Ethical Leadership Role in Leading Organization: A Conceptual Review Paper

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Abstract-

Ethics is crucial in many aspects of life in the modern value-based society. Businesses are not an exception to this rule. The public's trust in corporate organizations has been eroded by ethical scandals in the industry, which have called into question the role of ethics and leadership.Ethical leadership is a multifaceted concept encompassing moral decision-making, integrity, transparency, and the promotion of ethical behavior within an organization.The goal of this paper is to examine the literature on ethical leadership to build a successful organization's route and determine whether ethical leadership can help an organization become sustainable. What part does ethical leadership play in the development of organizations? was one of the main research questions that directed the investigation. The literature review suggests that there is still much to learn about ethical leadership, which presents both leaders and researchers with chances to become more effective. During the search procedure, four keyword groups from various databases were employed.The research findings prompted the creation of a conceptual model that resembles a stool with three legs, signifying the economic, environmental, and social components of a sustainable triple bottom line. The model uses a parallel rug (ethical leadership) to stabilize the stool and provide each leg equal attention in order to fulfill its objectives. The interrelated braces of organization culture, performance, and resources further support the three legs of the stool. The model's concepts were deliberated over and suggested areas for additional investigation.

Keywords- Ethical Leadership, Value Based Leadership, Three- legged Stool, Leadership Effectiveness, Organization Development.

Introduction-

Technological advancements and industrialization have altered organizations more than in the past, and it is certain that in the coming decades, these changes will be much more dramatic due to increased structural,

content, and work process transformations as well as fierce worldwide rivalry. Every organization needs strong leaders who are deeply committed to three things in order to deal with this rapidly advancing technological era: excellence in terms of technical and professional quality and competence, an ethical orientation to sustain success over the long term, and engagement to complete tasks to a high standard (Barendsen and Gardner, 2007; Eldridge et al., 2013).Among these three things, ethics is the core of leadership (Johnson, 2012).

People who rise to positions of leadership tend to take the moral obligations that go along with them for granted. This argument is better defined from an organizational standpoint than it is from a different one (Johnson, 2012). Traditionally, increasing corporate profitability has been the primary objective of an organizational leader. Thus, businesses that prioritize short-term profit maximization run the risk of becoming embroiled in corporate scandals, as evidenced by the sharp rise in scandals involving major corporations such as Enron, World Savings, Fannie Mae, WorldCom, HealthSouth, Galleon Hedge Funds, Guidant Medical Devices, Qwest, and even religious organizations whose leaders transgressed moral standards (Bello, 2012; Johnson, 2012; Mihelič et al., 2010; Northouse, 2012).The organization's reputation and trust were harmed by the leaders' immoral and careless actions. This culture may therefore lead to a general decline in their performance in terms of social and environmental responsibility, the cautionary tale of long-term corporate expansion (Wesarat and Yazam, 2017). In this sense, moral leadership is crucial to creating an environment that is sustainable for the company and leads to long-term success.Over the past few decades, there has been a significant surge in research on the idea of sustainability in both empirical and business operations literature. There are limited studies on sustainability and sustainable development in the field of HRD, particularly in relation to ethics and ethical leadership, even though these topics have grown in importance. According to Reiche (2017), sustainability permeates everything and is present everywhere.From an organizational standpoint, leaders are supposed to look out for and defend the interests of their stakeholders and the community at large. It focuses on the organization's sustainability, taking into account not just the financial situation but also social, ethical, and environmental challenges (Joseph, 2013).Ehnert and Harry (2012) argue that there are two ways to define sustainability: process-oriented and content-oriented. Process-oriented definitions describe how organizations engage in sustainability (Constanza et al., 1991), while content-oriented definitions provide an explanation of the main points of emphasis for sustainability.

However, Docherty et al. (2002) distinguish three levels of sustainable development—individual, organizational, and societal—and stress the importance of giving each level equal consideration in order to achieve balance.The triple bottom line (TBL) model is a useful tool for comprehending how ethical leadership contributes to the development of a sustainable firm. This model is predicated on the idea that creating an organizational culture that gives equal weight to the environmental, economic, and social aspects of the system is the only way to accomplish sustainable development (Cavagnaro and George, 2017; Elkington, 2006; Wikström, 2010).

Problem statement

The article focuses on how moral leadership contributes to the growth of a long-lasting company. In order to build a route for sustainable success and determine the potential role that ethical leadership may play in guiding an organization toward sustainability, the goal of this study is to examine the literature from a variety of articles and books on the subject of ethical leadership and leadership. After the literature is examined, a conceptual model that links moral leadership to the atmosphere and culture of the company is created, which helps to create a sustainable organization.It is anticipated that this model would serve as a guide for HRD practitioners and scholars in creating sustainable organizations. This literature review will spark conversation and become ingrained in the creation and use of HRD interventions that provide sustainable results (Scheier and Dearing, 2011).

Establishing ethical leadership may result in organizational sustainability since "both HRD researchers and practitioners should be concerned about both the short-term outputs and the long-term outcomes" (Russ-Eft, 2014, p. 3).This work is guided by a research question: How can ethical leadership contribute to the development of sustainable organizations?

Concept of Ethical Leadership

"A process by which an individual influences a group of individuals to achieve a common goal" is the definition of leadership (Northouse, 2016, p16).According to Eisenbeiss (2012), on page 795, leadership is defined as "a concept that involves setting ethical goals, monitoring them, and influencing others in an ethical manner" from an ethical standpoint.

The foundation of leadership is ethics. "Expressing naturally appropriate practical behaviour through personal actions and interactive relationships and promoting this behaviour among employees through bilateral communication and decision-making" is the definition of ethical leadership, according to Ponnu and Tennakoon (2009) on page 21. This means that executives uphold moral standards and seek to encourage moral behaviour among staff members by giving them a voice.

Societies often consider ethics to be a crucial component of any effective leader. This could not, however, always be the case. There are many effective leaders who have accomplished their goals, but they did not act morally in the process. Thus, it is essential to recognize the distinctions between a leader and an ethical leader. Trevino et al. (2003) interviewed several CEOs from various US sectors as part of an explanatory study to define ethical leadership.They concluded that developing a reputation for being an ethical person is more important for a leader to be considered ethical than simply being an ethical person. They discovered two critical characteristics of an ethical leader through this investigation. They are the "moral manager" aspect and the "moral person" aspect, respectively. A person needs to possess both the moral manager and moral person qualities to be an ethical leader. The moral person element pertains to an individual's behavior (openness, personal morality, etc.) and personality attributes (integrity, honesty, trustworthiness). The leader's attempts to persuade people to act morally are included in the moral manager component.This is setting an example for others under you, expressing moral principles to them on a regular basis, and encouraging moral behavior in them through rewards and penalties.

The study of ethics is a subfield of philosophy, although the term is not generally understood. However, ethics is typically defined as the norm for interpersonal communication between people. Ethics is "a study of interpersonal and social values and the rules of conduct that derives from these values," according to Gilbert (2016). It concerns the good and bad deeds and intentions we do when interacting with other people (p. 28). According to Ciulla (2014), ethics is the study of how we determine what is good or bad in connection to the deeds, intentions, and character traits of people.

The five ethical leadership principles were covered by Northouse (2015), and they encourage people to be moral leaders who can serve as role models for others. Additionally, the following values—Honesty, Community, Honesty, Justice, and service—assist leaders and followers in developing strong, moral leadership within an organization. These are covered in more detail in the sections that follow.

Method

To address the question, "What is (and what could be) the role of ethical leadership in developing sustainable organization?" this study will review the literature. To answer this question a literature review using a pragmatic epistemology, which lies between idealism and realism. Hopefully, this approach included well-respected studies in the fields of ethics, ethical leadership, the value ofsustainable development in organizations, ethical

leadership in an organization and human resource development.There were four keyword categories that matched the search string: (1) "moral or ethical leadership," "Sustainable development, or sustainability development," (2) (3) "sustainable organization" and (4) "ethical leadership (or leadership) and sustainability." The literature search was conducted between 2010 and 2022in order to provide updated ideas. First, I chose Human Resource Development International, Advances in Developing Human Resources, Human Resource Development Quarterly, and Human Resource Development Review as four AHRD-affiliated journals that addressed the aforementioned area.

Using a general search, I was able to locate important journals that published the majority of the relevant articles for this study between 2010 and 2022 (such as the European Journal of Training and Development, Journal of Leadership & Organizational Studies, Journal of Business Ethics, and International Journal of Corporate Sustainability, to mention a few). Remarkably, the majority of empirical research on ethical leadership was carried out following the creation of the ELS instrument by Brown et al. (2005). Though several of the sources were published prior to 2000, only a small number that appeared to be significant in this investigation were included. This study also includes thoughtfully chosen books, conceptual papers, and article reviews.

Table 1: Distribution of the articles across the four AHRD journals (2010–2022)

Keywords	ADHR	HRDI	HRDR	HRDQ	Total
"SustainableDevelopment	2	4	2	2	10
SustainableOrganization"	1*	1*	0	1	1
"Ethical Leadership"	3	1	1	2	7
"Sustainability and Ethical Leadership"	0	1*	2	0	2
Total	5	5	5	5	20

*The articles share the same title. ADHR: Advances in developing human resources, HRDI: Human resource development international, HRDR: Human resource development review, HRDQ: Human resource development quarterly.

Remarkably, there are just two studies (Ardichvili, 2013; Becker et al., 2010) that discuss ethical leadership and sustainability. In contrast, ethics has been given very little weight in sustainable development by HRD researchers in other publications. Subsequent investigation could explore the rationale for HRD experts' failure to see ethics as a crucial factor in sustainable development.

This is how the rest of the article is organized, by giving a quick summary of the fundamental ideas of organization development, ethics, and leadership. After that, significance of ethical leadership in the workplace look after. Second, conceptual analysis and literature assessment of the various roles and positions that ethical leadership can play in creating a sustainable organization. Lastly, this report concluded with some implications and potential avenues for future research.

Why Ethical Leadership is Important for the Organization

why leaders have to be ethical in their profession? When this question asked by someone, answer could be to avoid the legal consequences. This one consider to be the core reason but not the only reason. Several studies found that ethical leadership helps to create a better work environment and also in many ways its boost the employee performance and also help in developing the sustainable organization.According to Mize et al. (2000),

there is a strong correlation between moral leadership conduct and workers' dedication and output. Moreover, Kim and Brymer (2011) came to the constant conclusion that middle-level managers' commitment to their jobs is increased when they see ethical leadership at the executive level. Walumbwa et al. (2011) further stated that moral leadership is necessary for every organization to operate well and that it improves workers' performance as well as their sense of self-efficacy and loyalty to the company.Additionally, Zhu et al. (2004) claimed that a moral leader will always be open and honest in all of their dealings with the company's stakeholders. These actions win over the respect of the workforce and lay the groundwork for a high-performing, long-lasting firm.

A study by Piccolo et al. (2010) sought to determine the connection between other elements of the work characteristic model, such as task significance and job autonomy, and ethical leadership. They discovered that by giving followers a say in decision-making and utilizing rewards to encourage moral behavior, an ethical leader has a favorable impact on both followers and subordinates.In addition, an ethical leader works to raise the bar for moral principles in all commercial dealings and to increase followers' autonomy and sense of purpose in their job. Therefore, these elements support the followers' efforts and the civic engagement component of their work performance.

Bullying in the workplace is decreased by these admirable traits of moral leaders, which improves worker performance. Any firm can get endless benefits from having ethical leadership. Therefore, as was already indicated, moral leadership not only helps organizations avoid legal problems but also improves performance by forging strong bonds between leaders and staff, boosting employee dedication, and cultivating trust among all parties involved.

One important factor that influences ethical leadership behavior is the organizational culture or environment.

Establishing and executing formal policies that support ethical behavior involves the following: (such as corporate ethics audits, ethical codes, policies and procedures, etc.) across the entire company, according to the Australasian Journal of Law, Ethics, and Governance (AJLEG) (Neubert et al., 2009). This necessitates dedication from all company stakeholders, which makes creating a sustainable organization in and of itself a difficult task.It appears that an organization with low ethical standards and a high prevalence of unethical activity will influence the decisions made by its subordinates and encourage unethical behavior in general. Conversely, a company with strong moral principles and a zero-tolerance policy for unethical activity will deter its employees from acting unethically. A company with a strong normative culture will have well-defined objectives and a clear understanding of what is expected of its workforce.

Therefore, in contrast to an organization with a weak culture and unclear goals, vision, and behavior standards, employees find it easier to make ethical decisions (Trevino, 1986). The employee remuneration plan is another unofficial element that shapes ethical behavior through business culture (Paine, 1994). An organization's ethical culture is influenced by its employee compensation scheme (Madhani, 2014). Employees are constantly motivated to act morally by rewards, incentives, and a fair compensation structure (Mitchell et al., 2005). As a result, moral decisions that don't negatively impact the environment or society must be made by the entire firm.
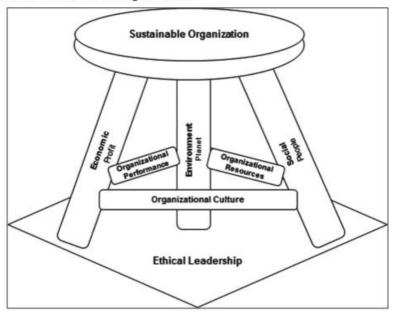
Discussion

Meanings of sustainable development is clarifying in this study and ethical leadership in organizations, as well as the significance of ethical leadership. Now talked about how ethical leadership helps create a sustainable business by creating a conceptual model (Figure 1). As was previously mentioned, sustainable development requires the presence of all TBL (Elkington, 1998) components. These three elements served as the study's main conceptual framework for creating the model.

Using the analogy of a stool with three legs to represent the economic (profit, cost savings, R&D), environmental (using natural resources and pollution prevention), and social (community, equal opportunity, education, and standard of living) domains is a straightforward way to understand the conceptual model of this sustainable organization. Every leg is required to be equally important.

Figure 1: Three-legged Stool of Sustainable Organization

If one leg is longer or shorter than the rest, or if one leg is more significant than the others, the stool will be unsteady, though it might still be functional for a while. Without a leg, the stool will not function at all. As a result, the model uses a parallel rug (ethical leadership) to steady the stool and provide each leg equal attention. For if the three legs—environmental, economic, and social—are all the same length and receive equal weight, the product will be a well-balanced stool that fulfills its intended function and is unquestionably a sustainable organizational stool.On the other hand, pushing over a three-legged stool on the host organization's slick or cracked floor is not that difficult. The interdependent braces of organization culture (socialization and integration, ethical climate, justifying statuses, roles, and promotion systems), performance (motivation, reward, compensation, balanced scorecard), and resources (material, financial, and human) thus serve to further reinforce the three legs of the stool.

Companies are required to use limited resources effectively to provide society with the goods and services it needs. They receive payment in exchange, and there is no contradiction between the company's need to make a profit and its use of the resources that society and the environment must provide. The issue, though, is that if immoral actions are taken, there is no set way to balance between these tasks.

An imbalance results when the pursuit of profit takes precedence over societal well-being or when profit is made at the expense of long-term social and environmental harm.By upholding social and environmental responsibility, ethical leadership is crucial in maintaining the equilibrium of this socioeconomic connection. By infusing an ethical culture throughout the entire organizational environment, ethical leadership practices in a business are dedicated to ensuring these balances. According to certain research, managers' ethical leadership has a significant indirect trickle-down effect on top management's ethical leadership, which improves performance at the organizational or group level.According to Cadbury (2006), corporate social responsibility

is a means of striking a compromise between the organization's commitment to maintain long-term societal welfare and its desire to maximize profit.

An essential precondition for an organization's sustainability is a robust and supportive organizational culture. A sustainable organization's resources include a variety of organizational resources, including knowledge acquired in an ethical setting. These resources are becoming more and more significant.Organizations also play a significant role in the sustainable development of society; in fact, their involvement in this process is seen as contributing to their own sustainable growth. An ethical leader's responsibility is to establish an ethical environment and culture, which can be achieved by minimizing harmful emissions, resource exploitation, unethical financial practices, mistreating employees, and other issues.

A sustainable organization's ability to succeed rests on how well its moral principles align with its entire structure. Therefore, prior to entering the company, one should have developed morally and understood the significance of ethics. The observation has two significant ramifications for HRD practices: (a) our higher education curriculum should include coursework on ethics and sustainable development; and (b) hiring and selection decisions should be made based on candidates' knowledge and attitudes regarding these topics.

Further Research and Conclusion

Leaders in the fiercely competitive world of today are constantly under pressure from both the inside and the outside from irrational expectations. According to Bennett (2002), these pressures may cause employees to become confused and frustrated at work, which heightens the temptation to engage in unethical behavior. These results imply that more research should be done by the researcher to determine the trade gap between short- and long-term goals.However, organizational culture differs from nation to nation and is influenced by social construction or national culture. Thus, more research is required to determine how various national cultures affect organizational culture and how this relates to sustainable companies.

This conceptual paper's goal was to conduct a literature review to ascertain how ethical leadership contributes to the creation of sustainable organizations. The study created a model that included TBL and discovered that moral leadership behaviors establish an example for the organizational culture by promoting moral principles and moral decision-making for the common benefit. The study also shown, through systematic studies, that ethical leadership and organization performance are positively correlated. Ethical leaders understand how to make the most use of limited resources, both financial and material, to build long-lasting organizations.

Effective and moral leaders prioritize the common good over self-serving interests, are fixated on fairness, and view their actions as a means of achieving a win-win situation for both the organization and its subordinates. In this volatile world, an organization needs a good leader who invests time and energy into creating value that contributes to its sustainability. In order to create a strong, long-lasting organization, ethical leaders develop followers with organizational needs, values, and purposes.

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