

2015

# Ethical Insights of Early 21st-Century Corporate Leaders

Kevin B. Jones  
*Walden University*

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# Walden University

College of Management and Technology

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Kevin B. Jones

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Walden University  
2015

Abstract

Ethical Insights of Early 21st-Century Corporate Leaders

by

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MS, National Louis University, 2004

BS, University of Maryland, University College, 2000

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

May 2015

## Abstract

From 2001 to 2010, a lack of documented standards within ethics programs inhibited decision making, management practices, and corporate strategies for corporate leaders in the United States. Seminal theories in transformational, charismatic, servant, spiritual, and ethical leadership formed the conceptual framework for this phenomenological study, whose intent was to explore how senior leaders of Fortune 500 companies in Washington, DC integrated ethics into daily business decisions and the role in organizational performance. A convenience sample of 20 Fortune 500 leaders participated in face-to-face semistructured interviews to explore the assessment, definition, and documentation of various ethical standards in the company; the different mechanisms for ensuring ethical standards influenced decision making; and whether a senior leader's moral code influences the development of a code of ethics, ethical standards, or organizational culture. Using Saldana's coding process as an exemplar, 6 themes emerged from this investigation: ethical standards, organizational culture, ethics training, role modeling, values, and moral dilemmas. Findings revealed the need for scenario-based ethical training to guide senior leaders through dilemma-oriented problems. Implications for positive social change include benchmarks for ethical integration successes in business strategy that improve corporate social responsibility and change hiring practices to help build ethical corporate cultures.

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## Dedication

For me, there is one reminder that keeps pushing me to be better than I am, Ephesians 4:13: “I can do all things through Jesus Christ who strengthens me.” Only through the grace of His Spirit am I able to break the chains of sin and claim the ultimate victory of eternal life. I want to dedicate this doctoral project to my soul mate and loving wife, Sonja. Thank you for your moral support, encouragement, and – most of all – your patience. Without you, I would not be the man, the husband, or the father I am today. Your unceasing prayers gave me the strength to meet challenges that I thought were too difficult and to balance the demands that I perceived as too stressful. Words alone cannot express the gratitude or the boundless feelings I have for you. You are the greatest gift that I could ever receive from God, and I will love you forever.

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I would also like to say thank you to some of my friends for helping me produce this document. To William Jackson, Ben Litalien, Mark Botros, Kristel Stephens, Bob Lefebvre, and the others who spent time coaching me or reviewing this dissertation: Your time and efforts were invaluable to this doctoral process. A special thanks goes to Sheila Strider who with others in our group helped maintain an overall level of sanity through this tough process. I cannot understate the hours of review, edit, and support that has occurred in these many years of doctoral work. Thanks Sheila you have been great.

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## Section 1: Foundation of the Study

Historically, business leaders have spent enormous resources researching and documenting leadership studies (Bennis, 2010). In the last 100 years, scholars and researchers have tried to define the nature and characteristics of leadership and its role in business (Galvin, Gibbs, Sullivan, & Williams, 2014; Yukl, 2012). Corporations have paid little attention to what drives senior leadership to violate ethical behavior, and how ethical leadership influences the organization and its workforce (Derue, Nahrgang, Wellman, & Humphrey, 2011; Hoch, 2013; Wang, Waldman, & Zang, 2013). Practitioners and scholars alike are seeking ways to reduce or eliminate unethical business practices (Rowe, 2014). The primary issue explored in this study was senior Fortune 500 company leaders' use of ethics in business decisions and the role those decisions play in organizational performance.

A central concept of this study was the premise that assessing, defining, and documenting ethical standards helps to prepare and guide leaders for workplace dilemmas that could lead to unethical behavior and influence performance, as suggested by Brown and Mitchell (2010). Ethical dilemmas influence behavior in employees and also directly influence their organization and performance (Trapp, 2011). This study was designed to explore the effect that ethical standards have on senior leaders' decisions regarding ethical dilemmas that affect organizational business practices. The mechanisms used for this consisted of a literature search and 20 interviews with Fortune 500 senior leaders.

## **Background of the Problem**

In corporate America, leaders play a significant role in establishing the ethical tone for the organization and the workforce (Jackson, Wood, & Zboja, 2013). In order to motivate employees to maximize potential and create a harmonious organization, practitioners and researchers must make concerted efforts to study ethical leadership (Avey, Wernsing, & Palanski, 2012). Researchers should extend their focus beyond a philosophical approach on ethics and their theoretical influence on the senior leader's ethical behavior (Brown & Treviño, 2006) and determine a leader's true role in providing ethical behavior in organizations (Crossan, Mazutis, Seijts, & Gandz, 2013).

Many researchers have argued that organizational leaders seeking sustainability and long-term profits would benefit from spending more effort identifying potential leaders with ethical traits. Because there are apparent links exist between successful organizations and ethical business practices by leaders (Savage-Austin & Honeycutt, 2011; Su, 2014). Karakas and Sarigollu (2012) posited that the common ethical trait of benevolent or selfless leadership would enhance organizational effectiveness when applied to the workforce. Despite the best efforts of researchers and practitioners to highlight the benefits of ethical leadership in organizations, significant problems exist regarding a profit-only corporate mind-set (Arce & Li, 2011). For example, many corporate and executive interests alter an organization's core mission to pursue short-term profit maximization at the cost of the sustainability of the organization (Arce & Li, 2011; Castello & Lozano, 2011). Drover, Franczak, and Beltramini (2012) argued that profit maximization cannot be the sole purpose of a company, because it will lead to

greed and unethical behavior as outputs.

In the first decade of the 21st century, the term *malfeasance* became an executive connotation almost too acceptable in Western culture (He & Ho, 2011). During this period, large companies such as Enron, Arthur Anderson, WorldCom, and Tyco engendered a corporate culture that disregarded ethics in favor of profits (Bauman, 2011; Jackson et al., 2013). The subsequent financial disaster cost thousands of middle-income Americans their life savings and nearly caused another American depression (Ferrell & Ferrell, 2011). In 2008, failures in the mortgage banking system forced many of the largest organizations in America to declare hundreds of billions of dollars in losses (Donaldson, 2012). These unethical business practices jeopardized the underpinnings of effective economic systems in business with bankruptcies, bailouts, and the largest decline in the stock market since the Great Depression (Derue et al., 2011; Selart & Johansen, 2011; Weber & Wasioleski, 2013).

Unethical acts by senior leaders have caused corporate scandal, eroded global confidence in the United States, resulting in increased levels of bureaucracy through federal laws and legislative responses (He & Ho, 2011). This led President George W. Bush to sign the Sarbanes-Oxley Act (SOX) in 2002, in response to the rampant unethical behavior in corporate America (He & Ho, 2011). SOX was the first major expansion of government regulation since the Securities Act of 1933 designed to ensure that publicly traded companies comply with various corporate responsibility, disclosure, and audit rules (Beets, 2011). Although SOX provided guidance for ethical measures for the organization, it could not guarantee ethical leadership or ethical behavior by senior

leadership or the workforce (Holder-Webb & Cohen, 2012).

Leaders who reflect an ethical approach in their decision-making are more likely to establish a moral culture that engenders long-term sustainability (Bauman, 2011; Groves & LaRocca, 2011). Much of the ethical environment in an organization falls to the leaders to engender or enforce, and past studies have shown a need by the workforce for ethical leaders (Jondle, Ardichvili, & Mitchell, 2014) or a spiritual workplace (Altaf & Awan, 2011) to help guide an organization to success and sustainability. Cranenburg and Arenas (2014) found that when ethical dilemmas arise, ethical violations occur in the context of business decisions because corporate senior leadership did not possess a positive moral structure to influence decision-making.

Business ethics in corporate America are a significant concern for corporations, regardless of industry, making ethical leadership an important factor in organizational success (Wesley II & Ndofor, 2013). Ethical decision-making influences context and environment; for this reason, it is critical to examine ethical dilemmas and the role they play in the performance of an organization through the eyes of and experience of senior leadership (Ardichvili, Mitchell, & Jondle, 2009). This study was designed to provide a foundational basis for additional research regarding ethical leadership and contributing to ethical integrity by practitioners in the workplace.

### **Problem Statement**

Societal challenges, ethical misconduct, and poor leadership decisions responding to shareholder demands for short-term profitability have contributed to unsuccessful corporate management practices and strategies (Wesley II & Ndofor, 2013). In 2008, the

poor ethical behaviors exhibited by corporate leadership resulted in the near collapse of financial markets in the US, costing American taxpayers almost \$1 trillion dollars (Ferrell & Ferrell, 2011). This study addresses the general business problem of corporate failures, loss of public confidence, and trillions of dollars lost around the globe from 2001-2010 because of a lack of either personal or professional ethical standards (Boatright, 2013; Raza & Ramzan, 2013; Tweedie, Dyball, Hazelton, & Wright, 2013). The specific business problem being addressed is a lack of documented standards within ethics programs for catalyzing improved management practices, strategies, and decision-making for senior leaders in Fortune 500 companies (Cohen, 2013; Erwin, 2011; Giacalone, Jurkiewicz, & Knouse, 2012; Hogg, van Knippenberg, & Rast, 2012).

### **Purpose Statement**

The purpose of this qualitative phenomenological study was to explore the lived experiences of 20 senior leaders in Fortune 500 companies relating to the lack of standards within ethics programs. A central study concept was that corporate leadership needs ethical standards to improve management practices, strategies, and decision-making (Raza & Ramzan, 2013; Tweedie et al., 2013). The target population for this study consisted of senior leaders in Fortune 500 companies in the Washington, DC area. The requisite need for leadership experience led to a purposive sampling of senior leaders. The study was designed in part to produce practical ethical applications to leadership, and to provide a detailed understanding of senior leadership's ethical actions. The study promotes positive social change by engaging and supporting positive leadership values and promoting ethical behavior regarding molding a new generation of

leaders intent on improving organizational performance and creating an ethical culture, as suggested by Selart and Johansen (2011). There needs to be more executive effort to comprehend the criticality of leadership to organizations to ensure improvement in the random nature of the study of leadership. Increased moral behavior in business is necessary to reduce the number of unethical practices still occurring in the United States since the country's near depression in 2008.

### **Nature of the Study**

In this phenomenological study, I used open-ended questions during interviews to explore the lived experiences and perceptions of 20 mid-tier managers to C-level (CEO, COO, CFO, CTO) executives of Fortune 500 companies in the Washington DC area about ethical leadership and the need to apply consistent ethical standards in business decisions. The qualitative approach was appropriate for this study because qualitative research allows inquiry into human behavior while seeking answers to expansive, open-ended questions (Plakhotnik, 2012). I deemed conducting interviews with 20 business senior leaders to be necessary to ensure a naturalistic setting, as recommended for a qualitative study by Englander (2012); Fetters, Curry, and Creswell (2013); and Wertz (2011). Last, the literature review indicated the qualitative approach is more conducive than if the researcher explores human behavior through interpretation and inductive data analysis (Rennie, 2012).

I selected a phenomenological design for this study as the specific qualitative approach. A phenomenological design was appropriate because the purpose of the current study was to explore the phenomenon of leadership ethics of senior leaders and

the effect they have regarding business decisions. According to Moustakas (1994), phenomenological studies are appropriate if the researcher seeks to understand the lived experiences of the individuals associated with the study, which was the case with this study. The study goal was to collect data from the senior leaders who have experienced ethical dilemmas and understand through experience what decision-making role it played in creating specific business practices or ethical standards in an organization.

This study required that I understand how leaders decided to respond to dilemmas, especially in times of stress. A productive description of those leaders' experiences, according to Moustakas (1994), must consist of *what* they experienced and *how* they experienced it. Understanding these lived experiences, according to Moustakas, links phenomenology to philosophy and to the method of scientific inquiry. Phenomenology provides a framework of rational inquiry for assessing the essence of ethical leadership. Phenomenology, by its very nature, is a logical approach for helping to understand that ethical essence of leadership, as suggested by Williams, Roberts, and Bosselman (2011).

I reviewed grounded theory, ethnography, case study, and content analysis to determine if one of these designs was a more effective approach at studying the phenomenon of ethical leadership in organizational success. After extensive research during the literature review, only phenomenology provided the rich and vibrant detail that brings life to the data, as suggested by Moustakas (1994). Phenomenology was also the only design whose focus was appropriate for a scholarly analysis of the experienced individuals most affected by the phenomenon of leadership.

I used post-interview thematic coding to identify consistent themes concerning ethics and leadership. Englander (2012) argued that the wording of interview questions should be adaptable to the experience of the interviewed person. Thus, an important part of ensuring that study was fluid was generating clear and focused interview questions, appropriately patterned to the experiences of the interviewees. Thematic coding also proved useful when evaluating interview transcripts for particular trends and develop theories to answer specific questions to ensure the study has that clarity and focus needed during the interviews. A more detailed discussion of this research method and design is found in Section 2.

### **Research Question**

The use of a phenomenological design required that central research questions be used to guide the theme and structure of data gathering. In this study, the central phenomenon of investigation was the lack of standards within ethics programs toward improved management practices, strategies, and decision-making among corporate leaders (Cohen, 2013; Erwin, 2011; Giacalone et al., 2012; Hogg et al., 2012). It was specifically designed to document and explain the role that leaders play in developing ethical standards and the ethical actions that govern their actions. I began my research with a high-level question: What are the lived experiences of senior leaders in Fortune 500 companies relating to the lack of standards within ethics programs? This led to the development of three central research questions:

RQ1: What are some of the ethical standards assessed, defined, and documented in your organization?

RQ2: What mechanisms are in place for ensuring ethical standards influence senior leader's decision-making relating to improving strategy or management practices?

RQ3: How do the perceived influences of a senior leader's moral code influence a code of ethics, ethical standards, or a culture of trust, making ethical misconduct improbable, and improving organizational processes?

These questions were intentionally broad and helped guide the interview sessions to explain the primary phenomenon. According to Fetters et al. (2013), researchers need to formulate a central research question to focus on the main essence of the participant's experience regarding the particular phenomenon. Anyan (2013) further illuminated the requirement for clarity, purpose, and linkage of the central question to various considerations of specific design alternatives and strategies. The development of the central research questions helped focus my research on the key aspects of ethical standards and the impact on organizational leadership. To expand on these central questions, additional interview questions were developed.

### **Interview Questions**

I developed a set of ten interview questions to explore senior leader's experiences in ethics and leadership in additional detail and help answer the primary research questions. The study goal was to understand how senior leaders viewed leadership in their organizations and how leaders used ethics in their decision-making to improve management practices and strategies. I specifically sought to identify whether or not senior leaders employed ethical standards beyond a regimented code of ethics to guide

their leadership to successful business outcomes or generate education and training for the workforce. The 10 interview question prompts were:

- IQ1. How do you view ethical standards in the organization that are established by senior leadership? By the workforce?
- IQ2. How are ethical standards documented in the organization's ethical guidelines and policies?
- IQ3. Are ethical standards integrated into decision-making, management practices, or strategic planning? If so, please explain.
- IQ4. How do senior leaders in the organization formulate and communicate ethical guidelines and policies?
- IQ5. How are these ethical guidelines and policies documented?
- IQ6. Beyond the organization's ethical guidelines and policies, how does senior leadership foster ethical behavior in the organization?
- IQ7. Is ethics training available to the workforce? To senior leadership? Please explain.
- IQ8. Please provide examples of influences and experiences, both personal and professional that have defined your moral, code (values)? What factors from your past influenced the formation of your moral code (Values)?
- IQ9. When faced with ethical dilemmas, do you rely more heavily on personal values or your professional codes of ethics (or lack thereof) to determine the best course of actions?
- IQ10. How do ethical dilemmas influence senior leadership's business strategy?

## Conceptual Framework

This study employed a conceptual framework derived from the conceptual and ethical constructs from Ardichvili et al. (2009) and Brown, Treviño, and Harrison (2005). Both constructs focus on how ethical leaders influence positive employee outcomes and improved organizational performance. The framework was also informed by leadership theories on transformational (Bass, 1985; Burns, 1978), charismatic (House, 1977), servant (Greenleaf, 1977), spiritual (Fry, 2003), and ethical leadership (Brown et al., 2005). Collectively, these constructs formed a sound conceptual framework to conduct an analysis of ethics and leadership. The seminal theories used in this study primarily focused on the importance of employees rather than leaders.

In the 1970s, researchers began to focus their efforts on how leaders influenced employees and the resulting behavioral outcomes. Burns (1978) and Bass (1985) argued that transformational leadership needed followers to achieve organizational goals. House (1977) argued that charismatic leaders demonstrated the motivation, self-confidence, and a powerful personality to attain and assert their will over others. Like transformational leadership, charismatic leadership depends on a leader who is gregarious, self-confident, and intelligent (Sandberg & Moreman, 2011). Greenleaf's (1977) theory was the first to focus entirely on the welfare of the employee first. Fry (2003) posited the need for a more holistic leadership approach as political, organizational, and societal changes influenced workforce performance and ethics. Ethical leadership is still undefined, but Rest's (1986) model of ethical decision-making and Treviño et al. (2006) have established initial frameworks for the study. By using the ethical conceptual frameworks

by Ardichvili et al. (2009) and Brown et al. (2005) a clearer picture emerged of what motivated leaders' ethical or unethical behavior while guiding organizational behavior.

Highlighted in numerous studies (Selart & Johansen, 2011; Walumbwa et al., 2011), these two frameworks, provided a modern view of ethical leadership and its applicability in predicting leaders' performance and decision-making when faced with ethical dilemmas. By using the seminal leadership theories with the ethical constructs, the interrelatedness of senior leaders' behavior, leadership styles, values, and ethical decision-making could enhance the understanding of the factors associated with better ethical standard development.

### **Definition of Terms**

The following terminology appears numerous times in this study. Although the terms may be familiar, the consistency of their application provides a clearer understanding about term application in this study:

**Culture.** A dynamic phenomenon in an organization that influences leaders and followers through their interactions with others (Schein, 2010).

**Dark leaders.** Skilled manipulators of specific values that they think best suit their purpose (Liu, Liao, & Loi, 2012).

**Ethics.** Ethical theories evaluate actions as right or wrong, utilizing moral principles and individual values to guide decision-making and eventual actions (Brunk, 2012). For the purposes of this study, ethics and the study of business ethics are used synonymously with each other.

**Ethical codes.** The morally permissible limits that members of a group impose

on themselves. They are usually instructive and offer guidance for prioritizing conflicting principles. In business, ethical codes also serve as standards or guidelines used by executives to help guide employee behavior (Raza & Ramzan, 2013).

**Ethical dilemma.** A moral or ethical dilemma is a predicament in which one must decide to act in a way that may help another person or group and may be morally right, even though it goes against personal interest, or may cause harm to another group (Cranenburgh & Arenas, 2014).

**Ethical leadership.** Ethical leadership implies leaders demonstrate moral traits through modeling visible behaviors through peer and follower interaction, communication, and decision-making (Brown et al., 2005). Ethical leadership is the modeled moral behavior of organizational leaders with the goal to promote ethical behavior in employees (Ruiz, Ruiz, & Martínez, 2011).

**Ethical relativism.** The foundation of ethical relativism stems from the belief that no moral or ethical system is better or worse than any other moral system, and no ethical position is right or wrong in the eyes of the beholder (Ünal, Warren, & Chen, 2012).

**Ethical standards.** Principles that when followed, promote values such as trust, integrity, honesty, fairness, and respect (Tweedie et al., 2013).

**Organizational performance.** Organizational performance applies management practices integration that include financial and business performance (strategies, customer satisfaction, quality, productivity, operating costs, and financial performance) as the basis for a definition (Carmeli & Sheaffer, 2009). An additional aspect, for this study only,

included the ethical culture of the organization and its workforce.

**Stakeholder.** A stakeholder is any group or individual affected by the goals, actions, policies, practices, or decisions of the organization (Faleye & Trahan, 2011).

### **Assumptions, Limitations, and Delimitations**

#### **Assumptions**

Certain assumptions helped ground the processes associated with this study. The first assumption was that participants would be present, honest, and unbiased. Most of the participants selected for this study were senior leaders or executives with extensive experience in managing or leading others in corporate or government organizations. The second assumption was that each of the participants, because of their experience, would have some knowledge about ethics, leadership, standards, and unethical behavior within an organization.

Another assumption was that participants were willing to be participants in the study. If any of the participants determined that it was not in their best interests to be part of the study, the research completion could have taken months longer. Each of the participants contacted agreed to participate in the study. An important assumption was a successful pilot test of the protocol. I successfully completed a pilot test with three participants who did not participate in a follow-up study. Section 2 includes the results of the pilot study. Finally, the last assumption was to remain unbiased during this process regardless of any stated or demonstrated opinion. I strictly followed the interview protocol (see Appendix A) and captured the results as the participants answered each question, which reduced bias. Ethical concerns at every stage of research include

maintaining the highest standards of conduct (Swauger, 2011). Swauger continued by explaining the rationale for maintaining ethical standards is research should be free of bias and uphold standards of integrity, reliability, honesty, and impartiality.

### **Limitations**

The primary limitations in this study were the methodological weaknesses of phenomenological research. Because the study emphasized in-depth interviews, a senior leader's ability to articulate clearly how ethical standards influence management practices could have hampered data collection. The research conducted during this study focused on ethics and leadership within the United States instead of looking at organizations from across the globe. The issues of accuracy and honesty from the individual interviews with each senior leader could have limited the study.

Further limitations of the study included the ethics and leadership data reviewed. Because the goal was not to add to an already voluminous level of leadership research, the narrow approach to the ethical leadership data could have restricted the review outline for ethical leadership. Although testing the protocol was necessary before the data collection to reduce validity questions, studying the lived experiences of senior leaders was difficult in the limited amount of time allocated for interviews and follow-up discussions. Last, because I was the sole person responsible for data collection and analysis, the possibility for bias was higher, and more effort to increase the reliability and validity was necessary.

The location of senior leadership's interviews was also a difficulty that needed addressing. Some of the executives and senior leaders worked at undesignated sites to

reduce overhead for their respective company. The classified nature of the location restricted the ability to record the interview. Except for five interviews, all used a digital recorder. Those five interviews utilized a restricted area at the request of the participants. In addition, because of the distance between several interview locations, time and cost were significant factors. The geographically dispersed organizations in the Washington DC metropolitan area increased both time and cost of each interview. This geographic diversity severely limited the scope of the study.

### **Delimitations**

The scope of this study was an interview of one or two of the senior leaders in each organization included in this study. Besides the interviews, I conducted a detailed analysis of the identified subject areas through extensive literature review and research of various organizations. There were two issues not included in this study that future research could cover. First, no validation occurred beyond the initial research. Second, ethical determination occurred regarding any of the participating senior leaders; instead, the focus centered on the lived experiences of the leaders in their respective organizations.

### **Significance of the Study**

#### **Reduction of Gaps**

The findings in this phenomenological study are of value to the process of business performance by providing a significant contribution to a better understanding of how a leader's ethical behavior affects documented standards and subsequently organizational performance. Most of the literature regarding ethical leadership remains

underdeveloped and does little to produce the guidance needed by practitioners (Brown & Mitchell, 2010). Even the most fundamental questions about ethics or leadership leave many scholars and practitioners with few answers about the true nature of ethical leadership (Brown & Treviño, 2006). The resulting ethical missteps by senior leaders influenced workforce culture and business process, and cost global economies billions of dollars (Chen, Tang, & Tang, 2014; He & Ho, 2011; Palmer, 2009; Schein, 2010).

Findings from this study only modestly contributed toward steps of a social-scientific design proving that ethical leadership directly affects organizational performance. However, the study nonetheless reduced gaps in the literature by identifying the need for more focused ethical reviews by organizational leadership. If conducted properly, these reviews can improve assessment and documentation of ethical standards and clarify communication for rewards and punishment for violating ethics policies. Following Enron and the 2008 ethical violations in the business and financial industries, senior leaders have strong incentives to find, select, and develop ethical leaders to ensure the sustainability of organizations (Schmeltz, 2014).

### **Implications for Social Change**

The implications for positive social change include the potential to reduce the frequency of ethical malfeasance in business around the globe. Numerous instances in literature point out that social change occurs when organizational leaders adopt an ethical approach to business (Ardichvili et al., 2009). Through the findings of this study, the illumination of issues pertinent to an ethical leadership phenomenon helps promote social change to the culture. By emphasizing the connection between ethical leadership and

organizational performance as company executives feel pressure to increase profits in a struggling world economy, and discarding ethics in favor of economic first policies, could no longer be an issue across industries (Ferrell & Ferrell, 2011). The information contained in this study might also serve to illuminate efforts in Fortune 500 companies succeeding at the aforementioned standards integration. Benchmarking such successes will help illustrate how integrating ethical standards consistently in strategies, business processes, and management practices can promote the long-term sustainability of multiple organizations (Freeman & Auster, 2011; Frisch & Huppenbauer, 2014).

Given that unethical behavior pervasively corrupts organizations and has devastated economies (Fassin & Gosselin, 2011), studying the potential for linkages between ethical leadership, unethical behavior, and organizational performance seems logical (Brown & Treviño, 2006). The results of this study may provide leaders with practical ethical applications to leadership and a unique understanding of senior leadership's ethical actions. To improve the study of leadership executives must understand that moral behavior must become an institutionalized practice to reduce the number of unethical practices still occurring in North American societies.

### **A Review of the Professional and Academic Literature**

The purpose of the literature review was an attempt to determine both similarities and contradictions regarding ethics and leadership in the modern organization. The scholarly work within the framework of this research provided insight that seeks to support the study by analyzing organization ethics and leadership theory. Additional reviews of organizational culture and the influences that determine how senior leaders

use ethics in business decisions helped to delineate the role those decisions play in organizational performance. The premise of this study was that assessment, definition, and documentation of ethical standards, beyond those of a rigid code of ethics, were necessary to help guide and prepare leaders for the eventuality of unethical behavior (Raza & Ramzan, 2013).

This doctoral study filled the research gap by defining and documenting ethical standards in an organization. By conducting research in a thematic fashion as Pluye (2013) articulated, the study's validity and reliability improves. I conducted a comprehensive literature review to examine and prioritize all research topics. I presented the literature review in three major categories to maximize the breadth and depth of the research: (a) ethics theory, (b) ethics in the modern organization, and the (c) foundation of leadership.

I completed the literature review examining several scholarly peer-reviewed journals and articles, as well as numerous books associated with ethics and leadership. To bolster the depth of the research, I added subjects as organizational development (OD), organizational culture, spirituality, and cultural or ethical relativism. The employment of several databases like PsycINFO, PsycARTICLES, PsycBOOKS, Academic Search Premiere, ABI/INFORM Complete, Business Source Complete/Premier, and Emerald Management Journals helped to manage the review.

The focus of the review centered on scholarly peer-reviewed journals such as the (a) *Journal of Business Ethics*, (b) *Harvard Business Review*, (c) *Organizational Behavior and Human Decision Processes*, (d) *International Business and Economics*

*Journal*, (d) *Business Ethics Quarterly*, (e) *Journal of Business & Economics Research*, (f) *Journal of Organizational Behavior*, (g) *Journal of Management; Spirituality & Religion*, (h) *The Leadership Quarterly*, (i) *Academy of Management Journal*, and (j) *The Journal of Management History*. This list is by no means comprehensive, but instead a selection to demonstrate the validity of the research breadth and history.

The goal of this literature review was to explore studies concerning ethics and leadership. To ensure depth and breadth of the research, this study has 227 resources and 85% of those are no older than 5 years from 2011. The review included evidence of contradictions in the use of models to educate and train future leaders and researchers in the organizations. Comparing and contrasting of disparate data in a phenomenological design helps to clarify the validity and reliability of the study (Hays and Wood, 2011). A topic explored in this review included how ethics developed over time and the impending effect on the business environment.

### **The Development of Ethics**

The study of ethics is ever evolving (Rasche, Gilbert, & Schedel, 2013). Regardless whether ethics is a philosophical, business, or theoretical approach, not everyone sees or understands ethical situations from the same ethical viewpoint (Brown & Treviño, 2006). Brown and Treviño noted that a standard definition of ethics is difficult to obtain. Even more challenging is how researchers and practitioners foresee ethics application in organizations (McPherson, 2013). McPherson noted that many professionals who struggle with questions of self-versus group or legality against morality have lost sight that ethics begins and ends with the concept of right and wrong.

A review and synthesis of ethics literature is necessary to comprehend the requisite history and theories.

During the latter half of the 20th century, the debate over the ethics influence on leadership and management intensified with scholars and practitioners trying to answer the question of ethical leadership (Ciulla, 2011). Although the perception of ethics as a domain of philosophy is centuries old, the association of ethics with many other areas of study includes business, economics, law, leadership and management, psychology, religion, and even sociology (Ciulla, 2011). Each of these fields has different and equally important concerns, but this study's scope cannot answer questions in each of those areas. Scholars believe the possibility exists to analyze the principle moral philosophies from which leaders concerned with business ethics and ethical leadership draw inspiration and knowledge (Poruthiyil, 2013).

### **Ethical Theory and Practice**

Ethical theories do not always translate easily into practice (Hogg et al., 2012). Practitioners and scholars recognize the importance of the translation difficulty when examining ethical leadership (Dierksmeier, 2011). Following the ethical scandals from 2001 to 2011, knowing how to interpret behavior or actions of stakeholders, senior leaders, or even employees may go a long way in understanding how ethical leadership improves ethics in business, the modern organization, and organizational culture (Hogg et al., 2012; Weber & Wasieleski, 2013). Strategies proposed to help improve ethical leadership in business practices and decision-making must enable the leader to overcome the various challenges of bridging ethical theory and practice (Jackson et al., 2013).

Examples such as Enron or the 2008 financial crisis on Wall Street demonstrate how theory and practice do not always meet (Bruni & Sugden, 2013). Bridging the gap between ethical theories as virtue ethics, utilitarianism, and business practices are difficult because of the application of such theories with logical reasoning (Acevedo, 2013; Audi, 2012). Bluntly stated, most business decisions are not so black and white and usually possess a unique set of circumstances (Hogg et al., 2012). Exacerbating these problems are the inexperienced organizational leaders or organizations lacking an ethical code. Enron is an example of how leaders often justify decisions regarding ethical dilemmas and a company's bottom lines. Those leaders believe that ethics is not applicable in all business practices (Cohen, 2013; Du, Swaen, Lindgreen, & Sen, 2013; Thiel, Bagdasarov, Harkrider, Johnson, & Mumford, 2012).

The conceptual nature of ethics, according to Dierksmeier (2011) is often far removed from the logical practices of business and difficult for managers to follow. Ethical theory is necessary when reasonable people disagree about controversial issues in business (McPherson, 2013). Because the focus of this study was the exploration of how senior leaders in Fortune 500 companies use ethics in business decisions, understanding how business leaders think is important. Focusing on how managers can seek out and apply ethical theory in dynamic business environments would seem logical for leaders seeking a solution to real-world problems. To open that exploration of ethical theory, the discussion will begin with a review of Aristotelian ethics, otherwise known as virtue ethics.

## **Virtue Ethics and Modern Business**

In the post-twentieth century business environment, McPherson (2013) posited that applying virtue ethics in all business areas has not been very useful. Organizational leaders historically viewed virtue ethics in decision-making as atypical, and that moral decision-making and business profitability cannot always be compatible regardless of what is right (Audi, 2012; Bright, Winn, & Kanov, 2014; Duska, 2014). Graafland and Ven (2011) also posited that bottom-line business and moral decision-making are not always compatible. Boatright (2013) articulated that virtue ethics theory is fundamentally sound as a compatible possibility in decision-making because the moral development it offers stems from the core concept of virtue. Similarly, Sison, Hartman, and Fontrodona (2012) offered the clearest picture of the value of virtue ethics stating that virtue ethics theory appeared to sponsor ideas of moral judgment in the traditions consistent with modern ideas about management's intuition in decision-making.

Senior leaders at for profit organizations face situations that associate themselves only with practical business situations that leave little room for virtue, especially because the structure of modern business is rapidly changing creating unstable hypercompetitive industries that serve as areas of exploitation (McPherson, 2013). Conflict could arise from competing moral values in business opportunities and reduce the effectiveness of the organization (Blodgett, 2011). For example, Blodgett noted that honesty and integrity are two critical values in ethics. However, Duska (2014) stated that because a certain level of concealment is acceptable in business negotiations the conflict of the values would influence organizational performance. Sison and Fontrodona (2013) agreed with

Boatright that some elements in business were not consistent with the virtue ethics ideology. However, Sison and Fontrodona and Duska noted that to be virtuous does not indicate one must be perfect to be good, but simply the moral foundation for decision-making consists of certain core values founded in virtue.

Applying virtue ethics in business by holding partners, leaders, or shareholders to the values of honest business is prudent (Bright et al., 2014). Far too often senior leaders remove emotions and passion from business decision-making, as they are impediments to effective business or fiscal practices (Duska, 2014). Contemporary business models emphasize a more scientific approach to decision-making one that tends to be mechanistic and adhere to a specific set of rules. As Duska indicated, senior leaders define the problem, evaluate solutions, establish a criterion for the decision, and then make a decision. Ethical decisions do not take place in a vacuum of strictly defined rules and regulations. In almost all business decisions, the inclusion of people means there are value systems, moral dilemmas, and competing interests (Boatright, 2013).

Depending on the risk level involved in the decision, the stress could force a decision not governed by moral standards. Selart and Johansen (2011) posited that stress affects ethical decision-making through its influence on pro-social behavior or the willingness to consider other's interests. Gustafson (2013) noted overwhelming evidence that emotions and rationality are not opposites, but instead, required for rational decision-making, and the resolution of ethical dilemmas. The lack of compassion, sympathy, or empathy causes leadership to distort morally relevant data when deciding about the long-term viability of a company or its workforce.

General references to the character or virtues regarding virtue ethics theory concerns many scholars and practitioners. Philosophers such as Palanski, Kahai, and Yammarino (2011) disagreed with the notion that virtue ethicists make decisions only with the positive virtues that govern their lives. More likely, are the considerations for dilemmas that drive decisions or actions that, depending on the organizational situation, are questionable. Palanski et al. and Duska (2014) acknowledged the synonymous concept of virtue ethics to virtue, integrity, and central to the idea of good business, but the idea that only quality virtues extend to an individual's decision-making is questionable at best. Moral deficiencies of managers in business and finance led to poor decisions and risky behavior that led to the credit crisis in 2008 and 2009. Virtue ethics theory is a good starting point for scholars and practitioners to assess leader's business practices and decisions, but understanding that utilitarian ethic theory is the most often used theory in business, is useful when examining the current state of business and ethical decision-making (Graafland & Ven, 2011).

### **Consequentialism (Teleology)**

Consequentialism or teleological theories (from Greek *telos*, meaning ends) is the philosophy that states that right or wrong of any management decision should be governed by what creates the greatest good for the greatest number of people (Gustafson, 2013). The problem associated with definitions is that definitions often do not come with a translation for application in practical circumstances. Normative ideologies like teleology often emerge in decision-making within the moral development of the individual. Research has indicated that individual awareness is often the first step in

understanding why a leader made a particular ethical decision regarding business practices (Treviño et al., 2006).

Gustafson (2013) argued that the bridge between philosophy and business was not long, and that philosophy inclusion in business ethics has been active for many years. For example, the decisions that led to the Tyco chief executive officer (CEO) to spend company money on personal household items stemmed from a teleological philosophy known as egoism (Burnes & By, 2012). Gustafson indicated that teleology focused less on the act of completion as the outcome of the process. Otherwise, the ends justified the means. Many executives utilize the teleological theory in business, and because of the prominent ethical misconduct in the first decade of the 21st century, much research has focused on how teleology influences negative behavior in employees (Burnes & By, 2012). The most studied element of consequentialism is utilitarianism.

### **Utilitarianism**

Since the 1980s, shareholders have gravitated to the concept of short-term profitability. The consequences of those actions have produced the desired results of maximum profitability as quickly as possible (Jones & Felps, 2013). Actions resulting from senior leadership decisions have led to unethical behavior, such as stripping the company of fixed assets to achieve those short-term profits (Gustafson, 2013). Scholars and practitioners often debate the effectiveness of these measures, but the philosophy that drives leadership to make those decisions behind the scenes is often utilitarianism. Utilitarian ethicists assume the decision is moral and ethical if the outcome result is the greatest good for the greatest number of people (Tae Wan & Strudler, 2012).

Businesspersons, economists, and executives most often subscribe to utilitarianism to achieve the goals of their respective organization (Ünal et al., 2012).

Based on the utilitarian theory, Gustafson (2013) conceptually posited that executives from any organization must be able to generate decisions that will produce the largest benefit to the bottom line while producing a positive effect on the organization's stakeholders and society. The problem in using any philosophy associated with consequentialism stemmed in justifying any action to achieve a goal regardless of the consequences (Ünal et al., 2012). In the practice of utilitarianism, one must remember that decisions meant to do the greatest amount of good for everyone involved may result in certain individuals wronged for the greater good (Ünal et al., 2012). In other words, if an organization determines that record profits through questionable tactics will benefit the largest group, then any associated harm that may come to a few numbers of individuals is acceptable (Pitesa & Thau, 2013)

The history of theft, fraud, and general misconduct serves as an indicator of the application of utilitarian ethics to ethical challenges faced by executives. Casali (2011) suggested that utilitarian ethicists in general believe all decision-making should provide the most significant total utility without worry of ethics involved. Numerous examples of this exist in the utilitarian literature. Executives at Ford Motor Company used the utilitarian principle regarding Pinto cost and safety decisions (Nutt, 2011). Executives assumed that by balancing the possibility of an accident against the cost of the safety features, the greatest good for the company involved accepting the risk of financial reparations caused by any injuries in a possible accident (Nutt, 2011).

Most organizational leaders call the action to determine if the benefit is worth the cost, a cost-benefit analysis. Charlas (2012) posited that during the decision-making process a utilitarian calculates the utility of the consequences of all possible alternatives and eventually selects the one that results in the greatest benefit. In Hewlett Packard (HP), Mark Hurd, the previous Chief Executive Officer (CEO) of the company routinely sacrificed fixed assets and long-term investments to make quarterly profit goals for the shareholders (Thoroughgood, Hunter, & Sawyer, 2011). Hurd's later dismissal from his position as CEO occurred on grounds of unethical behavior (Thoroughgood et al., 2011). As a utilitarian, Hurd acted for the benefit of the company from a shareholder perspective, and the majority of utilitarians will act accordingly when faced with similar decisions (Gustafson, 2013). Like all utilitarian theories, judging what is best for the largest number of people is complex, and the outcomes are not always as expected.

Problems associated with the practice of utilitarian theory are that the theory does not espouse specifics on self-interest or reasons one should practice ethically (Hartman, 2011). Governing actions on consequence alone without regard to action leave many individuals not represented, left to suffer at the sake of the larger group. Bruni and Sugden (2013) stated that another criticism of utilitarian logic is that decisions based on the greater good could violate someone's natural rights. This process is the basic weakness of utilitarianism. Bad judgment to make decisions for a large group of people with the idea of accomplishing something that appears to be good, but instead, is very unethical or illegal (Hartman, 2011). One reason that utilitarian theory has endured, according to Ünal et al. (2012), is that utilitarianism only affects employment, not the

loss of life or health.

When Bentham and Mills created utilitarianism, the concept of the greater good for the greatest number, was revolutionary. Taking self-interest out of the equation appeared to remove any threat of corruption and greed. On that account alone, utilitarianism has merit, especially in business and finance. Ünal et al. (2012) stated that when corporate leaders selfishly operated a business with the consequences to personal wealth and reputation, the utilitarianism concept was no longer applicable, and instead replaced by another teleological theory, known as ethical egoism.

### **Ethical Egoism**

Egoism is the second of the teleological theories that considers an act morally or not by the desired result it produces. Burnes and By (2012) defined egoism as right or acceptable behavior regarding the consequences for the individual. Woiceshyn (2011) described egoism as a moral action motivated by the actor's self-interest to bring the most pleasure to him or herself. Some businesses do employ a form of enlightened egoism that take a longer-range perspective and considers the needs of others, but that is only if the self-interest of the egoist remains vital (Eisenbeiß & Brodbeck, 2014).

Companies that derive a portion of their strategies from egoism do so with the intent of seeking profit only without regard to the organization. According to Burnes and By (2012), using any business frameworks with egoism as a foundation is not acceptable, especially when ethics is a concern. For example, a corporate executive, who as an egoist, will choose alternatives that contribute most to his or her self-interest (Burnes & By, 2012). Many examples in corporate America refer to instances like this: Tyco,

WorldCom, Enron, Adelphia Communications Corporation, Arthur Anderson (Jackson et al., 2013), and Halliburton (Clark, 2011). In Halliburton's example, the former CEO of Halliburton, Dick Cheney allegedly conspired to file false financial charges thereby leading investors to as much as \$445 million in a three-year period (Clark, 2011).

Behavior associated with self-interest defines an egoist, and according to Eisenbeiß and Brodbeck (2014), the prevailing belief is that egoists are inherently unethical; short-term oriented and will take advantage of any situation or consumer.

The biggest criticism of the egoism theory and that of any egoist is that it presupposed and excluded the larger population at hand and disregarded long-term survivability at the expense of an individual. Burnes and By (2012) posited that egoism should only be successful in privately own companies that have no employees. Because several studies have defined egoism as an excessive concern with self at the expense of others, senior leaders could use this knowledge as an indicator that use of this ideology is not congruent with moral or sustainable business practices (Burnes & By, 2012). If teleology is an impractical theory to use for a moral approach to business, then reviewing the theory of deontology and Kant's categorical imperative would seem practical.

### **Nonconsequentialism (Deontology)**

The deontological theories, in contrast to teleological theories, deny that consequence of the action is the sole justification for a decision. The word *deontological* (from the Greek, *Deon*, meaning obligation), is an ethical theory that regard reason and moral principles as actions that must be upheld if management considers the employee ethical (Mansell, 2013). A deontologist considers the CEO who is not truthful to the

shareholders regarding the utility or profitability of the company, regardless of the action, morally wrong. Fundamental to the deontologist theory is the widely held tenet that all persons receive equal respect despite producing the greater good (Casali, 2011).

Deontological and teleological theories are different in the principle of action versus consequence but also in the precedence between individual and society. Jones and Felps (2013) declared that regardless of gender or culture, deontologists place more emphasis on harmonious work environments. Executives employing the deontological approach provided a sound theoretical decision-making framework for long-term success. Potential employee contribution was more substantial because of a vested feeling of accomplishment in the mission (Crossman, 2011). The main difference between deontological and teleological views, according to Dijk, Engen, and Paauwe (2012) is the idea that good determined through rational thought based on moral principles rather than solely on the outcome of actions is logical. Dijk et al's remark captured the essence of the issue: The moral component of the decision is a concern for deontologists while teleologists appear indifferent to the process. The philosopher Immanuel Kant, responsible for the most prominent and well-known deontological ethical theory, the categorical imperative, still influences contemporary deontologists.

### **Kant's Categorical Imperative**

Immanuel Kant theorized that the basis of ethics and morality derives from the ability to rationalize and reason (Kant & Meiklejohn, 1899). Kant gives a *categorical imperative* for humans to act morally regardless of the situation (Kant & Meiklejohn, 1899). In Kant's eyes, all humans can come to a moral conclusion about right and wrong

based on rational thought. Moral principles, as Kant posited, cannot be overruled and should govern an individual's life (Ohreen & Petry, 2012). These ethical choices can be moral dilemmas, and as Tae Wan and Strudler (2012) acknowledged, every individual has an obligation to choose a moral alternative when faced with a moral dilemma. The choice, if an ethical or moral decision, stem from universal principles and rules and not the consequences or outcomes of the decisions (Ünal et al., 2012).

Kant recognized how moral dilemmas could affect ethical decision-making and personal choices in everyday life. Tae Wan and Strudler (2012) in a comparison of rights, in Kantian ethics and the Confucian community, noted that an act is inconsistent with the Kant's categorical imperative if it does not accord individuals the rights they possess. That is, in Kantian ethics, the concern is the individual demonstrates *right* moral actions in all situations (Tae Wan & Strudler, 2012). Tae Wan and Strudler (2012) also emphasized that, in many business environments, Kantian ethics is becoming more popular because the categorical imperative rules out malfeasance and deceptive actions, both that treat people as a means to an end (Ohreen & Petry, 2012). Managers that attempt to apply Kant's theory in this way hold organizational leaders morally responsible regardless of who is determining the company's direction. This concept of collective responsibility contradicts Kantian ethics, which focuses on the individual's moral judgment (Ünal et al., 2012). Understanding the value of ethical standards is essential for managers in modern business to promote ethical behavior within organizations with differences among individuals while supporting the right of action (Ünal et al., 2012).

## **Rights**

Found throughout the moral foundations of business ethics are Kant and Rawls' theories and elements of deontology. However, both Kant and Rawls also considered the need for an individual's rights in every moral decision because regardless of the outcome, an individual has rights (Du et al., 2013). Rights theory played an important role in business ethics and a sustainable and long-term strategy (Dijk et al., 2012). One could point in the Enron case study and demonstrate how the company did not consider or concern itself with the rights of its employees (Ferrell & Ferrell, 2011). Many scholars and researchers maintained that both companies and employees had the right to decide their particular future, which supported the concept of notions of difference. Essentially, Du et al. (2013) posited that an organization has the right to conduct its business in any fashion they see fit and that include the hiring and firing of personnel.

Likewise, the employees have rights to organize and engage in practices that protect themselves against discrimination, poor working conditions, and an employee's unethical or illegal activities. Ferrell and Ferrell argued that employers favored profit first and did not weigh the unethical nature of their decisions with the employees. The outcome as most people is aware of was devastating to thousands of Enron employees, the public, and the American economy.

Kant would argue the pursuit of profit through the utilitarian approach is a violation of an individual's rights (Gustafson, 2013). The right of an individual to choose his destiny is critical to Kant's theories as well as Rawl's theory of Justice. The moral significance of rights' violations exists in business and in daily life for the last several

centuries (Portillo & Block, 2012). John Locke saw the basic moral concepts of rights as necessary in a human being's life, and that human rights, regardless of race, sex, nationality, or any circumstances of birth or present condition are always present (Mack, 2011).

## **Justice**

Consider the basic argument that ethics philosophers have debated for decades. Teleology and deontology are the most practical philosophical approaches when conducting business, but depending on the scenario, one is more effective. Most individuals who have been part of a utilitarian organizational structure could argue that philosophical theories of justice and rights are more equitable and fair than egoism or utilitarianism (Mansell, 2013). In business, evaluating the practicality of ethical teleology or deontology is problematic because of an inability to demonstrate clear outcomes. These outcomes are especially unclear when executives eschew ethical decisions in favor of questionable, albeit utilitarian approaches to profitability (Blodgett, 2011). If billion-dollar decisions were an aberration among executives in Fortune 500 companies, than the need for leaders and managers to understand and apply the appropriate philosophical approach in business would not be so urgent (Palmer, 2009). Changing the shareholder's current profit maximizing mind-set is difficult, and Boatright (2013) found it problematic through deontological theories.

Although I explored other theories of justice, the deontological focus of this study is the theory of John Rawls. John Rawls's *A Theory of Justice* (1971) described his theory as a series of principles of justice that answered basic questions regarding the

structure of society, the governance of individual's basic rights and duties, and the distribution of social and economic benefits. Lindblom (2011) indicated that Rawls's concepts of justice would provide the foundation for an ideal society if all individuals in that society were acting rationally and in a mutually equitable manner. Unfortunately, as Lindblom noted, most individuals in society do not act rationally.

As Lindblom (2011), Rawls (1971) did not believe that everyone had to live life in an uninterested state. Rawls argued that the values of justice would provide an equitable stance for anyone regardless of social position or personal aptitudes or abilities. As Rawls saw it, the principles of justice provide a reflective equilibrium for all individuals not just the selective few. For example, if a poor family could not obtain the same access to food or education as the wealthy, a violation of families' inherent rights occurred (Rawls, 1971). Rawls denied that an injustice in any sense against individuals or group is justifiable, unless that injustice can help in preventing an even larger injustice. In a post-911 society, federal agencies use this theory to explain how they can hold a prisoner without any rights to prevent a larger catastrophe. According to Rawls's theory of justice, the principle of equal rights for everyone is a priority over the happiness for the largest group of people (Cugueró-Escofet & Fortin, 2014). This theory is a direct contradiction to the principles of utilitarianism, used in business practices in the United States.

In Rawls's theory of justice, a foundational element is the belief that satisfaction of equal liberty for all comes before any other interest's satisfaction. Rawls (1971) and Cugueró-Escofet and Fortin (2014) argued that the equivalent application of principles of

justice and utilitarian principles could cause equal liberty for all citizens to become vulnerable to infringement. When discussing basic rights it may be necessary to deviate from established principles to achieve a more significant balance of satisfaction from individuals in question. Rawls's theory of justice toward the principle of fairness is an egalitarian theory of moral conduct, which applies to everyone's obligations toward each other as citizens (Cugueró-Escofet & Fortin, 2014; Rawls, 1971). Applied to business, Portillo and Block (2012) argued that this meant the rules that governed individual decision-making to determine a justice need is possible if founded on the perceived rights of individuals and the intentions associated with a business interaction. In addition, Khan and Quratulain (2014) posited the absence of justice theory affects organizational culture and affects the communication flow in various interactions between managers and their subordinates, which affects performance.

The concept of justice is relevant to business ethics mainly in the distribution of benefits and burdens (Kline, 2012; Rawls, 1971). Economic transformations often involve an improvement of unevenly distributed welfare, so that some groups pay a price while others reap the rewards (Portillo & Block, 2012). Because justice is also an important concept in validating grievances between teleological or deontological theories in various forms of social organizations, Rawls' theory applies across economic or social programs. Most important, Rawls postulated the theory of justice and the conduct of business belong intertwined (Lindblom, 2011). The goal of researching the two ethical theories of teleology and deontology was to explain why managers decided to be counterproductive to the organization's best interests and why morality and decision-

making were exclusive from each other in the process (Brown & Treviño, 2006).

### **Ethical Theory in Decision-Making**

Senior leader decisions made in boardrooms around the world have contributed to record profits and record losses. Valentine and Hollingworth (2012) posited a concern with business leaders that their decisions and behavior often leads to their personal liability under legislation like the Sarbanes-Oxley Act of 2002. Companies have ethics officers to provide guidance on potential decisions that may cause possible litigation or significant losses to the bottom line (Woiceshyn, 2011). Still, corporate malfeasance is widespread and organizations, leaders, and the workforce remain at risk from unethical decision-making (Brown & Treviño, 2006). Research has long indicated linkage between ethical decision-making and normative moral theories. Zhong (2011) speculated that further developments in psychology indicated the moral processes associated with ethical decision-making were more allegorical than social scientific in nature slowing definitive ethical solution that could limit malfeasance. However, psychological research advancements have suggested that moral processes associated in ethical decision-making appear allegorical psychology advances indicate (Zhong, 2011). Ethicists believe the application of ethical theory can provide the necessary framework for selecting and justifying a proper business decision without unethical behaviors.

Although many organizational leaders will go to significant lengths to prevent emerging unethical decisions and actions, the result is that the unethical behavior most likely will occur (Brown & Treviño, 2006). Research has shown that ethical theories like utilitarianism, virtue, and justice applied to decision-making with the goal of minimizing

unethical decisions becomes almost necessary (Casali, 2011; Ünal et al., 2012; Valentine & Hollingworth, 2012). Most business decisions in America employ the theory of utilitarianism. Utilitarianism appeals to modern businesses because of the organizational reliance of balancing cost against benefits (Charlas, 2012; Hogg et al., 2012).

Leadership in other organizations applied deontological theories as virtue and justice to focus on the intention rather than only the results. In either case, Hogg et al. (2012) suggested that ethical theory provided a framework for individuals to use their moral foundation to determine if a decision is to be right or wrong.

Many questions remained about the effectiveness of ethical theory as the basis decision-making (Valentine & Hollingworth, 2012). According to Selart and Johansen (2011), stressful situations affect leadership's ability to identify unethical situations and to make the ethical choice during decision-making. Stress, according to Selart and Johansen is a major contributor to unethical behavior. Leary et al. (2013) argued that moral judgment is extremely difficult to agree on because individuals differ on the criteria for ethical outcomes. There could be a debate that ethical decision-making would draw on the individual's beliefs and values, a business's policies, and codes of ethics, and finally any rewards and punishment to settle on what is right or not. Rest (1986) also proposed that individuals change ethical theory based on the possible opinion of the situation and its ethical outcome. An ethical dilemma, for example, will change how an individual views an ethical situation.

Ethical dilemmas are more often the cause of unethical decisions than the alternative of an unscrupulous manager. Valentine and Hollingworth (2012) described an

ethical dilemma as a complex internal conflict of interest between an individual's moral values like truth and loyalty. Ethical dilemmas are problems that often challenge organizational leaders and where the value of an ethical leader becomes noticeable (Trapp, 2011). Answers to ethical dilemmas are often unclear as are the most ethical decisions or courses of action (Leary et al., 2013). Complicating the process, ethical dilemmas and outcomes differ significantly across individuals from different cultures (Khan & Quratulain, 2014). Demonstrating a perfect answer to the dilemma is not so black and white. Valentine and Hollingworth (2012) noted that in a business context, making an ethical decision includes more than weighing an expected outcome on profit, liability, and reputation. The necessity of a moral manager becomes more important when a billion dollar decision or competing interests are on the line.

### **Ethics and the Modern Organization**

In the 21st century, organizational leaders have faced an entirely new set of challenges not seen in the century before. Burnes and By (2012) and Tetenbaum and Laurence (2011) attributed these challenges the demands of technology, multicultural workforce, relativism, and the tentativeness to develop a sustainable program. To meet these challenges leaders must define the root of the problem. This issue appeared to be with shareholders and executives who failed to distinguish between operational effectiveness, the strategy of technology, diversity, and sustainability (Caldwell, 2013). Caldwell believed the failure to recognize the difference in the heat of intense battle for profits led many executives to make decisions far less ethical than normal.

Instead of looking at core competencies that will turn the quickest profit, senior

leaders must see the organization as an integrated component with the shareholders, leadership, and employees working to maximize competitive sustainability (Tetenbaum & Laurence, 2011). Past research on sustainability and ethics reveal a distinct link to business strategy and practice (Zsolnai, 2011). Leaders have often ignored that link, and the resulting outcomes, and the debate regarding what responsibilities these business leaders have to the community for an ethical and sustainable business continues unabated. Unfortunately, so does much of the unethical behavior that permeates the modern organization globe (Boatright, 2013)

In nearly all events involving ethical scandals in organizations such as Enron, Tyco, AIG, Fannie Mae, or Lehman Brothers, after action reports indicated a dysfunctional organizational culture as the foundation for unethical behavior (Boatright, 2013) globe. Scholars indicate that strong ethical climates in an organization provide the workforce a foundation for moral thought or action (He & Ho, 2011; May, Li, Mencl, & Huang, 2014; Shin, 2012). Consequently, leadership must find avenues to minimize unethical behavior in the workforce through social programs that improve organizational culture and ensure the organization has an ethical nature (Nieminen, Biermeier-Hanson, & Denison, 2013; Schein, 2010), despite societal influences as ethical relativism (Ünal et al., 2012). One method to do so is to embrace a corporate or enterprise ethical approach within the strategic nature of the mission (Robertson, Blevins, & Duffy, 2013).

### **Business Ethics**

For several decades, scholars have studied business ethics, but have yet to develop a concise, agreed upon body of knowledge or ethical perspective for the discipline

(Michaelson, Pratt, Grant, & Dunn, 2014). Before the mid-twentieth century, discussions occurred regarding ethical issues related to business within the domains of philosophy or theology (Ciulla, 2011). After 1960, terms like corporate social responsibility and ethics theory became a foundation with scholars and practitioners because major business ethics issues emerged, such as deceptive marketing, fraud, and embezzlement (Weber & Wasieleski, 2013). A growing number of businesses became aware that an unethical workforce meant potential losses in profitability and the possibility of dissolution. What exists even after 50 years of intense research are valuable contributions that focus on the science of ethical performance and philosophers who focus on moral philosophy, but very little between the two (Ünal et al., 2012).

Business ethics comprises the requisite principles, standards, and guidelines that outline ethical behavior in the world of business. While the aforementioned is a benign description, Calabretta, Durisin, and Ogliengo (2011) posited that the consideration of business actions might be right or wrong by the investors, employees, customers, or the community the organization serves. Research has shown that when an organization embraces an ethical approach to business to a problem, the acceptance from the resulting outcome is normal across the aforementioned groups (Shin, 2012). For example, Ciulla (2011) noted that Johnson & Johnson, who owned the McNeil Consumer Products subsidiary that produced Tylenol, withdrew the entire existing product in response to several deaths associated with cyanide-laced tablets. The ethical actions taken by the leadership saved lives and ensured the community retained trust in the company. The executives at Johnson & Johnson conducted business ethically and ensured that ethical

decision-making became a normal business practice (Ciulla, 2011).

Consistent with the notion that business can be profitable and ethical is the concept that business ethics helps managers identify ethical issues and the tools to resolve them. Clifton and Amran (2011) claimed that acting ethical and socially responsible in business helps increase efficiencies, improves customer and stakeholder trust, and eventually improves profits. The scandals and loss of billions at Enron, Arthur Anderson, WorldCom, and Tyco demonstrated the need for additional focus on ethical behavior while conducting business (Bennis, 2010; Boatright, 2013). The continuing demands for short-term profitability have placed leadership in an uncomfortable position to either conduct business ethically or meet shareholder demands (Kline, 2012). Given that a relativistic society is open to alternative ways to make profits (VanMeter, Grisaffe, Chonko, & Roberts, 2013), questions need answering regarding whether the manager is safer acquiescing to the shareholder or possess a disciplined approach to safeguarding the organization's sustainability.

### **Corporate Social Responsibility**

The concept of corporate social responsibility (CSR) has been around for many years, but organizations continue to struggle with implementing CSR consistently. Despite a growing body of literature on CSR, experts have yet reached a consensus on an exact definition (Shum & Yam, 2011). Groves and LaRocca (2011) noted the significant gaps that existed in the CSR literature. However, like Groves and LaRocca (2011), de Colle, Henriques, and Sarasvathy (2014) also noted a consensus on how executives have responsibilities to society beyond simple profit maximization that includes ethical

considerations in the operational and strategic nature of business. With this in mind, Groves and LaRocca (2011) made a distinct comparison for the need of CSR. The authors stated that CSR is critical to all communities and there are stakeholders both internal and external to firms.

Groves and LaRocca (2011) noted the need to understand how a high performing, ethical workforce responds to leader role modeling and certain ethical values in different organizations. Like de Colle, Henriques, and Sarasvathy (2014), Groves and LaRocca (2011), and Shum and Yam (2011), posited a significant empirical gap in research regarding what ethical values that organizational executives and senior leaders need to improve workforce culture and performance. By integrating ethics into CSR and the core construct of business, senior leaders have a better idea how socially responsible actions will affect the competitive nature of the company (Shin, 2012).

However, CSR is not without its detractors and a growing argument that CSR is not always feasible continues to find traction. First, Godos-Díez, Fernández-Gago, and Martínez-Campillo (2011) claimed that in Friedman's classical economic argument, business has one responsibility, and that is to maximize profits of its owners or shareholders. Godos-Díez et al. commented on Friedman's belief that social issues are not a concern for businesspeople and are instead an issue for the government. A second objection to CSR is that business leaders and managers regard the lack of training to handle socially oriented problems (Cranenburgh & Arenas, 2014). Chaarlas (2012) noted that another objection is that CSR dilutes an organization's primary purpose of business and finance and run contrary to utilitarianism. The more that social responsibility takes

hold, the more American corporations take on a European look.

Arguments will always exist when economic outcomes are on the line. Social performance of the company alone never indicates organizational legitimacy. Nevertheless, financial crises, ethical scandals, and civil unrest in numerous countries (Castello & Lozano, 2011) have the public demanding organizations to enable more corporate socially responsible programs. A documented relationship between CSR and financial performance is common practice and executives realize the effect of reckless behavior coupled with unrealistic expectations. Last, Jones and Felps (2013) asserted that organizations can no longer operate in a purely for profit mind-set without regard to ethical outcomes and expect society's indulgence for record losses. To avoid those losses and ethical malfeasance, many companies have implemented ethical codes as a framework for workforce behavior.

### **Codes of Ethics**

Ethical codes in an organization are customarily the underpinning for most compliance programs and one of the most important pieces of the framework that documents behavior and performance. In an increasingly dynamic business environment and a society that has embraced ethical relativism, organizational documentation of ethical standards is important for executives seeking to avoid misconduct and possible dissolution (Giacalone et al., 2012). Erwin (2011) stated that ethical codes should reflect organizational values and norms that serve as behavioral guides for an organization's leaders and workforce. These ethical codes are a guide for both present and future behavior and specify what behavior and responsibilities the organization expects from

individuals and stakeholders (Desai & Roberts, 2013). Erwin (2011) posited that ethical codes serve as templates for executives seeking to assess the viability of a CSR mission. Despite 86% of Fortune 200 companies implementing codes of ethics, ethical misconduct is still on the rise (Singh, 2011).

The creation of an ethical code does not guarantee ethical behavior. If members of senior leadership do not develop, communicate, and model the code, the effect on individual behavior will be minimal (Singh, 2011). If the organization or its leadership exhibits unethical behavior, the workforce will often emulate it. Kaptein (2011) cautioned that organizations that develop ethical codes must first understand the individual employees, their roles, the organizational norms, and the mission and politics of the organization to facilitate ethical behavior among the workforce. Giacalone et al. (2012) and Romani and Szkudlarek (2014) found that employees considered codes of ethics without enforcement mechanisms as provided tacit approval for misconduct or fraud. Employees see organizational codes of ethics that lack adequate enforcement or do not reflect the true norms of the organization as ineffective as documents only used to protect the company against litigation (Kaptein, 2011), and as limited regarding deterrence. Without documented ethical standards, the reputation of the organization, subsequent profitability, and additional harm to the community can ensue.

Corporate codes of ethics have generated an immense amount of interest in this past decade. Criminal behaviors by executives at Enron, WorldCom, and Tyco have stunned academics, professionals, and the public (Chen et al., 2014). These activities have aroused public interest in corporate ethical standards because the knowledge that

unethical decisions and activities frequently undermine the business performance of an organization and the subsequent financial fallout could be disastrous for the economy.

The code of ethics is usually only part of the ethics program of the organization.

To avoid criminal activities and unethical behavior, an organization's leaders must make the effort to train and educate every employee on ethical behavior and the impact of a poor decision (Ferrell & Ferrell, 2011). Corporations also need to implement business practices, policies, and processes that weave ethical and sustainable practices into the core mission of the organization (Tetenbaum & Laurence, 2011). Yidong and Xinxin (2013) argued that if executives wanted to create a workplace climate in which ethics is an important part of the daily business, perhaps implementing ongoing training would make ethical behavior virtually self-regulating. Climate and culture in all organizations must imbue articulated ethical standards (Schein, 2010) if they are to take hold permanently (Holder-Webb & Cohen, 2012; Tweedie et al., 2013).

While executives cannot solve all ethical problems through a code of ethics, such a code can provide a strong framework from which employees can gain moral understanding and guidance (Holder-Webb & Cohen, 2012). No one-answer solution exists to the problem of unethical behavior (Floyd, Xu, Atkins, & Caldwell, 2013). Leaders may apply various, normative theoretical perspectives as utilitarianism or Kant's theory to explain corporate ethical principles or as an answer to an ethical dilemma or a business problem (Brown et al., 2005). In either case, executives in any organization must hold their employees accountable for unethical behavior (Desai & Roberts, 2013). Organizations cannot expect to operate with sustained profitability and stability unless

they can find an ethical culture that models the ethical code (Maclagan, 2012) and minimizes dysfunctional organizational behavior.

### **Organizational Culture**

Events involving ethical scandals at organizations, such as Enron and later the insurance company AIG, garnered significant attention as the bailouts cost the United States taxpayers billions of dollars (Robertson et al., 2013). Practitioners and scholars alike began to realize that a dysfunctional organization culture was to blame for the ethical transgressions that led to those significant losses (Robertson et al., 2013). Corporate America did not suffer alone as organizations incapable of supporting further profitability across industries filed for bankruptcy (He & Ho, 2011; Weber & Wasieleski, 2013). Collectively, the constant barrage of ethical missteps underscored the critical role of culture, climate, and leadership as part of the entire ethical environment of a business (Schein, 2010; Treviño, Weaver & Reynolds, 2006). Research indicated that corporate leaders must learn how to develop or adapt a socially acceptable climate that supports the corporate culture (Ruiz-Palomino, Martínez-Cañas, & Fontrodona, 2013) if a sustainable future is going to exist.

Seminal theorists like Schein (2010) posited organizational culture must be adaptable to succeed in the modern business era. Schein's (2010) theory reflected corporate culture evolution and suggested the difficulty is not in identifying culture or subculture but in changing it to reflect the organizational structure and workforce. Moynihan, Pandey, and Wright (2012) disagreed, and instead suggested that leadership behavior and employee commitment drastically influenced organizational change, and

only by identifying with role models in the organization, will employees be more open to cultural change. The implications of Schein's theory and subsequent studies were that members from an organization make the culture tangible through the construct of a climate of social and workplace values.

The concept of culture and its emergence within organizations has grown since 2001. To define the term culture, Schein (2010) focused on the connections between culture and leadership and the fundamental evolution of change that occurs within an organizational framework. Tohidi and Jabbari (2012) echoed Schein's beliefs by stating that effective corporate culture was a documented component of the organization and innately valued by leadership. In Enron, leadership did not understand the consequence of a failing corporate culture and, inevitably, the company collapsed. Schein initially recognized that corporate culture embodies the individual values of every employee in the organization. Schein also noted that executives who establish a positive ethical climate help improve the organizational performance. Schein stated that a functioning culture does not depend on culture alone, but on, "the relationship of the culture to the environment in which it exists" (p. 14). Perhaps the most intriguing aspect of organizational culture is that, as a phenomenon, it resides in the unconscious but also affects the ethical climate and leadership of an organization to a significant degree (Schein, 2010).

### **Ethical Climate**

Organizational climate reflects the shared view of the workforce regarding various process, policies, values, and norms that have developed over time (Fu &

Deshpande, 2014). As such, Schein (2010) posited that the ethical context of an organization was the collective moral reasoning of the group. In many organizations, climate, whether ethical or not, often influences employee attitudes, behaviors, or even the processes that emerge to improve organizational performance (Yang, 2014). If an organization is unethical, the processes might reflect a profit maximization approach only. According to the past research, climate can influence employee decisions about what constitutes appropriate behavior (Stewart, Volpone, Avery, & McKay, 2011). Leadership that reinforces ethics and role models it can expect a climate that reinforces and guides ethical decision-making and behavior (May et al., 2014). Organizations with climates that do not adhere to ethical standards in business often struggle with ethical issues in the workforce (Schein, 2010).

Schein (2010) argued that managers utilize many practices to embed the values they hold in the daily decision-making of their subordinates, which in turn becomes the climate of the organization. Yang (2014) speculated that managers and scholars have longed assumed that climate has an important effect on performance. However, Raile (2013) and Shin (2012) cautioned that many organizations demonstrate a strong culture over time only because the organization has the resources that can sustain an enduring culture. Scholars could debate that larger corporations have a better chance of creating and sustaining an ethical culture that through strong leadership and documented practices produces a positive influence on employee perceptions and results in improved performance. Nevertheless, Schein (2010) made a compelling argument that the organizational climate embodies the collective reasoning of the workforce. Raile and

Shin (2012) also supported Schein's claims and added that perceptions of an ethical climate relate positively to strong and fair leadership.

### **Leadership and Culture**

Alarming amounts of unethical behavior exist in organizations, large and small (Jackson et al., 2013). Undoubtedly, more acts of misconduct have likely gone unreported because of fear of retaliation or a desire to protect the perpetrators. Schein (2010) claimed that misconduct could be part of the evolution of an organization's culture and subcultures that influences the company's direction. In an effort to prevent misconduct in an organization, many companies are focusing on the role of leadership within the organization (Raile, 2013). Additionally, researchers have shown a negative relationship between ethical leadership and employee deviant behavior (Brown et al., 2005; Pena & Sánchez, 2014; Vranceanu, 2014; Walumbwa et al., 2011). However, very little research exists that demonstrate how culture emerges as the organization grows in size and the workforce becomes more diverse.

When the organization population grows, different aspects of the organization's culture begin to emerge and develop separate subculture values. Those values may not be part of the current collective climate and may begin to drift to other dominant norms (May et al., 2014). Without strong leadership to keep the values aligned, the possibility exists that conflicting values will lead to unethical leadership (Schein, 2010). Leaders in most cases serve as role models that possess the ability to instill ethical values that positively affect the culture of the organization. These actions could be as simple as ensuring all communication from senior leadership was clear and understood by the

workforce. For example, one profound organizational tactic a leader can conduct to enforce positive ethics is that of storytelling (Dailey & Browning, 2014; Gill, 2011; Thomas, 2014).

Through storytelling, as Gill (2011) noted, a leader can integrate a value-based and spiritual message that can transform an organizational culture so that employees will feel a connection to the mission and emboldened to perform. The military is an excellent example of how senior leadership uses storytelling to motivate and empower the workforce to accomplish its goals. In the organizational context, a leader, who can deploy effective storytelling, has the potential for deeper engagement with employees, which is important to maintaining employee loyalty and ethical climate (Gill, 2011). Dailey and Browning (2014) go as far to say that businesses must foster effective communication in an organization while manipulating the rapidly changing global system business operations. If the organization has poor leadership, rapid misconduct can occur.

Left unchecked, unethical decision-making, deception, and misconduct can undo an established code of ethics or documented ethical standards built into processes and policies. Dailey and Browning (2014) stated the leader creates the environment that employees work in, and eventually that becomes the established norm. Organizational ethical standards protect employees, shareholders, and stakeholders who are the crux of a company. An ethical leader does not wait for a problem to occur or for ethical misconduct to take root. Instead, ethical leadership uses ethical standards, and communication to avoid an Enron-like disaster of unethical actions (Jackson et al., 2013).

Organizational corruption can devastate a community and the economy just as

easily as it can destroy a company (Chen et al., 2014). Unfortunately, societal standards have enabled leaders to look the other way and ignore unethical behavior of organizational employees under the guise of profitability (VanMeter et al., 2013). If the action does not harm another, individuals may consider some decisions unethical or immoral, but not criminal. People have avoided many of these actions, which may be distasteful by current moral standards, by embracing a philosophical change in behavior known as ethical relativism.

### **Ethical Relativism**

Leaders of 21st century organizations like HP, Lockheed Martin, International Business Machines (IBM), Booz Allen Hamilton (BAH) and other Fortune 500 companies face many internal and external challenges to sustainable solutions and long-term profitability. A significant challenge to profitability is ethical relativism. Ethical relativism is a societal belief that moral absolutes do not exist (Mudrack & Mason, 2013). Similar to cultural relativism, by which no one culture is better than the other, the foundation of ethical relativism is that no moral or ethical system is better or worse than any other, and no ethical position considered right or wrong (Ünal, 2012). A quandary thrust into popular management circles is the directionality of the competitive nature of the business. Ünal argued the validity of any competition doing what is right because conclusive answers to *right* do not exist.

The theory behind ethical relativism suggests that morals have evolved, changed over time, where no absolutes are possible. These perceptions of ethical relativism permit broad definitions of morality and give organizations the freedom to make

questionable choices to pursue the bottom line (Hastings & Finegan, 2011). Because ethics has assumed a dominant position in the current economic debate in corporate America, the necessity to define the relativity of truth and justice without resigning the issue to the evolution of morals has become a priority (Michaelson et al., 2014).

Relativism supporters suggested the modern world has changed so much that there cannot be any standard of right and wrong. Prefacing problems in this fashion become a judgment call based on societal beliefs (Mudrack & Mason, 2013). Any opinion on ethics or morality would be subjective and interpreted according to the individual's belief system (Ruiz-Palomino & Martinez-Cañas, 2011). Ironically, this theory allows the justification of nearly anything because of ethical relativism. In many academic settings, (Rasche et al., 2013) stated that professors refused to challenge the belief system of students even if the student believed that plagiarism was acceptable. Simply because something appears to be acceptable in society does not make it so. For example, slavery was morally acceptable 150 years ago, but that widespread acceptance did not make it right, or for that matter morally acceptable.

The most significant issue associated with ethical relativism is the erosion of reason. Perspective is no longer a factor and an argument regarding anything morally right or wrong becomes impossible (Hastings & Finegan, 2011). The contradiction of ethical relativism becomes apparent. A society that embraces a theory in which no right or wrong loses the ability to generate any meaningful judgment. Likewise, the irony of society's acceptance of ethical relativism is that the positive aspect of tolerance has mutated into a bizarre, unconditional support for all opinions and business practices

(Ünal, 2012). The term selfish employees are common practice in corporations for those who choose not to conform to team orientation.

Ethical issues of what constitutes appropriate or inappropriate behavior, as Crossan (2013) argued, are unrelenting concerns of society. Societal ethics dictates influence to its members' decisions and actions. A leader's action directly influences employee's unethical or ethical behavior (Brown & Treviño, 2006). Ardichvili et al. (2009) noted that numerous studies have indicated the foundation of positive employee behavior and overall organizational ethical culture is consistent moral behavior by senior leadership and is a function of certain recognizable attributes and characteristics of practitioners and executives. Clifton (2012) argued that leadership is a social construction shaped by moral values and cultural practices and beliefs of a society. Ünal (2012) echoed this sentiment in a study by demonstrating that ethical relativism is a social construct (cultural phenomenon), and a primary factor in ethical reasoning from a manager's viewpoint. The results indicated that ethical relativism tended to sway leadership and even employees from favorable moral responsibilities, which allowed corruption to grow in organizations.

Like those at Enron and WorldCom, leaders in the opening decade of the 21st century adopted more of an ethical relativistic approach to ethical decision-making. Chen et al. (2014) determined that participants, regardless of ethical ideology, chose ethically based decisions if the organization supported ethical guidelines for resolving problems. In most organizations, corruption or unethical behavior overlooked by leadership often negatively affects employee trust, behavior, and, eventually, turnover

(Brown & Treviño, 2006). Because employee turnover rates affect organizational performance, profitability, and sustainability, the necessity to study relativism and its influence on senior leaders' decision-making is critical to avoid rampant malfeasance from a disenfranchised workforce (Smith, 2011). Smith also stated that every culture has contradictory values and beliefs, and leaders select those who serve them best. Liu et al. (2012) contended that most leaders possess the traits to manipulate skillfully the values they think best suits their purpose. Most dark leaders fall within the realm of skilled manipulators. One could consider the demise of Enron to be dependent upon the cultural, ethical relativism of Enron's leadership. In this sense, other companies are separate cultures. A review of the leadership literature within the context revealed the essential nature of ethical leadership values and practices toward the success of the organization.

### **Foundation of Leadership**

In the foundation of any written word, seminal works exist that need inclusion to ensure the appropriate grounding of the research. Through this study's literature review, I have highlighted the seminal theories of the great man, trait, contingency, behavioral, and situational leadership. However, this literature review focused on the newer, more revolutionary theories from Burns (1978), House (1977), Greenleaf (1977), Bass (1985), spiritual (Fry, 2003), and ethical (Brown & Treviño, 2006; Rest, 1986). The study of theory is important for practitioners and scholars, but the application and implementation are as important if not more.

Making a similar position for leadership and ethics integration and their respective importance to business is possible and practical. Ethics refers to the concepts

of right and wrong and leadership refers to the influence one has on others. These concepts may seem like a monumental difference, but a razor thin line separates the true difference between ethics and effective leadership. I attempted to synthesize an enormous amount of data regarding leadership and ethics, and contribute the data to the ethical leadership body of knowledge by ascertaining practical applications of organizational leadership theory.

### **Evolution of Leadership**

Over the centuries, thousands of leadership studies have led to the development of an unparalleled global compendium of knowledge. Scholars, practitioners, and celebrities have all searched for the holy grail of leadership knowledge. Very little ever written has garnered as much attention as leadership (Bennis, 2010). A researcher or a practitioner needs only to consider the corporate failures, political disasters, or geopolitical events over the last 100 years to realize how important effective leadership can be. The unmitigated catastrophes of the early twentieth century remain a perfect example of why Bennis wrote that the quality of individual life is dependent on the quality of leadership.

Leadership is historically important. Since the creation of the United States, leadership was the difference between the birth of a new country and a reinstatement of autocratic and insufferable English law. That same leadership has over the last 200 years extended into military, politics, business, and religion. According to Berger, Choi, and Kim (2011) nothing is as important to success or stability as effective leadership. Consider the influence of George Washington or George Marshall on freedom.

Alternatively, how Jack Welch and Steve Jobs have created an immeasurable difference in the success of their companies. Even in politics, the leadership of Ronald Reagan and John Kennedy changed the global landscape by preventing nuclear war instituting equal rights. Historic studies in the 20th century (Contractor, DeChurch, Carson, Carter, & Keegan, 2012; Galvin et al., 2014) that demonstrated how leadership behavior influenced organizational culture and performance. Studies have also shown that effective leadership promotes positive performance whereas bad leadership leads to failure (Sosik, Chun, & Zhu, 2014).

Much of the seminal language of leadership written word began in the 1930s and eventually evolved to a global cultural phenomenon. Despite the mountain of evidence regarding the role of leadership in successful performance, Bennis (2010) proposed that no all-inclusive understanding of leadership or its effect on employee behavior existed. In 1959, Bennis stated the concept of leadership is slippery and elusive, and despite years of study, the concept is still not sufficiently defined (Bennis, 2010). Not surprisingly, researchers have described leadership in many ways and through different methods with the intention of discovering the Holy Grail of leadership (Mayer, Aquino, Greenbaum, & Kuenzi, 2012).

### **Leadership Theories Taxonomy**

Considerable research to understand the fundamental nature of leadership is ongoing. Bennis (2010) concluded that even after 100 years of intense effort, academics is no closer to developing an all-inclusive picture of what good leadership is. Leaders could argue that studying the strengths and weaknesses of various leadership theories

might lead to an understanding of how certain theories in one environment are more suitable than other theories for the modern organizational setting. Table 1 below provides a brief summary of leadership theories and their period of emergence, beginning with the great man theory ending with situational leadership. The center of focus for this study were the modern leadership theories of transformational, charismatic, servant, spiritual, and ethical leadership, covered later in more detail.

Table 1

*Leadership Taxonomy*

Theory	Period of emergence	Summary
Great man theory	Late 1800s	Thomas Carlyle formulated theory explained by characteristics of societal heroes or great men.
Trait based theories	1920s/1930s	Gordon Allport is the pioneer of the trait theory. Like the great man theory, this theory focuses on individual traits of leaders (Bass, 1990).
Behavioral theories	1940s/1950s	The premise behind the behavioral leadership theory is that a leader's behavior inherited rather than learned (Bass, 1990). Theorists contended that traits were not reliable predictors of behavior. The Ohio State and Michigan studies were also contributors to the theory.
Contingency theory	1960s	Bass (1990) stated that Fiedler's contingency model explained that an effective leadership is contingent on the situation and the environment.
Situational leadership theory	1970s	Hersey and Blanchard (1977) noted that a relationship between a leader and a follower can be situational and the most effective leaders is one who can adapt.

Since the early part of the nineteenth century, leadership researchers have sought to explain leadership through many studies and activities. The great man theory attempted to explain leadership through analyzing certain characteristics and traits that differentiated leaders from non-leaders and effective and ineffective leaders (Contractor

et al., 2012). According to Bass (1990), this crux of trait theory centers on the study of great men like George Washington, Theodore Roosevelt, or Winston Churchill, whose inspirational leadership either rallied the country during the war or saved it from internal strife. Bass explained that research has yet to find any correlating evidence that demonstrates the relationship between personal traits and leaders' success. Subsequent studies over the next hundred years have attempted to predict leadership effectiveness through behavioral, situational leadership, and supervisor/subordinate factors (Bass, 1990). Despite some enlightening research, inconsistencies in the various studies have led to inconsistent interpretation and results that proved to be inconclusive (Ali, Ng, & Kulik, 2014). It was not until Burns (1978) and his development of the transactional theory that the focus in modern theories began to shift from the leader to the subordinate.

### **Modern Leadership Theory**

Leadership literature has become a mire of competing theories. Each theorist has argued its own unique perspective about what characteristics of leadership are important and how leaders can be successful. As newer theories have developed, older perspectives have continued unabated. Many of the early theories emphasized the personal characteristics and behaviors of effective leaders (Contractor et al., 2012; Galvin et al., 2014; Yukl, 2012). The more recent theories consider the role of followers and the contextual nature of leadership as applied to the organization (Bass, 1985; Brown & Mitchell, 2010; Burns, 1978; Conger & Kanungo, 1994; Fry, 2003).

Modern leadership theory relies on the visionary leadership theories that regard the leader more as a servant of the organization and less as a simple practitioner (Fry,

2003; Greenleaf, 1977; Treviño et al., 2006). Accordingly, several other relationship-based theories arose espousing the value of authentic leadership and working toward the common good. The first of the modern paradigms came from the origination of transactional and transformational leadership theories (Burns, 1978). Bass (1985) and Bass and Avolio (1990) expanded on the Burns (1978) original, transformational model and incorporated the Multifactor Leadership Script (MLQ) as a means of measurement for leadership styles.

Around the same time that Burns (1978) was espousing his theories, Greenleaf's servant leadership theory (1977) stated the leader should be selfless and consider the employees' interests over those of the leader came about, and like Hersey and Blanchard (1977) revolutionized the leader follower relationship. Bennis (2010) argued that it was leadership's responsibility to create an organizational culture where the pursuit of goals leads to successful visions. Some researchers and scholars believe that senior leaders' success in motivating followers to accept organizational goals falls squarely on the core of leadership effectiveness. If true, then Hernandez, Eberly, Avolio, and Johnson's (2011) suggestion that a leader-follower embryonic vision that is better for the organization is not as abstract to transactional or transformational leadership theories as originally thought by Burns (1978).

### **Transactional Leadership**

The theoretical constructs by Burns (1978) established new parameters between the leader/follower relationship and suggested that leadership bore the responsibility of persuading the followers to achieve the required organizational goals. Central to this

concept is Burns' transactional theory that explained that meeting organizational goals by exchanging negotiated exchanges or punishments for follower performance or failure to perform was a possibility. For example, an employee might receive a pay raise in exchange for exemplary performance or a fine or pay decrease for poor performance. Many examples of this organizational behavior exist in the 21st century just as many companies embrace pay for performance incentives. Burns labeled this exchange process as transactional leadership.

Burns (1978) described transactional leadership through a framework that focuses on the interactions that occurs between both leader and subordinate. These interactions all stem from satisfying particular actions, goals, or required tasks, much to the agreement of both the leader and follower. Burns posited that transactional leadership proved successful only when leadership articulated certain contingent rewards and punishments clearly and a framework put in place. The obvious criticism of these elements of the transactional framework is the requirement of constant monitoring to ensure the followers do not deviate from the expected goal or to correct any errors as quickly as possible (Nguyen & Mohamed, 2011). In passive management-by-exception, leadership does not actively monitor the followers, but instead, waits for deviation in any expected plans or results and takes corrective action (Burns, 1978). This last approach, according to Zhu, Riggio, Avolio, and Sosik (2011) does not even constitute a leadership role, but instead relies on limited exchange with the followers in that the leader avoids any decision-making or expected responsibilities.

Because there are many ethical concerns in the business environment in the 21st

century, scholars might argue the obsolescence of this theory because much of the workforce desires a relationship and collaboration with organizational leaders instead of a quid pro quo leadership. Although no empirical evidence supports this claim, occasional association has often linked transactional leadership with teleological ethics (Groves & LaRocca, 2011). However, analysis supported claims that Burns transactional leadership theory is similar to teleological ethics in that the outcomes are the concern and in which the norm is reciprocity and mutual satisfaction (Bass, 1985; Bass & Avolio, 1990).

Bass and Steidlmeier (1999) similarly argued the focus of transactional leadership centers on the individualist philosophy in which both the leader and follower concerns deal only with self-interest. Transactional leaders rely on rewards and punishments to motivate the workforce to complete required tasks and demonstrate requisite competence (Groves & LaRocca, 2011). The foundation of an ethical relationship between a leader and a follower begins with instructions to complete a viable task in an ethical manner (Bass & Steidlmeier, 1999). Bass and Steidlmeier also posited that a continued successful transactional leader-follower relationship hindered on the consequences of a senior leader's request and "whether the legitimate moral standing of the interests of all those affected is respected" (p. 185). This relationship dynamic proved critical to both the leader and follower because both shared an equal responsibility in task behavior and organizational success.

As such, Groves and LaRocca (2011) remarked that maximizing mutual interest for both the leader and follower is a key component for transactional leaders in their as they manage tasks and performance measures with the workforce. For some in the

business world, transactional leadership encourages followers to carry out assigned responsibilities and roles in a preventative manner to ensure the achievement of the organizational goals (Gregory, Moates, & Gregory, 2011). Transactional approaches to leadership do not improve follower's ability to grow or develop or even broaden the follower's attitudes or values in an organization, but it was Burns theory on transactional leadership that served as an antecedent to the transformational leadership theory that demonstrated the value of relationships to the modern organization.

### **Transformational Leadership**

Burns' (1978) transactional leadership established that leaders and followers engage in transactional relations during the process of achieving organizational goals. The concept that meeting organizational goals by exchanging negotiated exchanges or punishments for follower performance or nonperformance bore out the difficulty embracing a servant relationship with the follower. Burns is also widely considered the first to develop the concepts of transformational leadership and the underpinning for all subsequent transformational theory work (Bass, 1985).

Transformational leadership is more than basic compliance from followers. Instead, it shifts the emphasis to the beliefs, values, and needs of the followers. According to Burns (1978), "the result of transforming leadership is a relationship of mutual situation and elevation that converts followers unto leaders and may convert leaders into moral agents" (p. 4). Burns describes transformational leadership as transforming leadership instead. Bass (1985) extended Burns conceptions of transformational leadership by explaining that transformational leaders articulate a vision

that creates in followers the desire to become aware of what is important at the strategic level vice just doing a job for the recognition or reward.

Transformational leadership stimulates an idealistic and optimistic outlook in followers and focuses their efforts on clear, long-term goals of the organization while encouraging new ways of accomplishing those goals (Bass, 1985; Schuh, Zhang, & Tian, 2013). Bass and Avolio (1990) noted that transformational leadership began with the personal values and beliefs of the leader, not in the exchange of rewards between leaders and followers. Transformational leadership encourages followers to accomplish the work regarding any strategic means by stressing ideals, change, and positive expectations (Hamstra, Van Yperen, Wisse, & Sassenberg, 2011). Burns' (1978) view of transformational leadership is more rational than transactional leadership theory because a selfish approach to business and focusing only on profit maximization is ethically questionable (Bass & Avolio, 1990).

The emphasis of transformational leadership is on the leader as a change agent is critical to modern organizations' ability to succeed. Because of the complexity and speed of the business environment, leaders need to read and respond to organizations and follower needs quickly and fluidly (Oreg & Berson, 2011). Authors in literature often note that an association between transformational leadership and higher levels of organizational effectiveness exists (Hamstra et al., 2011; Nielsen & Cleal, 2011). However, transformational leadership is not without challenges.

Schuh et al. (2013) warned the use of motivational skills by transformational leaders as an appeal to improved business warrants notation as clear manipulation and

devastating if communicated throughout the workforce. Because transformational leadership is the process of influencing changes in attitudes and values, as well as building commitments for the organization's mission, leaders that tread with caution when interacting with each individual tend to be more successful. Oreg and Berson (2011) noted that even though transformational leadership's evolution is higher than transactional leadership it still requires the follower's consent for success. Burns (1978) also cautioned the distinguishing characteristic of transforming leadership is a common goal between leaders and followers, "which started out as separate, but related, as in the case of transactional leadership, become fused" (p. 20). In a transformational relationship, the leader must recognize the criticality of the follower.

An examination of leadership behavior (Bass & Avolio, 1990) through validated theory and tools will help guide leaders during the influence process in which the leader ethically changes subordinates' behavior and attitudes. Idealized influence only occurs when the leader places the best interests of the subordinate or group first ahead of their own needs. Future studies of transformational leadership must remind leaders that a grounded philosophy in selfless behavior and a serving attitude instead of simple charisma and willpower will most often result in a higher performing organization (Yukl, 2012). Transformational leadership by its nature has shown some charismatic characteristics, but not all leaders who are transformational are charismatic.

### **Charismatic Leadership**

Max Weber and other sociologists and psychologists of the 1920s widely discussed charisma as an important trait, but disregarded mostly because of a lack of any

empirical data. The one exception to that was an essay by House (1977) that suggested the possible conceptual value to charisma to organizational science. Expanding on earlier concepts of the great man and trait-based theories, House noted that certain charismatic leaders in public service, sports, and industry demonstrated strong motivation, self-confidence, and a powerful personality, to attain and assert their will over others. Conger and Kanungo (1994) noted, “In the early 1980s a growing sense of disillusionment with organizational leadership theory and research” (p. 439). The authors posited that organizational leaders were stagnant and lacked a strategic vision to navigate a rapidly changing corporate landscape. House (1977) espoused the benefits of studying the charismatic nature of leadership because of unique effect on large masses of people.

Scholars continued to ask if charismatic leadership were simply a by-product of another theory or an emerging field in itself. Like transformational leadership, charismatic leadership depended on a leader who is gregarious, self-confident, and intelligent (Sandberg & Moreman, 2011) to resolve a solution regardless of the situation. Thus, the reason some theorists have suggested that charismatic leadership is a subdimension of transformational leadership (Vlachos, Panagopoulos, & Rapp, 2013).

Some theorists like Conger and Kanungo (1994) stated that continuing complexities of the leadership phenomena within the organization required a new model to explain the charismatic complexity. To help a new generation of leaders with the enormous ask of managing a culturally dynamic and technologically perceptive workforce, the authors developed a model that identified various charismatic behavioral traits of leadership. The authors’ model demonstrated that employee perceptions of

organizational leadership proved to be the key component of charismatic leadership. Charismatic leadership, according to Vlachos et al (2013) demonstrated an ability to develop cohesive and inspirational messages that appear more altruistic and move beyond employee self-interest. Any measurement of charismatic leadership could be more effective with the inclusion of the employee's perception of moral characteristics of senior leaders.

Charismatic leaders around the globe have continued to prove an undisputed link between charisma and leadership within organizations. Hayibor, Agle, Sears, Sonnenfeld, and Ward (2011) argued that in organizational studies, an empirical linkage exists between charisma in leaders and positive individual and group phenomena such as employee performance, job satisfaction, and organizational financial performance. Vlachos et al. (2013) suggested that much of the cause for an organization's inability to carry out difficult innovation implementation lies in the leaders' inability to affect an employee's behavior and trust. Charismatic leadership still garners belief from practitioners and scholars that charisma is a determinative factor in organizational studies.

Charismatic leadership presents a discernible dichotomy in that while leaders through inspirational oration can achieve much organizational change, followers can also develop an unhealthy dependence produced by an over socialized charisma. Hayibor et al. (2011) suggested that research framed of charismatic leadership centers more around psychological perceptions instead of business ramifications, and thus a fragile concept of study, but one that needs study. Conger and Kanungo (1994) clearly noted the potential

ramifications of charismatic leadership are not always a benefit to individuals, organizations, or even society. Like the relational elements in transformational leadership, charisma is a trait possibly employed for self-serving purposes, to deceive, manipulate, and exploit others (Pinnington, 2011). The authors noted that because the basis of charisma is emotional rather than logical or rational, charisma is risky, and dangerous (Conger & Kanungo, 1994). All one has to do is research Hitler, Lenin, or Stalin to recognize what happens with abuses associated with charismatic leadership (Bass, 1985).

### **Ethics and Leadership Integrated**

Against the backdrop of major political, economic, and social changes, the topic of leadership has become even more appealing, not simply as a theory, but rather as a pragmatic need toward improvement of the quality of an ever-increasing pace and complexity of life in the 21st century (Holt & Marques, 2012). The relationship between the effectiveness of leadership and its influence on modern organizations may be a fundamental source of study. Likewise, senior leaders could disregard any study of leadership without a moral framework included, as irrelevant in modern business.

The role of leaders shaping ethical conduct have come under scrutiny because of the consistent corporate scandal and unethical behavior of its executives. These scandals have also raised the question about leadership's preparedness to guide an organization in a modern society ruled by ethical relativism. In addition, despite years of leadership research there still has not been any conclusive evidence regarding a leader's effect on the success of an organization. Clifton (2012) indicated that leadership studies have

progressed little since the 1970s and would probably make minimal further progress until scholars agreed to a common definition. The key to an effective starting point is the realization that any definition or description of a modern leadership theory should integrate ethics with an implied recognition of the beliefs, values, and needs of the followers.

Most of the leadership theories discussed thus far represent antecedents to either the modern theory or the beginning of linked theories by the leader-follower relationship. Because leaders are a valuable source of ethics in an organization, the necessity to place more focus on leadership theories, which regard the study of leadership more in relation to servitude for the organization and workforce, rather than utilitarianists who are short-term profit driven vice considering the long-term sustainability of the company, is real. The framework for this study is the construct from servant, spiritual and ethical leadership.

### **Servant Leadership**

Between the behavioral leadership theories, and the newer situational theories, a more significant focus on the relationship between the leader and the follower, is necessary for relational success. However, it was not until Greenleaf (1977) introduced the construct of servant leadership that the focus truly turned to the needs of the followers first. Despite the theoretical facade of the follower (servant) and leader as diametric opposites, Greenleaf developed the construct of servant leadership after several decades as an executive with American Telephone & Telegraph (AT&T). According to Reed, Vidaver-Cohen, and Colwell (2011) servant leadership manages challenges in

organizations through selfless actions and subordinating selfish interests to meet the needs of the greater good. Servant leaders also believe that leadership is “call to service” to meet the requisite needs of “individuals, organizations, and society” as a whole. The influence extends beyond the leader-follower relationship and into the structure of the organization and the community itself.

Servant leadership shares similarities with more established leadership models like transformational leadership. A central tenet of servant leadership is the belief of volunteer servitude and to serve first, placing the emphasis on helping the follower grow and become more than the status quo. Compared to other leadership styles in which the fundamental goal is the organization’s well-being, servant leadership priority is serving the followers (Greenleaf, 1977). VanMeter et al. (2013) posited that servant leadership focuses on the strategic nature of human behavior in more complex and dynamic environments. Indeed, the primary goal of the servant leader is to develop future servant leaders to help direct the change of behavior and subsequently performance in the organization. Moral attitude changes like these that begin in the workforce help articulate a new ethical approach to leadership that top management could echo throughout the organization. An organization’s moral culture and sustained performance often resonates from an understanding of how senior leaders engage consistently with followers (Savage-Austin & Honeycutt, 2011).

Executives in all industries must be able to collect detailed feedback from employees to analyze and assess how effective their leaders are. Senior leadership who role model servant behavior, provide a more positive role model that followers and

stakeholders depend on daily (Reed et al., 2011). In ethical organizations, Reed et al. posited, servant leadership provides a collective understanding of unity that fosters inclusion and a sense of belonging instead of “alienation and marginality.” Leadership emboldens the workforce to higher performance and according to various researchers (Bass, 1985; Brown et al., 2005; Van Dierendonck, 2011; Walumbwa et al., 2011) servant leaders focus on a follower’s concerns more often rather than managing up to appear competent to their supervisors. The conditions that communicate a leader’s shared vision and sincere concern for the follower’s well-being also enhance performance and ethical behavior.

For several years, Walumbwa et al. (2011) noted that studies have reviewed the effects that servant leadership had on organizations, and the outcomes to those studies are divergent at best. Greenleaf (1977) maintained that top executives bore the responsibility for developing organizational sustainability and the culture to lead and nurture the employees’ functionality. These individuals must embrace ethical leadership through a servitude mind-set, and be willing to build and communicate this model to others in the organization. Balda and Mora (2011) suggested that, in the millennial generation, employees sought to be part of something instead of just accomplishing a task that leads to profit.

Unfortunately, organizational leaders are steering away from servant leadership because the implementation of this process simply takes too long to integrate into the workforce. Greenleaf (1977) saw this possibility and emphasized that servant leadership may not be appealing to every organizational leader because the practice is difficult to

implement as well as maintain. Because almost everything for companies revolves around short-term profits, business processes and strategic plans must also follow that concept. As the 21st century business environment continues to struggle with ethical issues, the relevance is clear – leadership that promotes the well-being of the workforce is more likely to ensure a positive pattern of behavior within the organization continuously.

### **Spiritual Leadership**

Of the many discussions regarding leadership theories in the organizational literature, servant leadership appeared to be the only theory that focused on the employee's welfare first. With the terrorist attacks in New York and Washington on September 11, 2001 and the constant misconduct occurring in the workplace, additional empirical research emerged highlighting spirituality as a need that might have merit for study in the organization. Fry (2003) suggested that societal and organizational change was occurring too quickly, and current leadership models were ineffective at dealing with the radical profit paradigm shifts. Fry argued that responding to these changes required a major leadership change one that incorporated altruistic love, faith, hope, a moral leader's vision, and theories of spirituality in the workplace to foster higher levels of productivity in an organization.

Within this context, spiritual leadership's purpose is to engender vision and a positive value based meaning for employees and leaders alike across the organization, with the ultimate goal of fostering higher levels of employee commitment and productivity (Fry, 2003). The desire for spiritual leadership within organizations partially emerged from the corporate greed of the 1980s (Garcia-Zamor, 2003). The popularity of

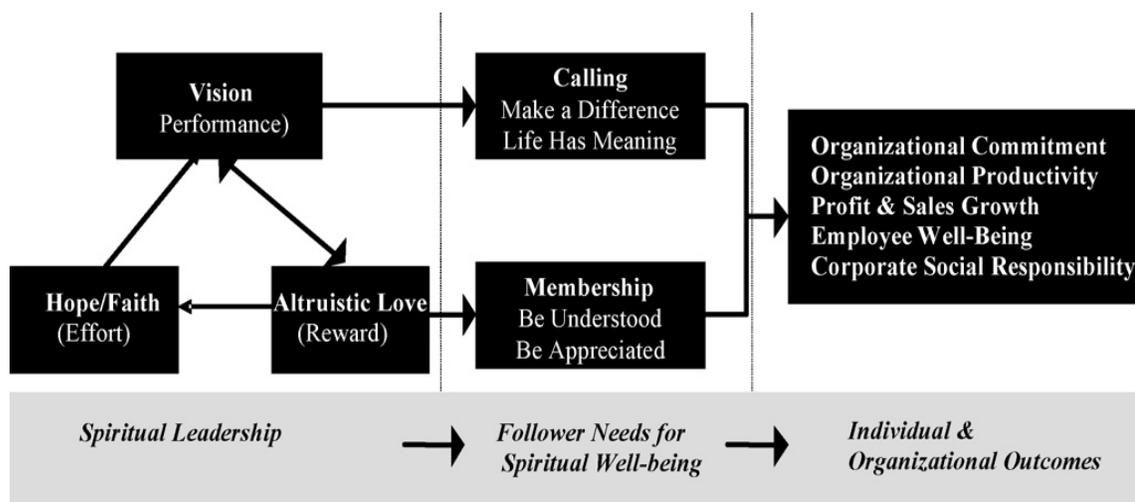
the spiritual movement has increased among employees as corporations have closed because of bankruptcy or downsized (Carmeli & Sheaffer, 2009) leaving employees unemployed and seeking new meaning and purpose. September 11, 2001 was the culminating factor that has driven spiritual leadership to the top of leadership theory studies with transformational, charismatic, servant, and ethical leadership.

Many executives often derisively chide the role of the human spirit in business because they believe that spirituality has no place in modern organizations. Fry, Hannah, Noel, and Walumbwa (2011) noted the military intensified its efforts to study the impact of the human spirit in military leadership and its influence on warrior morale toward the implications for unit success. Fry et al. (2011) proposed that spiritual leadership influenced organizational behavior and employee commitment and performance at various levels of the organization. Like servant leadership, Fry's (2003) model of spiritual leadership depended on the needs of employees for more transcendence and connection to a higher calling.

A spiritual leader encourages other people in the workplace to be better and connects the follower's life and work life. This connection allows individuals to express positive attitudes and normally not seen in an organization. The spiritual leadership theory, according to Fry (2003) provides the foundation for values formation and the criteria for moral behavior that leads to positive spiritual and ethical fitness. Fry further explained that spiritual leadership theory provides an ethical process by which executives and senior leaders can facilitate modeled empowerment to leaders and subordinates for improved strategic performance and CSR.

Advocates for spiritual leadership theory propose that people are the conduits to positive change while critics ignore and dismiss the role spirituality plays in general society (McKee, Driscoll, Kelloway, & Kelley, 2011; Pawar, 2014). Reality in the 21st century is that employees around the globe face increasing demands by senior leaders to extend work hours and limit time off which consequently leads to declines in organizational commitment (Fu & Deshpande, 2014). There has been a decline of traditional support systems such as spiritually connected neighborhoods, extended families, and places of worship (Fry, 2003). The result of a diminishing support system leaves employees no place outside the home to seek out transcendence to a higher purpose. Because of these and other organizational changes, Crossman (2011) noted that radical organizational transformation must occur for a workplace acceptance of spiritual leadership.

Data indicated that organizational cultures embodying transcendent goals are the more productive, and by improving performance, they confer organizational dominance in their respective environment. Cultural factors related to workplace spirituality sometimes override the bureaucratic and political environment as an influence on worker productivity. Fry and Slocum's (2008) model of spiritual leadership, shown in Figure 1, examines the organization transformation.



*Figure 1.* Model of spiritual leadership. From — Maximizing the Triple Bottom Line through Spiritual Leadership. *Organizational Dynamics*, 37, p. 90. Copyright by Elsevier, Inc. Re-printed with permission.

The essential elements to Fry and Slocum's (2008) model of spiritual leadership derive from the key processes of (a) creating a vision whereby both leaders and employees experience a renewed sense of purpose and meaning, (b) establishing a culture based on moral values, love, and trust, whereby senior leaders and employees find a sense of connection and belonging. Therefore, spiritual leadership is doing what it takes to transform elements that appear to be wrong (Fry, 2003). Leadership could solve much of the ethical crisis challenging American business by applying simple ethics to the problem. Responding to a spiritual model will require a revolutionary transformation from the traditional organizational model, to an organizational structure that supports a modern learning paradigm more open to accepting a spiritual transformation within the workforce (Fry & Slocum, 2008). These changes will need a fundamental shift from an economically centric focus to a balance of spirituality, ethical leadership, deontologically driven profits, and CSR concerns (Beekun & Westerman, 2012). The employment

relationships, turnover, and stress levels caused by a sudden paradigm shift (Chan, McBey & Scott-Ladd, 2011) could place tremendous strain on organizations and their workforce. Regardless, the value of such a shift should be intriguing, especially to company executives. Executives that acknowledged spiritual leadership sustained increased profits, a better competitive advantage, and also experienced a 400% to 500% increase in shareholder wealth, increased net earnings, and in return on investments (Garcia-Zamor, 2003).

### **Ethical Leadership**

One of the foremost challenges in modern America is the ethical behavior of senior leaders. History has illustrated that legislation, bureaucracy, and bailouts cannot fix moral lapses, misconduct, or poor decision-making. Instead, the solution needs to address the source of the problem – a lack of leadership ethics within corporate, government, and academic circles (Rasche et al., 2013).

The importance of leadership promoting ethical behavior in organizations is not a new topic. Leaders set the tone, whether ethical or unethical, for organizational goals and behavior. For this reason, (Aronson, 2001; Brown & Mitchell, 2010; Kalshoven, Den Hartog, & De Hoogh, 2011; Treviño et al., 2006) asserted that ethical leadership is of critical importance because of senior leader influence on employee behavior and conduct and the sustainment of organizational performance.

Despite the relevance of ethics to leadership in business, the limited empirically based knowledge regarding ethical leadership affects many in business across the globe. For the purposes of this study, I propose a link between ethical leadership and

effectiveness. Researchers and scholars find it necessary to explore and answer the many questions regarding ethical leadership and the role that senior leadership play in establishing ethical conduct. The increasing absence of ethical behavior in modern business practices has undermined successful attempts at establishing a positive, sustainable, organizational culture (Neubert, Wu, & Roberts, 2013). Senior leaders could be a focal point of ethical guidance for the workforce while modeling the appropriate behaviors that influence an employee's positive productivity.

A problem that researchers have with the study of ethical leadership is that, in globalized environments, morality and ethics are constantly changing. As society openly embraced ethical relativism, reshaped standards of behavior and new ethical dilemmas emerge ever changing the conduct of modern business (Valentine & Bateman, 2011). Ethics requires an understanding beyond a code of ethics or documented ethical standards for leaders to understand demanding answers involving moral actions associated with decision-making. Consequently, both researchers and practitioners have increased their efforts to understand a leader's influence on employee ethical work practices and behaviors (Brown & Mitchell, 2010).

Initial theorists and researchers (Bass & Steidlmeier, 1999; Brown et al., 2005; Brown & Mitchell, 2010) sought to utilize the social scientific or normative approach to define ethical leadership. According to Brown and Treviño (2006), many scholars have conducted normative or philosophical ethical studies, regarding what leaders *should* or *ought* to do. For example, the normative approach to ethical research governs the philosophical frameworks that guide the ethicality of a leader, decision-making, or what

leadership styles are ethical (Neubert et al., 2013).

The normative approach has indicated that ethical leaders should draw specific attention to ethical actions by the workforce (Bass & Steidlmeier, 1999) for a more positive culture to emerge (Schein, 2010). In that same logic, the debate over which approach leaders should use to guide a modern organization has continued without fail or conclusive answer (Clifton, 2012). Noticeably absent from normative research is the context in which that leaders, followers, and the organization intersects, and behaviors emerge (Brown & Treviño, 2006; Kalshoven et al., 2011; Treviño et al., 2006).

In contrast to normative approaches, Brown and Mitchell (2010) posited the concept of the social scientific approach to ethical leadership would be more descriptive and predictive (Brown & Treviño, 2006) at answering the fundamental questions relating to ethical leadership in organizations. The social scientific approach has its roots in disciplines such as psychology, sociology, and organizational science, as well as Bandura's (1977) social learning theory, as scholars attempt to understand how people perceive ethical leadership and its effects on important outcomes (Brown et al., 2005; Ruiz-Palomino & Martínez-Cañas, 2014). Identifying a scientific method of describing behavioral dimensions and relating them to outcomes in the organization diminishes the anecdotal nature of ethical leadership research and replaces it with a more tangible method of study (Avey et al., 2012; Brown & Mitchell, 2010; Cameron, 2011).

The conceptualization of ethical leadership as a science is relatively new. However, ethical leadership has dramatic influence on management at all levels of the organization. At the workforce level, emerging research has determined a connection

between a senior leader's ethical behavior and the employee's willingness to identify ethical issues to the appropriate manager, while voicing constructive suggestions to improve culture (Brown & Mitchell, 2010). At the group level, Ruiz-Palomino and Martínez-Cañas (2014) indicated a positive relation between ethical leadership and organizational citizenship behavior and safety. Last, at the executive levels of management, ethical leadership positively relates to higher senior leadership effectiveness and morale (Kalshoven et al., 2011).

Scientific research on ethics and leadership remains in an embryonic phase. What is required is more focus on the relationship between ethical leadership models and the questionable activities of organizational senior leaders. Therefore, through various leadership models, an additional perspective of understanding ethical leadership and its applicability in modern organizations must occur. For the purposes of this study, I conducted a review of several leadership models, but emphasized only two before the development, study, and employment of a descriptive and predictive ethical leadership model transpires by a new generation of business leaders.

Past literature on ethical leadership constructs, has been robust but fragmented. Scholars attempt to add new knowledge to the ethical compendium of leadership models, but do not attempt to integrate the ethical and leadership perspectives. A small percentage view the strategic picture of ethical leadership and consider what applications exist at the intersection of ethics and leadership. A clarification of the relationships between ethical leadership constructs and transformational, charismatic, servant, and spiritual theories of leadership would help define or at least describe the ethical

dimension that few scholars have attempted before. Rest (1986) developed an early model now used in many organizations known as the ethical decision-making model.

For the better part of the 20th century, researchers posited that leaders would make fewer poor decisions if a model for such actions existed. Rest (1986) proposed an ethical decision-making model comprised of four-components. These four components centered on recognizing moral issues, responding with appropriate judgments, and with focus on the moral aspect of the decision, act in the same manner, placing moral concerns above all. Rest argued that each component to the model was distinctly separate and that an individual will go through each stage to complete the decision-making process. Rest noted that successful completion in one component would not guarantee success in other components. The moral intensity of the situation, which is could change, drives all four of these components, thus altering the characteristics of the decision. Despite widely recognized as revolutionary in the field of ethics, much of the empirical research on this model focuses on component two, closely related to Kohlberg's (1981) moral theories, or the relationship between component two and four, moral development and action. Later scholars would build on Rest's model by synthesizing additional frameworks and contributing to the understanding of ethical decision-making.

Subsequent to Rest's (1986) model of ethical decision-making was Jones' (1991) introduction of a new ethical construct that expanded and integrated major components of other scholars' works into a new ethical decision-making model. Although Jones recognized Rest as a primary contributor to the new construct, Jones synthesized the various ethical decision-making models while adding a social cognition heading to the

overall framework. Jones stated that single event moral decision-making could be more readily comprehended by adding a cognitive processes model that everyone could understand. The key to the model is the ability for an individual to recognize a moral issue. Jones argued that just because many decisions are moral does not mean that decision makers always recognize the moral element of the decision. The practitioner or scholar must know that a moral component to all decisions is critical to answering the questions regarding the effect of moral intensity on decision-making makes a difference (Jones, 1991). Many existing models ignore the effect of characteristics of the moral issue itself.

Taken at face value, many ethical models suggest the individual decides and behaves in the same manner regardless of a moral issue involved. Treviño et al. (2006) articulated that Jones' model provided the most comprehensive synthesis model of ethical decision-making in the literature to date. Later studies regarding moral intensity in ethical decision-making (Woiceshyn, 2011) claimed that empirical testing of the validity of the ethical nature of decision-making must include a wider facet of factors than moral intensity. Woiceshyn noted that any business decision, whether ethical or not, could influence business outcomes because most transactions involve relationships with employees, stakeholders, and customers. Because decision-making is not always ethical, and scholars cannot provide an answer why, the emphasis on ethical behavior in the organization becomes even more apparent.

As leadership models evolved, empirical studies progressed beyond purely decision-making and focused on the normative, behavioral, or organizational aspects of

ethical leadership. Aronson's (2001) pioneering research integrated leadership styles and ethical variables into a visual model. Aronson proposed an ethical leadership model that incorporated moral maturity and ethical decision-making of leaders with the constructs of transformational (Bass, 1985), transactional leadership (Burns, 1978), Charismatic leadership (Conger & Kanungo, 1994), and directive leadership (Aronson, 2001). Additionally, Aronson fused elements of Bass and Steidlmeier's (1999) pseudo and authentic transformational leadership into the construct.

Aronson's model (2001) is unique because it demonstrates the integration of ethics and the various theories of leadership to reflect how a leader will display a range of leadership styles and moral perspectives before arriving at a decision. Despite the growing demand in the business community for ethical leaders, Aronson's model has not been a major focus of attention and little empirical evidence supporting Aronson's ethical leadership claims exists. Sama and Shoaf (2008) proposed an empirical model that emphasized normative approaches to moral behavior within the context of the organization.

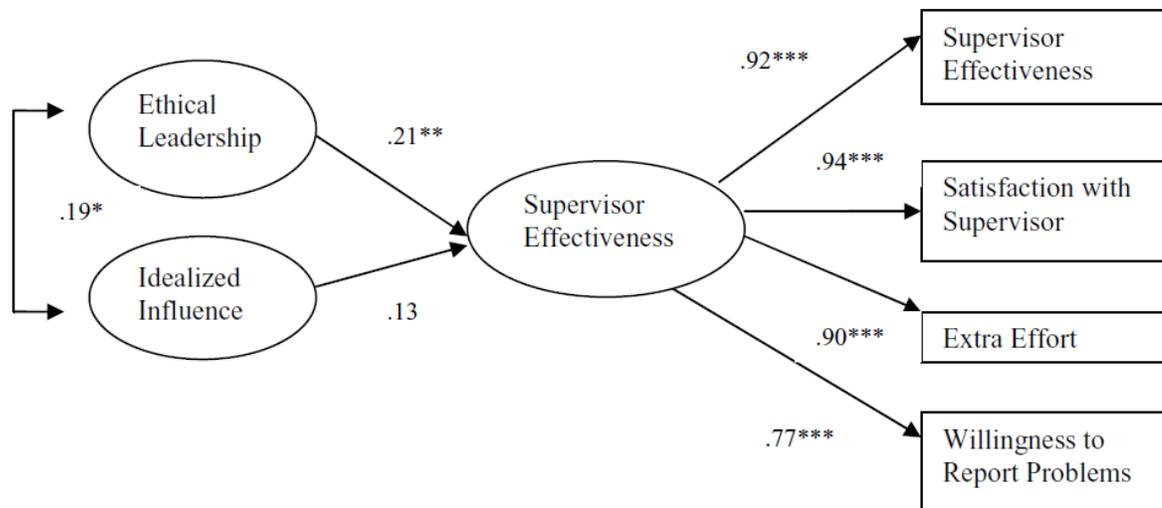
Sama and Shoaf (2008) were normative researchers who suggested leaders could choose between the ethical transformational and amoral transactional leadership styles in professions based on positive value systems like public service, or positions requiring trust. Leaders working from the transformational leadership style in the model would offer a clear, consistent message in which ethics is always a concern in the workplace. Transactional leaders, however, focus more concern with financial results and performance outcomes. Transactional leaders pit workers against each other as most

corporations favor pay contingent on performance (Chiaburu, Oh, Berry, Li, & Gardner, 2011; Sama & Shoaf, 2008). The organization determines the degree of sustained success

The normative leadership model's concept is intriguing, but limited in scope (Sama and Shoaf, 2008). Because the focus centers on the normative approaches of transformational and transactional leadership styles only, Sama and Shoaf's model does not consider the complexity of moral dilemmas or divergent employee behavior. Others, such as Akrivou, Bourantas, Mo, and Papalois (2011), and Cameron (2011) emphasized similar models regarding normative leadership approaches within the context of workforce moral behavior, offer results that legitimize ethical behavior as a moderating influence for organizational performance. The synthesis and detailed nature of Rest's (1986), Jones' (1991) Aronson's (2001), Sama and Shoaf's (2008), Akrivou et al. (2011), or Cameron's (2011) theories regarding leadership's role as a guiding force for moral activities within organizations has still not revealed itself. This study focused on the conceptual and revolutionary ethical models of Brown et al. (2005) and Ardichvili et al. (2009).

Brown et al. (2005) proposed an empirical definition of the ethical leadership construct, grounded in the social learning theory (Bandura, 1977), and developed the Ethical Leadership Scale (ELS), seen in Figure 2, to measure ethical leadership. The authors noted little accomplishment in theoretical or empirical work regarding the understanding of the theoretical base of ethical leadership or "its connection related constructs and organizational outcomes" (p. 129). Inarguably, ethical leaders influence

positive employee outcomes and improved performance (Brown & Treviño, 2006; Kalshoven et al., 2011). They also communicate and role model ethical behavior, contributing to the entire moral attitude and culture of the organization (Brown & Mitchell, 2010).

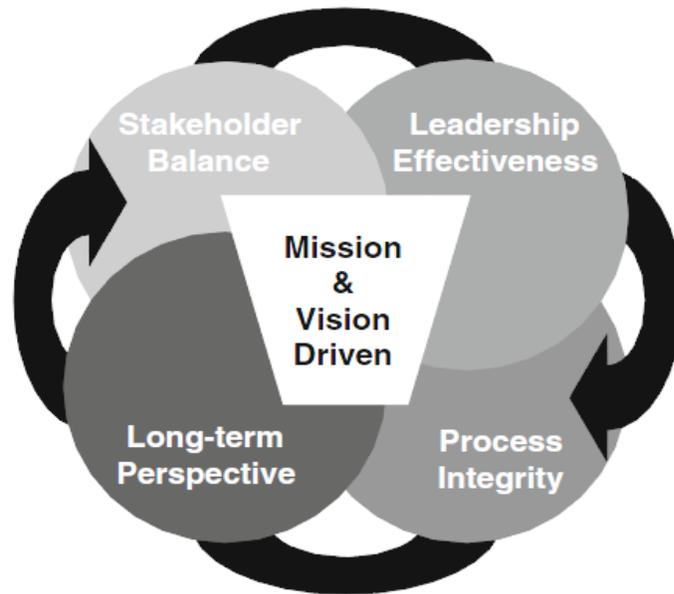


*Figure 2.* Relationships among ELS, II-B, and supervisor effectiveness. From— Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), p. 128. Copyright by Rightslink Inc. Re-printed with permission.

Brown et al. (2005) conducted seven interrelated studies to advance research needed to specify underlying theoretical processes explaining ethical leader behavior. Specifically, the authors sought to clarify that ethical standards, integrity, discipline, and fairness are consistent with characteristics of ethical leadership. In each study, Brown et al. (2005) demonstrated the validity of the ELS in predicting important employee outcomes. The authors demonstrated that employees who perceive supervisors as ethical are more willing to engage in positive behavior and report potential problems to management. The success of this study led to Brown and Treviño (2006) to expand their

ethical leadership construct by explaining the antecedents and outcomes of ethical leadership. Their continued work with the social learning theory identified additional individual and situational influences that would lead to equally credible models in the future.

Ardichvili et al. (2009) conducted an ethical culture study to determine the viability of characteristics associated with business ethics. The authors identified five clusters of characteristics: Mission and values driven, stakeholder balance, process integrity, long-term perspective, and leadership effectiveness. The formulation of these clusters helped to develop the framework to a comprehensive model that when used, influences operational practices to create and sustain an ethical business culture. The study's data demonstrated the engagement of the model (Figure 3) could affect the operational processes associated with creation and sustainment of an ethical organizational culture committed to ethics and legal compliance (Ardichvili et al., 2009).



*Figure 3.* Five clusters of characteristics of ethical business cultures. From— Characteristics of ethical business cultures. *Journal of Business Ethics*, 85, p. 448. Copyright by Springer, Inc. Re-printed with permission.

Ardichvili et al. (2009) concluded effective and ethical leaders are present in peak performing organizations. In an ethical organization, leaders are the conduit between employees, shareholders, and stakeholders everywhere. Their behavior as demonstrated in this study and Brown et al.'s (2005) study must embody the organization's values. Similarly, leadership must communicate and demonstrate a compelling reason for employees, shareholders, and associated stakeholders to trust and follow that guidance. If senior leadership refuses to "engage and function as ethical role models for the rest of the organization (p. 450)," amoral behavior and dysfunctional culture can occur (Ardichvili et al., 2009). Understanding how a leader's decisions influence ethical business cultures is the lifeblood of an organization.

### **Transition and Summary**

Section 1 was an introduction to framework of the study and a literature review demonstrating the need to study the phenomenon of ethical leadership. Research on the ethical nature of leadership, culture, and leadership suggests that corporate malfeasance extends to more than simple poor decision-making, but to external societal issues dealing with ethical relativism. With so many corporate and executive interests, practitioners seemed surprised that little or no published research to determine if the ethical leadership behaviors proposed by Ardichvili et al. (2009) and Brown et al. (2005) can predict critical outcomes of organizational effectiveness.

Incentives exist for understanding the complexities of moral behavior in modern organizations. In 2008, the unethical business practices of the mortgage banking system cost the American taxpayers hundreds of billions in losses (Donaldson, 2012) and jeopardized the underpinnings of an effective economic system in business with bankruptcies, bailouts, and the largest decline in the stock market since the Great Depression (Palmer, 2009; Selart & Johansen, 2011). Profit maximization cannot be the sole purpose for companies to exist (Arce & Li, 2011; Drover et al., 2012).

The results of this study can help supplement other ethical leadership data (Bass & Steidlmeier, 1999; Brown et al., 2005; Brown & Treviño, 2006; Kalshoven et al., 2011; Treviño et al., 2006), as well as help construct an ethical leadership model that future leaders can use for guidance and predictability for ethical dilemmas and organizational outcomes. The objective of Section 2 is to address the research design and method used during the study. The study's findings as well as the application to

professional practices, and any potential implications for social change are in Section 3.

## Section 2: The Project

This study investigated the perceptions of senior leadership in Fortune 500 companies regarding the implementation of ethical standards toward the improvement of decision-making, strategy, and management practices. Several prior studies indicated that ethical standards beyond a rigid code of ethics are critical in preparing leaders to solve ethical dilemmas in the workplace (Carmeli & Sheaffer, 2009; Fry & Slocum, 2008; Coleman & Kugler, 2014). Ethical dilemmas dramatically influence behavior in employees (Trapp, 2011) and directly influences organizational culture and performance (Schein, 2010).

This section identifies the research design, methodology, and other parameters used in this study. It also discusses the study population, the sample selection technique used, the research protocols, data collection methods, data analysis, and the reliability and validity of the study. It also includes the research questions used to garner information on the lived experiences of various senior business leaders. This study was designed to investigate the benefits of including ethics training in academic and business discussions, with the intent of fostering social change by reducing misconduct in large American corporations.

### **Purpose Statement**

The purpose of this phenomenological study was to explore the lived experiences of 20 senior leaders in Fortune 500 companies regarding how ethical standards can improve decision-making, strategy, and management practices. A central premise of this study is the belief that documented and implemented ethical standards are a requirement

to guide leadership behavior (Selart & Johansen, 2011; Smith, 2011). Raza and Ramzan (2013) argued that the inclusion of any ethical standard in training based curriculum could help prepare and guide leaders and employees for workplace dilemmas that may lead to unethical behavior and influence performance. The target population for this study consisted of mid-tier to C-level leaders in Fortune 500 companies around the Washington D.C. area.

This study used purposive sampling to select the requisite target population from the need to have experienced leaders at multiple levels able to address general questions in ethics, leadership, ethical standards in the organization, and business practices. I used a comprehensive literature review to inform my interviews, helping to ensure that I obtained the most complete data possible from the senior leaders that I interviewed. The study results of this study provide a unique understanding of senior leaders' ethical actions and are intended to inform future practical ethical applications to leadership. The links that it established between societal influences on leaders and ethical outcomes in the organizations are expected to facilitate producing and molding a new generation of leaders intent on creating an ethical organizational culture.

### **Role of the Researcher**

The purpose of this study was to understand the phenomenon of ethical leadership and the practitioners' experiences of this phenomenon in Fortune 500 companies.

Moustakas (1994) argued that the interpretive paradigm of phenomenology was the most suitable for leadership studies because of its potential to generate new understandings of complex human behavior such as those investigated in the phenomenon of leadership.

This method was especially appropriate for this study because of my ability as the researcher to illuminate the lived experiences of the subject matter experts, as suggested by Correa (2013)

My work as the researcher was informed by my strong familiarity with this field. I understand the phenomena of leadership within organizations through professional experience as a senior business and strategy consultant with almost 30 years of experience working for various industries. My past clients have included the United States Department of Defense, the intelligence community, and the public sector; I have also worked as a private consultant to Hewlett Packard and Booz Allen Hamilton. In each instance, I experienced mentorship, role modeling, and leadership at different organizational levels; this helped me to target the appropriate research and identify the most effective level of leadership for interviews to ensure the credibility of this study. My contextual experience with the industries and senior business leaders in Washington, DC, and my strict adherence to defined phenomenological characteristics helped to ensure validity within this study.

### **Participants**

The target population of this study consisted of mid-tier to C-level leaders from the corporate sector (represented by three Fortune 500 companies). Fetters et al. (2013) stated a minimum of 10 participants was necessary for researchers to find a generalized pattern and develop a thematic approach to the data to ensure a quality study. I used a purposive sample of 20 senior leaders because of the requisite need for business, leadership experience. I used purposive sampling because it had a reduced cost for

carrying out the sampling project with limited time for the selection process and a limited budget (Hays & Wood, 2011). I looked for a small, but highly sought-after group of organizational leaders, and purposive sample helped me narrow and locate them.

Leadership is a phenomenon, and the need to have experienced leaders take part in this study was a top priority. Hays and Wood (2011) described the primary criterion for selecting subjects for a phenomenological as the participants having experienced the actual phenomenon under study. Thus, because the lived experiences of the leaders constituted the bulk of the data for the study, it was necessary to ensure that each leader had those experiences. Otherwise, as Freeman (2011) noted, the study's validity would have been questionable. Halling (2012) asserted that choosing participants should be according to specific characteristics, experiences, attitudes, or perceptions most appropriate for categories used during the interviewing process and supporting phenomenological characteristics.

I gained access to the Fortune 500 leaders by leveraging my previous working relationships and knowledge of those companies' operating procedures. Leveraging those relationships and possessing a working knowledge of leadership and management also helped me to identify the most appropriate level of leadership for interviews to ensure this study's credibility. Once I made a contact through email and phone, it was critical to communicate with the participants weekly until the interview took place and again weekly after the interview. This process was designed to allay any possible participant concerns about the security or accuracy of the content. It also helped to create an atmosphere of trust between the participants and myself. That trust during this study

was necessary if I were to find the richest and most detailed content during the interviews and post-interview follow-ups. After the first two interviews, I found the more the participant could relate to me and could understand what I searched for, the more data the participant were comfortable disclosing to me.

I stratified the senior leaders into three categories. This bracketing was only for selection purposes; because I wanted a strong blend of leaders from all levels, there was no reason to select all middle-tier or C-level executives. In addition, because current experience requirements stemmed from data that discusses how complacency influences performance (Clifton, 2012); I ensured I remained focused on those requirements. The first category contained middle-tier leaders in the organization with fewer than three years' experience with the company. I defined the second category as a directorate or division level leader with fewer than three years' experience at the company. The last category consisted of C-level executives with any experience at the company. The selected demographic was purposeful because, as Wertz (2011) noted, participants must understand the basics of the research problem and of the phenomenon central to the study.

I noted all ethical concerns for the participants in this study, and assured the individuals of the confidentiality of the data and released to anyone else besides the researcher. I included a Confidentiality/Consent form (see Appendix B) for review. Upon completion of the study, I sent a one-page executive summary outlining the results from the study.

## Research Method and Design

### Method

Initial consideration of quantitative and qualitative designs yielded understanding that suggested that a qualitative study would be appropriate for this particular study (Fetters et al., 2013; Hays & Wood, 2011; Pluye, 2013; Snyder, 2012). Rennie (2012) concluded that in quantitative research, knowing the theory or model beforehand only leaves the researcher to measure the data. Qualitative investigations, among a multitude of items, must discover the relevant variables for measurement to solve the mysteries of the data (Moustakas, 1994). Bailey (2014) stated that qualitative research is difficult and requires a more refined skill from the researcher to enlighten the audience. Discovering the complexities of leadership required more of a study of the phenomenon rather than an analytical approach (Moustakas, 1994). Moustakas further noted that understanding the lived experiences of the participants connects phenomenology to philosophy as well to the method of scientific inquiry. Phenomenology, by its very nature, seems to be a logical approach for helping to understand that ethical essence of leadership (Williams et al., 2011). Phenomenology provided a framework of rational inquiry for assessing the essence of ethical leadership.

I considered other qualitative designs, but after thorough review, quickly discarded each one in an attempt to find the most applicable design for my study. I reviewed grounded theory, ethnography, case study, and content analysis to determine if one was a more effective approach at studying the phenomenon of ethical leadership in organizational success. Phenomenology was the only design that the focus was a

scholarly analysis of experienced individuals most affected by the phenomenon of leadership. Essentially, only phenomenology provided the requisite detail that brought the data to life for the readers (Moustakas, 1994).

### **Research Design**

Within the qualitative approach, I chose the phenomenological design because the purpose was to explore the phenomenon of senior leaders' ethics and their effect on organizational performance. According to Moustakas (1994), phenomenological studies are appropriate if the researcher seeks to understand the lived experiences of the individuals associated with the study. The goal was to collect vivid data from senior leaders who have experienced leadership and how ethical standards could improve decision-making, strategy, and management practices. This description, according to Moustakas, consists of *what* they experienced and *how* they experienced it. Understanding these lived experiences links phenomenology to philosophy and to a method of scientific inquiry (Halling, 2012). Phenomenology provided a framework of rational inquiry for assessing the essence of ethical leadership. Phenomenology, by its very nature, seems to be a logical approach for helping to understand that ethical essence of leadership (Williams et al., 2011).

I considered other approaches within qualitative methodologies, but discarded them in favor of phenomenology. I conducted thorough reviews of other qualitative methodologies beginning with grounded theory. A grounded theory approach was not appropriate for this study because of the rigidity of reporting practices and the sheer time it takes to complete an effective study (Hays & Wood, 2011). A review of ethnography

yielded similar results. According to Landén (2011), ethnography produces rich results but requires lengthy studies and an author accustomed to scientific research. Marshall and Rossman (2011) claimed that ethnography challenges the researcher to conduct the study free from bias, thereby removing any possible compromise from the research. A study free of bias is possible, according to Marshall and Rossman (2011), only because of the researcher's expertise with scientific research.

I gave significant consideration to the case study design, but the four companies identified to participate in the case study all declined to participate for one reason or another. Overcoming that challenge proved time-consuming and expensive. I must have enough information on the organization to ensure an in-depth image of the case study boundaries (Snyder, 2012). After significant consideration, I determined the case study design was not appropriate, and decided to continue to research other designs..

Moustakas (1994) described phenomenological research as a view into the lives of the participants. The rationale for selecting this method of research was it allowed a comprehensive understanding of the nature and causes of a leader's reasoning to behave ethically or not when making critical business decisions.

### **Population and Sampling**

The target population included mid-tier leaders to C-level executives of Fortune 500 companies around the Washington D.C. area. Participants were eligible for this study because of the depth of experience in ethics and leadership the participants brought to the study. Because most of the failures that affected the economy were Fortune 500 companies, there were natural assumptions that targeting similar populations would

provide the study more credible sources on ethical leadership (Ferrell & Ferrell, 2011). Ferrell and Ferrell indicated that senior leadership in Fortune 500 companies held the key to why unethical behavior permeated the entire organization. During the interviews, it was apparent that each participant had significant experience making business decisions regarding the success or failure of a Fortune 500 company. The leaders used that experience to help answer some of the more difficult questions.

In a phenomenological study such as this, the sample size of a minimum of 10 participants is appropriate to fulfill the requirements of extracting the appropriate information, and providing a richer, more detailed story (Marshall & Rossman, 2011). For this study, I interviewed 20 participants to ensure the production of a comprehensive picture of the organization and its leadership. I used purposive sampling of senior leaders because of the requisite need for business ethics and leadership experience. The goal behind the selection of the particular senior leaders was to select participants who would best help me to understand the problems associated with ethical leadership as highlighted by the interview script found in (see Appendix A). Marshall and Rossman (2011) posited the primary reason for selection of targeted population in a phenomenological study is that they have experienced the phenomenon. Because, as both authors articulated, the lived experiences of the leaders are what constitute the bulk of the data for the study. I needed to ensure that each leader had the requisite experience and insights that were important for constructive interviews. Fink, Harms, and Hatak (2012) noted that interviewees must be subject matter experts to ensure the data remains focused and relevant to the topic. Other researchers' findings support the concept that the ethical

influences of senior leaders are critical to the general success of senior leaders in companies (Brown & Mitchell, 2010; Cameron, 2011; Neubert et al., 2013).

Participant eligibility criteria for this study were that the participants were middle-tier, senior-tier, or C-level executives with fewer than three years' experience at their current company. Because existing experience requirements stems from data (Clifton, 2012) that discuss how complacency influences performance. These requirements did not preclude previous experiences that provided some insightful knowledge for the study. To achieve data saturation, I knew I needed thorough data from a large population of participants. Initially, I planned to interview more than twenty, but determined the current size to be optimal because the current pool of senior leaders provided the necessary data for a credible study.

### **Ethical Research**

To ensure the conduct of the study was ethical and within the boundaries of the Walden University guidelines, I provided three items to the potential participants. First, a letter of consent that grants permission to use the data provided by the participant (see Appendix A). Next, sending a letter of introduction (see Appendix C), identifying me as a researcher in the Walden University Doctor of Business Administration (DBA) program, and last a confidentiality agreement (see Appendix B) to all the aforementioned participants occurred as planned. The letters helped ensure strict adherence to all ethical standards during this qualitative, phenomenological study and the appropriate protection of the participant's confidentiality. In addition, both letters, as well as my briefing at the beginning of the interview, informed participants that participation was voluntary and

that they could withdraw at any time. The last instructions indicated there would be no incentives for any participants contributing to this study.

I minimized the possibility of participants experiencing any harm or ethical malfeasance during this study. All questions strictly focused on exploring the phenomenon of ethics and leadership as it applied to the application of ethical codes to the improvement of decision-making, ethical standards, and management practices. All participants remained anonymous in both draft and final write-ups of the study that included specific identification coding by the researcher. I will keep all doctoral research material that I collected specific to the study for 5 years after the published research date to ensure the protection of the rights of the participants. To help organize the data, I purchased an external hard drive to keep all data digitally. The data encryption included using a MAC OS X security tool for an inexpensive effectiveness. After the 5-year period has concluded, I will destroy the data in accordance with Walden University's research protocol.

Finally, the Institutional Review Board (IRB) at Walden University ensured that all research is compliant with their documented ethical standards as well as any federal laws. IRB granted approval (approval number: 0719130184955) prior to the identification, collection, or analysis of any data, to include any conduct of a pilot study (Appendix E) on the interview script prior to use. The strict nature of the processes and procedures protects the participants throughout the study.

## Data Collection

### Instruments

Because the primary method for data collection was the interview, I developed an introduction interview protocol (see Appendix E) and a detailed interview script (see Appendix A) for use with this study. The interview protocol introduced the guidelines for the interview, whereas the interview script consisted of 10 expanded questions from three exploratory questions below:

RQ1. What are some of the ethical standards assessed, defined, and documented in your organization?

RQ2. What mechanisms are in place for ensuring ethical standards influence senior leader's decision-making relating to improving strategy or management practices?

RQ3. How do the perceived influences of a senior leader's moral code influence a code of ethics, ethical standards, or a culture of trust, making ethical misconduct improbable, and improving organizational processes?

I used a detailed interview script (found in Appendix A) to explore the lived experiences of senior leadership. Marshall and Rossman (2011) articulated using open-ended questions during interviews, necessary to gain the rich level of detail needed in a qualitative study. Because of the participant's experience and knowledge regarding the study's topic, the open-ended questions were the appropriate strategy (Plakhotnik, 2012). The interview questions also continually guided the process to ensure I had the necessary data for the study. In addition, to ensure I had captured the data accurately for reliability

and validity purposes, a digital recorder recorded the conversation for later transference to a computer for analysis. A pen and paper approach also captured additional high-level notes to ensure the accuracy of the audio recording and any nuances identified by the interviewer.

The only exceptions to this rule were the location of senior leaders at client sites and in a classified location. I conducted several of the interviews in a secure facility at the participant's request. Therefore, data collection did not include the digital recorder for that particular interview. The intent of the script was to obtain the data necessary to determine how leaders in Fortune 500 companies delineate ethical dilemmas and the role those decisions play in the definition and documentation of business practices and ethical standards. The interview questions provided the requisite framework for the interview to operate smoothly and for analyzing the ensuing themes and patterns by thematic coding.

In a qualitative phenomenological study, researchers must record concepts that are more perceptions of the phenomena than facts (Moustakas, 1994). These concepts are difficult to translate into useful data for factual measurement. However, as Savage-Austin and Honeycutt (2011) noted in their study, by directly observing the participants and through the information gleaned through the interview, perceptions become clearer and better understood. By clustering these perceptions into themes for analysis, thematic coding can identify the most relevant topics for the study. Although I did not capture the data with the intent of scoring the answers, thematic coding helped organize, arrange, and sort clusters of words selected by the researcher to determine the relationships in the data.

Because this script was my first development action in this study, ensuring the

data is as reliable and valid as possible was important. In addition, the study of ethics is a sensitive subject; I expected some cautious answers by the participants by leaders who did not want to look as they were complacent in an ethical misstep. In addition, I expected that some of the questions would not have as much detail as desired. I had to be transparent during the interviews to avoid leading the participants to any conclusions and thus compromise the validity of the study (Pluye, 2013). Before the beginning of the study, I conducted a pilot study (Appendix E) to ensure the validity of the script. There were three participants, each a middle manager, who was not part of the study. The results of the pilot confirmed the validity of the interview script. Finally, I conducted the interviews face-to-face, except in one instance, in which I conducted a phone interview. That leader's geographic location and schedule prevented a face-to-face interview at the time. Both the researcher and the participant agreed upon a time and place for this interview.

### **Data Collection Technique**

In this study, I used modes of contact ranging from face-to-face discussions, emails, phone calls, and letters sent to the participants to ascertain if they will take part in the study. Anyan (2013) noted that both observations and interviews are appropriate methods for data collection in a qualitative study. Once the IRB approved the study (IRB number: 0719130184955), I began a three-step process to begin the interview process. First, I contacted participants through a planned meeting or sent emails to those participants who did not have time for a face-to-face meeting. In the initial stages, I met with eight of the participants face-to-face, while the others received an email. Anyan

(2013) recommended that if face-to-face interviews were impossible, then conducting interviews in a manner preferred by the interviewee was desirable.

When the participants agreed to participate, I setup timelines and preferred contact methods (email, letter, phone call, or face-to-face) to conduct the interviews. In the initial 20 contacts, only two did not respond. For those who did not respond, I sent a follow-up email no later than a 10-day suspense period. The goal was to schedule the contact and complete the interviews within six weeks. With an additional six weeks used to gather additional data or follow-up on missed appointments. I finished the data collection in the first six weeks and did not need additional time with the participants.

Last, I planned to use the same processes for the pilot interviews, as well. I selected three participants from a middle manager pool from a peer division in a Fortune 500 company who were not part of the study, and interviewed them using the interview script. Two of the managers I interviewed face-to-face, and another manager over the phone because of the significant geographical separation. The individuals in the pilot study had experience in the field of leadership and knew with the researcher. Table 2 outlined the pilot study demographics of participant experience and the number of years at HP.

Table 2

*Pilot Study Demographics*

Participant (PS1)	Role	Company tenure	Gender
PS 1	Director	2.5 Years	Male
PS 2	Branch Manager	3.0 Years	Male
PS 3	Branch Manager	5.0 Years	Male

I recorded all pilot study participant interviews using a digital recorder except for

the single phone interview. Interviews followed the interview script (Appendix A) with the following questions asked only for the pilot study: Did you get a sense that I was biased regarding the data at any time during the interview? Were the instructions and questions clear and easy to answer? Should anything be added, deleted, or changed? By pursuing these questions during the pilot study, a clearer picture emerged of how the interview script would work during the actual study. As noted earlier, I asked participants for a digital signature on an informed consent to participate.

The first central question for the pilot study initially led to some confusion for PS1 regarding the listed ethical standards used as examples. Once explained the purpose of the list, PS1 had no further issues with the first central question. PS2 and PS3 had no qualms regarding CQ1 and even thought the examples served as focus points where they could identify standards within the company. None of the participants recommended any change to this CQ1.

Similarly, all participants stated the last two questions were engaging and thought provoking. It was apparent that CQ3 made the participants think about incidents, actions, and about the association of the decisions with the outcomes. PS2 also thought more segregation with CQ3 would capture additional detail. However, PS2 explained that for some managers the sensitivity of explaining how they rationalize their decisions might not be an option.

From the results of the pilot study, I made no changes to the protocol. Further refinement to the questioning process included asking the question a single time, allowing the participant to process the question and then repeating the question for the

benefit of the participant. Those question refinements helped PS3 think about the question and refocus when asked the question a second time. The detailed nature of the third interview supported this conclusion. The grouping of the questions remained the same throughout the entire process. This grouping enabled a continuation of participant storytelling. The emergence of themes also appeared in the first three interviews and reiterated throughout actual study interviews. I did not include the pilot data from the study interview questions in the final study data pool.

### **Data Organization Techniques**

I logged the interview protocols, notes, recorded materials, and any other data gathered during the study into a spreadsheet that I created and categorized according to topic, so no organizational compromise would occur. To ensure data consistency, all data were logged and organized by participant and subject within 24 hours. Hays and Wood (2011) indicated that implementation of all organizational elements associated with a qualitative study is necessary, before the beginning of any research. I used Microsoft Word and Excel products for each of the participant's interview protocols, field notes, or collected documents. In addition, I used Mendeley's online storage system for tracking and organizing reference materials.

I applied the activities identified in a signed informed consent form (Appendix D) to ensure ethical compliance of the data and interviews associated with this study. The consent form explained that access to participant information was for the researcher's eyes only. In addition, after I completed the interviews, the participants had access to the recorded information and protocols to ensure the information was accurate throughout the

study. Additionally, the release of the information will occur only after the individuals have reviewed the material and after signed consent. Last, I informed all participants that all interview file storage guidelines mandate keeping data a minimum of five years, after which the files will be destroyed or deleted.

### **Data Analysis Technique**

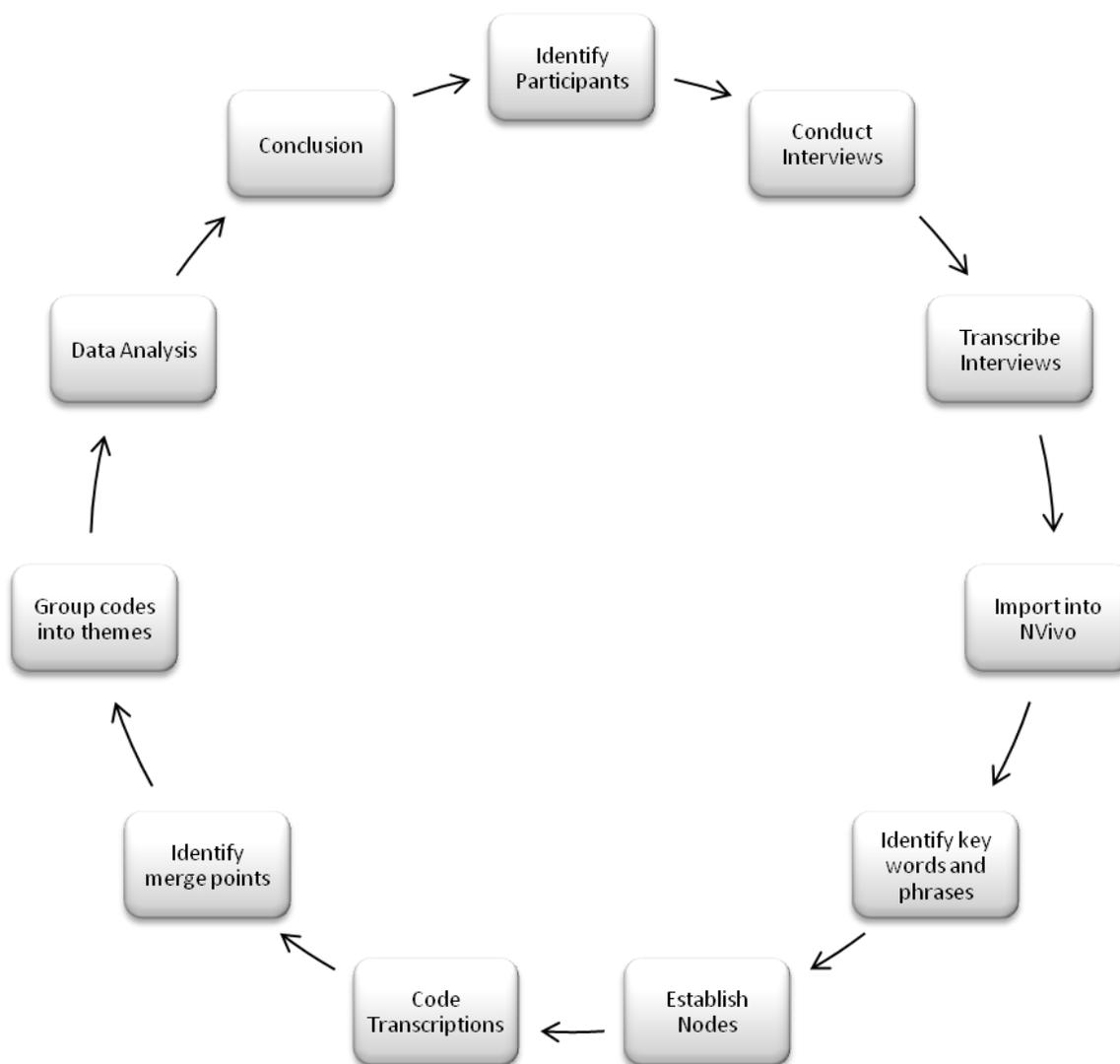
During a qualitative study, there is no hypothesis testing or determining relationships between variables in experiential data (Marshall & Rossman, 2011). Instead, data collection, analysis, and interpretation of data are the most important facets involved during the study. The interview questions (see Table 3) were the primary source of data collection for this study.

Table 3

*Interview Questions*

Primary research question 1 and interview questions	Primary research question 2 and interview questions	Primary research question 3 and interview questions
What are some of the ethical standards assessed, defined, and documented in your organization?	What mechanisms are in place for ensuring ethical standards influence senior leader's decision-making relating to improving strategy or management practices?	How do the perceived influences of a senior leader's moral code influence a code of ethics, ethical standards, or a culture of trust, making ethical misconduct improbable, and improving organizational processes to ensure of successful sustainability?
How do you view ethical standards in the organization that are established by senior leadership? By the workforce?	How do senior leaders in the organization formulate and communicate ethical guidelines and policies?	Please provide examples of influences and experiences, both personal and professional that have defined your moral code (values).
How are ethical standards documented in the organization's ethical guidelines and policies?	How are these ethical guidelines and policies documented?	When faced with ethical dilemmas, do you rely more heavily on personal values or your professional codes of ethics (or lack thereof) to determine the best course of actions?
Are ethical standards integrated into decision-making, management practices, or strategic planning? If so, please explain.	Beyond the organization's ethical guidelines and policies, how does senior leadership foster ethical behavior in the organization?	How do ethical dilemmas influence senior leadership's business strategy, management practices, or organizational culture?
	Is ethics training available to the workforce? To Senior Leadership? Please explain.	

Moustakas (1994) posited that thematic categories while in the interview stage are the structures to capture descriptions of the data, to include the participant's experiences when conducting a phenomenological study. To capture the thematic data effectively, Marshall and Rossman (2011) suggested researchers begin their datum's analysis by classifying or coding text from the interview. I accomplished concise data analysis by establishing phrases and words used by the interviewee to explain or describe experiences with ethics or leadership. Initially, I captured and transcribed all data using Microsoft Word. Thematic coding allowed me to identify specific patterns or themes in the data that provided insight and deeper understanding of the phenomenon. Saldana (2012) identified three primary coding steps to help synthesize the data into meaningful concepts. I expanded on Saldana's coding steps to help me code the data more efficiently. Figure 4 outlines the sequence of coding and data analysis.



*Figure 4.* Sequence of coding and data analysis.

Thematic coding uses content analysis to determine specific themes and patterns derived from the interviews. Before thematic coding could identify those themes and patterns, some measure of precoding had to occur. Precoding of the data involved establishing characteristics such as industry, company size, gender, experience of a leader, and the organizational level of the leader. A numeric value represented each of these characteristics to assist with clarity. For example, the coding process used 0 for a

man and 1 for a woman. Initially, I conducted a word and phrase search to determine what keywords emerged consistently from the interviews. After making initial notes and saving that data, I established certain nodes based on the keyword and phrase search. There were initially 24 nodes or themes to start with before the coding of the data. Saldana (2012) identified three steps to help synthesize the data into meaningful concepts: (a) Perceive a pattern, (b) Classify or encode the pattern, (c) Interpret the pattern. Once thematic coding established themes, subsequent analysis indicated duplication in a few areas that I merged or deleted altogether. Section 3 covers the six themes in more detail. Collecting and interpreting the data did not signify that the research was complete; I had to integrate the findings and draw inferences.

I integrated the results of the interviews into a senior leader narrative for use in this study. I developed the recommendations based on the results of the analysis. By using the critical constructs from Brown et al. (2005), and Ardichvili et al. (2009) in unison with seminal theories of servant (Greenleaf, 1977), spiritual (Fry, 2003), and ethical leadership (Brown et al., 2005), I formed a sound conceptual framework to conduct an analysis of ethics and leadership. The findings captured in the study indicate a link to modern leadership theory and elements from Brown et al. construct. Of particular note was that ethical behavior and a moral code helped guide a leader's decision-making in difficult circumstances (Brown et al., 2005). When analyzed with Ardichvili et al.'s (2009) ethical construct that considered corporate culture, the findings in this study enhanced the understanding of the factors associated with the development of better ethical standards beyond a code of ethics. I placed any additional theories for

future study into a spreadsheet for additional investigation.

## **Reliability and Validity**

### **Reliability**

The concept of reliability is important to the completion of a qualitative study (Rennie, 2012). Fundamental to ensuring reliability of the study was properly documenting and standardizing the procedures used in the study (Fetters et al., 2013). Developing and refining the interview protocol was an important step critical in strengthening the reliability of this study. For example, the interview protocol necessitated that I record the information gathered during the study in a consistent and accurate means. Plakhotnik (2012) described an effective script as one that is reliable, tested, and practical. To ensure the script met those requirements, Marshall and Rossman (2011) suggested conducting a pilot study to test the reliability of the design. Thus, a pilot study ensured the interview protocol used for this study was reliable. Through constant revision and validation, clear and concise interview questions helped improve the richness and reliability of the responses (White & Drew, 2011).

Ensuring research reliability is necessary to the study's success. Snyder (2012) noted that researchers should follow specific procedures to eliminate mistakes associated with data collection. One of those procedures was listening to the digital recordings multiple times before comparing the recordings to the transcription to ensure the accuracy of the data. Saldana (2012) recommended checking for code drift during the research process to ensure code consistency. I used a coding table to ensure a consistent and accurate data capture while minimizing any drift. Additional steps to strengthen the

relationship with the participants during the study were to include detailed instructions to guide the participant during the entire process. By using these strategies, the reliability of the findings in this study improved.

### **Validity**

Although the validation of the findings occurs throughout the process of the study, documenting each step in the process as the researcher completes it, is essential (Freeman, 2011). Validation often hinges on the accuracy of the findings in a phenomenological study. Validity also assesses the accuracy of the findings as best detailed by the writings of the researcher and the orations of the lived experiences of the senior leaders (Moustakas, 1994). Pluye (2013) noted two fundamental parts of the validity in the study. First, internal study determines if a relationship exists between the study and the observed outcome. Second, external validity allows for the extrapolation and application of data to a wider population (Prowse & Camfield, 2013). I examined each of the validity elements and particular validity strategies, to ensure authenticity of the data.

Establishing mechanisms to ensure the validity of research must occur to produce legitimate findings and conclusions (Homburg, Klarmann, Reimann, & Schilke, 2012). There were validity concerns because of the relationship I had with the study's Fortune 500 senior leaders. Thus, as Marshall and Rossman (2011) noted, the incorporation of four validity strengthening constructs, credibility, transferability, dependability, and conformability, help to improve validity. The first construct, demonstrated credibility, by accurately identifying and describing the research participants through properly vetted

research methods (Marshall & Rossman, 2011). Collins, Onwuegbuzie, Johnson, and Frels (2013) also noted that peer debriefing builds credibility, especially if the review is conducted with individuals who have a common grasp of the study and can help the researcher test hypotheses', analyze materials, and analyze general concerns. Snyder (2012) also posited that qualitative studies require extensive accuracy checks throughout the process. I accomplished credibility through establishing a peer review system as an external validity tool at each stage of the doctoral study. Thus, limiting bias by identifying peers, faculty, and doctoral committee members to review the manuscripts and ask tough questions. Having to answer those questions about the structure, validity, and reliability of the literature researched or the data collected thus far, improved validity. External validity also includes connecting existing theory and literature to the study's findings (Collins et al., 2013). The findings in this study aligned with the researched literature on ethics and leadership.

Next, transferability involves the degree to which the utilization of research findings to understand the experiences of the participants or similar populations (Denzin & Lincoln, 2011; Marshall & Rossman, 2011). Accomplishing transferability in this study, in part, occurred by providing in-depth descriptions of research procedures and the of the study population. Finally, data triangulation was a primary factor to help assure transferability (Homburg et al., 2012). By providing in-depth descriptions of research procedures and the study population, both insight into their perspectives on organizational ethics and leadership and a better reader understanding of the process occurred. In addition, during the analysis stage, I compared feedback from the respective

groups to determine areas of agreement, as well as areas of divergence. I also employed data triangulation to validate and corroborate some of the research data in the literature review and the study's findings.

Similarly, by keeping detailed records of the interviews, comments, follow-ups, emails, experiences of the researcher, or by auditing the process, data or conclusions (member checking), achieving dependability became possible. Marshall and Rossman (2011) stated that member checking involves verifying initial data or research conclusions formally or informally with population members. Initially, I conducted a pilot test of the interview questions prior to the doctoral study and validated the participants' acceptance of the questions. Throughout the study, I used the same procedures from the pilot study to ensure future researchers could read and follow my processes and procedures along the way. Dependability was further enhanced by using a digital recorder to tape the interviews, capturing extraneous data on a notepad, transcribing the interviews, and, comparing the data to ensure accuracy and objectivity of the findings for potential future research. Strict accountability of interview data reduced any issues with misplaced quotes or misunderstood references during analysis and documentation.

My preconceived notions regarding the phenomenon of ethical leadership can compromise the reliability and validity of this study. To avoid bias and ensure the study's credibility, I followed Moustakas' rules to remove personal opinions and leading questions from the conduct of the interviews. To improve the confirmability in this study, I used clear, concise, and open-ended questions during the interview. Marshall

and Rossman (2011) and Barusch, Gringeri, and George (2011) indicated that the qualitative research involves exploring how participants assign meaning to action and only through clear and unambiguous questions can participant understanding occur successfully. Last, I compared and contrasted the compiled data against a prepared data checklist, minimizing the possibility of bias.

Achieving saturation occurs when data collection has come to a point of diminishing returns and no newly discovered data emerges to support construction of a theory (Marshall, Cardon, Poddar, & Fontenot, 2013). At this point, the qualitative researcher views this stage as the point when no more data needs collection. Saturation transpires when there are no additional gaps or phenomena uncovered and the subsequent theory composed with less difficulty (Marshall & Rossman, 2011). To ensure data saturation for this study, I developed an excel spreadsheet, employed an analytic tool, and kept a notebook during the interviews so I could determine when information began to overlap with other interview data.

Analysis of the data indicated that data saturation began to occur by the fourth group of interviews (interviews 16-20). Marshall et al. (2013) indicated a point of diminishing returns to a qualitative sample, that is, as the study continues, more datum does not necessarily lead to more information. Although I conducted 20 interviews, I had initially contacted 28 participants in case I needed additional interviews. However, by the end of the interviews, analysis of the interview data indicated repetition in data and overlapping themes. At that stage, I concluded my interviews, completed the thematic analysis, and began to write.

### **Transition and Summary**

The objective of Section 2 was the introduction of the purpose of the ethical leadership research and the critical nature to organizations. In the Purpose Statement, I discussed the need to have assessed, defined, and documented ethical standards to help guide leaders (Erwin, 2011; Giacalone et al., 2012; Tweedie et al., 2013) in Fortune 500 companies toward improving decision-making, strategy, and management practices (Coleman & Kugler, 2014). Section 2 was logical and sequential and given the complex nature of a phenomenological study was necessary to ensure full comprehension of the subject matter and organization.

Section 2 also included the research design and methodology and the parameters by which I conducted the study. I included a description of the sequences of the research processes as the study population, the sample selection technique used, the research protocols, data collection methods, data analysis, and last the reliability and validity of the study. A fundamental part of Section 2 was the development of the interview script and introduction protocol used for Section 3 of this study. In Section 3 of this study, I considered the findings, any future studies, and any potential implications for social change. By reducing misconduct in corporate America and by demonstrating the need to include ethics in academic and business training around the globe, executives take one more step to removing the significant cost to taxpayers and improving long-term sustainability of America's economic future. I will detail the findings in Section 3.

### Section 3: Application to Professional Practice and Implications for Change

The purpose of this phenomenological study was to explore the lived experiences of 20 senior leaders in Fortune 500 companies relating to the lack of standards within their ethics programs. A central concept of this investigation was the premise that corporate leadership needs ethical standards to improve management practices, strategies, and decision-making, as suggested by Raza & Ramzan (2013). Raza and Ramzan (2013) posited that a lack of standards within ethics programs resulted in malfeasance and poor business practices that negatively impacted Fortune 500 company performance and employee behavior. This study specifically investigated the lack of organizational ethical standards using interviews with interviews with 20 senior leadership members of Fortune 500 companies.

My design of this phenomenological study required crafting central research questions that guided the theme and structure of the data gathering. To achieve this and keep within the normal qualitative research guidelines for phenomenological study designs (Englander, 2012; Fetters et al., 2013; Moustakas, 1994), I crafted three central research questions to help guide the study to the natural phenomenon of ethical leadership (see Appendix A). I used these central research questions to guide my interviews, using 10 additional questions to narrow the focus of the central question and gather as much data as possible.

Analysis of the interview data indicated that participants implied that the ethical standards present in their companies' business processes, strategies, and decision-making improved organizational performance to some degree. However, the participants also

noted that cost has routinely driven the decisions to avoid integration of ethics in business process in more detail outside a corporate code of ethics, regardless of the necessity of ethics and the potential impact to employee behavior and performance. These senior leaders posited that a code of ethics would handle potential behavioral problems while reducing the possibility of litigation. A significant finding was the participants' desire for a training construct to help them with dilemma-based decision-making. Almost all of the participants hypothesized that dilemmas were the cause of most of the ethical missteps taken by leaders.

This section begins with a presentation of the findings, including the study demographics. It also presents the results from the qualitative interview-based research that I conducted with senior leaders. I have presented the following themes: (a) ethical standards, (b) organizational culture, (c) ethics training, (d) role modeling, (e) values, and (f) moral dilemmas with detailed supporting data stemming from the study's interview protocol questions and subsequent analysis. The findings in this section provide data on how implications may exist for social change by engaging and supporting positive leadership values with practitioners. This section includes a list of recommended actions and areas of future study for enhancing ethical decision-making for a new generation of leaders' intent on improving organizational performance and creating an ethical culture.

### **Presentation of the Findings**

The purpose of the study was to explore how ethical standards influenced senior leadership's decision-making and affected improvement of corporate performance. I used a phenomenological approach to explore the lived experiences of 20 senior leaders

in Fortune 500 companies relating to the lack of standards within corporate ethics programs. I identified patterns through analyzing data from participant interviews, eventually leading to themes relating to the phenomenon of ethical leadership. Prior research indicated that qualitative methodology proved to be the most effective for a detailed understanding of complex topics like the phenomenon of leadership (Barusch et al., 2011; Fetters et al., 2013). I used three central research questions to guide the research and to explore the study participants' experiences regarding how the lack of ethical standards influences decision-making, strategy, and management practices.

RQ1. What are some of the ethical standards assessed, defined, and documented in your organization?

RQ2. What mechanisms are in place for ensuring ethical standards influence senior leader's decision-making relating to improving strategy or management practices?

RQ3. How do the perceived influences of a senior leader's moral code influence a code of ethics, ethical standards, or a culture of trust, making ethical misconduct improbable, and improving organizational processes?

The study's participants were all senior leaders or executives in Fortune 500 companies in the Washington D.C. metropolitan area.

I explored decision-making in more detail than strategy and management practices in order to determine how senior leaders formulated and communicated ethical guidelines and policies. I further investigated how these leaders' decisions fostered ethical behavior in the organization. Finally, I investigated existence of a moral code's

influence on senior leaders' decisions and if these codes successfully guided leaders through ethical dilemmas that have the potential to influence ethical behavior and organizational processes.

I specifically selected a phenomenological design because the primary purpose of this study was to explore the lived experiences of senior leadership relating to ethics and their effect on organizational performance. Moustakas (1994) noted that phenomenological studies focus on the experiences of others and through the extensive data captured by the researcher, formulates themes respective to that particular phenomenon. This description, according to Moustakas, consists of *what* they experienced and *how* they experienced it. Executives and senior leaders often guide organizations through prosperous and tumultuous times while facing employee problems or ethical dilemmas that impact the business outcomes of the company. I needed to find senior leaders that had been through ethical issues, employee problems, and even dilemmas so I could understand the processes and outcomes associated with their decisions and subsequent documentation attempts. This was a key element in my research for the study.

Phenomenology provided a framework of rational inquiry for assessing the dynamic of ethical leadership. This was critical to grounding this study in a detailed approach to the research. Moustakas (1994) indicated that by following a series of processes, the themes that emerge would provide a clearer picture. Thus, after the literature review, development of methodically developed processes that would aid in completing the study in a professional and expedited manner occurred. Williams et al.

(2011) posited that phenomenology would be the most logical approach for helping researchers understand difficult phenomenon like leadership. Phenomenology helped me understand, document, and group key subjects thereby providing a more intensive focus on the study's content. For example, the participants indicated numerous topics, but one in particular (training) helped bring into focus the need for leaders to continue to expand their knowledge of leadership. This theme only emerged with qualitative processes used in this study.

Each participant in this study was required to possess significant experience in ethics, leadership, and decision-making in a Fortune 500 company in order to be eligible to participate. As noted earlier, most of the failures that affected the economy occurred with Fortune 500 companies. For this reason, those senior leaders and their experiences would make a more credible source on the topic of ethical leadership (Ferrell & Ferrell, 2011). I sent out thirty-five invitations to participate in the study to prospective participants, all who met the criteria in an effort to achieve data saturation. Thirty-one participants responded and consented to participate in this study.

The eligibility criteria of the study limited participants to middle-tier, senior-tier, or C-level executives with fewer than 3 years of experience at a current Fortune 500 company. The requirement for limited experience was selected because complacency influences performance (Clifton, 2012) and I wanted to interview non-complacent executives. I carefully selected the participants with the requisite experience and tenure. Following the criteria identified in this study, I selected 20 of the most qualified individuals and scheduled them for interviews. Most of the participants were from either

information technology or consulting firms, but there were two managers from the financial services and engineering industries. In all, there were five companies represented in the Washington, DC. Finally, each participant's entire business experience was 18 years with a minimum of 12 years. A more detailed demographics picture follows in the next component.

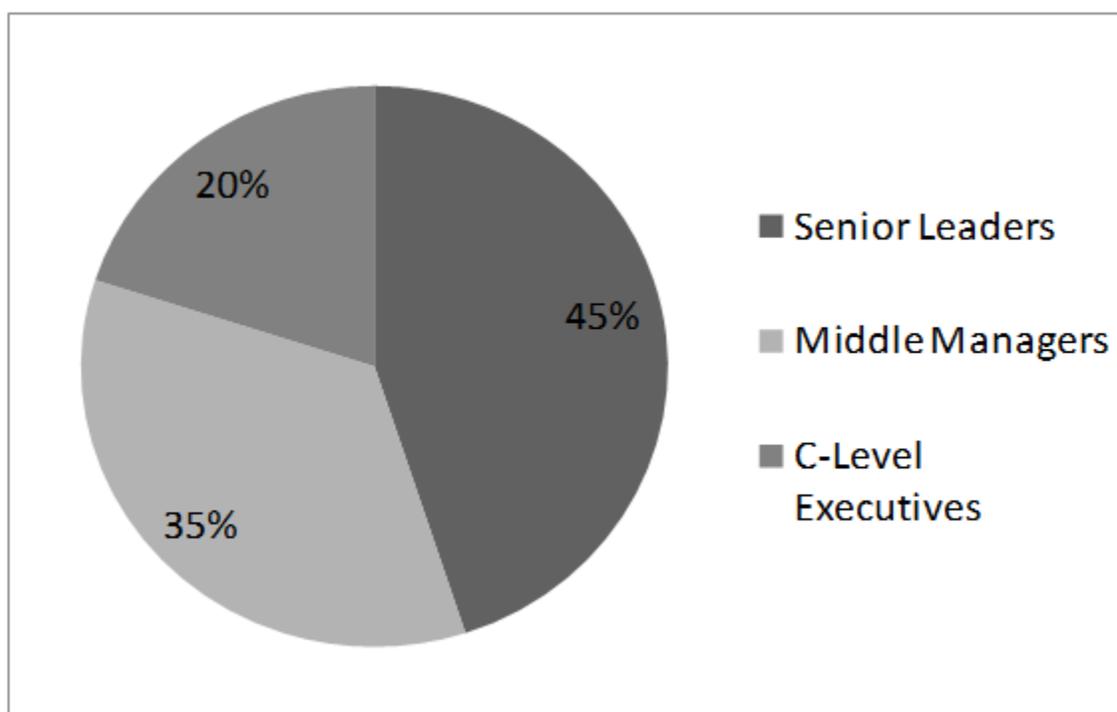
After completing the pilot study, I analyzed the results, and began the actual study through a series of recorded, transcribed, and coded participant interviews. The completion of additional notes to ensure no data confusion or misinterpretation when transcribing the interview occurred. Open-ended questions during the interview allowed the collection of rich data from the participants who were all subject matter experts. After the transcription and validation of the recordings for accuracy, returning the notes back to the participant proved necessary to ensure correct data capture. Once the participant returned the data, thematic coding began during the post-interview process to identify themes and patterns in the data. I sorted the recurring themes into nodes and classified according to the number of times referenced by the participant. A thorough review of collection, analysis, and coding of the data follows in the next section.

### **Study Demographics**

A detailed view of this study's demographics data is in this component. I captured the demographic data for this qualitative study by asking some preliminary questions regarding the participant's experience. The information on the top of the interview protocol (Appendix A) formulated the crux of the content found in the questions. Fink et al. (2012) stated that the study participants must be subject matter

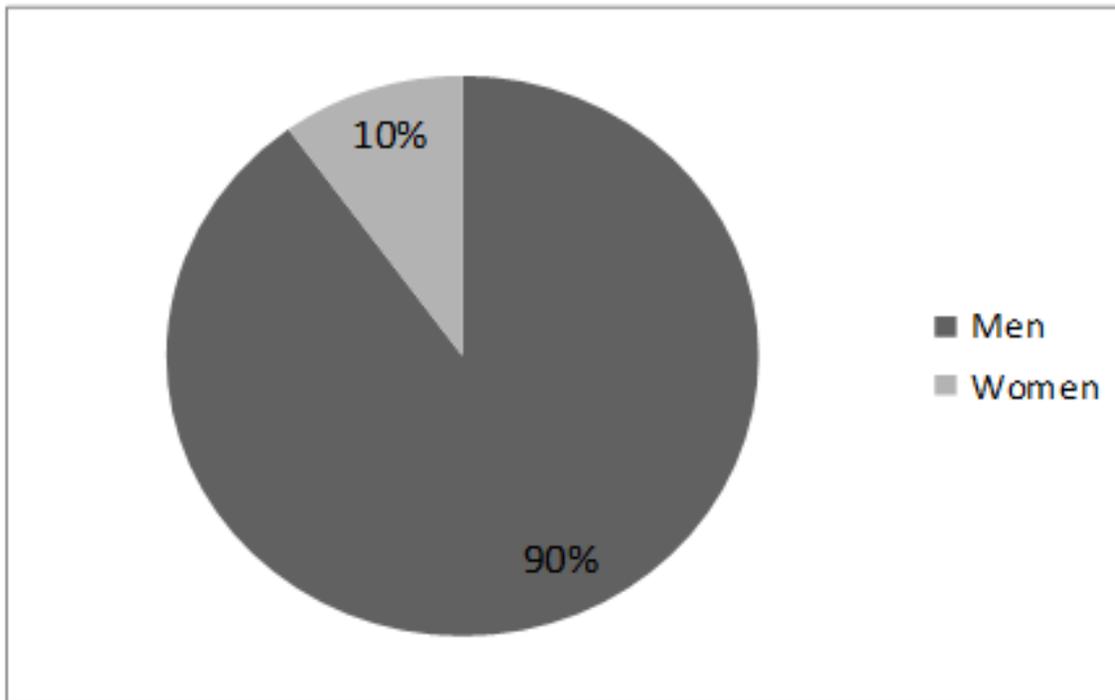
experts to ensure the data remains focused and relevant to the topic. Because the lived experiences of the senior leaders are what constitute the bulk of the data for the study, it was necessary to ensure the validation of each of the participant's experience and insights. The following data, seen in Figures 5, 6, 7, and 8 depict the participants': (a) roles, (b) gender, (c) professional experience, and (d) tenure in the company.

A primary objective for this study was to obtain a blend of 20 middle managers, senior leaders, and C-level executives from different industries and companies. Of the 20 participants four (20%) were C-level executives with titles: COO, CFO, President, and Vice President. There were nine (45%) senior leaders with titles: Director, deputy director, division chief, branch chief, senior sales manager, and account executive. Finally, there were seven (35%) middle managers with titles: Sales manager, personnel manager, training manager, HR manager, IT manager, and program manager. Figure 5 shows the company roles of the participants among the senior leaders in this study.



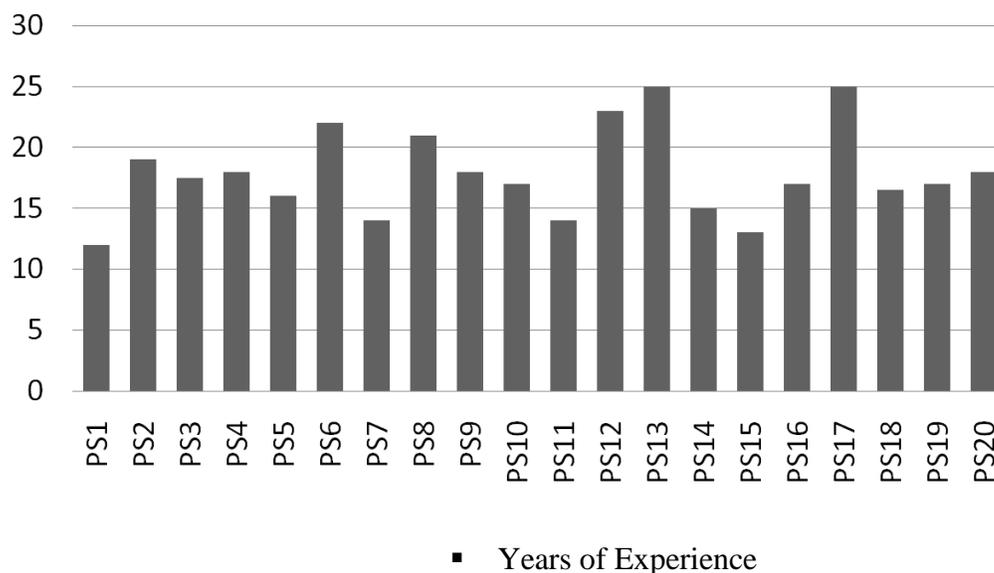
*Figure 5.* Participants' professional roles at their companies.

Ethical standards and the ability to model ethical conduct makes ethics a principle issue confronting modern businesses for decades (Brown & Mitchell, 2010). Gender was originally not included in the preliminary questions, but it proved to be an observation throughout the interview process. Past gender studies noted gender sensitivity difference and inequality permeating questionable ethical practices (Ali et al., 2014; Chakrabarty & Bass, 2014; Joecks, Pull, & Vetter, 2013; Schuh et al., 2014). Ali et al. and Schuh et al. further explained that women managers are much more sensitive to ethical and social issues as compared to male counterparts. Thus, I presented the research gender data as part of the demographic data of the study. Figure 6 provides a visual perspective on the senior leader sample gender.



*Figure 6.* Sample gender of Fortune 500 senior leaders.

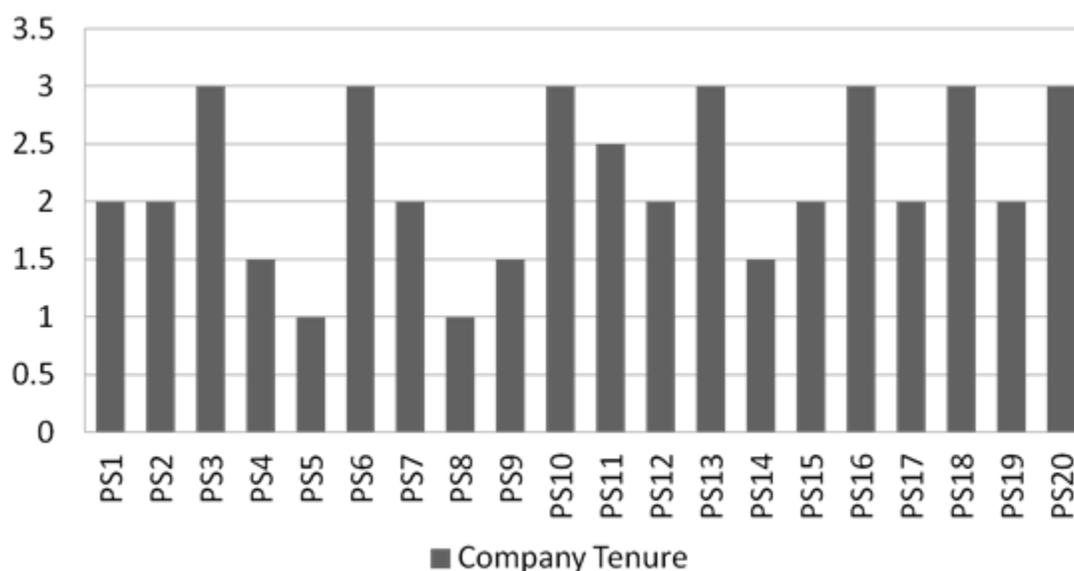
I had to ensure that the participating senior leaders had the requisite experience with organization ethics and leadership. Clifton (2012) stated that complacency influences leader's performance, and also explained that those leaders must possess some relevant experience to gain an understanding of industrial and organizational problems. During this study, participant's professional experience as senior leaders ranged from a minimum 12 years to a maximum of 25 years' experience, with an average of 18 years (Figure 7). The combined total of the participant's experience was 358 years.



*Figure 7.* Participants' length of professional experience.

I stratified senior leaders into three categories ranging from middle-tier leaders to C-level executives. The one consistent factor was a tenure time limit of three years. The reason for experience requirements stems from existing data that indicates that the longer an individual remains at the company, the more complacent they become (Clifton, 2012).

Hamstra et al. (2011) also noted that executives that find senior leaders new positions benefit from increased innovative strategies and experiential leadership. The average senior leader tenure in this study was just over 2 years. One factor that emerged from the interviews was that the longer the senior leaders resided in the company the smoother the transition between questions and the more detail stemmed from each question. Figure 8 shows that the majority (70%) of the senior leaders interviewed had over two years tenure in the company.



*Figure 8.* Participants' tenure at their respective companies.

The findings of the study's demographics revealed that senior leadership still appears dominated by men and that senior leaders have extensive experience in their respective industries (18 years). Most (80%) of the leadership had at least 15 years' experience and over two years (70%) of organizational tenure. Although there was no direct correlation to performance or ethical behavior, there appeared to be a connection between longer tenure and more descriptive answers. The leaders who were in their position the longest presented rich data and could articulate how ethical codes, organizational culture, and how performance appeared connected by ethical behavior. Marshall and Rossman (2011) noted that participants needed to possess an understanding of the issue and central phenomenon in the study before considered proper subject matter experts.

Initially, I conducted a word and phrase search on the transcribed interview responses to determine what key words emerged consistently from the interviews. After

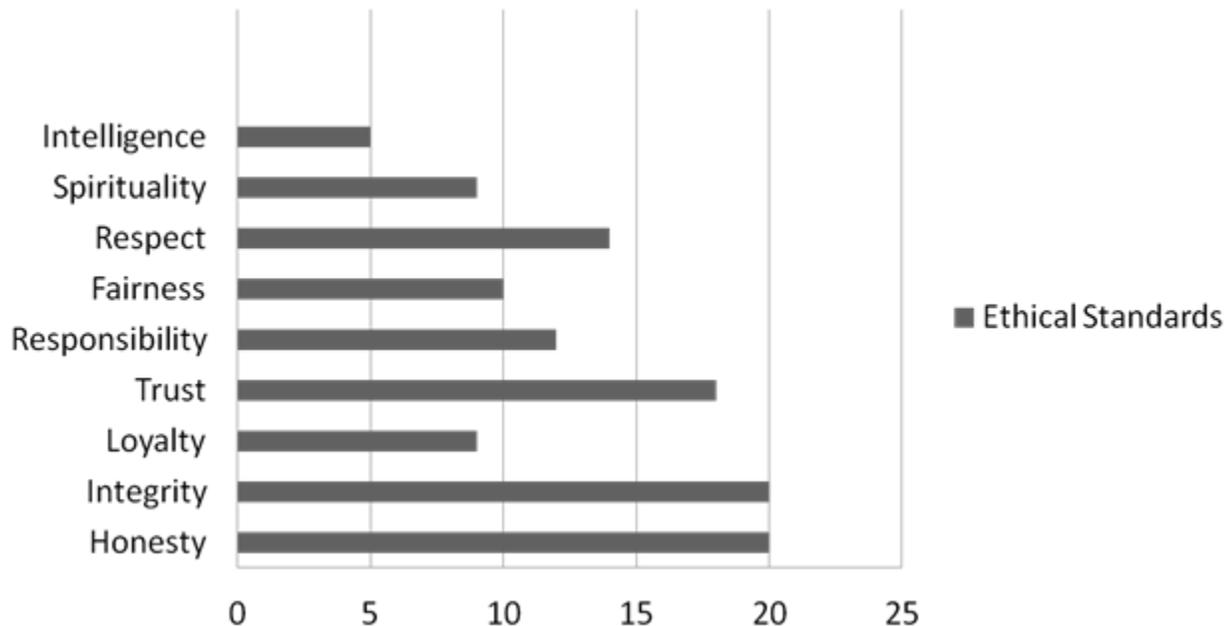
reviewing the word and phrase search, and comparing the search to the transcriptions and notes taken during the interview, I established nodes that appeared to be functional for thematic coding. An initial identification of 24 nodes or themes occurred, prior to the coding of the data. I determined that some of the nodes appeared to be very similar and needed combining with other major sections, thus narrowing the final number of themes to six. The next step included the division of the remaining six themes among the three central questions: (a) *ethical standards*, (b) *organizational culture*, (c) *ethics training*, (d) *role modeling*, (e) *values*, and (f) *moral dilemmas*. The following paragraphs are the study's results, coded for the number of responses among all participants.

### **Research Question 1**

What are some of the ethical standards assessed, defined, and documented in your organization? Through this question, I attempted to explore how senior leaders integrate documented ethical standards into management strategies and practices. Numerous studies have indicated that a lack of personal or professional ethical standards is a commonality for corporate malfeasance (Erwin, 2011; Giacalone et al., 2012; Raza & Ramzan, 2013; Tweedie et al., 2013). Two themes emerged from question 1, ethical standards, and organizational culture. Rest's (1986) model of ethical decision-making and Treviño et al.'s (2006) ethical leadership framework established a vivid picture of senior leaders' motivations regarding ethical or unethical behavior while guiding organizational behavior. Participants noted in this study, the need for business processes and strategies integration with ethical standards to help reduce or eliminate ethical misconduct.

Highlighted by Schein (2010) in the study on organizational culture and several studies by Pena and Sánchez, 2014, Ruiz-Palomino et al. (2013), and Walumbwa et al. (2011) was that the senior leadership must learn how to establish an ethically acceptable organizational culture that supports long-term sustainability. The majority of the participants in this study posited that leadership behavior and communication influences culture. The consequences of various studies relating to organizational culture point to the criticality of positive leader influence on the workforce and the climate and culture of a corporation (Schein, 2010). Subquestions 2, 3, and 4 on the interview protocol (Appendix A) supported the central question. Once the interview was complete, I transcribed the interview recordings into a Microsoft Word file and stored the data files on an external hard drive for central storage and organization.

**Theme 1: Ethical standards.** The dominant theme linked to the first question was that participants viewed ethical standards as critical to management strategy and practices, but not always supported at every level of leadership. Senior leaders unanimously agreed that ethical standards should be part of the employees' business practices. There were different ethical standards that senior leaders emphasized within their organizations, but honesty, integrity, and trust were the top three responses to question 1. Figure 9 highlights the ethical standards by frequency of response.



*Figure 9.* Response frequency to documented ethical standards.

Many of the senior leaders in the study emphasized the need for documented ethical standards, but also stated that standards are valuable to the workforce as a gauge against their own personal code. One participant stated that:

Ethical standards are the core of our organization. Standards like honesty, integrity, and respect are critical to our business process and stakeholder trust.

However, more important is the impact that standards have on our managers and employees across the organization. Ethical standards drive our decision-making, employee/customer conduct, and our profitability. (PS6, personal communication, August 6, 2013)

Additionally, 15 (75%) of the participants indicated that top leadership needed to assess, document, and communicate ethical standards to the workforce on a consistent basis in memoranda and policies. Another participant's response reflected this theme in the

answer:

From the senior leadership lens, I view ethical standards as the norm, a requirement that must be applied and enforced through policies, culture, and most importantly action. If ethical standards are documented in organizational memorandums and policies, the workforce understands senior leadership's view on business practices, performances, and most importantly personal behavior.

(PS3, personal communication, July 29, 2013)

However, 12 (60%) of the participants indicated that not all managers, senior leaders, or C-level executives supported integrating ethical standards throughout the organization regardless of the cost. Many of the senior leaders during this study indicated the acceptance of ethical standards as long as business growth and profitability continued. A C-level participant indicated:

When compiling processes or policies, our business practices are always at the forefront of the draft stage. In most cases, standards like integrity, honesty, responsibility, and fairness are noted in memos to the workforce as reminders that we want everyone to adhere to ethical practice. However, our CEO believes that documenting ethics in every practice becomes impractical and not cost effective. He believes that if you role model ethical behavior the employees will follow example. (PS8, personal communication, August 7, 2013)

Another senior manager had a different view of company executives. The participant acknowledged that ethical standards were part of the organization, but that profit was the central driving factor. The senior leader noted in the interview that:

Ethical standards are located in the code of ethics. While the executives at my company want the workforce to adhere to documented ethical standards, I see little commitment to promoting and cultivating additional standards beyond that. The organizational culture in this company is an incentive structure that promotes parochial and non-collaborative behaviors. (PS1, personal communication, July 28, 2013)

The majority of the participants thought that the leadership in their respective organizations assumed that ethics standards would be part of the organization, and there were varying levels of leadership that supported implementing ethical standards throughout the organization, just not at the cost of business profit. In other words, evidence exists to suggest that while organizational leadership values ethical standards and wants the workforce to adhere to identified standards, additional and time-consuming assessment and documentation was not a priority.

As I asked participants to elaborate during the interviews, possible explanations for the lack of unanimous support by all levels of leadership began to emerge. Although the participants made several comments regarding their organization, the three most common examples given as possible root causes included, (a) organizational culture, (b) corporate values, and (c) code of ethics. Table 4 shows the percentages of possible root causes by leadership ( $N=20$  participants).

Table 4

*Percentage of Possible Causes of Lack of Support Cited by Leadership*

Possible cause	Percentage
Organizational Culture	55%
Corporate Values	40%
Code of ethics	30%
Communication	25%
Training	15%
Poor leader	10%

One participant summarized a possible root cause, saying,

A lot is expected of leadership in the form of setting an example through decision-making, management practices, and strategic planning. A standard set of ethics and behaviors are covered in our code of ethics and given to each employee on orientation. However, as a senior leader I know the difficulty of trying to incorporate ethical standards into business practices at each step of the business acquisition process. I firmly believe our executive team accounts for ethics but may not document them in our strategies. The biggest hurdle to this working is the workforce. If there are not documented standards over and above those found in one document, then the door is open to misconduct by anyone in the organization. I try to eliminate that by talking to my managers, but in the end, we have to do more to ensure our organizational culture is one of honesty, integrity, and trust. (PS5, personal communication, August 6, 2013)

The consensus is that ethical standards are vital and necessary for leaders to establish a tone of ethics that permeates throughout the workforce. There was no consensus on how to solve the problem of leaders verbally enforcing or reinforcing

standards without documenting them beyond the code of ethics. Beekun and Westerman (2012), and Walumbwa et al. (2011) posited the interrelation of senior leaders' behavior, leadership styles, values, and ethical decision-making, and in conjunction with the development of better ethical standards beyond a code of ethics could provide the necessary guidance to improve organizational performance. Three participants indicated that senior leaders in their respective organizations relied upon codes of ethics to resolve ethical quandaries. Each of them believed communicating ethics to the leadership and workforce required more effort on a more consistent basis. The majority of the senior leaders interviewed agreed it was the leadership's responsibility to set the tone in the organization.

**Theme 2: Organizational culture.** The participants mentioned organizational culture several times throughout numerous subquestion responses. The organizational culture theme stems from participants' beliefs that the culture in an organization dramatically influences ethical leadership as well as ethical behavior by the workforce. Robertson et al. (2013) noted in their study that organizations with a dysfunctional culture were to blame for many ethical transgressions that led to the loss of millions.

Senior leaders in Fortune 500 companies often rely on the contributions from tens of thousands of employees from all occupations. Executives in organizations often hire employees who bring with them their own sets of values and culture from the society with which they are familiar (Schein, 2010). An effective organizational culture was a documented component of the organization, echoed, and enforced by senior leaders. If organizational leaders fail to document and support ethical actions, performance often

suffers. Schein (2010) identified Enron's leaders as the perfect examples of organizational leadership that did not understand the consequence of a dysfunctional organizational culture and its effect on the sustainability of the company. Thus, the company lost billions and collapsed.

The participants in this study were from all levels of leadership across different Fortune 500 companies. Most (80%) of the participants indicated that organizational culture often dictates how the workforce and leadership handle communication. If the leadership is unwilling to listen or become involved in the issues of the workforce, then as one participant indicated, the culture is one of self-preservation. Jackson et al. (2013) indicated that corporate leaders must understand that individual decision-making influences organizational climate, which supports or breaks down an ethical climate. This same participant also noted that:

There is a moderate amount of lip service from senior leadership paid to ethical standards and corporate values; however, I have not encountered any examples of leadership at any level that inquired in a meaningful way into whether these standards are being adhered to by senior or mid-level management. I also have not seen leadership intervene to remedy a situation where employee behaviors were inconsistent with these guidelines and policies. This has created an organizational culture of misconduct. (PS1, personal communication, July 28, 2013)

While PS1 indicated a significant issue with organizational culture in that company, other participants indicated no such divisiveness. However, 14 (70%) participants did indicate

that leadership set the tone for an ethical organizational culture through engagement, communication, and documentation. One of those participants noted:

I believe that we (senior leaders) establish that ethical voice in the organization. By doing so, we achieve the organizational culture that we want. One of honesty, teamwork, open communication, and trust. Our CEO believes that we lead by example, communicate what we expect, and show a concern for our people. That is his creed. Our CEO believes we should spend at least some of our time talking with our people. Reminding the employees that we want to have a positive, ethical climate one that entrusts its employees with organizational success. (PS12, personal communication, August 15, 2013)

Like PS12, other participants noted the need to engage often with the workforce to create the proper ethical culture within the organization. Several (50%) of the participants stated that an ethical organizational culture helped attract, hire, and retain honest employees. As stated by one participant:

We have a code of ethics; we have a guide to ethical standards, send out multiple ethical memos each year, and senior leadership practices leadership by example. We have seen how corporate culture can influence the ethical climate of an organization. We have seen it in past company failures, and we have seen it here. As the COO, I have seen how a relativistic culture can destroy an organization. So we pursue an ethical culture in everything we do. We strive to ensure all our new employees practice a positive culture whether on site with the customer or at corporate sites supporting our teams. The practice of pursuing ethical culture has

helped reduce the turnover rate and ethical violations. (PS18, personal communication, August 20, 2013)

Evidence exists of organizational culture influencing organizational performance in corporate successes and failures across numerous industries (Schein, 2010). This theme appeared to share some qualities similar to documented ethical standards. Senior leaders in this study noted that positive or negative leadership behavior and communication influences culture. Previous authors have shown that the relationship between organizational ethics and employee morale has a positive outcome on the long-term sustainability of a company (Ruiz-Palomino et al., 2013). The participants in this study unanimously (100%) agreed that organizational culture influences employee behavior and executive operation of their respective companies. Five of the participants mentioned a previous Fortune 500 CEO, who was a perfect example of how a culture of profit first employee second can affect the sustainable future of the company. Drover et al. (2012) posited that profit maximization cannot be the sole purpose of the company and still exist. The inevitable output is greed and unethical behavior. As one participant mentioned:

The company still has not recovered from the CEO's attempt to maximize profit by stripping the company of assets. The company's organizational culture like its stock suffered with that type of mindset. (PS8, personal communication, August 7, 2013)

## **Research Question 2**

What mechanisms are in place for ensuring ethical standards influence senior

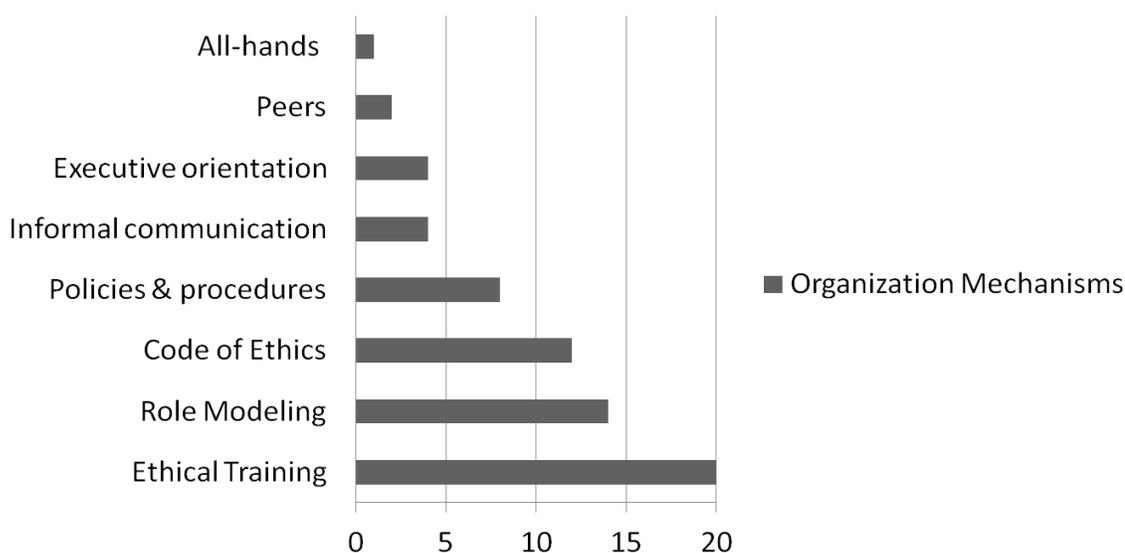
leader's decision-making relating to improving strategy or management practices? The intention of this research question was to explore any policies, procedures, training, leadership behavior, or other mechanism that might be prevalent to help guide senior leadership make ethically appropriate business and strategy decisions. As in the research question 1 which the participants noted that ethical standards were a fundamental component to a leader's ability to establish an ethical culture in an organization, two themes emerged: Ethical training and role modeling.

Sama and Shoaf (2008) argued that if executives wanted to create an ethical workplace climate, implementing ongoing training would be a necessity. The implementation of ethical standards in the fabric of the organization is necessary to improve culture (Schein, 2010). To do so permanently, Miao, Newman, Yu, and Xu (2013) posited that training must be an ongoing element in the organization. The participants also concluded that ongoing and varying ethical training was a critical mechanism to be a positive influence on the leaders' actions. Highlighted in the study by Shin (2012) on what motivates a leader's ethical behavior was how a continual schedule of training enhanced the ability to react ethically.

The theory that training helps guide employees is a linked concept to the belief that role modeling significantly increased positive workforce behavior. Leaders used to lead by direction, not by action (Bennis, 2010). On the advent of relationship oriented leadership theories, role modeling became the central crux that leaders used to influence employee expectations and behavior in the organization (Ruiz-Palomino & Martinez-Cañas, 2011). Participants unanimously agreed that role modeling was an aspect of

leadership necessary in a society that embraces relativism and a profit only mindset. The interview protocol subquestions 5, 6, and 7 (see Appendix A) supports research question 2. The following prevalent themes emerged after analysis on research question 2.

**Theme 3: Ethics training.** Analysis of the findings reveals that prevalent participant comments throughout the study data indicated the availability of ethical training. Warren et al. (2014) noted that training helped leaders understand the contextual influence of their decisions on the business outcomes of the organization. Different participants mentioned different improvement mechanisms, but all 20 (100%) of the participants cited training as a mechanism that everyone, including leaders, needed for guidance. Figure 10 highlights the top eight mechanisms mentioned by frequency of response.



*Figure 10.* Response frequency to organization mechanisms.

As mentioned in research question 1, not all ethical standards, beyond the code of ethics, become documented. In addition, not all organizational leaders integrate

standards consistently in business processes. Participants were quick to identify training as an important mechanism. One participant stated:

We have multiple layers of ethics training available to all our leaders and the workforce. In addition to their annual ethics refresher requirement, everyone is tasked with completing a certain amount of ethics classes depending on their role in the organization. We do this by publishing the information through our corporate SharePoint system on the intranet. None of us has to search for the training; it is readily available with links and easy to understand instructions. More importantly, it is very apropos for whatever job that we do. (PS13, personal communication, August 15, 2013)

It became apparent as the interviews progressed that organizational leaders valued ethics training. As another participant mentioned:

Yes, ethical training is available to the workforce annually and in some additional computer based trainings if they so choose to take them. The company does attempt to reach out and communicate with the workforce through these trainings to ensure an ethically compliant workforce. The same training is available to the senior leadership, as well. (PS14, personal communication, August 16, 2013)

Several participants discussed how some training classes refocused their attention on how ethical standards and business processes were linked together. 100% of the middle managers in this study highlighted how ethics training in their organization helped them understand regulatory issues in business development. One participant echoed this sentiment:

I have worked for my organization for nearly two years, and I have either attended or taken through computer-based training, at least six ethics training classes. Leadership demands that we know when are about to do something wrong. Therefore, I can say that when I make a decision regarding future business, I know it is an educated one. (PS17, personal communication, August 19, 2013)

Throughout the first decade of the 21st century, executives in Fortune 500 companies have attempted to require training for everyone, including the senior leadership, to ensure education and compliance. Unfortunately, in some cases, the workforce had to take the training, but senior leaders were exempt, until malfeasance crept into the pursuit of billion dollar contracts. Another participant supported this view:

There was vigorous ethics training for the workforce but not the upper most leadership. In my division alone, I was required to report how many have completed the annual training, but that number did not include me. As a director, I was exempt. I was expected to know the ethics rules. (PS16, personal communication, August 19, 2013)

A second participant also mentioned that ethics training was readily available but that, at one point, the executive team did not take the same training. The participant went on to say:

We had an ethics training tab on our website for all employees to access. The workforce knew the requirements for completion. However, it was also known that the executive team and certain senior leaders never took any ethics training.

That is, until last year, when one of our executives decided it was a good idea to use company money for personal trips. Although I do not know specifics of what happened, soon after, we had to start taking the training. Now it is available to the entire workforce through CBT. (PS7, personal communication, August 9, 2013)

Three of the participants indicated that the means for leadership training was not available in the organization. Each participant stated that with budgetary concerns, it became difficult to convince senior leadership that training was as valuable as the operational components. A participant said:

In my organization, ethics is a valued commodity. We are expected to adhere to our code of ethics and report any violations to our supervisors. In my case, the supervisor is the VP. However, all he wants to know is if we are doing everything we can to cut costs and make our profit margin. When one of the company's employees was removed for an ethical violation, there was no attempt at explaining what occurred so that the lessons learned could be generated from it. Instead, a memo from the COO simply stated that managers should look for violations and deal with them as required. There is training in the organization, but it is limited to the regulatory kind you do annually. I have asked for functional training on more than one occasion. It appears that leaders and managers need regular training to help avoid those ethical issues that make decisions almost impossible to execute. (PS9, personal communication, August 13, 2013)

The participants concluded that ethics training of varying types was an important mechanism to help influence managers, senior leaders, and C-level executives' decision-making relating to improving strategy or management practices. Researchers have demonstrated that even in boom times, like the early part of the 21st century, ethics malfeasance can creep into processes, employee behavior, and even organizational culture (Schein, 2010). Ethics training helps the workforce identify ethical issues to avoid when conducting business (Warren, Gaspar, & Laufer, 2014). At the highest levels, training is one mechanism that improves customer and stakeholder trust regarding the ethical nature of a business decision (Clifton & Amran, 2011). The results in this study appear to support that conclusion.

**Theme 4: Role modeling.** A surprising theme emerged in response to central question 2 and its subquestions. Often, participants cited documented standards, code of ethics, and even culture as elements that influenced behavior and performance. However, senior leaders and C-level executives in this study often referred to role modeling as a mechanism that influenced other leaders and employees. The study's data indicated that 70% of the participants mentioned that their behavior often received the most attention in the organization instead of a memo or directive. As stated by one participant:

The workforce I believe follows our example. Ethics is important; we demonstrate that behavior and the workforce will follow. Our entire executive team also believes in role modeling the appropriate behavior. (PS20, personal communication, August 29, 2013)

One C-level executive suggested that role modeling was a visual example of the

behavioral expectations required of an organization. The participant went on to state:

Our organization expects to do business ethically. Our leadership team helps foster ethical behavior through role modeling the desired behaviors during their interactions with employees and through the common course of a business decision-making process. (PS19, personal communication, August 28, 2013)

Many of the participants discussed the need for proactive leadership by the leaders and managers in the organization. However, one participant discussed the importance for leaders to lead by example:

Leadership is viewed as a critical piece of the mission in my organization. Our CEO believes that the workforce will only respond positively if leaders are concerned about them first and foremost. I have spent nearly two years here trying to get leaders and managers to embrace selfless leadership. I believe it has paid off because ethical violations are down, as is workforce complaints, and our profits are still where they need to be to make the shareholders happy. I have been associated with companies that only care about profit. This leads to unhappy workers and unethical behavior. If you show your subordinate what you expect and follow those rules too, there will be fewer missteps along the way. (PS15, personal communication, August 16, 2013)

The data from organizational leaders indicated executive's concerns regarding leader and employee behavior alike. Participants noted many times that all levels of leaders should involve themselves in role modeling ethical behavior. Schein (2010) argued that leaders use many practices that embody the values they hold in numerous daily interactions with

employees that in turn become the cultural climate of the organization. The study's data indicated that (25%) of the participants stated that they have participated in role modeling or seen it in their peers. One of those participants noted that:

Role modeling occurs mainly at the senior leader level. It has been a documented goal to improve manager-employee relations and our current and previous CEO both believe it is best done by modeling the expected behavior at all levels of management. (PS4, personal communications, August 3, 2013)

It became apparent that the participants agreed that leaders are the cogs that make the organization operate smoothly. Over half of the participants believed that leaders who practiced responsible leadership directly influenced the organizational culture. One participant was avid when explaining that real leadership begins when the employees know the expectations and that employees matter. The participant was quick to state:

Real leadership begins when you lead by example. The workforce pays attention and wants to follow someone who has his or her best interests at heart. In my opinion, leadership effectiveness is directly to organizational effectiveness. My managers are all told to practice ethical leadership. Think about their workers first, do not try to rush decisions, role model the policies and practices of the organization, and most of all, follow the rules. I have seen a difference in moral since I arrived, and it started with demonstrating the values I was preaching daily. (PS5, personal communication, August 6, 2013)

Organizations view effective leadership as an important attribute for an organization. In an ethical organization, leaders are the conduit between employees, shareholders, and

stakeholders everywhere (Brown et al., 2005). Ardichvili's model and the seminal theories of spiritual and ethical leadership all point to the need of leadership to function as ethical role models for the rest of the organization. Like Burns (1978) theory of transformational leadership, leadership expects to engage the workforce as a partner in the mission, not strictly as a subordinate to accomplish the tasks. It was unanimous that the executives in this study supposed that, at the higher levels of management that ethical leadership positively relates to higher senior leadership effectiveness and morale (Du et al., 2013; Kalshoven et al., 2011; Thiel et al., 2012).

Because leaders influence positive employee outcomes, role modeling and communicating ethical behavior is necessary. With the advent of relativism in society, role modeling ethical behavior has become a necessity to demonstrate for the workforce the expectations of the organization (Ruiz-Palomino & Martinez-Cañas, 2011). The conceptualization of ethical leadership is still in the early phases of scientific research. However, several authors (Brown & Mitchell, 2010; Ruiz-Palomino & Martinez-Cañas, 2011) indicated a positive linkage between supervisory ethical leadership and organizational citizenship behavior and safety. A participant at the end of their interview stated that role modeling has positively changed how employees see leadership in the company.

### **Research Question 3**

How do the perceived influences of a senior leader's moral code influence a code of ethics, ethical standards, or a culture of trust, making ethical misconduct improbable, and improving organizational processes? The intent of this question was to explore a

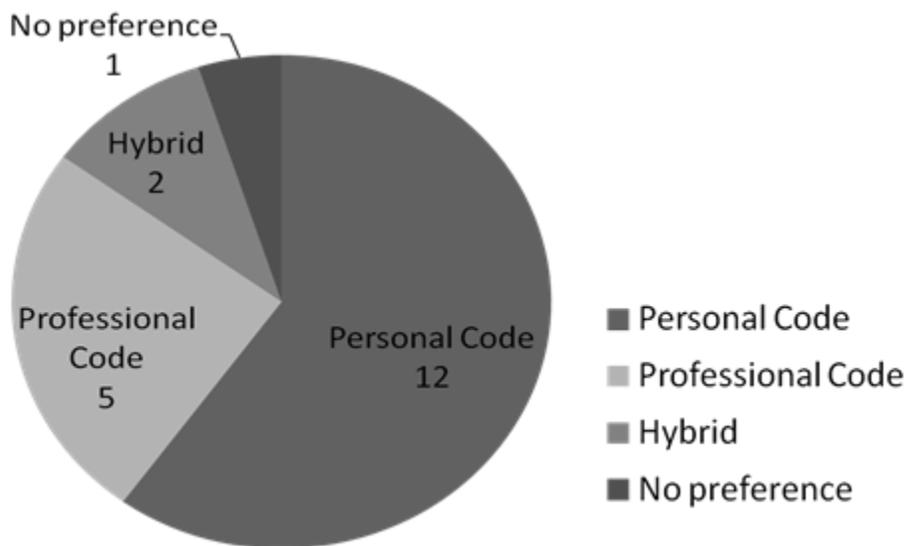
leader's values, personal moral code, and the use of those codes when faced with moral dilemmas. Many of the seminal theories and conceptual frameworks used in this study center their research on the leader's values. McPherson (2013) articulated that senior leaders at for profit organizations face situations associated with business situations that leave little room for personal values, especially because of modern business structures and rapidly changing hypercompetitive industries. Erwin (2011) noted that leaders who have a personal set of ethical codes and rely on them when conflict arises from competing moral values in business opportunities, often imprint positive behavior on the workforce around them. In a decisive study on spiritual leadership, Fry (2003) posited that executives who seek leaders who possess a moral code often reduce ethical violations and influence organizational behavior. Most of the participants of this study agreed that leaders need a value system to make ethical decisions in the face of a conflict.

Supporting that idea is the concept that dilemmas influence leader behavior and company performance. Cranenburgh and Arenas (2014) argued that ethical decisions do not take place in a strictly defined vacuum. In almost all business decisions, people are involved, and when people are involved, there are value systems, moral dilemmas, and competing interests. Knowing how to address those competing interests significantly increases the leader's ability to make an ethical decision. Several of the seminal leadership theories and the Brown et al. (2005) ethical construct explained in this study, highlighted the need for a consistent and educated approach, as well as a moral foundation to deconflict competing values. Some of the participants in the study had experienced, firsthand, what a moral dilemma could do in an organization while others

had perceptions on the topic or were witnesses to similar experiences. United in their belief, the participants agreed that evidence exists that moral dilemmas can negatively alter the course of an organization. A secondary outcome from this question was the participants' insistence of a viable training course to help the leader manage the dilemma. Several of the participants explained that a new training model could help guide leaders at all levels through various difficulties in decision-making.

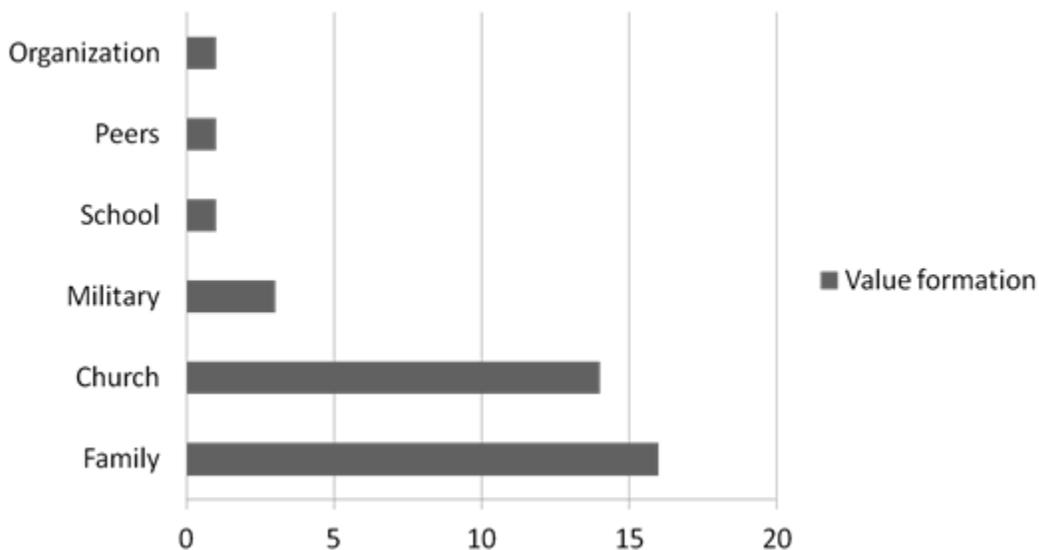
Subquestions 8, 9, and 10 primarily supported central question 3 on the interview protocol (see Appendix A). The themes values and ethical dilemmas emerged after analysis on central research question 3. There were also some discussions on leadership attributes and moral codes, but after reviewing the data, I decided to combine moral codes and values into one theme and leadership attributes simply mentioned throughout this section.

**Theme 5: Values.** As expected, most participants were quick to begin section 3 with a discussion of values; both how values originated and how backgrounds influence their decisions. The participants also noted their preference for personal or professional code of ethics when faced with dilemmas. Schein (2010) stated that managers and employees alike would default to what they know best when attempting to make a decision from a selection of choices. Figure 11 outlines the participant's preference to use personal or professional code.



*Figure 11.* Participant preference to ethical codes.

Most (12) of the participants stated they preferred using a personal code of ethics when making difficult decisions, but two participants stated they used a combination of both, and one participant had no preference. When pressed for an answer, the participant concluded that the availability of facts helped drive his decisions, and that he was not sure how an ethical code influenced his decisions. The participants also indicated how they formulated their values. Many of the participants claimed their value systems give them the ability to make difficult choices. Three of the participants even noted that because of their value system, ethical decisions are not as difficult. Figure 12 outlines how the participants formulated their value system.



*Figure 12.* Values formation sources.

Values are the foundation for ethical behavior. Ruiz et al. (2011) stated that ethical leadership is the modeled moral behavior of organizational leaders with the goal to promote ethical behavior in employees. The participants stated when crafting a strategy, making a decision, or interacting with other members of the organization, that their value system helped keep ethics involved in the process. One participant summarized the need to rely on his own value system:

I promised myself when I started my career that I would never forget where I came from – where I started. Always support all levels of the corporation and treat them all with dignity and respect because each one of our employees impact our own employees and customers which in turn impacts our company's reputation and ability to grow our business. I have witnessed employees, customers, and company leaders blatantly lie to protect themselves or their interest; trust and respect are lost immediately. I would prefer to conduct business

with a handshake and feel confident that both parties will honor the agreement in the spirit to which it was made. I should not need to hire a lawyer to draft up a 40-page document with a bunch of language I cannot understand and will not hold up in court anyway if your opponent has enough money. Keep it simple and always do the right thing. Treat others, as you would expect to be treated. (PS9, personal communication, August 13, 2013)

Predominantly, participants seemed to agree that reliance on values to influence ethical standards, or business decisions, or even improving organizational processes was necessary. Participants cited the need to ‘do the correct thing’ as an incentive for heeding one’s own values. In a significant business deal last year, one participant reflected a need to adhere to personal values:

For me, my family influenced my values at an early age. My father served in the military and that code of behavior, duty, and responsibility was an influencer as well as my parents’ dedication to hard work and to their family. Church also was a big influencer, as we would attend weekly service and Bible school. I mention this because I remember those values when I make decisions that influence my organization. Last year, we were working on a major development, when one of the companies we were considering collaborating with did something unethical. That company was a favorite of the prime on the contract. Regardless of that, I strongly recommended that we either find another partner or pass. We found another partner and still won that work. When faced with an ethical dilemma that causes two of my values to conflict I revert to what I know and what my family

taught me. If you stick to your value system through life, you cannot go wrong.

(PS20, personal communication, August 29, 2013)

Another participant when discussing a moral dilemma regarding his organization made similar comments. This participant stated:

In my own life, I have had a very interesting compilation of personal and professional experiences that have shaped my value system. I would say that a heavy influence that of my faith, and the ancient text upon which that faith is based (the Bible), which would be considered a code of ethics in and of itself. My family has also influenced me that not everything is clearly black-and-white that there is a lot of gray and that a lot of life is subject to interpretation - and sometimes the situation at hand requires some out-of-the-box thinking. I have learned from a variety of professional experiences, as well. While my professional history includes a varied background of sales and marketing, training and development, systems engineering, management consulting, strategic communications, nonprofit, logistics, and media & entertainment, I feel that My own value system that I have learned from a lifetime of experiences has helped me make good decisions. (PS14, personal communication, August 16, 2013)

Values based leadership positively influences the culture of an organization (Schein, 2010). From the participant's answers, values are clearly important to leadership when making decisions, but also integral when ensuring ethical standards influence those decisions. Executive decisions that affect profit, organizational culture, ethical climate,

or workforce performance should include employee processes that consider ‘doing the right thing.’ On more than one occasion during the interviews, the participants would stop and expound on various organizational and lived experiences regarding how values have influenced their decisions. Casali (2011) argued that the moral foundation for decision-making stems from certain core values. Without strong values, the possibility of poor decisions exists in which leadership action inadvertently leads to conflicting communication that affects organizational sustainability.

**Theme 6: Ethical dilemmas.** As society openly embraces ethical relativism, reshaping standards of behavior, honesty, and accountability become reality, and the mapping of new ethical lines between what is right and what is wrong occurs all too frequently (Mudrack & Mason, 2013). As new dilemmas emerge, business practices change to fit expediency and profitability (Valentine & Bateman, 2011). After reviewing the data from the interviews, many (65%) participants specifically referenced dilemmas and the impact on decision-making and business outcomes. Two of the participants cited continual dilemmas as the reason for organizational change. However, the evidence did indicate that 100% of the managers believed that dilemmas do influence decisions. As described by one participant:

Working and living through ethical dilemmas has certainly changed my perspective on certain topics and sharpens the attention I give to business decisions, which touch on those dilemmas. Resolution of ethical dilemmas can also provide a basis for performance conversations, developing expected standards of behavior as well as influencing future business decisions. I definitely

think hard about some decisions based on past situations that I have been involved with or that have been shared with me, and use that information to ensure that employees understand why I make the decisions I do. (PS20, personal communication, August 29, 2013)

This was not the only example of a participant who indicated that dilemmas effect decision-making. Multiple (40%) participants stated that facing a similar dilemma before makes a manager that much more qualified to make that tough decision. An executive described this theme by stating:

Ethical dilemmas are conflicts that arise when significant decisions arise against competing values. Having to choose between a million dollar profit and moving onto the next deal because a supplier's business practices are questionable is gut wrenching. Because it is critical for the senior leader to have both a strong moral compass and professional code of ethics to help avoid poor decisions or just unethical ones, it becomes imperative to have ethics touch our business practices that in turn influence our company culture. One thing is for sure; dilemmas can literally end a career or a company's future. Also, if I may add one more thing regarding dilemmas. Since training is not available for dilemmas, a leader that has faced dilemmas before is a very valuable asset to have in the organization. (PS19, personal communication, August 28, 2013)

One participant deemed that dilemmas affected the mission and affected the culture of the organization. The participant explained:

Ethical dilemmas whether at home or on the job do influence all facets of senior

leadership's efforts. In addition to affecting business strategy, management practices, and organizational culture it directly affects how the people enabling the mission and making things happen view them. If affected negatively, there will be negative or less favorable results in the organization. If positive, these too will be attributable and traceable to the secondary and tertiary order of effects. An example, a happy employee, will perform better than an unhappy one...although many things affect this their perception of the world around them is a big one. (PS3, personal communication, July 29, 2013)

Most of the participants stated they believed dilemmas were a single point of failure for an organization if a senior leader with no ethical background is making decisions regarding the future of the company. Ardichvili et al. (2009) noted in their study that context and environment influences ethical decision-making, and examining ethical dilemmas and the role they play in organizational performance through the eyes and experience of senior leadership becomes essential. Like Enron, WorldCom, Tyco, or any other big business that failed because a CEO cut corners to make more profit, senior leaders play a critical role in establishing an ethical or unethical tone while pursuing business. Seminal leadership theories from the more revolutionary theories of transformational, charismatic, servant, spiritual and ethical leadership focus on the importance of the employee rather than the leader. The central premise of these theories is that leaders must possess moral values to promote effectively positive performance in the workforce. C-level executives, senior leaders, and managers in this study were clear when they posited that if a corporate leader has no moral background, the odds that an

ethical violation occurs significantly increases.

Numerous times throughout the interviews, participants identified attributes associated with leaders who positively influence behavior and performance. PS1, PS5, PS9, and PS12 indicated that honesty and integrity were the most important attributes for an ethical leader. PS 10, 11, 15, and 16 argued that the ability to inspire, communication, and dedication were attributes most likely to help a leader make the difficult decisions to guide the organization through a conflict. However, the consensus answer by the participants was that leaders set the tone, whether ethical or unethical, for organizational goals and behavior. Senior leaders should be a focal point of ethical guidance for the workforce while modeling the appropriate behaviors that influence an employee's positive productivity.

### **Applications to Professional Practice**

In all organizations, senior leaders play a critical role in ethical behavior in their organization employees, either by conduct, decision-making, or by ineffectiveness (Holt & Marques, 2012). The results of the interviews indicate a consensus that senior leadership does influence ethical behavior and organizational performance. Most of the participants agreed that ethical standards were critical, but not always integrated into business practices or strategy. The results of the study highlighted a significant problem that concerns senior leaders and Fortune 500 companies across industries: According to both examined and presented literature, the integration of ethics in an organization, dramatically affects leader behavior and organizational performance (Raza & Ramzan, 2013).

Practitioners and scholars who debate rigorously the merits of ethical leadership in Corporate America were able to improve decision-making. Brown and Treviño (2006) indicated in 2005 that Corporate America was still at risk for widespread malfeasance. Two years later, the ethical behaviors exhibited by corporate leadership resulted in the near collapse of America's financial markets, costing taxpayers almost \$1 trillion dollars (Ferrell & Ferrell, 2011). Ethical relativism is a significant challenge to profit and performance in Corporate America. Cultural perceptions of ethical relativism permit broad definitions of morality and give organizational leaders the freedom to make questionable choices to pursue the bottom line (Hastings & Finegan, 2011). Because ethics has assumed a dominant position in the current economic debate in corporate America, there is a need to define a modern approach for leadership decision-making without resigning the research to the relativist theory of moral evolution (Pitesa & Thau, 2013).

Organizational leadership seeking long-term profits and sustainability need to identify potential leaders with ethical traits, because researchers have shown apparent links between successful organizations and ethical business practices by leaders (Savage-Austin & Honeycutt, 2011; Su, 2014). Findings from this study provide limited but deeper understanding of the problem that Fortune 500 leadership face daily. The results could assist future organizations' leaders in developing ethically based standards, an ethical leadership model, and targeted ethics training to reduce the challenges of ethical malfeasance.

Leaders must assess, define, and document ethically based standards beyond those

found in an organizational code of ethics. A simple introduction of corporate policy is not sufficient action regarding encouraging ethical behavior. No direct correlation exists between the organization that has a code of ethics and the level of ethical behavior of corporate employees (Holder-Webb & Cohen, 2012; Weber & Wasieleski, 2013).

Literature has often noted the need to supplement formal policies with other efforts to nurture an ethical workplace culture (Levine & Boaks, 2014). Communicating ethical standards to all employees, senior leadership and workforce alike, demonstrates a concern beyond that of simple profit. For example, Erwin (2011) suggested that personally communicated codes of ethics are the most effective. Erwin cited the need to ask questions, to engage in opportunities for critical thought with an immediate supervisor as necessary to ensure success at influencing levels of commitment.

The criticality of the leader was never more obvious than in an organization struggling to communicate ethical requirements to its workforce. Leadership theories from Burns (1978), Fry (2003), Greenleaf (1977), and Treviño et al. (2006) demonstrate that there is a documented association between the core of leadership effectiveness and the leader's success at motivating the followers to achieve organizational goals as emulated by leadership that models ethical behavior. Thus, Kaptein (2011) argued that ethical leadership is necessary for a competitive advantage, and in keeping and attracting ethically proficient employees. Trapp (2011) sought to identify factors that either helped or impeded the intentions of ethics and compliance management efforts. Trapp found that elements associated with the corporate ethics program were less important regarding what effects employee attitudes and behaviors than the characteristics of the corporate

culture, including the practice of leadership ethics and values mentoring.

A second solution to overcoming ethical malfeasance in an organization is the need to develop a new ethical leadership model for a new generation of leaders. Current leadership models are ineffective at dealing with the radical paradigm shifts occurring because of societal and organizational change (Fry, 2003). Institutionalizing ethics within organizations requires an understanding beyond a code of ethics or documented ethical standards for leaders to understand demanding answers involving the moral actions associated with decision-making (Desai & Roberts, 2013).

I contributed to the ethical leadership body of knowledge by ascertaining practical applications of organizational leadership through both scientific and ethical theories. The benefit to leadership is obvious. If senior leaders can identify a dilemma and recognize the moral element of the decision, leaders can avoid the trap of justifying the means of the process with the results. Many existing models ignore the effect of characteristics of the moral issue itself. Ethical leaders influence positive employee outcomes and improved performance (Brown & Treviño, 2006; Du et al., 2013; Kalshoven et al., 2011). They also communicate and role model ethical behavior, contributing to the entire moral attitude and culture of the organization (Brown & Mitchell, 2010). Thus, a leader who can comprehend an ethical issue before it becomes one will be more efficient at steering the organization away from ethical malfeasance.

The third and perhaps most important factor for institutionalizing ethics is the need to ensure that senior leaders receive adequate training and support to provide effective vision and direction for future business practices and the ethical guidance of an

organization's workforce. At the introduction of this study, I wanted to know if leaders used ethical standards, beyond a regimented code of ethics to achieve successful business outcomes or develop and provide education and training for themselves and their employees. The participants were undivided in their reply when each one called for realistic ethical decision-making training. Raza and Ramzan (2013) noted that comprehensive ethical standards are necessary for a training based curriculum that will help prepare and guide leaders and employees for workplace dilemmas that may lead to unethical behavior and performance. If executives wanted to create a workplace climate, in which ethics is an important part of the daily business, the implementation of ongoing, and proactive, scenario-based training would make ethical behavior virtually self-regulating.

Many leaders, as indicated through the interviews, are trying to ensure the integration of ethical standards into employees' daily lives. Schein (2010), Pastoriza and Ariño (2013), and Tweedie et al. (2013) explained that ethical standards must be part of the organization's climate and culture if leadership wants the standards to take hold permanently. In most cases though, significant resistance exists because of costs in time and money associated with an ethical approach. A fundamental lesson learned from the debacles of Enron, WorldCom, and Tyco is that ethics and compliance start at the top. Without effective, ethical guidance, leaders justify questionable decisions in response to an ethical dilemma by stating that the application of ethics is not possible in all business decisions (Holder-Webb & Cohen, 2012; Tweedie et al., 2013). If executives, stakeholders, and shareholders do not develop more effective strategic ethics and

compliance programs, the risks of questionable tactics and malfeasance across top management increase significantly (Ferrell & Ferrell, 2011; Su, 2014). The participants implied there was an expectation that ethical behavior is the norm in an organization. Notable also was almost universal agreement that if employed by a wholly unethical company, the participant would find employment elsewhere. One participant even mentioned doing so after finding his values and the values of his previous organizations' leaders incompatible. A C-level executive asked me a question at the end of the interview: Does it cost or does it pay to have an ethical influence in your organization? The consistent message from the participants was that regardless of the company, ethics was always a wise investment.

### **Implications for Social Change**

The purpose of this phenomenological study was to explore the lived experiences of 20 senior leaders in Fortune 500 companies relating to the lack of standards within organization ethics programs. In the first decade of the 21st century, world financial markets, environmental disasters, and corporate malfeasance all had signs of greed and malfeasance (He & Ho, 2011). Enron, Tyco, the U.S. auto industry, Arthur Anderson, and even the banking system all engendered a corporate culture that discarded ethics in favor of profits (Jackson et al., 2013). To understand why leaders disregard ethics in business decisions may have profound and positive implications for individuals.

I sought to explore the lived experiences and perceptions of senior leaders in Fortune 500 companies in the Washington DC area, to provide a deeper, more robust understanding of ethical leadership for business practitioners and scholars. The findings

in this study reflect the social significance of this study's potential effect on organizations, communities, and culture across the globe. By enhancing knowledge and understanding of moral dilemmas, by promoting ethical standards beyond the code of ethics, and by changing the recruiting, retention, and hiring practices, senior leaders will systematically imbue ethics into the fabric of the entire structure (Chaarlas, 2012). The community may benefit from this study when executives begin to integrate ethical practices into the core construct of the business, thereby enhancing CSR. The relational improvement between corporate and community will help avoid the destructive processes practiced by companies with no ethical approach (Yuan, Bao, & Verbeke, 2011).

Successful organizations have distinctively ethical cultures (Ardichvili et al., 2009). Researchers should focus on the effect of ethics and the resulting outcomes associated with employees and performance (Brown & Mitchell, 2010). Organizational culture influences employee commitment, morale, productivity, and even mental and physical fitness (Freeman & Auster, 2011; Frisch & Huppenbauer, 2014). Of particular interest for organization leaders business owners, and shareholders is the loss of profit from unethical behavior (Dembinski, 2011). Knowing why a link exists between ethical leadership, unethical behavior, and organizational performance appears to be a potential catalyst for senior leaders to develop and deploy strategies for planning, controlling, and improving ethics within their organizations (Brown & Treviño, 2006).

The findings presented in this study may promote organizational social change by illuminating issues pertinent to an ethical leadership phenomenon. Ferrell and Ferrell (2011) indicated that emphasizing the connection between ethical leadership and

organizational performance, even as leaders feel pressure to increase profits in a struggling economy, would lead to more sustainable gains across industries. The information in this study might also serve to illuminate efforts in Fortune 500 companies succeeding at the aforementioned standards integration. Benchmarking such successes would help to illustrate how integrating ethical standards consistently in strategies, business processes, and management practices can aid in long-term sustainability for the stakeholders (Caldwell, Truong, Linh, & Tuan, 2011).

### **Recommendations for Action**

The results of this study may produce practical ethical applications to leadership and provide a unique understanding of senior leadership's ethical actions. If organizational leaders have any hope in combating unethical behavior in the workforce and its leaders, then senior leaders must take a more active role in assessing, defining, and integrating ethical standards into the strategic goals, and documented, and referenced in more documents than the code of ethics. However, any change initiative of this magnitude that will possibly affect profit making will fail without the complete support of the stockholders. Senior leaders must convince the stockholders that long-term sustainability is untenable without an ethical approach to business. Unethical behavior contributed to the bankruptcy of more than 100 blue chip companies and cost the global economy \$2.5 trillion dollars, the equivalent of the gross national product of Australia (Probst & Raisch, 2005). Organizational sustainability needs ethics to survive (Clifton & Amran, 2011).

The data in this study indicate that given that unethical behavior still permeates

throughout corporations, perhaps the next step is to integrate ethics into the hiring practices. Leaders must go beyond the interview or the resume when hiring new personnel. By developing measures that emphasize ethics equally as experience, employees will understand the importance of ethical behavior, and organizations will benefit from positive ethical culture (Schein, 2010).

### **Recommendations Stemming From Theme 1**

The majority of the senior leaders participating in this study indicated that ethical standards require leadership communication and process integration with the workforce. Leaders thought it was their responsibility to ensure it happened. An aggressive campaign by senior leadership to establish a tone of ethics is necessary for an organization. Previous authors (Gill, 2011; Raza & Ramzan, 2013; Tweedie et al., 2013; Valentine & Bateman, 2011) have demonstrated that ethical standards, assessed, defined, documented, integrated in business strategy, and deployed into processes help solve ethical problems.

Recommended steps to start this process include:

1. Adding ethical standards in strategy, management practices, and decision-making beyond that of the organization's code of ethics.
2. Establishing an ethics program with required readings associated with position descriptions and responsibilities.
3. Establishing an ethics board chaired by an ethics officer and attended by the director of each business area. A briefing to the respective workforce that includes the after actions associated with the ethics board meetings would be a

mandatory monthly deliverable requirement.

### **Recommendation Stemming From Theme 2**

Fortune 500 companies have large populations. Data in this study appears to indicate that organizational culture can influence performance. The workforce of the 21st century faces an entirely new set of challenges (He & Ho, 2011). The demands of technology, multicultural workforces, relativism, and a profit maximization mentality, all work against a sustainable, ethical culture (Hiller, 2013). Tetenbaum and Laurence (2011) posited that, in the heat of intense battle for profits, executives would make unethical decisions far more often. The results of these challenges have led the need for a strong organizational culture. Organizational culture should be adaptable (Schein, 2010) and it should be ethical. Organization leaders must communicate by example the culture of ethics to the workforce. Recruiting, retention, and hiring practices must have ethical components that reflect the leadership and culture of the organization (Hiller, 2013). Last, there must be systematic ethics training for all employees and leaders at all levels.

### **Recommendations Stemming From Theme 3**

The interweaving of ethical considerations in the strategic and operational decisions of leadership and the workforce alike into fabric of the organizational structure is necessary for continued ethical behavior. The data from the participants in this study have shown that the organizational code of ethics is not sufficient to sway behavior and ensure ethical decision-making. Implementing comprehensive training programs beyond the mandatory annual ethics training is an appropriate approach to help both the employees and leaders to understand and encourage ethical business decisions. One

participant outlined the need for training:

Ethical training must be made available to the entire workforce. In the past senior leadership was not held accountable for missing training, but the workforce would see enforcement actions. This had to change. Ethical misconduct began to creep slowly into behavior here and there and after we lost a big project to a rival competitor because of a manager unintentionally committed an ethical misstep it dawned on us that our leadership is responsible for the actions of this company. Afterwards, we implemented a tiger team and looked for various solutions. The biggest one: Ensure ethical training was satisfactory completed by everyone. That was 2 years ago. I personally have seen a difference in how our company approaches business. (PS20, personal communication, August 29, 2013)

Effective ethical training focuses on identifying the warning signs associated with realistic dilemma-based scenarios. Ethics training best accomplished by developing content from established ethical standards and integrating a “what if” methodology into the ethics training curriculum. Sama and Shoaf (2008) noted that if executives wanted to create an ethical environment, one free from constant malfeasance, implementing recurring scenario-based training would make ethical behavior virtually self-regulating. This type of training methodology focuses on the *red flags* associated with scenarios that routinely occur in that respective industry or company. The advantage of this type of training methodology is that leaders at all levels and employees will recognize those warning signs that may lead to unethical decision-making. The Brown and Treviño (2006) ethical leadership model clearly indicated that ethical leaders influence positive

employee outcomes and improved performance. Ethics should be a critical component of any organizational training program. Most organizations, as indicated by the participant's responses, have annual training, or at best, reactive training after an incident has already occurred. Similar training may help with any disciplinary or legal ramifications that may arise from members who have violated federal regulatory guidance, but it will not solve the quandaries involved with continued malfeasance. Considering the influence that knowledge and experience have on task behaviors, it is surprising to executives and senior leaders that ethics training lags as a priority in many organizations.

#### **Recommendations Stemming From Themes 4 and 5**

Themes 4 and 5 share a common parallel demonstrated by the link between role modeling and values and a leader's ability to convince an employee to behave and work in an appropriate manner. Burns (1978) first proposed a revolutionary leadership theory that described leadership that was selfless and focused on the employee versus the leader. As noted in the study, additional modern leadership theories like servant, charismatic, spiritual, and ethical have emerged demonstrating the criticality of the organizational leader. Clifton (2012) explained that because leaders are a valuable source for defining, developing, and deploying ethics in an organization. More focus on leading by example rather than managing for profit should occur.

Researchers have found that bottom line business and moral decision-making are not always compatible (Graafland & Ven, 2011). Consequently, leadership must find avenues to minimize unethical behavior while demonstrating, by action, the desired

behavior. Role modeling the desired behavior will help employees do the same. Moynihan et al. (2012) supported this concept by explaining that only by identifying with role models in the organization will tangible changes in climate and culture occur. Study data from participant interviews indicated that leaders must bring a set of moral values to an organization if the deployment and integration of ethical standards into the daily practices are to be successful. Instilling ethical values positively affects the culture of an organization (Gill, 2011).

### **Recommendations Stemming From Theme 6**

Ethical dilemmas require analyses and solutions beyond a code of ethics or documented ethical standards for leaders to understand demanding answers involving moral actions associated with decision-making. Valentine and Bateman (2011) noted that dilemmas are of primary concern because most leaders do not recognize how dilemmas influence decision-making. A major concern for leaders in this study was how moral dilemmas influenced their decision-making. The leaders stated that leadership bore a responsibility to choose a moral alternative to a problem when faced with a moral dilemma.

Research has shown that organizational leaders do not bore a moral responsibility when facing moral dilemmas in Corporate America (Ferrell & Ferrell, 2011). Fry (2003) and Brown and Treviño (2006) indicated in their conceptual models that cultural factors tend to override the bureaucratic and political environment as an influence on worker productivity. Thus, influencing leaders by something more than organizational codes or standards are necessary. Participants indicated that training and role modeling

documented employee standards were two excellent sources to help leaders understand what ethical missteps to consider and avoid. One participant indicated how easy it was to make a mistake:

A few months ago, I had to make a choice. To report an ethical violation on myself or just let it go. It did not affect anyone, but it was, as I learned later, an ethics violation. A few months ago, I purchased a birthday gift for a friend I have known for decades. Unfortunately, that friend is in the government and even though we do not work together, my company does business with his division. Because I firmly believe in doing the right thing, I reported myself. As a VP, I could not do something unethical, then look at my employees, and expect them to do something different. (PS6, personal communication, August 6, 2013)

### **Recommendations for Further Study**

I focused this study on a small population sample of middle managers, senior leaders, and C-level executives of Fortune 500 companies. Future studies could benefit from a larger and more diverse sample that includes smaller companies or leaders from different industries. By expanding the scope of future study, a more comprehensive picture of the organization and its workforce may emerge. The second recommendation is for conducting a similar study in a university setting. Students who want to transcend into corporate leadership roles, instructors who teach business curricula, and university administration's views of ethics and business, could use the study's findings to determine the perception of ethical decision-making within the walls of academia.

There have been very few qualitative studies on the science of ethical leadership.

In most cases, studies involved normative or philosophical approaches to ethical leadership (Brown & Treviño, 2006). However, Brown and Treviño (2006) argued that more descriptive and predictive social scientific approaches to ethical leadership have remained undeveloped and fragmented, leaving scholars and practitioners with few answers.

My final recommendation for future study is to design and conduct a quantitative study. A quantitative study using web-based surveys consisting of multiple scales like the Ethical Leadership Scale (ELS) or the Multifactor Leadership Questionnaire (MLQ-5X) could assess what current corporate leaders see as critical moral issues. A quantitative study could examine trends or relationships associated with corporate ethical leadership, not found in a qualitative study.

### **Reflections**

From the onset of the research, this study had a personal note. I had friends who lost everything from the Enron scandal. From that point on, I read everything I could on ethics, leadership, and governmental regulations that dictated corporate behavior. President Bush signed the SOX into law in 2002 to ensure publicly traded company leadership complies with various corporate responsibilities (He & Ho, 2011). I always asked myself; was that act far too late in the creation? Did the SOX meet the presidentially stated objectives? Throughout the first decade of the 21st century, company C-level executives, senior leaders, and employees have continued to employ questionable tactics regardless of the law. From this standpoint, I wanted to study ethics and leadership to understand how to reduce ethical malfeasance in business.

Despite my background in the consulting industry with extensive experience in ethics and leadership, this research process provided an insightful perspective on the issues surrounding ethical leadership in Fortune 500 companies. My preconceived notion was that ethics should be in every decision and leaders simply took the easy path to profit. This was not the case with the 20 participants. Most participants believed that integration of ethics in leadership decision-making and daily business practices was necessary. Seven of the participants mentioned cost factors associated with business ethics that detracted from complete integration. Middle managers in this study mentioned the pressure of business development and the lower bonuses for those who were not adept at that practice. One C-level executive also highlighted that his CEO wanted an ethical organization, but still made choices that favored stock prices. I was surprised at the desire to be ethical, and the moral background of most of the participants, but the continued insistence to worry about profit even with the risk.

### **Summary and Study Conclusions**

The failures in corporate management between 2001 and 2008, and additional failures of the regulatory framework to curb widespread abuses and corruption in business have placed the United States in a fragile economic position (He & Ho, 2011; Palmer, 2009; Selart & Johansen, 2011). A common theme throughout these events is the unethical business practices of leaders to satisfy profit maximization of the shareholders (Drover et al., 2012). Implementing this phenomenological study allowed business leaders to express their perceptions about ethical leadership and the need to apply consistent ethical standards in business decisions. A primary concept to doing

business ethically is the premise that the corporate leadership needs ethical standards to improve management practices, strategies, and decision-making (Raza & Ramzan, 2013).

Twenty participants guided by 13 open-ended questions shared their accumulated experiences, drawing on 358 years' total experience. Their answers enhanced the understanding of the phenomena of ethics by clarifying the need for established ethical standards and training to prevent dilemmas. The participants' answers also provided insights into areas for improvement. I transcribed, coded, and grouped the audio tapes from a digital recorder using thematic coding. The themes that emerged from the data included (a) ethical standards, (b) organizational culture, (c) ethics training, (d) role modeling, (e) values, and (f) moral dilemmas.

Findings from the study indicate that participating senior leaders in Fortune 500 companies supposed that integrating ethical standards into decision-making, strategy, and management practices beyond a code of ethics was critical to success. The lack of ethical training to help the leader develop various solutions appeared to be the primary concern. A good example of this was the influence ethical dilemmas had on decision-making. The participants, notably the C-level executives, posited that ethics training could help reduce malfeasance through better-educated decision-making. Last, almost all participants declared that leaders must lead by example to create or influence a positive organizational culture. Leaders in modern organizations like BAH, IBM, HP, Lockheed Martin, and other Fortune 500 companies face as many external pressures as internal challenges to the sustainable nature of the company. If the random nature of the study of leadership is to improve and the data used to develop a more efficient approach to

comprehending the criticality of leadership to the organization, moral behavior must become the norm to reduce the number of unethical practices still occurring in Corporate America.

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## Appendix A: Interview Script

Name	Position	Organization	Ofc/Div/Branch
Total career exp.		Total Company exp.	

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 Primary Research Question 1
 

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*What are some of the ethical standards assessed, defined, and documented in your organization?*

(The following standards are to stimulate discussion if the participant struggles to answer the question)

Integrity	Honesty	Loyalty	Trust
Flexibility	Intelligence	Charisma	Spirituality
Experience	Responsibility	Fairness	Respect

2. How do you view ethical standards in the organization that are established by senior leadership? By the workforce?
3. How are ethical standards documented in the organization's ethical guidelines and policies?
4. Are ethical standards integrated into decision-making, management practices, or strategic planning? If so, please explain.

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 Primary Research Question 2
 

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*What mechanisms are in place for ensuring ethical standards influence senior leader's decision-making relating to improving strategy or management practices?*

2. How do senior leaders in the organization formulate and communicate ethical guidelines and policies?
3. How are these ethical guidelines and policies documented?

c. Beyond the organization's ethical guidelines and policies, how does senior leadership foster ethical behavior in the organization?

4. Is ethics training available to the workforce? To Senior Leadership? Please explain.

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Primary Research Question 3

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*How do the perceived influences of a senior leader's moral code influence a code of ethics, ethical standards, or a culture of trust, making ethical misconduct improbable, and improving organizational processes? (as a senior leader how does your ethical background influence the organization?)*

2. Please provide examples of influences and experiences, both personal and professional that have defined your moral code (values)? (**What factors from your past influenced the formation of your moral code (Values)?**)

3. When faced with ethical dilemmas, do you rely more heavily on personal values or your professional codes of ethics (or lack thereof) to determine the best course of actions?

4. How do ethical dilemmas influence senior leadership's business strategy, management practices, or organizational culture?

## Appendix B: Confidentiality Agreement

**Name of Signer:**

During the course of my activity in collecting data for this research: I, Kevin B. Jones, conducting a doctoral study titled “Ethical Insights of Early 21st Century Corporate Leaders” will have access to information, which is confidential and should not be disclosed. I acknowledge that the information must remain confidential and that improper disclosure of confidential information can be damaging to the participant.

By signing this Confidentiality Agreement I acknowledge and agree that:

1. I will not disclose or discuss any confidential information with others, including friends or family.
2. I will not in any way divulge, copy, release, sell, loan, alter or destroy any confidential information except as properly authorized.
3. I will not discuss confidential information where others can overhear the conversation. I understand that it is not acceptable to discuss confidential information even if the participant’s name is not used.
4. I will not make any unauthorized transmissions, inquiries, modification, or purging of confidential information.
5. I agree that my obligations under this agreement will continue after termination of the job that I will perform.
6. I understand that the violation of this agreement will have legal implications.
7. I will only access or use systems or devices I am officially authorized to access, and I will not demonstrate the operation or function of systems or devices to unauthorized individuals.

Signing this document, I acknowledge that I have read the agreement, and I agree to comply with all the terms and conditions stated above.

**Signature:**

**Date:**

## Appendix C: Letter of Introduction

Dear (Participant):

I would like to invite you to participate in a research study I am conducting to explore the lived experiences of senior leaders regarding ethical leadership. I am conducting this study as the final task associated with the completion of my Doctor of Business Administration dissertation through Walden University.

Please read this letter carefully and ask any questions that you may have before accepting this invitation to participate in this study. If you have any questions, please contact the university's Research Participant Advocate at 001-612-312-1210, or email [addressirb@waldenu.edu](mailto:addressirb@waldenu.edu). You have been selected to participate because of your experience with leadership and ethics. Your responses will be combined with data from other participants for analysis purposes only.

The goal of this voluntary study is to obtain at least 20 respondents. As the researcher, I will be asking 15 documented open-ended questions to explore your perceptions on ethical leadership. This is a very low risk study and no harm is anticipated to you for participating. The anticipated benefits of this study would be a positive social change, improved organizational efficiencies through improved ethical awareness, and an introduction of ethical training for the workforce.

There will be no compensation for your participation and confidentiality will be strictly maintained by me, with all data being password protected, and under lock and key.

Procedures:

Once you have volunteered to take part in this study, you will be asked to participate in an interview. The consent form must be signed, and a copy of this document will be provided to you. The interview should be about 30 minutes, but will not exceed an hour. Conflict of interest will be eliminated by confirming that there is no work or family relationship to me. Strict confidentiality will be maintained regarding your participation and all responses provided.

If you have any questions of me, please email me at [jonesksv@comcast.net](mailto:jonesksv@comcast.net)

Thank you in advance,

Kevin Jones  
Doctor of Business Administration

## Appendix D: Consent Form

## CONSENT FORM

You are invited to take part in a research study of ethical leadership and its impact in the workforce today. You were chosen for the study because of your leadership experience and the key role in leading and mentoring employees. This form is part of a process called “informed consent” to allow you to understand this study before deciding whether to take part.

This study is being conducted by a researcher named Kevin Jones, who is a Doctoral student at Walden University.

**Background Information:**

The purpose of this study is to explore the experiences of leaders in Fortune 500 companies regarding how senior leaders use ethics in business decisions and the role those decisions play in organizational performance. Central to this concept is the premise that assessment, definition, and documentation of ethical standards, beyond those of a rigid code of ethics, should be included into training based curriculum that could help prepare and guide leaders and employees for workplace dilemmas that may lead to unethical behavior and impact performance.

**Procedures:**

If you agree to be in this study, you will be asked to:

- Answer questions regarding ethics and leadership
- The interview should take NLT 30 minutes. However, I will schedule 1 hour to be sure.
- The interview can be stopped at any time
- The interview will be taped
- The tape and transcript of the tape will be sent to you for review prior to release of information
- Your name will be confidential

**Voluntary Nature of the Study:**

Your participation in this study is voluntary. This means that everyone will respect your decision of whether or not you want to be in the study. No one will treat you differently if you decide not to be in the study. If you decide to join the study now, you can still change your mind during the study. If you feel stressed during the study, you may stop at any time. You may skip any questions that you feel are too personal.

**Risks and Benefits of Being in the Study:**

There are minimal risks associated with this study. However, to ensure there are no employment conflicts between the participant and the employer, participants must obtain all required permission to participate in the study from their employer. However, in the

course of the interview, if any illegal or unethical behavior is disclosed on your part of the company, which you are affiliated, your responses could be subpoenaed.

The primary benefit to participating in the study is that the study may produce practical ethical applications to leadership and provide a unique understanding of senior leadership's ethical actions. If any proprietary or illegal information is unintentionally divulged, the interview will be stopped. The data will be erased or destroyed in accordance with Walden policy.

Additionally, the researcher poses no conflict of interest because there is no dual role with the participants or the work involved. No interviews are conducted in the researcher's current workforce. The researcher will be specific when addressing corporate affiliation, specifically as an independent consultant. The researcher is independent of all action associated with this study to ensure accurate data from the research.

**Compensation:**

N/A

**Confidentiality:**

Any information you provide will be kept confidential. The researcher will not use your information for any purposes outside of this research project. Also, the researcher will not include your name or anything else that could identify you in any reports of the study.

**Contacts and Questions:**

You may ask any questions you have now. Or if you have questions later, you may contact the researcher via [REDACTED], email: [REDACTED]. If you want to talk privately about your rights as a participant, you can call Dr. Leilani Endicott. She is the Walden University representative who can discuss this with you. Her phone number is [REDACTED]. Walden University's approval number for this study is **IRB 07-19-13-0184955**, and it expires on **06262014**.

The researcher will give you a copy of this form to keep.

**Statement of Consent:**

**Please initial**

I confirm that I have obtained all necessary approvals from my employer to participate in this study.

\_\_\_\_\_

I have read the above information, and I feel I understand the study well enough to make a decision about my involvement. By signing below, I am agreeing to the terms described above.

Printed Name of Participant

Date of consent

Participant's Written or Electronic\* Signature

Researcher's Written or Electronic\* Signature

Electronic signatures are regulated by the Uniform Electronic Transactions Act. Legally, an "electronic signature" can be the person's typed name, their email address, or any other identifying marker. An electronic signature is just as valid as a written signature as long as both parties have agreed to conduct the transaction electronically.

## Appendix E: Pilot Study Consent Form

## CONSENT FORM

You are invited to take part in the Pilot Study of ethical leadership and its impact in the workforce today. You were chosen for the study because of your leadership experience. This form is part of a process called “informed consent” to allow you to understand this study before deciding whether to take part.

This study is being conducted by a researcher named Kevin Jones, who is a Doctoral student at Walden University.

**Background Information:**

The purpose of this study is to explore the experiences of leaders in Fortune 500 companies regarding how senior leaders use ethics in business decisions and the role those decisions play in organizational performance. Central to this concept is the premise that assessment, definition, and documentation of ethical standards, beyond those of a rigid code of ethics, should be included into training based curriculum that could help prepare and guide leaders and employees for workplace dilemmas that may lead to unethical behavior and impact performance.

**Procedures:**

If you agree to be in this study, you will be asked to:

- Answer questions regarding ethics and leadership
- The interview should take NLT 30 minutes. However, I will schedule 1 hour to be sure.
- The interview can be stopped at any time
- The interview will be taped
- The tape and transcript of the tape will be sent to you for review prior to release of information
- Your name will be confidential

**Voluntary Nature of the Study:**

Your participation in this study is voluntary. This means that everyone will respect your decision of whether or not you want to be in the study. No one will treat you differently if you decide not to be in the study. If you decide to join the study now, you can still change your mind during the study. If you feel stressed during the study, you may stop at any time. You may skip any questions that you feel are too personal.

**Risks and Benefits of Being in the Study:**

There are minimal risks associated with this study. However, to ensure there are no employment conflicts between the participant and the employer, participants must obtain all required permission to participate in the study from their employer. However, in the

course of the interview, if any illegal or unethical behavior is disclosed on your part of the company, which you are affiliated, your responses could be subpoenaed.

The primary benefit to participating in the study is that the study may produce practical ethical applications to leadership and provide a unique understanding of senior leadership's ethical actions. If any proprietary or illegal information is unintentionally divulged, the interview will be stopped. The data will be erased or destroyed in accordance with Walden policy.

Additionally, the researcher poses no conflict of interest because there is no dual role with the participants or the work involved. No interviews are conducted in the researcher's current workforce. The researcher will be specific when addressing corporate affiliation, specifically as an independent consultant. The researcher is independent of all action associated with this study to ensure accurate data from the research.

**Compensation:**

N/A

**Confidentiality:**

Any information you provide will be kept confidential. The researcher will not use your information for any purposes outside of this research project. Also, the researcher will not include your name or anything else that could identify you in any reports of the study.

**Contacts and Questions:**

You may ask any questions you have now. Or if you have questions later, you may contact the researcher via [REDACTED], email: [REDACTED]. If you want to talk privately about your rights as a participant, you can call Dr. Leilani Endicott. She is the Walden University representative who can discuss this with you. Her phone number is [REDACTED]. Walden University's approval number for this study is **IRB 07-19-13-0184955**, and it expires on **06262014**.

The researcher will give you a copy of this form to keep.

**Statement of Consent:**

**Please initial**

I confirm that I have obtained all necessary approvals from my employer to participate in this study.

\_\_\_\_\_

I have read the above information, and I feel I understand the study well enough to make a decision about my involvement. By signing below, I am agreeing to the terms described above.

Printed Name of Participant

Date of consent

Participant's Written or Electronic\* Signature

Researcher's Written or Electronic\* Signature

Electronic signatures are regulated by the Uniform Electronic Transactions Act. Legally, an "electronic signature" can be the person's typed name, their email address, or any other identifying marker. An electronic signature is just as valid as a written signature as long as both parties have agreed to conduct the transaction electronically.

## Appendix F: Interview Introduction Protocol

**Interview Subject:** The purpose of this study is to explore the lived experiences Fortune 500 senior leadership regarding the assessment, definition, and documentation of ethical standards, beyond those of a rigid code of ethics that impact business decisions. Central to this concept is the premise that the leadership needs some form of ethical standards to respond more effectively to workplace dilemmas that directly impact ethical behavior.

a. I will greet the participants and identify myself as Kevin Jones, a Walden University Doctoral Student conducting a study on Ethical Leadership in Fortune 500 companies.

b. The participants will be thanked for their time and their thorough responses to the interview questions.

c. Participants will be asked to review the consent form and then sign, unless there are additional questions that need answering prior to the interview.

d. The participant will be given a copy of the consent form for their records.

e. I have a digital recorder and it will be turned on at this stage. I will note the date, time, and location. The exception to item e is that some of the executives and senior leaders work on a classified site. There cannot be a recorder on those sites.

f. Participant will be known as Subject 001 for the digital recorder, but known as S01 for the thematic coding. This information will be noted on the recorder and documented on my copy of the consent form.

g. The interview is expected to last only 30 minutes, but a 1-block of time has been scheduled as a precaution.

h. When the interview is over, I will thank the participant and ask if they would like to have the summary of the interview for validation. After that, the recorder will be turned off, and the interview will officially end.

## Appendix G: Thank you Email

Dear <Participant>:

Thank you again for participating in my study on ethical leadership in Fortune 500 companies.

I understand how busy you are and truly appreciate the time and effort you have given during this interview process. I have noted if you desired a copy of the transcript to validate the information prior to my submission into the final copy.

Sincerely, and thank you again!

Kevin B. Jones

Doctor of Business Administration Candidate  
Walden University

## Appendix H: Permission to Use Figure 1

Kevin,

Of course you have my permission. In addition, you might check out our IISL site and the two books we've released this year on this topic: <http://iispiritualleadership.com/>

All the best,

Dr. Louis W. (Jody) Fry

---

From: "John Slocum" [REDACTED]  
To: [REDACTED]  
Sent: Tuesday, December 17, 2013 5:41:04 AM  
Subject: RE: Permission to use your diagram in my doctoral study 12-17-13  
Dear Mr. Jones:

You have my permission and that from Elsevier, publisher of Organizational Dynamics.

John Slocum

---

From: Kevin Jones [REDACTED]  
Sent: Monday, December 16, 2013 7:39 PM  
To: [REDACTED]  
Subject: Permission to use your diagram in my doctoral study

Dear Dr. Fry and Slocum,

I am completing the requirements for a Doctorate in Business Administration at Walden University. I am writing to request permission to use, without charge, the Model of Spiritual Leadership (2008) from your article, Maximizing the triple bottom line through spiritual leadership. Organizational dynamics, 37, 86-96. My study is titled Ethical Insights of Early 21st Century Corporate Leaders. This material will be placed in the Walden University's Library and published as is customary for all dissertations. Lastly, I would like to thank you both for your work. I have used your articles throughout my research. I appreciate scholars like you and hope one day to contribute to this field as you have.

## Appendix I: Permission to Use Figure 2

This is a License Agreement between Kevin B Jones ("You") and Elsevier ("Elsevier") provided by Copyright Clearance Center ("CCC"). The license consists of your order details, the terms and conditions provided by Elsevier, and the payment terms and conditions.

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## Appendix J: Permission to Use Figure 3

Dear Mr. Jones,

Thank you for your message and the kind words about our work. I am glad to hear that you are using our articles and the CEBC model in your research. I am copying Dr. Jondle on this message. I personally am fine with granting you our permission to use the model. However, since it is a model, developed by us at the CEBC, I would like to make sure that Dr. Jondle, as an official representative of the Center, also gives his approval.

Kind regards,

Alexandre

Alexandre Ardichvili, Ph.D.  
Professor