

The Competitive Edge of Moral Leadership

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[**Abstract**] Exploring the moral dimensions of leadership in business, the paper starts from the assumption that business does not operate in an amoral space and that business decisions are not exclusively determined by economic factors of the market. Business leaders like human agents in general are not necessarily and exclusively self-interested but act within a moral culture shared with society and its basic institutions. It is argued that moral leadership is leadership whose power and authority has not only a legal basis but is also grounded on normative principles of common morality, and is therefore something for which ethics has more than merely instrumental value. This thesis is further elaborated with regard to both the organizational and the individual implications of moral leadership and exemplified with reference to a variety of leadership decisions in contemporary business.

[**Keywords**] moral leadership; moral space; moral legitimacy; moral competence; human dignity; human rights; justice; fairness; moral courage; trust; integrity; self-interest; corporation; corporate culture society; responsible agency; economic rationality; enforcement of compliance; business excellence

1. Power, Self-Interest, and the Moral Imperative in Business

1.1 Moral Leadership

Jack Welch, the outspoken former chairman of General Electric Co., once summed up his leadership philosophy as follows: “The Welch theory is those who do, get, and those who don’t, go.” In other words, leadership is all about authority and power and the will to move on, to change and to transform. It is some kind of process that gets people to do something in accordance with the leader’s vision and objectives. And what business leaders want most is prestige, success, and profit. After all, business is no charity.

To achieve this, leaders need specific skills through which they translate their vision into reality. For this they need “followers.” The main question of most leadership research and training programs is how to turn subordinates and colleagues into followers who not only execute their leader’s orders but are fully committed cooperators in a grand enterprise. The typical answers range from the old-fashioned enforcement of compliance through reward and punishment and sophisticated manipulation all the way to what former AT&T executive Robert Greenleaf called servant leadership. It may not be that easy to find many business leaders who understand themselves, above all, as facilitators and servants of a common cause and who are able to stand back behind the common interest. David Packard, co-founder of Hewlett-Packard, apparently was one of them.

All too often, business leaders seem to stick to the “Welch theory.” This is, of course, a theory with a long history. One of its most brilliant advocates was Niccolo Machiavelli who wrote the first leadership manual for the new class of powerful individuals who emerged during the

Italian Renaissance. In his *The Prince* Machiavelli argued: “One ought to be both feared and loved, but as it is difficult for the two to go together, it is much safer to be feared than loved...for love is held by a chain of obligation that, men being selfish, is broken whenever it serves their purpose; but fear is maintained by a dread of punishment that never fails” (Machiavelli, 1999). This statement reveals not only the mechanism and the psychology of power, but also the ethical issue that comes with power and thus with leadership. Moral leadership is both: it is leadership whose power and authority has moral legitimacy by extending beyond individual selfishness, and it is leadership for which ethics has not merely instrumental, but intrinsic value.

There can be no doubt that the social sciences together with a whole range of business studies on management and human resources have tremendously contributed to a better understanding of the mechanisms of leadership. Yet while these studies usually include some considerations about ethics, their main focus is on the strategic value of ethics for greater economic efficiency. Frequently, ethics seems to be considered merely as bait for otherwise ethically ignorant or unconcerned leaders in their quest for personal success and profit. A typical example of this approach is Lennick’s and Kiel’s book *Moral Intelligence: Enhancing Business Performance and Leadership Success*. In a promotional blurb the authors claim that “there is a powerful correlation between strong moral principles and business success.” Offering step-by-step techniques for using MI in business, they promise to unlock the “secret that makes great leaders and builds great companies” on the premise that “winning executives use ‘MI’ to outperform their competitors” (Lennick and Kiel, 2005).

There is nothing wrong with regarding ethics as a business asset and long-term investment - provided it is not the only answer to the question: “Why should I be moral?” If the only motivating answer were, “because ethics pays,” ethics would in fact be “instrumentalized” (Jürgen Habermas) and reduced to a function of success; any “intrinsic, “categorical”, or “absolute” value it may also have would be denied. Yet, as former Bosch CEO Hans Merkle put it, there are certain things an honest person simply doesn’t do - period. Obviously, the coincidence of ethics and good business on the one hand and reasons for behaving ethically on the other are two quite different concerns. To argue that ethics will “enhance the bottom line” offers little more than “an easy, prudentially acceptable, attractive, and enticing reason for business to be ethical” (Cohen 1999: 15). It ignores, however, the fact that everyone stands under the moral obligation, including business leaders. The ethical imperative demands that one does first what is good and right and just - and looks for personal gain later. There is a long tradition in philosophy arguing that ethics is never a means only but also the end as it defines what we call the good life. As Immanuel Kant has pointed out: Even “moral philosophy is not properly the doctrine of how we are to make ourselves happy but of how we are to become worthy of happiness” (1788: 130). Therefore a good life in the emphatic sense of the term will include more than just profit and financial gain (1).

Although I am aware of the complexity of this issue, which we cannot discuss here in any detail, taking note of this tradition can prevent us from inappropriately and exclusively defining the idea of moral leadership through its possible economic utility. This would even do injustice to a large number of business leaders. Leadership ethics must be more than a

leadership tool (Ulrich, 1999). I will return to this issue at the end of my paper.

1.2 Business and Ethics

The idea of moral leadership in business rests on two important assumptions, which must be briefly addressed before we can proceed, i.e. that business does not operate in an amoral space and that business decisions are not exclusively determined by economic factors of the market. The almost exclusive focus in leadership handbooks on the techniques and psychologies of leadership seems to suggest that they take as their premise the classic economic view. On this premise, economics is the realm of pure and autonomous business transactions that are – and must remain – external to ethics. The economy evolves with some kind of necessity in accordance with the laws of its own rationality and stands outside the realm of ethics and morality. It follows that,

- “Economic behaviour is separate and distinct from other types of behaviour, and business organizations are distinct from other organizations.”
- “The primary criteria of business performance are economic efficiency and growth in production of goods and services.”
- “The primary goal and motivating force for business organizations is profit. The firm attempts to make as large a profit as it can, thereby maintaining its efficiency and taking advantage of available opportunities to innovate and to contribute to growth” (McKie, 1975).

As we recall, this view was most succinctly summed up in Milton Friedman’s statement (in his *Capitalism and Freedom*, 1962) according to which the sole purpose of business is to make “as much money as possible.” In anthropological perspective, such strict separation of business from ethics draws on the psychology of self-interest. The strongest of the various human drives is the drive for individual gain and benefit in the interest of pure survival and the avoidance of costs. The genealogical lineage is long but the philosophically most ambitious such conception derives from Hobbes, who explained leadership as the necessary implication of social and political institutions in the service of the rational pursuit of self-interest.

In the meantime, Hobbes’ materialistic and a-historical anthropology has lost much ground. Human agents are no longer seen as exclusively self-interested and ethics is not simply a means to achieve political or economic ends. Consequently, the belief that ethics has no role to play in business or business decisions is now regarded as a myth: “the myth of amoral business.” Companies, particularly multinationals, may frequently “forget” about ethics, but they depend on it nevertheless. Although they are in business for making money, they rely on extant and well-functioning ethically informed social systems. As Richard DeGeorge points out, “the myth [of amoral business] obscures the fact that people do apply ethical criteria” in judging business and that business leaders in general don’t behave less ethical than the average citizen (DeGeorge, 1993).

What is missing in the classic view is the perspective in which we see ourselves not only as role-bearers and functionaries of economic systems but also as social beings with a shared history of beliefs about “the good life.” As social beings, we can only expect to further our

self-interest when we recognize the needs of others. The necessary rules for effective cooperation among individual players are not only the result of rational behaviour and communal prudence but also of an interest in “the good” that can be shared.

In applying this insight to business, Amitai Etzioni has argued that “there is a moral dimension in all business decisions. When planning a corporate takeover, which substance to use for a product, whether to hire temps or full-time workers, or where to invest, all reflect values and hence moral considerations” (Etzioni, 1993). This moral dimension implies “that the corporation and its managers should be responsive to all who invested in the corporation, which includes, aside from the shareholders, also those who worked long and loyally for the corporation, communities that provide the company with various resources, and often some other groups. To argue that only the owners (in the narrow legal sense, not recognizing job rights and community rights) have a moral standing is (...) not an objective scientific position” (Etzioni, 1993).

In other words, self-interest may be the major drive in humans, but it is certainly not the only one. Throughout history human beings have built societies and instituted moral and legal frameworks that mediate individual self-interest with the good of society as a whole. The difference between human society and a gang of bandits is that the latter is exclusively defined by individual and collective self-interest whereas the former is, in addition, defined by a comprehensive vision of the good. If ethics is not external to society but one of its main constituents, and if business is one of the most significant social institutions, then business cannot operate in an amoral space. In spite of all their historical variety, societal systems have internalized moral values without which they could not exist. In as far as the economy forms an integral and most important part of society it is also shaped by and implicitly draws on the moral vision of society as a whole. Business, for example, is based on and presupposes trust, honesty, responsibility and larger frameworks of fair play. Business leaders and managers are not only relying on society’s functioning moral system in their daily interactions but are also themselves citizens with moral obligations. As “institution citizens” (Nielsen, 1983) they must strive to integrate moral sensitivity with business competence and must not sacrifice moral judgment and practical reason for prudential considerations and the most profitable strategies. Instead, their moral goals must include balancing the needs of the individual and the community and defending society’s fundamental values (Gardner, 1990), (2).

1.3 Leadership and Responsible Agency

Furthermore, moral leadership assumes that business is not exclusively determined by economic and societal forces that leave no space for moral decision-making. If it is true that the economic system as well as its key players depend and thus benefit from the common ethos they have not and cannot generate on their own, this reveals another important truth. Contrary to popular perception, the autonomy of the economic system is not absolute and its rules do not have the status of immutable laws of nature. Instead, it is the product of human culture whose further development can be directed in accordance with human needs and the moral vision of the good society.

As the Swiss business ethicist Arthur Rich has argued, in spite of economic rationality and the

autonomy of the economic sphere business leaders retain sufficient space for responsible acting even within the parameters of the economic imperative and its constraining objectivity. Although business leaders as everyone else have to work within economic and societal frameworks, these systems are not determinants that would leave no space for human freedom and decision-making. On the contrary, Rich maintains that both the economic and the ethical are interrelated dimensions of human agency. “That which is not economically rational cannot really be humanly just; and that which contradicts human justice cannot really be economically rational” (Rich, 2006).

Therefore, people need to reflect critically on their actions and assume responsibility before the court of humanity if they do not want to become slaves of their own creations. Leadership and in particular moral leadership would be meaningless and indeed impossible, if economy and markets were exclusively determined by their own rationality. On this premise, even Adam Smith’s belief in the “invisible hand” is either one more myth, or rather the benign illusion by which we seek to protect ourselves from the otherwise disturbing truth about the utter insignificance of human acting and decision-making. Or it is the somewhat reluctant acknowledgment that economic rationality can only be “trusted” and expected to work towards the greater good of all when it is based on a shared moral vision of functioning social relationships. We may contrast ideal-typically and in rough strokes the two distinct views as follows:

Table 1: Contrast

Economic rationality	Ethical reason
normative logic of the exchange of benefits	normative logic of human interaction
Power-based (what can be asserted is what counts)	Justice-based (what is legitimate is what counts)
Interests in maximization of private success	Inter-subjective obligations
Benefit-oriented conditional cooperation between self-interested, mutually unconcerned individuals	Unconditional reciprocal respect and recognition of persons of equal dignity
Market principle	Moral principle

(Source: Peter Ulrich, Ethics and Economics.“ Laszlo Zsolnai, ed. *Ethics in the Economy. Handbook of Business Ethics*. Bern, 2002, pp. 9-36).

It seems obvious that in real life as in business, the two views are not necessarily mutually exclusive but frequently intertwined. It is one of the tasks of leadership ethics to illuminate their interrelationship and to provide theoretically plausible and practically-feasible reasons for strengthening the bond between them.

When we now turn directly to central issues of moral leadership in business, we need to remind ourselves that if this concept were to have any value it must be carefully attuned to the complex reality of business in all its various aspects. In particular, it must reflect the situation of business in the global economy and the age of information technology. Within the limits of this paper and for analytic reasons, I suggest to look at the following three closely interrelated dimensions of moral leadership:

1. The moral legitimacy of leadership: leadership ethics in business seeks to clarify the normative principles that apply to the relationship between superior (employer, manager, CEO) and subordinates.
2. The organisational dimension of moral leadership: as leadership unfolds within specific organisational settings and corporate frameworks, the ethics of leadership must include reflections on the moral norms of corporate culture and business practice at national and international levels.
3. The individual dimension of moral leadership: mediating good business practice with normative ideals leadership ethics identifies virtues and thus serves the moral development of individual business leaders.

While it is evident that the analysis of moral leadership intersects with all traditional divisions of business ethics, the three dimensions relate closely to issues in management ethic, corporate ethics and individual or virtue ethics respectively.

2. The Moral Legitimacy of Leadership

Business leadership is characterized by asymmetrical power-authority relationships in hierarchical organizations. It can be exercised by “coercion (the possession of, and threat to use, the means of inflicting pain), reward (the possession of, and the promise to bestow, pleasure) and legitimate authority (warrant to speak for the group).” Business leaders have the power to “fire or demote, they can pay bonuses and promote, and the organizational chart backs up their right to command the obedience of their subordinates” (Newton, 1987).

While its authority derives from legal and contractual stipulations between employer and employee, its moral legitimacy must be justified independently of considerations about legality and economic efficiency. As leader and follower, manager and subordinate are not only functional actors of the corporate system but above all autonomous human persons, the moral legitimacy of authority and power is fundamentally grounded in the free and informed consent of persons and in the respect of their dignity. Leadership certainly requires subordination and obedience, yet employees are not only means for greater profit, but persons whose rights must not be compromised and their dignity not violated. Moral leadership then integrates respect for human dignity and the recognition of fundamental human rights into business excellence and the competence to pursue economic efficiency.

Despite its somewhat high-sounding tone, grounding moral leadership in a strong conception of human dignity is not without teeth. It specifically challenges business practices sanctioned or tolerated by business leaders where violations of human dignity have come to be regarded as an unavoidable consequence of competitive market economy. As one German human resources expert noted, the most common failure in business is the fundamental violation of human dignity (“Das häufigste Vergehen im Wirtschaftsleben ist die fundamentale Mißachtung der Menschenwürde,” quoted in Ulrich, 1999).

Placing the principle of human dignity firmly on the agenda of business leadership implies not only a genuine “concern for the safety and welfare of all individuals with which the corporation deals,” but also regarding subordinates “as independent persons, capable of

making their own decisions” (Newton, 1987). Dignity-based moral leadership will not tolerate immoral orders or requests and not expect slavish obedience at the expense of constructive and critical loyalty. It will promote a participatory leadership style that seeks as much consensus as possible. It regards colleagues as members of a team and actively seeks their opinion. It engages them in the process of decision-making instead of merely asking them to follow and execute orders. Thus the moral legitimacy of leadership authority and power derives from the respect for fundamental rights grounded in the dignity of the human person. In particular, they include the right to physical and psychological inviolability, the right to privacy (data protection), and the right to fairness and protection against discrimination. This latter right extends from fair work conditions to fair pay.

In this regard, business leaders need also to be sensitive in their sphere of influence and authority to issues of what Johan Galtung has called “structural violence” (Galtung, 1969). Company structures may be too rigid and stifle individual development or prevent employees from realizing their potential. As ethical rules are usually applied to individuals and not to companies, it has been argued that corporate cultures could generate “dehumanizing” effects on individuals.

In her highly recommendable book *Value Shift: Why Companies Must Merge Social and Financial Imperatives to Achieve Superior Performance* (2003) Harvard business ethicist Lynn Sharp Paine recalls how she once met a business man on a plane who told her frankly that his job was to be “a liar”: After his company had been bought by a large global enterprise his first truthful report as regional manager was received with such hostile response “that he never again dared to tell the truth.” Since then he regularly fabricated reports for headquarters. While it is easy to blame this manager, the company leadership failed even more in its humiliating and dehumanizing treatment of its employees, which clearly shows its destructive potential and self-defeating consequences. Klaus Leisinger, president of the Novartis Foundation, has proposed to domesticate corporate institutions with inherent potential for structural violence (instead of domesticating critical employees) by turning them into “open systems,” which are in continuous communication and interaction with their social environment. This would enable them to self-critically evaluate their own structures and to safeguard what he has called the “directed autonomy” of employees (Leisinger, 1995). This implies providing the conditions for individual development and empowerment and working towards “a participatory leadership style” that subjects itself “to the control process of a pluralistic company-internal ‘public’.” Good companies are not so much interested in people who are easy to manage because they are obedient, diligent, honest, punctual, and reliable, or – in the worst case – simply report what the boss likes to hear. Instead they need employees who “distinguish themselves through primary critical virtues.” Besides the traditional cardinal virtues of justice, courage, moderation and prudence Leisinger argues that they include “basic attitudes associated with the concepts of civil courage, ability to cope with conflict, tolerance and the capacity for constructive disobedience.” – I will say more on this in the last part of my paper.

“But can managers of corporations, who must meet quotas and deadlines and get a product shipped, afford the luxury of encouraging ‘independent thinking’ among their employees? The

classic answer to this question (...) is that they must encourage, or permit, or tolerate, or support, the independent moral thinking of their employees, or else the enterprise is in violation of the fundamental rights and needs of human beings” (Newton, 1987). The whole range of possibilities to fail on dignity-based leadership or to succeed and integrate it into superior performance may be illustrated by the following two examples. In 1996, when Sunbeam CEO Albert Dunlap announced he would either sell a subsidiary or shut it down as part of his strategy of slashing half the work force, then US Labor Secretary Robert B. Reich described the move as “treating employees as if they were disposable pieces of equipment.” When Newsweek ran a cover story about corporate layoffs, Dunlap boasted how wonderful such firings were for stockholders but completely ignored the moral claims of those fired. As the full story of Dunlap’s ruthless authoritarian leadership style would later reveal, it not only lacked the moral dimension but was also financially disastrous.

Contrast this with Marianne Nivert of the Swedish Telia Group, a regional leader in internet and communications services. Faced with layoffs of some 7000 employees, Nivert and her team decided to develop a program that would help existing employees to upgrade their skills for possible reemployment. “Besides cushioning the negative social impact of restructuring, the program would enable the group to function more smoothly and without losing the valuable and company-specific knowledge possessed by these employees.” In the end, this program worked out for all stakeholders: staff was treated with respect and not as disposable equipment. It made financial sense and benefited both the company, which saved about \$300 million, and the Swedish government, which saved over 100 million in social cost (Sharp Paine, 2003).

When Ralph C. Larsen, retired chairman and CEO of Johnson & Johnson, had finished his talk on “Leadership in a Values-Based Organization,” he was asked for major qualities he was seeking in young business applicants. Besides a strong commitment to a highly developed work ethic, he particularly stressed respect for human dignity: “Are they going to be respectful of people in lower positions? One of my pet issues is that, you show me somebody who is treating a subordinate badly, and I will show you a bad person. Those are the fundamentals that we focus upon.” It seems dignity-based leadership is not only possible but has also its advocates among respected business leaders.

3. The Organizational Dimension of Moral Leadership

The best qualities of moral leadership are useless unless they are embedded in a supportive company structure. That is to say, moral leadership not only interacts with internal environments, corporate cultures, and hierarchical structures, it also influences their development. While leaders may be the most visible representatives of an enterprise, companies, particularly corporations, are themselves moral agents with their own sets of values and objectives. CEOs come and go, while companies are usually there for the long term (French, 1979), (3).

Among the various sociological factors that suggest that companies have their own identity and thus must be regarded as moral actors in their own right we may point to the following (Geser, 1989): due to their internal structures and external conditions (environmentally

dependent and resources-driven) companies generate their own needs, interests, and objectives, which are not necessarily identical with those of individuals. Decisions by individuals have implications for the whole company, but are also a function of the organization. The division of labour among all employees results in products that must be attributed to the company and not to individuals. Companies as juridical persons have rights and duties that usually outlive individual CEOs and managers. For instance, in the US companies not the individual perpetrators are liable for the consequences (punitive damage claims) of sexual harassment. (Bierach, 2006). Furthermore, the general public sees in companies not only actors with legal but above all moral responsibility.

As Joseph W. Weiss has observed, “purpose, embodied in corporate culture, is the glue that holds organizations together. A corporation’s culture is the shared values and meanings its members hold in common” (Weiss, 2003). Above all, companies must recognize the effects their activities have on society and the environment and take responsibility. For example, the concept of a firm’s responsibility has been expressed as early as 1994 in the mission statement of the Swiss pharmaceutical company Ciba, which together with Geigy and Sandoz is now integrated into Novartis. (Ciba, 1994). Novartis is a world leader in offering medicines to protect health, treat disease and improve well-being with net sales of USD 32.2 billion in 2005 and net income of USD 6.1 billion. The company seeks to achieve “sustainable growth by balancing our economic, social and environmental responsibilities.” The engagement of Novartis in development policy and humanitarian issues found its logical progression in the Novartis Foundation.

[The company’s commitment to corporate citizenship rests on the four pillars of:

Patients - discover high quality healthcare products targeting unmet medical needs

People - build an exciting workplace where people grow and realize their full potential

Health, Safety and Environment - reduce our environmental footprint

Business conduct - ensure corporate governance through high ethical standards and management processes.]

In recent years an increasing number of companies have similarly expanded their objectives and explicitly recognized social and economic responsibilities. For instance, the Royal Dutch/Shell Group of Companies wants to deliver “economic progress, social development and environmental improvement” (Moody-Stuart 1999), highlights its concern with “People, Planet & Profit” and publishes progress reports on “economic performance,” “social performance,” and “environmental performance” (Enderle, 2002). Ralph S. Larsen once summed up his company’s famous ‘Credo’ as follows: “In essence, it says that our first responsibility is to our customers, to give them high-quality products at fair prices. Our second responsibility is to our employees, to treat them with dignity and respect and pay them fairly. Our third responsibility is to the communities in which we operate, to be good corporate citizens and protect the environment. And then, it says that our final responsibility is to our shareholders, to give them a fair return. In the final analysis, the Credo is built on the notion that if you do a good job in fulfilling the first three responsibilities, then the shareholder will come out all right. That is exactly what has happened over all these years...[The Credo] implicitly tells us what’s important: honesty and integrity, respect for

others, fairness, and straight-dealing. Those are the ethical values on which we operate all over the world” (2002).

While company leaders represent these values most visibly and while they are expected to take them seriously in their daily interactions with employees, business partners, and society, they must, above all, assure themselves of the moral grounding of their companies’ values and objectives. Apparently, the interplay between leader and company is not exclusively defined by economic parameters but also opens up the moral space of leadership. In sorting out company values and formulating rules and policies leaders must therefore institute effective ethics checks and take measures to further develop established company policies in line with ethical standards.

Internally, the company-wide mechanisms to bring moral leadership to bear include codes of ethics, mission or core value statements, ethical training programs and reporting channels for ethical grievance (ethics office). According to a survey by the Conference Board, “for many CEOs a company’s ethical principles help define the corporate mission, determine obligations to various constituencies, and set guidelines for the organisation’s policies and practices” (Enderle, 1993). Reidenbach and Robin have argued that companies like individuals, can develop morally and move through five stages that range from the (1) amoral organization, to (2) the legalistic, the (3) responsive, and the (4) emerging ethical, to the (5) ethical organization (4).

Ronald Sims suggested the following ten guidelines for business leaders seeking to implement an ethical culture in their companies: (1) consider the personality characteristics of people applying to the organization, (2) make up statements that ethical behaviour is important and expected, (3) develop organizational policies that specify ethical objectives and formal procedures for addressing unethical behaviour, (4) develop a code of ethics, (5) develop a corporate ethics committee, (6) maintain an ethical organizational culture, (7) punish unethical behaviour and avoid punishing ethical behaviour, (8) when placing members into competitive situations, be sensitive to the potential for unethical behaviour and take appropriate steps to avoid it, (9) develop a systematic training programme, (10) remember that when decisions require moral judgment, group decision making generally results in higher levels of moral reasoning than does individual decision making” (Sims, 1991: 503-4).

As morality and the law don’t necessarily match, and business does not operate in an ethics-free zone either, the need for the pro-active commitment to moral norms and values derives in part also from pragmatic considerations. While the law may only define the very bottom line of socially acceptable behaviour, unethical practices encouraged or condoned by business leaders, almost inevitably, will lead to calls by the general public for the extension of the law so as to assure compliance with society’s moral standards. Business leaders are, however, well aware of the undesirability of ever expanding legislation as this ultimately would restrict the space for decision-making by countless legal regulations, which would stifle business activity. It would also put business at a considerable disadvantage with regard to companies operating under more liberal legal regimes elsewhere. Moral leadership, in contrast, will be sensitive to society’s expectations and voluntarily adopt standards of good practice that take the justified

interests of others into account (5).

Leaders must pay close attention to the avoidance and clarification of value ambiguities and value rankings within their organizations. It has been argued that many ethics violations by mid-level managers signal in fact conflicts of loyalty resulting from their leaders' inconclusive, ambiguous, or outright misleading value statements and personal behaviour. Morally committed leaders therefore will take measure to assure the development of moral sensibility and morally sound judgment in their subordinates and throughout the company. They will see to it that the moral point of view becomes an integral part of company performance and strategy.

Leaders and subordinates, services and products, a company's culture and business objectives, they all make up a company's moral personality, which is in turn reflected in everything the company does. Yet besides their role within the company, moral business leaders will also recognize their responsibility within the larger business community. Through business organizations, chambers of commerce and board memberships, their influence usually extends far beyond their own company and into society. Business leaders are in close contact with government, accompany government officials on visits to foreign countries and participate in negotiations on regional and international trade agreements (WTO, GATT, GATS, TRIPS) (6). The recent failure of the Doha Round (within WTO) illustrates both the need for morally sustainable international trade agreements and the tremendous difficulties they are facing.

In all those activities, moral leaders will tie the strategic interests of their companies, and of their country to standards of common morality. They will recognize the fundamental importance of issues of human rights, global justice, and environmental sustainability. They will refrain from merely paying lip service to moral commitments and instead will go the extra mile by searching for ways to translate their moral vision into tangible results in their own business enterprises. They will support initiatives that seek to apply the moral point of view to all areas of business activities and, in particular, shun all unethical practices. Transparency International, the Global Reporting Initiative, and The Global Compact may come to mind. Currently, more than 2,800 companies have agreed to uphold and to implement the ten principles of the Global Compact that was launched by UN Secretary General Kofi A. Annan at the World Economic Forum in Davos in 1999. The principles concern human rights, working conditions, the environment and corruption (Leisinger 2006).

A related project is the Business Leaders Initiative on Human Rights (BLIHR). Since its start in 2003, the initiative has attempted to break down some of the barriers and uncertainties that have kept many responsible companies from realizing their role in supporting universal human rights. As the corporate response to human rights, it is BLIHR's ambition to "find practical ways of applying the aspirations of the Universal Declarations of Human Rights within a business context and to inspire other businesses to do likewise." The initiative starts from the assumption that no company competing with integrity can justify "collateral human rights damage" in its endeavours to achieve its profit targets. Enlightened companies should take a "rights-aware approach" by recognizing that stakeholders have universal human rights and take appropriate action to respect these. Among its members are leading corporations

such as Novartis, Hewlett Packard, Alcan, Novo Nordisk A/S, and the Body Shop.

It is not surprising that many outstanding business leaders integrating excellent business acumen with moral responsibility come from a family business background. By keeping their enterprise completely within their families, sometimes through several generations, or exerting considerable influence as majority shareholders after mergers, they have fewer obstacles to overcome to realize their moral leadership vision. Take for example Samuel Johnson of SC Johnson & Son Inc. In 1966, Mr. Johnson became the fourth generation to lead the 116 year-old family owned company and turned it into a leading manufacturer of products for home storage, personal care, household cleaning and insect control. It was his personal vision to turn his company into “a world leader in delivering innovative solutions to meet human needs through sustainability principles. Specific, measurable goals to reduce pollution and waste in [the company’s] products and processes have been part of more than a decade of continuous progress toward sustainability.” In 1975 and years before government bans, he took the decision to eliminate CFC propellants when other companies still thought it not feasible. Thus he confirmed by his actions his firm conviction that management decisions that fail to reflect the simple truth that “a sustainable enterprise is dependent on a sustainable environment put a company at grave, future risk.” By using fewer resources more efficiently, the company cut over 420,000,000 pounds of waste from products and processes for a cost savings of more than US\$125,000,000. As a charter member of the Environmental Protection Agency's Climate Leaders program, SC Johnson made the aggressive commitment to reduce its Greenhouse gas (GHG) emissions per pound of product by 23 percent from 2000 to 2005. By 2005 SC Johnson reduced GHGs by 24 percent, and impressively doubled the company's commitment of an 8 percent absolute reduction of CO2 emissions by reaching 16 percent.

Through the SC Johnson Fund, Inc. in the U.S., the company donates, on average, 5% pre-tax profits every year to increase local and global well-being. The contributions are targeted to advancing the three legs of sustainability: economic vitality, social progress, and a healthy environment. Seeking ways to promote the moral obligations of business, Johnson became a founding member of the Business Council for Sustainable Development, a forerunner of The World Business Council for Sustainable Development (WBCSD). The Council brings together some 180 international companies in a shared commitment to sustainable development through economic growth, ecological balance and social progress.

In recognition of his business, environmental and philanthropic contributions, Samuel Johnson received numerous awards including a Lifetime Environmental Award from the United Nations Environment Program and induction into the prestigious U.S. National Business Hall of Fame. President Clinton appointed him to the U.S. President's Council on Sustainable Development in 1993, the first multi-stakeholder national policy advisory council in the world. He summarized his moral vision as follows: “When we set aside the obvious business benefits of being an environmentally responsible company, we are left with the simple human truth that we cannot lead lives of dignity and worth when the natural resources that sustain us are threatened or destroyed. For four generations our family enterprises have strived to leave a light footprint on this Earth. My children, the fifth generation of our family business leaders, are committed to doing the same.”

4. Moral Competence, Character, and Virtues

“In the final analysis, it is individuals who will determine the ethical quality of business conduct. Personal integrity and commitment to high moral values begin in the family, are nurtured in schools and universities and mature on the job. The individual working in a business must be regularly reminded from the top of the need for integrity, which includes adherence to stated principles and codes but which also requires a standard of conduct beyond printed guidelines” (The Institute of Business Ethics, 1988).

If moral leadership is to be more than merely a technique for economic efficiency, leaders must believe in its intrinsic value and strive for moral character. They will neither merely instrumentalize ethics for personal success, nor mistake it as a substitute for “business literacy.” As Konosuke Matsushita, the founder and president of Matsushita Electric Industrial, illustrates, moral leaders must be able to look “up to the stars” and at the same time stand with both feet on the earth. If they expect people to take their leadership seriously, they must inspire them not only by reward and precept, but primarily by example and by visibly living the values others are to follow.

Moral leadership therefore requires moral common sense, a clear value commitment, and moral character. It combines business expertise with the determination to bring the moral point of view to bear on all business decisions. Its authority derives as much from moral authenticity as from business acumen.

1) The story of US apparel maker Levi Strauss reminds us that company performance must be both ethically committed and financially sound. While Levi Strauss was one of the first global companies to set up ethical standards in its factories and decided to do business only in countries that recognized basic human rights, this could not protect it from financial difficulties in the late 1990s, which put its ethics commitment to the test. Yet even in these adverse conditions, Levi Strauss stuck to its moral principles. When it had to close down 30 of its 51 plants worldwide, it “offered departing employees generous notice and severance packages,” including a substantial amount of money for education, job training, moving expenses and health insurance for as long as 18 months, and provided grants to affected communities (Paine, 2003).

In surveying the various individual requirements of moral leadership, we must remember the simple truth that its authority has to be grounded in astute business competence and not only in the powers that come with the top position. At the minimum, this implies what business consultant Warren Bennis has called ‘business literacy’ (Bennis, 1989). It includes job-specific knowledge and expertise, combined with high analytical intelligence and the ability to perceive, interpret, and create reality. Usually, successful business leaders possess the knowledge, skills, abilities, personal characteristics, and other person-based factors that help distinguish between outstanding and average performance (Pritchard, 1999). Thus leaders are smart, articulate, strong-willed, and clear in their thinking, with a broad perspective on business and good judgment about important business decisions. They will have good interpersonal and communication skills and be excellent communicators who integrate expressive and communicative talents with argumentative competence without aggressiveness.

It is only on those conditions that they can expect to influence and encourage subordinates to higher performance levels.

In the global economy of multicultural interactions business leaders need also to be “globally literate.” They must be able and confident to see, think, act, and mobilize in culturally mindful ways. Global literacy then is “the sum of the attitudes, beliefs, knowledge, skills, and behaviours needed for success in today’s multicultural, global economy” (Rosen and Digh, 2001). On the assumption that economic mechanisms do not fully determine decisions and that there is space for responsible and free agency, effective leadership requires broad vision and creativity.

2) Moral common sense identifies the bottom line of moral leadership and includes the moral minimum of acceptable business practice. Kenneth Goodpaster (1984) has summed it up in the following nine precepts:

- avoid harming others,
- respect the rights of others,
- do not lie or cheat,
- keep promises and contracts,
- obey the law
- prevent harm to others,
- help those in need,
- be fair,
- reinforce these imperatives in others.

Regardless of how cleverly carried out, there is not much cultural insight needed to know that stealing company money or confidential information, plundering pension funds, accepting bribes, tolerating or authorizing false accounting practices, ignoring product safety standards, risking employees= lives through unhealthy work conditions are universally condemned as shameful. Moral leadership begins beyond this threshold. It commits executives to look for ways how they can contribute to minimizing unavoidable harms and to improve the living conditions of the worst off while increasing company value. This may turn out less impossible than it looks. A recent example is Gilead Sciences Inc., maker of the world's best-selling AIDS treatment. In early August of this year (2006), the company announced that it has offered to help generic- drug makers in India produce the medicine at a fraction of the cost it charges in the U.S. (87 cents a day, compared with \$24.51 in the U.S.). Gilead’s offer to help generic companies manufacture their products represents the latest step by drug makers to increase access to AIDS therapies. Previously, in addition to cutting prices, drug companies had granted permission to generic makers to copy medicines. They also promised not to defend patent rights. Now Gilead announced it is handing over its manufacturing secrets to generic companies to reduce prices even further and to get the drug to more patients. Among the AIDS-drug manufacturers, New York-based Bristol- Myers Squibb Co. and Basel, Switzerland-based Roche Holding AG are pursuing similar deals that involve handing over proprietary production data. Gilead officials pointed out the new initiative builds on an approach pioneered in 2002 by the Clinton Foundation. By giving away the patent and

helping the Indian companies make the drugs, Gilead is hoping to drive down prices by fostering competition (Marni Leff Kottle, Bloomberg, August 7, 2006).

3) Moral leaders are aware of the tie between the core values of their company and their personal value commitment. In adopting the moral point of view in all their actions, they develop moral character and become shining examples for their subordinates. This insight can be traced all the way back to Confucius who made it the cornerstone of his political philosophy: “When a prince’s personal conduct is correct, his government is effective without issuing orders. If his personal conduct is not correct, he may issue orders, but they will not be followed.” (Lunyu, XIII, vi) And again: “A ruler who governs his state by virtue is like the north pole star, which remains in its place while all the other stars revolve around it” (Lunyu, II, 1).

In an Asian, particularly Chinese context, the confidence of society in the integrity of moral character is expressed in the concept of “face” (*lian*), which provides it with social “visibility” and connotes more than mere social standing (7). As individuals who have lost “face” cannot function in their community, moral standards are enforced by social sanctions, which in turn foster the internalization of moral norms and thus the development of moral character (Ho, 1976, Connerly, 2005).

“Virtue” as the integration of the moral point of view into all dimensions of business leadership unfolds in a variety of specific moral qualities. Most important among them are honesty, integrity, trustworthiness, and justice and fairness.

As Donald G. Zauderer has pointed out, “managers who lack integrity place themselves and their organizations at risk. When they transgress norms of integrity, they risk losing the trust, loyalty, and commitment of employees, suppliers and customers. The best preventative is for organizations to define the moral standards expected of everyone and to develop programs that reinforce these standards” (Zauderer, 1992). Integrity means acting in accord with one’s own principles, values and beliefs. Inconsistency means a lack of integrity, as demonstrated by the CEO who preached integrity in his speeches but whose direct reports found him untrustworthy. He mishandled bonus money to boost his own bonus and ended up resigning (Lennick, Kiel, 2005).

Honesty and integrity imply a commitment to openness, truthfulness and transparency. To be honest is to be not deceitful, but frank and open. Honesty is primarily a relational value rooted in an experience of sharing with others and communicating with them truthfully. For a business leader to be a person of integrity implies not to be corrupt, not to promise what one cannot deliver, not to misrepresent or to evade accountability, and not to suppress obligations. In Kouzes and Posner’s survey of thousands of managers about what they wanted in their leaders honesty came out on top (87%). The authors concluded: “Honesty is absolutely essential to leadership. After all, if we are willing to follow someone, whether it be into battle or into the boardroom, we first want to assure ourselves that the person is worthy of our trust. We want to know that he or she is being truthful, ethical, and principled. We want to be fully confident in the integrity of our leaders” (Kouzes and Posner, 1993; Draft and Lengel, 1998).

In 1991, Salomon Brothers was a respected Wall Street investment firm, when it began to circumvent Treasury rules through submitting fraudulent bids and lost its integrity. When Warren Buffett began to “clean up” the firm “to earn back its integrity,” the first thing he did was to demand of each senior manager “to report instantaneously and directly to me any legal violation or moral failure of any employee of Salomon.” He would exempt from this rule “only minor failures not involving significant breach of law by our firm or harm to third parties.” And he reminded everyone in no certain terms of his ethical stance: “Lose money for the firm, I will be very understanding; lose a shred of reputation for the firm, I will be ruthless” (Sharp Paine, 2003).

4) Furthermore, moral leaders are leaders who are trusted because they have proven to be worthy of trust – by colleagues, subordinates, clients, and customers. Trust establishes an atmosphere of shared understanding, even feeling, and is a precondition of any alliance and mutual understanding. A moral leader is someone who succeeds in establishing and sustaining a framework of trust. Gaining trust by new CEOs or presidents just taking office is probably the most important factor in their success or failure as leaders. Trust is a reciprocal relation, one that binds people together in their mutual interests. “Whereas leaders may be said to earn the trust of their followers, it is the followers who have the capacity to give that trust. Trust thus becomes a part of the dynamics of the relationship between those who would be leaders and their followers” (Solomon, 1998). Only leaders able to foster relationships that create respect for all parties will earn the trust they deserve.

As the Caux Roundtable principles for business emphasize, business leaders must “rise above the letter of the law towards a spirit of trust.” Not everything that is legal is for that reason also moral, and the law leaves many loopholes for morally dubious actions that undermine public trust. Yet trust is both a fundamental requirement for doing business and one of the most precious company assets. It cannot be legally mandated but has to be gained through morally committed practice.

Richard Lancaster, then President of RBI Precision, called trust the basic element in all relationships, particularly in business relationships. “As we direct our resources and energy towards achieving our mission we develop covenants along the way. Employers depend upon employees, customers depend upon suppliers, banks depend upon borrowers and in each case the latter party depends on the former party while the list of parties goes on and on. Therefore we find that the businesses of quality and long tenure tend to be those where all relationships are built upon honesty and trust.” Business leaders who are insensitive to society’s value expectations or deliberately ignore them, will not be trusted. In the absence of trust, companies will increasingly be faced with calls for expanding legal controls that will institute costly checks and balances.

5) Moral courage: Courage in general involves the capacity to cope with difficulties and dangers, and not to be intimidated by them or unduly fearful. Moral courage is the capacity to do what one judges is ethically called for in spite of one’s instinctive reaction to the perceived dangers and difficulties in which such an action will result. Moral courage means refusing to do what is unethical (e.g. paying or accepting bribes even in countries where

corruption is “endemic” and laws either non-existent or not enforced) and instead promoting the ethical way even in times of recession and other obstacles. Corruption is certainly the most obvious opportunity to prove moral leadership and to face it with moral courage. Corruption is ubiquitous and affects all countries. It causes huge losses to individuals and societies and causes real harm. What is at stake can be seen in the annual Global Corruption Report of Transparency International. In its 2005 report it listed ‘Monuments of corruption’ around the world with bribe money for individual projects ranging from 2 million to 1, 8 billion US dollar.

6) Lastly, moral leaders must have a clear sense of and a commitment to justice and fairness. Justice concerns the fact that “each person matters and matters equally, each person is entitled to equal consideration” (Will Kymlicka). In business environments, justice demands of leaders the distribution of benefits and burdens in accordance with moral principles. They must be personally concerned about the fairness of salaries, bonuses, and wages they pay to the people in their companies. Truly moral leaders will not shy away from applying standards of justice and fairness to their own remuneration.

A reality check, however, confirms that in this regard most top salary packages are a matter of greed rather than morality and only a handful of business leaders may feel embarrassed by their overgenerous salaries. Needless to say, most will argue that they deserve what they get and are quick to point to other top managers who earn even more. When Deutsche Bank CEO Josef Ackermann defended his twelve-million Euro salary for 2005 with reference to his enormous responsibility for his company, he forgot to mention that such responsibility is largely symbolic as he will not be held liable with his own money for company losses resulting from strategic miscalculations. On the contrary, as the pay-for-performance indicator suggests executives may even increase their pay when their companies incur losses. And when they are fired, quite a few get a “golden handshake” they did not deserve.

Yet there are others, too, and their example has influenced the debate about what is a fair salary for top managers and CEOs. In a talk on ‘Leadership in the Global Perspective’, Kazuo Inamori, founder and former chairman of Kyocera Corporation, pointed out that “the recent tendency of awarding extremely high compensation to corporate management acts as a narcotic drug, killing the spirit and jeopardizing ethical standards.” While he concedes that high salaries could serve to motivate managers for making great contributions, he fears it is more likely that even managers with the most impeccable records could begin racking their brains to find a way to raise their companies’ stock price as high as possible in order to personally profit from it. Examples of business people falling short of fairness and integrity are not difficult to find; frequently, the disastrous consequences of their moral failures cause serious damage to their companies, hurt shareholders and investors, and ruin employees.

It may be unrealistic to expect that top executives follow Max De Pree’s example. In the 1980s, De Pree, CEO of office furniture manufacturer Herman Miller, decided after consultation with his friend Peter Drucker to limit the CEO’s salary to 20 times the amount made by an average factory worker (Murphy and Enderle, 1995). In 2005, a typical Fortune 500 CEO’s salary was on average 262 times that of his workers on the production line

(manager-magazin.de, 22. Juni 2006), and a number of top managers even made more than 400 times that amount. Although the fairness of compensation levels is a complicated matter with no easy answers, it is a clear implication of moral leadership in business that it should transcend the levels of greed and selfishness.

Bill George, former chairman and chief executive of Medtronic, the world's leading medical technology company, summed up the various personal qualities of a moral leader in one word: authenticity, which he called the "most important characteristics one has to have to be a leader." Authentic leaders are "those who are committed to a purpose or a mission; people who live by their values every day and who know the true north of their moral compass." "Without a moral compass, any leader can wind up like the executives who are facing possible prison sentences today because they lacked a sense of right and wrong." Authentic leaders lead "with their heart, not just with their heads, and have compassion for the people they serve. They do so with the discipline and commitment to get great results, not just for their shareholders but for all their stakeholders, their customers, their employees, and their shareholders – as well as for the communities they serve. This sounds old fashioned and yet is almost revolutionary" (George, 2003).

Authentic leaders therefore need moral courage, the capacity to do what one judges is ethically called for and not to give in to difficulties that may result. Moral courage means refusing to do what is unethical, for instance paying or accepting bribes even in countries where corruption is 'endemic' and laws either non-existent or not enforced.

5. Moral Leadership Counts

In conclusion, if we accept that business does not operate in an ethics-free zone and that business leaders are not only functionaries of economic efficiency but persons with moral obligations that define our common humanity, then moral leadership is not optional but a must. It is beyond the simplistic dichotomy of being either an asset or a liability. Instead it is an indispensable constitutive factor of what can count as business excellence within the parameters of the "good society."

Much has been said in leadership studies about its strategic business value, and there are many reasons to believe that, indeed, ethics pays and that good ethics is good business. Reporting the results of a survey of business leaders, the Business Roundtable of New York called the belief that ethics and profit contradict each other "a myth". "That myth is thoroughly debunked by the attitudes and actions of top managers in the companies that contributed to this report. There is deep conviction that a good reputation for fair and honest business is a prime corporate asset that all employees should nurture with the greatest care." Basic to effective leadership "is the insight that corporate ethics is a strategic key to survival and profitability in this era of fierce competitiveness in a global economy." Similarly, The Institute of Business Ethics, London, confirmed that "surveys of businessmen concerning their view on corporate ethics show that the belief is widely held that good business and good ethics go hand-in-hand" (Enderle, 1993). Various studies have confirmed the positive effect of trust, helpfulness, and fairness for increasing work-group creativity. "Employees are more likely to support management decisions that have been reached through a fair process." and

they clearly look for integrity in their boss (8).

Yet as the limerick has it: “The rain falls on the just and on the unjust fella. But mainly on the just, because the unjust has the just’s umbrella.” To be sure, there are moral leaders who had to quit because their companies floundered, and there are managers who thrive on unethical practices. The majority seems to follow the opportunist’s path. They are ethical as long as it pays but have little qualms to trade ethics for more tangible profit.

Ethics, however, is not a luxury we could without. Business leaders, too, feel its pinch, and underneath their sometimes ruthless images many experience that nagging suspicion that all their success may fall short of their own ultimate standard. Leadership consultant Peter Koestenbaum recalls one of those moments when a business leader comes across his true self: “I am the top executive in a very large organization and I live with a deep conflict. There is a fundamental ‘bad’ in business, a pervasive cancer. Business lives in a cutthroat, ruthless, dishonest atmosphere. You do what it takes and care nothing about morality. You are not true to your word. In the end, you cheat, deceive, and lie. Eventually, even the most determined among us must contract this disease. This presents me with a fundamental dilemma: Can you win being ‘good’? I do not want to take on the characteristics that disturb me in some of my colleagues” (Koestenbaum, 2002:127). Obviously, the moral imperative cannot be ignored indefinitely. There is a moral self in each of us, which proves that ethics defines our very humanity.

The motivation for moral leadership may start from strategic considerations about the many personal advantages that come with an ethical reputation in a society where ethics plays an increasing role in many areas. It may also be motivated by the potential for profit and success for the company, at least in the long term. Yet ethics has not only instrumental but intrinsic value. Ethics is its own reward. It turns our world into a liveable habitat for all humans where together we can enjoy the fruits of our labour. Moral leadership must therefore go beyond strategic calculations and express the conviction that, in spite of all the crooks around us, ultimately, ethics is without alternative; ethics counts – in business as elsewhere. Business excellence and excellent leadership performance without ethics are contradictions in terms. Excellent business leaders are able to look their subordinates in the eyes without blushing, and they can bear their true selves without being ashamed every time they look at the mirror. Moral leaders would not have to shy away from the “reciprocity test” of the universally recognized Golden Rule: “How would I feel if they did that to me?”

It may be true that in the ruthless world of business as we know it such moral vision stands little chance. There is a long tradition in western philosophy that has even doubted that ethics can be taught, and this may well apply to courses in leadership ethics and managerial ethics training programs, if moral awareness and sensitivity had first to be created from scratch. The question, “why should I be moral?” will remain without answer as long as we don’t know it already. It is either redundant or wrongly footed as it suggests a world without ethics as a viable alternative. Yet human society anywhere in the world is already impregnated by moral values and norms without which humanity could not have survived until now. The truly amoral person, therefore, is either parasitic on society’s extant and functioning ethical systems,

or he or she is mentally disturbed and deserves our compassion. The value of moral leadership training courses then lies in their potential for making leaders aware of their moral sense, strengthening their moral sensitivity, and furthering their competence for sound moral judgment. Leaders need to be conscious of their power to harm or to benefit individuals and society alike, they need to include ethics in their standards of performance evaluation and the assessment of the consequences their decisions are likely to have. That is to say, they need to personally endorse in their practice the insight that ethics counts and that it is without alternative.

In a world without ethics and the respect it demands of each of us for no other reason but that we are human beings – fragile and vulnerable, but with a dignity beyond all price – in such a world even profit and success would have lost their meaning. I would like to conclude with a quotation from Jürgen Habermas, which I fully endorse and to which I have nothing to add: “Without the emotions roused by moral sentiments like obligation and guilt, reproach and forgiveness, without the liberating effect of moral respect, without the happiness felt through solidarity and without the depressing effect of moral failure, without the ‘friendliness’ of a civilized way of dealing with conflict and opposition we would feel, or so we think today, that the universe inhabited by human beings was unbearable. Life in a moral void (...) would not be worth living. This judgment simply expresses the ‘impulse’ to prefer an existence of human dignity to the coldness of a form of life without moral considerations” (Habermas, 2001).

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Notes

- (1). It is characteristic of ethical norms that they are universalisable, justifiable, overriding and impartial (Cohen 1999:15). In the Kantian tradition, ultimately, it is not happiness that counts in morality but being worthy of it: "Do that through which you become worthy to be happy" (Kant, 1787: 836-7).
- (2). Together with MacGregor Burns, John W. Gardner is regarded as one of the most respected and quoted figure in leadership studies. His book *On Leadership* offers „a good, common-sense discussion of ethics and leadership in his chapter ‚The Moral Dimension“ (Ciulla, 1998: 8).
- (3). Peter A. French has argued that corporations are moral persons on equal footing with natural persons with all the privileges, rights, and duties moral persons normally have (French 1979; similarly Werhane, 1985).
- (4). The corresponding moral attitudes are expressed in slogans such as the following: (1) „get what you can and get out,“ (2) „if it’s legal, it’s ok,“ (3) „ethics pays:“ growing concern for various stakeholders, (4) „we want to do the right thing“: ethical values become part of the corporate culture, (5) a total ethical profile with carefully selected core values (Reidenbach and Robin, 1991: 282-3)
- (5). A recent example is the EU’s decision not to intervene, for the time being, in the financial markets by mandating regulations for the clearing and settlement sector. It expects, however, the industry to voluntarily adopt a code that would not only ensure greater competition through greater transparency in pricing but also more overall efficiency (FAZ, 2006).
- (6). World Trade Organization (WTO), General Agreement on Tariffs and Trade (GATT), General Agreement on Trade in Services (GATS), Trade-Related Aspects of Intellectual Property Rights (TRIPS).
- (7). The related concept *mianzi* represents social perceptions of a person’s prestige.
- (8). Paine, 2003: 42.