or she will do.

Unlike calculus-based trust, knowledge-based trust (KBT) is founded not on control, but information. Parties cultivate knowledge of each other by gathering data, seeing each other in different contexts, and experiencing each other's range.

Identification-based trust happens when parties understand and endorse one another, and can act for each other in interpersonal transactions. This requires parties to fully internalize and harmonize with each other's desires and intentions.

The highest level of trust is achieved when there is an emotional connection between the parties. It allows one party to act as an agent for the other and substitute for that person in interpersonal transactions. This is called identification based trust. Trust exists because the parties understand each other's intentions and appreciate the other's wants and desires.

Certain activities enhance trust based on identification. For example, organizations and individuals can assume a common identity. They can co-locate, create joint products and goals, and share core values.

Identification-based trust (IBT) builds on trust based on knowing and predicting another person's needs and preferences; these needs and preferences are also shared. Identification enables us to think, feel and respond like the other person.

B. How does trust develop?

Trust evolves over time. A relationship that develops and matures moves from calculus-based trust to one based on knowledge and, finally, on identification. It may also, as in the case of many business and legal relationships, end with the first stage of calculus-based trust.

Relationship building begins with the development of calculus-based trust activities. If one party is consistent and does not oblige the other to use punishment, trust is validated. The parties can then begin to acquire a knowledge base about each other's needs, preferences, and priorities.

If parties do not move beyond the CBT stage, there are a number of possible explanations. Perhaps the relationship does not require more than business or arms-length transactions. Violations of trust may also make parties wary of continuing their relationship.

If relationships advance to the KBT stage as many do, there is an overlap in the developmental stages of trust. For example, knowledge-based trust begins while people are at the previous level (calculus), and continues while they are advancing to the next level (identification).

Only a few relationships move to the stage of trust grounded in mutual identification. Factors that may prevent this progression include lack of time, energy or desire to make a deeper commitment to the relationship.

C. Shifting up and down the trust ladder

Moving from calculus-based trust to knowledge-based trust involves a shift from perceiving contrasts or differences between oneself and another person to perceiving similarities. Detection of differences, large or small, can tip the balance and cause a relationship to fall back to the previous plateau.

In a similar way, moving from knowledge-based trust to identification-based trust involves a shift from extending one's knowledge about another person to more personal identification. As long as this shift is mutual, the parties begin to take on each other's identity and develop a shared identity. On the other hand, increased pursuits of very different interests diminish the foundation of knowledge and identification on which trust is built.

D. What causes trust to falter?

Trust is fragile because it takes time to build up and no time to tear down. Violation of trust leads to instability and reassessment of the situation, at a rational (cognitive) and emotional level. The outcome can be to maintain the status quo, renegotiate the relationship or terminate it.

Violation of calculus-based trust may cause parties who are already careful about risk-taking in a relationship to drop out. Without a significant investment in each other, parties may feel more tolerant of loss caused by broken trust.

Violation of knowledge-based trust, which is linked to the prediction of behavior, is unsettling. It's not only because one individual failed to act as expected, but also because the other party failed to make the right prediction.

Following such an event, an individual might feel bewildered about the true nature of the other person in the relationship. Re-evaluation and new perceptions lead to an uncertain outcome. An experience of estrangement is strongly related to reduced willingness to trust. If the conflict and harm are serious enough, trust may be permanently destabilized.

Violation of identification-based trust can transform relationships. Such breaches disturb the underlying values of a relationship, and can cause a sense of moral violation from which two people might not recover.

Trust occurs at several levels at once, perhaps at all three of the levels identified (calculus, knowledge, identification). Relationships operating at a higher level, where there is a strong bond of trust based on identification may be able to sustain challenges at lower levels of trust functioning.

Summary

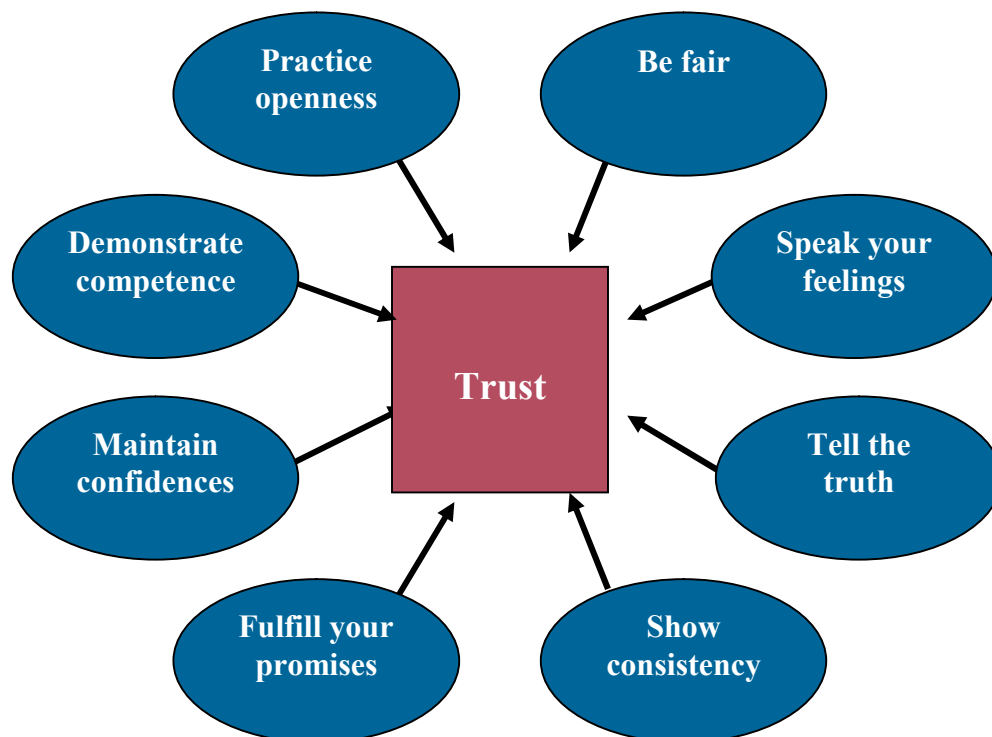
Ultimately, there is no simple answer to the question: .Is trust fragile?. It depends, because of the following factors:

Trust is not one-dimensional, but changes character as a relationship develops.

The three types of trust are different, but linked, and build on each other.

Depending on the levels of trust that are operating in a relationship, there is no sure way of predicting the impact of untrustworthy actions. In relationships that have not been allowed to deepen and mature, trust is easily undermined. If, however, trust has developed to the stage of mutual identification, disruptive actions may have minimal impact.

Building Trust



Chapter II

Emotional Intelligence And Leadership

A. What is Emotional Intelligence?

It is apparent from a review of the research and the popular press that there is no consensus on what “emotional intelligence” actually is. There are three schools of thought:

Some (e.g., Goleman, 1998) equate it to personal characteristics such as “initiative”, “self-confidence”, and “drive for results”, factors that bear little if any relationship to either emotion or intelligence.

Others (e.g., Bar-On, 1997) view emotional intelligence as a personality dimension, like extroversion, agreeableness, and emotional stability.

A third school of thought defines emotional intelligence as a specific set of abilities that include the capacity to understand, reason about, and use emotions in thinking and action (e.g., Mayer, DiPaolo and Salovey, 1990; Mayer, Caruso, and Salovey, 1999).

All three share a fault in terms of measuring leadership effectiveness. The tests are designed to assess specific aptitudes, traits, abilities, or behaviors thought to relate to emotional intelligence, but without regard as to how those may relate to success in particular situations. These tests begin with a “theory” of what emotional intelligence is. The questions are then designed to reflect that theory. The problem is that scores from tests constructed in this way may show reasonably good relationships with school grades, income level, and occupational choices, but mediocre to poor relationships with actual job performance.

This point was forcefully brought home in David McClelland’s article, “Testing for competence rather than for ‘intelligence’” (1973), where he summarized a number of studies that showed that tests used by psychologists

to predict performance were very poor at predicting success on the job and were also prone to cultural bias. By contrast, McClelland argued that the fundamental error is starting with the test instead of the criterion; that is, testing for “intelligence” instead of studying the best performers in a given job or occupation and finding out what differentiates them from their less successful counterparts. This is also the fundamental flaw in how “emotional intelligence” is being applied to effective leadership: we are beginning with competing “constructs” of emotional intelligence and attempting to relate them to leadership success, instead of going the other way around. We are, in effect, looking through the wrong end of the telescope at leadership performance.

B. How Effective Leaders Demonstrate Emotional Intelligence

1. *Effective leaders are aware of their impact on others and use it to their advantage.*

The most effective leaders are sensitive as to how they come across to others. They know that their position in the organization, their strong personalities, and even their mere physical presence have a dramatic impact on others. They therefore channel how they come across in ways that bring out the best in others. These leaders are always in charge of their own feelings and how they express them. The downside? There is a risk of overreaching with more impact than is useful. The risk is that the leader may come across as overbearing or disingenuous. Effective leaders create the perfect balance.

2. *Effective leaders have empathy for others; yet can still make tough decisions.*

The most effective leaders are able to put themselves in the others’ shoes and to understand how and why employees are reacting to organizational events, personal crises, and seemingly relentless change. At the same time, their empathy does not prevent them from making tough decisions. They do this by appealing to reason and acknowledging others’ feelings, thus enabling people to feel that the decisions make sense. The

danger here is that it's easy to over-identify with others or let empathy be confused with sympathy, and not make the tough decisions as needed.

3. ***Effective leaders are astute judges of people without being judgmental.***

Good leaders are able to size others up quickly in terms of their key strengths and weaknesses, and are especially good at recognizing and applying the diverse talents of everyone in the organization. A danger is that they may become judgmental and overly critical about what they perceive to be others' shortcomings. They are likely to dismiss the advice of these people out of hand, making them feel undervalued and disrespected.

4. ***Effective leaders are passionate about what they do, and show it.***

Good leaders are passionate, highly optimistic and believe in the inevitability of success. They encourage others to believe that the most challenging goals can be met and the most daunting obstacles overcome. But it doesn't mean that they are always cheerleaders; their passion may be expressed as persistence in pursuing an objective or a relentless focus on a valued principle. However, there's a fine line between being excited about something and letting too much passion close your mind to other possibilities and ignoring realities that others see.

5. ***Effective leaders balance feeling and logic in making decisions.***

Effective leaders are in touch with their gut instincts about the right thing to do in the absence of supporting data. They also recognize their internal warning signs that something might not be the right thing to do despite the seemingly compelling analysis. They understand that logic and "facts" are not the only things to consider. Nevertheless, they do not just "go with their gut" without checking out their instincts with others. The

drawbacks are the temptation to rely largely on their feelings about things and bet that they are correct without further investigation. They are essentially gambling with the resources of the organization, and can lose big. 6. Effective leaders are excellent communicators. Effective leaders are in touch with the pulse of the organization and where the "hot buttons" are. They are not all great public speakers, nor are they necessarily charismatic, but they do understand the importance of providing timely information about the business and what it means to people. They also know that communication keeps people motivated and connected. Where emotional intelligence plays a role is in knowing what messages will connect with others and how to express them. Where leaders get into trouble is providing too much or too little information, delaying important information, and not being candid in their communications to others for fear of upsetting them with "the truth".

7. *Effective leaders create personal connections with their people.*

In today's world of big business, multiple locations and global operations, employees can feel alienated from their leadership and disconnected from the company at a personal level. The most effective leaders pay particular attention to this and find ways to make themselves personally visible and approachable. Most take the time to engage employees individually and in groups, listening to their ideas, suggestions and concerns, and responding in ways that make people feel heard and respected. The downside of visibility is making too many unannounced visits, which can create a culture of fear and micromanagement. Again, striking the correct balance is the key.

8. *Effective leaders temper drive for results with sensitivity to others.*

Effective leaders drive results and champion beneficial change. They also repeatedly emphasize the importance of continuous or breakthrough improvements and challenge people to rethink old ways of doing things. But good leaders are also patient enough to help others overcome their fears, get people involved

before making decisions that affect them, explain the reasons for difficult decisions once they are made, and work to maintain high morale while calling on others to do better. However, they are only patient up to a point and do not suffer people who waste their time, fail to deliver, or resist change for very long.

(George Klemp, Partner, Cambria Consulting)

The concept of Emotional Intelligence was defined by Psychologist/Journalist Daniel Goleman in his best selling book Emotional Intelligence as:

“The capacity for recognizing our own feelings and those of others, for motivating ourselves and for managing emotions well in ourselves and in our relationships”

Goleman suggested five dimensions of Emotional Intelligence:

EI dimensions	Characteristics
Self awareness	Self understanding, Knowledge of true feelings at the moment
Self Management	Handle one’s emotions to facilitate rather than hinder the task at hand
Self Motivation	Stay on the course that leads towards the desired goal, overcome negative emotions and impulses and delay gratification to attain the desired outcome
Empathy	Understand and be sensitive to the feeling of others, being able to sense what others feel and want
Social skills	The ability to read social situations, smooth in interacting with others and forming networks, able to guide other’s emotions and the way they act

Goleman applied his concepts of EI on leadership. He and another researcher McClelland in another series of study discovered that there were certain EI competencies that were related to leadership styles. They are discussed below.

Leadership styles	Characteristics	Competencies
Coercive	Directive, demands immediate compliance	Self control, initiative, drive to achieve
Authoritative	Leads the way, mobilizes people toward his/her vision	Self confidence, empathy, change agent
Affiliative	Creates harmony and cooperation, most concerned about the people	Empathy, relationship building, communication
Democratic	Builds consensus through participation, gets everyone's input	Collaboration, team leadership, communication
Pace setting	Sets high standards, acts as a model for action	Conscientiousness, drive to achieve
Coaching	Supports, facilitates and develops people, guides others to improve themselves for the future	Self awareness, develops others, empathy

Chapter III

The Importance of Ethics in Leadership

A. Ethical Leadership

A lot of work has been done to develop theories of leadership such as trait, transactional, transformational, path-goal, contingency and situational theories etc. These theoretical constructs seek to both define and explain leadership. Today, there is no generally accepted or even widely disseminated theory of ethical leadership. As Northouse states in the book, *Leadership: Theory and Practice* (Sage Publications, 2001): "... very little research has been published on theoretical foundation of leadership ethics ..." Without a theoretical foundation of support, the concept of ethical leadership is impotent to guide human behavior.

We know that what one culture considers ethical, another culture will consider unethical. The fact is that there is not one universal set of behaviors one considers ethical and Leadership," in the broadest sense of the term encompasses behaviors that are ethical as well as those that are generally considered unethical.

Leaders can lead by misinforming their followers, making false claims to justify their actions and can base their actions on the convenient point of view that the "ends justify the means." Lying, which one can reasonably assert is unethical (except possibly to "spare an innocent life") is the standard operating procedure often practiced by many sales leaders, political leaders and business leaders. Unethical behavior is today but one tool in the arsenal of many that leaders use in the world to accomplish goals.

Since, there is no general theory of ethical leadership, there is no research or solid evidence that shows that ethical behavior produces superior "leadership results" in the long term or the short term. And as long as we define "leadership results" as success (e.g. sales, revenues, sports victories, promotions, awards, etc.), and do not monitor or

analyze the underlying leadership behavior in terms of whether it was ethical or not that produced these results, we can never show statistically that ethical behavior, however defined, is a superior result producer than unethical behavior.

Any theory of ethical leadership must be based on two new premises. First, ethical leadership is a system of thought based on setting rules for what to do, not on what not to do. Second, our definition of leadership must evolve to include ethical behavior not because ethical behavior is simply a natural good in and of itself, but mainly as part of the core of what leadership is for pragmatic reasons.

What qualities are required of an ethical leader?

An ethical leader must have a philosophical or theological basis from which he or she derives his or her understanding of ethics. Without this basis, one's practice of ethical behavior will be constantly changing as a result of changing circumstances and personal preferences. It can be likened to building a house on a reinforced foundation or building it on shifting sand. Those who do the hard work of building their ethical behavior upon philosophically or theologically derived moral absolutes are like the house built upon the reinforced foundation.

Secondly, for a leader to be trustworthy, he or she must possess character, competence and commitment. Character is the combination of moral qualities by which a person is judged apart from intellect and talent. It is the alignment of one's speech and actions with one's core beliefs about reality, life and truth. More simply, character has to do with one's demonstration of virtue.

Leaders must prove themselves competent in positively and effectively leading people to accomplish significant tasks that are tied to compelling visions. In their book, *The Leadership Challenge*, authors James Kouzes and Barry Posner put forward five basic leadership competencies that they gleaned from interviewing hundreds of organizational leaders.

These five competencies are: Challenging the Process, Inspiring a Shared Vision, Enabling Others to Act, Modeling the Way and Encouraging the Heart. Proficiency in all these competencies, along

with others specific to particular contexts, is a minimum requirement for any organizational leader.

Finally, trustworthy leaders must make strong commitments to their organizations, their constituents, their values and to the work of leadership. Without commitment, the character and competence of the leader remains disengaged. With commitment, the leader's character and competence are engaged in a specific place with a specific purpose to accomplish.

Three Pillars of Ethical Leadership

The ethics of leadership rests upon three pillars:

- (1) the moral character of the leader,
- (2) the ethical values embedded in the leader's vision, articulation, and program which followers either embrace or reject, and
- (3) the morality of the processes of social ethical choice and action that leaders and followers engage in and collectively pursue.

Such ethical dimensions of leadership have been widely acknowledged (Wren, 1996; Kouzes & Posner, 1993; Greenleaf, 1977). Transformational leaders set examples to be emulated by their followers. And as suggested by Burns (1978) and demonstrated by Dukerich, Nichols, et al (1990) when leaders are more morally mature, those they lead display higher moral reasoning.

B. Moral Character

Character is the inherent complex of attributes that determine a person's moral and ethical actions and reactions. There are all types of words that provide examples of good character. These include, but are not limited to such terms as: honesty, inspiring, courageous, unselfish, competent, tact, loyal, integrity, loyal, trustworthiness, respect, responsibility, fairness, caring, and citizenship.

Bennis (1989) said that after vision and passion, integrity (character) is the most basic fundamental competency to be leader. Character, proper ethics, and integrity are based on the foundation of trust. Do

the people you lead trust you in your leadership role? This is certainly something everyone must ask themselves as leaders. If the answer is no or not completely, then what can we do as leaders to develop that trust?

Several models or frameworks of ethical behavior have been developed. One approach that is useful in many leadership, as well as personal situations is based on these six pillars of character. Ethical people practice the following pillars of ethical behavior in everyday life, as well as community activities or the workplace. The Six Pillars and resulting actions include:

- *Trustworthiness*: be honest, be reliable, have the courage to do the right thing, build a good reputation, and be loyal.
- *Respect*: treat others with respect, follow the Golden Rule, be tolerant of differences, Use good manners, be considerate of the feelings of others, Do not threaten, and deal peacefully with anger, insults and disagreements.
- *Responsibility*: do what you are supposed to do, always do your best, use self control, be self-disciplined, think before you act, and be accountable for your
- *Fairness*: play by the rules, take turns and share, be open-minded; listen to others, do not take advantage of others, and do not blame others carelessly.
- *Caring*: be kind, be compassionate and show you care, express gratitude, forgive others and help people in need
- *Citizenship*: do your share to make your community better, cooperate, get involved in community affairs, stay informed, be a good neighbor, obey laws and respect authority.

Values

Values are abstract concepts of worth — what we think is good or important. They guide the way we feel and act about certain ideas, things, situations, and people. They are principles which guide decisions and actions.

Values are formed through experiences over time. They are influenced by many sources - including parents, siblings, friends, teachers, religions, organizations, the media and many other factors.

Values are the core beliefs or desires that guide and *motivate* attitudes and actions. The feelings and attitudes that we have about the relative worth or importance of things make up our values. The things we value may be material possessions, such as clothing, property or automobiles; the activities that we enjoy, such as sports, music, our work; the people we care about, such as our family or friends. We also value or hold dear certain ideals, principles or beliefs. Each person has thousands of values.

Types of Values

There are many different types of values. Among the different types of values are:

Moral Values. What is good or right behavior? What is just? What thoughts, ideals, attitudes or beliefs are noble and worthy?

Spiritual Values. What are the best ways to worship? What is the spiritual or religious way that is most meaningful to you?

Aesthetical Values. What types of things are beautiful, harmonious or pleasing to you?

Sensual Values. What kinds of experiences make you feel good or give you a sense of pleasure or of well-being?

Prestige Values. What brings you worth or esteem in the eyes of others? What is “in” or fashionable or respectable? What gets you the kind of attention or respect from others that you want or need?

Economic Values. What is most important to you in the way of earning or acquiring money, your standard of living, or your financial security?

Pragmatic Values. What are the things that you feel are practical and useful? These various types of values are related. They overlap. It is difficult to consider one type without involving one or more of the others. In many situations involving leadership and diversity, it is useful to make a distinction between moral values and ethical values.

C. Two Categories of Ethical Values

Core ethical values are ethical values which are fundamental, regardless of most cultural, socio-economic and ethnic differences. The concept of core ethical values was developed through consensus by a group of educators, leaders of youth and human services organizations, and ethics institutes. This new conceptual framework proposes two categories of ethical values. Core ethical values include: trustworthiness, respect, caring, responsibility, fairness, and citizenship.

A second category of ethical values includes cultural and personal ethical values. This category includes beliefs about what is right and wrong that arise from religious beliefs, cultural traditions, political philosophy, and business or professional standards and practices. These non-core ethical values do vary over time and among different professions, cultures, religions and individuals. They are areas of legitimate controversy among people with differing values.

Non-ethical values relate to things we like, want, or deem personally important — such as wealth, fame, job security, recognition, professional success, and satisfying social relationships. These values are ethically neutral. Do not confuse them with unethical values.

Personal ethics is a term sometimes used to describe an individual's value system and code of behavior, based on a variety of values and beliefs. Personal ethics can (erroneously) find that the actions of the Mafia, a youth gang or a dictator are ethically the same as those of Mother Teresa. Some types of leadership principles make a distinction between the necessity for ethical behavior in one's private life and in one's public life.

Ethical behavior sometimes costs more than we wish to pay. Many excuses and rationalizations are created to explain why we opted for convenience, comfort and self-interest instead of doing what we know is right.

An ethical dilemma occurs when there is a conflict between core ethical values, between “right and right” or between “wrong and wrong.”

Values have varying degrees of strength. Each individual has a kind of “pyramid of values.” Some values are much higher in degree of importance than others. They take priority. Some people may value most highly things that they feel are practical for everyday use. Others may cherish works of art or things of beauty.

How do you make “good” decisions? First, know what you truly value. Values are not just “interests” or “feelings” or even “preferences.” They involve three important factors: choosing, prizing, and acting. Before something can be a genuine value (and part of your decision-making and action processes), it must meet seven basic criteria.^{2, 3} It must be:

1. Chosen freely (without external pressure or coercion).
2. Chosen from among alternatives (all possible options).
3. Chosen after careful reflection (advantages, disadvantages, consequences).
4. Prized and cherished.
5. Publicly affirmed.
6. Acted upon (applied to specific situations).
7. Part of a repeated pattern of action in your life (commitment).

Once a value has met all these sometimes demanding criteria, it is yours, a part of who you are. If it is to be changed, it can only be changed by you, nobody else. Some thoughtful reflection about ourselves in relation to our values can often help us place our values in a truer focus. This process can:

- Help us know ourselves better.
- Become a guide for self-improvement.
- Be helpful in making personal decisions.
- Help us manage our time, energy and resources to our best advantage.
- Help us to eliminate some of the confusion in our lives.
- Help us to formulate a desired system of values.

- Help us to act or behave more in accordance with our desired system of values.
- Help us to better understand and respect others who have different values.

A firm self-identity — who we are or who we would like to be — is fundamental to effective leadership. We live in rapidly changing times. We live at a fast, and often hectic, pace. We are besieged and bombarded from all sides by various pressures that are trying to influence or determine our values. We cope daily with many different “pushes” and “pulls” that presume to tell us what is “right” or “best” for us. If we want to have a clear self-identity and a system of values that we can call our own, we have to take control — make some choices, clarify and establish our own system of values.

D. “Four Way Test” of ethical decisions

Another item you can use to see if you are making ethical decisions or decisions with good character is the “Four Way Test” described by Lussier and Achua (2001). It says to ask yourself four simple questions. They are:

- Is it the truth?
- Is it fair to all concerned?
- Will it build good will?
- Will it be beneficial to all concerned?

If you can answer *Yes* to each of these questions, then your decision as a leader is most likely ethical.

We are living in an age of accountability.. This is the time for each of us to standup and set a good example as leaders in our community. If we set the appropriate example, then others will build that needed trust in us and we can continue to lead effectively.

Herb Rubenstein, CEO of Growth Strategies, Inc., a leadership and management consulting firm has given the following Definition of Leadership which includes in it the notes of ethics:

E. A New Definition of Leadership

The world does not exist for only one moment. It exists as a continuum of time and any definition of leadership must recognize that leadership is not an event that occurs in one second, but is a process that takes time. While an act of leadership may appear episodic, for true leadership to occur it must be built on a series of actions that produces a very useful range of results. I would like to offer a new definition of leadership that incorporates this time dimension. The definition is:

"Leadership is the creation and fulfillment of worthwhile opportunities by honorable means"

This definition of leadership is unusual because it includes the word worthwhile and the phrase "by honorable means." My justification for including this word and this phrase is simple. If leadership occurs over a period of time and constitutes a series of acts and relationships, then inherent in the concept of leadership is the concept of "repeatability." For a leader to maintain a leadership role or position or lead over a significant period of time, the leader's actions must be repeatable by him or herself and be repeatable by his or her followers. If a leader's actions are either not worthwhile or by honorable means as defined by the leader's followers and other powerful stakeholders outside the leader-follower relationship, then these actions can not be repeatable over the long run.

History shows that if a leader does not use his or her leadership actions on worthwhile opportunities or use honorable means, the world will rise up against him or her and destroy the leader. Hitler, Stalin and other leaders who led by less than honorable means and pursued less than worthwhile opportunities in the 20's, 30's and 40's could not get away with their behavior today for very long because the world has a much greater capacity to observe the actions of world leaders and take decisive action against them. Clinton could not sneak a few minutes with an intern, lie about it and get away with it. Nixon could not attempt to steal a few files and try to hide it without being forced from office.

If our definition of leadership evolves to include a longer run time dimension and a definition similar to the one I propose, then studies can be performed that can show the relative efficiency of ethical leadership as opposed to unethical leadership. Then a theory can be developed that both defines ethical leadership and proves why it works in the era in which we now live where leaders actions are more observable and harder to hide than ever before.”

Bernard M. Bass and Paul Steidlmeier in an article, “Ethics, Character and authentic transformational Leadership” have touched upon the issue of ethics in transformational and transactional leadership styles and their view are reproduced below:

F. “Leadership Styles and Ethics”

Both styles of leadership, transformational and transactional, have strong philosophical underpinnings and ethical components. In individualist philosophies, where leaders and followers each rationally pursue their own self-interests, it is generally thought that leaders should be transactional. A *free contract* is often assumed as a model of transacting between leaders and followers. A contract has to have moral legitimacy (Donaldson & Dunfee, 1994). The legitimacy of transactional leadership depends on granting the same liberty and opportunity to others that one claims for oneself, on telling the truth, keeping promises, distributing to each what is due, and employing valid incentives or sanctions. It recognizes pluralism of values and diversity of motivations (Rawls, 1971).

But the exclusive pursuit of self-interest is found wanting by most ethicists (Gini, 1995, 1996; Rosenthal & Buchholz, 1995). Authentic transformational leadership provides a more reasonable and realistic concept of self -- a self that is connected to friends, family, and community whose welfare may be more important to oneself than one’s own. One’s moral obligations to them are grounded in a broader conception of individuals within community and related social norms and cultural beliefs. Although there is plenty of transactional leadership in punishments for transgressions, authentic transformational leadership is more consistent than transactional leadership with Judaic-Christian philosophical traditions and discourses on the leadership of the moral sage that presuppose a

trusting community as the central life context. Nonetheless, it is a matter of modern Western moral concern that ideals not be imposed, that behavior not be coerced, that the search for truth not be stifled. Ethical norms and behavioral ideals should not be imposed but freely embraced; motivation should not be reduced to coercion but grow out of authentic inner commitment, the search for truth should not be stifled but rather questioning and creativity should be encouraged. Followers should not be mere means to self-satisfying ends for the leader but should be treated as ends in themselves. We label as "pseudo", that kind of transformational leadership that tramples upon those concerns.

While transactional leadership manages outcomes and aims for behavioral compliance independent of the ideals a follower may happen to have, transformational leadership is predicated upon the inner dynamics of a freely embraced change of heart in the realm of core values and motivation, upon open-ended intellectual stimulation and a commitment to treating people as ends not mere means. To bring about change, authentic transformational leadership fosters the modal values of honesty, loyalty and fairness and the end values of justice, equality, and human rights. But pseudo transformational leadership endorses perverse modal values such as favoritism, victimization, and special interests and end values such as racial superiority, submission, and Social Darwinism (Carey, 1992; Solomon, 1996). It can invent fictitious obstacles, imaginary enemies and visions that are chimeras. Likewise, transactional leadership is moral when the truth is told, promises are kept, negotiations are fair and choices are free (Hollander, 1995). It is immoral when information harmful to them is deliberately concealed from associates, when bribes are proffered, when nepotism is practiced, and when authority is abused.

G. Ethical Criticisms of Transformational Leadership

The concepts of leadership we endorse represent ideal types where transactional leadership rests upon transformational foundations and transformational leadership is enlivened and guided by an inner ethical core. Nonetheless, its ethics have been questioned despite the fact that transformational leadership was conceived as leadership

which involved moral maturity (Kuhnert & Lewis, 1987) and the moral uplifting of followers (Burns, 1978).

Meta-analytical evidence supports the generalizable findings that transformational leadership is more effective, productive, innovative, and satisfying to followers than is transactional leadership (Lowe, Kroeck & Sivasubrahmaniam, 1996). People's implicit theories of leadership are likely to be more transformational than transactional (Avolio & Bass, 1991) However, its ethics have been questioned. It has been suggested that transformational leadership: (1) lends itself to amoral puffery since it makes use of impression management (e.g., Snyder, 1987); (2) is antithetical to organizational learning and development involving shared leadership, equality, consensus and participative decision-making (e.g., McKendall, 1993); (3) encourages followers to go beyond their own self-interests for the good of the organization and even emotionally engages followers irrationally in pursuits of evil ends contrary to the followers' best interests (e.g. Stevens, D'Intino, & Victor, 1995); (4) manipulates followers along a primrose path on which they lose more than they gain (e.g. White & Wooten, 1986); and (5) lacks the checks and balances of countervailing interests, influences and power to avoid dictatorship and oppression of a minority by a majority (e.g., Keeley, 1995)."

H. Aristotle on Ethical Leadership

Aristotle was the most practical and business-oriented of all philosophers who asked ethical questions. You may stop at the idea that a person who's been dead for nearly 2,400 years has anything practical to say about modern organizations. But Aristotle remains relevant because he is particularly interested in defining principles in terms of the ethics of leadership.

In his *Nicomachean Ethics*, Aristotle concludes that the role of the leader is to create the environment in which all members of an organization have the opportunity to realize their own potential. He says that the ethical role of the leader is not to enhance his or her own power but to create the conditions under which followers can achieve their potential.

Of course Aristotle never heard of a large business or corporation. Nonetheless, he did raise a set of ethical questions that are directly relevant to corporate leaders who wish to behave in ethical ways.

James O'Toole, a research professor at the University of Southern California reframed some of these questions as under

- Am I behaving in a virtuous way?
- How would I want to be treated if I were a member of this organization?
- What form of social contract would allow all our members to develop their full potential in order that they may each make their greatest contribution to the good of the whole?
- To what extent are there real opportunities for all employees to develop their talents and their potential?
- To what extent do employees participate in decisions that effect their work?
- To what extent do all employees participate in the financial gain resulting from their own ideas and efforts?

If you translate Aristotle into modern terms, you will see a whole set of questions about the extent to which the organization provides an environment that is conducive to human growth and fulfillment.

He also raises a lot of useful questions about the distribution of rewards in organizations based on the ethical principle of rewarding people proportionate to their contributions.

Aristotle doesn't provide a single, clear principle for the just distribution of enterprise-created wealth, but here are some Aristotelian questions that virtuous leaders might ask:

- Am I taking more than my share of rewards-more than my contribution is worth?
- Does the distribution of goods preserve the happiness of the community?

- Does it have a negative effect on morale? Would everyone enter into the employment contract under the current terms if they truly had different choices?
- Would we come to a different principle of allocation if all the parties concerned were represented at the table?

Again, the only hard and fast principle of distributive justice is that fairness is likely to arise out of a process of rational and moral deliberation among the participating parties. All Aristotle says is that virtue and wisdom will definitely elude leaders who fail to engage in ethical analysis of their actions. He tells us that the bottom line of ethics depends on asking tough questions.