

MORAL LEADERSHIP: EXPLORING THE FOUNDATIONS OF GOOD GOVERNANCE

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Abstract

His Majesty King Bhumibol Adulyadej, is not only a formidable leader who has taken the well-being of his country to this heart but that he is also a moral leader of extraordinary stature. As he exemplifies the most characteristic qualities of moral leadership, he continues to provide moral guidance and vision for all his subjects, most importantly for those in positions of power in government, the judiciary, the military, and administration, extending all the way to leaders in business, education, and society at large. This paper will take inspiration from His Majesty to meditate on the meaning of moral leadership in general.

Searching for shining examples of moral leadership the people of Thailand have not to go far. They are most fortunate to have in their midst a most admirable leader who has lived by his moral convictions all his life and through many turbulent phases of politics. Beyond all divisions that may otherwise exist the people of Thailand are united in their view that their beloved king, His Majesty King Bhumipol Adulyadej, is not only a formidable leader who has taken the well-being of his country to this heart but that he is also a moral leader of extraordinary stature. As he exemplifies the most characteristic qualities of moral leadership, he continues to provide moral guidance and vision for all his subjects, most importantly for those in positions of power in government, the judiciary, the military, and administration, extending all the way to leaders in business, education, and society at large. It is therefore my great pleasure and honour to contribute to this special edition of the journal in celebration of His Majesty's

60th anniversary of His accession to the throne. Exploring some of the more pressing issues of moral leadership with regard to business and economics, I have been greatly inspired by the monumental life and work of His Majesty.

I. Power, Self-Interest, and the Moral Imperative

Arguably, Niccolo Machiavelli's book *The Prince* is one of the most astute leadership manuals that even today offer valuable insights into the mechanism of power and the psychology of power-hungry leaders. Its main thesis is encapsulated in the following observation: "One ought to be both feared and loved, but as it is difficult for the two to go together, it is much safer to be feared than loved...for love is held by a chain of obligation that, men being selfish, is broken whenever it serves their purpose; but fear is maintained by a dread of punishment that never fails" (Machiavelli, 1999). The thesis reveals not only the mechanism and the psychology of power, but also and more importantly the ethical issue that comes with power and thus with leadership.

I will argue that leadership in the world of today can no longer be based on (military) might, fear, or terror but must have a strong moral foundation. Leadership therefore must be both: leadership whose power and authority has moral legitimacy by extending beyond individual selfishness, and leadership for which ethics has not merely instrumental, but intrinsic value. The moral dimension gives leadership its authenticity and transforms leaders from power-wielding individuals into persons respected for their commitment to the greater good of the whole society. They represent values that are not confined to the secrecy of boardrooms and centers of power but are universally recognized as the fundamental building blocs of a life worth living.

As Machiavelli's book title suggests, throughout most of history leadership was mainly restricted to political and military leaders who held the fate of their subjects in their hands and presided over the flourishing or misery of their states. Today, leadership has proliferated into many fields and leaders now can be found in various areas of society. While politicians and government leaders are still the most visible representatives of

leadership, the enormous financial assets held by multinational corporations, which in some cases far exceed the reserves of individual countries, suggests the power of business leaders may already rival that of heads of state. Business leaders with powers to lay off workers, close factories or move them overseas, dismiss employees, and develop strategies that may affect the future of thousands of people depending on them have become increasingly instrumental in the well-being or decline of whole nations. In a variety of countries, most notably in the United States of America, the influence of business leaders even extends well beyond their own enterprises and into the heart of government. Through donations to political parties and a whole range of lobbying activities they seek to tip political decisions in their favour. This suggests a new focus on leadership in business is needed and that, above all, it must be on its moral implications.

There can be no doubt that the social sciences together with a whole range of business studies on management and human resources have tremendously contributed to a better understanding of the mechanisms of leadership. Yet while these studies usually include some considerations about ethics, their main focus is on the strategic value of ethics for greater (economic) efficiency. Frequently, ethics seems to be considered merely as bait for otherwise ethically ignorant or unconcerned leaders in their quest for personal success and profit.

There is nothing wrong with regarding ethics as an asset and long-term investment - provided it is not the only answer to the question: "Why should I be moral?" If the only motivating answer were, "because ethics pays," ethics would in fact be "instrumentalized" (Jürgen Habermas) and reduced to a function of success; any "intrinsic, "categorical", or "absolute" value it may also have would be denied. Yet, as former Bosch CEO Hans Merkle once put it, there are certain things an honest person simply doesn't do - period.

Obviously, the coincidence of ethics and success on the one hand and reasons for behaving ethically on the other are two quite different concerns. To argue that ethics will "enhance the bottom line" offers little more than "an easy, prudentially acceptable, attractive, and enticing reason for business to be ethical" (Cohen 1999). It ignores, however, the fact that everyone stands under the moral obligation, including business leaders. The ethical imperative demands that one does first what is good and right

and just - and looks for personal gain later. There is a long tradition in philosophy arguing that ethics is never a means only but also the end as it defines what we call the good life. As Immanuel Kant has pointed out: Even “moral philosophy is not properly the doctrine of how we are to make ourselves happy but of how we are to become worthy of happiness” (Kant, 1788). Therefore a good life in the emphatic sense of the term will include more than just profit and financial gain.¹

The idea of moral leadership in business rests on two important assumptions: that business does not operate in an amoral space and that business decisions are not exclusively determined by economic factors of the market. The almost exclusive focus in leadership handbooks on the techniques and psychologies of leadership seems to suggest that their authors take as their premise the classic economic view. On this premise, economics is the realm of pure and autonomous business transactions that are – and must remain – external to ethics. The economy evolves with some kind of necessity in accordance with the laws of its own rationality and stands outside the realm of ethics and morality, since economic behaviour is thought to be separate and distinct from other types of behaviour. Consequently, the primary criteria of business performance are economic efficiency and growth, and the primary goal and motivating force for business organizations is nothing but profit. (McKie, 1975).

This view has been most famously summed up in the late Milton Friedman’s statement (in his *Capitalism and Freedom*, 1962) according to which the sole purpose of business is to make “as much money as possible.” In anthropological perspective, such strict separation of business from ethics draws on the psychology of self-interest: The strongest of the various human drives is the drive for individual gain and benefit in the interest of pure survival and the avoidance of costs. The genealogical lineage of this view is long but the philosophically most ambitious such conception derives from Hobbes, who explained leadership as the necessary implication of social and political institutions in the service of the rational pursuit of self-interest.

In the meantime, Hobbes’ materialistic and a-historical anthropology has lost much ground. Human agents are no longer seen as exclusively self-interested and ethics is not simply a means to achieve political or economic ends. Consequently, the belief that ethics has no role to play in business or business decisions is now regarded as a myth: “the

myth of amoral business.” Companies, particularly multinationals, may frequently “forget” about ethics, but they depend on it nevertheless. Although they are in business for making money, they rely on extant and well-functioning ethically informed social systems. As Richard DeGeorge points out, “the myth [of amoral business] obscures the fact that people do apply ethical criteria” in judging business and that business leaders in general do not behave less ethical than the average citizen (DeGeorge, 1993).

What is missing in the classic view is the perspective in which we see ourselves not only as role-bearers and functionaries of economic systems but also as social beings with a shared history of beliefs about “the good life.” As social beings, we can only expect to further our self-interest when we recognize the needs of others. The necessary rules for effective cooperation among individual players are not only the result of rational behaviour and communal prudence but also of an interest in “the good” that can be shared.

While self-interest may be the major drive in humans, it is certainly not the only one. Throughout history human beings have built societies and instituted moral and legal frameworks that mediate individual self-interest with the good of society as a whole. The difference between human society and a gang of bandits is that the latter is exclusively defined by individual and collective self-interest whereas the former is, in addition, defined by a comprehensive vision of the good. If ethics is not external to society but one of its main constituents, and if business is one of the most significant social institutions, then business cannot operate in an amoral space. In spite of all their historical variety, societal systems have internalized moral values without which they could not exist. In as far as the economy forms an integral and most important part of society it is also shaped by and implicitly draws on the moral vision of society as a whole. Business, for example, is based on and presupposes trust, honesty, responsibility, and larger frameworks of fair play. Business leaders and managers are not only relying on society’s functioning moral system in their daily interactions but are also themselves citizens with moral obligations. As “institution citizens” (Nielsen, 1983) they must strive to integrate moral sensitivity with business competence and must not sacrifice moral judgment and practical reason for prudential considerations and the most profitable strategies.

Instead, their moral goals must include balancing the needs of the individual and the community and defending society's fundamental values (Gardner, 1990).

Furthermore, moral leadership assumes that business is not exclusively determined by economic and societal forces that leave no space for moral decision-making. If it is true that the economic system as well as its key players depend and thus benefit from the common ethos they have not and cannot generate on their own, this reveals another important truth. Contrary to popular perception, the autonomy of the economic system is not absolute and its rules do not have the status of immutable laws of nature. Instead, it is the product of human culture whose further development can be directed in accordance with human needs and the moral vision of the good society.

As the Swiss business ethicist Arthur Rich has argued, in spite of economic rationality and the autonomy of the economic sphere business leaders retain sufficient space for responsible acting even within the parameters of the economic imperative and its constraining objectivity. Although business leaders as everyone else have to work within economic and societal frameworks, these systems are not determinants that would leave no space for human freedom and decision-making. On the contrary, Rich maintains that both the economic and the ethical are interrelated dimensions of human agency. "That which is not economically rational cannot really be humanly just; and that which contradicts human justice cannot really be economically rational" (Rich, 2006).

Therefore, people need to reflect critically on their actions and assume responsibility before the court of humanity if they do not want to become slaves of their own creations. Leadership and in particular moral leadership would be meaningless and indeed impossible, if economy and markets were exclusively determined by their own rationality. On this premise, even Adam Smith's belief in the "invisible hand" is either one more myth, or rather the benign illusion by which we seek to protect ourselves from the otherwise disturbing truth about the utter insignificance of human acting and decision-making. Or it is the somewhat reluctant acknowledgment that economic rationality can only be "trusted" and expected to work towards the greater good of all when it is based on a shared moral vision of functioning social relationships.

II. The Moral Legitimacy of Leadership

Business leadership is characterized by asymmetrical power-authority relationships in hierarchical organizations. It can be exercised by “coercion (the possession of, and threat to use, the means of inflicting pain), reward (the possession of, and the promise to bestow, pleasure) and legitimate authority (warrant to speak for the group).” Business leaders have the power to “fire or demote, they can pay bonuses and promote, and the organizational chart backs up their right to command the obedience of their subordinates” (Newton, 1987).

While its authority derives from legal and contractual stipulations between employer and employee, its moral legitimacy must be justified independently of considerations about legality and economic efficiency. As leader and follower, manager and subordinate are not only functional actors of the corporate system but above all autonomous human persons, the moral legitimacy of authority and power is fundamentally grounded in the free and informed consent of persons and in the respect of their dignity. Leadership certainly requires subordination and obedience, yet employees are not only means for greater profit, but persons whose rights must not be compromised and their dignity not violated (Becker, 2001). Moral leadership then integrates respect for human dignity and the recognition of fundamental human rights into business excellence and the competence to pursue economic efficiency.

Despite its somewhat high-sounding tone, grounding moral leadership in a strong conception of human dignity is not without teeth. It specifically challenges business practices sanctioned or tolerated by business leaders where violations of human dignity have come to be regarded as an unavoidable consequence of competitive market economy.

Placing the principle of human dignity firmly on the agenda of business leadership implies not only a genuine “concern for the safety and welfare of all individuals with which the corporation deals,” but also regarding subordinates “as independent persons, capable of making their own decisions” (Newton, 1987). Dignity-based moral leadership will not tolerate immoral orders or requests and not expect slavish obedience at

the expense of constructive and critical loyalty. It will promote a participatory leadership style that seeks as much consensus as possible. It regards colleagues as members of a team and actively seeks their opinion. It engages them in the process of decision-making instead of merely asking them to follow and execute orders. Thus the moral legitimacy of leadership authority and power derives from the respect for fundamental rights grounded in the dignity of the human person. In particular, they include the right to physical and psychological inviolability, the right to privacy (data protection), and the right to fairness and protection against discrimination. This latter right extends from fair work conditions to fair pay.

In this regard, business leaders need also to be sensitive in their sphere of influence and authority to issues of what Johan Galtung has called “structural violence” (Galtung, 1969). Company structures may be too rigid and stifle individual development or prevent employees from realizing their potential. As ethical rules are usually applied to individuals and not to companies, it has been argued that corporate cultures could generate “dehumanizing” effects on individuals.

In her book *Value Shift* (2003) Harvard business ethicist Lynn Sharp Paine recalls how she once met a business man on a plane who told her frankly that his job was to be “a liar”: After his company had been bought by a large global enterprise his first truthful report as regional manager was received with such hostile response “that he never again dared to tell the truth.” Since then he regularly fabricated reports for headquarters.

While it is easy to blame this manager, the company leadership failed even more in its humiliating and dehumanizing treatment of its employees, which clearly shows its destructive potential and self-defeating consequences. Klaus Leisinger has proposed to domesticate corporate institutions with inherent potential for structural violence (instead of domesticating critical employees) by turning them into “open systems,” which are in continuous communication and interaction with their social environment. This would enable them to self-critically evaluate their own structures and to safeguard what he has called the “directed autonomy” of employees (Leisinger, 1995). This implies providing the conditions for individual development and empowerment and working towards “a participatory leadership style” that subjects itself “to the control process

of a pluralistic company-internal ‘public’.” Good companies are not so much interested in people who are easy to manage because they are obedient, diligent, honest, punctual, and reliable, or – in the worst case – simply report what the boss likes to hear. Instead they need employees who “distinguish themselves through primary critical virtues.” Besides the traditional cardinal virtues of justice, courage, moderation and prudence Leisinger argues that they include “basic attitudes associated with the concepts of civil courage, ability to cope with conflict, tolerance and the capacity for constructive disobedience.”

III. The Organizational Dimension of Moral Leadership

The best qualities of moral leadership are useless unless they are embedded in a supportive company structure. That is to say, moral leadership not only interacts with internal environments, corporate cultures, and hierarchical structures, it also influences their development. While leaders may be the most visible representatives of an enterprise, companies, particularly corporations, are themselves moral agents with their own sets of values and objectives. CEOs come and go, while companies are usually there for the long term. Corporations are moral persons on equal footing with natural persons with all the privileges, rights, and duties moral persons normally have (Werhane, 1985).

While company leaders represent their companies most visibly, they must, above all, assure themselves of the moral grounding of their companies’ values and objectives. Former Johnson & Johnson CEO Ralph S. Larsen once summed up his company’s famous ‘Credo’ as follows: “In essence, it says that our first responsibility is to our customers, to give them high-quality products at fair prices. Our second responsibility is to our employees, to treat them with dignity and respect and pay them fairly. Our third responsibility is to the communities in which we operate, to be good corporate citizens and protect the environment. And then, it says that our final responsibility is to our shareholders, to give them a fair return. In the final analysis, the Credo is built on the notion that if you do a good job in fulfilling the first three responsibilities, then the shareholder will come out all right. [The Credo] implicitly tells us what’s important: honesty and

integrity, respect for others, fairness, and straight-dealing. Those are the ethical values on which we operate all over the world” (2002).

Apparently, the interplay between leader and company is not exclusively defined by economic parameters but also opens up the moral space of leadership. In sorting out company values and formulating rules and policies leaders must therefore institute effective ethics checks and take measures to further develop established company policies in line with ethical standards.

Internally, the company-wide mechanisms to bring moral leadership to bear include codes of ethics, mission or core value statements, ethical training programs and reporting channels for ethical grievance (ethics office).

As morality and the law do not necessarily match, and business does not operate in an ethics-free zone either, the need for the pro-active commitment to moral norms and values derives in part also from pragmatic considerations. While the law may only define the very bottom line of socially acceptable behaviour, unethical practices encouraged or condoned by business leaders, almost inevitably, will lead to calls by the general public for the extension of the law so as to assure compliance with society’s moral standards. Business leaders are, however, well aware of the undesirability of ever expanding legislation as this ultimately would restrict the space for decision-making by countless legal regulations, which would stifle business activity. It would also put business at a considerable disadvantage with regard to companies operating under more liberal legal regimes elsewhere.

Moral leadership, in contrast, will be sensitive to society’s expectations and voluntarily adopt standards of good practice that take the justified interests of others into account. A recent example is the EU’s decision not to intervene, for the time being, in the financial markets by mandating regulations for the clearing and settlement sector. It expects, however, the industry to voluntarily adopt a code that would not only ensure greater competition through greater transparency in pricing but also more overall efficiency.

Leaders must pay close attention to the avoidance and clarification of value ambiguities and value rankings within their organizations. It has been argued that many ethics violations by mid-level managers signal in

fact conflicts of loyalty resulting from their leaders' inconclusive, ambiguous, or outright misleading value statements and personal behaviour. Morally committed leaders therefore will take measure to assure the development of moral sensibility and morally sound judgment in their subordinates and throughout the company. They will see to it that the moral point of view becomes an integral part of company performance and strategy.

Besides their role within the company, moral business leaders will also recognize their responsibility within the larger business community. Through business organizations, chambers of commerce, and board memberships, their influence usually extends far beyond their own company and into society. Business leaders are in close contact with government, accompany government officials on visits to foreign countries and participate in negotiations on regional and international trade agreements (WTO, GATT, GATS, TRIPS)².

In all those activities, moral leaders will tie the strategic interests of their companies, and of their country to standards of common morality. They will recognize the fundamental importance of issues of human rights, global justice, and environmental sustainability. They will refrain from merely paying lip service to moral commitments and instead will go the extra mile by searching for ways to translate their moral vision into tangible results in their own business enterprises. They will support initiatives that seek to apply the moral point of view to all areas of business activities and, in particular, shun all unethical practices. Transparency International, the Global Reporting Initiative, and The Global Compact may come to mind. A related project is the Business Leaders Initiative on Human Rights (BLIHR). Since its start in 2003, the initiative has attempted to break down some of the barriers and uncertainties that have kept many responsible companies from realizing their role in supporting universal human rights. As the corporate response to human rights, it is BLIHR's ambition to "find practical ways of applying the aspirations of the Universal Declarations of Human Rights within a business context and to inspire other businesses to do likewise." The initiative starts from the assumption that no company competing with integrity can justify "collateral human rights damage" in its endeavours to achieve its profit targets.

IV. Moral Competence, Character, and Virtues

“In the final analysis, it is individuals who will determine the ethical quality of business conduct. Personal integrity and commitment to high moral values begin in the family, are nurtured in schools and universities and mature on the job. The individual working in a business must be regularly reminded from the top of the need for integrity, which includes adherence to stated principles and codes but which also requires a standard of conduct beyond printed guidelines” (The Institute of Business Ethics, 1988).

If moral leadership is to be more than merely a technique for economic efficiency, leaders must believe in its intrinsic value and strive for moral character. They will neither merely instrumentalize ethics for personal success, nor mistake it as a substitute for “business literacy.” As Konosuke Matsushita, the founder and president of Matsushita Electric Industrial, illustrates, moral leaders must be able to look “up to the stars” and at the same time stand with both feet on the earth. If they expect people to take their leadership seriously, they must inspire them not only by reward and precept, but primarily by example and by visibly living the values others are to follow.

Moral leadership therefore requires moral common sense, a clear value commitment, and moral character. It combines business expertise with the determination to bring the moral point of view to bear on all business decisions. Its authority derives as much from moral authenticity as from business acumen.

In surveying the various individual requirements of moral leadership, we must remember the simple truth that its authority has to be grounded in astute business competence and not only in the powers that come with the top position. At the minimum, this implies what business consultant Warren Bennis has called ‘business literacy’ (Bennis, 1989). It includes job-specific knowledge and expertise, combined with high analytical intelligence and the ability to perceive, interpret, and create reality. Usually, successful business leaders possess the knowledge, skills, abilities, personal characteristics, and other person-based factors that help distinguish between outstanding and average performance (Pritchard, 1999). Thus leaders are smart, articulate, strong-willed, and clear in their thinking, with

a broad perspective on business and good judgment about important business decisions. They will have good interpersonal and communication skills and be excellent communicators who integrate expressive and communicative talents with argumentative competence without aggressiveness. It is only on those conditions that they can expect to influence and encourage subordinates to higher performance levels.

In the global economy of multicultural interactions business leaders need also to be “globally literate.” They must be able and confident to see, think, act, and mobilize in culturally mindful ways. Global literacy then is “the sum of the attitudes, beliefs, knowledge, skills, and behaviours needed for success in today’s multicultural, global economy” (Rosen and Digh, 2001).

On the assumption that economic mechanisms do not fully determine decisions and that there is space for responsible and free agency, effective leadership requires broad vision and creativity.

Moral common sense identifies the bottom line of moral leadership and includes the moral minimum of acceptable business practice ranging from avoiding harm from others and respecting their rights to fairness and the intention to help those in need. Regardless of how cleverly carried out, there is not much cultural insight needed to know that stealing company money or confidential information, plundering pension funds, accepting bribes, tolerating or authorizing false accounting practices, ignoring product safety standards, risking employees’ lives through unhealthy work conditions are universally condemned as shameful. Moral leadership begins beyond this threshold. It commits executives to look for ways how they can contribute to minimizing unavoidable harms and to improve the living conditions of the worst off while increasing company value.

Personal value commitment: Moral leaders are aware of the tie between the core values of their company and their personal value commitment. In adopting the moral point of view in all their actions, they develop moral character and become role models for their subordinates. This insight is shared by moralists as far apart as Aristotle and Confucius. Confucius made it the cornerstone of his political philosophy and summed it up as follows: “When a prince’s personal conduct is correct, his government is effective without issuing orders. If his personal conduct is not correct, he may issue orders, but they will not be followed.” (Lunyu,

XIII, vi) And again: “A ruler who governs his state by virtue is like the north pole star, which remains in its place while all the other stars revolve around it” (Lunyu, II, i).

For Aristotle virtue is the integration of the moral point of view into all dimensions of life. Moral leadership therefore unfolds in a variety of specific moral qualities. Most important among them are honesty, integrity, trustworthiness, and justice and fairness.

Consequently, “managers who lack integrity place themselves and their organizations at risk. When they transgress norms of integrity, they risk losing the trust, loyalty, and commitment of employees, suppliers and customers. The best preventative is for organizations to define the moral standards expected of everyone and to develop programs that reinforce these standards” (Zauderer, 1992).

Honesty and integrity imply a commitment to openness, truthfulness and transparency. To be honest is to be not deceitful, but frank and open. Honesty is primarily a relational value rooted in an experience of sharing with others and communicating with them truthfully. For a business leader to be a person of integrity implies not to be corrupt, not to promise what one cannot deliver, not to misrepresent or to evade accountability, and not to suppress obligations. “Honesty is absolutely essential to leadership. After all, if we are willing to follow someone, whether it be into battle or into the boardroom, we first want to assure ourselves that the person is worthy of our trust. We want to know that he or she is being truthful, ethical, and principled. We want to be fully confident in the integrity of our leaders” (Kouzes and Posner, 1993).

Trust: Moral leaders are leaders who are trusted because they have proven to be worthy of trust – by colleagues, subordinates, clients, and customers. Trust establishes an atmosphere of shared understanding, even feeling, and is a precondition of any alliance and mutual understanding. A moral leader is someone who succeeds in establishing and sustaining a framework of trust. Trust is a reciprocal relation, one that binds people together in their mutual interests. “Whereas leaders may be said to earn the trust of their followers, it is the followers who have the capacity to give that trust. Trust thus becomes a part of the dynamics of the relationship between those who would be leaders and their followers” (Solomon, 1998). Only leaders able to foster relationships that create respect for all parties

will earn the trust they deserve. Business leaders who are insensitive to society's value expectations or deliberately ignore them, will not be trusted. In the absence of trust, companies will increasingly be faced with calls for expanding legal controls that will institute costly checks and balances.

Moral courage: Courage in general involves the capacity to cope with difficulties and dangers, and not to be intimidated by them or unduly fearful. *Moral courage* is the capacity to do what one judges is ethically called for in spite of one's instinctive reaction to the perceived dangers and difficulties in which such an action will result. Moral courage means refusing to do what is unethical (e.g. paying or accepting bribes even in countries where corruption is "endemic" and laws either non-existent or not enforced) and instead promoting the ethical way even in times of recession and other obstacles. Corruption is certainly the most obvious opportunity to prove moral leadership and to face it with moral courage. Corruption is ubiquitous and affects all countries. It causes huge losses to individuals and societies and causes real harm.

Justice and fairness: Moral leaders must have a clear sense of and a commitment to justice and fairness. Justice concerns the fact that "each person matters and matters equally, each person is entitled to equal consideration" (Will Kymlicka). In business environments, justice demands of leaders the distribution of benefits and burdens in accordance with moral principles. They must be personally concerned about the fairness of salaries, bonuses, and wages they pay to the people in their companies. Truly moral leaders will not shy away from applying standards of justice and fairness to their own remuneration.

A reality check, however, confirms that in this regard most top salary packages are a matter of greed rather than morality and only a handful of business leaders may feel embarrassed by their overgenerous salaries. Examples of business people falling short of fairness and integrity are not difficult to find; frequently, the disastrous consequences of their moral failures cause serious damage to their companies, hurt shareholders and investors, and ruin employees.

It may be unrealistic to expect that top executives follow Max De Pree's example. In the 1980s, De Pree, CEO of office furniture manufacturer Herman Miller, decided after consultation with his friend Peter Drucker to limit the CEO's salary to 20 times the amount made by

an average factory worker (Murphy and Enderle, 1995). In 2005, a typical Fortune 500 CEO's salary was on average 262 times that of his workers on the production line, and a number of top managers even made more than 400 times that amount. Although the fairness of compensation levels is a complicated matter with no easy answers, it is a clear implication of moral leadership in business that it should transcend the levels of greed and selfishness.

Authenticity: Authentic leaders are “those who are committed to a purpose or a mission; people who live by their values every day and who know the true north of their moral compass.” “Without a moral compass, any leader can wind up like the executives who are facing possible prison sentences today because they lacked a sense of right and wrong.” Authentic leaders lead “with their heart, not just with their heads, and have compassion for the people they serve. They do so with the discipline and commitment to get great results, not just for their shareholders but for all their stakeholders, their customers, their employees, and their shareholders – as well as for the communities they serve. This sounds old fashioned and yet is almost revolutionary” (George, 2003).

Authentic leaders therefore need moral courage, the capacity to do what one judges is ethically called for and not to give in to difficulties that may result. Moral courage means refusing to do what is unethical, for instance paying or accepting bribes even in countries where corruption is ‘endemic’ and laws either non-existent or not enforced.

V. Moral Leadership Counts

In conclusion, if we accept that business does not operate in an ethics-free zone and that business leaders are not only functionaries of economic efficiency but persons with moral obligations that define our common humanity, then moral leadership is not optional but imperative. It is beyond the simplistic dichotomy of being either an asset or a liability. Instead it is an indispensable constitutive factor of what can count as business excellence within the parameters of the “good society.”

Much has been said in leadership studies about its strategic business value, and there are many reasons to believe that, indeed, ethics pays and

that good ethics is good business. Reporting the results of a survey of business leaders, the Business Roundtable of New York called the belief that ethics and profit contradict each other “a myth”. “That myth is thoroughly debunked by the attitudes and actions of top managers in the companies that contributed to this report. There is deep conviction that a good reputation for fair and honest business is a prime corporate asset that all employees should nurture with the greatest care.” Basic to effective leadership “is the insight that corporate ethics is a strategic key to survival and profitability in this era of fierce competitiveness in a global economy.” Various studies have confirmed the positive effect of trust, helpfulness, and fairness for increasing work-group creativity.

Yet there are cases where moral leaders had to quit because their companies floundered, and there are managers who thrive on unethical practices. The majority, however, seems to follow the opportunist’s path. They are ethical as long as it pays but have little qualms to trade ethics for more tangible profit.

Nevertheless, we need remind ourselves that ethics is not a luxury we could do without. Business leaders, too, feel its pinch, and underneath their sometimes ruthless images many experience that nagging suspicion that all their success may fall short of their own ultimate standard. Leadership consultant Peter Koestenbaum recalls one of those moments when a business leader comes across his true self: “I am the top executive in a very large organization and I live with a deep conflict. There is a fundamental ‘bad’ in business, a pervasive cancer. Business lives in a cutthroat, ruthless, dishonest atmosphere. You do what it takes and care nothing about morality. You are not true to your word. In the end, you cheat, deceive, and lie. Eventually, even the most determined among us must contract this disease. This presents me with a fundamental dilemma: Can you win being ‘good’? I do not want to take on the characteristics that disturb me in some of my colleagues” (Koestenbaum, 2002). Obviously, the moral imperative cannot be ignored indefinitely. There is a moral self in each of us, which proves that ethics defines our very humanity.

The motivation for moral leadership may start from strategic considerations about the many personal advantages that come with an ethical reputation in a society where ethics plays an increasing role in many

areas. It may also be motivated by the potential for profit and success for the company, at least in the long term.

Yet ethics has not only instrumental but intrinsic value. Ethics is its own reward. It turns our world into a liveable habitat for all humans where together we can enjoy the fruits of our labour. Moral leadership must therefore go beyond strategic calculations and express the conviction that, in spite of all the crooks around us, ultimately, ethics is without alternative; ethics counts (Sharp Paine, 2003) – in business as elsewhere. Business excellence and excellent leadership performance without ethics are contradictions in terms. Excellent business leaders are able to look their subordinates in the eyes without blushing, and they can bear their true selves without being ashamed every time they look at the mirror. Moral leaders would not have to shy away from the “reciprocity test” of the universally recognized Golden Rule: “How would I feel if they did that to me?”

It may be true that in the ruthless world of business as we know it such moral vision stands little chance. There is a long tradition in western philosophy that has even doubted that ethics can be taught, and this may well apply to courses in leadership ethics and managerial ethics training programs, if moral awareness and sensitivity had first to be created from scratch. The question, “why should I be moral?” will remain without answer as long as we do not know it already. It is either redundant or wrongly footed as it suggests a world without ethics as a viable alternative. Yet human society anywhere in the world is already impregnated with moral values and norms without which humanity could not have survived until now. The truly amoral person, therefore, is either parasitic on society’s extant and functioning ethical systems, or he or she is mentally disturbed and deserves our compassion.

The value of moral leadership training courses then lies in their potential for making leaders aware of their moral sense, strengthening their moral sensitivity, and furthering their competence for sound moral judgment. Leaders need to be conscious of their power to harm or to benefit individuals and society alike, they need to include ethics in their standards of performance evaluation and the assessment of the consequences their decisions are likely to have. That is to say, they need

to personally endorse in their practice the insight that ethics counts and that it is without alternative.

In a world without ethics and the respect it demands of each of us for no other reason but that we are human beings – fragile and vulnerable, but with a dignity beyond all price – in such a world even profit and success would have lost their meaning. I would like to conclude with a quotation from Jürgen Habermas, which I fully endorse and to which I have nothing to add:

“Without the emotions roused by moral sentiments like obligation and guilt, reproach and forgiveness, without the liberating effect of moral respect, without the happiness felt through solidarity and without the depressing effect of moral failure, without the ‘friendliness’ of a civilized way of dealing with conflict and opposition we would feel, or so we think today, that the universe inhabited by human beings was unbearable. Life in a moral void (...) would not be worth living. This judgment simply expresses the ‘impulse’ to prefer an existence of human dignity to the coldness of a form of life without moral considerations” (Habermas, 2001).

ENDNOTES

¹ In the Kantian tradition, ultimately, it is not happiness that counts in morality but being worthy of it: “Do that through which you become worthy to be happy” (Kant, 1787).

² World Trade Organization (WTO), General Agreement on Tariffs and Trade (GATT), General Agreement on Trade in Services (GATS), Trade-Related Aspects of Intellectual Property Rights (TRIPS).

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