

LEADERSHIP AND ETHICS: GROUNDED THEORY VERSUS TODAY'S FAD

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Abstract

A universal code of ethics, in the context of corporate and institutional leadership, effectively functioning within the influences of a global culture, could be a powerful factor in positive differentiation, performance, and success. In the general absence of such a code, it is my opinion, consultants, entrepreneurs, and for-profit entities have resorted to applying interpretive knowledge without valid theory or research to fill this gap that I perceive to be left by the field of adult educational practice and scholarship. There is a need, an obligation, and an opportunity for the field of educational practice to reclaim a prominent position of influence in leadership and ethics particularly in the global domain of cross cultural knowledge development.

Introduction

Leadership and ethics independently and collectively represent critical elements of education for social responsibility. Examples gleaned from the actions of leaders within organizations such as Enron, WorldCom, Tyco, Arthur Anderson, Adelphia, AOL TimeWarner, Stewart, and others identify the depth of need for scholarly research to develop responsive knowledge and action. "The 2002 Crisis of Ethics in Business USA sent us all reeling with shocking revelations of dishonesty, manipulation, and silent complicity" (Johnson & Phillips, 2003, p.3). On a daily basis I confront a myriad of ethical dilemmas. Typical examples arise within the contexts of performance management, employee development, and client relations. This paper explores the underlying issues within the framework of human resource development (HRD) situated as a sub-field of adult continuing education (ACE).

Relevance of Research to Practice (R2P)

The discussion of the ethics of practice in ACE has emerged at various points throughout the literature of the field. There currently is no universal code of ethics in ACE, but there is agreement that serious discussion is warranted. I maintain that this is an extraordinary opportunity for collaboration between ACE and HRD. The research, theory, and practice of ACE are one of the theory bases that inform HRD. Hatcher (1999) stated that ethics is the newest addition to the theoretical foundations of HRD and that HRD professionals have a responsibility to be more aware of ethical issues than most people. I acknowledge that the relationship between HRD theory, practice, and outcomes is controversial and ambiguous. There is even less attention focused on societal outcomes beyond individual, process, and organizational outcomes. Since HRD essentially drives leadership development this societal perspective is highly significant particularly in the context of globalization and the varied cultural influences affecting multi-national organizations.

In addition to social responsibility and cultural relativism, there is the issue of economic justice. Friedman (1962) wrote "there is one social responsibility of business...to use its resources and engage in activities designed to increase profits so long as it stays within the rules ... engages in open and free competition without deception or fraud." From Friedman's perspective, an individual leader has a primary obligation to increase profits and maximize the return for the shareholders within the law. Friedman maintained that it is the political authority that has the responsibility to foster social objectives. Ethical conduct under this capitalistic model could

include using low cost labor in countries where it was not illegal regardless of working conditions and employee treatment. Similarly, operating plants that cause environmental damage or reckless depletion of natural resources would be considered ethical if it is legal in that jurisdiction. Conversely, Marxists believe that capitalism destroys the intrinsic value of human labor if treated as merely a means of production or other input commodity (Krasemann, 2001).

There are very few books on leadership ethics, yet the development of ethical theory can be traced to 400 and 300 B.C. and Greek philosophers Plato and Aristotle. Ethics from the Greek word *ethos* means customs or character. The Latin word *morales* had the same meaning and the contribution of both words lead to the meaning we hold today of moral conduct and values that society identifies as desirable.

There are numerous ethical theories, but leadership ethics are primarily associated with the teleological or deontological domains. The first applies to the leaders' conduct and the consequences thereof and the latter reflects the leaders' character and resulting duty. Within the teleological domain there are three common theories differentiated by the person or persons who benefits from the decision. The first is labeled, Egoism in which the decision is self-serving in that the leader/decision maker is the primary beneficiary. A very interesting piece of research developed in Neuropsychology, involving blood flow patterns in the brain during the decision process, offers a potentially significant (human programming) implication for egoism and executive decision making. Goldberg (2001) found that there are essentially two types of decision processes by executive leaders, veridical which involve finding the truth, and adaptive which are actor-centered decisions that involve finding "what is good for me." "Most executive leadership decisions are priority based, are made in ambiguous environments, and are adaptive, rather than veridical, in nature (p. 79)." The second teleological theory is labeled Utilitarianism and states that the decision is made to yield the greatest good for the greatest number (Northouse, 2004). The final theory, which is the opposite of Egoism, is labeled Altruism and it implies that the decision is made in the best interest of others (Northouse, 2004). The deontological domain not only considers the consequences but regards the decision itself and whether or not the action is good.

Business conduct and performance can and are monitored on a real time basis by media and other interested parties, and immediately available to virtually everyone. The desire to maintain a global perception as a good or ethical entity among informed investors and consumers may influence the development of corporate culture. The Ethics Resource Center in Washington, D.C. maintains that companies with an established active commitment to social responsibility are more profitable than those without. Maxwell (2003, p. 15) quoted James Burke, chairman of Johnson and Johnson, who stated

"If you invested \$30,000 in a composite of the Dow Jones thirty years ago, it would be worth \$134,000 today. If you had put that \$30,000 into these [socially and ethically responsible] firms - \$2,000 into each of the fifteen [in the study] - it would now be worth over \$1 million."

Most recently, Lane (2004) published the results of his study on Socially Responsible Investing (SRI). Unlike other studies that employ a negative process of excluding investments from a portfolio of certain socially or environmentally undesirable industries (tobacco, alcohol, gambling, defense, chemicals, mining, timber, and energy), this study followed an approach of positive screening for certain desirable behaviors. The behaviors ranked were in the areas of Environmental Practices and Social Justice (including diversity/employee relations, and human rights). A definite positive correlation was established between share value and market perception of the ethical conduct of public corporations. This perception is not only based on the honesty of leaders, but on the company's overall social responsibility.

As technology continues to make the world conceptually smaller, and the actions and decisions of leaders immediately available for evaluation, the importance of an effective field of educational practice to develop the life-long learning of leaders becomes more critical. Similarly, the elements of social responsibility, access and human rights have never been so closely aligned between education and business as they are today. The successful multinational company of the future will not only depend upon a level of knowledge development, skills, and education among their employees, but also a culturally diverse and homogeneously recognized and observed set of social and human values. This latter factor is necessary to ensure the dedication and loyalty of the employee and consumer toward optimizing future innovation and success.

The concept of the learning organization often surfaces in discussions of knowledge development and competitive advantage. Senge (1995) emphasized the fact that it is individuals and not organizations that learn. In the process of learning, Vygotsky (1978) stated that the teacher should challenge and extend the student (child) to go beyond his or her current level of competence. Leaders should do likewise, and not only challenge and extend those they lead, but also those with whom they collaborate. This process is an established method of knowledge development. There is a current trend in multinational organizations to shift the majority of their assets from tangible to intangible assets, namely, knowledge and other intellectual property. Today, on average, the large multinationals report over eighty percent (80%) of their asset value as intangible. Microsoft reports ninety-six percent (96%) of their assets as intangible. As this trend continues, the collective knowledge and skills of the global workforce becomes the single most important element in the differentiation and success of the enterprise. This asset transition is accomplished in part through out-sourcing and off-shoring, which pose questions relating to the scope of the enterprises' ethical responsibility. Does it extend throughout the supply chain and include channel partners? Or is this yet another loop hole or risk mitigation strategy to enable the transfer of social, environmental and other ethical responsibilities?

What's been tried? How are we doing?

Various stakeholders have attempted to deal with these concerns or at least give that impression. The Association for Continuing Higher Education (ACHE) constructed a code of ethics following a member survey in 1997. In 1999, the Academy of Human Resource Development (AHRD) developed a Code of Ethics for HRD, but it is not adopted globally. Adult continuing education (ACE) has found a worthy platform of continuing discussion toward establishing a truly universal code of ethics.

Ethics of practice and self-regulation are necessary prerequisites to achieving status and credibility as a profession, institution, business, or practice. A predictable consequence of the absence or ineffectiveness of such a process is the implementation of governmental regulations and sanctions. These can take several forms. On May 1, 2004, the US Sentencing Commission forwarded to Congress specific recommended revisions to the Corporate Sentencing Guidelines, which will become effective November 1, 2004. These guidelines allow companies that establish and adopt the prescribed ethics and compliance program to be eligible for leniency in sentencing if they are convicted of a corporate crime involving compliance and ethical issues in the future. More formally, the Sarbanes-Oxley Act focuses on corporate governance issues and the accountability of corporate directors. In Illinois, in July 2004, S.B. 2108 was passed (43-6 vote) and signed by the governor the same day. It increases the ethical requirements and the disciplinary enforcement for CPAs, including an ethics exam and continuing education requirements. If history repeats itself, the critical response objective will be

compliance and mitigation of potential risk. Consultants and corporate trainers will offer numerous “fad” seminars technically designed to comply. Unfortunately, this focus ignores the root cause and misses the opportunity for organizational learning through the development and synthesis of the knowledge by the organizations’ leaders and employees to affect a foundational change in corporate culture.

The Need for Linking Theory to Practice

If there is one area that projects a compelling need for a focused research effort on education for social responsibility, it is the domain of leadership and ethics. New approaches need to be tried in which research/theory is emphasized and contextualized to make applicable and actionable corporate culture changes in the global context. Lynham (2000) stated

“Leadership development, a component of Human Resource Development (HRD), is becoming an area of increasingly popular practice. It is estimated that billions of dollars per year are invested in some kind of leadership development in US companies. Yet a review of the scholarly literature suggests that less may actually be known about this area of human development than is implied by popular practice....It is both timely and appropriate for HRD to become more critically involved in the study of the body of knowledge that supports and informs the practice of leadership development.”(p. 1)

Northhouse (2004) defined leadership as a process consisting of transactions between the leader and the followers. Leadership involves influence, it occurs in a group context and it involves some form of goal attainment. The social influences of leadership have provided a wealth of content and attention as well as application concepts like emotional intelligence. This has generated notoriety and significant profits for authors, consultants and corporate coaches. Some of the more noteworthy authors (Bar-On, 2000; Gardner, 1983; Goleman, 1995, Mayer & Salovey, 1997) have developed concepts of self-awareness, self-management, and social interactive skills to enhance relationships and communications among and between team members as positive influences toward achieving goals, mentoring, and effectiveness. Some of these initiatives have lead to short term fads that jeopardize those contributions that represent value to training and development.

The process of leadership development is a learning process and ACE represents a foundational theory of learning throughout life. The literature identifies certain established events or phases in which leadership development occurs. Leadership development is a lifelong process of learning that begins in early childhood, continues through adolescent development, is affected by formal education, and enhanced by on-the-job experience and specialized education or training (Lynham, 2000). Smith (1982), Mezirow (1991), Knowles (1973/1981), Kidd (1959), Cheetham & Chivers (2001), Brungardt (1996), Brown (1978), and Brookfield (1986), presented extensive theory and research that validated this learning process but did not define the comparative research domains of leadership development and continuing education. Focused research and the refinement of existing literature within the field of ACE could provide a solid foundation for ethical leadership development within the framework of HRD. We are seeking a framework in HRD with roots in ACE. Adult Continuing Education understands and interprets ethical theory from many perspectives, and struggles with deontological aspects in certain initiatives in which education is a tool to enable or even empower disadvantaged or disenfranchised populations achieve equality and access. This challenge may inspire the optimal solution.

Some Final Thoughts

What impact does the lack of a universal code of ethics or a dysfunctional code of ethics have for ACE and HRD as a resource or an authority on Leadership Development and Ethics?

Kotter (1996, p.14) stated that organizational change will fail if it is not anchored in the corporate culture, "change only sticks when it becomes the way we do things around here." Can organizations effectively change their culture? Fullan (2001, pp. 77-78) stated "Knowledge building, knowledge sharing, knowledge creation, knowledge management. Is this just another fad?...They could easily become so unless we ...set up corresponding mechanisms and practices that make knowledge sharing a cultural value." Fullan continued to make an important distinction between information and knowledge, "Information is machines. Knowledge is people (p. 78)." The learning paradox posed by Argyris (1996), stated "the actions we take to promote productive organizational learning actually inhibit deeper learning." This results from defensive posturing among participants to minimize personal risk when formulating decisions in an often ambiguous environment. The arguments against developing a code of ethics in adult education have included the decontextualized nature of codes, irrelevance to many problems of practice, the privilege inherent to those with power to enforce the codes and developing meaningful codes while also achieving broad acceptance. These arguments plus profit motivations might equally apply to HRD leadership ethics and may provide valuable influence toward developing a solution. It will be the deeper learning and reflective experience of ACE theory that proffers the instrumentation to develop effective solutions that are dynamic and potentially self-validating given the immediate feedback available globally through technological advances.

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