Preparing for Ethical Leadership in Organizations

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Abstract
True and effective leadership is that in which the leader's behaviour and the exercise of the leadership influence process are consistent with ethical and moral values. This paper explores the need for ethical leadership and the ways in which it is manifested in organizations. It identifies the three components of the ethical leadership model proposed by Kanungo and Mendonca (1996): the ethics of the leader's motives, influence process strategies, and the nature of the self-transformation needed for ethical leadership. As a central theme, the paper then examines what the leader can do to prepare for ethical leadership in organizations. More specifically, it identifies some of the sources that the leader can tap to develop as a moral person possessed of inner strength and resourcefulness that lead to the self-transformation of both the leader and the followers.

Résumé
Le leadership véritable et efficace en est un dans lequel le comportement du leader et l'exercice du processus d'influence de leadership sont consistants avec des valeurs morales et éthiques. Cette étude explore le besoin d'un leadership éthique et les façons dont il est manifesté dans les organisations. Elle identifie les trois composantes du modèle de leadership éthique proposé par Kanungo et Mendonca (1996) : l'éthique des motifs du leader, les stratégies du processus d'influence et la nature de la transformation de soi-même requises pour le leadership éthique. Comme thème central, l'étude examine ce que le leader peut faire pour se préparer au leadership éthique dans les organisations. Spécifiquement, elle identifie quelques-unes des sources auxquelles le leader peut avoir accès pour se développer en tant que personne morale possédant une force intérieure et qui est pleine de ressources qui mènent à la transformation personnelle du leader et de ses adeptes.

Leadership behaviour—in the sense of leading others—is more than the routine maintenance activities of allocating resources, monitoring and directing followers, and building the organization's *esprit de corps*. True leadership assesses the followers' needs and expectations and inspires them to realize a vision that best serves the followers and the organization.

However, it is the leader's moral principles and integrity that give legitimacy and credibility to the vision and sustain it. When the leader's moral integrity is in doubt, then the leader's vision—however noble, well-crafted, and articulated—is viewed with skepticism by the followers, loses its vigour, and is incapable of moving them to work towards its realization (Kanungo & Mendonca, 1996). This paper first explores the need for ethical leadership in organizations and identifies the three dimensions of ethical leadership in terms of the leader's motives, influence strategies, and self-transformation. It then discusses how leaders can prepare themselves for their own self-transformation and that of their followers that is necessary to meet the challenging demands of ethical imperatives.

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Do We Need Ethical Leadership?

At a time when impressive breakthroughs in technology are providing new and better products and services, when improved communications are transforming the world into a global village, the following items make us question whether so much progress is indeed "progress".

- "What several European revolutions, two world wars and numerous depressions could not do to London's Barings Bank in more than 200 years, one 28-year-old employee accomplished with a few computer keystrokes. And the bank collapsed ... management was alerted months ago to the inadequacies of its oversight systems. But management chose to ignore

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that advice, presumably because everyone seemed to benefit from the system as it was" (Finlay, 1995, p. 21).

- Two experimental design studies in the U.S. involving 179 top executives and 203 controllers found that 47% of top executives and 41% of the controllers made fraudulent decisions that artificially inflated profits to increase their promotion chances (Brief, Dukerich, Brown, & Brett, 1996).
- A study of AACSB (Association to Advance Collegiate Schools of Business) Business School Deans found that deans are more likely to participate in unethical actions if they result in a substantial donation to their school (Siguaw, Rockness, Hunt, & Howe, 1998).

Indeed, evidence of the declining moral fibre of organizational leaders is not restricted to North America. After three top executives of Adam Opel AG in Germany were alleged to have been involved in corruption scandals, many wondered whether German corporate ethics, once the model of good behaviour, "should be compared more with those in France, Italy and Spain" (Nash, 1995, p. 1).

There is an increasing realization today that organizational leaders need to be more sensitive to their moral obligations to the larger society, which includes all their stakeholders such as consumers, employees, suppliers, governments, local communities. It is the recognition of these obligations that has led several large corporations to formulate codes of ethics, ethics committees, communication systems for employees to report abuses or seek guidance, ethics training programs, ethics officers, and disciplinary processes (Weaver, Trevino, & Cochran, 1999). The code of ethics can be an important reminder that individuals, not the organization, engage in ethical or unethical practices. It serves "to map a high road to economic and ethical performance—and to mount guard-rails to keep corporate wayfarers on track" (Andrews, 1989, p. 99).

However, such ethical codes and structures need to be more than mere "window dressing"; much less should competitive business advantage become *the* reason for them. A survey of 10,000 randomly selected employees from all levels of six large U.S. corporations that had a formal code of ethics found that "specific characteristics of the formal ethics or compliance program matter less than broader perceptions of the program's orientation toward values and ethical aspirations. What helps the most are consistency between policies and actions as well as dimensions of the organization's ethical culture such as ethical leadership" (Trevino, Weaver, Gibson, Toffler, & Ley, 1999, p. 131). An organization's code of ethics establishes ethical principles that should govern the leader's decisions and behaviours in order that the leader can fulfill the mission of uplifting the moral climate of the organization. Through their principle-centred behaviour, people in leadership positions determine the moral calibre of organizational members, and thereby contribute to the strengthening or the deterioration of the moral fibre of society. This assertion is also confirmed by a study of all of the Fortune 500 Industrial and Fortune 500 Service companies which found that "much of the guidance for how programs are implemented comes from a firm's top managers and their commitment to ethics" (Weaver et al., 1999, p. 54).

Undoubtedly, the role of a leader has always carried with it grave and onerous responsibilities. In our time, the burden of this role poses rather unique and formidable challenges because of the fundamental shift in societal norms and values in two ways: "economic imperialism", and the cult of "self-worship" (Kanungo & Mendonca, 1996). Economic imperialism demands that money and material possession be the primary yardstick to measure success and failure in every sphere of human life, and therefore be valued more than everything else in society (Hirsch, 1976). The cult of self-worship is based on the assumption that egoism or self-centred reward is the only functional ethical principle that should guide one's conduct. Underlying these approaches is the emphasis on the rights of the individual to fulfill their life ambitions in any form or manner they choose without much regard to or concern for one's duties and obligations to others.

This focus on self is an "extreme expression of individualistic psychology first created by a frontier society and now supported and corrupted by consumerism" (Vitz, 1994). As a psychologist had observed two decades ago,

> there is in psychology today a general background assumption that the human impulses provided by biological evolution are right and optimal, both individually and socially, and that repressive or inhibitory moral traditions are wrong. This assumption may now be regarded as scientifically wrong. Psychology, in propagating this background perspective in its teaching helps to undermine the retention of what may be extremely valuable social-evolutionary systems which we do not fully understand. (Campbell, 1975)

There is indeed an absolute and urgent need for moral leadership in organizations and in society if we truly want to achieve the common goal of human welfare at personal, organizational, and societal levels. Does an organization need ethical leadership in order to be effective and successful? Undoubtedly, there are examples of unethical leaders who have created successful organizations, but the enduring quality of such leadership is high-

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ly questionable. The organization's success, in fact its very survival, over the long term is dependent on ethical leadership. As discussed later, the leaders' character is the essential factor that makes them trustworthy and attractive to the organization's stakeholders—stockholders, employees, customers, suppliers, and the community. The habitual practice of virtue forms the leaders' character, and enables them to continually strive for personal mastery and excellence in their function or task through the exercise of the basic competencies of managerial resourcefulness, and to serve as a role model for their followers. Organizational effectiveness on an enduring basis is greatly enhanced by the self-transformation of the leader and of the followers that is inherent in ethical leadership.

Dimensions of Ethical Leadership in Organizations

To identify the dimensions of ethical leadership, we specify what we mean by the terms "leadership" and "ethical", drawing on Kanungo and Mendonca (1996). Leadership refers to a set of role behaviours or actions on the part of a person who assumes the leadership role in an organization either by a formal appointment or by the informal choice of organizational members. The term also implies the nature of the influence process adopted by the leader to change the followers' values, beliefs, and behaviour. Leadership therefore can be viewed from two perspectives. One, as a set of role behaviours to accomplish the task and maintain cohesion in the organization. The other, as an influence process—a set of strategies and tactics to influence the followers' values, beliefs, and behaviour towards the attainment of the organization's objectives. However, these role behaviours and influence strategies acquire legitimacy and credibility, and have an enduring effect on followers when these reflect motives and actions that are perceived by followers to be ethical or morally right.

Ethical means that which is morally good, and morally right, as opposed to legally or procedurally right. Leadership is ethical when leaders are guided by altruism. The philosophical argument for altruism rests on the fact that a human being, by its very nature, does not begin and end in itself. A human being has a social dimension that creates the responsibility to reconcile its concern for self with concern for others. Altruistic behaviour expresses the social dimension in the form of *utilitarian* or *mutual altruism*—a helping concern for others combined with concern for one's own self-interest; or in the form of *moral altruism* that reflects a helping concern for others even at considerable personal sacrifice or inconvenience. Egotistical behaviour, on the other hand, always involves a concern for self with no concern for others. The values inherent in the choice of "others before myself," or moral altruism, are universal and form part of the heritage of all cultures.

Leaders are responsible for the organization's moral climate that, in effect, reflects the moral development of the leader and of the followers. Through the use of morally appropriate influence strategies and tactics that are motivated and guided by moral intent, leaders can facilitate the moral development of followers. The leader's personal moral development results from character formation through the practice of virtue in private as well as in public life. Ethical leadership therefore manifests itself in three ways or on three dimensions: a) the leader's *motives*, b) the leader's *influence strategies*, and c) the leader's *character formation*. Stated differently, the leader's *motives* and *influence strategies* are the fruits of the leader's *character.*

We briefly discuss the ethics of the leader's intent and influence process strategy in the light of altruism as a principle of moral behaviour. The leader's character formation is dealt with in greater detail in the next section which explores the nature and sources of self-transformation of leaders and of followers.

Leader's Intent and Influence Process Strategy—Altruistic Versus Egotistic

The overarching motive for ethical leadership is the leader's altruistic intent as opposed to egotistic intent. Organizational members expect the leader's vision, goals, and objectives to benefit the organization and its members, as well as the society at large. Hence, leadership effectiveness is assured only by altruistic acts that reflect the leader's incessant desire and concern to benefit others despite the risk of personal cost inherent in such acts (Kanungo & Mendonca, 1996).

Leaders can influence the followers' beliefs, attitudes, and behaviours either through the transactional or the transformational modes of influence (Bass, 1990; Conger & Kanungo, 1998). In the transactional mode, leaders view followers as programmed robots and elicit followers' compliance through control strategies that offend against the dignity of the human person. Therefore, the transactional mode is an unethical social influence process. In the transformational influence mode, leaders use empowerment strategy and expert and referent power to bring about a change in the followers' core beliefs and values as they move the organization toward its future goals. The attitude change in followers is through the identification and internalization processes (Kelman, 1958). The transformational influence enables followers to function as autonomous persons and reflects the leader's altruistic value and orientation and, there-

fore, is more likely to be ethical, more effective, and more enduring (Kanungo & Mendonca, 1996).

The Nature and Sources of Self-transformation of Leaders and of Followers

Ethical leadership is essentially transformational in nature. The preparation for ethical leadership therefore involves the self-transformation of both the leader and of the followers. However, our focus is chiefly on the self-transformation of the leader. The leader is a role model to the followers in respect of both task performance and ethical behaviour. Undeniably, the leader is indeed the soul of the organization, whose beliefs, values, and behaviours influence and shape, for better or worse, the organization's moral environment, and has all-encompassing, serious ramifications both within and outside the organization. For this important reason, the discussion will centre mainly on the self-transformation of the leader.

We first discuss the nature of self-transformation. We then identify some of the sources leaders can tap to develop, as a moral person possessed of inner strength and resourcefulness that leads to the self-transformation of both the leader and of the followers.

The Nature of Self-transformation for Ethical Leadership

The self-transformation needed for ethical leadership revolves principally around character development. Yet, a survey of the codes of conduct of more than 200 companies found that "the most ignored item was personal character—it seemed not to matter" (Walton, 1988, p. 170). The *Concise Oxford Dictionary* defines character as "moral strength, backbone". It constitutes an inner-directed and habitual strength of mind and will. To develop this concept further, we draw on three sources. First, we describe the role of the cardinal virtues, first formulated in ancient Greece, in character formation. Second, we examine the empirical findings on basic competencies in managerial resourcefulness (Kanungo & Misra, 1992). Third, we look at personal mastery, one of the critical disciplines of the learning organization (Senge, 1990). Interestingly enough, although our sources span nearly 2500 years and varied disciplines, the concepts, principles, and processes that emerge are congruent or complementary and, therefore, serve to provide a sound foundation for self-transformation in ethical leadership.

Role of the Cardinal Virtues in Character Formation

The idea of virtue as signifying human rightness was taken for granted by the contemporaries of Socrates. Plato first formulated the four cardinal virtues: *prudence, justice, fortitude*, and *temperance.*

> This particular intellectual framework, the formula which is called the "doctrine of virtue", was one of the great discoveries in the history of man's self-understanding, and ... has become a basic component of the European consciousness, as the result of centuries of persistent intellectual endeavor by all the creative elements of the emerging West, both the Greeks (Plato, Aristotle) and the Romans (Cicero, Seneca), both Judaism (Philo) and Christianity (Clement of Alexandria, St. Augustine). (Pieper, 1966, p. xi)

These virtues are termed *cardinal*—the Latin word for "hinge"—because around them hinge human acts or practices that acquire moral significance when these practices are consistent with the moral principles implicit in the cardinal virtues. The cardinal virtues conform to the order or dictates of reason. Unlike the technical jargon usual in the sciences, these virtues are expressed in words that are frequently used in ordinary conversation, thereby confirming that these ideas "constitute the vocabulary of everyone's thought" (Adler, 1981, p. 3). We briefly discuss each cardinal virtue in the context of its importance to moral behaviour.

Prudence. The practice of this virtue requires the habitual assessment, in the light of right standards, of the situation or issue on which a decision is to be made. The assessment also includes the likely favourable and unfavourable consequences of the decision for oneself and for others. The leader who is in the habit of practicing prudence will not abdicate his or her responsibility for unethical behaviour by followers through messages such as: "do whatever you have to do, just don't tell me about it." The prudent person will not only not resent that others disagree with his or her views but will actively seek such information to better assess the situation and exercise sound judgment.

Justice. The virtue of justice requires the individual to strive constantly to give others what is their due. The "due" means more than the legalistic notion of the contractual rights of others. It includes whatever others might need to fulfill their duties and exercise their rights as persons, that is, the right to life, to cultural and moral goods, material goods, and so on. In the leadership context, it means the exercise of a sense of responsibility that balances, in a fair manner, the rights of all the stakeholders—customers, suppliers, government, and community—as well as of the owners.

Fortitude. This is the courage to take great risks for an ideal that is worthwhile. A courageous leader faces difficult situations and strives to act positively to over-

come obstacles to do what is good and noble. One of the underlying characteristics of fortitude is perseverance and endurance against great odds. "Determined people try to make it happen because they believe in it, not because the odds are on their side" (Leavitt, 1986, p. 95).

Temperance. The practice of temperance involves distinguishing between what is reasonable and necessary and what is self-indulgent. Although it includes the reasonable use and satisfaction of one's sense appetites, it also involves the efficient and effective allocation of one's time, effort, and resources. In essence, temperance means the exercise of self-control that, in general, would lead one to avoid and resist the temptation to overindulge in hedonistic behaviours. "Temperance or intemperance of outward behavior and expression can have its strengthening or weakening repercussion on the inner order of man" (Pieper, 1966, p. 204).

Through the practice of the virtues, leaders acquire the inner-directed and habitual strength of mind and will to incorporate moral principles in their behaviour and thereby form their character. "Character is more than what simply happens to people. It is what they do to themselves" (Walton, 1988, p. 175). If good moral character is of the essence of every human being, then with much greater reason does it become so of transformational leaders who by their "vision, values, and determination add soul to the organization" (Leavitt, 1986, pp. 222-223). The practice of virtue offers individuals the spiritual experience inherent in fully realizing the unique and unrepeatable potential that is in each person, to continuously struggle to place concern for others, even at personal sacrifice, before concern for self. Transformational leaders cannot do without this spiritual experience that deepens their character and generates the moral strength they need to transform themselves and their followers (Kanungo & Mendonca, 1994).

The Basic Competencies in Managerial Resourcefulness

The nature of the tasks that leaders perform does not significantly differ in kind from the nature of tasks in managerial jobs. However, leadership involves tasks that can be described as non-specific, complex, discretionary, relatively unstructured, and subject to constant change. What are the specific skills that leaders need? After a review of the research in the past two decades on the nature of managerial jobs and skills, Kanungo and Misra (1992) found that the studies agree on the nature of managerial jobs, but lacked a coherent scheme to understand and identify the core skills components. They proposed an alternative conceptual framework that focuses on managerial resourcefulness, which includes both skills and competencies.

According to this framework, skills are overt behaviours that are task-specific, suitable for routine or programmed tasks and a stable environment. Competencies refer to intelligent functioning and the abilities to engage in cognitive activities that are person-generic dispositions necessary for non-routine or unprogrammed tasks and for a complex volatile environment. The competencies that mediate the utilization of the task-specific skill are affective competence, intellectual competence, and action-oriented competence. As components of resourcefulness, the competencies are the learned abilities of managers to employ self-regulating and self-controlling procedures on their jobs. Thus, affective competence is the self-regulation of emotions and feelings; intellectual competence is the self-regulation of thought processes and beliefs; and action-oriented competence is the self-regulation of intentions and actions.

An empirical study involving 485 managers found a positive correlation between resourcefulness and managerial success as measured by income level. Factor analysis of items reflecting resourcefulness revealed four factors: *proactive analytical orientation*, *problem-focused perseverance*, *emotional equanimity*, and *goal-directed orientation* (Kanungo & Menon, 1996). The items forming the first three factors reflect the competencies suggested by Kanungo and Misra (1992). Thus, proactive analytical orientation items reflect intellectual competence, problem-focused perseverance items reflect action-oriented competence, and emotional equanimity items reflect affective competence. The fourth factor, goal-directed orientation, reflects the tendency to have a goal at all times. Individuals who possess the affective, intellectual, and action-oriented competencies are clearly those who are goal-oriented at all times. The goal-directed orientation is implicit in each of the three competencies and can, therefore, be regarded as an overarching dimension of these components of managerial resourcefulness.

To return to the question posed at the beginning of this section, what are the specific skills that leaders need? The discussion on managerial resources strongly suggests that leaders need to have three competencies in addition to specific task-related skills. These competencies are affective competence, intellectual competence, and action-oriented competence. Expressed in terms of the findings of the empirical study, we can say that effective leaders are those who have an overall goal-directed orientation, along with proactive analytical orientation, problem-focused perseverance, and emotional equanimity. These competencies or orientations are essential for effective leadership because the tasks that leaders face are often non-specific, complex, discretionary, relatively unstructured, and subject to constant change.

Morality and Managerial Resourcefulness

The earlier discussion on cardinal virtues concluded that the practice of virtue enables leaders to incorporate moral principles in their behaviour and thereby form their character. The competencies or orientations just discussed bear a striking correspondence to the four cardinal virtues. We now explore the nature and significance of this correspondence in the context of leadership in organizations.

Goal-directed orientation is the tendency of the individual to have a goal at all times. This orientation corresponds to the virtue of justice. Organizations entrust leaders with responsibility for a variety of issues and resources—human, materials, financial. Justice requires that leaders utilize these resources efficiently and effectively with due regard to the rights of all the stakeholders involved. This responsibility can be properly exercised only when the organization's goals and objectives consistently guide the leaders' decisions in respect of these issues and resources. The practice of the virtue of justice facilitates the development of a goal-directed orientation.

Proactive analytical orientation involves the intellectual competence to assess the situation and plan a course of action through analytic and synthetic thinking that serves the organization's goals and objectives. The leader's exercise of this competence is greatly enhanced by the practice of the virtue of prudence. Prudence requires that the individual habitually assess, in the light of right standards, the situation or issue on which a decision is to be made. For this purpose, the prudent leader will keep an open mind, actively seek relevant information, and conduct a dispassionate analysis in order to exercise sound judgment.

Problem-focused perseverance involves the action-oriented competence to perform the tasks and activities, including attention to details and time frame, needed to achieve the goal despite the overwhelming difficulties and obstacles one may encounter. The practice of the virtue of fortitude gives leaders the courage to take risks, face difficulties, and work at overcoming obstacles in the pursuit of a worthwhile goal.

Emotional equanimity relates to the affective competence that involves self-regulation of emotions and feelings. As one undertakes the various tasks involved in goal attainment, it is normal to experience failure as well as success. The affective competence enables individuals to learn and grow from both their failures and successes. The practice of the virtue of temperance enables leaders to exercise restraint and discipline in order that irrational expression of emotions does not cloud their judgment and prevent them from viewing persons, things, and events in their proper perspective.

Are Virtues and Managerial Resourcefulness Mutually Exclusive?

The cardinal virtues enable leaders to habitually incorporate moral principles in their behaviour. The practice of these virtues involves the exercise of the basic competencies critical to managerial resourcefulness and, as a consequence, strengthens the basic competencies. However, the continued exercise of the basic competencies does not guarantee that these will be done in a virtuous manner. There are criminals who have exceptionally high goal-directed orientation. It is only when these competencies are exercised consistent with moral principles that the practice of virtue is reinforced. The cardinal virtues are the hinges on which the basic competencies acquire moral significance. The competencies of managerial resourcefulness are the necessary but not sufficient condition for the practice of virtue. Leaders provide ethical leadership when they exercise the basic competencies in the pursuit of virtue.

Personal mastery, discussed in the next section, further underscores the need for leaders to cultivate virtues and managerial resourcefulness to foster and promote an ethical environment in the organization.

Personal Mastery and Self-Transformation

Personal mastery, at all levels, is one of the critical disciplines of the learning organization because it is not organizations but people who learn. A learning organization is one where "people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together" (Senge, 1990, p. 3). Creating a learning organization would indeed be the objective of ethical leaders. To achieve this objective, the leader first acquires personal mastery and then assists and empowers all employees to do the same. We briefly explore the critical elements of personal mastery: shared vision, objective assessment, focused energies, and creative tension (Senge, 1990).

Shared vision. Leaders with high personal mastery devote much effort and care to ensure a shared vision for the organization, one that incorporates the beliefs, values, and aspirations of the employees, who are seen and treated as valued members of the organization's community. The employee-organization relationship is that of a covenant and "rests on a shared commitment to ideas, to issues, to values, to goals, and to management processes" (De Pree, 1989). In such a relationship there is no tradeoff between economic success and moral principles. Rather, adherence to moral principles constitutes the organization's higher purpose. Such a broad vision pro-

motes among employees a better understanding and appreciation of and empathy for each other that moves them away from self-centredness. "Individuals committed to a vision beyond their self-interest find they have energy not available when pursuing narrower goals" (Senge, 1990, p. 171).

Objective assessment. Leaders with high personal mastery cultivate a culture of openness that permits a meaningful dialogue and sharing of information, and the testing of assumptions pertaining to acceptable behaviour and practices in the organization. At the same time, it enables employees to assess their work situations objectively, recognize the interdependencies that exist, and thereby better understand and appreciate the structures, practices, and relationships in the organization, as well as the business and economic realities in which the organization operates. Underlying the objective assessment is a deep commitment to a continuous search for truth in the sense of desire to recognize reality as it currently exists.

Focused energies. Leaders with high personal mastery see an intrinsic value in the vision as an expression of the organization's purpose, as the *raison d'être* for the organization's existence. They pursue the vision with focused energies and total dedication of their talent, ability, and efforts. Even when their efforts to realize the vision suffer serious setbacks and failures they do not abandon the principles implicit in the vision. They see setbacks and failures as opportunities for learning, and their deep faith in the vision, in its intrinsic value cause them to persevere with steadfast determination and, despite the personal costs that might be involved, they continue to strive towards the vision.

Creative tension. The vision is a desired future state. It is inherent in the very nature of the vision that it is discrepant from the current reality as revealed by objective assessment. The discrepancy between the vision and current reality can lead to discouragement, anxiety, fear of failure, and even hopelessness. This uncomfortable, if not painful, experience can generate in leaders considerable pressure to compromise the integrity of the vision, to lower the established standards that reduce the demand on the leader's efforts and performance. The prospect of relief from the emotional upheaval by lowering the vision becomes an attractive option. However, leaders with high personal mastery will not succumb to seeking relief from the emotional tensions by following the line of least resistance and avoiding the pressures to struggle towards the vision. Instead, they view the "vision-current reality gap" as creative tension and manage it through self-control and self-regulation. They seek and work towards the good that is inherent in the vision not because it is comfortable or convenient, but because it is the honourable and right thing to do.

The elements of personal mastery closely correspond to the cardinal virtues and the basic competencies of managerial resourcefulness. Indeed, the practice of these virtues and competencies is indispensable to acquiring personal mastery. For this reason, leaders with high personal mastery are more likely to exhibit a disciplined pattern of behaviour that is guided by a deep personal vision and enduring moral principles. As alluded to, at the beginning of this section, the learning organization comes about when employees at all levels acquire personal mastery. What can leaders do to encourage and assist their people to acquire personal mastery? As Peter Senge observes: "...be a model. Commit yourself to your own personal mastery. Talking about personal mastery may open people's minds somewhat, but actions always speak louder than words. There's nothing more powerful you can do to encourage others in their quest for personal mastery than to be serious in your own quest" (1990, p. 173). The next section explores the sources of self-transformation necessary for personal mastery.

The Sources of Self-transformation of Leaders and of Followers

The inspiring and practical principles of ethical power—*purpose, patience, persistence, perspective,* and *pride*—proposed by Blanchard and Peale (1988) are important sources of self-transformation of leaders and of followers. These principles, aided by the habitual practice of *examination of conscience*, enable leaders to behave ethically, to consistently do what is right despite the insurmountable pressures so often inherent in a difficult situation. Leaders can tap these sources of ethical power to acquire personal mastery to develop as a moral person possessed of inner strength and resourcefulness that leads to the self-transformation of both the leader and the followers.

The principles are consistent with and integral to the cardinal virtues and the basic competencies of managerial resourcefulness. As discussed in this section and summarized in Table 1, adherence to these principles requires the practice of the virtues and the basic competencies reinforced by the practice of regular examination of conscience. The table also depicts two outcomes of the practice of these principles: the leader's personal mastery and pride, that is, the high self-esteem that originates from the followers' efforts and accomplishments.

Principles of Ethical Power

Purpose. The critical set of leader behaviours are to evaluate the status quo, to formulate and articulate a vision that is discrepant from the status quo, and to take

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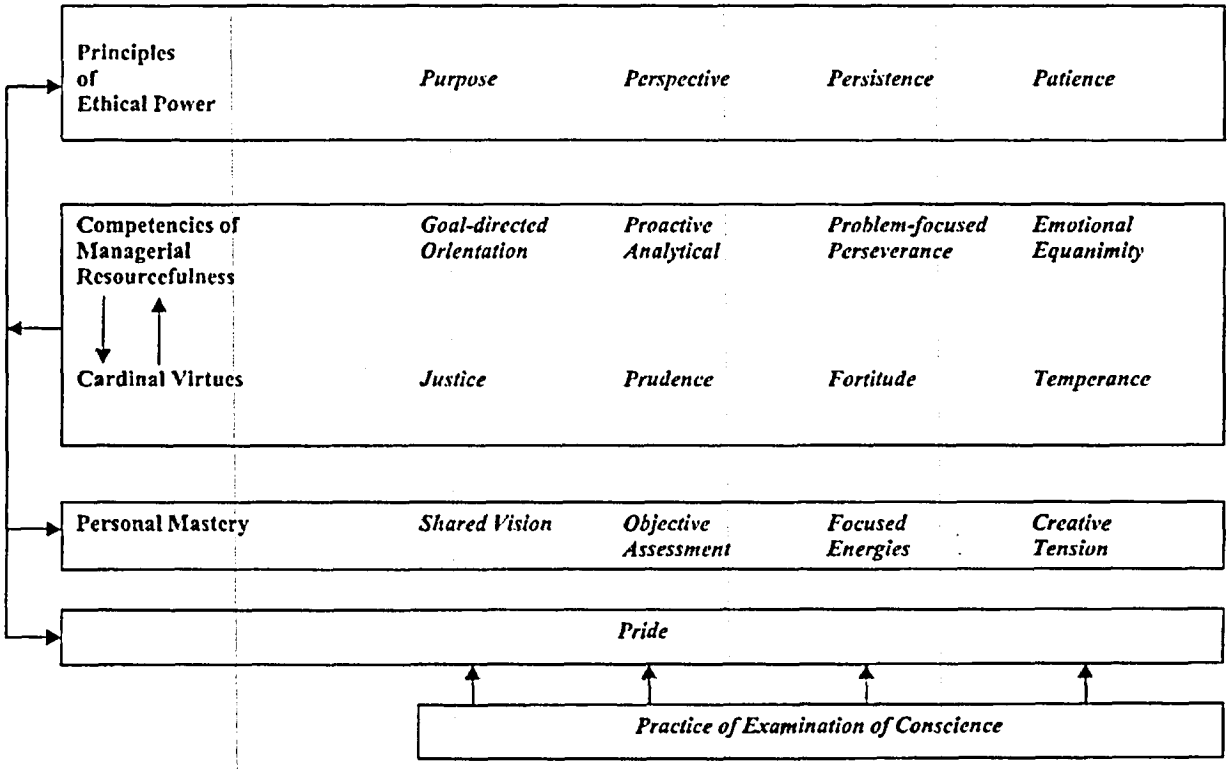
Table 1
The Sources of Self-transformation of Leaders and of Followers



the means—personal sacrifice, building trust among followers, and using unconventional behaviour—to achieve the vision (Conger & Kanungo, 1998). Leaders draw on their ethical power when they see the vision as a "calling", a reflection of one's genuine aspirations rather than a leadership technique, when they subject the vision as well as the means to achieve it to the rigorous scrutiny of the higher purpose that the vision serves. In the context of the business organization, it is universally admitted that it must be profitable. But ethical leaders ponder whether profit is a means or an end in itself. Corporations committed to a higher purpose "exist to provide society with the goods and services it needs, to provide employment, and to create a surplus of wealth (profit) with which to improve the general standard of living and quality of life" (O'Toole, 1985).

The powerful influence of the higher purpose in providing a proper perspective on profits and related issues can be seen from the debate and its outcome at Merck & Co over mectizan, a breakthrough medicine for the treatment of river blindness that is endemic in 35 countries across three continents. The company was faced with three issues: first, the people who desperately needed this medicine were the least able to pay for it; second, if the company donated it, then it might create an expectation of future donations and discourage research in this area; and third, the company could face added cost from the potential risk in the event of adverse side effects from the drug. While these issues were being debated by the company and the world public health community, the ravages of river blindness continued. The debate ended when the company recalled the following words from the address of George W. Merck, the company's president, to the Medical College of Virginia, in 1950: "Medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear.... How can we bring the best of medicine to each and every person? We cannot rest until the way has been found with our help to bring our finest achievements to everyone" (Merck & Co., 2000, p. 12). These core values moved the company to decide that it would donate mectizan for the treatment of river blindness to all who need it for as long as needed.

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The scrutiny of the vision in the perspective of its higher purpose will cause the leader to practice primarily the virtues of prudence and justice, aided by the managerial competencies of goal-directed and proactive analytical orientations. The practice of prudence will cause leaders to habitually assess situations and problems in the light of moral standards, of consequences of their decisions for organizational members and society at large, rather than the leaders' self-serving goals. The practice of justice requires that leaders recognize their duties and responsibilities, and strive constantly to balance in a fair manner the rights of all the organization's stakeholders. The practice of prudence and justice in the pursuit of the leader's vision will not only strengthen the leader's moral character, but would also enhance the followers' perceptions of the leader's trustworthiness. They will see their leader effectively model the elements of personal mastery, in particular, commitment to shared vision and objective assessment.

Patience. As leaders work towards the realization of the vision, they are certain to face obstacles from the environment—internal or external—or from the reluctance of the followers to accept and be committed to the vision. It takes time and effort to overcome such obstacles that are inevitable in a worthy and noble endeavour. Hence, the need for patience. Leaders bear the present difficulties with calm and serenity because of their faith in the vision. They develop an inner realization that "in good time" the difficulties will be resolved. This realization or faith is not the fatalism that inevitably paralyzes action. Rather, it is the leaders' convictions that the vision is worthwhile that contribute to their constancy of purpose and lead them to continue undaunted with what needs to be done. To maintain one's faith in the vision and stay the course, leaders need to habitually exercise prudence, fortitude, and temperance, and develop the competencies of proactive analytical orientation, problem-focused perseverance, and emotional equanimity.

The practice of prudence enables the leader to properly assess all facts and circumstances surrounding one's decisions, and the practice of fortitude develops the capacity to act positively in the midst of difficulties. The relevance of prudence for leadership is reflected in the leader's need to be sensitive to the environment; the relevance of fortitude is demonstrated by the fact that the leader is called upon to perform behaviours that involve great personal risks and sacrifices (Conger & Kanungo, 1998). The relevance of temperance arises from the fact that this is precisely the time when leaders need self-control that is critical to one's inner calm and serenity. The practice of prudence and fortitude is the source of patience that gives leaders the strength to refrain from unethical actions and behaviours when things do not go as planned, even though "everyone is doing it". These virtues and competencies, the critical elements of personal mastery, enhance the leader's capacity for objective assessment of reality and for diligence to realize the vision .

Persistence. Persistence does not mean a stubborn obstinacy. It means that leaders do not allow difficulties to weaken their resolve to stay the course. Instead, they continue to take the steps necessary, even those involving personal risk and sacrifice, to achieve the vision. The practice of fortitude strengthens one to strive to overcome difficulties not because it is convenient or pleasant to do so, but because one's duty requires that it be done. This idea is forcefully expressed by John Hoyt Stookey of National Distillers, now Quantum Chemical, when he declared: "One of the things ... that we mean by ethical behavior is that we will forego profit in order to adhere to a standard of conduct. I believe that's a message a CEO needs to convey loud and clear to an organization and I find myself doing that" (quoted in Watson, 1991, p. 186). The practice of fortitude is facilitated when leaders develop the competency of problem-focused perseverance that, in turn, permits them to effectively model their quest for personal mastery.

Perspective. To see events in their proper perspective means an objective assessment of their importance in the light of the vision. The habit of reflection is critical to acquiring a sense of perspective. And reflection is simply not possible unless one devotes some time each day to silence, a resource that has been recommended by the wise of all time and from all cultures, and yet the one resource that remains most untapped. Silence is more than refraining from noise; it is the inner silence that allows one to reflect on the higher purpose, to question one's decisions in the light of that purpose, and to seek strength not to betray it. It allows one to listen to the inner stirrings of the spirit and is needed to make distinctions between right and wrong, to discern what one ought to do. The quest for personal mastery requires some form of meditation or contemplative prayer because "it is helpful in working more productively with the subconscious mind" (Senge, 1990, p. 164).

Pride. The leader obviously needs to have high self-esteem that originates from a legitimate pride in one's accomplishments. Ethical leaders exhibit pride but do not indulge in vanity. The dividing line between pride and vanity is unbelievably thin because of our strong egotistic tendencies, but ethical leaders recognize that inordinate self-love is a human vice and not a virtue. Ethical leaders do not view achievements as the result of their own endeavours deserving of self-adulation; rather, as "our achievements," the fruits of the leader-followers' effort and collaboration. Such a view is a natural outcome of the leader's "other-centredness", and generates two effects. First, the emphasis on our achievements has

a powerful positive influence that is highly energizing to the followers. Second, such a visible expression of the leader's other-centredness reinforces in the eyes of the followers the leader's belief and commitment to moral altruism.

The ethical leader's self-esteem also originates from the esteem of one's followers. However, the leader's behaviours are not designed to merely gain the acceptance of the followers. For example, in formulating the vision the leader considers the needs and aspirations of the followers, but does not allow the desire to be accepted by the followers to compromise the vision, when such compromise will jeopardize the organization's higher purpose. In other words, the leader does not look to the followers for affiliative assurance (Boyatzis, 1984) to reinforce his or her self-love, but strives to assist followers to internalize the vision and work to realize it. Apart from the pressure from the followers, leaders will always experience a gap between the current reality and the vision. Undoubtedly, the gap creates much emotional tension that could be eliminated by lowering or compromising the vision. Leaders with high personal mastery recognize that this gap is a powerful source of energy for creative change (Senge, 1990). The habitual practice of prudence and temperance aided by the competencies of proactive analytical orientation and emotional equanimity will enable leaders to acquire and model personal mastery in seeing current reality objectively and in managing the emotional tension created by the vision-reality gap.

The Practice of Examination of Conscience

The preceding discussion has touched on several suggestions available to leaders in their efforts to develop the inner strength they need to function as ethical, moral persons. However, the enduring effectiveness of these suggestions depends upon their habitual practice and, more importantly, on setting aside a specific time for the practice of examining one's conscience. It is a fact of human experience that we do not suddenly find ourselves engaging in grave and serious unethical practices. Rather, such grave practices are preceded by minor unethical lapses that we might rationalize as acceptable because these are so inconsequential or because "everyone is doing it". The examination of conscience—the scrutiny of behaviour in the light of the higher purpose—prevents unethical behaviour, or at least alerts us to the fact that we might be treading on its slippery slope.

Conclusion

When asked about his primary job, the chairman of Matsushita Electric said: "To model love. I am the *soul* of this company. It is through me that our organization's values pass" (Blanchard & Peale, 1988, p. 89). Indeed, the leader creates the organization's moral environment, but it cannot be created by the fiat of the leader. The organization's moral environment is a natural overflow of ethical leadership manifested by the leader's altruistic motive, empowering influence strategies, and moral character formation. The practice of personal mastery through the exercise of virtue and managerial resourcefulness ensures ethical leadership through the leader's commitment to ethical principles and values expressed not only in terms of intellectual assent, but also in the leader's continuous struggle to live by them.

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