

Ethical Leadership: The Leadership Style CEOs Need to Practice

9 min read



Business leaders have several different leadership styles at their disposal that can be applied to the way they manage and run their company and employees.

Key Takeaways

- **What Is Ethical Leadership?:** Ethical leadership is that which takes a utilitarian approach to leadership. It's a leadership style in which business decisions are guided by the principle of...
- **Improve Organizational Culture and Reduce Employee Turnover:** When business leaders do not lead ethically and implement upright values in their workplaces, employees feel pressured to follow suit. Compromising their own values...

- **Be Transparent and Encourage Communication and Questioning:** When you operate transparently, there is nowhere to hide less-than-ethical decisions. Transparency creates more accountability and...

The leadership style you choose – for example, an autocratic method, a democratic style, or a more laid-back approach – can depend greatly on your individual personality, as many leaders choose to run their companies in the style that comes naturally to them.

That being said, some leadership styles are more effective than others.

Certain leadership styles can actually improve company culture and reduce employee turnover, and these leadership styles are the ones that you should strive to learn and practice. One leadership style that can be combined with the others and should be practiced in business at all times is **ethical leadership**.

What Is Ethical Leadership?

According to Max H. Bazerman, author of "A New Model for Ethical Leadership" published in *The Harvard Business Review*, ethical leadership is that which takes a utilitarian approach to leadership. It's a leadership style in which business decisions are guided by the principle of generating the greatest value for society as a whole. In other words, Bazerman defines ethical leadership as decision-making, managing time, hiring, and negotiating that is always geared toward achieving the greater good and/or minimizing harm.

Although working toward the greater good in business sometimes requires compromise, Bazerman argues that ethical business leadership always benefits businesses by maintaining a positive reputation, cultivating strong relationships, and building trust. ^[1]

Bazerman also points out that both individuals and business leaders are more likely to compromise their ethics or values when making decisions that affect them or their businesses directly. Despite the apparent benefits of sometimes compromising ethics or working around blurred lines in ethical decisions, Bazerman urges business leaders and

individuals to consider the greater good and realize that the individual person and individual business benefit when society thrives.

*"GrowthForce helped me understand how to build a budget and worked to teach me how to read and interpret my new reports. **I felt the fog lifting as they helped me be a stronger leader and, overall, a better business.**"- Ryan Jennings, President of Sentinel Builders*

The immediate impact for Sentinel Builders went **beyond cleaning up the books** and proper management of the bookkeeping- it lift the fog from an uncertain future and reduce fear of the unknown"

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The Benefits of Ethical Leadership

Basing your business management choices and corporate values on ethical leadership principles not only results in several direct benefits for your business but also improves company culture overall. You'll set a precedent for your entire workplace by creating a set of corporate values that are ethical and just. As a result, ethical business leadership can bring many advantages to your business. ^[2]

Have a Positive Impact

Ethical leadership offers intrinsic value in making your workplace and the world a better place.

Beyond making a positive financial impact, it's important to measure your company's impact on the planet, the people on it, and the greater economy. Today, this theory is referred to as the triple bottom line.

Read More: [Triple Bottom Line: What Is It & Why Is It Important for My Business?](#)

Improve Organizational Culture and Reduce Employee Turnover

Ethical leadership improves company culture by effectively making your business a workplace where employees are encouraged and safe to do the right thing.

When business leaders do not lead ethically and implement upright values in their workplaces, employees feel pressured to follow suit.

Compromising their own values on the job can be a major source of stress for workers. As a result, workplaces with unethical leadership often experience low employee morale and high turnover rates.

By using an ethical leadership style, you'll set an example and maintain positive values within your corporate culture. As a result, you'll enjoy lower turnover rates – even amidst the high employee turnover of the Great Resignation.

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Improve Your Brand Image

You're the face of your company, and your ethical leadership will improve your brand image. Ethical business leaders build trust and loyalty among their customers, partners, vendors, and employees.

Avoid Scandal and Maintain a Good Reputation

If you do not implement ethical leadership principles, you put your business at risk of developing a toxic workplace culture that is rife with unhappy whistleblowers and highly damaging scandals. Applying an ethical leadership style shelters your company from these risks, ensuring you maintain a good reputation, trust, and a positive brand image.

7 Ways to Implement Ethical Leadership in Your Company

1. Define Your Values and Align Them Across the Company

Ethical leadership might be second nature to you, but it is still a good idea to sit down and actually define the ethics you value in your business. Integrity, honesty, fairness, value and merit-based hiring, open communication, and other values can all be included on your list.

Once you have these values defined, it's important to consider how you implement them in your company and align your business around the values. Ask yourself whether your current systems of operation and communication are upholding these values or how you can change your business to be more ethically aligned with the values you have defined for the corporate culture.

2. Consistently Practice and Demonstrate Those Values

Now that the values are defined and your business is aligned, be consistent. It's essential that you set a solid example that prioritizes doing the right thing and never compromising values for a better deal, greater efficiency, increased profits, or because you want to do a favor for a friend or business partner.

Read More: [Lead The Pack With Emotional Intelligence](#)

You must uphold your values no matter what because, ultimately, doing so will garner the greatest respect, trust, and value for you, as a leader, and your business.

3. Use Comparative Decision-Making

When making decisions, it can sometimes be difficult to determine the value or impact of a certain choice. In these instances, comparative decision-making can be incredibly helpful. This type of decision-making asks you to weigh multiple options against each other, rather than considering each choice individually.

In his article referenced above, Max H. Bazerman gives the example of a group of individuals being asked the value of saving 2,000 birds and a separate group being asked the value of saving 200,000 birds. The answers were all over the place, and many participants in the separate groups ended up arbitrarily assigning the same value to the 2,000 birds as the 200,000 birds. However, when asked to compare the value of both numbers of birds, people automatically assigned a greater value to the larger number of birds.

Every decision works this way, and when you compare the advantages and drawbacks of multiple choices against one another, you'll more clearly be able to identify which choice offers the greatest value and does the least amount of harm.

4. Learn to Manage Time Ethically

You might not think of time management as an ethical dilemma. However, Bazerman argues that because time is a limited resource, its use and distribution are actually of ethical importance. In order to manage your time ethically, try to use and allocate your time in a way that can potentially do the most good. This means spending time on the tasks that are most valuable when you accomplish them.

Read More: [CEOs, You're Making These Time Management Mistakes](#)

Determining how best to spend your time requires you to assess your abilities and the abilities of others while also assessing the value of certain tasks. The individual (across the organization) with the greatest ability or expertise to accomplish a certain task should be assigned those jobs.

5. Avoid Biases: Practice Blind Hiring

Whether we are aware of them or not, we all have biases, and the biases, stereotypes, or assumptions we assign to certain types of people can get in the way of our ability to make the best decisions during the hiring process. Just because everyone has them, it doesn't make operating with biases right or ethical. To ensure you're using ethical leadership when making hiring decisions, you should do everything you can to eliminate the opportunity for biases to sway the choices you make.

To avoid biases clouding your decision-making during hiring, you can implement a blind system for reviewing resumes. Instead of relying on names and pictures to identify candidates, have someone who is uninvolved in the hiring process assign numbers to candidates, removing any pictures and their names. This allows you to truly evaluate the education, experience, and values of potential candidates without any unintentional biases interfering with you actually selecting the right candidate.

6. Don't Make Compromises or Attempt to Neutralize Harm

There might be times when you are tempted to compromise your values to provide better financial support for your company during periods of growth or to take advantage of an opportunity that seems too good to be true. Compromising values, however, is ultimately never good for business or for the greater good.

We see this all of the time in the business world. A business might do a lot of harm in a certain way and then attempt to neutralize the harm by doing a lot of good in other areas. For example, although the company donates large sums of money to many positive organizations, Purdue Pharma's aggressive marketing of OxyContin has still led to numerous addictions and overdose deaths.

You simply cannot donate or compromise your way to ethical operations.

7. Be Transparent and Encourage Communication and Questioning

Transparency is essential to maintaining ethical business leadership. When you operate transparently, there is nowhere to hide less-than-ethical decisions. Transparency creates more accountability and less temptation to compromise values and cross the ethical line.

Read More: [A Business Leader's Guide To Being Wrong \(The Right Way\)](#)

Additionally, a vital part of maintaining transparency is to promote and facilitate safe and open communication in your organization. If an employee sees something unethical happening, there should be clear processes for communicating these concerns to superiors – even if that means going over the head of an immediate superior. Plus, honest communication of this sort should always be heard with respect and gratitude, and it should be followed up with action.

Measure Your Ethical Success and True Business Value With the Triple Bottom Line

It might seem challenging at first, but you can actually measure the impact and ROI of implementing ethical leadership practices in your business by not only measuring your traditional bottom line (i.e. your company's profits) but also measuring your triple bottom line. The triple bottom line provides a way to measure your company's impact on people, the planet, and profits (profits meaning value to your community).

With the right bookkeeping and accounting tools and processes in place, you can reveal the true impact of your business, and then put this information to use, marketing in much the same way as a nonprofit organization. You can draw in even more clients and customers by showing them the good your company does in the world. By choosing to work with you, your clients can then feel like they're contributing to the greater good, as well.



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[1] <https://hbr.org/2020/09/a-new-model-for-ethical-leadership>

[2] <https://www.wgu.edu/blog/what-is-ethical-leadership2001.html#close>