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From the Editor

October 2014

Welcome to this special issue of the *International Leadership Journal*, an online, peer-reviewed journal. This special issue, consisting of introductory remarks by the co-editors, six articles by communications, management, and organization scholars, and philosophers. It also contains an interview with a CEO by two leadership and management scholars. The special issue focuses on the all-important issue of ethics in leadership at a time when several scandals have resulted from unethical leadership in corporations and governments around the world.

In our introduction to this special issue, we provide an overview of the special issue, which contains articles that range from the philosophical to the implications of charisma and the importance of public apology. I hope this issue and its contents spurs researchers to further develop and encourage more awareness on the key questions, both normative and positivist, surrounding the relationship between ethics and leadership.

Please let me know your thoughts and feel free to submit articles for review. Enjoy!

Joseph C. Santora, EdD
Editor

Introduction to the Special Issue on Ethics and Leadership*

Joseph C. Santora and Patrick O'Sullivan

In recent years we have witnessed the emergence of considerable interest in the relationship between leadership and ethics. This interest has been brought to the forefront as the result of a number of high-profile cases of unethical leadership in organizations. Recent cases of unethical leadership include the Enron scandal of 2001, the Worldcom scandal of 2003, the Trafigura waste-dumping scandal in 2006, and the more recent Madoff Ponzi scheme scandal. These scandals, along with the Global Financial Crisis (GFC) of 2008 and the major ramifications of arguably unethical actions by organizational leaders in that crisis, affected thousands of people and created disastrous outcomes for business and society at large. As a result of these major scandals and the toxicity levels of many organizational leaders, there is a serious need for a more ethical approach to business management and to business leadership in particular.

However, in line with the strongly positivist tenor and methodological approach to management disciplines—at least in the Anglo-American world—leadership studies have tended to focus on purely positive as opposed to normative questions. Studies have focused on answering questions about the effectiveness of various leadership styles, key character traits of a good, or at least effective, leader (e.g., from Lewin, Lippitt, & White, 1939, to Yammarino, 2013), the psychology of leadership, and the linkage between effective leadership and management of change in organizations (e.g., Kotter 1988, 1996, 2008). Questions of a more normative kind about the ethical dimensions of leadership have been very much pushed into the background, even though some thinkers, such as Yammarino (2013), have recognized that they are lurking there in the “dark side of leadership studies” (154).

The discipline of normative business ethics emerged as a serious core subject of study in universities and business schools in the early 2000s. Many business

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leaders began to talk in earnest about the need to develop corporate social responsibility (CSR) and to find and reinforce ways to lead organizations ethically. We believe that there is a compelling need to continue this discussion about ethical leadership in organizations to illuminate the “dark side of leadership studies” (Yammarino, 2013, 154) with some in-depth critical examination of the normative issues surrounding ethical leadership. Bringing together writings by philosophers, ethicists, and management and leadership scholars, as we have in this special issue, offers us one way to do this.

We have selected ethics and leadership as a fitting theme for our second special issue in the hope of further developing and encouraging more awareness on the key questions, both normative and positivist, surrounding the relationship between ethics and leadership across a variety of sectors. To that end, some of the questions raised directly or indirectly in this issue include, but are not limited to, the following: Does anything go? Do the ends justify the means in leadership or have the means some moral significance in themselves? What sort of leader archetypes is most conducive to ethical leadership? What is the role of charisma?

This special issue on ethics and leadership contains six articles and one interview. Johnson and Shelton focus on public apology or seeking of forgiveness by ethical leaders. For them, leaders need to apologize for themselves (as moral people) and their organizations (as moral managers). They present and discuss the apologies of two high-profile figures: former professional road racing cyclist and multiple Tour de France-winner Lance Armstrong and newly appointed General Motors CEO Mary Barra.

Kooskora and Isok take a rather different approach to ethics and leadership by presenting archetypes. They provide readers with 12 archetypes connected to leaders and their ethical behaviors. Each archetype has strengths and weaknesses, and when accompanied by certain traits, some archetypes may be beneficial for leaders, their companies, and the common good.

O’Sullivan and Ngau explore the philosophical roots of the impulse to seek leadership and argue that the leader-follower relation has often followed the

master-slave relationship of command and control. For these authors, a more morally preferable approach to leadership might be traced back to Plato's idea of a leader as a public servant. They note that leadership, once freed from the shadow of the master-slave relationship, may become a force for good.

In his article, Abbate informs us that although leadership development techniques and practices may enable leaders to effectively accomplish organizational activities and goals, leaders may often not be considered "morally admirable." For him, there is a need to respect followers and to value them as people. The bottom line is that leaders should not simply create a "cult of sheep-like disciples."

Thomas's article discusses the use of bonuses in companies: he focuses on leadership, ethical, and behavioral economic perspectives. He analyzes bonuses and their long-term benefits to a company. Thomas expands research findings on executive bonuses in large investment banks by analyzing the impact of bonuses in other industries and for non-CEOs.

Islam explores the issue of charisma and the ethics of leadership. He discusses what he calls "the shifting role of charismatic leadership in organizations with increasingly unstable institutional borders," as well as the ways enchantment reflects institutional changes.

Finally, Hanson and Hodgson have interviewed Robert Rosenstein, CEO of Agoda.com, a leading online travel company. Their interview offers a first-hand account of the views about ethical leadership from a practicing business leader.

We hope that you will read and enjoy this second special issue on a very compelling and timely theme. We expect to make our special issue an annual tradition in the coming years.

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Joseph C. Santora, EdD, is the founder and editor of the *International Leadership Journal*. His work focuses on leadership, nonprofit executive succession, and executive transition. He has published more than two dozen articles on nonprofit succession in academic journals and professional magazines. He received his EdD from Fordham University. He can be reached at jcsantora1@gmail.com.

Patrick O'Sullivan, PhD, is a professor of business ethics at Grenoble École de Management and a visiting professor at Webster University Thailand; he is also president of Professors Guild International. His principal research interests are in the fields of business ethics, political economy, and philosophy. He can be reached at patrick.osullivan@grenoble-em.com.

ARTICLES

Ethical Leadership in the Age of Apology*

Craig E. Johnson and Paul Shelton
George Fox University

The growing importance of public apology makes forgiveness seeking a critical responsibility for ethical leaders. Leaders must offer apologies on behalf of themselves (in their roles as moral people) and on behalf of the organizations they lead (in their roles as moral managers). Morally satisfying apologies adequately acknowledge offenses, express remorse, offer explanations, and make reparations for damages. The apologies of disgraced professional cyclist Lance Armstrong and General Motors CEO Mary Barra demonstrate how incomplete apologies can undermine ethical leadership. Armstrong's apology did little to atone for his failings as a moral person. In her role as a moral manager, Barra did not fully account for GM's cover-up of a defective, fatal switch problem or demonstrate enough concern for victims and the public. The shortcomings of these forgiveness-seeking acts demonstrate the importance of providing a complete accounting, matching the depth of the apology to the depth of the wrongdoing, following through on commitments, and carefully choosing the venue for delivering an apology.

Key words: apology, ethical leadership, ethics, forgiveness, Lance Armstrong, Mary Barra

“An outbreak of apology has swept the globe.”
(Thompson, 2000, 470)

Hardly a day goes by without news of a public apology offered by a political, corporate, military, sports, religious, educational, entertainment, or religious figure. Some offer apologies for their personal failings; others seek forgiveness for the shortcomings of their governments and organizations.

The number of public and private apologies appears to be increasing over the past few decades. Lazare (2004) counted apology-related articles in *The New York Times* and *Washington Post* from 1990 to 1994 and from 1998 to 2002. The number of apology articles rose from 1,193 to 2,003 between the two periods. This “apology phenomenon” is also reflected in the books, television and radio broadcasts, Web sites and blogs devoted to the topic (Smith, 2008). Doctors and hospitals now apologize to patients who are the victims of medical mistakes, thus

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reducing malpractice claims (Krell, 2013). Contrite companies reduce the potential for liability lawsuits by expressing empathy for those who have been harmed by service failures, accidents, employee misconduct, and other corporate misdeeds (Patel & Reinsch, 2003). Political apologies offered on behalf of nations are also on the increase (Celermajer, 2009; Nobles, 2008; Weiner, 2005). Surveying this evidence, Kador (2009) concludes that we are living in the “Age of Apology.”

The Age of Apology is not likely to end any time soon. Cell phones, YouTube, e-mail, and social media make it harder to hide mistakes or misbehavior, which are then broadcast around the world (Kador, 2009; Lazare, 2004). President George Bush, for example, was forced to apologize after pictures of prisoner abuse at Abu Ghraib were released to an international audience. Globalization has increased contact (and friction) between cultural groups, increasing the need to seek forgiveness. Communities expect that corporate leaders will apologize when their organizations cause harm through such crises as chemical spills, explosions, and product contamination (Hearit, 2006). As previously marginalized groups (e.g., minorities, women) gain power, a number of governments and other institutions find themselves seeking forgiveness for past abuses (Lazare, 2004). Australian Prime Minister Kevin Rudd acknowledged his nation’s mistreatment of its aboriginal people (Celermajer, 2009). Wachovia Bank and the Southern Baptist Convention expressed regret for supporting slavery. The Catholic Church issued a series of apologies for sexual abuse by priests, inaction during the Holocaust, denigration of women, and other sins (Nobles, 2008).

Moral obligations lie at the heart of apologies. In seeking forgiveness, offenders acknowledge that ethical violations have occurred; that a moral or social contract has been broken (Davis, 2002; Lazare, 2004; Smith, 2005). The perpetrator accepts responsibility for these transgressions and pledges to repair the damage. Apologizing puts the offender in a humble position while helping to restore the dignity of the victim(s). Offenders acknowledge that the victims were right in feeling harmed and signal that they are committed to the relationship and shared values. In a number of cases, apologies lead to reconciliation (Lind, 2008).

German leaders, for instance, offered sincere apologies for the Holocaust and military aggression during World War II. These statements opened the way for alliances with France, the United States, Israel, and other nations.

While apologies can be powerful moral acts that restore dignity and relationships, they often have the opposite effect. Those offering failed apologies (e.g., inauthentic, pseudo- or incomplete) refuse to take responsibility and do further damage to victims by trivializing their concerns. The community suffers because the social or moral contract remains broken. Any opportunity for reconciliation is cut off, and future conflict is likely. Rwandans rejected former United Nations Secretary-General Koffi Annan's apology for failing to intervene in the country's genocide because Annan failed to acknowledge that his inaction as UN leader contributed to the carnage (Edwards, 2008). JPMorgan Chase CEO Jamie Dimon initially described a massive loss generated by a rogue trader as a "tempest in a teapot." Later he found himself apologizing and vowing to correct the bank's lax oversight (DeCambre, 2013). Bernie Madoff offered a courtroom apology at his sentencing for a \$64-billion Ponzi scheme. However, he only expressed regret for the harm he had caused to his immediate family, saying little about the damage he had done to thousands of investors (Koehn, 2013).

The growing importance of public apology, as well as the power of apology to produce good and/or harm, makes crafting and delivering moral apologies a critical responsibility for ethical leaders. This article describes the two types of apologies offered by ethical leaders and outlines the essential components of apologies that fulfill their moral obligations (referred to as "morally satisfying apologies"). This framework is then applied to the public apologies of two leaders—Lance Armstrong and General Motors CEO Mary Barra—to evaluate the moral success or failure of these forgiveness-seeking attempts. Finally, we present implications from the analyses for the practice of ethical leadership.

Apology: An Analytical Framework

Leaders offer both individual and collective apologies, seeking forgiveness on behalf of themselves and/or the organizations they lead. These apology types

reflect the two dimensions of ethical leadership. According to Brown and Trevino (2006) and Brown, Trevino, and Harrison (2005), ethical leaders act as moral people and as moral managers. As moral people, they act in normatively appropriate ways through their actions and relationships. They obey laws and policies, act with integrity, behave in a trustworthy manner, and demonstrate concern for followers. Leaders offer individual apologies when they act inappropriately, as in the case of Atlanta Archbishop Wilton Gregory, who apologized for building a \$2.2-million mansion with church funds (Henry, 2014). As moral managers, leaders exercise influence over the ethical behavior of followers by acting as role models and reinforcing ethical messages. Leaders performing in their roles as moral managers give collective apologies in front of external audiences, taking responsibility for the immoral actions of followers, both past and present. Harvard Business School Dean Nitin Nohria, for example, said he was “sorry on behalf of the business school” for its poor treatment of female students and pledged that the business program would do better in the future (Byrne, 2014).

Leaders faced with offering personal and collective apologies can turn to a variety of models for guidance. These include the OOPS interpersonal apology format (Explain your Err**O**r; Say you’re s**O**rry; **P**romise of forbearance; Offer to restore; Bisel & Messersmith, 2012), the categorical or maximally meaningful apology (Smith, 2005, 2008), the consummate apology (Davis, 2002), the 5R effective apology (recognition, responsibility, remorse, restitution, and repetition; Kador, 2008), and the authentic corporate apology (Koehn, 2013). All of these approaches are based on the premise that successful—complete, meaningful, moral, and authentic—apologies identify the offense, express remorse, and include the promise of restoration. Lazare (2004) incorporates these themes into his guidelines for the creation of ethical apologies. His framework is particularly useful because it not only identifies what must be present in moral apologies, but also specifies ways in which apologies fall short. According to Lazare, complete apologies contain four components: acknowledgement, remorse, explanations, and reparations.

Acknowledgement

Acknowledgement of the offense lays the groundwork for the apology process. To be effective, acknowledgement must identify both the responsible and offending parties, describe the offensive behaviors in detail, recognize the negative impact of the behaviors on the victim(s), and confirm that the grievance violates the moral/social contract between the parties involved. Failed acknowledgements include

- offering a vague and incomplete acknowledgement (“I apologize for anything I did”);
- using the passive voice (“Mistakes have been made”);
- making the offense conditional (“If mistakes have been made”);
- questioning whether a victim was injured (“If anyone was hurt);
- minimizing the offense (“There’s nothing—or very little—to apologize for”);
- using the empathetic “I’m sorry” or “I regret” (“I am sorry you are so angry or upset”);
- apologizing to the wrong party; and
- apologizing for the wrong offense (e.g., apologizing for making a mistake rather than for deliberately lying, cheating, polluting, etc.).

Remorse

Expressions of remorse demonstrate regret for the harm caused by offender and signal that he or she will act differently in the future. Important related attitudes include shame, humility, and sincerity. An apology is likely to be rejected if any of these emotions are missing or poorly communicated.

Explanations

Lazare (2004) argues that offended parties believe that perpetrators owe them explanations for what happened. Such explanations help restore the victims’ sense of order. Unethical explanations reduce the seriousness of harm by, for instance, claiming the grievance was not intended (“It was an accident”), the misbehavior wasn’t a reflection of the offender’s “real self,” and that the immoral

behavior was a product of a unique set of circumstances (“I was under a lot of pressure from the board of directors”).

Reparations

Reparations demonstrate that the offending party is serious about the apology and wants to repair the damage. However, when reparations are missing or insufficient, the apology is rejected. The United States government gave \$20,000 to Japanese Americans who were forced into detention camps during World War II. Some recipients thought this amount woefully inadequate given that they were detained for several years of their lives.

Applying the four-component framework to well-publicized cases of leader apologies can not only explain why these acts failed or succeeded, but also provide useful guidance to leaders who must seek forgiveness on behalf of themselves and the groups they represent. We apply the model to two public apologies—one offered by Lance Armstrong and the other by General Motors CEO Mary Barra. Armstrong apologizes for his failings as a moral person; Barra apologizes in her role as a moral manager for the safety failure of the automaker. We’ll describe the context for both apologies and examine the extent to which each can be considered morally satisfying.

Lance Armstrong Doping Apology

Professional cyclist Lance Armstrong is one of those rare athletes, like Michael Jordan, Tiger Woods, and David Beckham, who transcended his sport to become a household name. Few Americans cared much about cycling before Armstrong began winning the sport’s most prestigious race—the Tour de France. Between 1998 and 2005, Armstrong won the grueling two-week race a record seven times. He returned to ride in the Tour in 2009 and 2010. What made his story more compelling is that Armstrong is a cancer survivor. In 1996, he was treated for testicular cancer that had spread to his abdomen, lungs, and brain. He recovered and founded the Lance Armstrong Foundation in 1997 (later renamed Livestrong) to fund cancer research and support cancer victims. The foundation raised \$500 million, largely through donations from Nike and Armstrong’s other

corporate sponsors, as well as through the sale of 87 million rubber yellow bracelets for \$1 each (Macur, 2013g). His racing victories and foundation made Armstrong a symbol of hope to many cancer victims. After retiring from cycling, Armstrong began competing as a tri-athlete, hoping to keep himself in the public spotlight while continuing to attract corporate sponsors and selling Lance Armstrong sports gear.

Throughout his career, Armstrong was dogged by accusations that he used performance-enhancing drugs. The cyclist responded by not only vehemently denying these allegations, but by also attacking his accusers. He successfully sued *The Sunday Times* of London for defamation when it reported that he had been doping. A French rider who publicly voiced his suspicions was told to quit cycling by Armstrong and shunned by other riders. Teammate Frank Andreu and his wife, Betsy, claimed they heard Armstrong confess to doping while receiving treatment for his cancer in 1996. Armstrong made it hard for Andreu to get a job in the cycling industry and called Andreu's wife "crazy." Armstrong employed even stronger language when describing former masseuse Emma O'Reilly, calling her a "whore" and an alcoholic when she admitted to helping Armstrong in his doping scheme (Macur, 2013c, B13).

Armstrong took advantage of a variety of public forums to declare his innocence. While on the victor's stand at the 2005 Tour de France (the last of his seven Tour triumphs), Armstrong took this shot at his doubters: "I'll say to the people who don't believe in cycling, the cynics and the skeptics, I am sorry for you. I'm sorry that you can't dream big. I'm sorry you don't believe in miracles" (Macur, 2013a, B15). In a Nike television commercial, Armstrong told viewers: "Everybody wants to know what I'm on. What am I on? I'm on my bike, busting my ass six hours a day. What are you on?" (Macur, 2014, 168). When he returned to competition in 2009, Nike broadcast another commercial with Armstrong declaring: "The critics say I'm arrogant. A dooper. Washed up. A fraud. That I couldn't let it go. They can say whatever they want. I'm not back on my bike for them" (Macur, 2014, 299).

In 2012, the United States Anti-Doping Agency (USADA) conducted a thorough investigation of the doping allegations against Armstrong. Largely based on testimony of fellow team riders, the USADA banned Armstrong from cycling and stripped him of his Tour de France titles and every other award he had won from 1998 onward. He was also prohibited from participating in other sports, such as marathons and triathlons, that follow the World Anti-Doping Code. According to the head of the USADA, Armstrong's cycling team ran "the most sophisticated, organized and professionalized doping scheme in the history of cycling" (Macur, 2013b, B11).

Armstrong stepped down as chair of his foundation and decided to apologize during a televised interview with Oprah Winfrey in early 2013. During the interview, he confessed to doping during his seven Tour de France victories by using blood transfusions, cortisone, human growth hormone, steroids, testosterone, and EPO (an endurance-boosting drug). He maintained that he did not dope when he returned to the Tour de France in 2009 and 2010 and declined to name others who were involved in his doping efforts. He acknowledged that he would not have won the Tour de France without cheating. At one point, he told his supporters: "I lied to you, and I'm sorry. I am committed to spending as long as I have to make amends, knowing full well I won't get very many [fans] back" ("Lance Armstrong & Oprah Winfrey," 2013).

Reaction to Armstrong's apology confirms that he is not likely to win back many of his previous supporters. He was roundly criticized in the media, with some observers using the term "sociopath" to explain why Armstrong was unable to express deep remorse. Viewership dropped from 3.2 million viewers to 1.8 million viewers between the first and second installments of the apology interview. Armstrong has largely disappeared from public view since his confession (Albergotti & O'Connell, 2013).

Armstrong's apology was far from complete, falling short on each of the four elements of ethical apologies identified by Lazare (2004). To begin, the cyclist failed to acknowledge the extent of his illegal behavior, thus minimizing his offenses. While he offered details of his transgressions between 1998 and 2005,

he claimed to have stopped cheating before returning to compete in the Tour de France in 2009 and 2010. Cynics argue that he did not admit to doping upon his return because the statute of limitations for criminal fraud had not run out. During the interview, Armstrong denied offering a bribe to the International Cycling Federation to convince it to squash the results of a positive drug test. He also refused to discuss his alleged hospital doping confession.

Armstrong rejected the USADA claim that he directed a sophisticated doping scheme. His teammates claim otherwise. They say it was Armstrong who bullied reluctant riders into participating, secretly paid for the drugs and treatments, flew in doctors, and orchestrated the cover-up. Armstrong called his approach “very conservative, very risk-averse” when compared to the doping program of the East Germans, who systematically drugged thousands of swimmers, sprinters, weight lifters, and other athletes participating in the Olympics and other international competitions in the 1970s and 1980s. (“Lance Armstrong’s Interview,” 2013). However, Floyd Landis (who was stripped of his 2006 Tour de France title for using testosterone) testified that Armstrong and the U.S. Postal team went to great lengths to hide their blood transfusions. Months before the race, blood was drawn from the racers and refrigerated. Every few weeks leading up to the race, doctors would draw more blood and re-infuse the old blood back into the riders, keeping them fresh during their training regimen. During the race, bags of blood were smuggled into France in a camper and transported by motorcycles equipped with refrigerated panniers. Transfusions took place in a hotel room guarded by security personnel and during a “staged” breakdown of the team bus (Abergotti & O’Connell, 2013; Longman, 2012).

During his conversation with Winfrey (“Lance Armstrong’s Interview,” 2013), Armstrong appeared remorseful at some points but less so at others. He hinted that his USADA punishment was excessive and unfair. He appeared to smirk when speaking directly to Betsy Andreu. In an ill-considered attempt at humor, he said, “I called you [Andreu] ‘crazy,’ I called you a ‘bitch,’ I called you all those things, but I never called you ‘fat.’” Andreu called the interview a “train wreck,” noting, “It’s like telling the truth and being contrite are something new to him”

(Macur, 2013c, D2). At one point, the disgraced cyclist seemed more concerned about losing endorsements (\$75 million) than in the harm he caused the legion of cancer victims and American citizens who believed in him. Macur (2013h) noted: “Armstrong failed to offer his fans what they were seeking: genuine contrition. For a few minutes here and there, he seemed sorry, but only about being caught” (B10). His expression of shame and humility seemed woefully inadequate given the length and magnitude of his deception, the vehemence of his earlier denials, and his betrayal of millions of fans and cancer victims.

Armstrong’s explanation for his behavior was also suspect. He asserted that he acted under a unique set of circumstances, saying that at the time he cheated, doping was an integral part of the cycling culture, like putting air in his bike tires. He did not think he could win without cheating and didn’t feel any guilt for doing so. Armstrong admitted to being a bully and blamed his behavior on a “ruthless desire to win at all costs” (Lance Armstrong’s Interview, 2013).

While Armstrong vowed to make amends (reparations) during the Winfrey TV interview, he had not done so as of 2014. Armstrong and his attorney assert that he should not have to repay the U.S. Postal Service (USPS) any of its \$30 million in sponsorship money because the USPS “benefited tremendously” from its association with the cyclist (Marcur, 2013d). He faces several lawsuits, including one charging that he defrauded taxpayers, that could cost him over \$136 million in damages. Armstrong refused to meet with the USADA to identify others who helped him cheat, even though he said he wanted to help clean up the sport of cycling (Macur, 2013d, 2013e, 2013f).

Legal concerns and a desire to protect his friends were factors that prevented Armstrong from offering a more complete apology, one that admitted the full extent of his guilt and the harm he caused. However, poor character also played a role. The same traits that got Armstrong into trouble—arrogance, competitiveness, his desire for control, narcissism, and greed—apparently made it impossible for him to take full responsibility. As a result, his victims were victimized again. This is particularly true for cancer survivors who looked to Armstrong as a role model and drew inspiration from his story. Fewer cancer

patients will now receive help through the Livestrong Foundation. Nike discontinued its Livestrong clothing brand, which had been licensed to the firm by the foundation. The athletic apparel manufacturer then cut off its contributions to the organization, as did Oakley, Radio Shack, Giro, Trek, and other corporations, forcing the charity to scale back its operations (Elson & Pilon, 2013; Macur, 2013g). Revenue dropped 22 percent between 2011 and 2012 (“Lance Armstrong’s Livestrong Charity,” 2013). Had he been forthright, Armstrong might have lessened the damage to Livestrong.

A morally satisfying apology could have been an important first step in Armstrong’s redemption. Americans seem willing to forgive public figures that confess their sins. NFL quarterback Michael Vick is a case in point. Vick was jailed for his involvement in a dog-fighting ring in which poorly performing animals were electrocuted, drowned, and hung. Like Armstrong, Vick lost millions in endorsements and was banned from his sport. However, unlike Armstrong, he accepted full responsibility for his actions, expressed regret, and then offered reparations. Vick spent \$1 million to rehabilitate dogs at his kennel and became an anti-dog-fighting spokesperson for the Humane Society of the United States. He rejoined the NFL, signing a multimillion-dollar contract with the Philadelphia Eagles (“Apologetic Vick,” 2007; “Michael Vick and the HSUS’s work,” 2014). Former South Carolina Governor Mark Sanford left office in disgrace after lying about an extramarital affair. (He once told constituents he was walking the Appalachian Trail when he was actually visiting his Argentinean mistress.) Sanford apologized to everyone from family and friends to “anybody who lives in South Carolina” in public appearances, meetings, and a newspaper column. He was then reelected to his old Congressional seat in 2013 (Associated Press, 2013).

Mary Barra: General Motors Defective Switch Apology

General Motors (GM) is one of the Big Three U.S. automotive manufacturers along with Ford and Chrysler. Founded in 1908 by Billy Durant, the company has been an icon of American business for over 100 years, with such product lines as

Chevrolet, GMC, Oldsmobile, Pontiac, and Cadillac. International holdings include Opel, Holden, SGMW, and others. Additionally, the company has a financial component (General Motors Financial Company) that provides automotive loans. GM currently employs more than 212,000 employees in almost 400 locations (General Motors, 2014a). In 2013, the firm earned \$3.8 billion on revenues of \$155.4 billion (General Motors, 2014b).

In 2008, GM, burdened by high labor and pension costs and shrinking sales, declared bankruptcy and received a \$49.5-billion government bailout. The government lost \$11.2 billion after the U.S. Department of the Treasury sold its final shares of the company in 2013 (Frizell, 2014). Mary Barra became GM's CEO in January 2014.

Barra faced a major crisis immediately after becoming GM's leader. The company issued a recall for 2.6 million Chevy Cobalts, Saturn Ions, and other models equipped with a faulty ignition switch. The switch would turn to the accessory position or to the off position if accidentally bumped or pulled down by the weight of a key chain. When this happened, the engine, power brakes, and power steering shut down and the airbags were disabled. At least 13 deaths have been attributed to this faulty switch.

According to internal documents, GM first learned about possible problems with the switch in 2001. The switch manufacturer, Delphi, told GM officials in 2002 that the part did not meet specifications (Ivory, Ruiz & Vlastic, 2014; Wald, 2014). In 2006, two engineers ordered that a replacement part be substituted for the original switch, but didn't change the part number, thus disguising the defect. In May 2009, company engineers met and concluded that the switch was faulty, but the firm didn't issue a recall. Instead, GM issued dealer service bulletins, which are much cheaper than recalls but are not designed to address serious safety issues. At the same time, company representatives told victims' families and customers that there wasn't enough evidence to establish that the switch was defective. In some cases, GM lawyers threatened victims' families or reached settlements that forced claimants to keep silent (Stout, Vlastic, Ivory, & Ruiz,

2014). The cost of replacing the part would have been less than \$1.00 per vehicle (Lauener, 2014).

After GM finally issued the ignition switch recall in February 2014, Barra offered an apology for the safety scandal, which she repeated during her testimony on Capitol Hill. She stated in part:

Today's GM will do the right thing. That begins with my sincere apologies to everyone who has been affected by this recall, especially the families and friends of those who lost their lives or were injured. I am deeply sorry. (Healey, 2014, "Testimony," 1)

She announced the appointment of former U.S. Attorney Anton Valukas to conduct an internal investigation and selected Kenneth Feinberg (who headed up the September 11th Victim Compensation Fund) to oversee the firm's compensation program. In addition, Barra created a "product integrity group" focused on safety, made it easier to employees to report safety problems, increased the number of investigators assigned to analyze safety data, and suspended the two engineers who approved the part switch without changing the part numbers (Priddle & Bomey, 2014; Vlastic, 2014).

Barra's apology clearly falls short based on Lazare's (2004) framework. The apology was vague and did not clearly acknowledge everyone affected by the safety scandal. In addition to the friends and families of those killed or injured, hundreds of thousands of other customers and those sharing the road were also put at risk. Barra failed to specify the responsible parties at GM or the firm's offensive behaviors and attitudes, which include deception, delay, bullying, arrogance, callousness, and greed. In fact, Barra continued to distance herself and GM by repeatedly emphasizing that the scandal took place at the "Old GM" that existed prior to her tenure as CEO.

As soon as I learned about the problem, we acted without hesitation. We told the world we had a problem that needed to be fixed. We did so because whatever mistakes were made in the past, we will not shirk from our responsibilities now and in the future. Today's GM will do the right thing. (Healey, 2014, para. 7)

At another point, she told Congressional representatives that failing to recall dangerous cars was "not the way we do business in the New GM" (Lauener,

2014, para. 5). Nevertheless, Barra, a second-generation GM employee, played an important role in the “Old GM” as vice president of global product development before being promoted to CEO. Additionally, GM claims that the 2009 bankruptcy proceedings protect it from lawsuits filed after that date. By using the 2009 bankruptcy as a way to protect itself, there was a clear message that the apology was more of a legal or business maneuver than it was truly remorseful, the second component of a good apology (Lazare, 2004).

Barra’s explanation for what happened was incomplete. Throughout her Congressional testimony, she offered few reasons for why the company waited over a decade to issue a recall. “Sitting here today, “ she testified, “ I cannot tell you why it took years for a safety defect to be announced that (small car) program, but I can tell you that we will find out” (Healey, 2014, para. 1). She explained to the senators present that the legal and engineering divisions didn’t share information with each other that might have produced an earlier recall.

Barra also offered little in the way of reparations to “make it right” with those who had been damaged. She suggested that the company might consider paying damages to victims who were injured prior to 2009. However, in the interim, lawyers at GM continued to stave off lawsuits. Its legal team opposed a motion to force the company to notify the 2.6-million car owners affected by this recall to leave their cars off the road until the problem had been fixed. GM prevailed and was not compelled to make this advisory statement (Dickerson, 2014; Wald, 2014).

Barra’s apology did little to satisfy critics and victims. Congressional representatives were highly critical of GM and Barra’s testimony. A number of them suggested that the firm should face criminal prosecution for concealing information about a fatal safety problem. U.S. Senator Claire McCaskill (D- Mo.) took issue with Barra’s claim that the company had left behind its “culture of cover-up” (Vlasic & Wald, 2014, B1). Senator Barbara Boxer from California blamed the CEO for not knowing about the problem, arguing that “something is very strange that such a top employee would know nothing.” (Vlasic & Wald, 2014, B1). Boxer pointed out that, despite changes at the company, it was still

responsible for past failures. Family members wanted more than a formal apology. They met with Barra after her testimony to urge her to tell owners to immediately park their Cobalts and Ions. Barra refused. “I requested she park the vehicles,” said the mother of a 2005 crash victim, “and (Barra) said that as long as there was only one key on the chain, the car was perfectly safe” (Liberto, 2014, para. 6). The Securities and Exchange Commission (SEC) launched an investigation to determine if GM failed to disclose the switch problem when it filed for bankruptcy protection.

As with individuals, people seem willing to forgive organizations if their representatives are sincere, acknowledge their offenses, communicate clearly and offer reparations. Netflix CEO Reed Hastings’ apology to customers for raising prices seems to have helped his firm recover and become profitable. JetBlue CEO David Needleman’s 2011 apology to stranded passengers helped convince consumers to continue to fly with the airline. By failing to offer a morally satisfying apology, GM’s Barra further damaged victims; an important social contract (in this case, a “safety contract”) remains broken. Society expects that car manufacturers will do all that they can to protect the safety of customers. Barra failed to reassure the public that her company takes this duty seriously.

Implications

Leaders who seek forgiveness on behalf of themselves and others can gain important insights from the morally dissatisfying apologies offered by Lance Armstrong and Mary Barra. Four implications can be drawn.

First, provide a complete accounting. Armstrong did not fully admit the extent of his offenses. Barra did not detail the extent of GM’s the company’s safety failures and subsequent cover-up. She also tried to distance herself from the scandal even though she was a top-level executive during these events.

Second, match the depth of the apology to the depth of the wrongdoing. Few can match Armstrong’s hypocrisy. At the same time he led a fight against cancer, he was taking drugs that some medical experts suspect increase the chances of cancer. Not only did he engage in lies, fraud, and corruption, he bullied those

who dared to question his innocence and did his best to destroy the reputations of those who told the truth. In the end, Armstrong betrayed the faith of millions. He needed to express heartfelt, consistent remorse during the interview. Instead, he appeared to excuse some of his actions by blaming others and claiming to have suffered unjust punishment.

Barra faced the daunting task of apologizing for acts that led to deaths and injuries and may result in criminal prosecutions. Her efforts have not been up to the challenge so far. The “Old GM” put money ahead of human lives, hiding defects and substituting safety bulletins for recalls even though the cost of replacing the switch was minimal. The “New GM” seems to be demonstrating the same callous disregard for human life. A top management committee confirmed the potentially fatal switch problem at a meeting but did not direct a recall until six weeks later. GM waited two more weeks before announcing the recall for 778,000 vehicles. Eleven days later, it nearly doubled the number of cars to be fixed. There were further delays as customers waited for replacement parts (Priddle & Bomey, 2014; Stout et al., 2014).

Third, follow through on commitments. An apology is often the first step in a process that unfolds over time; those seeking forgiveness demonstrate their sincerity by taking steps to repair the damage. While Armstrong performed poorly in the interview, he might have blunted criticism had he subsequently made good on his promises. For example, he could have liquidated his assets (including his multimillion-dollar home) to settle claims with sponsors instead of battling them in court; promised to never compete again in any sport; cooperated with the USADA; met with all of his former associates to ask forgiveness; and apologized to donors for raising money for his foundation under false pretenses.

Barra took initial steps to reshape GM, but these steps were overshadowed by the legal stonewalling of the company. She could have pledged from the very start to pay restitution to those who were affected by ignition switch failures after 2009 and encouraged customers to keep their vehicles off the road until repaired. The company appeared more interested in saving money. At the same time she was trying to limit the company's financial liability, Barra was scheduled to earn

\$14.4 million, a compensation package 59% larger than her predecessor who served under the bankruptcy agreement (Bomey, 2014).

Fourth, select the right venue for delivering an apology. Earlier in his career, Armstrong appeared on *Larry King Live* with Bob Costas to defend his honor. He returned to the celebrity interview format for his confession, perhaps because of his earlier success in this forum. However, the interview setting lessened the impact of his apology. His admission of guilt became a ratings-boosting television event starring Armstrong and Winfrey. Attention and responsibility shifted, in part, to Winfrey. Observers praised Winfrey for some of her questions, particularly at the beginning of the interview, but were disappointed about what she failed to ask him. (It should be noted that Winfrey is a friend of Armstrong.) As a consequence, they believe she shares culpability for Armstrong's failed apology because she did not prompt the cyclist to reveal all of his offenses. Armstrong would have been better served by apologizing at a formal press conference where the focus and burden of responsibility rested entirely on him. Barra apologized via newspaper ads and public appearances, but garnered the most attention through her appearance before congressional committees. She had much less control over the message in this setting. Nonetheless, she would have been more effective if she had spent less time distancing herself from GM's past and been more forthcoming in her responses to questions.

Conclusion

Morally satisfying apologies fulfill important ethical obligations. To fulfill these moral demands, forgiveness-seeking attempts must acknowledge the extent of the offenses, express remorse, offer explanations, and promise reparations. Ethical leaders offer apologies for their individual transgressions (as moral people) and/or on behalf of their organizations (as moral managers). The apologies of Lance Armstrong and Mary Barra demonstrate how incomplete apologies can undermine ethical leadership. Armstrong's apology did little to atone for his failings as a moral person. He does not appear regretful for breaking the rules and demonstrates little integrity or concern for others. He has

failed to win back the trust of fans and cancer victims as a result. Barra's apology also fell short. In her role as a moral manager, she did not fully account for the company's cover-up. Despite her assurances that she has changed the moral culture of the organization, GM still appears more interested in protecting its interests than in caring for victims. Grieving families, customers, and the public feel wronged; the societal "safety contract" remains broken. Barra continues to communicate a morally mixed message to organizational insiders and outsiders alike. While proclaiming that safety is top priority, the actions of Barra and GM signal that protecting customers is not as important as protecting the bottom line.

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Craig Johnson, PhD, is a professor of leadership studies at George Fox University, where he teaches undergraduate and doctoral courses in business ethics, leadership theory and development, and management. He is the author of *Meeting the Ethical Challenges of Leadership: Casting Light or Shadow* and *Organizational Ethics: A Practical Approach*, as well as co-author (with Michael Hackman) of *Leadership: A Communication Perspective*. Dr. Johnson holds a PhD from the University of Denver and an MA from Wheaton College. He can be reached at cjohnson@georgefox.edu.

Paul Shelton is an associate professor of management and chair and director of the Doctor of Business Administration program in the George Fox University College of Business. His research interests include group dynamics, organizational change, and trust. Prior to his work in academics, Dr. Shelton worked for the U.S. Department of Justice and U.S. Department of Homeland Security. He consults with organizations focusing on organizational change, organizational development, cultural dimensions of work, and human resource optimization. Dr. Shelton holds a Ph.D. from Colorado State University and an MBA from Azusa Pacific University. He can be reached at pshelton@georgefox.edu.

Ethical Leadership and Different Leadership Archetypes*

Mari Kooskora
Estonian Business School

Priit Isok
RAKETT

Leadership has been defined by traits, behaviors, influence, interaction patterns, and role relationships, and power, and there have been also some, although much more limited attempts to combine approaches and create a more holistic picture. Leadership is one of the many areas of human life and social relationships in which moral character matters most, and therefore, contemporary leadership development seeks more and more guidance from the ethical perspective and from character formation. This article approaches leadership as a holistic and value-laden process comprised of different activities in which ethics and responsibility play crucial roles. We present 12 archetypes to identify a set of unifying principles that characterize leaders and their behavior related to ethics and responsibility. An archetypal pattern of behavior is considered as a universal ideal form, and it is often manifested in myths representing many cultures in many historical periods. Therefore, archetypes are clearly understood and learned about from a very young age. The discussion is illustrated with concrete examples of real leaders of today and from the past. Though each archetype presents its strengths and weaknesses, leadership archetypes are powerful tools that, when accompanied by accountability and compassion, can be beneficial for leaders, for their companies, and for the common good.

Key words: ethical behavior, ethical leadership, leadership archetypes, personal branding, values

In our constantly changing environment, people face different kinds of challenges every day. People in leadership roles face a challenge and a responsibility. Leadership means collective and concerted activity with a common purpose and a set of rules and norms for how to behave and perform.

It is hard to find a single definition of leadership. Stogdill (1974) found that there are almost as many definitions of leadership as there are people who have attempted to define the concept. Leadership has been defined in terms of traits, behaviors, influence, interaction patterns, and role relationships (see Yukl, Gordon, & Taber, 2002). Moreover, leadership seems to be a phenomenon that makes it possible to include everything that characterizes a process within and among people while achieving certain goals.

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For London (1999), good leaders develop through a never-ending process of self-study, education, and training and experience. Ciulla (1995) continues that good leadership refers not only to competence, but also to ethics. Leadership cannot exist without ethics; moreover, ethical behavior and effective leadership are intertwined and inseparable.

Leadership is a holistic and value-laden process comprised of different activities that lead to learning, developing, influencing, and changing the self and others. Moreover, leadership is one of the many areas of human life and social relationships in which moral character matters most, and therefore, contemporary leadership development seeks guidance from an ethical perspective and from character formation (see Kooskora, 2012). This article approaches leadership as a holistic and value-laden process in which ethics and responsibility play crucial roles in order to identify a set of unifying principles that characterize the leaders and their behavior using archetypes.

Jung (1964) founded the concept of the archetype. In Jungian psychology, an *archetype* is a collectively inherited unconscious idea or pattern of thoughts and images that is universally present in individual psyches. Archetypes are universal stories that all humans share; they awaken people's imaginations, dreams, and aspirations and reflect their deepest fears. Caldwell, Henry, and Alman (2010) see the archetype as the detailed description of a person who represents an expression of a larger group of people with prescribed dimensions. Archetypes can serve as nonverbal structures and symbolic languages that embody our hopes, fears, dreams, and desires.

An archetypal pattern of behavior is considered a universal ideal form, and it is often manifested in myths from many cultures throughout history. Archetypal patterns display traits and behaviors that are consistent and follow a consistent structure. There are many ways to describe archetypes; however, each of those involves emotional circuits and transitional moods, actions, reactions, and general patterns of behavior that can help one understand individuals and their behavior.

Mitroff (1983) rediscovered research archetypes. Several other researchers now use archetypes to describe and characterize leadership behavior within organizations (e.g., Kets de Vries, 2005; Neuberger, 1990; Olsson, 2006; Sinclair, 2005; Steyrer, 1998; Wissema, Van der Pol, & Messer, 1980; van Marrewijk, 2005). These researchers refer to archetypes when describing certain patterns of leaders' characters and behavior, their values, their treatment of others, and their use of power and decision making. Although the approaches in the literature vary, they usually rely on the symmetrical framework of the sometimes-controversial archetypes.

In this article, we present and describe the characteristics of 12 archetypes used in brand management by Mark and Pearson (2001). We focus on the ethical dimensions of different leadership archetypes and discuss how ethics and responsibility are revealed in their characters and behavior.

Ethical Leadership

Defining leadership is not easy. Researchers and practitioners have offered a variety of definitions and emphasized different aspects within the leadership process (e.g., Burns, 1978; Ciulla, 2004; Rost, 1991; Yukl et al., 2002). Leadership has been described as an art (Follett, in Graham, 1995), character (Drucker, 1999), relationship (Kouzes & Posner, 1987), vision (Bennis, 1994), responsibility (Maak & Pless, 2006), and challenge (London, 1999). It can be seen as serving (Greenleaf, 1977), believing, mentoring, action (Brown & Mitchell, 2010), motivation, change (Kotter, 2001), and changing behavior (Bass, 1985). Leadership seems to be a phenomenon that makes it possible to include everything that characterizes a process within and among people while achieving certain goals.

We argue that leadership is a holistic and value-laden process comprised of different activities that lead to learning, developing, influencing, and changing the self and others. People become leaders in different ways, and leaders act in different ways (Ahlquist & Levi, 2011), but no matter how people become leaders, no one is a leader without willing followers. One of the most important

goals for a leader is to create a culture and environment that supports people's efforts, facilitates fulfilling goals, and makes the working process pleasant and effective. Leaders make collaboration possible through clear vision, and concrete acknowledged and recognized rules using their main tool—communication.

According to Ciulla (2004), leadership is not a person or a position, but a complex moral relationship between people based on trust, obligation, commitment, emotion, and a shared vision of the common good. Therefore, we argue that leadership cannot exist without ethics—ethical behavior and effective leadership are intertwined and inseparable. Ethics are revealed through activities and behavior, and the behavior and character of leaders have a great impact on others—they influence the lives of many people. Leaders play a critical role in establishing and maintaining the ethical culture within their organizations, and organizations are often known by the faces of their leaders. Leaders are role models who are constantly watched and followed.

Leadership relationships are often based on authority and power—those who have power can influence and bring about consequences in the behavior of others. Leaders have several sources of power, including legitimate, coercive, reward, referent, expert (French & Raven, 1959), and informational power, and they use a variety of power tactics to push or prompt others into particular action. As powerful leaders are able to influence followers to do what they want done, their use of power can be for good or bad intentions. This distinction can be made by contrasting the expression “power to” with the expression “power over” (Karlberg, 2005). Usually “power to—power as domination” is associated with a positive use of power, and “power over—power as capacity” is associated with a negative use of power. Follett (in Graham, 1995) added another view of power—“power with”—a co-active, jointly developed power, that is relational and collective and creates new possibilities. Follett envisioned leadership as the ability to develop and integrate group ideas and believed that true leaders do not command obedience through force or manipulation, but rather by giving expression to external realities and the interior aspirations of others.

Finally, ethical leadership requires discipline—mental and personal—which not all leaders are strong enough to maintain. Character or personality affects an individual's moral compass—that amalgam of moral, ethical, and motivational principles that guides us through life—and character determines leadership style (Kets de Vries, 2005). Trust and the ability to work together when achieving common goals are the prerequisites for good and ethical leadership. Ethical leadership combines ethical decision making and behavior, and occurs in both the individual and the organizational context. It encourages and promotes values relating to honesty, loyalty, fairness, justice, equality, and human rights. It must incorporate a central core of moral values (see Kooskora, 2012, 2013), and it is essential for an ethical leader to use their sources of power positively.

Jungian Framework of Archetypes

Archetypes provide a deep structure for human motivation and meaning. These are encountered in art, literature, sacred texts, advertising, and brands, but also in individuals, groups, and organizations (and even different countries). These are imprints, hardwired in peoples' psyches, and have been projected outward since ancient times through images of gods and goddess. Plato disconnected these from religion, seeing them in philosophical terms as “elemental forms” and Jung called them “archetypes.”

The word *archetype* is a combination of two ancient Greek words: *arche*, meaning “first” or “original,” and *typos*, meaning “model” or “type.” According to Jung (1961):

The concept of the archetype is derived from the repeated observation that, for instance, the myths and fairy-tales of world literature contain definite motifs which crop up everywhere. We meet these same motifs in the fantasies, dreams, deliria, and delusions of individuals living today. (392)

Jung believed that the psyche is composed of three components: the ego, the personal unconscious, and the collective unconscious. The ego represents the conscious mind, while the personal unconscious contains memories, including those we have suppressed, and the collective unconscious is a major part of the psyche inherited from our ancestors.

Therefore, archetypes are the contents of the collective unconscious and are generally active on the unconscious level. Jung (1971) listed four main forms of archetypes: the Shadow, the Anima, the Animus, and the Self, but he also believed there was no limit to the number of archetypes that may exist. He defined 12 primary types that symbolize basic human motivations and divided those into three sets of four, namely, Ego, Soul, and Self. Each type has its own set of values, meanings, and personality traits.

Jung (1964) was especially interested in the *mandala* (circle) as the symbol of wholeness, and his theoretical framework of the human psyche is remarkably symmetrical. The extravert is balanced by the introvert; the objective material world is balanced by the inner world of feeling, the Ying is balanced by the Yang, and the masculine principle—the Animus—is balanced by the feminine principle, the Anima (Hernández, 2009). Following Jung's idea of this complementarity of opposites, different archetypes may be identified and used to provide a foundation for the understanding of the qualities that characterize leaders' psyches and serve as useful models for providing leadership.

In many ways archetypes are controversial—they are flexible, yet persistent; universal, yet personal; and they create both instant and lasting effect. They are not learnable or acquirable, and at the archetypal level, there is no individuality. In every culture and era, all humans were born with the same archetypes, and people's ability to communicate starts with the concept of archetypes (Jung, 1991).

The ways we understand and experience archetypes relates to our culture and subculture—how we recognize and come to know the various universal names for what initially felt like our private, unique experiences (Campbell, 1988). Some common archetypes are the Lover, Warrior, Magician, Sovereign, Trickster, Seeker, and Destroyer, though people call them by slightly different names.

Leadership Archetypes

Employing archetypes may create a better and more holistic understanding of leaders' qualities and leadership behavior. Several researchers use archetypes

to describe and characterize the leadership behavior within organizations. Among those authors, Wissema et al. (1980) state that leadership profiles are associated with different strategic types—explosive growth, expansion, continuous growth, consolidation, slip strategy, and contraction—and propose classifications of strategies and management archetypes. Their classifications are based on the assumption that leaders can change their styles even though they may be inflexible in doing so.

Neuberger (1990) finds that within leadership, one may see certain images or archetypes, such as “Father,” “Hero,” and “Savior.” Steyrer (1998) expands this idea and adds the archetype of a “King.” Van Marrewijk (2005) classifies four leadership archetypes—“Manager,” “Entrepreneur,” “Coaching—Servant Leader,” and “Emergent or Connected Leader” and draws a transition matrix describing the value systems and behavior of those archetypes (268).

Olsson (2000, 2006) and Sinclair (2005) challenge the conventional view on leadership as a male concept even in contemporary societies and organizations and include the dimension of gender in the debate on leadership archetypes. Olsson (2006) asserts that heroic masculinity, or the “leader as Hero” archetypes (refers to Odysseus’s epic 10-year quest; see Sinclair, 1998), reinforce the male paradigm of leadership, while leaving the female paradigm of leadership as either absent or other. She also found that the view of powerful women—often associated with a warrior princess—is outdated and that today’s female leadership archetype suggests the ability to deliver a vision, engage in strategic planning and long-term perspective, but more importantly, the ability to invest in people and make the workplace an enjoyable place to be.

Kets de Vries (2005) proposes eight leadership archetypes—Strategist, Change-Catalyst, Transactor, Builder, Innovator, Processor, Coach, and Communicator—and discusses the specific characteristics and limitations of each leadership archetype. These in-depth descriptions form the foundation for his Leadership Archetype Questionnaire (LAQ), a 360-degree survey instrument designed to allow leaders to identify their own leadership archetype characteristics (see also Kets de Vries, Vriegnaud, Agrawal, & Florent-Treacy,

2010). He asserts that each leadership archetype will prove effective in certain organizational situations; therefore, the ideal executive team should include people with diverse dominant leadership archetype characteristics.

Our further discussion about leadership archetypes is based on 12 personality archetypes created by Jung (1971) and described by Mark and Pearson (2001). These archetypes represent one's main human desires and can evoke strong, deep emotions that everyone can connect to and appreciate. Mark and Pearson focus on how storytelling works and propose a structural system for business and marketing specialists with the idea of finding the soul of one's own brand in today's competitive world. They believe that understanding and using the deeper levels of psyche gives meaning to the brand and helps increase the marketing value of the business. We argue further that these 12 archetypes can provide insight into understanding leaders' morality and leadership behavior.

Leadership Archetypes in the Coordinate Axes

Mark and Pearson's (2001) 12 leadership archetypes are the Everyman, Lover, Caregiver, Ruler, Creator, Sage, Explorer, Innocent, Outlaw, Hero, Magician, and Jester. Like Jung, we have grouped the archetypes, but have used a coordinate axes to divide the archetypes into four groups with certain motivational drives (see Figure 1 on the next page). In the upper part, there are control, stability/safety, and order, and in the lower opposing part, there are freedom, risk, and mastery. On the left side, there are belonging, socialness, and others; on the right side are independence, sovereignty, and self. These groups of drives define the basic individual needs all humans attempt to fulfill and are comprised of different archetypal identities, which, while having different characteristics, are intended to fulfill the same basic needs (see also Mark & Pearson, 2001, 25).

When looking at those drives, we can find similarities with those that Hofstede (1983) uses in his theory of cultural dimensions. Where "uncertainty avoidance" and "power distance" show people's evaluations on the "stability" scale, "individuality," "belonging," "masculinity," and "femininity" measure the relationships of "self" and "others." Archetypes have inherent meanings related to the issues they represent embedded within them. However, the externalized

forms of archetypes are shaped by cultural images and narratives that are adopted into the archetypal framework. Next, we put these 12 archetypes into the coordinate axes, which are divided into four groups forming a circle: stability, risk/mastery, belonging/socialness, and independence (see Figure 1).

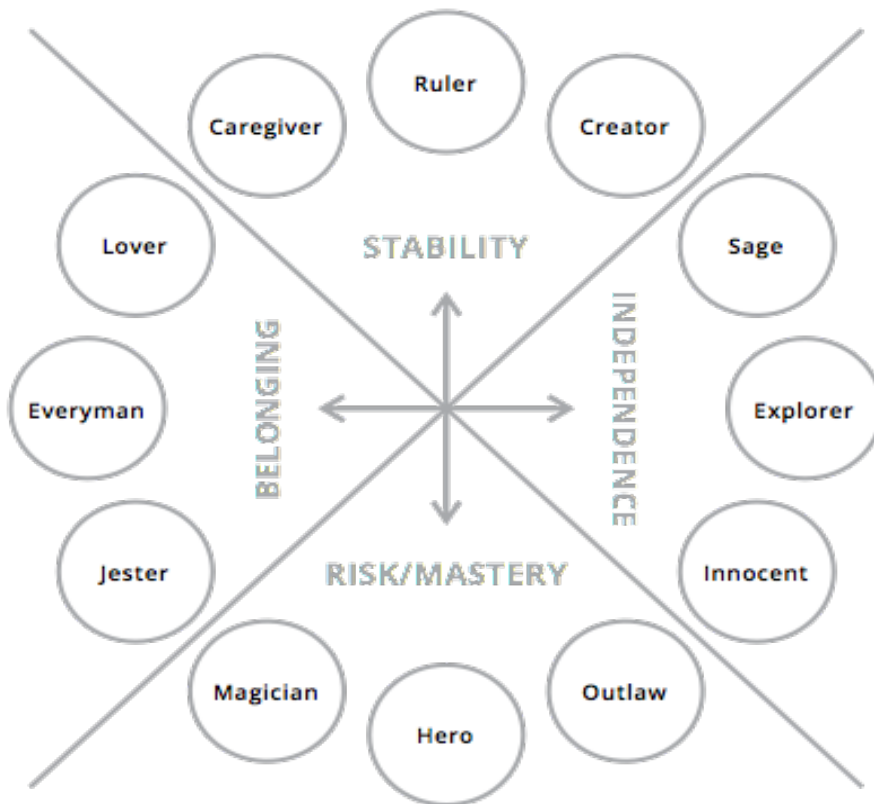


Figure 1. Leadership Archetypes in the Coordinate Axes

Stability. There are three archetypes in this group: Caregiver, Ruler, and Creator. They all strive to preserve control and order in life, although their means of achieving this are different. Among them, the clearest archetype is the Ruler (also known as the King, Judge, Patriarch, Sovereign, or Ambassador). Situated in the middle, the Ruler desires control and to be free from change and variation. To the left of the Ruler toward belonging/socialness is the Caregiver (also known as the Good Queen, Healer, Samaritan, or Angel). This archetype is grounded in

altruistic morality. Showing unselfish concern for the welfare of others, even putting others before self, the Caregiver attains stability through philanthropic actions. By helping and protecting others, he or she brings serenity to the world. To the right of the Ruler toward independence is the Creator (also known as the Royal Architect, Artist, Entrepreneur, Storyteller, or Visionary), who attempts to create and innovate something that lasts, and, by doing so, expresses the structure necessary for achieving stability. Thus, even though the paths to stability may be different, the resolution is the same: a secure and harmonious foundation in life. The opposing three archetypes are positioned in the lower, risk/mastery sector of the circle.

Risk/Mastery. In this group, the central archetype is the Hero (also known as the Warrior, Liberator, Rescuer, or Athlete), who proves superior to his or her adversaries and saves the world. To the right of the Hero toward independence is the Outlaw (also known as the Activist, Solitary, Reformer, or Gambler), who has always got his or her agenda. When the Outlaw has followers, or when masses of people join behind his back, he or she often turns into the Hero, and, if unfallen in the decisive battle, will become a new Ruler beloved by the people. To the left of the Hero toward belonging/socialness is the Magician (also known as the Wizard, Alchemist, Scientist, Engineer, or Smith), who looks for new, sometimes supernatural, ways to improve the world.

Belonging/Socialness. In the middle of this group is the Everyman (also known as the Good Friend, Community Member, Servant, Citizen, or Advocate), who holds good relations with his or her peers and develops connections. There is also a Jester (also known as the Clown, Provocateur, Entertainer, or Shape Shifter), who always takes a small risk with jokes. To the left of the Everyman toward stability is the Lover (also known as the Romantic, Companion, Hedonist, or Matchmaker), who yearns for romance and intimacy.

Independence. The greatest individualist is the Explorer (also known as the Wanderer, Searcher, Generalist, or Path Finder), who leaves a safe home and is prepared to suffer from cold and hunger, but knows where he or she wants to arrive. To the right of the Explorer slightly toward stability is the Sage (also

known as the Mentor, Shaman, Interpreter, or Detective), who seeks out knowledge and the truth. Finally, there is the Innocent (also known as the Child, Dreamer, Idealist, or Muse), who gains Independence via virtuousness.

It can be rather difficult to find pure archetypes among real-life leaders. Most may have several archetypal identities, depending on the situation and context, and making generalizations is risky. However, there is usually one superordinate archetype that is dominant over the other identities and supported by subordinate archetypes. The supporting archetypes overlap with the superordinate archetype; however, the supporting archetypes are not fully established and are only partly developed. This allows us to rely on those superordinate leadership archetypes when we characterize leaders and their behavior.

Personal Branding and Leadership Archetypes

Leadership archetypes can be related to personal branding, an important asset in today's virtual and individual age. Personal branding has become increasingly essential and is often a key to personal success. Successful personal branding entails managing, controlling, and influencing how others perceive and think of oneself (see Rampersad, 2009). Successful personal branding is managed strategically, consistently, and effectively. Archetypes can communicate people's personalities through behavior, communication, and symbolism and are useful tools in personal branding. Personal branding should be authentic and truthful, reflect one's true character, and should be built on person's values, strengths, uniqueness, and talent. If it is not, leaders lose their trustworthiness and credibility and may be associated with archetypes that are contradictory to what they want to achieve.

Branding of powerful and well-known leaders, politicians, athletes and celebrities can also be crafted by careful public relations activities and media. In these cases, the branding often may be inauthentic, though there might be always some loyal followers who believe anything and everything that is communicated via public image and media.

The Values and Behavior in Leadership Archetypes

There are different values and behaviors associated with the different leadership archetypes. Some examples of real-life leaders, who might be associated with these archetypes due to their character, behavior, or through carefully planned and executed activities via media and public communication, help to illustrate each archetype.

The Hero. One of the most used and clearest leadership archetypes that is open to change is the Hero who can be seen as a warrior (Hercules), or a near godlike hero, who faces physical challenges and external enemies. He or she is driven by the need to fulfill ego agendas, prove his or her worth through courageous acts, and use power to improve the world. The Hero is ambitious, focused, and powerful; helps to set and achieve goals; overcomes obstacles; and persists in difficult times. The Hero is also combative and does not avoid challenges. He or she tends to see others as enemies and to think in either/or terms; the Hero may be arrogant and always needs another battle to fight.

The Hero goes into battle for a cause, involves admirers, and is willing to prove his or her courage with heroic actions. However, when the Hero faces the walls of a fortress (i.e., a difficult challenge), he or she may become an individualist and lose the support of others. He or she must have an enemy, and can sometimes become a destroyer.

We often find Heroes among world-class athletes (e.g., golfer Tiger Woods, Formula 1 racing car driver Lewis Hamilton) who are excellent in their fields; have a strong impact on others, especially on young people; work hard; and are generous givers. They also communicate to the world through several activities, commercials, and companies that are related to their field.

However, we can also mention Vladimir Putin, president of Russia, who wants to be seen as a Hero. His carefully planned brand building via media and activities tries to make audiences believe that he is able to do anything, including fly with storks, kill tigers with his bare hands, and conquer the world. His image is that of a superhero—the normal proportions of humanity are exaggerated, and he is presented as an almighty god. Moreover, the recent chain of events has

proven that he has become the destroyer or antihero; however, he is still highly admired in his own country.

The Magician. Most world-class athletes are Heroes. However, some are Magicians (e.g., basketball player Magic Johnson; soccer players Lionel Messi, Ronaldo, and Zlatan Ibrahimović; and other wizards who play ball games). The Magician is charismatic and instinctive, and values magical moments and transformative experiences. He or she searches out the fundamental laws of science and/or metaphysics to understand how to transform situations, influence people, make visions into realities, and help people create change in their lives. The Magician represents achievement of dreams by transforming undesired situations to the enchanting ultimate goal. To reach this goal, he or she often uses rituals, which is what makes it mysterious. If the Magician can overcome the temptation to use power manipulatively, he or she galvanizes energies for good.

Although Steve Jobs may be seen as an Outlaw, the characteristics of the Magician suit him well. Jobs was an executive with insight and creativity who was a visionary leader, motivating employees to pursue a vision. The Apple organization values its employees, who are skilled at working within a team and at executing their leader's plans. They create processes that are built around well-understood mechanisms, positioning the executive's vision within the team's activities, and typically focus their collective attention on a small subset of large initiatives.

The Outlaw. The Outlaw (or Rebel or Destroyer) embodies repressed rage about structures that no longer serve life, even when these structures are still supported by society or our conscious choices. The Outlaw changes existing situations, interrupts the daily order, and is not led by the usual social conventions. The Outlaw is rebellious and does not consider it important to belong to a group or get approval from others; rules are made to be broken. Although this archetype can be ruthless and may cross over to the dark side, it also presents opportunities and shows ways for new growth.

The Outlaw is often a controversial figure. One example is Sir Richard Branson—magnate, investor, and founder of the Virgin empire—who positions

himself and his brand as an Outlaw, helping the poor by defeating the “bad” and “exploitative” British Airways. He continues to be a standout personal brand with his challenging activities that include trying to break world records and scaling down buildings to launch his brand. In addition, he is famous for his charity and humanitarian initiatives, has received numerous awards, and was knighted by Charles, Prince of Wales, in 2000.

The Ruler. The most common leadership archetype that strives for stability and safety is the Ruler. The Ruler likes power, and his or her core desire is control and order by exercising power. This archetype inspires people to take responsibility for their own lives, in their fields of endeavor, and in the society at large. The Ruler shows leadership and takes responsibility, providing control, order, and structure. In many cases, the Ruler is not only successful, but also the leader in his or her domain. If he or she overcomes the temptation to dominate others, the developed Ruler can create environments that invite the perspectives of others.

Like other archetypes, the Ruler has strengths and weaknesses. For example, the Ruler has a passion for control, but that can be a trap, with too much strictness, autocracy, authoritarianism, and, in worse cases, stagnation. The Ruler’s quest is to create order and structure, and thus, an effective society in which the Ruler’s subjects can live productive and relatively happy lives. This is not necessarily an easy task, as there is a fine line between order and chaos, and the Ruler has to fully commit to the task.

There have been many different types of Rulers throughout history: some militant (e.g., emperors of the Ming Dynasty, Genghis Khan, and Julius Caesar), some cruel and barbarous (e.g., Henry VIII), and some powerful (e.g., Margaret Thatcher). In the business world, Donald Trump, American business tycoon, socialite, television personality, and author whose extravagant lifestyle and outspoken style have made him a celebrity for years, is a good example.

The Caregiver. The Caregiver is driven by the need to fulfill ego agendas by meeting the needs of others (a social orientation). The Caregiver is viewed as an altruist, who is moved by compassion, empathy, generosity, and selflessness to

help others. Although prone to martyrdom and enabling behaviors, the Caregiver helps raise children, aid those in need, and build structures to sustain life and health. However, the Caregiver also risks harming himself or herself in the pursuit to help others. He or she dislikes personal selfishness, and fears how it might affect him or her. By taking a stand against greed and selfishness, they contribute to a harmonious society in which everybody is helpful to each other. Some famous Caregivers include Mother Theresa and Princess Diana.

The Creator. The Creator archetype fosters imaginative endeavors, from the highest art to the smallest innovation in lifestyle or work. The Creator wants to realize the vision, create things of enduring value, and develop artistic control and skill. Adverse to stasis, he or she can become overloaded with constant new projects; however, when properly channeled, can create something new and beautiful. The Creator is original, innovative, and often uses imagination. He or she is ambitious and willing to take risks and has a desire to convert ideas into reality. The Creator, fearing that all is an illusion, seeks to prove reality outside of his or her mind. A critical part of the Creator's quest is in finding and accepting himself or herself and discovering his or her true identity in relation to the external world. Albert Einstein and Leonardo Da Vinci are examples of well-known Creators.

The Explorer. The Explorer/Seeker/Wanderer leaves what is known to discover and explore the unknown. This rugged individual braves loneliness and isolation to seek out new paths, aiming to experience a better, more authentic, more fulfilling life. Often oppositional, this iconoclastic archetype desires the freedom to find out who he or she is by exploring the world, seeking out and experiencing new things, and escaping from boredom. His or her biggest fear is getting trapped, conformity, and inner emptiness. The Explorer helps to discover others' uniqueness, perspectives, callings and their ability to explore what they can be or what they can achieve. The ultimate goal for the Explorer is freedom. Explorers accomplish their missions and reach destinations because they never give up and always explore further. Explorers Christopher Columbus, Sir Edmund Hillary, Fabian Gottlieb Thaddeus von Bellingshausen, Fridtjof Nansen,

Roald Amundsen, and Robert Falcon Scott have led teams through intense journeys toward extraordinary achievements.

The Sage. While the Explorer risks his or her life, the Sage values individuality and stability. The Sage archetype seeks the truths that will set him or her free, seeking out information and knowledge, using self-reflection, and understanding thought processes. The Sage's goal is to use intelligence and analysis to understand the world and develop him or herself. He or she is continually gathering information and knowledge to increase experience and expertise and is appreciated because of it. However, the Sage may also have the temptation of dogma, studying details forever and never acting. The danger for and deep fear of the Sage is that his or her hard-won wisdom is built on the sands of falsehood. The Sage's best hope is to play from a position of objective honesty and learn to see with clarity—both truth and untruth. The Dalai Lama and Deepak Chopra can be seen in this archetype.

The Everyman. The Everyman is the purest archetype in belonging/socialness. He or she is seen as the person next door, friendly with a common touch, and down to earth. He or she talks in the exact way an audience desires. This archetype understands that everyone matters, just as they are, and is unpretentious. The Everyman desires communing with others, though he or she may also lose oneself in an effort to blend in or for the sake of superficial relationships. He or she is realistic, wise, and accessible to everyone; uses empathy; and develops ordinary solid virtues. The Everyman represents the normal man or woman and believes that all men and women are created equal. His or her strength is the interdependence and pragmatic realism learned at an early age. One hazard for this archetype is falling into the victim mentality and thus never achieving a heroic position. Examples of this archetype include such politicians and social activists such as Nelson Mandela and Angela Merkel.

The Jester. The Jester urges us to enjoy the process of our lives, have a great time, and lighten up the world. The Jester entertains people in a clownish and funny way, plays, and makes jokes. The Jester gives people a sense of belonging and places everything in perspective by using humor. He or she fears

boredom and boring others, with weaknesses involving frivolity and wasting time. While the Jester may be prone to laziness and dissipation, the positive Jester invites people out to play—showing how to turn work, interactions with others, and even the most mundane tasks into fun. What causes the most dread for the Jester is a lack of stimulation and being “not alive.” They must seek “to be,” perhaps as the Sage, but may not understand this. Good comedians and entertainers belong here, and although some Italians may want to see politician, media tycoon, and defendant Silvio Berlusconi as a Hero, we argue that he fulfills the Jester archetype well.

The Innocent. Every era has myths about a golden age or a promised land in which life has been or will be perfect. The promise of the Innocent is that life need not be hard. This archetype gives people a happy and positive approach to life by providing optimism and happiness. The Innocent is the spontaneous, trusting child that, while a bit dependent, has the optimism to take the journey. The Innocent is sincere, trusting, and wants to do good for everyone. He or she is based on the good in people and wants to reward this. The Innocent can offer a simple solution to an identifiable problem and is associated with goodness, morality, simplicity, nostalgia, or childhood.

The Innocent’s greatest strength is the trust and optimism that endears him or her to others, gaining help and support on his or her quest. The main danger for this archetype is that he or she may be blind to obvious weaknesses or perhaps deny them, or may hurt himself or herself or others but not acknowledge it. The Innocent can also become dependent on others to fulfill their heroic tasks. We may find Innocents among young people, startup entrepreneurs, and pop artists, actors, and movie stars. Innocents are often well known by their worldwide teenage fans, serve as role models, and are engaged in charity activities. A prime example of an Innocent is Estonian singer Kerli and her elaborated fan community/street team, the Moon Children.

The Lover. The Lover archetype governs all kinds of love—from parental love, to friendship, to spiritual love—but is best known for romance. The Lover has a loving relationship with his or her environment; desires intimacy, experience, and

being in a relationship with the people, work, and surroundings they love; and aspires to become more physically and emotionally attractive. The Lover has passion, gratitude, appreciation, and commitment and knows how to be passionate, seductive, and tempting in every possible way. This archetype is about beauty, temptation, and contact with the environment.

The Lover fears being alone or becoming a wallflower, unwanted, or unloved; his or her desire to please others may risk losing one's own identity. Although the Lover can bring heartaches and create drama, he or she helps people experience pleasure, achieve intimacy, make commitments, and follow bliss. Examples of the Lover archetype include some famous fashion icons; well-known pop and movie stars; actresses; and partners of politicians, businesspeople, and athletes who project sensuality and sex appeal and play the role of a loving, yet successful partner. Jacqueline Kennedy Onassis, and Victoria "Posh Spice" Beckham can be seen as this archetype.

Benefitting from the Knowledge of Leadership Archetypes

Each of these archetypes has its strengths and weaknesses, which creates risks especially when the values, characters, skills, and tasks a person needs to perform does not match. Knowing about archetypes, and therefore, those strengths and weaknesses, and knowing how to benefit from them can increase an organization's success and provide a valuable competitive advantage.

Kets de Vries (2011) believes that such success depends on assembling a leadership team that possesses complementary skills that are presented in leadership archetypes. However, the skills associated with each archetype must be aligned with the organization's needs, as lack of fit between a leader's archetype and the context in which he or she operates is a main cause of team and organizational dysfunction and executive failure. According to Kets de Vries et al. (2010), the single omnipresent ruler is a thing of the past and successful companies are led by a team of self-aware executives who band together with "distributive, collective, and complementary leadership" (Kets de Vries, 2005, 9).

At every level of the organization, leaders are successful because they know how to enlist the help of the right people.

We argue that one of the skills of leadership is the knowledge of one's own weaknesses and ensuring that other people on one's team can provide missing skills. Therefore, knowing about one's own and other people's archetypes can provide valuable help. Archetypes may reduce the necessity to learn new information by providing a preexisting framework of information, assumptions, and responses. However, relying on archetypes may also provide risk, so this should be done with caution.

Using and benefitting from these archetypes will in turn create a culture of mutual support and trust, reduce team stress and conflict, and allow more creative problem solving (Kets de Vries, 2005). However, leadership archetypes are not static and may change based on a person's phase of life or an evocative event. They can be changed to serve the needs of the individual, the team, and the situation if there is sufficient motivation to engage in a change effort.

Conclusion

Leadership, defined as the ability to influence and motivate, or to cause others to willingly follow, has often been viewed as a special, almost magical ability that some people have and others lack. This ability allows special people to give direction and purpose to human groups.

In ancient times, "natural leaders"—those persons who possessed the ability to motivate and direct others, rose to positions of authority, however, when these positions became hereditary, they were not necessarily occupied by people capable of meeting the demands of leadership. Today, successful leaders have realized that they need to create a culture of mutual support and trust, reduce team stress and conflict, and allow more creative problem solving. Understanding and consciously using the knowledge of different leadership archetypes can provide help for these goals.

Each of these archetypes' skills and talents can be employed for good or for bad. Although some archetypes may be seen as more powerful than others,

each has its unique power, which can be used either positively or negatively. Leaders always have some impact on others; they serve as role models and their behaviors and actions determine their ethics. Leadership archetypes are powerful tools that, when accompanied by accountability and compassion, can be beneficial for the leaders and for their companies, and can also increase the greater common good.

The deeds and decisions of leaders, both in politics and organizations, have a strong influence on a wide range of people, and it is a leader's task to direct their followers and businesses meaningfully. Meaningful leadership means leadership that is ethically sound, sustainable, and that contributes to society at large. Ethical behavior and ethical leadership are the critical keys to survival in the future, and being a leader means playing a central role in establishing and maintaining an ethical culture of high trust to jointly achieve mutual goals.

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Mari Kooskora, PhD, is an associate professor at Estonian Business School (EBS). She is also head of the EBS Centre for Business Ethics, executive editor of the *Journal of Management and Change*, and a researcher at EBS. She is a visiting lecturer at the University of Jyväskylä, Finland; ISM University in Kaunas, Lithuania; the University of Ljubljana, Slovenia; and Grenoble and Ecole de Management, France. She earned her PhD in Business and Economics at the University of Jyväskylä in Finland. Her main research interests are ethics and responsibility in business and leadership, sustainability, and women in leadership. She has written several articles in internationally refereed journals and delivered conference presentations on related fields of research. Dr. Kooskora is a member of the European Business Ethics Network (EBEN) and several other international networks, and she was a board member of Transparency International Estonia until June 2014. She can be reached at mari.kooskora@ebs.ee.

Priit Isok is the creative director and a partner at RAKETT, an advertising agency. He studied graphic and industrial design at the Estonian Academy of Arts, where he received an MA in 1995. He is currently enrolled in MBA studies in entrepreneurship at Estonian Business School. Mr. Isok has wide experience in communication projects and his main clients through the years include Sampo Group, Danske Bank, Nordea, Valio, Statoil, Valio, Atria, Santa-Maria, Paulig, Selver, Ensto, Veski Mati, Apotheka, Elion, Lunden, Jalostaja, Aura, Häädemeeste, the Coca-Cola Company, Estonian Air, Altia, Fazer Bakery, Stockmann, Elisa, Radiolinja, Makitorppa, Toyota, Jaguar, and Ford. He can be reached at priit@rakett.org.

Moral or Immoral Impulse: The Quest for Leadership and the Master-Slave Relationship*

Patrick O'Sullivan

Grenoble École de Management, Webster University Thailand &
Professors Guild International

Ola Ngau

Professors Guild International

This article explores the philosophical roots of the impulse to seek leadership. Leadership *necessarily* implies followership (if we are all leaders, there are, in effect, no leaders), and the moral roots of the leader-follower relationship are not flattering. We suggest that they can be traced to the master-slave relationship: a relationship that has fascinated philosophers for centuries. But if the impulse and desire for strong leadership are rooted in the master-slave relationship, how can this be squared with the moral values of equality—or at least of mutual respect among human beings—which forms an explicit part of virtually every major contemporary moral code? We argue that in many, if not most, cases, the fundamental impulse for strong leadership is rooted in the master-slave relationship and is therefore of dubious moral standing, if not profoundly inegalitarian. However, we also note that when conceived idealistically as a form of privileged service as a *primus inter pares* (“first among equals”), leadership can be emancipated from the shadow of the master-slave relationship and become a force for good.

Key words: equality, ethics, leadership; master-slave, philosophy

Peruse the literature of management theory (e.g., Yammarino, 2013) or check the prevailing “wisdom” of management consulting today, and you’ll see a striking and pervasive emphasis on leadership, particularly in business settings. Charismatic leadership, and transformational leadership in particular, are presumed to be highly positive contributory factors for business performance (e.g., the maximization of profits and shareholder wealth) and especially for radical transformational change (Bass, 1998; Bass & Avolio, 1994; Burns, 1978; Yammarino, 2013). In many cases, transformational leadership is presented as a key factor to business success in the large multinational company environment of globalized competition (Bass, 2008).

The same fascination with strong, charismatic leadership can also be found in politics. The biggest insult that can be leveled at politicians today, in both

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advanced and less developed countries, is that they “are not providing leadership.” The media thrust of political campaigns has accentuated this quest for “strong decisive leaders” who act quickly and ruthlessly, but not necessarily wisely in “crisis” situations. The religious sphere is not immune from this desire for strong and charismatic leaders. The appeal of charismatic evangelicals in the United States and the sway of more firebrand Islamic clerics are cases in point.

However, from a reflective philosophical point of view, this obsession with strong charismatic leadership seems to be remarkably uncritical and devoid of any moral sense. What seems to have been systematically overlooked or forgotten in this adulation of strong leadership is that leadership can be as much a force for evil as it may for good. It depends on the leaders’ goals— what they are trying to achieve. For example, Adolph Hitler had some very clear goals and was highly charismatic and ruthlessly effective in implementing his goals through “strong” political leadership until almost the end of World War II (Ciulla, 1995). It follows, then, that strong charismatic leadership can only be considered to be “good” if the goals of the leader in question are good. If the goals of a leader are considered to be “evil,” then strong and charismatic leadership will accentuate and exacerbate the evil, often with great cruelty and inhumanity.

Hence, we are led to recognize the ethics and morality of leadership. It is this theme of the morality of leadership that has been obscured in the contemporary discussions of leadership in management and political theory. The inevitable underlying normative questions as to the *moral* goodness or evil of strong leaders’ actions have rarely been addressed (Ciulla, 2004). When they have, it has usually been in an instrumental manner to argue, for example, that a strong leader leads by good example or will be more likely to be trusted, and therefore followed, whether austere or virtuous. Yammarino (2013) describes an array of contemporary research conducted on such positivist questions as conditions for the effectiveness of leaders, the significance of culture and context in which leadership is exercised, and the emotional element in the interaction of leaders and followers. He says that any discussion of ethical aspects of leadership (“the

dark side” of leadership) is a matter for future research. In short, ethical discussion is almost entirely absent from leadership and management research.

However, when we probe the morality of the leadership, and especially the strong leadership, that is so adulated in business and political circles today, there is another moral undercurrent that emerges in philosophical analysis. Leadership implies followership for the very simple logical reason that if everyone is a leader, then, in effect, there is no leader, just a group of equals (Yammarino, 2013). Therefore, strong leadership implies a band of loyal followers who follow the will of the leader. In short, the underpinning of the adulation of strong leadership is the rather unflattering framework of that age-old psychological impulse that humanity struggles to shake off: the master-slave relationship, the philosophical and moral significance of which is the focus of this article. Put bluntly, the quest for and adulation of strong charismatic leadership seems utterly inconsistent with equality among all human beings, a fundamental value that is supposedly a centerpiece of all natural rights-based political theory and of political constitutions based on such theory.

The Dominance of Transformational Leadership

The dominant concept of leadership in business and politics can be broadly termed *transformational*. In this concept, the leader is seen as a strong and charismatic person whose single-mindedness in pursuit of a clear vision and ability to inspire others leads to the effective implementation of major processes of political or business transformation. For many commentators, this notion of the ability to manage transformational change involving large groups of people is seen, in effect, as the definition of *leadership*. For example, Yammarino (2013) defines *leadership* as “a multi-level (person, dyad, group, collective) leader-follower interaction process that occurs in a particular situation (context) where a leader (e.g., superior, supervisor) and followers (e.g., subordinates, direct reports) share a purpose (vision, mission) and jointly accomplish things” (150).

Thus, we can clearly see the prevailing idea of leadership as someone with a strong personality with a vision to change and transform followers by inspiration.

The above definition has the advantage of making clear how the transformational conception of leadership inevitably implies followership. This same focus on transformational leadership can be found in some of the more practically oriented work on leadership skills for managers or politicians (Bass, 2008).

There may occasionally be signs of awareness that leadership can also be conceived in other terms, such as selfless public service. This conception has been particularly present in discussions of military leadership, but it is mainly a historical relic, and certainly managerial discussions of leadership have instead concentrated on the transformational and charismatic conceptions. Reminders of such a notion can be found in Marturano and Gosling (2008), but they remain the exception rather than the rule in contemporary management research.

What is perhaps rather striking is that any normative discussion of the moral/ethical aspect of transformational leadership is absent in these contemporary discussions of leadership. There is an occasional reference to the importance of moral integrity as one of the characteristics of the strong charismatic leader, but this is in reference to the personal consistency of a leader's declared moral views or principles and is treated in an entirely instrumental fashion as one attribute among a range of others that can render the leader effective qua charismatic leader. Yammarino (2013) summarizes the implications of contemporary research for the attributes of effective leadership:

Leaders need to provide vision and direction; set the mission, goals, and objectives; be the moral and ethical compass and a model of integrity; and think not only short term but also long term for the entire organization. Finally, at multiple levels of analysis, because leadership titles create and set expectations for followers, leaders need to meet these expectations at the individual, dyad, group/team, and collective levels. (152)

Therefore, while moral integrity and even serving as a moral compass are mentioned here, these are seen in an entirely instrumental sense—as tools in the armory of the effective charismatic leader.

When moral integrity in leaders is thus instrumentally conceived, we cannot but note the parallel with that most influential political writer, Niccolò Machiavelli (1469–1527), who was not only aware that a strong leader might often need to

adopt patently evil courses of action with a view to preserving power and, thus, order in the state. When he talks of the “virtue” of the ruler, this is clearly intended as the adoption of whatever moral stance will be most effective in defending the state or preserving the position of power of the rulers and order in the state. Thus, to Machiavelli, “virtue” in a leader refers to “the range of personal qualities that the prince will find it necessary to acquire in order to ‘maintain his state’ and to ‘achieve great things’” (Nederman, 2009, section 3).

Judging by the degree to which the adjective *Machiavellian* has entered common parlance, there is little doubt of how much the thought of the pragmatic Machiavelli has influenced subsequent political thought on leadership and, in particular, the instrumentalization of moral integrity as a characteristic of strong leadership. This has also spilled over to field of business management, in which we also find the instrumentalization of virtue as a characteristic of the effective charismatic leader.

Moral Assessment of the Vision or Goals of Leaders

What seems to be almost entirely missing from contemporary management discussions is any questioning of the goals set by the leaders and any critical normative discussion of the “moral compass” that is chosen by leaders and embodied in their vision. This is potentially, by far, the most important *ethical* or *moral* aspect of the exercise of charismatic or, indeed, of any other kind of leadership. Is the leadership being exercised in the pursuit of a morally worthy purpose? In our introduction, we reminded enthusiasts of charismatic transformational leadership that, historically, some great evils have been wrought by effective leaders (e.g., Adolf Hitler). Other historical examples of charismatic political leaders for whom the morality of their ultimate vision or the means chosen to attain the vision could be called into question on moral grounds (Ciulla, 1995) include Oliver Cromwell, Napoleon Bonaparte, or, more recently, former Italian prime minister Silvio Berlusconi, who has a certain charisma, but arguably used high political office solely in pursuit of his own narrow personal interests rather than in pursuit of a lofty moral vision. In the contemporary business

setting, we could cite Michael O'Leary, CEO of Ryanair, or Fred "the Shred" Goodwin, former CEO of the Royal Bank of Scotland.

Hence, a crucial and basic first step in bringing ethics and morality into the discussions of leadership is to initiate an awareness of the degree to which charismatic leadership can be a force for evil or for good; that not all change or transformation is necessarily for the better; and, therefore, that the goals or vision of any leader should always be the subject of a critical moral appraisal. Also, the manner in which one exercises leadership often cries out for moral appraisal. Yammarino (2013), in effect, seems to admit as much when he says that the future agenda of management research on leadership should feature the neglected theme of the "dark side of leadership."

To an unreconstructed positivist who seeks to eschew any kind of normative discourse in "hard" management science, the suggestion that we should turn to an explicitly normative evaluation of the goals pursued by leaders and the means chosen to attain these goals will seem positively retrograde. For the positivist, the human sciences should have long ago put behind them the stage of merely normative wishful thinking to concentrate on the hard realities of the economy and politics. However, such positivism (or cynicism) has created the neoclassical efficient markets hypothesis and related policy injunctions that failed so badly in the Global Financial Crisis of 2008 and its aftermath. It has also created the Friedmanite injunction in strategic management that the only purpose of a business is to maximize profits for shareholders (Friedman, 1970), though this latter view has been widely challenged in the business ethics and corporate social responsibility (CSR) literature. As the study of ethical issues and social responsibilities in the 1980s developed, there were many voices that maintained support for the Friedmanite line, holding that business ethics was oxymoronic and its study was a waste of time (Crane & Matten, 2010). Fortunately, this is not always the case today and the significance and, indeed, the imperative of a detailed study of ethical and moral issues in business and the social responsibilities of companies extends well beyond the maximization of profits for

shareholders (e.g., stakeholder theory, sustainability and sustainable development, and the triple bottom line).

In a sense, the CSR revolution now needs to become part of management thinking on leadership, for one of the most obvious and direct implications of the socially responsible 21st-century business is to examine—in the light of relevant moral norms—the appropriateness of a company's ultimate strategic goals, the means to attain these, and their impact on the wider society in which the company is active. If the charismatic leader is charged “to provide vision and direction; set the mission, goals, and objectives,” then there must be a serious moral evaluation of the vision, goals and objectives set by the charismatic leader (Yammarino, 2013, 152). When CSR is brought into conjunction with leadership morality, it is no longer simply a Machiavellian-style instrumental attribute of the effective leader, but a central part of the evaluation of the leader's goals.

Charismatic Leadership: Shades of the Master-Slave Relationship

Another disturbing theme that emerges from the shadows when we examine the moral dimensions of charismatic leadership is the master-slave relationship. The master-slave parallel may not be present in every leadership action, since not all leadership is necessarily based on the strong leader/engaged follower model of charismatic leadership, but the parallel is certainly present in that model, which has almost exclusively dominated most management literature and consultancy practice discussions of leadership.

Charismatic leadership presupposes a strong leader who sets visions, goals, and objectives for a group of loyal followers, who will be completely dedicated to the attainment of the leader's goals. Much has been written about the characteristics that the charismatic leader should incorporate or acquire (see Bass, 2008; Bass & Avolio, 1994). What has been much less researched or taught is followership, i.e., what makes a good follower? Yet if effective charismatic leadership involves having bands of dedicated followers committed

to the execution of the leader's visions and goals, the study of good followership is imperative.

Some reasons for this comparative neglect of followership are not flattering. Essentially the reluctance to research and teach "followership" as the complement to strong leadership is that the follower's relationship to the leader is too reminiscent of the slave to master relationship, which not only demeans the dignity of the follower, but is also deeply inconsistent with the ideals of equality among all human beings, the centerpiece of political philosophy since the 18th century. These ideals have been widely proclaimed in various declarations of human rights, such as the United Nations' Declaration of Human Rights or the European Union's Charter of Fundamental Human Rights (European Union, 2000). Also, the remarkable propensity of so many people to be uncritical, unthinking followers stems ultimately from a fear of seeking truth and valid knowledge. Ignorance may be bliss, and to search for knowledge may be dangerous and even sinful.

We may be pushing the analogy too far when we identify a close parallel between the charismatic leader/follower interaction and the master/slave relationship. However, any realistic examination of the prevailing relationship between management and the workforce of Anglo-American, French, or Chinese companies leave little doubt as to the disturbing closeness of the parallel. The power relations of an Anglo-American company, as defined in common law corporate governance, confer hiring and firing power on managers who are viewed as agents of shareholders and seen as dedicated solely to the pursuit of profits for shareholders. There are internal relationships of command and control, which, despite current management attempts by some companies to go beyond them, remain rooted in historical hierarchical conceptions espoused by Weber (1926/1947), Taylor (1975), and Fayol (1917). Essentially, managers manage and workers follow orders. In France, the hierarchical character and emphasis on deference and obedience to authority within the company are pervasive and often suffocating. Chinese companies, even state companies, are run dictatorially. The only real and significant exceptions to this hierarchical

management approach come from German models of governance in which workers have a direct say in the formation of company strategy through *Mitbestimmung* (“co-determination”), the direct representation of workers comprising 50% of company boards (Monks & Minnow, 2011); from Nordic countries, where the dignity and views of the workforce must be respected by management; and from the cooperative model of business, which is best epitomized by the Italian cooperative firms of the Emilia Romagna region, among which the *Riunite* cooperative in the food sector is now a highly successful multinational enterprise (see Pencavel, 2012).

Where a company operates along traditional hierarchical lines, there are, of course, close parallels with the master-slave relationship. The executive officers of the company may not actually own their labor force, but they presume an absolute right to create strategy, and they expect a strict adherence to the company strategy and its implementation. Furthermore, they presume an absolute right to manage the time and activity of the workers, at least while they are at work (e.g., strict control of working hours and monitoring of the electronic activity of workers). In effect, contemporary management theory and practice has even, if unwittingly, adopted the viewpoint that while at work, the employer somehow owns the employee’s time and so, in effect, owns the employee for that time. Employees who do not adhere to strategy, regulations, or orders can summarily be fired (at least in Anglo-American or French companies), and the legal system in these countries accepts and defends such firing for “insubordination.” In short, if we look closely at the management-employee relationship in most contemporary businesses, what we see is a structure that differs from slavery only with respect to outright, permanent ownership of human capital. When a company seeks out a strong charismatic leader to pilot through transformation and change, these characteristics of central command in pursuit of the leader’s vision—and the marginalization and even dismissal of those employees who may not share the vision—are only accentuated. Therefore, in the strong charismatic leader–dedicated unquestioning follower employee

relationship, the parallel with the master-slave relationship is at its strongest and most obvious.

That the master-slave relationship should turn up in the guise of the charismatic leader-follower interaction so lauded in business (and political) circles today may seem like a surprising recrudescence of a supposedly defunct idea, but it is not so strange to philosophers. There has been a continuous tradition of reflection through the Enlightenment and into postmodernism that has focused on the persistent, even if often implicit, centrality of master-slave relationships in human affairs.

The roots of modern philosophical reflection on master-slave relationships in human affairs can be traced to the ruminations of German philosopher Georg Wilhelm Friedrich Hegel (1770–1831). For Hegel (1807/1977), Absolute Spirit (or Absolute Subject) is the first principle of all reality (Taylor, 1975). *Absolute Spirit* means an absolute self-consciousness. Hegel emphasized that the ultimate principle or starting point is not some absolute substance or material, but rather a fully self-conscious subject; a self-conscious thinking entity. To be fully self-conscious, a subject needs to differentiate oneself from the Other, from that which is not self; and since this activity is one of Absolute Spirit in and through human beings, it carries the connotation of mastery: Absolute Spirit must establish its mastery over Otherness. This is partly expressed in the mastery of the natural world through technology, but for Hegel, it is through the interaction with other people that the differentiation from the Other necessary for self-consciousness is most complete. This carries the connotation of mastery of the other person.

There have been many debates about what Hegel (1807/1977) meant to say on this topic. These debates are rendered all the more opaque by Hegel's surprisingly literary manner of writing on abstract philosophical topics (see Dawson, 2007). Yet what is certain is that Hegel saw the master-slave relationship as a central impulse of the human spirit, so we should not be surprised to find that it is a widespread implicit presumption underpinning not

only leadership theory (in the leader-follower interaction), but also contemporary management theory and practice.

That the master-slave relationship is central to business management is something that was patently obvious for the 19th-century philosopher and political economist Karl Marx (1818–1883). This is not entirely surprising, since Marx was in many ways an admirer of Hegel and borrowed many aspects of his philosophical system, while being very critical of Hegel's idealism. Marx sought to replace the idealism of Hegel's conception of history as the March of Reason (Absolute Spirit) in the world with a dialectical materialism that sees the fundamental motivating forces of human history in real material economic conflicts rather than in the interplay of ideas. However, the idea that progress occurs through a dialectical struggle is common to both Hegel and Marx. This conflict was, in the case of Marx, epitomized by the class struggle between the workers (the proletariat) and the capitalists (owners and managers of companies; Marx & Engels, 1848/1998). For Marx, the nature of the capitalist system of ownership and control of business meant that the capitalist owner sought to maximize profit through the extraction of a maximum of surplus value from the workers, who remained at a level of bare subsistence wages (in order to transfer the maximum surplus value to the owners). In short, the worker is the impoverished downtrodden and exploited servant of the capitalist owners and managers; the workers are slaves of their capitalist masters in all respects other than they are not owned as people by their capitalist masters.

Friedrich Nietzsche (1844–1900) is another 19th-century German philosopher whose thinking on the master-slave relationship has provided a backdrop to and even an inspiration for contemporary ideas of charismatic leadership. He had drawn a contrast between what he called *master morality* and *slave morality* (Nietzsche, 1887/2006). *Master morality* is the code or characteristics of strong-willed noble people who lead and make great accomplishments. This is expressed in the primacy of virtues such as courage, open-mindedness, the quest for truth, and trust. In the Nietzschean master morality, as in Hegel's master side of the master-slave dialectic, the master knows no fear and so, *inter*

alia, is not afraid of the truth or the pursuit of truth. According to Nietzsche, slave mortality arises as a counterpoint to the morality of the strong-willed, achievement-oriented master, and it is essentially pessimistic and conservative: it extols utility, democracy, political correctness, equality, and egalitarianism. Care must be taken with regard to the question of which of these moral approaches Nietzsche wanted to advocate, since he was more interested in developing a philosophical-historical explanation of how and why these sharply contrasting moral ideas actually evolved. However, there is no doubt that the tenor of his treatment is more favorable to the morality of the strongman achiever and that this strongman morality has been an inspiration to contemporary thinking on charismatic leadership, and even to some degree, an ideological apologetic for it.

When thinking about the master-slave relationship in contemporary philosophy, the work of French existentialists Jean-Paul Sartre (1905–1980) and Simone de Beauvoir (1908–1986) comes to mind, even if their framework has more application to male-female relationships than to the business or political leadership context. Sartre endorsed Hegel and Marx's use of the master-slave relationship as a way to better understand the process of emergent self-consciousness in human beings. He used this understanding to interpret the significance of sexual relationships in particular. In what has seemed to many an unduly reductionist interpretation, Sartre (1946/2007) argued that all sexual relationships are either sadistic, masochistic, or indifferent (or ultimately unfulfilling). In short, for a sexual encounter to be fulfilling, there must be a master (or mistress) and a slave. De Beauvoir (1949/2009) applied essentially the same framework to consider the historical dominance of patriarchal systems in which women have been subjugated to more or less slave-like roles in many societies (consider the role assigned to women today in societies run on strict Sharia law).

Contemporary postmodernism presents a less coherent picture on the master-slave underpinning of human relationships. On the one hand, postmodernism, in its defiance of rationalism and emphasis on the constructivist character of all human cognition, is deeply subversive of hierarchy in any form, political or in

business. Indeed, in the classical works of sociologist and economist Max Weber (1864–1920) and business administration theorist Henri Fayol (1841–1925) hierarchical organization of business along militaristic lines was explicitly identified as bringing rationality into organizations and order from chaos (Weber, 1926/1947; Fayol, 1917). In postmodernist thought, the emphasis shifts to a more participatory approach to leadership, wherein leaders and followers construct state or business projects together in an ongoing intersubjective interaction (see Ladkin, 2011).

Postmodernism has, however, another dominant strand of thinking whose connection with the master-slave relationship has been less studied. At the core of postmodernist thinking is *epistemological relativism*: the assertion that there is no absolute truth or at least no absolute truth accessible to mankind. Knowledge is constructed by the actively thinking subject from a standpoint that must ultimately be relative to that subject's experiences. Whatever one may wish to say about this from an epistemological point of view, it carries a crucial implication for charismatic leadership. It means that in the absence of any absolute truth and with merely competing perspectives or standpoints, persuasion becomes central to the defense and pursuance of one's worldview: rhetoric (and even propaganda) replaces logic and reasoning. In this great competition of persuasion and promotion, the charismatic leader, the one with the greatest power to inspire confidence and encourage adherence to his or her views, will be the one who is most successful and will succeed in establishing his or her standpoint as the dominant conventional wisdom over others. This is pure ideology in its classical or neo-Marxian sense. The charismatic leader uses tools of persuasion and propaganda to secure adherence to his or her view of the world and to secure an unthinking acquiescence in these views and an unquestioning obedience to the dominant political or business leader. The postmodernist's epistemology ultimately leads us back into slavery.

Our philosophical reflections are not intended to make a case for or against charismatic leadership in business or politics. Rather, our purpose is to show first the strong affinity with, if not apologetic support for, conceptions of a charismatic

leadership/followership that come from a rich tradition of the past 200 years of philosophical reflection on the master-slave relationship and its continuing role in human affairs. It also underlines rather clearly the degree to which the underlying presupposition of the charismatic leadership/followership concept is firmly rooted in the dialectic of the master-slave relation, while also explaining the perennial appeal of that relation in philosophical terms.

Fundamentals of a Morally Responsible Leadership

Now we draw together the diverse strands we have explored to establish some fundamental principles of a morally responsible leadership in business and politics, and in any other area where leadership is exercised. Postmodernists may be horrified at the attempt to establish a set of universal moral principles regarding morally good leadership, but we prefer not to descend into a quagmire of ethical “anything goes.”

First, any moral assessment of leadership must involve an assessment of the moral goodness, badness, or moral neutrality of the goals of leadership. This assessment is a matter for general morality and is not about the exercise of leadership per se. That is not to say that it is unimportant: what could be more important than a moral assessment of the goals that Hitler, Stalin, or a contemporary jihadist leader have pursued through their charisma?

Turning to the ethical and moral issues that may arise in the exercise of leadership, perhaps the most obvious one is of the incompatibility of the master-slave backdrop with the exercise of strong charismatic leadership within an environment marked by moral philosophies that declare equality among all human beings as a fundamental principle and a moral value to be upheld at all times. Not only do declarations of equality feature in an array of declarations of human rights that have legally binding force (e.g., European Charter of Human Rights in the European Union, 2009, and the U.S. Constitution’s Bill of Rights, 1776), it is the consideration of this right to equal treatment for all people that underpins every form of legislation and campaign against all discrimination (e.g., women, sexual preference, race, religion, or ethnicity). Against this backdrop of a

quasi-universal declaration of equality and real efforts to achieve it (even if imperfectly) in many countries worldwide, it seems bizarre that there has recently been such a manifest enthusiasm in political and business circles for charismatic leadership and its followership counterpart. It seems bizarre because of the philosophical roots of the charismatic leader-follower relationship in the master-slave relationship that we have already made abundantly clear. Those roots are, moreover, clearly present in the manner in which many business leaders conceive their role. They are to lead strongly and decisively, and the workers are to follow sheepishly. In defense of such charismatic business leaders and their traits of decisiveness and courage the thinly veiled influence of Nietzsche's master morality is decidedly present. A similar phenomenon seems to be present in the political sphere, in which people often seem to demand strong decisive leadership, almost oblivious to the purposes for which it is exercised (e.g., the current Russian President Putin). The mass media, however, may also be making a significant contribution to this phenomenon.

Hence on this question of the master-slave backdrop and its incompatibility, strictly speaking, with declarations of equality in natural rights philosophy, we conclude that there is a serious unresolved tension. Much as Sartre (1946/2007) commented on how so many people are terrified by real freedom of choice (because it brings with it responsibility for one's actions), so also it would appear that many people are afraid or at least reluctant to be equals. In other words, they are happy to be servile followers. Indeed, the psychological reasons for this servility may be quite similar to Sartre's diagnosed reasons for so many people's fear of freedom. Needless to say, there are also rapacious power-hungry people only too happy to play leaders to these servile followers.

Apart from this "dark side of leadership" that lurks in the master-slave psychological underpinning much charismatic leadership, there are other important moral evaluations that can be brought to bear on the exercise of leadership per se. Predominant among these is the idea of the leader as a servant of the people, a concept that is almost in direct contradiction to the master-slave conceptions we have unearthed in contemporary discussions of

charismatic business, political, and religious leadership. Tracing its roots as far back as the *Bhagavad Gita* (the sacred 5,000-year-old text of Hinduism; Sivananda, 2000) and to Plato's (380 BC/2007) political philosophy, to be a leader is a great privilege, and with the position comes honor, power, a huge degree of freedom of choice, and invariably plentiful perquisites. In return for these privileges bestowed on the leader by his or her followers, Plato noted that the leader is first enjoined to serve those followers and to put followers' interests before the narrow personal interests or convenience of the leader (see Greenleaf, 1977). This, in effect, is the ideal of *public service*, a moral ideal that inspires, at least in principle and to a degree in practice, the conduct of public administration and political leadership in certain parts of the world, but in other parts is being replaced by cynicism and an exaggerated individualism. Sadly, in many parts of the world, individuals enter politics with one aim—personal enrichment. In the business world under the influence of Friedman (1970) and other apostles of ultraliberal capitalism (e.g., Carr, 1968), it is openly advocated that business leaders should enhance narrow personal interests and fortunes (and/or the interests of shareholders in public companies). Any idea of business leaders serving the community at large, or even the interests of employees, customers, or other stakeholders, is just brushed aside in this approach. The growing influence of business ethics and CSR has called into question this outright pursuit of narrow self-interest in business, but the influence of the Friedmanite mantra remains strong (O'Sullivan, Smith, & Esposito, 2012).

Plato (380 BC/2007) outlined a strong moral ideal of leadership as service. He was deeply disillusioned with the Athenian democracy for its execution of Socrates. Plato therefore advocated that the state should be run with absolute control in the hands of philosopher rulers: in today's terms, the most educated people in the state. While these philosophers were to rule absolutely, Plato was all too aware of the danger that the absolute power the leaders would have could lead to corruption, nepotism, and personal aggrandizement. This would be entirely inconsistent with his ideal of service for leaders. To ensure that they concentrated on public service and not corruption and self-aggrandizement, Plato

proposed that philosophers be deprived of the rights to hold private property and have (or at least know) their children. This effectively “communist” regime would entirely eliminate the real dangers of corruption and of nepotism in concentrated leadership positions. In the context of contemporary politics and business leadership, the enduring relevance of Plato’s reflections and suggestions is disturbing. Political leadership throughout the world has become increasingly synonymous with rampant corruption and self-serving behavior, while in the business world, corruption is seen as an endemic international business problem in some companies whose assets have been systematically plundered by top managers (e.g., the Enron collapse of 2001, asset stripping in mergers/acquisitions, and excessive CEO salaries).

Much of the behavior of political and business leaders today would be severely criticized on moral grounds by an upholder of the ideals of servant leadership championed in the *Bhagavad Gita* (Sivananda, late BC/2000) or by Plato (380 BC/2007) or Greenleaf (1997). These Platonic ideals are also easy to reconcile with ideas of equality among mankind and, indeed, they reverse the roles in the master-slave underpinning of charismatic leadership: According to Plato, it is the leader who is to serve the followers. Moreover, in the contemporary world, in the face of rampant corruption in politics and business, the trust of people in political leaders or business leaders is extremely low (a major reason for poor election turnouts in many countries). Most politicians are reviled, and business leaders (especially in the financial sector) are seen as ruthlessly corrupt self-serving individuals. Unfortunately, what many of these reviled political and business leaders do not seem to realize is that their behavior is ultimately contributing to an erosion of confidence in them by their followers and, ultimately, to the undermining of their positions of leadership and power. This loss of confidence by followers becomes more acute today, as followers are more educated and can see through the manipulations of self-serving leaders. This collapse of trust and confidence in leaders could be revolutionary in political and business organization. In politics, the signs are already present (e.g., the European Union and the rise of extreme parties deeply critical of the established

elite). In business, the result of cynical greed by top managers can seriously demotivate employees and descend into cynicism; finally, alternative forms of business organization, such as those that are smaller and more cooperative, are becoming more attractive and quietly growing (Lotti, Mensing, & Valenti, 2006).

Conclusion

Our review of the ethical aspects of leadership has led us to the conclusion that it is not enough to make a moral evaluation of the goals or means of leaders today. It is imperative that we also conduct a moral appraisal of the way leadership is exercised. We have argued for the notion of leader as servant of people: not only does this concept of very noble philosophical heritage go back to Plato, it is ultimately the only concept of leadership that is consistent with equality among all people as found in many contemporary declarations of equal human rights. The leader as servant conception alone is capable of exorcizing from leadership the master-slave relationship that still imbues wide swathes of political and business leadership today.

The systematic and real adoption of a servant-leader philosophy to replace the prevailing leadership model of cynical self-aggrandizement will encounter stiff resistance from hugely powerful vested interests and will be classified as politically and economically revolutionary. Given the almost universal distaste with self-seeking politicians and insatiably greedy business leaders, it would, however, be unwise to discount as pure fantasy the possibility of revolutionary convulsion in response to certain types of leadership. Perhaps the time for servant leadership has come, thereby reinstating the (noble) ideal of public service.

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Patrick O'Sullivan, PhD, is a professor of business ethics at Grenoble École de Management and a visiting professor at Webster University Thailand; he is also president of Professors Guild International. His principal research interests are in the fields of business ethics, political economy, and philosophy. He can be reached at patrick.osullivan@grenoble-em.com.

Ola Ngau is a student of philosophy and a research assistant to Patrick O'Sullivan at Grenoble École de Management. She is also the general secretary of Professors Guild International. Her main research interests are in the field of applied philosophy. She can be reached at ola@jprofessorsguild.eu.

The Moral Core of Authentic Leadership*

Fred J. Abbate
Drexel University

Most writers and researchers on leadership development put great emphasis on techniques and methods, practices that enable leaders to get things in an organization effectively accomplished. Understanding and applying these practices are certainly important, but they do not alone ensure that such leaders are morally admirable. Authentic leadership also requires unswerving commitment to principles that the great moral philosophers have emphasized, namely, respect for the humanity of those who are in the leader's charge and an uncompromising adherence to the intrinsic—not merely instrumental—value of them as persons. This essential moral core of leadership, however, must be carefully distinguished from ill-advised moralizing or, what might be even worse, seeking to turn those being led into disciples or zombie-like acolytes of a guru.

Key words: ethics, leadership, leadership development, moral reasoning

Captains Courageous

The following story might seem familiar: A military leader is awarded great honors and a prime political office by the king of his country for the courage and tactical genius he demonstrated in saving the realm from a destructive war. In a relatively short time in his new position, however, he begins to seek more and more political power. This quest requires that he ruthlessly eliminate any and all who actually stand in his way or who are even suspected potential obstacles. Although he succeeds in becoming king himself, he has achieved this only because he has turned into one of the worst kinds of criminal—namely, a serial murderer.

This, many will recall, is the tale of Macbeth, Shakespeare's tragic Thane of Cawdor, who skids slowly, but totally, off the moral rails. Yet, at the start of his career, he is considered a genuinely courageous leader, one whose great bravery and strategic insight enabled him to turn the tide of battle when all seemed headed for catastrophic loss. Why, then, did this courage not keep him on the right leadership path? Why did it not translate into the kind of leadership we admire and would want to emulate?

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Courage, in fact, has recently become—for some writers on leadership—the principal characteristic that leaders must have (Hybels, 2009; Lee, 2006), and an Internet search shows pages of Web sites on “courageous leadership.” Tobak (2013), for example, tells us that courage is the biggest of all the attributes a leader needs, and shares with us “eight ways to be a courageous leader.”

- Follow your gut when everyone tells you you’re crazy.
- Take risks with big downsides and no safety net.
- Deliver bad news.
- Face your critics and listen openly to what they have to say.
- Act on your beliefs, knowing it may cause you pain.
- Take on bigger, better-funded competitors.
- Look in the mirror and confront what you see.
- Challenge your comfort zone and face your fear.

These ideas vaguely summon, perhaps, the images of a Martin Luther King Jr., Franklin Roosevelt, Nelson Mandela, or Winston Churchill. Yet Macbeth might have claimed to be an enthusiastic devotee of these rules as well. He certainly “follow[ed his] gut,” took dangerous risks, acted passionately on his beliefs, and faced his fears. Unlike King, Churchill, Mandela, or Roosevelt, however, he had some very serious problems with his moral framework, as did leaders such as Joseph Stalin, Adolf Hitler, Benito Mussolini, and Osama bin Laden, who all seemed to have been “courageous” in this questionable conception of the term.

Courage might be an important trait for many of the leaders we admire, but it is clearly not enough, especially when it approaches recklessness. Even many garden-variety criminals can be courageous in this dubious sense. In addition, if these are the main rules for courageous leadership, they seem to involve some odd inconsistencies. Doesn’t “follow[ing] your gut” when everyone “tells you you’re crazy” pretty much erase the need for “listening openly” to what your critics have to say? Why look in the mirror and confront what you see, since you’re also supposed to act on your beliefs even if they cause you pain?

So, what might be missing? One ostensibly reasonable response might be to add into these “courage” rules some of best practices we have determined to be

key characteristics for successful leadership. The list normally includes some very good advice, expertly delineated. For example, Kouzes and Pozner (2012) list five:

- Model the way for others.
- Inspire a shared vision by appealing to common ideals.
- Challenge processes by experimenting and finding new opportunities.
- Enable others to act and foster collaboration.
- Encourage the heart by celebration and recognition of contributions.

We know that proficient leaders should certainly follow the advice of Kouzes and Pozner, whether they are a politician, the coach of a college football team, or the CEO of a major corporation. Certainly Kouzes and Posner, and other leadership scholars who talk about capable leadership, are not trying to give instructions intended for leaders who are ruthless scoundrels. Like them, we want a leader to have the right kind of character, to be trustworthy, to stay within the rules of law, and to adhere to the ethics of a profession, especially since unethical practices can be shown to result in unbeneficial organizational outcomes (Dalla Costa, 1998). The emphasis in these practices is still, however, on method, technique, and skill development, with moral character and moral principles either assumed—the “good-goes-without-saying” approach—considered as an afterthought, or consigned to some sphere outside of the essential nature of leader effectiveness.

The leaders of many organizations can therefore faithfully hold fast to these practices and still be held in extremely low moral regard. The perverted values that are “modeled” by the behavior of a cruel despotic leader are apt to become the depraved standards that infect the mission, vision, and goals of an enterprise. The successes that are “celebrated” and encouraged in an unequivocally immoral organization might be the ones that ruthlessly and deceitfully demolish a competitor to gain control of the market at any cost. Surely, the depressing record of fines, indictments, and imprisonments in government service and in the financial and other industries leave little doubt that such cases are more than simply rare possibilities.

Technique vs. Principle

One initially plausible reply to this puzzle, this quandary that seems to allow high-quality leadership methods to cohere with—or perhaps even to be a means to achieving—reprehensible objectives might be this: Granted that rogues and criminals might use these techniques for patently depraved purposes. It has never been the mission of leadership research to make morally better people. High-quality scientific practices, for example, are used by the most honorably upright practitioners as well as by malefactors of the most horrible kind. A reprehensible poisoner might use the recipes in a superb cookbook to succeed in his criminally toxic schemes, but that does not require the author to add a chapter on how to be an improved human being. To expect anything more of effective leadership processes is to confuse the role of management theory with a self-righteous sermonizing that tries to change the subjective, personal convictions of those who lead.

Frankly, the reply might continue, we can often learn a great deal about leadership expertise from some very nasty actors. We might not admire them—we might even detest them as human beings—but we often marvel at and appreciate how effectively they achieve their goals and use impressive skills to inspire loyalty and devotion in their followers. Psychological studies have unearthed many of the crucial traits at work in all leaders, quite irrespective of how we value their moral codes (Gardner, 1995). The point is suggestive of the cliché often heard in the predictable conclusion of banal crime films: “If he had only used his talents for good instead of evil, think of how much better the world would be!”

Oddly, this response suggests another old saying, but appears to stand it on its head. In place of “hate the sin, but love the sinner,” this response celebrates “love the sin, but hate the sinner.” Can we, however, so neatly detach the methods of an oppressive tyrant from the effects these have on the followers and others at the receiving end? How far would a criminal attorney get in defending a mass murderer by saying that the accused should at least be given some respect for the dazzling skill he demonstrated in dispatching his victims? Do we seriously

hold to a simplistic mind-body dualism that entails believing that the “real” person of a depraved perpetrator is insulated from the actions he or she performs? Does this not commit us to the bizarre view that the actions of a Stalin or other brutal persecutor are to be lauded as having value, while only the “inner” person performing them is to be condemned?

On the contrary, any leader, effective or not, acts to achieve certain aims or goals. The methods or techniques he or she uses are means to those ends-in-view, and those means take their character, their description, and their worth from those ends. The total narrative about the leader who delivers repugnant outcomes to those under his responsibility requires us to explain that he is doing something evil, not just using admirable means to a separate and distinct evil end. If the prime minister of a country, for example, uses the brilliant oratorical skills of a Cicero and succeeds in instilling burning hatred in his followers for a minority population, that is not the misuse of a first-rate leadership practice. It is a depraved manipulation of individuals who have been entrusted to that politician’s responsibility.

We must, then, be as earnest about encouraging moral principles and values in leaders as we are about brandishing a list of valuable techniques or practices. No one can, of course, guarantee that leaders whom we so counsel will act under the right moral principles any more than we can rest assured that they will ably use any of the effective practices we recommend. The moral point of view, nevertheless, needs to be included in the account of our essential leadership skills and the recommendations for their performance. Authentic leaders make those who follow them better off as people, not simply more efficient or more productive. If leaders fail in this—if they lack a moral center that shapes the guidance they give to others—they will have not done what admirable, authentic leadership demands.

Relativist Rejoinders

Our objectors may well not yet give ground and might respond with the claim that our view still puts us in some rather dubious territory. Moral values, they might

protest, are intensely and subjectively personal. There is no point denying that people notoriously vastly differ on them. One person's meat is another person's poison, the old saying has it. Are not our claims about morality merely expressions of our emotions, our sentiments, or personal feelings that just masquerade as unprejudiced, factual claims about the world? How, therefore, can it be productive, as part of anyone's good leadership recommendations, to prescribe a particular moral point of view, given the totally subjective nature of morality and the relativity of all values?

The response makes two significant assumptions, and we should unpack them in order. First, it presupposes that moral values are totally and, perhaps hopelessly, subjective. Second, it implicitly maintains that what we are recommending is the uncompromising prescription of a particular moral code.

Regarding the first assumption, and sidestepping for our purposes here the knotty history of philosophical deliberation on the nature of moral statements, we can reply with another question: Given how we actually talk and think about moral values, do we really believe them to be, as the response portrays, *totally subjective*? The position seems difficult to maintain for the following reasons.

To begin with, we normally condemn what we consider serious immoral practices even when they are supposedly justified by the claim that they are part of a culture or entrenched in longstanding tradition. If I say that it is wrong for some societies to sexually mutilate children and young women, or to deny ethnic or racial minorities the right to vote or hold political office or own property, I am not merely expressing my feelings or simply saying that I do not like such policies, the way one says that one does not like Brussels sprouts or the Boston Red Sox baseball team. On the contrary, I am prepared to give reasons, to point to the disastrous effects on innocent persons, to argue the case that it is the violation of basic human rights, and so on.

If I am not prepared to give good and relevant reasons for my position, my claim is considered to be a mere emotional reaction, not a moral position backed by sound logic. Moral dialogue is a defined area of discourse. Imagine someone who asserts that her moral code is to maximize opportunities to cause pain to as

many people as possible because it gives her strong feelings of pleasure. We would not comment on this by saying, “Well, to each her own moral view!” We would no doubt think there is something wrong here, that whatever theoretical ballpark her position resides in, labeling it a “moral” position simply will not do. Even if she stays on the right side of the law in her weird pursuits, or gets permission from those to whom she causes pain, we believe that this way of living cannot be called a “moral” position, no matter how strongly her overly fertile imagination claims it to be.

Next, our assertions about the morally right thing to do are usually expressed as claims of general or universal principle—what philosopher Immanuel Kant (1788/2009) called “categorical imperatives.” They are not merely utterances of my personal and peculiar perspective on the value of what I am performing. Generally speaking, to claim that some action is morally wrong is to declare that anyone in a relevantly similar position has a duty to refrain from performing that action. To take the moral point of view when I am, say, contemplating stealing someone’s property or lying under oath to escape difficulty, is to ask, “Could the motive I am acting from serve as a universal rule for anyone in a similar position?” True, I might perform the act anyway, but the burden of proving that I was justified in doing so—and that no moral duty was dishonored—falls squarely on me. Note, however, that it is precisely the person who acts only out of selfish or personal feeling who is violating moral value and whom we normally condemn. Clearly, then, moral action is not for us merely a matter of pure sentiment, passion, or feeling.

No one could seriously deny that, as leaders, we do have very strong feelings about our moral beliefs. That does not, however, mean that such emotions are the only thing that our policy and other decisions are about. We are not robots, and we certainly expect others to be passionately moved by important moral issues. All this proves, however, is that the issues at stake are often at the heart of much of what we take to be the central and most serious consequences for the human condition. We are talking and thinking, after all, about the impact on the

human condition, not entertaining questions about which cereal to order for breakfast.

Moreover, the fact that we often have great difficulty reaching agreement in moral discussions is also not an argument for the subjectivity thesis. Aristotle (1962) in his *Nicomachean Ethics*, which was written before 322 BC, tackled this very point when telling us about the study of the ethical life:

Problems of what is noble and just . . . present so much variety and irregularity that some people believe that they exist only by convention and not by nature. The problem of the good, too, presents a similar kind of irregularity. . . . Therefore, in a discussion of such subjects, we must be satisfied to indicate the truth with a rough and general sketch. . . . For a well-schooled man is one who searches for that degree of precision in each kind of study which the nature of the subject at hand admits. . . .

The key notion here is that one is completely missing the point if he or she believes that moral questions are resolvable with the same degree kind of certainty that one gets in scientific or mathematical proof-making. Authentic leaders know that our dilemmas in moral decision making can involve the clash of relevant principles and deciding which of them might or should have priority in guiding us toward the best way to act. No mathematical calculation or feeling can guide us here.

Nevertheless, there is a factual and evidential connection involved in much of our moral reasoning. If, for example, I believe that capital punishment is justified because it deters others from committing crime, and if data unequivocally show that it does no such thing, then I will need to be prepared to give up my justification or find some other principled basis for my original claim. It won't do to claim that I still just don't like the practice. I could also point out to a friend the disastrous consequences that a life of drug addiction is having on her loved ones or on her career. Here, I am adducing facts that underpin the value claim I am making, namely, about the importance of living a fully human life—one of loyalty to friends, family, and oneself, not one of slavery to a chemical substance.

Zombies and Zealots

With regard to the second assumption: In asserting that the moral point of view needs to be included in our theory of and recommendations for authentic leadership, we are not in any way committed to enforcing of a set of doctrines or requiring a specific code or catalog of moral values. On the contrary, and as we have noted, debate and discussion about the right thing to do are part of the very definition of genuine moral discourse. To lay down a one-size-fits-all way of thinking about our values and tolerate no deviation or opposition to the “official” set of rules is to live in the dehumanizing territory of a venomous ideology. Moral ideology is the precise opposite of—indeed, the most destructive enemy of—the genuinely moral point of view, for the latter is a perspective that, by its very nature, requires free and open deliberation.

We need to emphasize this point as strongly as possible, because we have seen, unfortunately, more than enough examples of this kind of ideological leadership throughout history and contemporary narratives. These are the leaders who assume the role of gurus, of spiritual guides who claim purportedly specially privileged knowledge. They are more interested in making disciples, not respectfully treating followers as genuinely human individuals. The latter hold for the guru merely instrumental, not intrinsic value. The followers in these cases have worth only in relation to the leader, and are nonentities who no longer have significance in themselves (Storr, 1997, 222).

To be a “loyal” follower for such a leader requires that you give up your capacity to make moral judgments. All you have at hand is the possibility of using your emotions and feelings, being ruled by shame, guilt, and the fear of punishment or even banishment. One might be tempted to say that such followers are treated like children, but the analogy is not apt. Children are human beings who have immense value to us and for whom we must seek a future of freedom and happiness; to treat our progeny otherwise is a moral disgrace. These leaders need to turn followers into zombies, beings without a trace of individual consciousness or a hint of individuality and independence. These are the ideal creature-consumers for the ideological leader.

Authentic Leadership and Its Moral Core

This ugly picture we are painting of what a leader should never become can, as it happens, help point us to a clearer understanding of the kind of moral perspective we are recommending as essential for authentic leadership.

If we are correct about Kant's (1788/2009) view that the principles of a true moral perspective are held for everyone, then it follows that the leader should treat every person affected or potentially affected by her or his leadership as equal and intrinsic centers of value. In short, the moral point of view requires that leaders are morally obligated to behave toward all those under their responsibility as genuine persons, as ends in themselves, and not merely as means to the leader's ends.

Don Knauss, CEO of the Clorox Company, underscores this idea very clearly:

It's all about your people. If you're going to engage the best and the brightest and retain them, they'd better think that you care more about them than you care about yourself. . . . The other thing I've learned is that you've got to assume the best intent of people and that they're really trying to do a good job. (Bryant, 2014, BU 4)

We claimed earlier that those under the charge of a leader must be better off for being led. How so? The answer is that they are not to be turned into instruments of the leader, but participants in the value of that leadership, becoming, under the guidance of the moral leader, moral leaders themselves. The authentic leader, as a guardian of human autonomy, is in the primary business of making other leaders. One way of putting this is that morally authentic leaders "bring out the right stuff in their people," but never "stuff their people full of right (Abbate, Biddle, & Tomaselli, 2013, 25, 26).

The *Tao Te Ching* captures this moral authenticity of leadership superbly:

Tao leaders are wise as the ages.
Their depth cannot be sounded,
Yet we can describe their actions:
Mindful, as if crossing an icy stream;
Focused, as in the midst of danger;
Respectful, as if an honored guest;
Fluid, as melting ice;
Honest, as an uncarved block of wood;

Open, as a yielding valley;
Bending, as if earth and water.

The more rules and restrictions,
the weaker people become . . .
Therefore, the Tao leader does not give orders
and the people lead themselves.
Keeps a peaceful heart,
and the people achieve harmony.
Does not control,
and the people prosper.
Remains detached,
and the people find their own centers.
(Dreher, 1996, 44, 145)

The moral leader is, then, someone who is always in pursuit of the *common* good, not a rationalizing defender of special interests or partisan outcomes. This leadership relies on paying special attention to the justice and equity of all significant decisions and their outcomes. The principles that embody this approach are the ones stated by Rawls (2001):

- (a) Each person has the same inalienable claim to a fully adequate scheme of equal basic liberties, which scheme is compatible with the same scheme of liberties for all; and
- (b) Social and economic inequalities are to satisfy two conditions: first, they are to be attached to offices and positions open to all under conditions of fair equality of opportunity; and second, they are to be to the greatest benefit of the least-advantaged members of society. (42–43)

Although these principles of justice are chiefly intended to morally guide societal practices and political leadership, their relevance to any type of leadership should be fairly clear. Leaders who are worthy of our admiration are not those who appear or merely seem to have integrity, but who are committed to it and actually have it. They are not leaders who are merely perceived as fair and just, but who truly are fair and just in how they make decisions about those under their responsibility.

These principles contrast quite sharply with a simplistic utilitarianism—the view that the leader is to act for the greatest benefit of the greatest number. This one-dimensional version of moral reasoning can bizarrely lead to justifying the

sacrifice of the basic human interests of the minority members of a group just so the majority can have a minimal gain. It can justify marginalizing whole groups for any reason, so long as the majority is better off.

Of course, there will be times when a political or organizational leader has to make tough decisions, such as downsizing a workforce or cutting budgets or redefining benefits. The leaders who work through the principles of justice, however, make conscious and careful attempts to invest such choices with as much attention to the effects on all people in their charge, whether they are shareholders, customers, or employees. This means that the mere “counting of noses” is not enough for moral decision making, since the basic autonomy and value of each person must be genuinely honored. If nose-counting is not enough, then, what should we say of the particular political leadership that has become considered more and more normal, that counts only votes, that thinks leadership is the skill of getting elected, not the skill of how to govern for the common good.

Courage Refurbished

Guiding our leadership by these principles certainly can require courage, but it needs bona fide courage, not the recklessness that appears to be implied in our earlier discussion of how the concept has been handled. Real courage is a moral virtue—a habit of action that is under the guidance of reason, not the forces of passion or uncontrolled emotion. As a moral virtue, it connects with and responds to our rational human nature, not our unrestrained instincts or macho zeal. It is a measure, Aristotle (~322 BC/1962) tells us, between the extremes of foolhardiness and cowardice, between the constant fear of making the wrong decision and the arrogant belief in one’s infallibility (70). Truly courageous leaders understand and act on what is worth fighting for, distinguish between surface and substance, and avoid the snares and delusions that waste the valuable time and energy of those who crucially depend on their leadership.

Like all moral virtues—including honesty, compassion, humility, tolerance, truthfulness, patience, and justice—courageous leadership requires sensitivity to the situations we are in and the inherent value of the people who are affected by

our actions. Virtues are not a set of abstract ethical rules or legal requirements that we appeal to as an extraneous or peripheral check on our decision making. For the leader with an unambiguous moral focus, they become second nature, a normal feature of one's practice that seems as involuntary as breathing. The practices we recommend for successful leaders should embed these virtues into every example we use.

Can we build into the education and training of our current and future leaders this moral point of view? There is no reason why we should be incapable of doing so. Religious leaders are regularly devoted to inculcating a moral purpose and, when not tempted to be in complete command of the wills of those in their charge, ideally seek to help others achieve that purpose for themselves. That their aims are backed by a set of otherworldly rules and sanctions might make for serious tension with other nonsectarian leadership practices, and the risk of turning followers into unthinking disciples is certainly possible. There is no intrinsic reason, however, for religious leadership to run afoul of genuine moral purpose.

In more usual secular programs on leadership development, good case studies and discussions can certainly be structured around how leaders ought to respond to moral dilemmas and make the principles on which decisions are made clearly visible for critique and discussion. The leadership decisions and practices of Abraham Lincoln, Harriet Tubman, George Washington, Martin Luther King Jr., Dwight Eisenhower, and many others also need to be carefully studied for how they exemplified successful leadership and still thoroughly tied it to moral goals.

Great literature, whether dramatic, fictional, and biographical, can also serve as educational instruments. The Shakespearian plays *Macbeth* and *Richard III* can offer superb object lessons, showing how things can go seriously wrong when personal goals overpower the common good that authentic leadership must keep seeking. Current political leaders can also serve as examples—unfortunately, often negative ones—to underscore the ways that moral values should work as an essential part of and not an accidental accretion to successful leadership

practices. Learning how to separate political rhetoric and moral reality can be a first-rate teaching opportunity.

As we move beyond leadership development programs and try to find ways to install a strong moral core into the actionable reality of any working enterprise, much will depend, of course, upon the basic values already at work in the organizational culture, whether it is the culture of a business, business school, political party, or charitable enterprise, the board of an international bank or a school board in a small town. Questions that have to be addressed include:

- How seriously does the organization take the idea—as shown in its actual history of decision making and policies—that authentic leadership must have a moral core?
- Do the organization's practices and programs contradict the catchphrases about honesty and integrity and the other slogans that are prominently displayed on their boardroom or corridor walls?
- Is the vision for the enterprise—what it aspires to be or become—nothing more than the puffed-up and self-serving hallucinations of those in authority, or can they stand the true test of moral validity?
- Are employees, customers, and all other stakeholders treated as people who deserve respect and not as mere vehicles for the satisfaction of those in power?
- Is moral leadership not merely an interesting theoretical concept to be intellectually discussed, but the only form of leadership the organization will tolerate, the only form worthy of anyone's trust, and the only form kind actually rewarded?

Even if there is serious dedication to developing this moral point of view in the executive decision-making and managerial culture, it will naturally take more than a little time and much energy to fully incorporate the commitment into the daily life of the enterprise. (If it is an excruciatingly difficult project, that in itself should raise more than a few red flags.) It can be done, however. There is no doubt that there are great organizations with great leaders whom we admire today for their solid moral principles as well as their skill in getting the right things done

successfully and proficiently. There might not be enough of them, and perhaps there will never be, but they are not figments of our imagination.

The words of the *Tao Te Ching* might again serve as a guide to steer those who need to walk this road to a clearly and honestly functioning moral focus to its leadership:

A tree that grows beyond your reach springs from a single seed.
A building more than nine stories high begins with a small mound of earth.
A journey of a thousand miles begins with a single step. (Dreher, 1996, 26)

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Fred J. Abbate, PhD, teaches philosophy in the Pennoni Honors College of Drexel University and is a senior associate with the Performance Excellence Group, LLC, consulting with corporate and educational leaders on ways to instill higher performance and authentic leadership in their organizations. He is the former president and CEO of the New Jersey Utilities Association, which represents the major telecommunications, electric, gas, and water utilities in New Jersey. He holds a PhD in Philosophy from Columbia University, an MA from Boston College, and an AB from Fairfield University. Dr. Abbate has served in several executive positions for Atlantic Energy and has chaired and worked with the leading communications, customer research, and industry policy committees of national trade associations and business institutes. As a loaned executive from Atlantic Energy, he was the director of Leadership New Jersey, the state's best-known leadership program. He has published four books and numerous articles on leadership, law, politics, and educational issues. He can be reached at fja421@comcast.net.

Bonuses: Leading Us to Ruin? The Impact of Financial Incentives on Leadership Within Organizations^{*}

**Mark Thomas
Grenoble Ecole de Management**

This article discusses the use of bonuses in companies from a leadership and ethical viewpoint and also underlines their impact on the organizational efficiency of the firm. It analyzes to what extent bonuses generate positive long-term outcomes in companies. Much of the discussion on this subject, until now, has focused on executive compensation in large investment banks. This article provides a broader perspective by analyzing the leadership impact of bonuses on other industries and employees at different levels of the firm. Excessive bonuses paid to a few senior executives can be highly detrimental to the morale and efficiency of organizations. However, this article shows that it is possible for companies to introduce incentive schemes that are perceived as being fair and encourage greater commitment from employees, resulting in improved performance within the organization.

Key words: bonuses, executive compensation, Goodhart's law, leadership, performance

In 2007, Josh Birnbaum, one of the star traders at Goldman Sachs, resigned in disgust after receiving a “meager” \$10-million bonus. He later justified his decision in an interview with the *Financial Times*, stating: “I guess it depends on your perspective of what’s fair, right? If you’re a steelworker, you probably think I got paid pretty well. If you’re a hedge fund manager, you probably don’t” (Gapper, 2011, para. 2).

Since the beginning of the 2008 Global Financial Crisis, barely a month passes without such shocking claims of “massive” and “undeserved” bonuses being paid to corporate executives—usually with the additional insult that the company is also in dire financial straits. It is hardly surprising that the general public is usually outraged by this.

Bonuses are supposed to produce good leadership and improved performance. Heathfield (2014) claims that they are “used by many organizations as a thank you to employees or a team that achieves significant goals” and that they improve “employee morale, motivation, and productivity” (para 3). Using this

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definition, bonus should have nothing but a positive impact of a firm. Yet excessive payments in the financial services industry in particular have led to the word *bonus* having a negative connotation.

Indeed, questions concerning ethical leadership have proliferated in the past few years, fueled by high-profile bankruptcies and scandals at such companies as Bear Stearns, Lehman Brothers, and the Royal Bank of Scotland. Chen (2010) links such accountancy scandals to a “combination of CEO’s narcissism, financial incentive, shareholders’ expectations and subordinate silence as well as CEO’s dishonesty” (33). Examples such as Goldman Sachs executives paying themselves \$16.2 billion of bonuses during the depths of the financial crisis (Cohan, 2012) have been widely condemned by society, with the bonus system being seen as one of the major culprits.

This article discusses the use of bonuses in companies from an ethical and behavioral economic viewpoint. It will analyze to what extent bonuses generate good leadership and contribute to positive long-term outcomes within a firm. Until now, much of the discussion on this subject has been centered on executive compensation in the large investment banks. This article provides a broader perspective by analyzing the moral, economic, and leadership impact of bonuses on not only the financial service sector, but also a broader range of industries.

Bonuses Are Not Like Salaries

Much of the current criticism of financial rewards offered to executives in particular centers on the use of bonus schemes. This is not surprising. Bonuses are more symbolic than salaries in the overall compensation package because, by definition, they are given for achieving a specific target, rather than just for the day-to-day act of managing. They are intended to be short-term rewards given for behavior beyond what is required to earn a monthly salary. Thus, they can be judged quickly by the general public and are easy to measure against specific results of the organization. This applies just as much for an investment banker and his contribution to the revenue growth or stock price of a company as it does for a professional football player and his contribution to a winning team.

However, in spite of the inherent notion that they are an incentive for good leadership or superior results, bonuses have actually become the norm, particularly in U.S. corporations. The California-based information firm Equilar (2011) reports that 85% of S&P 500 CEOs in 2010 received annual bonuses, while Minow (2012) estimates that 97% of U.S. companies paid bonuses to their executives in 2011. Criteria for paying bonuses generally include, for example, increased sales, revenue growth, and improved profits (Sirkin & Cagney, 1996). Critically, however, most companies do not adjust their bonuses relative to the performance of other companies in their peer group (Continental Airlines is one notable exception; Murphy, 1999). This is a crucial omission, since it is a key element in judging whether performance within a company is beyond expectation and due to the leadership skills of senior management.

The circumstances under which an executive accepts a bonus matters to company employees since, as Dickson, Smith, Grojean, and Ehrhart (2001) argue, the climate regarding ethics within a company has an impact on the outcomes of the organization, “including organizational outcomes that do not have explicit ethical components” (197). Grojean, Resick, Dickson, and Smith (2004) concur, underlining the “critical role that organizational leaders play in establishing a values based climate” (223). These values are passed through the organization and by accepting bonuses that have not been truly merited executives will diminish trust within the organization and reduce overall staff motivation. Klenke (2005) notes that such values and beliefs become “instrumental determinants of organizational culture” (50). How bonuses are distributed and the type of behavior and leadership they encourage is, therefore, of vital importance for determining how other employees behave.

Size Matters

If public outrage has been fixed on one thing during the current financial crisis, it is not the bonuses themselves, but rather the sheer size of them. Bogle (2008) estimates that CEO compensation increased by 8.5% between 1980 and 2004. During this same period, corporate profits increased by 2.9% and per capita

income increased by 3.1%. Clearly here there is a misalignment between performance (at least financial performance as measured by profitability) and compensation.

Surowiecki (2013) has pointed out that “transparent pricing” through the disclosure of CEOs’ salaries has not driven average salaries and bonuses down, as traditional economic theory would predict. Having large bonuses has become something of a badge for honor for senior management while shareholders have deluded themselves with the idea that offering large compensation rates proves that they are doing everything possible to get the best possible person for the company. When stakes are high, Surowiecki points out, we operate under the same logic as we do for medical procedures.

Do you want the guy doing your neurosurgery, or running your company, to be offering discounts? Better, in the event that something goes wrong, to be able to tell yourself that you spent all you could. And overspending is always easier when you’re spending someone else’s money. (para. 7)

This has led even some economists to be very direct in their condemnation. Krugman (2007) states that “today the idea that huge paychecks are part of a beneficial system in which executives are given an incentive to perform well has become something of a sick joke” (148). Such criticism has not been limited to those looking from outside the industry. A 2001 *Fortune* article quoted a repentant Harvard Business School professor Michael Jensen, who had previously had been an advocate of stock option compensation and bonuses. Jensen admitted that “I’ve generally worried these guys weren’t getting paid enough. But now even I’m troubled” (Colvin, Harrington, & Hjelt, 2001, para. 3). Such sentiments are echoed by the financial press. In March 2013, Lange and Angelos stated in *The Wall Street Journal* that “the compensation of top bankers and company chief executives has come to symbolize corporate avarice, spurring calls for tighter controls” (para. 4).

The size of some of the bonuses that have been made public are indeed rather shocking. The five largest investment banks paid out bonuses of \$36 billion in 2007 (Reinhart & Rogoff, 2011), claiming that these were justified on the basis of the value they had added to the organizations with their innovative products.

Those “innovations,” such as the toxic collateralized debt obligations (CDOs), later led to the financial meltdown of the world economy—and none of the investment bankers involved offered to return their bonuses. Blyth (2013) points out that, despite falling salaries in the industry, banks’ compensation since the crash has still amounted to \$2.2 trillion. Lloyd Blankfein, CEO of Goldman Sachs, received \$73.7 million in salary, bonus, and stock awards in 2007 alone (Ferguson, 2008). A large proportion of that came in the form of bonuses—at a time when the financial markets were falling into decay and Goldman Sachs was even shorting on products it was selling to its customers or selling them products such as the now- infamous Abacus 2007-AC1 (a synthetic CDO selling credit default swap protection). These bonuses have also continued despite the financial crisis. Stevens and Morse (2013) report that the CEO of Credit Suisse Group AG received a 34% increase in total compensation in 2012, a year in which the bank’s profit fell by roughly a third.

So high is the outrage concerning continued payments of high bonuses that some countries are now moving to legislate against large incentive payments. The European Union has recently drawn up and the European Parliament has passed a directive to cap bankers’ bonuses at the level of their base salary. Swiss voters have also passed an initiative requiring their government to draft a bill giving shareholders binding say on pay within companies (Stevens & Morse, 2013). However, this type of legislation would suggest market failure. If bonuses led to improved leadership, then legislation would be unnecessary. This is perhaps the greatest argument that bonuses and good leadership are not inherently linked. What basis is there, then, to sustain such a theory?

Bonus and Improved Results

Despite the size of bonuses being rather bewildering, the case has been made, particularly by the financial services industry, that they are compensation for unique skills and competencies and create better leadership. This should be beneficial for all of the company stakeholders. Again, the examples of the past

few years, as well as certain experiments in behavioral psychology, make this claim increasingly difficult to justify.

In 2012, the *Financial Times* reported that banks' average share price and revenues dropped globally (Schäfer & Bernard, 2012). Despite this, the CEOs of these banks had seen an 11.9% increase in their compensation—largely through increased bonus payments. This does not give the impression that a direct cause-and-effect relationship exists between bonus payments and performance. Ariely, Gneezy, Loewenstein, and Mazar (2005) explain that pressure on individuals can be counterproductive when a large percentage of their compensation is based on performance. Ariely (2008) concurs based on his experiment in India and the United States. Participants were offered a small, medium, or large bonus for certain tasks. The results were surprising. “The people offered medium bonuses performed no better, or worse, than those offered low bonuses. But what was most interesting was that the group offered the biggest bonus did worse than the other two groups across all the tasks” (Ariely, 2008, A23).

In a refined version of this experiment, Ariely (2010) discovered that bonuses worked as expected—providing the task involved mechanical and not mental skills. The higher the bonus offered, the better the results. However, as soon as cognitive skills were required, a higher bonus led to poorer performance. Ariely (2010) surmises that the human mind can become obsessed with the fear of losing such a large amount of money, which creates additional pressure and stress, leading to a reduction in a person's cognitive abilities. Since few executives receive their bonuses based on their physical prowess, it suggests that large bonuses actually lead to worse leadership. In fact, Ariely's survey of company bonuses showed that they did not even make people happier:

One hundred percent of the time, people would tell us that bonus season is so miserable, they didn't want to prolong the agony by studying it any further—even though we know that productivity goes down during bonus season and that bonuses are not the most efficient motivator. (Ariely, 2008, A23)

Such research is also supported by the work of Beer and Katz (2003) who surveyed more than 200 senior executives anonymously in 30+ countries about

their bonus plans. The overwhelming consensus was that bonuses had little or no effect on how their companies or employees performed. O'Higgins (2012) also points out that a simple regressive analysis of the FTSE 100 Share Index and executive compensation shows no correlation. Between 1998 and 2012, CEO compensation of the top 100 companies increased 500%. The index increased by only 6.375% during that time. O'Higgins concludes that "pay-for-performance schemes are generally accepted as the way to arrive at the right pay package for executives—except that, unfortunately, they don't work" (26). Citing research on 51 separate experimental studies of financial incentives in employment relations presented at the London School of Economics, she concludes that the provision of incentives can result in a negative impact on overall performance. Studies such as this leads Hunt (2009) to the conclusion that "in baseball, as in business, paying top dollar is no guarantee that talent will come through in the clutch" (para. 1). However, bonus systems can be flawed not just by their size, but also by the ways in which they are measured—as well as the fundamental decision about when to pay them.

Goodhart's Law: Be Careful What You Wish For

As we have seen from the financial services industry, examples of bonuses being counterproductive are relatively common. However, this is not the only sector negatively affected by incentives designed to improve performance. Continental Airlines discovered this at a cost in the 1980s. After the second oil shock in 1978, airlines came under increasing pressure to reduce fuel costs, which represent approximately one-third of their expenditures. Accordingly, Continental started giving bonuses to pilots for using less fuel during flights. This might seem like a logical step to reduce costs. However, as Gordon Bethune, former Continental CEO points out, saving fuel during a flight is relatively easy (Bethune & Huler, 2002): it just requires flying more slowly and turning off the air conditioning in the cabin. Unfortunately, this also means that passengers arrive both hot and late. Boyd (2001) also notes that airlines are increasingly taking risks in the long-term health of their staff and using bonuses to encourage such behavior. Reports of

pilots being given bonuses to reduce the quantity of fresh air coming into the cabin are rife within the industry.

Louis Gerstner (2003) found a similar problem of misalignment of bonuses and desired behavior upon his arrival at IBM in 1993:

Prior to my arrival, bonuses were paid to executives based solely on the performance of their individual units. In other words, if your operation did well but the overall corporation did poorly, it didn't matter. You still got a good bonus. This encouraged a me-centered culture that ran counter to what I was trying to create at IBM. (100)

Both examples are not of excessive compensation unlinked to performance. Rather, they are systems that reward individual behavior but are not good for the long-term development of the company. There is nothing unethical about these examples. Rather, they are illustrations of poor leadership and the inability to develop a holistic view of the business. It also underlines the struggle to develop efficient goals and the potential negative spinoff effects.

Even when the rules are clear and well defined, measurement is still problematic. If bonuses are based on profit, it has to be clear whether the companies use accrual or cash accounting. Given that they have different ways to deal with the amortization of investments, this choice will radically change the stated profits of the company. De facto, the bonuses offered will be different. Indeed, *Forrest Gump* directors Robert Zemeckis, and Steven Spielberg both claim to have lost money through the misunderstanding and misuse of such accounting rules.

Contrary to popular ideas concerning accounting, it is a social construct rather than an absolute. The implication for bonuses here is that what is decided to be measured will have an impact on the bonus. However, deciding what to measure and how much is a subjective matter rather than an objective one. Put simply, accounting is a soft subject that gives the impression of being hard due to the numbers. Most accountants will state the principle of:

Accounting = Economic Truth + Measurement Error + Measurement Bias
(Delves Broughton, 2008, 58)

Companies must then address the questions of relevance and reliability in the accounting procedures. In fact, there are times when this argument has been too readily adopted by some companies. Bebhuck and Fried (2004) reported that when executives at Coca-Cola failed to meet annual earnings growth in 2002, the target was simply dropped by 11%. Accounting rules at the time allowed for this. They could then justify the bonuses they had voted themselves.

Another example of shifting the target after the fact came from Alpha Natural Resources in 2011. That year, the company had the biggest loss in its history. Despite this, the CEO was given a bonus on the grounds that “tremendous” efforts had been made to improve safety for workers within the company (Mider & Green, 2012). Morgenson (2006) cites the case of Verizon: the compensation of the CEO, Ivan Seidenberg, increased by 48% the previous year, despite the fact that earnings had decreased by 5.5% and the stock had fallen by 26%.

Bonus schemes are subject, then, to Goodhart’s law. Named after the British economist’s seminal 1975 paper, it states that “when a measure becomes a target, it ceases to be a good measure” (Hoskin, 1995, 265). Goodhart argues that as soon as targets are set (and particularly if financial incentives are linked to them), they are subject to manipulation. As the British newspaper *The Guardian* states: “however incompetent your staff may be, they will always be able to manipulate the numbers which measure their performance” (“Target Culture,” 2014, para. 4).

Indeed, sometimes the consequences can even be catastrophic. McIntyre (2014) reported that 40 U.S. veterans have died over a number of years at the Veteran Affairs hospital in Phoenix, Arizona, as a result of bonuses given to hospital administrators. Targets had been set on the wait time for patients. This led to the creation of a phantom list of patients who went untreated and were not even recognized by the system. According to McIntyre, when the VA hospital administrators were “unable to actually improve service, they did the next best thing—made it look like they improved service” (para. 21).

One of the greatest measurement errors involves the calculation of when bonuses should be attributed. At what stage in a change process can it be said

with certainty that a bonus is deserved? This is not just linked to financial services. Such problems are increasingly found in fields such as higher education, where bonuses are becoming more widespread. Often these are linked to measurements as ephemeral as rankings. As Collini (2012) ironizes, “vice-chancellors now keep as nervous an eye on league tables as do football managers” (17). This is not surprising given that, as Wildavsky (2010) points out, Australian universities are increasingly paying bonuses to vice chancellors based on rankings. This is a dangerous strategy given that ranking systems tend to be highly volatile and focused on the short term. By definition, one of the central roles of a university is knowledge creation, which may take considerably longer than an annual ranking. This may also lead to pushing out research that is incomplete in order to meet short-term cycles or complete neglect of the other central role of a university: knowledge dissemination or teaching.

Deferred Bonuses

To overcome such short-term visions, companies are increasingly using an approach that would encourage leaders to adopt a long-term strategy. The agency theory view is that bonus deferral makes an executive focus on not only the forthcoming quarterly earnings statement but also on a more sustainable long view of a company’s well-being. In the aftermath of the financial crisis, many investment banks pushed larger portions of bonuses onto deferral schemes. Morgan Stanley was perhaps the most ambitiously aggressive of these banks, deferring 100% of bonuses by 2012, though it has recently announced a minor softening of this policy (Moore, 2014). Citigroup now pays 50% of bonuses in cash and the rest over three years (Schäfer & Hall, 2014). Goldman Sachs also announced in 2009 that its senior executives would be prevented from selling their shares for five years (International Business Times, 2009). In January 2014, Mark Carney, the governor of the Bank of England, stated to the British Parliament that he was in favor of legislation that would defer bonus payments for bankers for at least five years. He noted that “we would rather see more

deferral, more equity and this ability to take it back when those risks come to light” (“Highlights—BoE’s Carney speaks on financial policy,” 2014, question 6).

Banks are not the only industry to be affected by such policies. In the United Kingdom, Network Rail recently announced that executive bonuses would not only be reduced from 160% of annual salary to 20%, but that they would be deferred over three years and linked to long-term data on such targets as safety and punctuality. An independent remuneration committee would decide whether the overall long-term business performance had been improved before awarding bonuses to its executives (Pitcher, 2014).

Such policies would seem logical, though the question of when a bonus should be awarded will still exist, and this may still lead to poor leadership. It should also be noted that two banks had introduced a system of deferred bonus payments (to be taken at retirement) well before the financial crisis that began in 2007. This was supposed to induce a more responsible leadership guaranteeing that the enduring profitability of the firm became the primary objective. The banks that did this were Bear Stearns and Lehman Brothers, which both went bankrupt in 2008 (*The Economist*, 2010).

O’Higgins (2012) also reports that a PricewaterhouseCoopers survey showed that executives value deferred pay significantly below its economic value. She concludes that “this automatically limits the prospect of deferred reward as having a positive influence on behaviour, even if deferral enables bonuses to be reduced if performance declines” (27). In other words, deferring bonuses may have a negative effect on the leadership within the firm.

Not the Bonus but the Fairness of the Bonus Scheme

Morden (1997) states that leadership is a fundamental organizational competence defined in terms of vision and shared values. Such sentiments are reflected by Neesham, Hartel, Coghill, and Sarros (2010), who highlight the importance of moral standards in companies that can be followed, noting that “organisational life cannot ignore the importance of human value for the production of economic value” (602).

However, for such values to apply, it is vital that employees within a company perceive that rules concerning compensation and bonuses are applied to everyone in the same manner. Openness is thus one of the keys to the successful leadership through the use of bonus systems. As Bamber, Gittel, Kochan, and von Nordenflycht (2009) point out:

Transparency has to be a key feature of compensation policy—for executives down through the ranks of management to frontline unless, of course, companies want a repeat of the experiences at American Airlines when undisclosed executive bonuses, discovered in the immediate aftermath of major concessions by employees, cost the chief executive officer his job and set back the cooperative efforts of the unions and the company. (183)

Finger (2013) traces back a decade of industrial unrest at American Airlines to the secret executive bonus scandal of 2003. In the aftermath of the 9/11 terrorist attacks, American Airlines persuaded the three major unions; the American Pilots Association (APA), the Transit Workers Union (TWU, an AFL-CIO affiliate), and the Association of Professional Flight Attendants (APFA) to accept a number of concessions on pay and work conditions. CEO Don Carty even spoke of imminent bankruptcy and the need for “shared sacrifice.” At the same time, \$400 million had been set aside to give executives 200% annual bonuses (based in part on getting a deal from the unions).

Delta Airlines made a similar error that it is still trying to live down. In January 2002, The Delta Board of Directors’ Personnel and Compensation Committee approved a compensation plan for its executives that included a contingent cash retention award tied to an executive’s base salary. This ranged from 125% to 300% of an executive’s base salary. The company also set aside \$25.5 million to secure 60% of the value of these executives’ pension benefits and also paid the taxes due from the executive. (The committee included Edward Budd, chairperson; George Fisher; David Goode; and Gerald Grinstein, all of whom were board members and direct beneficiaries of the compensation package; Nolan, 2005).

Like the American Airlines workforce, all other employees at Delta were informed that pension benefits would be cut. The executive package was also

kept secret for a year until the Delta Board of Directors was forced to declare them under their mandatory filings with the U.S. government. The official logic of the board for keeping the scheme secret was so as not to upset employees who were struggling to deal with the post-9/11 situation. In fact, it was not just the plan itself, but its secrecy that led to such outrage and condemnation from the general public and Delta employees. In her extensive study of executive compensation, O'Higgins (2012) concluded that such opaque pay schemes had the effect of deflating motivation within the entire workforce. As McMurray, Pirola-Merlo, Sarros, and Islam (2010) point out, in this context, "undeserved bonuses" diminish the psychological capital of senior management with their workforce and will reduce their commitment to the firms. According to Surie and Ashley (2008), "sustaining entrepreneurial leadership for value creation necessitates ethical action to build legitimacy" (235). It is impossible to achieve this when blatant double standards are being applied by senior management. Ten years later, leadership within American Airlines and Delta is still fighting to regain its authority and the respect of the rank and file of the companies.

Good Leadership Through the Use of Bonuses

With all these headline-grabbing events concerning bonuses, it is easy to forget that many companies have quietly carried out incentive-based schemes that have served the company very well. Gulati (1998) points out that part of the rise of FedEx was due to its use of metrics, incentives, and cross-silo participatory management to raise its on-time delivery rate. This now stands at an industry high of 99.7%. The company developed a service quality index (SQI), listing internal errors that could result in late delivery or loss of package and based employees' bonuses in part on their unit's SQI performance. This saw the demise of silo mentality and meant employees and managers had to collaborate across groups to identify ways they could reduce the number of missteps and then implement them.

Continental Airlines CEO, Bethune used a similar bonus policy to break individual behavior within the company. After a series of acrimonious disputes

under the tenure of his predecessor Frank Lorenzo, the company had twice filed for bankruptcy and was last on every quality indicator established by the U.S. Department of Transportation. Employees were even said to be so ashamed of working for the company that they took off their badges the second they left work (Nohria, Mayo, & Benson, 2006, 2).

The 1995 “Go Forward plan” outlined a set of common goals designed to encourage employees to work together. It also included a \$65 incentive to all employees in the company based on Department of Transportation ratings for on-time arrivals. The scheme was simple to understand for everyone within the company, was totally transparent, and meant that employees all shared a common goal. This contrasts with the many bonus schemes that concern only a few individuals. Kanter (2004) notes that Bethune was very clear in his collective message:

“You get paid when we all get paid. All get nothing if any of you work against each other.” He called this “bait to appeal to the fish. If you’re the operations people, you won’t get paid if sales doesn’t deliver.” (234)

The success of the incentive scheme was overwhelming. The February 1995 U.S. Department of Transportation report showed that Continental’s on-time arrivals had risen from 61% in the previous year to 80%, pushing them from tenth to fourth in the US airline industry (Bethune & Huler, 1999). Each of the 35,000 employees received their bonus. Thanks to this scheme, Bethune believed that “employee trust and confidence in Continental grew stronger with each day” (Nohria et al., 2006, 13). Indeed, the results are impressive. Continental stock price rose from \$2 to over \$50 per share, and for the following six years, the company was named by *Fortune* magazine as one of 100 Best Companies to Work for in America (United Continental Holdings, 2004). *Fortune* magazine ranked Continental the No. 1 Most Admired Global Airline for six consecutive years from 2004 to 2009 (United Continental Holdings, 2010). Between 1995 and 2000, Continental had an impressive 24 profitable quarters, reliable on-time performance, numerous awards for customer satisfaction, low turnover, increased safety, and performance ahead of its competition. The company also

shared over \$500 million of profit with employees (Kanter, 2004), and *Businessweek* (1997) named Bethune one of the 25 Top Managers of the Year in 1996.

The Continental Reward Incentive Scheme is another example of good practice in the use of bonuses. Not only did the company manage to restore trust within the migrant workforce of the airline, which often goes unsupervised and can easily be disenfranchised (Kanter, 2004), it also chose to distribute the bonuses in a specific manner. Rather than simply add the additional \$65 (later \$100) to the directly deposited salary, the bonus was sent out to each employee in the form of a check. This was a recognition that the symbol of the reward was more important than the money itself. Employees were encouraged to spend the money on something special and to fully enjoy the reward for their hard work. The resulting host of stories at work about what had been done with the money reinforced the feeling of collective well-being within the firm and the desire to succeed again. Jack Welch, former CEO of General Electric, had a similar understanding of this psychological factor of rewards, choosing to send out handwritten notes to accompany the annual bonuses that were handed out by the company (Welch & Byrne, 2001).

Cisco has also established a system of best practices with its annual bonuses based on the level of customer satisfaction. Again, simplicity and transparency are the key elements, as well the application of the incentive scheme across the company. The bonus scheme is based around one question asked to customers: "What is your overall satisfaction with Cisco?" Based on the answers to this, specific goals are set. Each individual's bonus is then calculated using the customer satisfaction multiplier, along with a corporate revenue multiplier and a salary multiplier. According to Gulati (1998), bonuses are based on three criteria:

- company performance,
- customer satisfaction, and
- an individual's performance rating.

Douglas C. Allred, former senior vice president of customer advocacy worldwide systems, support, and services at Cisco Systems, underlined the logic behind the

simple metric: “Managers find it inconceivable to risk losing customer intimacy in order to increase operational effectiveness, because you get paid on the basis of customer intimacy. So suddenly you have to think out of the box” (Gulati, 2009, 76).

The common point with all of these examples is that they seem to emanate from the rank and file of employees rather than from senior management. They also focus on teamwork rather than simple financial results or individual performance. The systems are comprehensible to everyone and linked to customer satisfaction. It is here then that bonuses would seem to engender good leadership.

Indeed, in March 2013, in a highly public and symbolic move, the United Kingdom-based retailer John Lewis very publically reinstated its bonus scheme, handing out £200 million to its workforce (Ruddick, 2013). The 85,000 staff members all received the equivalent of nine weeks of pay. Such a scheme is largely seen as a tradition within the company and a symbol of the revived fortunes of the company. Profits continued to rise in the following year to over £400 million on sales of £9.5 billion (John Lewis Partnership, 2013, 5).

Improved Systems in Bonuses

In their survey of nearly 900 participants, Zhu, Riggio, Avolio, and Sosik (2011) found that such contingent reward mechanisms can have “positive effect on priming follower moral identity” (150). Thus, by treating their bonuses in a responsible fashion, senior management can create a positive moral climate within the firm. Fry and Cohen (2009) also point out that well-designed reward systems help to create “extended work hours cultures” within the company (265). This in turn may lead to greater productivity as well as the development of innovative self-leaders within companies, which creates higher incomes for the firm and improved job tenure (Carmeli, Meitar, & Weisberg, 2006).

Bonus systems should therefore have the potential to improve performance and leadership within companies. There are signs in much of the academic research that demonstrate that large bonuses do not produce the strong and

efficient leadership required by major corporations. Even the financial services industry is beginning to modify its practices. Reporting on a Hay Group and *The Wall Street Journal* review, Thurm (2013) points out that increasingly, CEO pay is being tied to accurately measured performance: "More than half of the compensation awarded to 51 CEOs in 2012 last year was tied to their companies' financial or stock-market performance" (para. 1). The review reported that only 35% of CEO compensation was linked to performance criteria in 2009. Air Products & Chemicals Inc. reduced CEO John McGlade's annual bonus by 65% in 2013 when the company failed to meet the target growth rate of 9% (though McGlade still had a total compensation package of just over \$9.1 million, including a bonus just short of \$900,000). Johnson & Johnson reduced bonuses by 10% for its top executive because of less than satisfactory results (Thurm, 2013). Larry Pope, CEO of Smithfield Foods Inc., also saw his bonus cut by 64% after net income of the company fell by 31% in FY2011 (Thurm, 2013).

Indeed, some CEOs, such as Jeff Immelt, CEO of General Electric, have even gained considerable respect from employees and the public at large by refusing to accept bonuses in 2008 and 2009, acknowledging that performance within the company did not fully warrant it. Such actions matter because of the tone they set within the firm. In their study of high-level team performance of 151 project teams in the engineering and construction industry, Ammeter and Dukerich (2002) found that "leader behaviors were found to be significant predictors of project cost performance" (3). Actions like Immelt's therefore have a positive effect on the costs within the company. One of the principal reasons behind this is that organizational climate, well-being, employee commitment, and psychological capital are strongly correlated to employee ratings of their leadership (McMurray et al., 2010). This leads to greater cooperation within the firm and increased motivation.

Conclusion

Bonuses can have positive and negative effects on leadership within companies. Bonus schemes seem to generate good leadership when the rules are simple

and transparent; they encourage cooperation within the firm rather than individualistic behavior, and they are not so large that the fear of losing them becomes the greatest concern. Care should also be taken to ensure that bonuses are customer oriented; i.e., they generate behavior within the firm that is conducive to the long-term welfare of customers and do not have a negative impact on the overall business model.

Such transparent systems matter because of the importance of leadership within firms and the impact it can have on society as a whole. Fairholm (1996) underscores just how important work is to people today:

The work community is becoming the most significant community for many people. People are coming to expect their work—where they spend most of their time—to satisfy deeply held needs for wholeness and to help provide spiritual support for our values and our aspirations for personal as well as economic growth. (Fairholm, 1996, 11)

In this context, what happens within a firm and how employees feel about themselves is not just a question for the company but society as a whole. Good leadership is therefore vital within companies. Great leaders are ethical stewards who generate high levels of commitment from followers (Caldwell, Linda, & Long, 2010), and bonus schemes can have an important effect on the perception of leadership and ethics within the company. In a period when there is growing public concern about profit in general within companies, outrageously large bonuses paid to executives whilst their company is in financial difficulty do nothing to improve this situation (Neesham et al., 2010).

It has been argued that bonuses are not stolen but negotiated with boards and shareholders. There is therefore no reason not to accept them. However, Harvard professor V. G. Narayanan (2013) discredits this argument. He suggests that executives should not look at the law but whether the policy is in line with “*The New York Times* test”; i.e., if the policy is reported in media, would it provoke a scandal? If the answer is yes, it is certain that the ethics of senior management will be brought into question and their ability to lead will be compromised. Therefore, the smarter longer-term strategy is to anticipate changes to legislation rather than waiting for it and to use common sense.

Kouzes and Posner (2003) point out that “to effectively model the behavior they expect of others, leaders must first be clear about their guiding principles. . . . Leaders are supposed to stand up for their beliefs, so they’d better have some beliefs to stand up for” (5).

Given their widespread use today, bonuses will continue to be used as an incentive for good leadership. However, when they become excessive and apply only to a few well-placed executives, the effect on company morale can be devastating. The need for clear practices is crucial for the sustainable welfare of organizations. As Boardman (2010) concludes:

There is a massive opportunity for organizations to think harder about their values and to build values into their organizational reward systems. It can be done. There is no single panacea. But building into a rewards system an understanding of values and creating the right corporate culture is the first step to getting it right. (13)

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Mark Thomas is a professor of strategic management and the associate dean for international affairs at Grenoble Ecole de Management. He holds a bachelor's degree in economics from the University of York in the United Kingdom and master's degrees in strategic management and linguistics from Ecole de Management Lyon and Lyon II, respectively, in France. He also completed Harvard Business School's Executive Advanced Management Program. He began his career in the banking and insurance industry in the United Kingdom. Professor Thomas has worked in higher education in France for the past 20 years as a professor, course director, director of business school programs, and director of international affairs. He has worked extensively on a variety of international projects in some 50 countries. Professor Thomas has done research in the retailing and transport industries and has also published articles on areas such as intercultural management and the future of education, as well as the impact of accreditation on business schools. He is also author of the blog *Global Ed*, which deals with subjects such as leadership, strategy, globalization, and higher education. He can be reached at mark.thomas@grenoble-em.com.

Charisma as Re-enchantment: Leadership, Emancipation, and the Rejuvenation of Institutions*

**Gazi Islam
Grenoble Ecole de Management**

This article assesses the ethical implications of charismatic leadership by describing its relationship with disenchantment and enchantment in the writings of sociologist and economist Max Weber, which formed the basis for later institutional theories. According to Weber's perspective, charismatic leadership gave way to disenchanted views of administrative and bureaucratic rationality. Yet in the charismatic leader, enchantment lived on in the interstices of bureaucratic processes, as a kind of "ghost in the machine." In the process of disenchanting leadership, modern organizations were able to ground contemporary visions of justice as procedural fairness, yet obscured the affective and transcendental bases of followership that were key to earlier charismatic visions. Recent debates in leadership theory have recognized both the limits of disenchantment, and the dangers of romanticized views of leadership, making the question of enchantment increasingly important. This article develops the contours of this dilemma and explores its implications for the ethics of leadership. Charismatic enchantment as unethical illusion is contrasted with enchantment as emancipatory inspiration. Charisma is identified as playing a key role in institutions marked by increasing bureaucratization, following Max Weber's theories. Finally, the shifting role of charismatic leadership in organizational systems with increasingly unstable institutional borders is explored, along with how the changing role of enchantment in administrative settings reflects wider institutional changes in social structure and production.

Key words: charisma, critical theory, institutional theory. leadership

"All this enchantment, tellingly, is making itself felt at just the moment when the global triumph of modernity was supposed to put an end, once and for all, to such putatively premodern things." (Comaroff & Comaroff, 2003, 150)

Charismatic leadership has had a complex relationship within business ethics scholarship (e.g., Bass & Steidlmeier, 1999). On the one hand, charismatic leaders have been hailed for their ability to bring values into the workplace (e.g., Marotto, Roos, & Victor, 2007), transforming employees from cogs in the organizational machine into intrinsically motivated, values-conscious followers of a leadership vision. On the other hand, the evils of charismatic leadership have long been known (Bass & Steidlmeier, 1999; Padilla, Hogan, & Kaiser, 2007;

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Weber, 1922/1978), with the lingering fear that such leaders can unleash the irrational within otherwise orderly systems and drive individuals to perform behaviors seen as questionable or even unacceptable (Howell & Avolio, 1992). Charisma is thus morally ambivalent; however, few would deny that it is morally relevant. Unpacking the moral implications of charisma by studying the ambiguities of charismatic leadership requires moving beyond the level of individual behaviors to examine the roles that charisma plays within contemporary social and organizational structures. Such theorizing could reveal the significance of charisma, not simply as an ineffable quality of a few extraordinary individuals, but as a social category with a particular history and trajectory.

Specifically, the notion of charismatic leadership as a form of “enchantment” has recently emerged in the leadership literature (cf. Ladkin, 2006), and places charisma against a tradition of critical social theory. Rather than considering charisma as a personality trait, the current study assumes that such traits, like other aspects of selfhood and subjectivity (e.g., Islam, 2006), are created out of dynamic interplays between underlying social structures and interactions. The linkage of the notion of enchantment with charisma makes conceptual sense, given the mythic, quasi-magical powers of influence often attributed to charismatic leaders (e.g., Islam, 2009; Jackson, 2005; Meindl, Erlich, & Dukerich, 1985). It also reestablishes a historical link with the writings of German sociologist and economist Max Weber (1864–1920) that is the source of both the charisma and enchantment concepts (Weber, 1922). While both concepts began as key aspects of a wider sociological theory of rationalization and bureaucratization, charisma was subsequently “tamed” in its progressive use as an individual personality variable (Beyer, 1999), while enchantment remained largely outside of the leadership and organizational studies areas, with a few exceptions (e.g., Casey, 2004; Ladkin, 2006). Bringing these two concepts together allows the original sociological import of both to be recognized. Such recognition facilitates a critical perspective on charismatic leadership by highlighting both the “emancipatory” potential of charisma in freeing individuals

from rigid bureaucratic structures, and its potential to “mystify” followers, leading to potentially socially destructive outcomes.

This article contributes to a critical discussion of leadership by placing the notion of charisma in relation to bureaucratic power, as inhabiting the “liminal” spaces between and around formalized institutional structures (cf. Hanson, 2001). As managers of liminal spaces, charismatic leaders are able to work between otherwise constraining rule systems. This ability gives them power not normally envisaged within planned organizational designs. Further, working outside of formalized structures lends an aura or mystique to charismatic leaders, whose actions seem difficult to grasp within conventional norms, making them seem extraordinary or sublime. The idea that action outside of formalized structures is possible opens the possibility of escape from bureaucracy, an emancipatory movement; yet charismatic leaders’ ability to manipulate this hope for ends that ultimately reinforce a system means that the emancipatory hope may itself become a form of enchantment, entrenching existing power relations and promoting deception. Thus, a critical theory of leadership should acknowledge both the potential and limitations of charismatic leadership.

Charisma and the Relation to Bureaucracy

Leadership scholars have increasingly come to discuss the roots of charismatic leadership in social theoretic terms, going back to the concept’s roots in Weberian sociology (cf. Andreas, 2007; Beyer, 1999; Islam, 2014a, 2014b; Ladkin, 2006). According to this original concept, charismatic leadership is a key instrument in social structural change, providing an emotional and irrational impulse for change in the face of otherwise rationalized bureaucratic processes (Trice & Beyer, 1986; Weber, 1922). In order to understand the role of charisma in bureaucratic processes, it is necessary to briefly examine the role of rationalization in Weberian sociology.

According to Weber (1922), modern societies have undergone a process of increasing rationalization, involving a process by which formerly otherworldly phenomena are increasingly ordered and justified according to formal rules.

These rules, in turn, are configured to increase efficiency and the acquisition of instrumental outcomes. In the process, “traditional” forms of power, which were based on unquestioned assumptions and customs, are replaced by “bureaucratic” power, in which order is created from enforceable rules in order to promote efficiency. The subsequent separation of the social spheres of formal-procedural reason (*Zweckrationalität*) from the substantive value rationality of societies (*Wertrationalität*) describes the progressive separation of formalized procedures from the values central to everyday life. This separation reflects an increasing loss of the ability to embody social values in formal structures, leading to an “iron cage” whereby individuals are increasingly trapped in the formal rules of their own making. The loss of transcendent sources of value led Weber (1922) to posit modernity as “the disenchantment of the world” (155).

Disenchantment is, in this way, a consequence of the ascendance of formal instrumental forms of rationality. Social change thus requires some kind of escape from bureaucratic structures, even when these are rationally designed. Weber also saw the ultimate fragility of the modernist project in the fragmentation of pluralistic value traditions, as modern rationality is increasingly unable to defend its own reasoning. As a result, multiple social actors would lay claim to the irrational spaces in between formal rules, attempting to secure irrational followings through mystification. Such claims would, in Weber’s words, “strive to gain power over our lives and . . . resume their eternal struggle with one another” (Weber, 1919/1946, 149).

To Weber, charisma is the “mystifying” power that lies between formalized spaces and promotes change beyond rational compliance (Andreas, 2007; Hanson, 2001). Because charismatic leaders appeal to forces (personal calling, identification) outside of formal rule structures, they are able to promote change in worldviews and allow escape from otherwise self-perpetuating institutional orders (Andreas, 2007). Thus, charismatic leadership provides a counterpoint to bureaucratic rule systems, both as an opposition to over-formalization and as a motor for the institutionalization of new formalized systems. That is, as charismatic leaders create upheavals (Andreas, 2007), they lay the groundwork

for new institutions, which later develop into routines and institutionalized structures. In this way, charismatic power and bureaucratic power have an oppositional structure, yet can paradoxically work to complement the shortcomings of the other, with charisma providing an impetus for change and meaning and bureaucracy solidifying these meanings in formal governance systems.

Enchantment Versus Emancipation: The Janus Face of Charisma

The above description makes clear the particularly moral qualities of the charisma phenomenon. By moral, I do not mean morally good (as opposed to immoral), but morally relevant (as opposed to amoral). The separation of value spheres described by Weber (1919/1946) emphasize formal-procedural rationality as a “steering” mechanism of modern society (cf. Habermas, 1981), while the remaining sphere of morality was consigned to the personal sphere of individual beliefs. It is in this latter sphere that charisma is able to mobilize individuals—by appealing to their personal sense of calling or vocation and demonstrating an embodied example of personal excellence. The charismatic leader is seen as an extraordinary individual (e.g., Beyer, 1999), not because of particular personality traits or qualities that exist in a social vacuum, but by the virtue embodying the excessive or transcendent sphere of moral excellence that, with the modern reconfiguration of social spheres, became occult as a means of social influence.

One consequence of the relegation of different forms of social influence to socially differentiated value spheres is that, while the two spheres may continue to influence one another, such influences do not cohere with institutional structures and come to be seen as aberrant or nonsensical, or alternatively, as mysterious. Thus, the use of rational standards of efficiency and formality in the moral sphere (for example, markets for intimacy or salvation, or formal hierarchies within private groups such as families) comes to be seen as heartless and intrusive. Conversely, the entrance of the moral sphere into formal

administrative systems (for example, the cult-like following of charismatic leaders within a business) may be seen as irrational or abnormal. In the latter case, while the moral dedication of employees can provide a difficult-to-copy source of sustainable strategic advantage for a business, it does so specifically because of its strangeness from the point of view of formal-procedural systems. Leadership, we often hear, is impossible to teach, and charismatic leaders are often described as “beyond compare” or “difficult to define,” or otherwise considered outside of the field of normal articulation.

The “outsider” status of charisma places morality in a unique relation to formal procedural rules. From the standpoint of charismatic leadership, morality is not something to be found within the structure of formal systems, but is acquired by looking beyond procedural rules to underlying values, principles, or visions of the world. While rules may have been formulated to embody principles and guarantee given distributions of resources or rights, the underlying values from which these rules were formed retain a trace of autonomy from these rules, and it is this continuing trace that charismatic leaders use to mobilize followers. Thus, such leaders come across as radical in both senses of the word, both for being disruptive of taken-for-granted routines and for going to the root of institutional systems to embody what is most valuable in them and what may have been lost in their formalization.

Stated thus, charismatic leaders initiate an emancipatory movement by which individuals are given meaning beyond procedural rules, while bureaucratic systems themselves are rejuvenated by recognizing the moral bases that lie in their occluded past. The morally virtuous aspect of charismatic leaders has been widely noted in the literature. For example, the charismatic or “transformational” leader has been credited with “increasing awareness of what is right, good, important, and beautiful” (Bass, 1998, in Bass & Steidlmeier, 1999, 191). Bligh and Robinson (2010) explicitly link charisma to the otherworldly search for virtue in their analysis of Gandhi’s charisma, and Casey (2004) links charisma with a re-spiritualizing of organizations. Charismatic leaders have been further linked to “collective virtuosity” through their ability to promote empowerment (Marotto et al.,

2007), a concept closely linked to emancipation. By moving outside of the apparent moral blindness of formal rule systems, charismatic leaders give the sense of a reunification between the profane world of rules and procedures and the “sacred” sphere of meaning and values.

The same movement to reinstate morality through the spiritualization of charismatic practices, however, can be read in a more skeptical manner. While charismatic leadership is often experienced as liberating, the deep emotional connection between followers and leaders can lead to follower submission to destructive leaders (Howell & Avolio, 1992). Leadership scholars have warned that charisma can lead to the exploitation of followers by leaders more interested in personal gain than follower self-actualization, leading to harmful consequences (O’Connor, Mumford, Clifton, Gessner, & Connelly, 1995). What explains the association of charismatic leadership, often described as empowering or self-actualizing, with the exact opposite of these attributes?

One possibility is that the same dynamics that facilitate the entry of moral considerations into bureaucratic systems allow the possibility for a destructive turn. If the establishment of formalized procedures disallows specifically moral considerations in decision-making, it also offers protections from arbitrariness, personal manipulation, and other forms of corrupt practices. Leaving behind formal procedures, while allowing value to enter the organization, may also allow “dangerous values” (Howell & Avolio, 1992) to enter the equation. In such a scenario, leaving the sphere of formal-procedural reason allows both moral and immoral practices, opening the floodgates for the best and the worst of leadership practices. According to this picture, which relies on the opposition between the two spheres, each sphere has its own virtuous and vicious elements, and their fusion allows the entry of both.

What such a vision omits, however, is the dynamic reciprocity between the two value spheres. As explained above, the moral and bureaucratic spheres do not simply oppose each other as conceptual antagonists; rather, they reinforce each other in a dialectical fashion. That is, institutionalized rules gather their force from their putative origins in underlying values, namely, as the proceduralized routines

by which to achieve a given set of values that are taken for granted. Proceduralized rules are “means,” whereas values are “ends,” and thus the former requires the prior establishment of the latter. For instance, a set of organizational selection or promotion procedures, however standardized, requires an underlying basis in specific values, such as competence or seniority. On the other hand, the extraordinary element of the charismatic leader takes meaning only in opposition to a normalized order; what makes charisma special is its opposition to the dry and value-less world established by formal procedure. In this context, charisma requires a world of norms against which it can counterpoise its own exceptional character, motivating individuals through the promise of a singularity not reducible to a universalizable rule.

In other words, charismatic leaders can gain the dedication and admiration of followers by making claims of being out of the ordinary, unlike a typical manager, or other claims that seem to bracket the normal organizational reality in favor of something bigger and better. To the extent that such claims give a sense of the sublime to followers, they constitute forms of “enchantment” (Ladkin, 2006). However, following Ladkin, the notion of enchantment has multiple meanings; enchantment can be a form of aesthetic appreciation and wonder, but it can also be a form of deception. Enchantment, as used in social theory (cf. Gellner, 1975), tends to be viewed as a mechanism of ideology—a way to dupe people into working against their own interests while believing they are contributing to a meaningful vision. This is one of the reasons why the rhetoric of enchantment tends to emphasize selflessness, sacrifice, and community—people will willingly enter a realm of action without thinking of the procedural rights they would be granted under formal systems. Read this way, enchantment is not a transcendence of formal rules, but a way to skirt formal rules—a form of corruption of procedure.

Particularly outside the realm of political activism (such as in business organizations), there is reason to think of this second reading of enchantment as ideology as the more relevant reading. Of particular note is the fact that charismatic leaders tend to be selected by (or be founders of) their organizations,

as opposed to the political realm, where leaders can more easily emerge from the outside. Further, in business organizations, charismatic mobilization may attempt to promote innovation or creativity, but rarely are charismatic leaders subversive of organizational structures in the ways that are possible in the political realm. Rarely will charismatic business leaders mobilize followers in ways that are not, at least indirectly, related to shareholder wealth or the financial success of the company. With a relatively restricted sense of mission, it stands to reason that attempts to enchant followers would be less driven by the desire to move beyond status quo organizational structures than it would be driven by the desire to legitimize such structures, deflecting attention away from their failures, and casting financial success in terms more consistent with intrinsic motivation.

The above, more critical, reading of charismatic enchantment does not imply, however, that charismatic business leaders are not able to create real personal value for their employees. On the contrary, workers driven by the visions of charismatic leaders may find their work more meaningful, enjoyable, and fulfilling. Enchantment may lead to increase worker satisfaction and a feeling of moral drive (e.g., Fleming & Sturdy, 2010). However, enchantment may also promote an atmosphere of unreflexive or uncritical drive, such that workers engage in actions about whose institutional bases they remain unaware. To the extent that business ethics is concerned not only with the satisfaction of workers, but with their moral reflexivity and self-awareness, enchantment should therefore give cause for concern.

In summary, charisma acts in a dialectical relation with formalized administrative systems, as the particularly moral aspect that lies at the boundaries of these systems. However, the cloistering off of moral concerns in the form of a romanticized, extraordinary individual means that while such individuals may achieve bona fide outlets for moral expression by followers, those leaders also can serve as a powerful force for ideological enchantment. The moral balance for charismatic leadership is thus heavily mixed.

Boundarylessness and the Changing Faces of Charisma

Thus far, I have discussed leadership in contemporary bureaucracies using the modernist template, with an emphasis on Weber. Within this context, with the sharp separation of value spheres that characterized modernity (cf. Habermas, 1981; Weber, 1922), charisma and bureaucracy appeared to be antagonistic, yet dialectically related, poles of modern society. Yet, while much of this modern edifice remains intact, recent discussions of contemporary organizations are often described as post-bureaucratic (e.g., Heckscher & Donnellon, 1994). The attempt to “open up” bureaucratic forms (Olsen, 2008) has involved flattened organizational levels, increased reliance on networks versus traditional hierarchies, and increased feedback from outside environments and markets. The resulting organizations have been referred to as “boundaryless” (Ashkenas, Ulrich, Jick, & Kerr, 1995); while the complete absence of organizational boundaries remains a rarity, few would deny the increasing fluidity of administrative structures across both private and public sectors. If both the emancipatory and enchanting powers of charisma were tied to the opposition of an administrative order conceived of in a “modern” way, what becomes of charisma or its effects in a “postmodern” organizational world, marked less by formalized procedural rules than by constant adaptation to market pressures?

One clue to theorizing charisma in the midst of decentralizing administrative systems was given by Weber (1910/2002). Weber saw the democratization of nation states as a form of decentralization, but not at all anathema to the notion of charisma or enchantment. Rather, decentralization could give rise to the “horizontal diffusion of charismatic qualities among lay people” (Kim, 2012, 6.1, para. 2), wherein civil society institutions become enchanted not from above, but from within, and take on “sectlike” qualities (Weber, 1910/2002). Rather than doing away with charisma, the diffusion of social value from centralized leaders to dispersed groups would distribute charismatic powers of enchantment across the population, such that charismatic personalities would compete with each other in a free market for social and political influence. This process would lay the

groundwork for democratic culture by internalizing values of leadership and free choice among populations.

While this “democratization” of charisma was discussed by Weber in the political sphere, it is questionable if a similarly optimistic view could hold true in the case of decentralized business organizations, where diffusion of responsibility is often not compensated by diffusion of rights. In post-bureaucratic organizations, employees face wider spans of control, more dynamic and decentralized decision-making, and more direct accountability for results. However, they do not necessarily enjoy more control over the organization as a whole, either in terms of ownership or strategy formation. As such, contemporary notions of “empowerment” should not be confused with political empowerment, as the latter involves the ability for citizens to actively direct the nature of their society for their own good, whereas the former involves increased leeway to benefit the company. In the latter scenario, diffusion of charisma simply appears as a deepening of ideological control, rather than emancipation from control.

Yet, one may question the idea whether a boundaryless and diffuse charisma is a coherent idea at all. Charisma takes on qualities of moral superiority by lying outside the spaces of everyday administration. In Durkheim’s (1995) words, it inhabits a sacred, rather than profane, social space. The idea that this element can be re-inserted into the everyday behavior of individuals without changing its meaning seems to go against the logic of the theory, whereby this meaning arose out of the relative position of charismatic leaders within a social structure and thus cannot be simply “tacked onto” an existing structure. It remains to be seen what a charismatic leader would look like taken out of the context of the extraordinary. Current leadership scholarship has not addressed the structural conditions necessary for the emergence of charisma, so little is known about how charisma might adapt under transformed conditions. However, as Meyer and Jepperson (2000) point out, modern organizations have often transferred sacred values into mundane situations while maintaining both their value and their power to mystify. Thus, there is reason to believe that charisma can survive, in some form, the vicissitudes of organizational structures.

Discussion and Conclusion

This article has presented a general conceptual overview of charisma as a structural issue and its ambivalent relation to morality. Starting from a critical perspective, it was necessary to view charisma against the background of social structure, and not simply as a “tamed” aspect of individual personality (Beyer, 1999). Thus, I examined the limits and potential of charisma to both empower individuals to move beyond bureaucratic constraints and enchant them into a mystique of value that can ultimately reinforce, rather than transform, the status quo. This dual aspect of charisma was built into the original, Weberian foundations of charisma, but was perhaps lost in the translation of charisma to a psychological personality variable. Although brief, the above theoretical exposition has attempted to reinstate the notion of charisma within its historical roots, both as a properly sociological concept and as one related to moral conceptions of leadership.

Such a perspective can add interesting questions to the study of morality in leadership. For instance, charismatic leadership as a structural feature of organizations broaches inquiries into how certain aspects of organizational life become located in moral spaces, as opposed to purely functional considerations. This focus is quite different from the question of whether a leader’s actions are morally right or wrong. Although developing this difference fully is beyond the scope of this article, it could be argued that in heavily bureaucratized settings, the main challenge for ethicists is not to show the rightness or wrongness of actions, but to argue for the relevance of morality as a mode of engagement with the environment. The enduring importance of charisma may lie in its forcing scholars to admit that, despite the efficiency-orientation of modern organizations, moral considerations remain as present as ever. In the words of Boje and Baskin (2011): “our organizations were never disenchanting” (411).

This outlook can help link moral considerations with leadership by asking how a given “distribution” of charisma is achieved within an organization and where some aspects are formally recognized and where others are mystified. The stakes involved in the process of mystification involve questions about where

meaning is to be created, where reflexivity is to be promoted, and who is able to take credit for inspiring employees. Related questions for managers include: when to place given areas of the organization within an “enchanted” space, or when, conversely, to build them into formal governance systems. The latter, while institutionalizing a governance mechanism, also may remove its mystique, mechanizing rather than mystifying, for better or for worse.

In this sense, studying charisma in the context of business organizations has an inherently critical edge, because it purports to find, within systems purportedly based on formal administration, sources of value emanating from a separate value sphere. This article attempts to create an implicit link between moral and critical perspectives on organizations, a link that has historically been fraught (e.g., Jones, 2003). This link is useful because it promotes reflexivity regarding the constitutive structures of business organizations, rather than taking for granted such organizations as social spaces. Ethics, taken in this wider sense, is the ambition of critical perspectives, which can thereby combine social scientific insights with a concern for ethical leadership.

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Gazi Islam, PhD, is an associate professor at Grenoble Ecole de Management, France. He has served as a faculty member at Insper (Institute of Education and Research) in São Paulo, Brazil; Tulane University; and the University of New Orleans. His current research interests include the organizational antecedents and consequences of identity and the relations between identity, group dynamics, and the production of group and organizational cultures. His work has been published in journals such as *Organization Studies*, *The Leadership Quarterly*, *Organization*, *Human Relations*, *The American Journal of Public Health*, the *Journal of Business Ethics*, and *American Psychologist*. He can be reached at Gazi.ISLAM@grenoble-em.com.

INTERVIEW

Ethical Leadership Reflections from the C-Suite

Interview with Robert Rosenstein, CEO of Agoda.com*

September 2014

Interview Conducted by
Darren N. Hanson
NEOMA Business School–France

Sasha Hodgson
Zayed University

Robert Rosenstein is the chief executive officer of Agoda.com. A co-founder of Agoda, Mr. Rosenstein has been part of the company's management team since its inception in 2005. He has overseen the principal operations of the company for nearly 10 years. Before joining Agoda, he was an active investor in Internet startups and held various positions in e-commerce and online media enterprises.

As the first international online reservation company to have a fully established presence in Southeast Asia via direct relationships with local hotels, Agoda is a pioneer in online travel. Headquartered in Southeast Asia with offices in 36 locations in 28 countries, the company has more than 1,500 employees of 65 nationalities. Agoda's network of more than 390,000 hotels worldwide, and localized Web sites in 38 languages allows its customers instant access to the least and most well-known tourist destinations throughout the world. More than four million reviews from previous guests help Agoda customers choose the perfect accommodations for any type of trip. In 2007, Agoda was acquired by the Priceline Group, the world leader in online accommodation reservations business.

The history, geography, structure, and acquisition of Agoda makes for an ideal example of an organization with the potential for complex ethical issues. We had the pleasure of being able to grab some time with the CEO, Robert Rosenstein, as he raced between meetings and flights to find out what ethical challenges were faced by leaders in his industry.

DH/SH: What are the specific ethical behaviors that are required of all organizational leaders?

RR: Ethical behavior is a key component of Agoda leadership. We keep it simple by describing it as "do the right thing," but it's not something we take for granted. We make it part of our recruiting process, evaluation process, and our leadership labs. We ask people to think about how they would feel if their actions were

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reported in the media, especially in an increasingly viral environment, and we ask people to give some thought to what is ethical and why. We give examples of how poor ethics can hurt a company.

At Agoda, our ethical standards are about understanding the rules, playing the game by the rules, and bolstering long-term trust between employees, partners, suppliers, and customers. This means considering our actions and strategy through an ethical lens and having an open dialogue with colleagues about these subjects.

DH/SH: Where might leaders generally fall into grey areas while implementing organization's goals and values?

RR: Operating in a multinational environment is complicated in many ways. Laws are different, cultures are different, values are different; what's common practice in one place can be viewed as unethical in another. Also, highly competitive people are driven to win, driven to achieve results. We operate in one of the most competitive and crowded industries around. That pressure to drive results can often lead to tough ethical choices, which might mean that you don't reach the highest achievement possible, especially in the short term.

To address these potential issues, we emphasize to all our employees that we have a single company culture with regard to ethics and compliance—all around the world, and of course for every department in the company. We offer a zero tolerance for ethical violations, and we are willing to miss a short-term level of achievement so we don't have to sacrifice our ethics. In the long term, we believe this approach actually helps performance.

DH/SH: Do you believe ethical leadership should be rewarded or acknowledged? How?

RR: Ethical leadership is a bottom line behavior for us. We don't tolerate unethical behavior, so the reward is continued employment. Giving special acknowledgments or rewards for being ethical would suggest that it's something exceptional—which it isn't, at least for us.

DH/SH: How do you ensure that your employees behave ethically?

RR: The most important way is by setting an example and the tone at the top. We communicate a lot and look out for one another's behavior, and we expect members who have been around longer to make ethics a part of the coaching they provide to new hires. We make sure that ethics is a topic that gets regular coverage at meetings, both at all-staff sessions and town halls. This is a key part of my job as CEO.

We formally require managers to assess each employee's ethics and compliance twice a year in our performance review process. We hold regular, in-person ethics and compliance days in all our offices around the world; these sessions are led by our general counsel and by senior members of our management team. We also have online courses and a compliance hotline, and these are well publicized. In addition, our chief compliance officer reports directly to me and also has a dotted line to the compliance department at our parent company, so reports of any problems come directly to the attention of senior management.

DH/SH: What are the consequences at Agoda if employees don't behave ethically?

RR: Repeated ethical lapses or even a single substantial ethical violation will result in termination of employment.

DH/SH: What are the work situations that employees might encounter that could lead them into a gray area?

RR: Occasionally, external parties will ask for a favor or help from us, such as a special deal or information about a competitor, which is inappropriate.

DH/SH: How should those gray areas be handled?

RR: We try to have written and clear policies about what is acceptable, but the most important thing is that our staff members are encouraged to ask if they aren't sure. They can consult their managers, the compliance officer, or the People Team (Agoda's HR department). They're always welcome to contact their

managers' managers, as well. (We believe it's very important that managers take responsibility for managing all parts of their employees' teams—this isn't something we “outsource to HR,” for example.)

DH/SH: What are areas where compromise is not tolerated?

RR: Anything that could put the company or the employees themselves at risk is not tolerated. Anything that can damage the reputation of the brand or damage the reputation of our staff is not good. We don't tolerate behavior that creates an atmosphere of mistrust.

DH/SH: What are areas of flexibility?

RR: There really aren't any. If you aren't sure, ask and we can agree on what's acceptable. If you don't ask and you do something wrong that is inconsistent with our company ethics, there will be disciplinary consequences, period—even if you didn't understand the implications of your action before you took it.

DH/SH: How can Agoda most effectively recruit, recognize, and retain ethical leaders?

RR: As I said, leading by example is the best way. We interview our new recruits closely and use our probation period to monitor behavior. We look for staff members that maintain long, constructive relationships, both personally and professionally, as this often correlates with ethical character. We can often find this out during reference checks and in the interview process.

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Darren Hanson, PhD, is a professor of leadership at NEOMA Business School in Paris and a visiting professor at the National University of Singapore Business School. In 2012, he became executive director of the Centre for Strategic Leadership at the National University. Prior to joining academia, he led Heidrick and Struggles' leadership consulting practice in Asia, advising and delivering executive development programs at the C-suite level. He is a thought leader in the area of leadership, particularly in the areas of culture, diversity, and vulnerability, and leads a team investigating sustainability leadership. Dr. Hanson has taught at many of the world's leading business schools, while also serving as

founding senior advisory board member of the *Journal of Organizational Effectiveness*. He can be reached at hansonmail@gmail.com.

Sasha Hodgson, PhD, is an assistant professor of management at Zayed University in the United Arab Emirates. She is a graduate of the Virginia Tech Postdoctoral Bridge to Business program, and her research interests include Association to Advance Collegiate Schools of Business (AACSB) and EQUIS accreditation, aviation management, business history, psychological contracts, value congruence, performance evaluation, and human resource information systems. She can be reached at Sasha.Hodgson@zu.ac.ae.