

THE ROLE OF ETHICAL LEADERSHIP IN ORGANIZATIONS

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Abstract

The prosperity and success of any company greatly depends on the leadership qualities and skills of the management. Leadership is essential for successful management. It is a process where one person has a certain influence on other members and leads them to achieve the set goal by a process. A leader is the person with the leverage of influence. The head of the organization should be an effective manager and a leader. When it comes to a leadership, the issue of ethics is also worth noting. A leader, who works alongside with and makes an impact on people with different characteristics, must behave ethically. Every single decision made by a leader should be based on ethical standards. A leader must be able to control himself and others, to manage emotions, take responsibility and make fair decisions. Consequently, issues related to ethical leadership are an important research subject and the given article deals with those aspects of ethics that are directly concerned to a leadership.

Key words: *ethics, leadership and management, ethical views, principles of ethics.*

JEL Classification: *M10, M12, M54*

I. INTRODUCTION

Leadership is one of the most important areas of personal development. A leader is effective when high integrity and ethical standards has. Nowadays, there is an increasing interest in ethical leadership. Ethics is a component that every leader or professional is required to adhere. Decisions made by them or any conducted activity should fall within the framework of moral. That has a vital importance to get a support from followers. The first and foremost issue lies in determining how high standards a leader should have in order to control relationship and motivate others.

The purpose of this research is to determine the attitude towards the leader, whether the leader's decisions are consistent with ethics and whether it improves internal relationships or not. Therefore, to have an in-depth analysis of the subject a practical study has been conducted. A quantitative research method has been used in terms of research components: particularly, a questionnaire; A structured, multivariate questionnaire has been processed. Based on the result of the above-mentioned research, conclusions and recommendations are made and presented below.

II. MAIN TEXT

It is crucial to clarify what a leadership means and what it is concerned to. "Leadership is a process that deals with certain aspects, namely organizational, social and personal. Due to this, people are motivated to be able to achieve the goals of the group." (Bolden, 2004, p.5)

"Leadership is revealed when a person with specific motives tries to gather different resources and to attain a set goal." (Burns, 1978, p.18)

Regardless of these definitions, it can be noted that leadership is a process through which it is possible to make an impact on others. Leadership is characterized by specific aspects. In particular:

- ✓ Leadership is a process
- ✓ Leadership involves influence
- ✓ Leadership appears in a group
 - ✓ Leadership comprises common objectives

A leader influences his followers, inspires them and helps them to meet their objectives. If a manager has employees, a leader has followers. Defining leadership as a trait is significantly different from defining leadership as a process. The definition of leadership as quality refers to the set of characteristics that people have in various extent. Whereas, the definition of leadership as a process implies that anyone can become a leader. Leadership requires special responsibility. As long as leaders have power and can influence subordinates, they have a moral responsibility to make ethical decisions. Ethics is directly connected to the effectiveness of the leader, his behavior and decisions.

Ethical theories in relation to leadership can be divided into several categories. Theories about the behavior of leaders and theories about their characteristics.

Table 1. Categories of Ethical Theories

Behavior Characteristic

Results (teleological)

(virtue-based theories)

- Ethical Egoism
- Utilitarianism
- Altruism

Moral obligation (deontological theories)

Theories that relate to leadership behavior are divided into two types; those are following:

- ✓ Theories focused on the results of the leader’s actions
- ✓ Theories related to the leader’s moral rules. (Northouse, 2010, p.348)

The main essence of the teleological theory lies in answering what is right or wrong , but taking into account the extent to which human behavior is oriented towards obtaining the desired result. According to this theory, the answer to the question will be given by the outcome. Thus, the result determines the characteristic of the behavior – is it beneficial or detrimental. It is north-worthy that three different approaches are used for decision making. Specifically;

- Ethical Egoism
- Utilitarianism
- Altruism

Ethical egoism means that a person's action should be favorable for himself. It should bring the most benefit to him. This type of leaders choose a job that is personally satisfying. (Avolio & Locke, 2002). The second approach is **utilitarianism**. According to this method, human action should bring welfare as many people as possible. In that regard, behavior that maximizes social benefits and minimizes costs is morally correct. (Schumann, 2001). The third approach is **altruism**. According to it, morally right acts are with the ultimate goal of bringing the greatest favor to others. In this respect, the leader may encourage others to take actions that are against his personal interests. (Bowie, 1991)

One of the theories related to ethics is the deontological theory. Its essence states that the ethical behavior is not assessed by the consequences, but how good or bad the action itself is. As an instance, telling the truth is exactly that kind of action, which is valued as positive, regardless of its outcome. Deontological theory focuses on leadership behavior and the morality and responsibility of performing the right conduct. A leader's behavior is moral when it does not infringe anyone's rights, but, on the contrary, contributes to its enhancement.

In addition to having authority and being able to influence others, leaders have an additional responsibility that is expressed in ensuring the formation of an ethical atmosphere within the organization. The subsequent views are distinguished concerning ethics and leadership. Those are following:

- ✓ **Ronal Heifetz’s theory on leadership**
- ✓ **Robert Greenleaf’s theory on ethical leadership**

Ronald Heifetz’s approach focuses on how leaders can help their subordinates in conflict situations and how it can be effectively resolved through changes. This theories directly related to ethical leadership, since it covers values of the employees, as well as the whole organization and the society in which they exist and work. According to Heifetz, leadership involves the use of power in a social culture and is oriented toward helping employees who have value conflicts. (Heifetz, 1994, p.113)

The notion of Robert Greenleaf’s, called the **Servant Leadership**, has gained popularity recently. In accordance with this concept, the leader should be attentive to the needs of his followers and try to assist them at every stage. To constantly take care of them and contribute to their moral development. However, in line with this approach, the leader considers each employee as an equal, full-fledged party. When there are injustices, the

leader tries to correct them. A **servant leader** rarely uses institutional authority, but he tries to distribute power among those whom he leads. Greenleaf values empathy and unconditional acceptance of people. (Greenleaf, 1977).

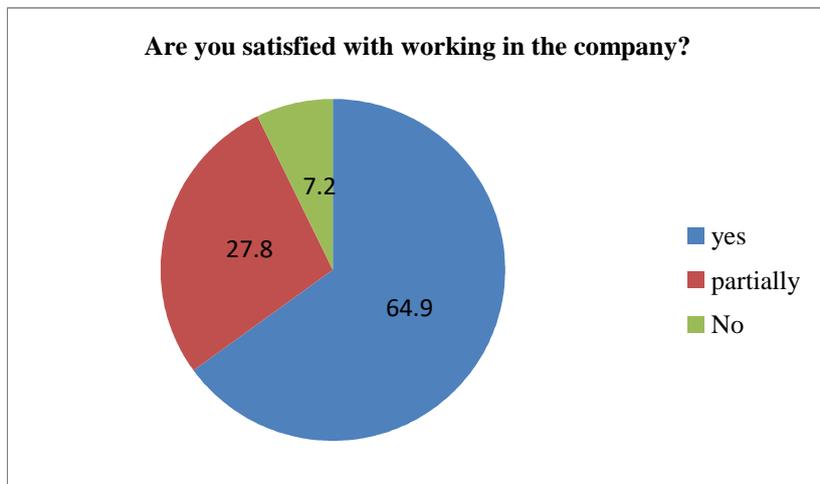
The outset of human relationships should be an ethics. From this point of view, a leader’s behavior is morally accepted if he cares about those people with whom he is in a relationship. Ethics is especially important in an organizational setting, as it helps to build a trust and healthy relationships among employees.

Ethical leadership also means civil dignity. This means that leaders and their followers must do better to achieve the goal. They must set moral goals and take into consideration broader social issues as well. (Burns, 1978, p. 429)

In order to have a clear view and explore the issue thoroughly, a practical survey was conducted in various companies. The number of interviewed respondents was 97. The survey was about determining what an ethical leader should be, what qualities should have had and how should make decisions.

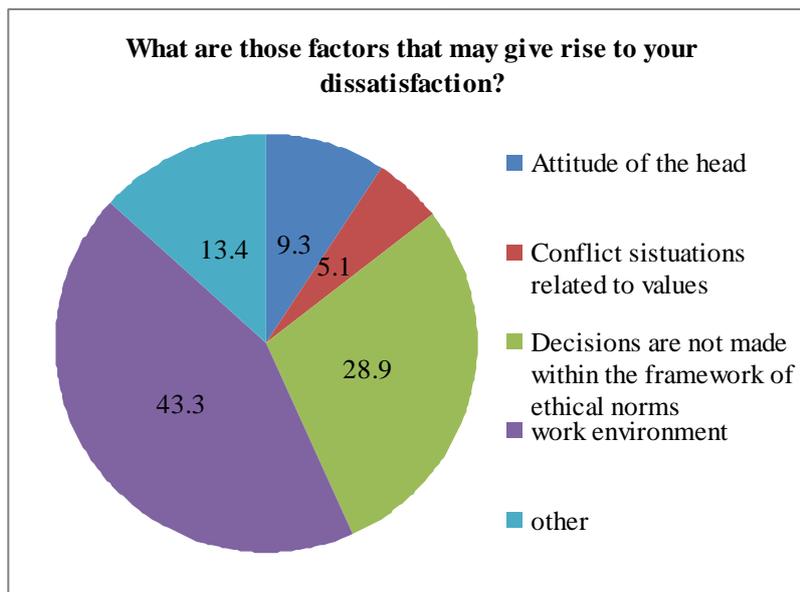
Since the ethicality of the leader is directly connected to the job satisfaction of the employees, the first question was exactly on that issue - how satisfied they were with working in their company. As a result, the majority of respondents - 64.9% are satisfied with working in their company, 27.8% - partially, and a small amount – 7.2 % are not satisfied.

Table 2. Job satisfaction rate



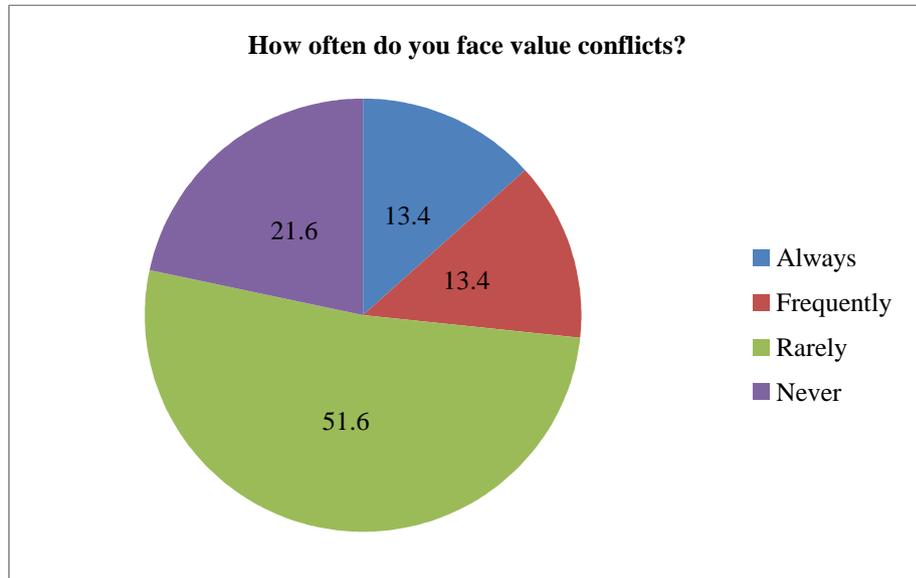
The second question was about determining of those factors that may give rise to their dissatisfaction. In this case, the following was revealed:

Table 3. Factors causing job dissatisfaction



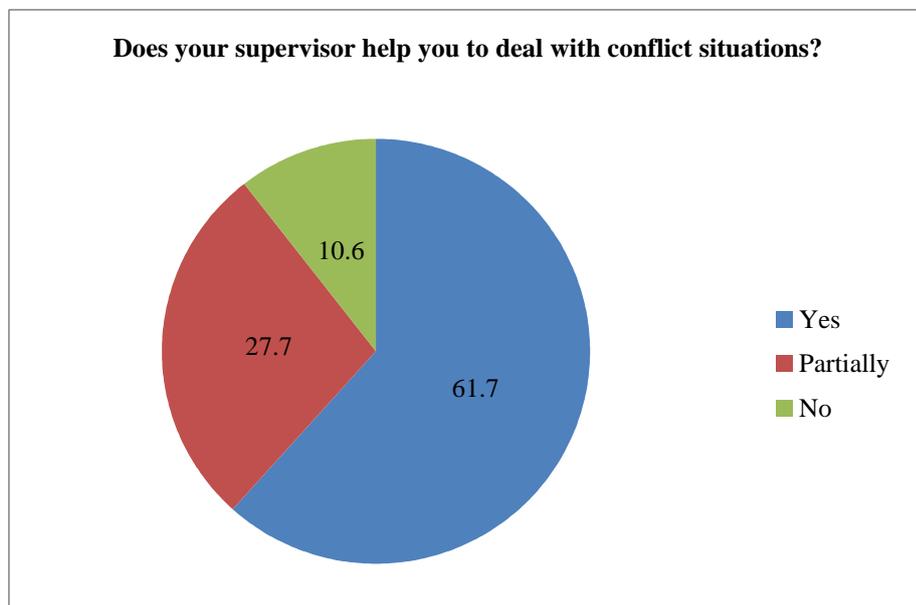
The main grounds that can cause dissatisfaction is the work environment, however, 28.9% of respondents state that their dissatisfaction may be caused by the fact that ethical norms are not taken into account in decision-making process. It is also noteworthy that a certain part refers to the attitude of the supervisor and conflicts related to the values, which is also a problem.

Table 4. Frequency of conflicts related to values.



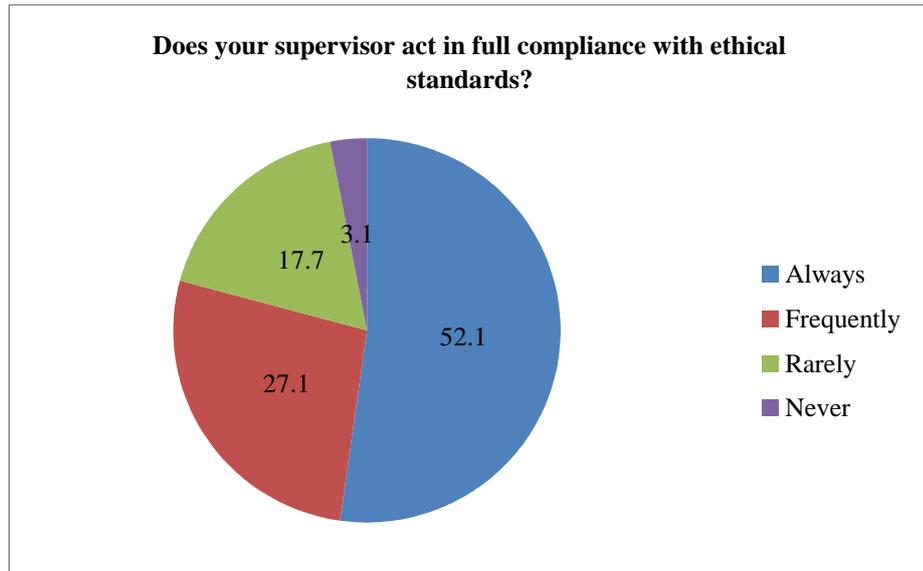
In the presence of conflicts, it is interesting to what extent the leader is involved in it to find a proper solution. The majority of respondents - 61.7% state that the supervisor always helps in resolving conflict situations, 27.7% states that partially helps, and a small number - 10.6% states that they get no help.

Table 5. The role of the leader during conflict situations



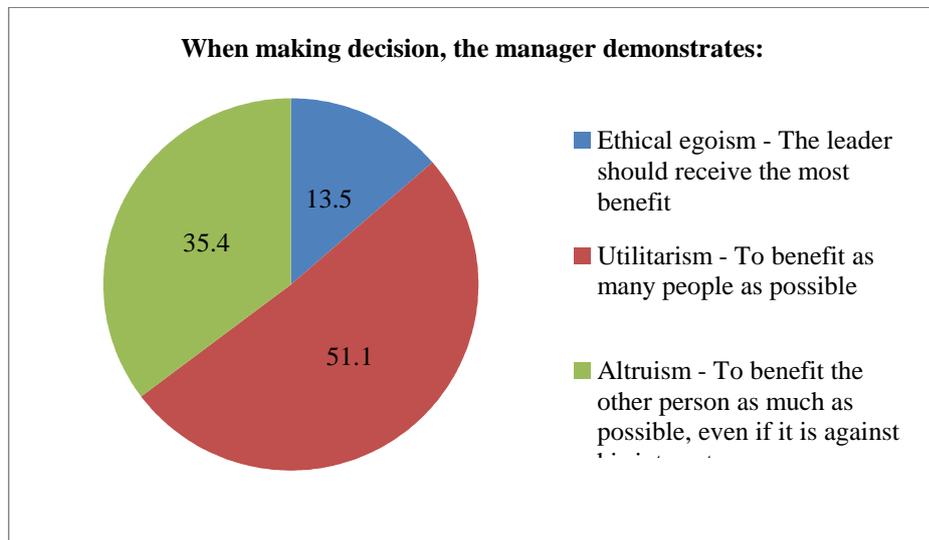
The following question was about appraisal of the supervisor's ethics by the employees. However, the question includes not only the leader's activities in conflict situations, but also whether his decisions, actions falls within the scope of ethics.

Table 6. Respondents' assessment of the supervisor's ethics



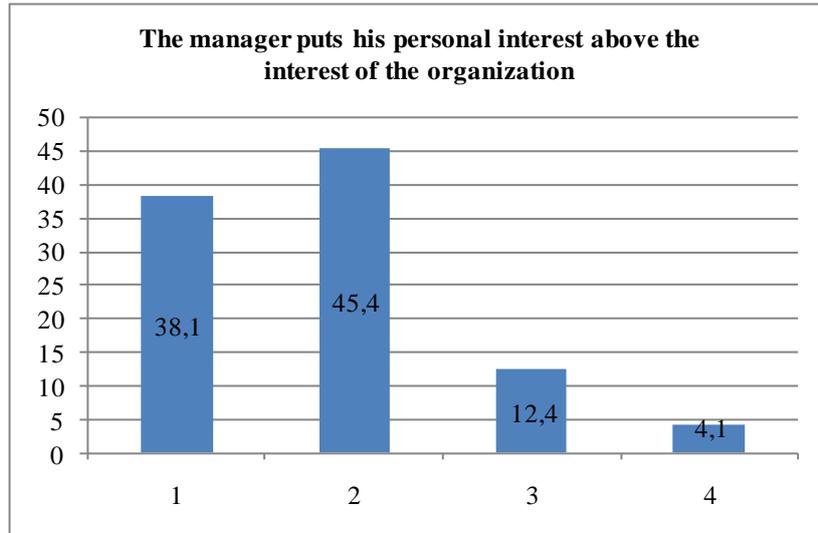
According to the given results, the majority - 52.1% believe that their supervisor always follows ethical standards and acts accordingly, 27.1% think that it is frequent and 17.7% suppose it rarely. It is also worth mentioning what are those principles the leader relies on while making a decision. The results indicate that mostly the manager reveals utilitarianism (51%), while 35.4% believe that he shows altruism and a small portion- 13.5% believes that he shows ethical egoism.

Table 7. Leader's action in decision making



In order to have a comprehensive view how they perceived and how ethically the employees appraised the managers, several questions were asked, where the indicator 1 means - not at all, 2 – almost not, 3 – to some extent, 4 – always.

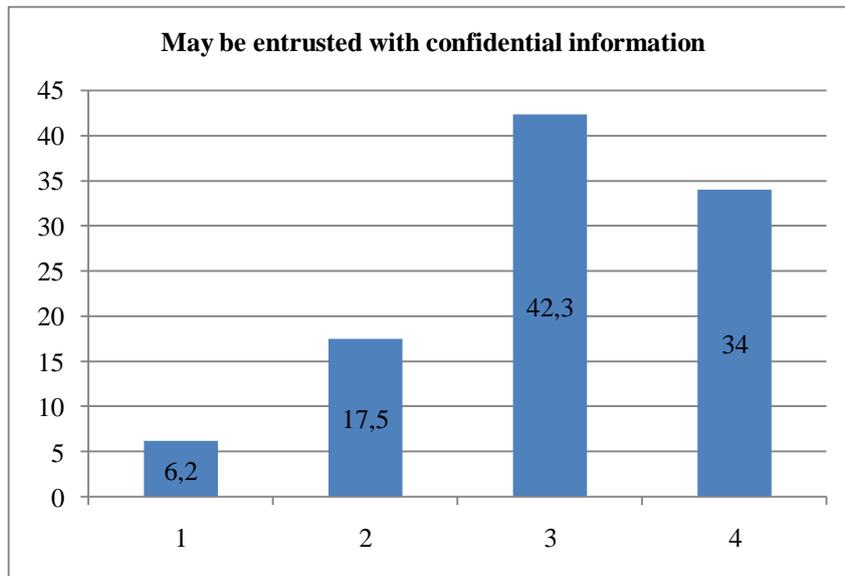
Table 8. Evolution of the manager as loyal to the organization



Therefore, conforming to the results, the majority positively evaluates ethics of the supervisor. Votes are split into indicators - "not at all" or "almost not". A small figure of 4.1% believes that the leader's own personal interests are a priority.

Ethical behavior for employees directly determines how trustworthy their supervisor is. Can confidential information be trusted? The answers showed that most of them have confidence in their supervisor.

Table 9. Evolution of the manager as a reliable leader



As an outcome of the research, mostly the respondents positively evaluate their leaders, emphasizing their dignity and ethics. However, in some cases, there is still a negative attitude regarding the ethics of the leader, which seems to be a problem.

III. CONCLUSION AND RECOMMENDATIONS

In conclusion, it can be said that leadership is a process that involves inspiration and motivation of others to achieve a common goal. Leadership has a moral side. This distinguishes it from other management styles. Ethical leadership involves honesty, justice, and concern for followers. The duty of the leader is to listen carefully to the followers and serve them according to the principle of utilitarianism. The presence of such a leader directly determines the high rate of employee satisfaction at work. It is important for any organization to have a

leader with high ethical standards. At least it has a vital importance to understand that you cannot become a leader if you do not have values. Effective leadership is determined by our own ethics. Therefore, it can be stated that leadership has a moral dimension. Ethics helps the leader to make moral decisions and to create a healthy organizational climate.

From the results of our research, it is clear that the majority of respondents positively evaluate the ethics of their supervisor. Which is also expressed in terms of job satisfaction. However, in certain cases, problems related to ethics also arise. For instance:

- ✓ 28.9 % state that decisions are rarely made within the framework of ethical norms.
- ✓ 13.4 % believe that they have conflicts related to values. In this regard, the leader should pay special attention and try to fix similar situations.
- ✓ 17.7 % of the respondents state that their supervisor does not behave according to ethical standards in some cases.
- ✓ According to 13.5 % the leader makes decisions based on the principle of ethical egoism.

Despite the fact that the majority of respondents positively appraise their leader and their ethics, still for some respondents this indicator is at a low level. Consequently, managers should definitely take into account the following:

- Rely on the principle of utilitarianism or altruism while making any decision
- Be fair and objective
- To ensure the formation of common values among team members
- To act constructive way in the presence of conflict situations
- Assist team members in line with their needs

To conclude, considering above-mentioned, the relationship or attitude of the leader as an ethical leader with his followers will be increased considerably towards the positive. This, of course, will contribute to effective work and improve the level of job satisfaction.

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