

RSM Insight

Management Knowledge

09

1st Quarter 2012

ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

▶ **The future for energy markets**

In discussion with Wolfgang Ketter

▶ **Ecological sensemaking and climate change**

by Gail Whiteman

▶ **Proactive environmental strategies pay off**

by Melek Akin Ates, Jacqueline Bloemhof, Erik van Raaij & Finn Wynstra

▶ **The age of the consumer innovator**

by Jeroen de Jong

▶ **The psychology of ethical leaders**

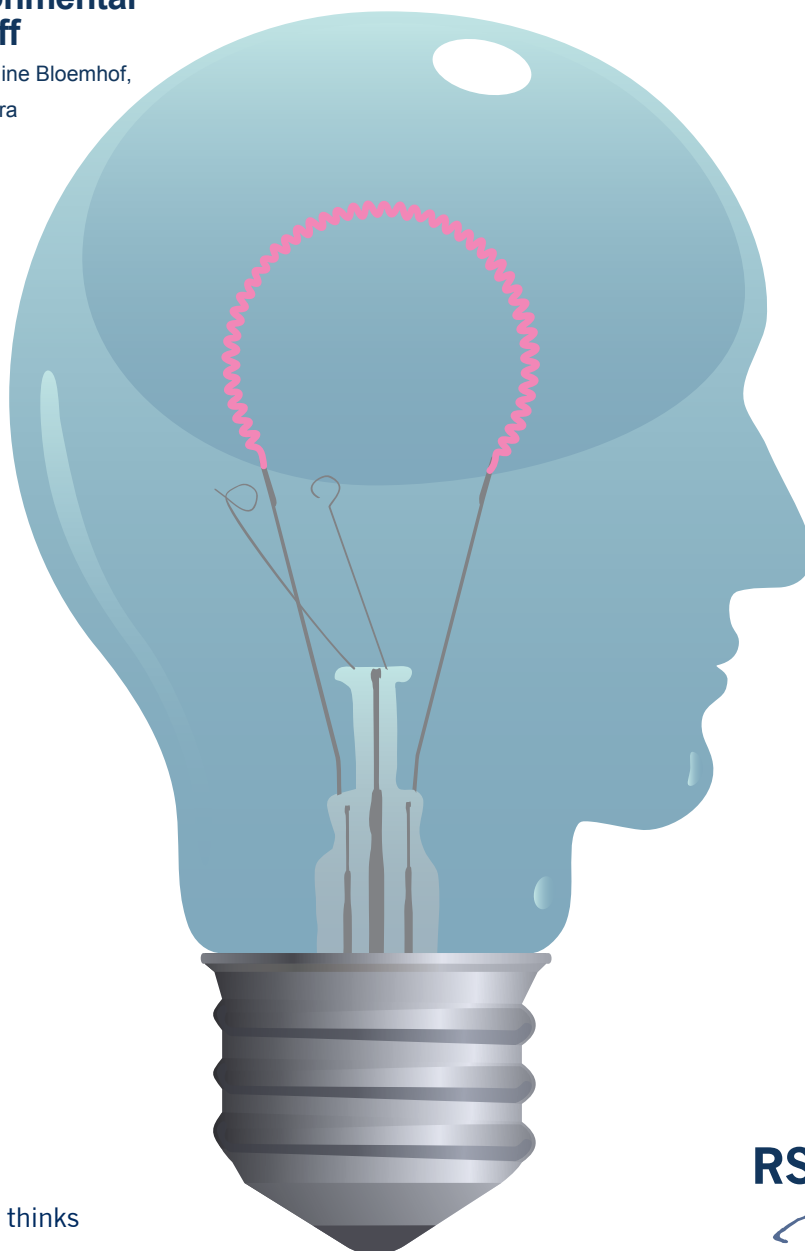
by Niek Hoogervorst

▶ **Customer empowerment in new product development**

by Christoph Fuchs & Martin Schreier

▶ **Why do firms go public?**

by Abe de Jong, Carel Huijgen, Teye Marra & Peter Roosenboom

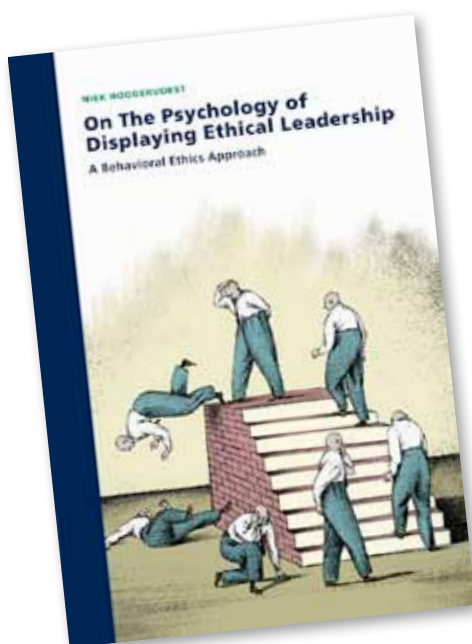


The business school that thinks and lives in the future

The psychology of ethical leaders

by Niek Hoogervorst

The collateral damage to companies caused by unethical behaviour can be enormous, especially when it is perceived to be systemic within an organisation. We look to leaders to set an example. So how can they be encouraged to set aside self-interest and provide an ethical role model for those they lead?



The Occupy movement is perhaps a sign of our times: we live in a climate in which ethics increasingly matter. The scandals of the past decade have triggered growing media interest in how organisations behave – or misbehave – and society is becoming less tolerant of unethical behaviour wherever it happens – whether in business, sport, government or religious organisations.

As evidenced by the case of Dirk Scheringa and the failed DSB Bank, unethical practices are costly not just in terms of the reputation of individual leaders. Research has already shown what good leaders *should* do, and the positive impact that can have on motivating others – but what we also need to know is, *when* do leaders actually display such behaviours? What are the psychological factors underlying ethical leadership? Moreover, what can those reveal about how organisations can encourage ethical behaviour?

In a series of experimental studies and surveys conducted with leaders from middle and senior levels of

management in a wide range of Dutch and American organisations, I set out to explore these important questions.

Most people would probably agree that leaders should do what is *right*, irrespective of whether that will make them liked by their team. What I found is that leaders are more inclined to act as role models, making personal sacrifices for their group and putting the needs of their followers and organisation first, when they feel part of that group, not excluded from it.

That feeling of *belonging*, of being liked and accepted by others, is a key motivator for most of us – and leaders, I discovered, are not exempt from that kind of influence. Interestingly, those that feel more powerful and certain of their own influence within a group are not susceptible to this need to belong. So long as they see it as a key part of their leadership role, they will typically act as a role model, irrespective of whether they are liked or not.

It is important, therefore, for organisations to stimulate positive relationships between leaders and their followers through team-building exercises, for example. They also need to find ways of increasing their leaders' sense of power, by allowing them more autonomy and freedom to make decisions. Given that leaders who feel powerful will act more in line with role requirements, organisations ▶

The psychology of ethical leaders (continued)

by Niek Hoogervorst

should communicate to leaders the importance of being an ethical role model. However, arguably within leadership training, and more broadly in business education, leaders also need to be made aware that they may be susceptible to the influence of how they are liked by their employees. This awareness raising can act as a first stage in helping them guard against it.

Reacting to unethical behaviour

One of my studies showed that when an employee behaves unethically, but the leader stands to benefit in some way, that leader becomes less likely to take disciplinary action against the

interest factor in the leader is so strong and so automatic, it takes precedence. Whenever self-interest surfaces, we unconsciously start to engage in a form of self-deception. Therefore, when leaders start to profit from an unethical act, they no longer see it as being that immoral.

A disturbing finding was that followers seem to predict quite accurately when leaders are most likely to disapprove of their unethical behaviour. Therefore, if the climate within the organisation is lax, they may be tempted to do morally dubious things when they feel they can *get away with it*. That is of course highly dangerous for the organisation,

“When leaders start to profit from an unethical act, they no longer see it as being that immoral.”

offender. Even if action is taken, the chances are it will be less severe. This is borne out by other research showing, for example, that sales managers crack down less hard on unethical sales behaviour by top-selling agents than when similar actions are performed by less successful agents.

In such situations, holding the leader accountable only works up to a point. Despite the social pressure to do the right thing and expectation to explain his or her actions, the self-

potentially creating a vicious circle of unethical behaviour.

For companies, this brings home the importance of making ethics a central part of organisational culture. Ethics needs to be talked about and invested in. For the long-term good of the organisation, creating a culture in which moral values are truly important through all strata of the organisation can have really positive effects, not only on the behaviour of leaders, but also those who follow them. ■

Niek Hoogervorst is an academic researcher, Department of Business Society Management, Rotterdam School of Management, Erasmus University. Email: nhoogervorst@rsm.nl Web: www.rsm.nl/people/niek-hoogervorst/ The research in this article forms part of Niek's recent PhD, *On the psychology of displaying ethical leadership: a behavioural ethics approach*, which was published in September 2011 as part of ERIM's PhD Series, Research in Management.

► RSM Expertise

The Department of Business-Society Management specialises in researching, teaching and advising on the complex and challenging relationship between business and society. Web: www.rsm.nl/bsm

The Erasmus Centre of Behavioural Ethics fosters and promotes fundamental social psychological research into behavioural ethics that has implications for a wide variety of fields including management, law and social sciences in general. Web: www.irim.nl/behaviouralethics