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# **CONTENTS**

Sr.	TITLE $\theta$ NAME OF THE AUTIOD (8)	Page
No.	TITLE & NAME OF THE AUTHOR (S)	No.
1.	FINANCIAL APPRAISAL OF VARIOUS FINANCIAL SERVICES OF COOPERATIVE CREDIT	1
	SOCIETIES/PATANSTHAS IN AHMEDNAGAR DISTRICT	
	V. M. TIDAKE & DR. SANJAY V. PATANKAR	
<b>2</b> .	A REVIEW OF ETHICAL LEADERSHIP: GOING BEYOND THE CONVENTIONAL UNDERSTANDING	8
	SHAJI JOSEPH & DR. ASHA NAGENDRA	
3.	mHealth: THE CLINICIANS PERSPECTIVE IN INDIA	12
	S N SHUKLA & J. K. SHARMA	
4.	FINANCIAL INCLUSION AND ROLE OF PAYMENT AND SMALL FINANCIAL BANKS	18
	DR. GITA SANATH SHETTY	
5.	THE IMPACT OF SUPPLY CHAIN MANAGEMENT ON AUTOMOBILE SERVICE CENTERS (PASSENGER	25
	CARS) IN INDIA AND FUTURE IMPLICATIONS DR. ASHA NAGENDRA, VINOD GYPSA & VINCENT SUNNY	
6.	SOCIAL MEDIA FOR RECRUITMENT	30
0.	DR. SURUCHI PANDEY, GUNJAN AGARWAL & SWAPNIL CHARDE	50
7.	EFFECT OF THE MAGGI FIASCO ON THE BRAND IMAGE OF NESTLE AND ITS IMPACT ON OVERALL	35
7.	PACKAGED FOOD CATEGORY	
	PRANNAV SOOD, PRADEEP RAWAT, NAVNEET PRIYA & DR. KOMAL CHOPRA	
8.	IRREVOCABLE LETTERS OF CREDIT AND THE RESPONSIBILITY OF THE BANKS	40
0.	DR. OSAMA MUSTAFA MUDAWI & DR. ELFADIL TIMAN	
9.	GOVERNANCE, ETHICS AND SUSTAINABILITY: A REVISIT IN THE LIGHTS OF LESSON'S FROM	45
-	KAUTILYA'S 'ARTHASASTHRA'	
	DR. VINEETH KM & DR. GEETHA. M.	
<b>10</b> .	A CONCEPTUAL STUDY ON DISTANCE EDUCATION: PROBLEMS AND SOLUTIONS	48
	ASHA RANI.K	
<b>11</b> .	WOMEN ENTREPRENEURSHIP IN INDIA	53
	A. SESHACHALAM	
<b>12</b> .	IMPACT OF FII FLOWS ON INDIAN MARKET VOLATILITY	56
	CH R S CH MURTHY	
13.	A STUDY ON OPTIMIZATION TECHNIQUES OF TRAVELLING SALESMAN PROBLEM USING GENETIC	62
	ALGORITHM	
	DR. T. LOGESWARI	67
14.	INDIAN IT SECTOR: AN OCEAN OF OPPORTUNITIES PARAMJEET KAUR	67
15		70
15.	RURAL ENTREPRENEURSHIP: A STUDY OF DISTRICT ALMORA, UTTRAKHAND ABHA RANI	73
16.	THE EFFECT OF ORGANIZATIONAL CLIMATE ON WORK LIFE BALANCE	76
10.	OZAN BUYUKYILMAZ & SERTAC ERCAN	70
17	A DESCRIPTIVE STUDY ON THE IMPACT OF EMPLOYEE MOTIVATION TOWARDS THEIR CAREER	81
<b>_</b> ,	GROWTH AND DEVELOPMENT	51
	MEHALA DEVI.R & AARTHI.S.P	
18.	A STUDY ON PROBLEMS FACED BY THE CUSTOMERS WITH REFERENCE TO BANKING SERVICES IN	83
	PRIVATE SECTOR BANKS	
	NANDINI.N	
<b>19</b> .	E-RECRUITMENT: CHALLENGES AND EFFECTIVENESS	93
	SWAGATIKA NANDA	
<b>20</b> .	A STUDY ON TRAITS AND ATTITUDES OF RURAL WOMEN ENTREPRENEURSHIP	96
	SR. MANIKYAM	
	REQUEST FOR FEEDBACK & DISCLAIMER	101

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### A REVIEW OF ETHICAL LEADERSHIP: GOING BEYOND THE CONVENTIONAL UNDERSTANDING

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#### ABSTRACT

Over the years the concept of Ethical Leadership lost its sheen. There has been numerous studies conducted on this topic and almost all concentrated on the theme of personal development whether it is the virtues of Aristotle, the internal locus of control, having low Machiavellianism, high self-awareness, and the like. Most of the studies also looked at how the employees perceived their leadership. Very few or no studies have been conducted as to how other stake holders perceive the leadership (as protecting the environment, or developing the society and community at large) or how the leader perceives themselves and their role. This paper discusses the existing literature on Ethical Leadership and the different parameters used in evaluating the leadership from an Ethical perspective. It also discusses different theories similar to ethical leadership such as Authentic Leadership, Transformational leadership, Spiritual leadership and Transpersonal Leadership. The paper also discusses in brief some of the weaknesses of these theories and point towards broader perspectives to define ethical leadership rooted in the current business scenario. Using a qualitative research method with the secondary data the paper tries to through light on what constitutes the concept of ethical leadership and similar concepts.

#### **KEYWORDS**

ethical leadership, business ethics, transformational leader, authentic leader, spiritual leader.

#### INTRODUCTION

Ikington, 2001 1997) vigorously advocated the need for a triple bottom line evaluation of the organization and Milton Friedman (Friedman, 1970, 2007) countered it arguing that the only bottom line of an organization is financial and the job of the caretakers of an organization is only to increase the profit. Probably two most important thinkers on the modern management have created a series of debates and discussions on how the organizations should be run. We live in a time when corporate scandals and graft cases rock the market regularly leading to loss of hard earned money for millions investors and other stakeholders, when incidents of ill-treatment and harassment of employees get reported frequently, where customers are cheated and lied blatantly and natural resources are at a risk of being overused and as a result threaten the very sustainability of the earth. Employees do not have a job satisfaction nor are they committed to their organization. Researchers and voluntary and governmental organizations world over are in a frantic search for answers.

Many a time it is the leadership in the organizations that set the tone of how things are done. Also it is the leadership that creates the culture within the organization. Ethical leadership only can create an ethical culture. Thus research into what constitutes an ethical leadership remain paramount. This paper aims to understand what ethical leadership is and the different dynamics of Ethical leadership as appear in literature. And also proposes some new dimensions to ethical leadership.

An HBR article through in-depth interviews of recent Harvard MBAs reveal many disturbing facts about being ethical and following orders. 1) many newly joined managers are generally given clear guidelines from their immediate managers or strong pressures form their organizational pressures to engage in things that they believe are unethical or even illegal. 2) the organizations code of conduct or ethics programs hotlines and the such do not help when it comes to making decisions 3) many new recruits believe that their leaders are not aware of ethical issues mostly because they are too busy or do not want to take responsibility. 4) most of the time young managers resolve their uncertainties on the basis of self reflection or individual values and based on copany's credo or values. (*Badaracco & Webb, 1995*). This and a number of articles later, on why good people do evil things discussed the role of leadership.

In this context literature was reviewed on ethical leadership. Ethical leader is the need of the hour. However, the topic has been extensively discussed since 1990s. However, there is very little research conducted on this topic in India even though we rank very low on ethical business. (Suar, 2004). The existing researches have two aspects; at one end the studies are being done on the leadership who through their actions and words and through what they communicate create a culture of ethics. Many studies have revealed the benefit of having an ethical organizational culture created by ethical leaders. At the other end there are the employees who perceive their leader and recreate the culture by performing actions that either the leader wants them to perform or what they think would make the leader happy. Employees are torn between these two opposing demands.

Objectives of this paper therefore are 1) To define what ethical leadership, 2 is. To discuss what the literature discus as factors defining an ethical leader, 3. To discuss the limitations of the current understanding of the ethical leadership, 4. To propose some new dimensions to the definition of ethical leadership. The scope of the paper is limited literature review alone to discuss the concept of ethical leadership and suggest the limitations of the existing definitions. This will briefly discuss some similar concepts.

#### WHAT IS ETHICAL LEADERSHIP

The Ethical leadership has been for long defined as having personal traits such values as leader's honesty, integrity, trustworthiness, cognitive trust, the exercise of care in work, being professional, dependable etc. (Kirkpatrick & Locke, 1991; Kouzes & Posner, 1993, McAllister, 1995) Trevino and others call these as characteristics of a leader as a *moral person*. They also added another dimension to it where the leader becomes a role model for his followers. They call it as 'moral manager' dimension. This Moral manager dimension of ethical leadership discusses the leaders efforts to influence the followers behavior. They make ethical values an integral and explicit part of their role and deliberately communicate that through visible and role modeling. They also rewards and discipline to ensure accountability from their followers this help them get the message across very clearly all concerned (Treviño et al., 2000, 2003).

Brown et.al., (2005) use social learning theory to understand ethical leadership argues that Leadership involves influence. The A social learning perspective of Bandura when applied on ethical leadership it presupposes that leaders influence the ethical conduct of their followers through visible role modeling. The role modeling involves a range of psychological processes which include observation, imitation, and identification. According to Bandura (1986) observing others actions and the outcome both directly and vicariously can lead to learning.

It is therefore important to study those sets of behaviours a leader should exhibit which the followers can imitate. Yukl, (2002)

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Brown and Trevino (2006) identified the characteristics a leader must have in order to be ethical and which can be emulated by the followers such as ; a) Ethical role modeling, b)Ethical context, c) the personality types, d) Conscientiousness, e) emotional stability and agreeableness) f) locus of control, g) Machiavellianism, h) self monitoring, i) moral intensity, j) pro-social behavior, k) need for power and l) moral reasoning as factors that define an ethical leader. All these are factors discussing the personal characteristics that are from within an individual.

Muel Kaptain (2008) Mari Huhtala (2013) further argues that in order to create a culture of ethics the leadership should consciously developed certain virtues and based on which he created a tool to study the ethical climate existing in the organization. This tool focuses on the perception of the followers towards their leader and how they create a culture of ethics in the organisaiotns. The tool has primarily seven virtues. They are; 1) clarity, 2) congruity, 3) feasibility, 4) supportability, 5) transparency, 6) discussability and 7) sanctionability.

While defining ethical leadership (Brown, et.al., 2005; Van den Akker, et.al., 2009) asserts that it is an expression of appropriate conduct (normatively and ethically) through their personal behaviour and interpersonal relationships, and how they promote such conduct to their followers through regular communication, fortification, and decision-making. Trevino and associates make a difference between a moral person, ethically neutral person and a moral manager (Jordan, Brown, Trevino, & Finkelstein, 2013. It is the moral managers who consciously develop ethical behavior among followers. The concept of what we call a moral manager is founded on three concepts: role modeling through visible action, the use of rewards and discipline, and communicating about ethics and values (Trevino, 1986; Van den Akker et al., 2009) They also stress on the four ethical leader behaviors as displaying ethical consistency, securing ethical behavior, contextualizing success and encouraging transparency (Van den Akker et al., 2009) According to (Paine, 1996, 1994), the major ethical leader behavior is to communicate or transmit the organizational values, principles, and standards to followers in a spirit of self-governance through intense dialogue. They also found that to strengthen trust leaders must be able to balance punishment for violation along with rewards for conformity. Most literature discuss the need for control and not the reward for getting the trust.

#### ETHICAL LEADERSHIP IN CREATING ETHICAL CULTURE

(Singh, 2011)) through a Canadian survey of large organisaitons tried to find out the factors determining the efficiency of corporate codes of ethics by the perception of managers who are in the wrong regarding the effectives of ethical code vis-à-vis different aspects of ethics program. He reiterated the role of leadership in ensuring an ethical culture in the organization.

Langvardt (2012) through a case study of a multifaceted scandal of Penn State University leadership shows how important it is the role of leadership in creating and sustaining an ethical culture in an organization. He juxtaposes many of the experiences of Penn University crisis to business organizations. Along with giving various lessons from the case one can take aspects of thinking and decision making which are two important aspects that needs influence in bringing in an ethical culture in the organization.

#### ETHICAL LEADERSHIP AND EMPLOYEE WELL BEING

**Piccolo (2010)** and associates researches the role of ethical leadership with employee wellbeing. They argue that most employees would like to work for organizations that are known for high ethical values. However, it is also noted that organizations ignore the fact that it is a strong leadership and a proper job design that improves ethical behavior, and meaningfulness and employee wellbeing. Often time under pressure for short term performance driven by market many organizations focus very narrowly on a few goals that serve the purpose of increasing organizational profitability. Even though it is important to stress on the short term profits in the long run it bring forth a number of challenges when the profits and other financial bottom line as the only objective worth pursuing. (Hecht & Allen, 2009)

#### **RESEARCHES FROM INDIA ON ETHICAL LEADERSHIP**

Rooplekha Khuntia and Damodar Suar (2004) of IIT Kharagpur developed a 22 item scale for understanding ethical leadership and analyzed the middle level leadership of two public sector companies and two private sector companies. A factor analysis yielded two dimensions of ethical leadership a) empowerment and b) motive and character. This paper studied how subordinates perceive their superiors. It however did not rate the leaders from their own perspective. (Dwivedi 1983), who also stress that leadership role differs depending on the sector, product and services, the hierarchy and the cultural context.

#### DIFFERENT THEORIES SIMILAR TO ETHICAL LEADERSHIP

(Walumbwa, Hartnell, & Oke, 2010) uses the concept of **servant leadership** and associate it with organizational citizenship behavior. One of the focuses of his research has been to study the relationship between the individual and institutional mechanism through which servant leadership influence employees. The model they constructed focused on the two institutional (procedural justice environment and service climate) and two individual aspects (self-efficacy and commitment to supervisor). The study surveyed over 800 employees operating in Kenya. The study concluded saying that servant leadership improves positive employee attitudes as well as create a climate that produces important behavior that directly benefit individuals and the work group. Servant leadership is also considered very close to the concept of ethical leadership.

AUTHENTIC LEADERSHIP: They are individuals with deep awareness of how they think and behave and are looked upon by others as being in touch with their own values and of others. They are also aware of the context in which they operate. They are confident, hopeful, optimistic, resilient and exhibit high moral character Luthans & Avolio (2007) they also exhibit self-awareness, openness, transparency and consistency and have core ethical values (Brown and Trevino 2006).

SPIRITUAL LEADERSHIP has been described as a leadership that exemplifies characteristics such as integrity, honesty, and humility and creating one's image as someone who can be trusted and relied upon and liked. They also demonstrate through their behavior the values. (Reave, 2005, p. 663), Brown and Trevino (2006) TRANSFORMATIONAL LEADERSHIP: Burns (1978) wrote that transformational Leadership can be considered as moral leadership because they inspire followers to go beyond mere self-interest and work towards for a communitarian purpose. However, many other argued that not all Transformational leaders are ethical.

Numerous case studies of leaders pointed it out. But every one argues that there is an element of moral aspect to it and that needs to be highlighted. Turner et.al. (2002) says that if subordinates perceive leaders as moral being we can call them as transformational. They also elaborated that transformational leadership has been strongly related to what they call perceived leader integrity. (Parry and Thompson 2002, Tracey and Hinkin 1994)

TRANS PERSONAL LEADERSHIP: John Knight defines it as "leading beyond the ego". They would a) Embed authentic, ethical behaviors into the DNA of the organization, b) Build strong, collaborative relationships throughout the organisation and with all stakeholders, c) Create a performance enhancing culture. (Knight 2015)

#### ANALYSIS OF THE EXISTING THEORIES

If we analyze the theories on ethical leadership close all of them discuss it from a concept of individual morality. Whether it is the moral person or the moral manager argument of Brown and Trevino, the Corporate Ethical Virtue Scale of Kaptain and Huhtala, or the ethical leadership scale developed by Rooplekha and Suar all talk of morality, virtues, personal traits as the central characteristics of an ethical leader which the followers can imitate. The same is also found in similar theories such as the servant leadership and the organizational citizenship behavior postulated by Walumbwa et.al, the authentic leader who espouses values of self-awareness, openness, transparency, and consistency, the spiritual leadership.

Still Volkswagon, Siemens, Satyams keep happening. Organizations are alleged to engage in unethical activities. The organizational climate, culture, context seems to be breading such behaviors in spite of having leaders who are perceived to be ethical.

#### THE WAY FORWARD

This paper has discussed the main trends in the current understanding of ethical leadership. Most empirical studies look at the ethical leadership from the lenses of the followers using mostly a virtue scale such as honesty, integrity, trustworthiness etc. This does not give a holistic approach to understand ethical leadership.

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#### VOLUME NO. 6 (2016), ISSUE NO. 04 (APRIL)

Ethical Leadership as suggested by John Knight (2015) and leaders I interviewed need to look beyond the leader perception by the employees and other stakeholders. There is a need to look at the ethical leadership from leaders point of view and I would be looking at the help of existing literature and focus group discussions develop a framework for understanding Ethical leadership from the leadership perspective. This will need to weave through different aspects such as the context, culture and the follower and stakeholder perspectives into a unified whole.

Some of the values that are important for a leader today as espoused by Knight (2015) are:

To create trust with our stakeholders to help overcome barriers 1.

- 2. To create a safe environment
- To attract and retain good people 3.
- 4 To connect the personal to the corporate
- 5. To secure a long term future as a business
- 6. To be able to sleep well at night
- 7. It's good for the corporate image - relevant and ethical
- 8. So everyone has the same ethical framework and knows where the line is
- To create a positive environment which will positively impact on innovation 9.
- 10. Reducing any fear culture
- 11. To get balanced decision making
- 12. To get consistency of culture in a changing environment
- To make the right choices generating sustainability 13.
- To create transparency and all the benefits that brings 14.

#### **CONCLUSION AND WAY FORWARD**

To conclude the discussion, we can bring into the ambit of discussion on ethical leadership the aspect of concern for environment, a concern for the wellbeing of the underprivileged in the society, the concern for the employees, creating a culture of ethics, and to take care of the stake holders. For future research it would be possible to create a new theory and a scale based on this and empirically validates it through conducting primary studies. It is also important to develop the framework of an ethical leadership that includes the current realities that go beyond personal virtues and morality and personality traits.

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