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Chapter 8

Leading through values and ethical principles

R. Edward Freeman, Kirsten Martin, Bidhan Parmar, Margaret Cording, and Patricia H. Werhane

The purpose of this chapter is to introduce a view of leadership that infuses eth into its definition.* This chapter will demonstrate that previous conceptions leadership within management literature define leadership as either amoral or or having an instrumental use for values. However, we are able to develop an ethic view of leadership from research outside the management literature. As we w demonstrate, the common principles that cross different types of leadership, sit ations, organizations, and goals are infused with moral implications – one cou say that the only commonality across various types of leadership is ethics. T implications to theory, research, and practice are outlined based on these ethi leadership principles.

Our current maps and mental models about leadership are failing us. Changi economic, political, and social realities, like shifting sands are forcing us to i examine where we are, how we got here, and where we are going. A variety factors are reshaping the managerial landscape. Around the world governments a embracing market solutions and deregulating industries. Fifty years ago gover ments provided footholds and shelter for business expansion, today in countr across the globe, business is playing an increasing role in spreading democracy. addition, business leaders are responsible for a larger diversity of decisions tl impact a larger diversity of constituents.

Also, information technology is changing the way we live. There is great autonomy in the workplace, with highly educated employees working from hor or video conferencing in from the Paris office. Managers need new ways to thi

about building consensus, meeting goals, and leading in a world where physical space has become less of a limitation. Technological advances have also made global business a fact in the twenty-first century. New contexts, cultures, and consider-ations can leave managers in a moral vertigo. Successful adaptation to the global marketplace requires a strong sense of 'who we are and what we stand for'.

Finally, the short-term character of business success creates tremendous pres-sure on leaders to be a panacea for all corporate crises. In a time where CEOs are referred to as 'saviors' and expected to be 'prophets for profit', our very standards for successful navigation in the business environment kicks action into overdrive. In the frenetic, short-term goal driven business environment, leaders can easily become myopic and lose sight of the larger landscape, thus opening themselves to ethical minefields.

The role of theorists in this journey is to keep the ways we talk and think about leadership current and useful, to make sure the 'territory always precedes the map'.[1] Good theory should be a reflection of and a guide for what is happening on the ground. The changing business landscape, calls for a revisiting and revising of the maps and metaphors that we use to think about leadership and business. It is in this spirit that we offer an overview and analysis of the last century's academic literature on leadership. We conclude that many of the leading theories offer only an isolated picture of leadership. We use the work done over the past century as important building blocks to draw a new holistic picture of the systems of leader-ship, one which fundamentally fuses ethics and leadership. This 'canonical model' is built up chronologically from the fragments of leadership theory developed throughout the twentieth century. Through this project we hope to revive the maps and models of leadership that we use and to separate out the minefields and obstacles that are of our own making.

The canonical model allows us to analyse various leadership theories on their approach to ethics. We will be able to see which critical elements are left out of certain leadership theories, and which ones become foundational. After intro-ducing and developing the canonical model, we categorize the leadership litera-ture into three basic types -- Amoral, Values-based, and Ethical Leadership -- according to the degree to which ethics and value judgements are featured. Finally, principles of ethical leadership are developed and implications to theory, research, and practice are explored.

THE CANONICAL MODEL

As we surveyed of the last 100 years of popular leadership literature, five core themes revealed themselves on the theoretical landscape. The 'leader', the 'followers', 'leadership process and skills', 'context', and 'outcomes' have all been

and choose among the different concepts and locate their theories among a select spheres. Today, most leadership theories take some position on all of t variables even if it is to say that, for example context doesn't matter. The tionship between these five concepts is depicted in the canonical model b (Figure 8.1).

In the following sections we will chronologically survey the developme this model.

The leader

In the early twentieth century scholars set out to understand the traits and acteristics of great leaders. Armed with a love of reason and a penchant for o deterministic models, these academics aimed to isolate leadership traits to identify potential leaders early in life, and (2) enable people to develop enhance critical leadership characteristics (Bernard 1926; Bingham and I 1927; Kilbourne 1935; Tead 1935). The 'traits' approach covers a large porti the leadership literature. Studies on a wide variety of traits have been develc from charisma and physical fitness to the amount a leader 'babbles', and how time they spend in social interactions, Leadership trait theorists have left no unturned.

Over the course of the next few decades theorists became frustrated th single set of traits could be isolated. In 1948 Stogdill published an in-depth an which concluded that no consistent set of traits and characteristics could ex why some are leaders and others followers. Despite its limited applicabilit traits approach is still very influential. As recently as 1991, Kirkpatrick and I claimed that 'it is equivocally clear that leaders are not like other people'.
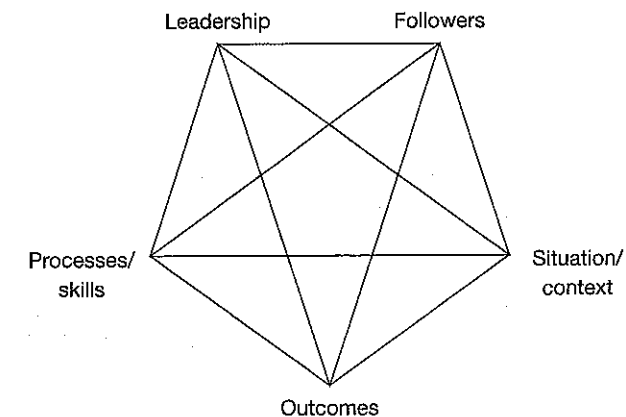

Figure 8.1 The canonical model of leadership.

Unfortunately, these approaches have failed to map the larger landscape of leadership. The myopic focus on just the leader and his or her personal and immutable traits has left many questions unanswered. The traits approach assumes that there are immutable traits that are useful for leaders in all contexts. It aims for an understanding of leadership that is abstracted from followers, processes, and context. It is also helpful to note the traits approach is unidirectional. Leaders produce outcomes but are not generally affected by them (Figure 8.2).

Based in part on the utopian view that science can perfect society, the tragedies of the holocaust and World War II, cracked the very philosophical foundations that were their precondition. Afterwards, the traits approach and other strictly empirical projects seemed somehow incomplete. For management scholars, it became impossible to square the assumptions of the traits approach with real-world leaders like Hitler and Stalin. For the next several decades scholars, in an attempt to understand what happened, branched out their research into a variety of different approaches.

Adding followers

The roots of a more robust leadership paradigm can be found in the psychodynamic theories of Freud. The psychodynamic theories and their theoretical progeny reconceptualize leadership not as a static thing, but as a dynamic relationship between leaders and followers. Critical research questions focus on how to manage this relationship and how to improve its health in order to achieve desirable outcomes (see Figure 8.3). Within the leader/follower group of theories we find that there is variation in the way that followers are depicted: as a parent–child relationship, or as an exchange relationship. In both cases, however, the dynamics between the leader and follower are viewed as 'good' or 'bad' based on their effectiveness in achieving the organization's goals.
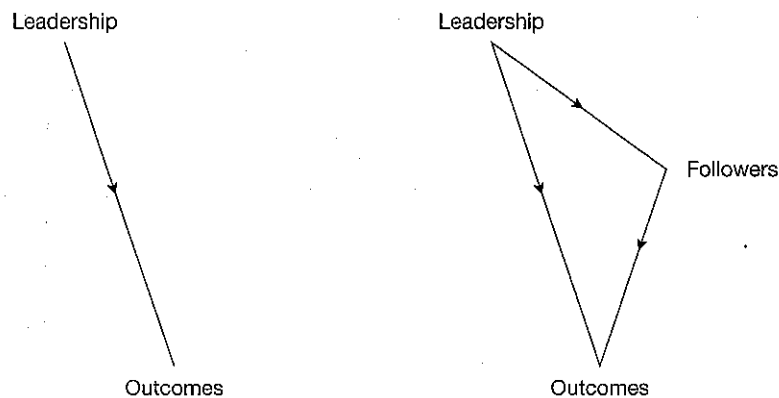

Leadership

Outcomes

Leadership

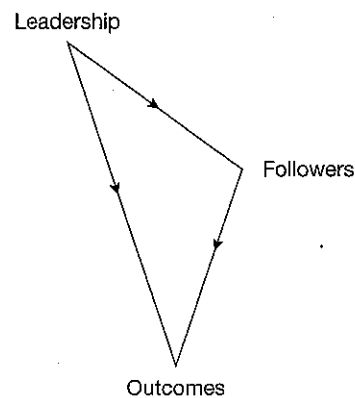Followers

Outcomes

Figure 8.2 *The traits*

Figure 8.3 *Psychodynamic*

The psychodynamic theories frame leadership as a parent–child relationshi Our parents become our first leaders. In our early days we develop critical fee ings about leadership, our role in it, and our reactions to it. Childhood exper ences determine one's comfort level with paternal, maternal, and familial patter of leadership. These theories claim that psychological development produc personality types, and the key to effective leadership is for the leader to be astu to his or her type, the types of the followers, how these followers will like respond to the leader's type and the resulting impact on effectiveness. The cons quence for followers is that they become typecast as 'child-like' with both t innocence and lack of rights that go with childhood.

Psychodynamic theories are also used to explain why a particular pers emerges as a leader. Deveries (1977) examined the relationship of leaders and sit ation in times of crisis. He concluded that charismatic leaders arise in these tim for two reasons: the leader's superego and the follower's sense of helplessness a dependency.

Another influential theory that links leaders and followers to outcomes is t leader–member exchange theory. Early proponents include Danserau, Graen a Haga (1975), Graen and Cashman (1975), and Graen (1976). Here leaders a followers are viewed as parties to an economic transaction. Early studies focus on the dyadic relationship between the leader and each of her followers. Effecti leadership requires a fair and equitable relationship between the leader and t followers. The leader's job is to ensure that she 'gives as much as she gets', a that the follower is adequately compensated – financially and psychologically – 1 the efforts imparted. If followers feel that desired behaviour will result in fair return, they conclude that the effort is worth it and participate in reachi the goals set by the leader. Here we see a more equitable relationship between t leader and followers. Unlike psychodynamic theories of leadership, the leade member exchange theory assumes equal rights for followers, and builds theoreti implications if those 'rights' are not met. Early traces of moral behaviour c be found as the canonical model gains complexity.

Recently, Graen and Uhl-Bien (1995) explored the link between the health leader–member exchanges and organizational effectiveness. They found that hi quality relationships resulted in less employee turnover, superior performar evaluations, higher frequency of promotions, greater organizational loyalty, grea participation, and higher job satisfaction.

Bass's work on transformational leadership is an excellent example of 1 leader/follower paradigm. He claims that highly effective leadership is one which both the leader and the followers are profoundly changed. In contrast other leader/follower theories, which assume that leaders only affect followe Bass's approach explores the dialectic relationship between leaders and followe meaning that both parties are interconnected and influence each other. Linking leader and follower relationship to outcomes is a critical step in making lead

Adding processes and skills

After the 1950s another branch of researchers began to focus on what leaders do as opposed to who they are. This group of theories combines a focus on the leader/follower relationship with an examination of the tools and processes used by leaders (Figure 8.4). We still see a privileging of leaders in these models as no mention is made of skills and processes used by 'followers,' as agents, to build relationships with the leader and change outcomes. Little mention is made of how these skills and processes change outcomes in different physical and cultural contexts. This section will review three of these process- and skill-oriented theories.

Behavioural theorists from both Ohio State and the University of Michigan attempted to unearth how *leaders* could optimally combine task behaviours and relationship behaviours to achieve the maximum impact on employee satisfaction and performance. These researchers were seeking a universal theory of leadership that would explain leadership in every context (Northouse, 1997). Sadly, many of the results of this branch of research remain unclear and contradictory (Yukl, 1994).

Nonetheless, Blake and Mouton identified two factors that leaders use to create effective outcomes: concern for production and concern for people. Concern for production involves the activities of the leader that focused on helping followers meet organizational goals. Planning, scheduling, policy, new products, operational issues, etc. are among the leadership activities. Concern for people encompasses the efforts made by the leader in attending to the people engaged in production-oriented activities. The leader seeks to build trust, commitment, and meaning for her followers: the leader seeks to ensure a safe work environment, a fair salary structure, and good interpersonal relations.
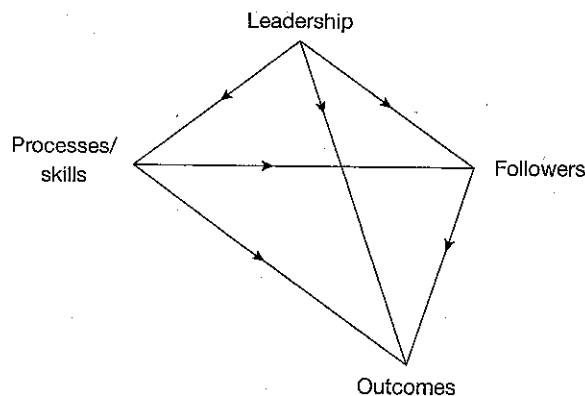

Figure 8.4 Process- and skill-oriented theories of leadership

Combining these two research orientations led to Blake and Mouton's M agerial Grid, which is still widely used in consulting for organizational devel ment (Northouse 1997). The grid describes five major managerial styles that dependent on the nature of the organization's work, culture, and the needs of followers. The styles range from authority-compliance to team management.

Similar to behavioural theories, significant research has occurred under rubric of 'situational approached'. These leadership theories focus on the need different leadership styles in different situations. Here 'situations' refers to developmental needs of the employees, not the larger context in which the leac ship occurs. These theories suggest that leaders must adapt their approach to t followers.

Hersey and Blanchard (1977) founded this view and have refined it several ti throughout their careers. Their focus is placed squarely on two dimensions: skills and processes of leadership, and the needs of the followers. The situati theories posit two main dimensions of leadership: directive behaviours supportive behaviours. The role of the leader is to assess the development leve her employees and modify her style accordingly. The theory is silent on advice followers to improve themselves.

Finally the work of Kouzes and Posner (1993, 1995) exemplifies the skills processes view of leadership. Building on their survey and interview based resea the authors focus on the 'practices leaders use to turn challenging opportunities remarkable successes' (Kouzes and Posner, 1995). Their five fundamental prac include:

1   Challenge the process – never accept the status quo.
2   Inspire a shared vision – focus on what could be, rather than on what is.
3   Enable others to act – empowerment and participation.
4   Model the way – provide personal example and dedicated execution.
5   Encourage the heart – individual recognition and group celebration.

Like Bass's writing on transformational leadership, Kouzes and Posner focu the relationship of the leader and the led. 'Leadership is a reciprocal relatior between those who choose to lead and those who decide to follow. Any discus of leadership must attend to the dynamics of this relationship.'

The processes and skills approach further fleshes out the leadership m though authors in this branch of theory do not make much of context situations. The canonical model of leadership, however, is starting to take sh

Adding context

Later leadership literature increases the complexity of the canonical n by adding context as a critical factor (Figure 8.5). This section will review
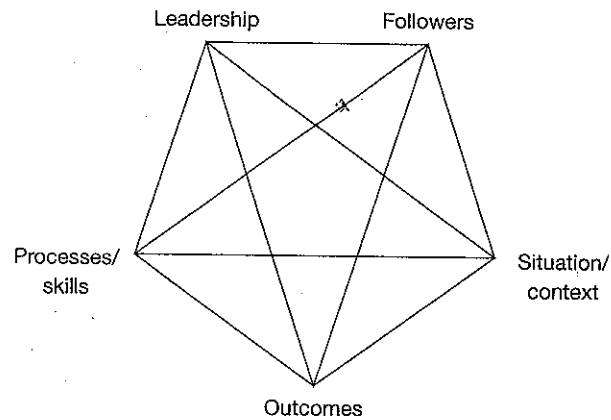
Figure 8.5 *The canonical model.*

theories of leadership that take context seriously: path–goal theory and contingency theory.

The path–goal theory emerged in the 1970s through the work of Evans (1970), House (1971), House and Dessler (1974), and House and Mitchell (1974). These theorists seek to find the optimal way to motivate employees to achieve the stated goals. Path–goal theory relies heavily on expectancy theory, which states that individuals will be more highly motivated if they believe that (1) they can accomplish the task, (2) their efforts will result in a certain outcome, and (3) the outcome is fair given the required effort. Here the job of the leader is to employ a style that best matches the motivational level of the follower. But in contrast to earlier leader–follower literature, the work situation plays a central role. 'Leaders provide subordinates with the elements they think that their subordinates need to reach their goals' (Northouse, 1997, p. 89). The theory claims that the way to do this is for the leader to select behaviours that are harmonious with or bolster the work environment. House and Mitchell (1974) claim that motivation can be increased in two ways: (1) increasing the quality and quantity of rewards and, more interestingly, (2) removing obstacles that can lead to frustration and thwarted efforts. The leader's job is in part to provide a smooth and clear path to the desired goals. In path–goal theory we see theorists beginning to take context and situation of performance into account.

Contingency theory claims that 'effective leadership is contingent on matching a leader's style to the right setting' (Northouse, 1997, p. 76). The most influential version of this theory was developed by Fiedler (1964, 1967). Unlike many theorists of the time Fiedler believed that any leadership style could be effective given the right situation. Hence, leaders must adapt the situation to their strengths. Three major situational variables will determine the leader's effectiveness:

1   leader–member relations – the degree to which followers trust and acce[the leader as legitimate;

2   task structure – the degree to which the tasks and how to accomplish the are clear;

3   position of power – the authority held and the ability to exercise by the leade

Leadership styles are either task or relationship motivated. Based on the: research findings, contingency theory seeks to prescribe certain leadership styl with situational variables. Contingency theory – unlike path–goal theory – do not assert that a leader can or should alter her style to meet the needs of the situation. Rather, the leader's style is viewed as fixed. The theory places more emphas on measuring a leader's style and the situational variables to determine if th particular leader will be effective in that particular situation.

Both theories of leadership integrate context into their complex models leadership. It is interesting to note that the context is internal to the firm – tl social, psychological, and organizational environment inside the team or firr A wider net can be cast for context.

The canonical model

Despite its unabashed Greek aesthetic appeal, we believe the canonical depicti of leadership does actually work in helping leaders understand and manage th tasks better. In Figure 8.1 each concept is connected to the other four and ea line represents a dialectic relationship. So for instance, leaders not only influen outcomes, but outcomes in turn have an effect on leaders. Followers are not ju 'human means' to an end, as they were depicted in early leadership literature, b full agents who can and do affect all other aspects of the leadership system. Tl integrated systems analysis of leadership doesn't assume one variable to supreme by default.

To apply this conceptual model practically we have to do considerable wor First, each concept must be fleshed out further. 'Followers' is not a simple cat all for 'non-leaders' but itself a large network of stakeholders with names and fac Context can be different physical and temporal spaces, both internal to the fir and more broadly external. As the concepts are made more concrete, the diagr; becomes infinitely more complex and useful to address real issues and conn tions. It enables leaders to see and think through links and connections that th may have taken for granted previously. It allows full agency for stakeholders a is adaptable to a variety of situations. It looks at leadership as part of an integrat whole, rather than an isolated piece. Finally it incorporates outcomes as a part an ongoing process, rather than a separate result.

Rather than needlessly argue over which is more important – the context the leader – this model grants legitimacy to each view and accents that in differe

circumstances each concept will contribute to the overall balance differently. We do not mean to say that the previous approaches to leadership are not useful. Our issue is with the dominance of a small piece of the map for the entire globe. The larger narrative of the canonical model is built up from and embraces the local wisdom of the previous literature.

LEADERSHIP, VALUES, AND ETHICS

With this understanding of the leadership literature, we can now move on to understanding how leadership theories treat values and ethics. The canonical description of leadership allows us to understand where our theory and principles fit within the larger purview of management literature. In addition, by parsing out 'leader', 'followers', 'processes/skills', 'situation', and 'outcomes' in our analysis, we can now move on to analysing how these authors consider each facet of leadership ethically. The leadership literature does not separate 'the leader' from 'leadership processes and skills', however; making each piece of the theories explicit highlights common approaches and assumptions within disparate theories. This technique allows us, for example, to ask if there is a moral question about the choice of tools for the leader and their interaction with the leader, followers, and situation.

Furthermore, as we shall demonstrate, it is only within this canonical study of leadership that we have the opportunity to understand ethical leadership. What authors *do not* include in their approach to leadership is as important as what they *do* include. The authors are, in fact, determining the moral weight of each of the factors in deciding what factors to include in their analysis. For some, the processes and skills are not considered as important factors to understanding leadership — they are not treating the processes and skills as morally important to the outcome. For others, the situation is irrelevant causally and morally to the understanding of leadership. However, including all the facets of leadership does not necessitate the inclusion of ethics in theory. Rather, it is the starting point. Only by including all of the interwoven facets of leadership do we have the opportunity to give them each moral importance.

Typical views of leadership

We now move on to understand how the authors have connected leadership and ethics. We offer three ways to connect leadership, values, and ethics: (1) Amoral leadership, (2) Values-based leadership, and (3) Ethical leadership. We will focus first on amoral and values-based leadership models within management literature before introducing ethical leadership.

Amoral leadership

During the first 50 years of the twentieth century, as scholarly attention to lead ship intensified, ethics and values played no role in understanding effective lead Indeed, 'effective leaders' were those viewed as capable of achieving 'effec outcomes'. And 'effective outcomes' were defined as attainment of organizatic objectives, such as efficiency, low turnover, high profitability, innovation, cl service, and so on. As long as the leader was judged by these measurable standar the theories saw no need to understand how ethics and values might impact th outcomes.

For instance, the great man and trait theories sought simply to understand th (universal) characteristics that great leaders embody. This group of theories cla that if one wishes to understand why a particular person emerges as a leader particular situation, one must look to the personality traits of that person. W each theory's specific traits differ, all have some combination of intelligence, : iability, determination, and self-confidence. The extent to which a person is t with these traits — or acquires them through experience — determines the lil hood that that person will become a leader. This group of theories does not en us to evaluate the goodness, or rightness, of leadership. Of the most common t identified in effective leaders, only one — authenticity — could possibly be vie as having an ethical or value-based component. However, a leader can be authe and bad — she just needs to be authentically bad. There is no outside judgen on whether the authenticity is *good*.

Other theories are silent as well on ethical and value-based issues. Psyc dynamic theories address the leader's and followers' most intimate and pers drives for success, and yet are silent on the appropriateness of manipulating tl raw emotions for some organizational goal. Blake and Mouton's (1964) th suggests that the leader selects her particular leadership style to match the n of the followers. However, no mention is made on where this line moves f 'enabling' to 'manipulation'. In addition, situational theories of leadership n from the descriptive to the prescriptive, but they remain morally neutral. T basic premise is that different situations demand different styles of leader (e.g. Hersey and Blanchard, 1988). This approach's thrust demands that a le: matches her style to the competence and commitment of the subordin: Effective leaders are those who can recognize what employees need and then a their own style to meet those needs. It is silent, however, on the ethics of t' needs, the tools used to meet the needs, and the ends being sought.

We claim that these theories belong within amoral leadership as they mak claim as to whether the leader and her chosen outcomes are 'good' or 'bad'. group of leadership theories has three main characteristics in common:

1   They focus narrowly on the leader and/or followers. No mention is mac the situation or the skills that the leader employs.

2 Each theory seeks to help the leader better motivate her constituents. An implicit assumption is made that workers need to be 'prodded' into being productive. These discussions occur outside any consideration of values or ethics.

3 Effective leadership is defined as the attainment of stated objectives, without concern as to the 'goodness' or the end or of the means.

Hence, in this group of theories, ethics and values are not a legitimate part of the study of leadership. Further, by ignoring the situation and skills of the leader, these theories give them no moral weight. These facets of the definition of leadership are not even important enough to consider. One can understand the outcomes produced by studying how the four variables (or some part thereof) interact, without addressing the ethical content of those variables. Hence, we can talk about effective leadership, but can make no statement of ethics or values.

These amoral theories of leadership do not enable to explore certain interesting questions, and therefore leave us unsatisfied:

- Is the desired outcome desirable?
- Are the tools used ethically sound?
- Should followers be apprised as to how the leader is motivating them?
- On what basis can we determine a 'good' leader from a 'bad' leader?

So while these leadership theories have helped advance the study of leadership — and perhaps represent the inevitable starting point for understanding this complex process — their limitations are significant, especially if we look to our organizations' leaders to help solve some of our societal problems.

Values-based leadership

The values-based view of leadership attempts to explicitly bridge the gap between ethics, values, and leadership. Here, values are taken as a central part of leadership: the argument is that if one wishes to understand how the outcome emerged, then one must understand also the values of the leaders and followers. This view's emphasis is on the description of values (such as honesty and trustworthiness) and the causal role those values play in the determination of desired outcomes. Ethics comes into play only in so far as the question for the leader or follower concerns authenticity and integrity. Since this values view is primarily concerned with a social scientific point of view, a hesitancy to pass moral judgements exists (see Table 8.1).

Much of the recent, popular leadership literature can be categorized as placing the leader and followers' values as front and centre in determining the effective-
ness of leadership. These theories claim that in order to understand a leader

Table 8.1 Amoral and values-based leadership

	Amoral leadership	Values-based leadership
Leader	Bernard (1926), Bingham and Davis (1927), Tead (1935) and Kilbourne (1935).	Esser and Strother (1962), Jensen and Morris (1960)
Leader-follower	Deveries (1977) Danserau, Graen and Haga (1975), Graen and Cashman (1975) and Graen (1976)	Kouzes and Posner (1993 and 1995), Bass (1995), Bennis and Nanus (1985, 1997) and Bennis (1989)
Leader-follower-situation	Evan (1970), House (1971), House and Dessler (1974), and House and Mitchell (1974)	Covey (1990)

— a highly successful business enterprise — one needs to determine if the values o the leader are aligned with those of the followers. Some of the more popular o these management texts include Kouzes and Posner (1993, 1995), Covey (1990) Bennis and Nanus (1985, 1997), and Bennis (1989.)

All of these works lament the absence of 'true leadership' in our era. The ascribe all types of social and business ills to this leadership vacuum. In so doing the authors actively raise our anxiety level. The next observation made is the fac that the nature of leadership is a human *relationship*. In order to understand leader ship, it is necessary to understand this relationship. And in order to understand th relationship, it is necessary to first understand oneself — one's own values, motives ethics, strengths, weaknesses, etc. — and then to understand the values of th followers. By understanding and respecting the followers wants and needs, an providing what is wanted and what is needed, one gains the trust, loyalty, an commitment of the followers. They will then be empowered to achieve accom plishments heretofore undreamed of.

For these theories, the leader must at all times be seen as honest, trustworthy attuned to the people's dignity and values, inspiring, and confident. Each o these texts provides prescriptions on what one must do to attain these qualities Kouzes and Posner's *The Leadership Challenge* (1995) provide us with the 'Ter Commitments of Leadership'. Bennis (1989) claims that there are five 'ingredi ents' to leadership: integrity, dedication, magnanimity, openness, and creativity And Covey (1990) gives us 'one 'P' and eight 'S's': people, self, style, skills, sharec vision, structure and systems, strategy, and streams. Bennis and Nanus (1985 1997) claim the need for five 'key skills': acceptance, forgiveness, courtesy, trust and self-confidence.

The values-based leadership theories have certain aspects in common. These

- These works do not debate the appropriateness of the goals; they do not query the rightness of the followers' values. They simply say that values are central to the leadership process in either a descriptive or prescriptive manner.
- The values-based view of leadership focuses attention on the values of the leader and on the skills and processes used to affect the desired outcome.
- Gone are potentially manipulative strategies to elicit desired behaviours, as these authors make the assumption that followers are fully autonomous, ethical beings. Rather, focus is on the observation that followers seek an honest leader above all else (Kouzes and Posner, 1993).
- The relation between the leader's and followers' values is paramount to achieving the stated goals of the organization and understanding the effectiveness of leadership.

However, these theories also share some limitations:

- The role that the situation plays in determining the outcome may not be adequately dealt with in moral terms.
- Ethics is treated as authenticity. The theories are more concerned with internal matching of values rather than meta-analysis of the rightness of the skills/processes, leaders, outcomes, followers, and situation.

While the values-based leadership theories have made strides by including values in both descriptive and prescriptive manner, they have left us with additional unanswered (and unasked) questions:

- Are constituents truly free to exit the situation if their ethics require that?
- Is it sometimes morally correct for the leader to withdraw from the leadership role?
- Is the leader ethical?
- Are the goals legitimate?

Below we have listed examples of the different approaches and theories of leadership. Some have attempted to include more facets of leadership, yet still relegate values to a causal role in achieving goals. Missing from each of these approaches are the overall questions of 'good' or 'bad' leadership.

Ethical leadership

The typical views of leadership outlined above leave ethics outside the definition and research. While values may be instrumentally advantageous to use (as in the values-based view of leadership), we can also speak of leadership without ethics.

MacGregor Burns — for a description of what integrated, ethical leadership mig look like in the business environment.

While Gardner's (1990) focus is on government, world problems, and con munity disintegration, much of what he has to say is applicable to the busine executive. Gardner claims that, 'attention to leadership alone is sterile — and i appropriate. The larger topic of which leadership is a subtopic is the *accomplishme of group purposes . . .*' (Gardner, 1990, p. xvi). Factors influencing the achieveme of group purposes include the availability of resources, the degree of agreement to basic values and objectives, the situation faced by leaders and followers, the willingness to adapt and renew, and issues of moral and social cohesion. The stuc of leadership, therefore, should be seen in the broader context of achievement group goals.

For Gardner, the morally acceptable leader must have, at a minimum, tl following objectives:

- releasing human potential of constituents;
- balancing the needs of the individual and the community/organization;
- defending the fundamental values of the community/organization;
- instilling in individuals a sense of initiative and responsibility.

A leader, for Gardner, goes beyond attempting to achieve their goals. While leader has a hand in influencing the purpose of the organization with others, sł also has goals for the organization with respect to the individuals within and tł community outside.

Note also that Gardner is not focused solely on 'followers' as a means to tł goals of the group. Rather, individuals and constituents are ends in and of then selves who deserve rights of autonomy. Understanding leadership is not relegate to questions of the leader–follower relationship. The leader must work to elim nate or reduce some of the more dehumanizing aspects of large organization. A key task of leadership, according to Gardner, is to devise ways to offset th inevitable tensions between largeness and control vitality and creativity. Jo redesign, autonomous working groups, schemes for performance feedback, an so on should be used to ensure that the constituents can find meaning in the work. Gardner characterizes these leadership tasks not as one means to enhanc ing organizational effectiveness, but rather as a way to ensure the soundness of th organizational moral climate.

Like all leadership theorists, Gardner places an emphasis on the leader's role i setting a vision for the organization. Even in this fundamental task, we cannc separate leadership and values:

Leaders today are familiar with the demand that they come forward with a new vision. But it is not a matter of fabricating a new vision out of

whole cloth. A vision relevant for us today will build on values deeply embedded in human history and in our own tradition . . . The materials out of which we build the vision will be the moral strivings of the species, today and in the distant past.

(Gardner, 1990, p. xi)

The leader, in this scenario, is tasked with influencing the organization's purpose and incorporating the needs and goals of both internal individuals and external constituents. No longer is the leader given a goal to achieve and measured by her effectiveness and efficiency in meeting that goal. The leader is expected to work from within a network of constituents with, assumingly, different values and beliefs.

Similarly, James MacGregor Burns's seminal work on transformational leadership is also considered an ethically integrated view of leadership. However, Burns places more emphasis on power and authority in relationship to leadership. He states:

I hope to demonstrate that the processes of leadership must be seen as part of the dynamics of conflict and of power; that leadership is nothing if not linked to collective purpose; that the effectiveness of leaders must be judged not by their press clippings but by the actual social change measured by intent and by the satisfaction of human needs and expectations; that political leadership depends on a long chain of biological and social processes, of interaction with structures of political opportunity and closures, of interplay between the calls of moral principles and the recognized necessities of power; that in placing these concepts of political leadership centrally into a theory of historical causation, we will reaffirm the possibilities of human volition and of common standards of justice in the conduct of people's affairs.

(Burns, 1978, p. 3)

While Burns's writing was concerned with political leadership, if we acknowledge that a business is simply a mini-community — with all the aspirations and emotions of people, and inevitable impact on them — then we can certainly translate his teachings to the business community. Take, for instance, Burns's definition of leadership and compare it with that of the management scholars: .

Leadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage and satisfy the motives of followers.

(Burns, 1978, p. 18)

For Burns, legitimate leadership necessitates a leader coming into position competition or conflict with others . . .' The individuals in the group must ha real choice in who they mobilize behind. This is similar to Gardner's argum that 'leaders by choice' is the only interesting concept. Burns grounds the m legitimacy of his transformational leadership theory in '*conscious choice am real alternatives*. Hence leadership assumes competition and conflict, and br power denies it' (Burns, 1978, p. 36). The key difference in both Gardner's Burns's definition is that of mobilizing others when they have a choice in wh to follow.

We can build on these ideas of Gardner, Burns, and others to offer a view an 'ethical theory of leadership'. On this view, little can be said about leaders without at least implicitly making moral or value judgements. Skills and p cesses cannot be divorced from the outcomes they produce, and hence cannot seen as morally neutral. Followers' make judgements and choices, project th wishes and dreams onto the leaders, and hold them accountable. And, situati are ripe with moral meaning, depending in part on how such contextual fact are framed.

Ethical leadership also notes the social legitimacy (and hence the impl value judgement) that is conferred on someone simply by calling her a leac So the very idea of leadership cannot be stated without ethical judgeme Presumptively, leaders are legitimate – in business as well as the political sph – and social legitimacy begins with the idea that one is acting from an ethical pc of view.

Ethical leadership takes three steps forward from the values-based view. Fu we have dropped the hesitancy to pass judgement on leadership. Where valu based leadership can describe values and their instrumental worth, we can n add prescriptive questions in addition to the descriptive and instrumer studies that exist (see implications to research below). Second, values, morals, a ethics have more than mere instrumental worth to a leader. In values-based lead ship, a leader's values can be congruent with those of her followers, which can an effective tool to achieving goals. Ethical leadership does not view values merely instrumental but as having moral worth in and of themselves regardl of whether they achieve the goal or not. The third difference is really a comb ation of the first two. An ethical leader uses frameworks that stand tests of ti and of their own consensus. She does not only hold her decisions and actions to internal standards, but also incorporates societal mores and personal ethi Ethical leadership moves the analysis of values and decisions from a test of inter consistency to an understanding within the organization's community standai and morals.

PRINCIPLES OF ETHICAL LEADERSHIP

This leads us to the question of principles of ethical leadership. What are the core principles of leadership? While authors have rightfully focused on certain types of leaders, certain types of situations, certain types of organizations, certain types of followers, we have a vacuum of information on principles of leadership that integrate each of the facets of leadership and approach theories on ethics and leadership (See Table 8.2). We can learn from the commonality across different contexts to form principles of ethical leadership. In developing the principles of ethical leadership, we build on the canonical understanding of leadership and include each facet of leadership as outlined above. These principles should be seen as a revision to the map we currently have of leadership.

The principles of ethical leadership are those concepts and rules of engagement that leaders can and should follow to be considered true leaders. These principles build on the definition of ethical leadership above:

Leader principle: A leader is first and foremost a member of her own organization and stakeholder group. As such, her actions, goals, and interactions are for the benefit of the entire group of stakeholders.

Constituents principle: Leaders see their constituents as more than followers but rather as stakeholders to the common purpose and vision. They have their own individuality and autonomy, which is respected in order to maintain a moral community.

Outcome principle: A leader embodies the purpose and values of the organization and of the constituents within an understanding of ethical ideals. A leader connects the basic value proposition to stakeholder support and societal legitimacy. She connects the goals of the organization with that of the internal individuals and external constituents.

Processes/skills principle: A leader works to create an open, two-way conversation thereby maintaining a charitable understanding of different views, values, and opinions of her constituents. She is open to others' opinions and ideas.

Situation/context principle: A leader sees particular values and ethical principles as being useful within certain spheres. She uses *moral imagination*[2] to make difficult decisions to cross the boundaries of those spheres and the frontiers of knowledge.

Ethics principle: A leader frames actions and purposes in ethical terms. A leader does not understand leadership without ethics, but rather thinks in terms of consequences, principles, rights, as well as character in her actions, beliefs, and behaviours.

Table 8.2 Ethical leadership compared with values-based and amoral approaches

	Ethical leadership	Values view	Amoral view
Leader	A leader is first and foremost a member of her own organization and stakeholder group. As such, her actions, goals, and interactions are for the benefit of the stakeholder group.	The leader must maintain an effective relationship with followers in order to achieve goals.	A leader attains goals. No judgement if the leader is good or bad. A bad leader would be one that is ineffective.
Constituents	Leaders see their constituents as more than followers but rather as stakeholders to the common purpose and vision. Constituents make judgements and choices, project their wishes and dreams onto the leaders, and hold them accountable.	Followers have an instrumental role in attaining the goals as defined by the leader. No other stakeholders are mentioned in theory.	Followers are viewed as docile and requiring 'prodding' to attain goals.
Outcomes	A leader embodies the purpose and values of the organization and of followers within the understanding of basic value proposition to stakeholder support and societal legitimacy. She connects the goals of the organization with that of the internal constituents and external stakeholders.	Goals are judged to be either consistent or not consistent to the values and beliefs of the organization. Internal consistency is paramount.	Goals are considered self-evident or given. No judgement is made on the purpose of the organization or its outcome.
Processes/skills	A leader works to create an open, two-way conversation thereby maintaining a charitable understanding of different views, values, and opinions. Skills and processes cannot be divorced from the outcomes they produce, and hence cannot be seen as morally neutral.	The nature of leadership is a human relationship. In order to understand leadership, it is necessary to understand this relationship.	Theory focuses narrowly on the leader and/or followers. No mention is made of the situation or the skills that the leader employs.
Situation/context	Situations are ripe with moral meaning, depending in part on how such contextual factors are framed. There is no one set of leadership principles that work in all situations or all organizations. A leader sees values and ethical principles as being useful within certain spheres. She uses moral imagination to make difficult decisions to cross the boundaries of those spheres and frontiers of knowledge.	A leader's values and personality are either a good or bad fit with the situation.	No mention is made of the situation or changing situations.
Ethics	On this view, leadership is seen as a full player in the moral discourse. Little can be said about leadership without at least implicitly making moral or value judgements.	Ethics come into play only in so far as the question for the leader or follower concerns authenticity and integrity. There exists a hesitancy to make moral or value judgements.	No mention of ethics. We can only talk about effective leadership as attaining the goals.

IMPLICATIONS FOR RESEARCH

By integrating ethics within the view of leadership, we change the language we use and the assumptions we make in research. We have, in fact, changed the map that guides us in research and practice. We now move to understanding how the new model and maps impact the questions we use to approach the territory of leadership. In theory, we are open to understanding more than just the traits needed to prod a group into behavioural modification. We look at the entire system or network as an interaction to understand. Where we once focused on effective leadership without regards to internal or external morality (amoral leadership) or effective leadership which utilizes internally consistent values to attain objectives (values-based leadership), we can now ask questions around the role of ethics and values in leadership theories and practice. How should a leader incorporate personal, organizational, and societal ethics into her leadership? Now, each factor of leadership has moral worth and the research questions will reflect our need to understand how each facet of ethical leadership should be treated.

As ethical leadership builds on the canonical understanding of leadership, we can ask questions from the perspective of each of the five facets of leadership. As we outline below, researchers will broaden the types of questions asked in research.

IMPLICATIONS FOR BUSINESS

Its time to put together the analysis of the previous sections into some concrete tasks for executives who must manage in the turbulent world of today – who must devote their time and energy into leading the process of value creation. The argument has been that such a process has ethics and values present at a number of levels. In fact, it would be disingenuous to try and separate out which tasks are 'ethical tasks' and which are 'business tasks', for the idea behind 'managing for stakeholders' is that one can't and shouldn't separate 'business' from 'ethics'. Ethical leadership frees leaders to incorporate and be explicit about their own values and ethics (See Table 8.3).

Ethical leadership is about 'raising the bar', helping people to realize their hopes and dreams, creating value for stakeholders, and doing these tasks with the intensity and importance that 'ethics' connotes. That said, there must be room for mistakes, for humour, and for a humanity that is sometimes missing in our current leaders. Ethical leaders are ordinary people who are living their lives as examples of making the world a better place while reaping benefits for themselves.

The following set of tasks is based on the observations of and conversations with a host of executives and students over the past 25 years, and on a reading of

Table 8.3 Research questions arising from ethical leadership

	Previous research questions		New research questions
	Amoral view	Values view	
Leader	What type of leader is effective with the organization?	What type of leader and values fits with the organization and/or situation?	On what basis can we determine a 'good' leader from a 'bad' leader? Is it sometimes morally correct for the leader to withdraw from the leadership role?
Processes/ skills	Do the skills and processes used reach the objective of the leader?	Do the skills and processes used match the needs of the organization?	Are the tools used ethically sound?
Constituents	How can a leader effectively motivate her followers to reach her goals?	How does a leader's values, motives, ethics, strengths, weaknesses, etc. – match the needs of the followers? How much of a 'match' of values between leader and follower is needed to accomplish goals?	Are constituents truly free to exit the situation if their ethics require that? Should followers be apprised as to how the leader is motivating them? To what degree are the constituents able to disagree and voice dissent?
Outcomes	Did the leader reach her goal? How can the leader reach her goal effectively and efficiently?	How does the congruence of values between leader and follower play into the outcome of the organization? How do the values of the organization impact the purpose of the organization?	Is the goal of the organization desirable to all impacted parties? Are the outcomes ethical according to internal and external standards?
Situation/ context	No questions around situations.	Does the leader's skills and values match the needs as determined by the situation?	What are the moral implications of the situation? What language are we (researchers) using to frame the situation? What language does the leader use to frame the situation?
Ethics	No mention or concern as to the 'goodness' of the skills, processes, values, outcomes, or leader.	Is the leader authentic in her beliefs? How does the integrity of the leader impact the achievement of her goals? Do the values of the organization help	How do the values of the leader fit within the greater community? Is the leader ethical? How do the values of the organization fit within

tentative and open to revision. The set of tasks is from the perspective of the leader — what the leader should do to incorporate the principles from above and embody ethical leadership. The tasks are displayed through the lens of the canonical model to demonstrate how the ethical leader deals with each facet of ethical leadership, as follows.

Leader

The ethical leader articulates and embodies the purpose and values of the organization. It is one thing to tell a good story — to tell a compelling and morally rich story. But, it is another to embody it and live it. Ethical leaders must do both, and it is difficult to do so in today's business environment where everyone lives in a fishbowl — on public display. So many political leaders fail to embody the high-minded stories they tell at election time, and more recently, business leaders have produced the same kind of cynicism through the revelations of numerous scandals and bad behaviours.

The ethical leader separates criticism from ego. The ethical leader understands her place within the larger network of constituents and stakeholders. It is not about the leader as an individual, it is about something bigger — the goals and dreams of the organization.

Constituents

The ethical leader finds the best people and develops them. This task is pretty standard for all models of leadership. The ethical leader pays special attention to it precisely because she sees a moral imperative to developing people — helping them to lead better lives that create more value for themselves and for others.

Process/skills

The ethical leader creates a conversation about ethics, values, and the creation of value for stakeholders that is alive. Too often business executives think that having a 'values card' or a compliance approach to ethics has solved the 'ethics problem. Suffice it to say that Enron and other troubled companies had all of this apparatus. What they didn't have was a conversation across all levels of the business where the basics of value creation, stakeholder principles, and societal expectations were routinely discussed and debated. There is a fallacy that values and ethics are the 'soft, squishy' part of management. Nothing could be further from the truth. In organizations that have a live conversation about ethics and values, people hold each other's feet to the fire about whether they are really living the values; and they expect the leaders of the organization to do the same. Having a live conversation means that

the organization and its purpose because it is important and inspires them. H to bring to life such a conversation is a long story beyond the scope here, but it essential to do, if one is to lead ethically.

The ethical leader creates mechanisms of dissent. Most people know the story of Johns and Johnson's Jim Burke and the Tylenol incident in the 1980s. But, the backgrou is that J and J had held a series of 'challenge meetings' all around the world, whe managers sat and debated their 'Credo', a statement of their purpose and prin ples. There was an explicit way to 'push back' if someone thought that a particu market, region, or internal process was out of line with the principles. Oth companies have used anonymous e-mail and telephone processes to give employe a way around the levels of management that inevitably spring up as barriers in lar organizations. Most of the current scandals could have been prevented if only the were more creative ways for people to express their dissatisfaction with the actic of some of their bosses and others in the companies. Creating these mechanisr of dissent will vary by company, by leadership style, and by culture, but it is crucial task in leading the creation of value for stakeholders in today's world.

The ethical leader takes a charitable understanding of other's values. Ethical leaders c understand why different people make different choices, but still have a stro grasp on what they would do and why.

Situation

The ethical leader makes tough calls while being imaginative. The ethical leader inevitak has to make a lot of difficult decisions, from reorienting the basic value propo tion to working with people to exit the organization. There is no way for the ethic leader to duck these decisions since 'I'm doing this for the business' is not excuse. The ethical leader must put together 'doing the right thing' and 'doing tl right thing for the business'. And, as Patricia Werhane has so eloquently argue sometimes exercising 'moral imagination' is the most important task. The idea th 'ethical leadership' is just 'being nice' is very far from the truth.

The ethical leader knows the limits of the values and ethical principles they live. All valu have limits, spheres in which they don't work as well. This may be a differe context, with different people, etc. Ethical leaders have an acute sense of the limi of the values they live and are prepared with solid reasons to defend their chos course of action.

Outcomes

The ethical leader frames actions in ethical terms. In short, the ethical leader sees h

others, the effects of one's actions on others (stakeholders), and how acting (leading) in a certain way will have effects on one's character and the character of others. There is nothing amoral about the ethical leader, and she recognizes that her own values may well sometimes turn out to be a poor guidepost. The ethical leader takes responsibility for using sound moral judgement.

The ethical leader connects the basic value proposition to stakeholder support and societal legitimacy. The ethical leader must think in terms of enterprise strategy, not separating 'the business' from 'the ethics'. Linking the basic *raison d'être* of the enterprise with the way that value gets created and society's expectations is a gargantuan task. But, the ethical leader never hides behind, 'Its just business'.

NOTES

1   The metaphor of map and territory comes from the opening pages of Jean Baudrillard's *Simulations*. Our usage of the metaphor is fashioned in a markedly different and more pragmatic tone than the one in Baudrillard's text.

2   'Moral imagination refers to the ability to perceive that a web of competing economic relationships is, at the same time, a web of moral relationships. Developing moral imagination means becoming sensitive to ethical issues in business decision making, but it also means searching out places where people are likely to be hurt by decision making or behaviour of managers. This moral imagination is a necessary first step, but because of prevailing methods of evaluating managers on bottom-line results, it is extremely challenging' (Werhane, 1999, p. 5).

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Chapter 9

Strength of character

Exceptional leadership in a crisis

Cary L. Cooper CBE, James Campbell Quick, Jonathan D. Quick, and Joanne H. Gavin

Business crises are not everyday occurrences, yet every leader should be prepar in the course of his or her career to encounter a professional crisis, or a persor tragedy. One never quite knows how one will respond until adversity preser itself in the form of a crisis or a tragedy. In the midst of a discussion of the attri utes of great leaders, Aaron Batchelor's team in the Goolsby Leadership Acaden identified 'the experience of adversity' as one characteristic that provides tl groundwork for the leader's growth and development. While some adversi befalls a leader in the form of a professional crisis, other adversity is wittingly unwittingly self-caused in nature. Regardless of the origin of the crisis, we addre in this chapter the alternative responses that leaders may display. Our thesis is th the exceptional leader displays great strength of character, acting with excellen in the context and circumstance in which s/he finds her/himself. We approach tl topic of crisis mindful of the Chinese symbol for the word 'crisis', which composed of two primary symbols: one for danger and the other for opportunit We define strength of character as excellence of action in circumstances that wou otherwise place pressure on the leader to act in a self-serving manner. Excellen of action is characterized by a concern for the well-being of all impacted by tl conflicted and confusing circumstance of the crisis.

THREE CASES OF BUSINESS CRISES

We open the chapter with three case examples of business crises. These are froi the Enron Corporation, the Great Texas Banking Crash, and Otis Engineering, Halliburton Company. In the first case, we discuss the responses of the three tc leader's to the crisis. In the second case, we discuss the response of the Chairma and CEO of Texas American Bancshares. In the third case, we discuss the respons of the Chairman and CEO The very different responses of these five leaders cha