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ABSTRACT

Senior executives are thought to provide the organization's ethical 'tone at the top'. We conducted an inductive interview-based study aimed at defining the perceived content domain of executive ethical leadership. We interviewed two types of key informants – corporate ethics officers and senior executives – about executive ethical leadership and then a contrasting category we labeled 'ethically neutral' leadership. Systematic analysis of the data identified multiple dimensions of ethical and ethically neutral leadership. The findings suggest that ethical leadership is more than traits such as integrity and more than values-based inspirational leadership. It includes an overlooked transactional component that involves using communication and the reward system to guide ethical behavior. Similarities and differences between ethics officers' and senior executives' perceptions also led to insights about the importance of vantage point and social salience in perceptions of executive ethical leadership. In order to be perceived as an ethical leader by those outside the executive suite, the executive must engage in socially salient behaviors that make the executive stand out as an ethical figure against an ethically neutral ground.

KEYWORDS

ethical leadership ■ ethics ■ leadership

In his testimony before the US Congress on 5 February 2002, William C. Powers Jr (leader of an investigation into Enron's collapse) blamed the tragic consequences of one of the largest bankruptcies in American history on many failures including 'a fundamental default of leadership and management'. And, according to Powers, 'leadership and management begin at the top, with the CEO'. Powers' statement echoes what the business ethics literature has said for years – that executives create the 'tone at the top' that shapes the ethical climate and ethical culture of an organization (Clinard, 1983; Posner & Schmidt, 1992; Treviño, 1990; Treviño et al., 1998; Victor & Cullen, 1988; Weaver et al., 1999b) as well as the organization's strategy (Freeman et al., 1988). The ethical dimension of executive leadership is thought to be uniquely important because of the executive's potential to influence employee and organizational behavior. In the Enron case, the Powers report implies that executives created a culture that set the stage for the conflicts of interest and unethical accounting practices that led to the firm's downfall.

Yet, empirically based knowledge about executive ethical leadership and its effects is limited. What we currently know about ethical leadership lies at the intersection of two literatures – business ethics and leadership. We searched these literatures in order to assess the state of current knowledge. As is common in the business ethics literature (Treviño & Weaver, 1994), attention to leadership ethics has focused primarily on cases (e.g. Donaldson & Gini, 1996) or normative treatments (e.g. Ciulla, 1995, 1998; Freeman et al., 1988; Rost, 1995). The few existing empirical studies have focused on the ethics (or lack thereof) of lower-level managers (e.g. Craig & Gustafson, 1998; Weber, 1990) or they have treated executive ethical leadership simplistically as employees' general perception that executives care about ethics (Treviño et al., 1998; Weaver et al., 1999b). However, recent field surveys have begun to associate these very general perceptions of executive ethical leadership with important outcomes such as increased employee commitment, decreased unethical conduct in the organization, and the values orientation of the firm's ethics program (Treviño et al., 1998; Weaver et al., 1999b). The results of this research suggest that executive ethical leadership is important and needs to be better understood.

In the leadership literature, we found almost no mention of the ethical dimension of leadership in Bass and Stodgill's (Bass, 1990) literature review. However, Yukl's (2002) more recent review devoted part of a chapter to the topic, suggesting increasing interest in the phenomenon. Although this chapter cites little empirical work, it includes references to the importance of leader traits. Previous survey research has suggested that traits such as credibility, integrity, honesty and fair-mindedness are associated with perceptions of effective leadership (Bass, 1990; Kouzes & Posner, 1993, 1995; Posner &

Schmidt, 1992; Schmidt & Posner, 1982). But these survey studies usually focus on leadership in general, rather than on executive leadership and, given that executives are far removed from most employees, it is not clear how employees learn about these traits.

Yukl (2002) also linked ethical leadership with exceptional leadership categories such as Burns' concept of transformational leadership (1978). In fact, most references to ethics in the leadership literature have focused on these exceptional forms of leadership, despite the fact that they are sometimes thought to be orthogonal to ethical leadership. For example, Yukl (2002: 251) noted that the 'dark side of charisma' (Howell & Avolio, 1992) has been considered by many social scientists. And, Parry and Proctor-Thomson (2002: 75) suggested that transformational leaders have sometimes been labeled 'narcissistic, manipulative, and self-centered'.

Bass and Steidlmeier (1999) differentiated conceptually between 'authentic' and 'pseudo' transformational leadership. They argued that authentic transformational leadership rests on the leader's moral character, the legitimacy of the leader's (and his or her followers') values, and the morality of the leader's choices and actions. Pseudo transformational leaders seek power at the expense of others, are unreliable, deceptive, manipulative, and self-interested. But, as Bass (1998: 170–1) suggested, 'much more needs to be learned about the ethical and moral factors that distinguish the truly transformational leader from the pseudo-transformational leader'. Work on the dimensionality and measurement of transformational leadership has included two dimensions with ethical content. The 'charisma/inspirational' dimension has been defined as providing 'followers with a clear sense of purpose that is energizing', being 'a role model for ethical conduct' and building 'identification with the leader and his or her articulated vision'. The 'individualized consideration' dimension is defined as focusing 'on understanding the needs of each follower' and working 'continuously to get them to develop their full potential' (Avolio et al., 1999: 444). This suggests that ethical conduct is thought to be essential to transformational leadership, but it does not tell us whether more trans-accional behaviors may also be important to the ethical leadership content domain.

In sum, our literature review found that executive ethical leadership is widely thought to be important because of the potential impact senior executives have on the ethical culture and conduct of the organization. But we have a limited understanding of exactly what executive ethical leadership is, and how it is perceived and attributed to executives. Given these unanswered questions, and the potential importance of ethical leadership in today's business organizations, our goal was to inductively define the perceived

content domain of executive ethical leadership based on a qualitative interview-based investigation.

Lord and Maher (1991: 11) defined leadership as 'the process of being perceived by others as a leader'. Perceptions may be particularly important for understanding the *ethical* dimension of *executive* leadership. Lord and Maher (1991) differentiated between perceptions of executive leaders and lower-level supervisory leaders. Most employees in large organizations rarely have face-to-face interactions with senior executives. Therefore, their perceptions of executive ethical leadership probably come indirectly from images, symbolic behavior, policies and communications (Lord & Maher, 1991). Second, the *ethical* dimension of executive leadership is likely to be a highly subjective phenomenon open to multiple interpretations. Ethical issues are often ambiguously defined and observers' evaluations of ethical leadership are likely to depend on subjective perceptions of the leader's character and motives. Finally, given the biases inherent in perceptions of one's own ethics, executives' perceptions of ethical leadership are likely to differ from those who are observing them from outside their own circle. Thus we began our investigation with the assumption that executive ethical leadership is a perception of the executive that is held by others, and that the perceptions of key informants from inside and outside the executive suite should help us understand the phenomenon.

Methods

Conger (1998: 107) argued that, despite its limited contribution thus far, qualitative research is underutilized for studying leadership. Qualitative methodology is appropriate for our work because empirical research in this area is at an early stage, the phenomenon is complex, and ethical leadership is likely to have a 'symbolic and subjective component' (Conger, 1998: 110) that may be difficult to capture with other methodologies. We began with the following general research questions – how do key informants inside and outside the executive suite perceive and understand executive ethical leadership? What is the content domain of executive ethical leadership from their perspectives?

We gathered data from two types of key informants – senior executives and ethics officers – the latter being corporate officers who manage ethics and legal compliance for corporations. Both types of informants were asked to think about a senior executive they would categorize as an executive ethical leader. Senior executives provided a perspective on executive ethical leadership from inside, while ethics/compliance officers provided a perspective from

outside the senior executive suite. This is in keeping with qualitative research methods which require that 'multiple perspectives must be systematically sought during the research inquiry' (Strauss & Corbin, 1994: 280). According to Taylor and Bogdan (1984), the qualitative researcher is interested in perspectives. We attempted to elicit relevant perspectives by asking ethics officers and executives to talk about ethical leadership by referencing specific executive leaders from their experience.

We conducted 40 semi-structured interviews, 20 with corporate ethics/compliance officers and 20 with senior executives representing medium to large American companies. With a few exceptions (discussed later), the ethics officers and senior executives represented different firms. We began by interviewing ethics/compliance officers (hereafter referred to as ethics officers) because they are in a unique position to observe ethical leadership from outside the executive suite. Since the release of the US Sentencing Guidelines for organizations in 1991, more than half of the Fortune 1000 US corporations have created such a position in order to fulfill the guidelines' mandate to assign responsibility for legal compliance to a single high-ranking corporate officer (Weaver et al., 1999a). Their professional organization, the Ethics Officers Association, has grown to a membership of nearly 800, including representatives from more than half of the Fortune 1000 (see www.eoa.org). It is the ethics officers' role to interact frequently with employees at all levels of the organization through ethics and compliance reporting systems, help lines, and training programs. Essentially, it is their job to think about ethics in the organization. Many ethics officers have a vice-president title and report to the CEO or to the board of directors, but research suggests that they are almost never part of the strategic top management team, and they interact with the CEO infrequently (Weaver et al., 1999a). Thus their view of executive ethical leadership represents a unique perspective that is clearly different from the senior executives' view and more likely to reflect perceptions of employee observers from outside the executive suite.

Once the ethics officer interviews had been underway for several months, we began interviewing the senior executives – defining senior executives as members of the top management team. We were primarily interested in interviewing active or recently retired CEOs, but given the difficulty of gaining access to such individuals we also included two senior vice presidents. We chose the senior executive sample because they are closest to the executive ethical leadership phenomenon; they have been in senior management and on boards of directors for years and have observed other senior executives at close hand. We were interested in comparing and contrasting the responses of both types of informants because such a comparative

analysis can contribute insights not available from just one set of informants (Glaser & Strauss, 1967: 69).

Ethics officer interviews

We began the study by conducting telephone interviews with the 20 ethics officers. All the ethics officers we approached agreed to be interviewed, and they represented 20 large US firms from a variety of industries: auditing, consumer products, defense, electronics, financial services, food products, forest products, health care products, home services, information technology, pharmaceuticals, retail, and telecommunications. Companies ranged in size from tens of thousands of employees to more than a hundred thousand employees and from tens of millions to billions of dollars in revenue. Five ethics officer interviewees were female. We have data about experience in the position for 15 of the ethics officers. They averaged seven years in the ethics officer position and most had worked within the same company in other positions for years before that.

Each telephone interview took between one and two hours. We agreed never to reveal personal or corporate identities without permission. Two of the authors conducted the interviews. The first five were conducted jointly in order to arrive at a common interview style and to get feedback from interviewees on the interview protocol. The feedback was positive and resulted in only minor changes to the protocol. The remaining interviews were conducted individually, with the two interviewers engaging in regular communication about emerging patterns.

Before posing any questions, interviewees were asked to think about a specific executive ethical leader from their experience whom they could use as a point of reference in answering the questions. However, they were not asked to identify the leader. This made the interview less sensitive and interviewees responded freely to our questions. The structured interview protocol first asked general questions about executive ethical leadership (designed to generate unprompted spontaneous responses), followed by more specific probe questions. The general questions asked informants for their definition of executive ethical leadership, the traits and behaviors associated with ethical leadership, and the ethical leader's motivation and vision for the future of the organization. Some of our interview questions were guided by previous literature. For example, we asked about leader traits, behaviors, and motivation because these have been so important in the leadership literature and because they have been raised in previous conceptualizations of ethical leadership. Specific probe questions were also guided by previous conceptualizations. For example, we asked about the ethical leader's use of power

because of McClelland's (1975) work on power motives. These probe questions were asked after the more general open-ended questions.

We also decided that an important way to learn what informants think executive ethical leadership is would be to contrast it with something that it is not. Uses of 'the contrast principle' and contrast groups are recommended methods in qualitative research and theory development (Spradley, 1979). Our goal was to contrast ethical leadership with another category of leader that was *not* ethical leadership in order to surface additional information about ethical leadership and to explore differences between the categories. We considered Carroll's (1987) three conceptual models of management morality. According to Carroll (1999: 146), 'moral management requires ethical leadership', is shaped by ethical values, and follows legal and ethical norms and standards. Immoral management is associated with selfish motives and exploitation for organizational or personal gain. The third category – amoral management – may be intentional or unintentional. Unintentionally amoral managers may have good intentions but they are unaware of or insensitive to ethical issues and concerns. Intentionally amoral managers see no place for ethics in their business management role.

In advance of conducting the study, preliminary discussions with ethics officers suggested that they considered clearly 'unethical' leadership to be quite rare among senior executives. What they saw as more common was leadership that was neither clearly ethical nor clearly unethical, something more akin to Carroll's (1987) amoral management. Therefore, we asked our informants to focus on such a contrasting category. We described leaders in this category as executives who would not have come to the interviewee's mind when asked to think of ethical leaders. These leaders would also not have come to mind if we had asked them to think of unethical leaders as they fit into neither extreme category. We also suggested that this leader could be perceived as successful in the business. Most of the ethics officers readily thought of someone to use as a reference point for this part of the interview. We asked them a smaller, but similar set of questions about this category of leader, termed 'ethically neutral successful leadership' (ENS leadership). This part of the interview always came second because our primary focus was on informants' perceptions of ethical leadership.

Executive interviews

We also interviewed 20 individuals who either currently serve or have recently served as senior executives of 20 medium to large American companies. All but two were active or retired chief executive officers. Of the remaining two, one was an active and the other a retired senior management

team member, both with senior vice president titles. All the executive interviewees were men. We conducted 10 of these interviews by telephone and 10 in person, according to the individual executive's preference. These executives were difficult to gain access to and we did what was necessary to achieve this. We noted no systematic differences in interviews conducted by phone and in person. The following industries were represented in the sample: aerospace, auditing, consumer products, defense, environmental services, financial services, health care, information technology, mining, newspaper publishing, pharmaceuticals, polymer and electronic materials, retail, specialty metals, steel products, and telecommunications. Two of the executives represented medium-sized firms with thousands of employees. The remainder of the executives represented large firms with tens of thousands to hundreds of thousands of employees (similar to the ethics officer companies). We did not explicitly intend to interview ethics officers and executives from the same organizations, but this did occur in three cases because the ethics officer was able to help us gain access to the firm's CEO.

The executive interviews took approximately one hour, followed an interview protocol and process similar to that used in the previous ethics officer interviews, although shortened a bit to accommodate the busy schedules of these executives. As we did with the ethics officers, we asked the senior executives to think of an executive from their experience whom they could use as a point of reference in responding to our questions about ethical leadership. They did not identify this person to us, but kept the individual in mind as they answered questions. Although we cannot be sure whether these executives were thinking of themselves or other executives, it is clear from the interviews that many of them were thinking about others. For example, the following quote came from an interview with the recently retired CEO of a large financial services company, and his answer to the opening question, 'what is ethical leadership?'

. . . we thought of ____, the founder of the company, who personified ethics and the right way of doing business . . . [He] was known for his strong beliefs [that] there's only one way to do business and that's the right way.

As with the ethics officer interviews, we followed our questions about ethical leadership with questions about the contrasting category.

Analysis of interview content

All informants agreed with our request to audiotape the interview. Verbatim transcripts were created and provided the basis for analyses. We

then conducted two layers of analysis: a systematic analysis of the manifest content contained in the verbatim interview transcripts within each set of informants, followed by a more interpretive analysis of the latent content across the two sets of informants (Boyatzis, 1998).

In the manifest-content analysis, we treated the ethics officer and executive interviews as separate data sets in order to allow potentially different perspectives to emerge. Several months intervened between the analyses of the two data sets, with the ethics officer data analyzed first. In this analysis, the transcripts were read carefully and divided up into distinct 'thought units' or concepts (Gioia & Sims, 1986; Lee, 1999; Miles & Huberman, 1984; Strauss & Corbin, 1994), which were placed on separate index cards. A thought unit or concept could be a word, a phrase, a sentence, or multiple sentences, but each thought unit represented a distinct and separate thought. These cards were then organized into emergent categories comprising thought units that were conceptually similar to each other and different from other thought units, and these emergent categories were given labels. For example, if one interviewee said, 'an ethical leader always tells the truth' and another said 'the ethical leader is concerned with honesty', both would be included in a category labeled 'honesty'. We then counted how many times each category appeared. This categorization step was completed by the second author, who did not conduct the interviews.

To determine the reliability of the categorization process in each sample, we selected one-third of the index cards from the 33 categories that contained 10 or more entries (165 cards). A doctoral student trained in qualitative research techniques but unfamiliar with the study was given the cards and the list of categories and was asked to sort the cards into the categories. We computed inter-rater agreement of 92.1 percent for the ethics officer interview data and 88.7 percent for the executive data, using the P statistic (Light, 1971) which involves dividing the number of cards for which the raters agreed by the total number of cards.

We also conducted a more interpretive analysis of the latent content. Boyatzis (1998) suggested that this type of interpretive analysis goes beyond identifying obvious and visible elements to interpret the underlying meaning of these elements. This analysis looked across interviews and samples in an interpretive reconstruction and expansion process (Lee, 1999) that took into account the unique perspectives of our two types of informants.

Findings

In this section, we first describe the findings from the manifest-content analysis of both the ethics officer and executive interviews. These findings are

summarized in Table 1. Columns 1 and 2 list the categories that emerged from analysis of the ethics officer interviews and their frequency of occurrence in the data. For ease of understanding, category presentation in the table is based on broad themes that tie specific categories together. For example, in the first box in the table, multiple categories dealing with having a people (versus self) orientation are grouped together. Columns 3 and 4 list the categories that emerged from analysis of the executive interviews and their frequency of occurrence. In the table, these executive data categories are displayed in a manner that allows for comparison of similar categories across the two informant samples.

Following each category, frequency data are provided. The number on the left of the slash represents the total number of times the category appeared in the data. The number on the right represents the number of separate interviews in which the category appeared. Thus the designation 12/5 means that the category was represented 12 times in five out of 20 interviews. We excluded categories if they emerged in fewer than five ethics officer or executive interviews because our goal was to find patterns in the data rather than anecdotes representing just a few people.

People-orientation

Several categories that appeared frequently across both sets of informants suggest that executive ethical leaders are perceived to be first and foremost *people-focused*. They care about people, respect people, develop their people, and treat people right: 'An ethical leader needs to downsize, they do it, but they do it with as much concern and interest for their people as possible.'

Alternatively, EN leaders are more *self-centered* and *less caring about people*. This may seem to be an obvious finding, but the previous literature on ethical dimensions of leadership has emphasized other characteristics more. For example, the leadership literature talks mostly about traits such as honesty and integrity, and transformational leadership categories such as values orientation. Concern for people has not been emphasized as much as it may need to be, given our findings.

Visible ethical actions and traits

A number of categories that also occurred frequently combine to suggest an emphasis on visible ethical action and ethical traits. Ethical leaders are *role models* of ethical conduct who lead by example and who *walk the ethical talk*: 'Well, this whole issue of leadership . . . has to do with setting the example. So, people look at you and understand over time who you are personally as a result of their observations.'

Table 1 Manifest-content categories^a

<i>Ethics officers</i>		<i>Executives</i>	
<i>Ethical leadership</i>	<i>ENS leadership</i>	<i>Ethical leadership</i>	<i>ENS leadership</i>
<p>People-orientation</p> <ul style="list-style-type: none"> • ELs are people-focused, care about people/employees, treat people right 25/13 • ELs respect people 12/8 • ELs develop and mentor people 7/6 <p>Visible ethical actions and traits</p> <ul style="list-style-type: none"> • ELs walk the talk 21/11 • ELs role-model/lead by example 19/13 • ELs 'do the right thing' 19/11 • ELs are honest 18/12 • ELs are receptive/listeners 17/9 • ELs are trustworthy 13/10 • ELs communicate, influence, inspire and persuade 11/8 • ELs have integrity 10/8 • ELs are courageous, strong 10/6 <p>Setting ethical standards and accountability</p> <ul style="list-style-type: none"> • ELs set expectations and rules/provide guidance 15/13 • ELs use rewards & punishments 19/11 • ELs don't tolerate ethical lapses 7/6 • ELs hold to their principles 7/6 • ELs practice values based management 6/6 	<ul style="list-style-type: none"> • ENSLs are more self-centered 21/11 • ENSLs don't care about people 6/5 	<ul style="list-style-type: none"> • ELs are concerned for people/people-oriented 11/4 • ELs treat people well 23/16 <p>• ELs walk the talk 6/6</p> <ul style="list-style-type: none"> • ELs role model/set examples 17/10 • ELs 'do the right thing' 25/15 • ELs are honest, sincere, forthright 13/9 • ELs are open communicators /listeners 10/5 • ELs have integrity 19/9 • ELs are consistent, credible, predictable and trusted 16/10 • Executives are watched 9/9 <ul style="list-style-type: none"> • ELs hold people accountable/reinforce ethical behavior 6/5 • ELs use consequences, discipline, punishment for ethical lapses 12/8 • ELs create and institutionalize values 9/6 	

Table 1 continued

<i>Ethics officers</i>		<i>Executives</i>	
<i>Ethical leadership</i>	<i>ENS leadership</i>	<i>Ethical leadership</i>	<i>ENS leadership</i>
<p>Broad ethical awareness</p> <ul style="list-style-type: none"> • ELs are concerned about serving the greater good 13/5 • ELs are concerned about means, not just ends 12/8 • ELs are concerned about the long term, not just the short term 12/5 • ELs are concerned about multiple stakeholder perspectives 10/8 • ELs are ethically aware 8/6 • ELs are concerned about the bottom line 8/8 	<ul style="list-style-type: none"> • ENSLs are focused primarily on the bottom line 12/10 • ENSLs are not ethically aware 10/10 	<ul style="list-style-type: none"> • ELs have standards, values, principles 16/9 • ELs won't compromise standards/cut corners 9/6 <ul style="list-style-type: none"> • ELs are concerned for society/community 12/6 • ELs are concerned for stakeholders, suppliers and customers 6/5 • ELs are concerned for providing quality/value to customers 9/6 • ELs are aware of the ethical impacts 6/6 • ELs want to succeed/accomplish goals 7/7 <p>Decision-making processes</p> <ul style="list-style-type: none"> • ELs follow golden rule 13/7 • ELs are fair 11/5 • ELs use the flashlight/ newspaper test 9/7 	<ul style="list-style-type: none"> • ENSLs have short-term focus 6/5 • ENSLs have financial focus /are greedy 9/6 • ENSLs are not aware of ethical impacts/not important 9/8
<p>Miscellaneous categories emerging from interviewee responses to probe questions</p> <ul style="list-style-type: none"> • Personal morality is related to ethical leadership 22/16 • Ethics is a top down phenomenon 18/12 • Ethics can also be bottom up 6/5 		<ul style="list-style-type: none"> • Personal morality is associated with EL 16/15 • Ethics is mainly top down 21/12 	

Table 1 continued

<i>Ethics officers</i>		<i>Executives</i>	
<i>Ethical leadership</i>	<i>ENS leadership</i>	<i>Ethical leadership</i>	<i>ENS leadership</i>
<ul style="list-style-type: none"> • Ethical people can be lousy leaders 8/6 • Ethical people can be unethical leaders 7/6 • ELs use power judiciously 6/5 • Lower level employees are either out of touch or cynical 13/7 • People don't necessarily expect their leaders to be ethical 5/5 	<ul style="list-style-type: none"> • ENSLs use power negatively 7/5 	<ul style="list-style-type: none"> • Followers want/prefer/expect their leaders to be ethical 7/5 • EL is about traits and behaviors 5/5 • EL is about behaviors 19/12 	<ul style="list-style-type: none"> • ENSL category doesn't make sense 16/10

^a Numbers to the right of each category represent frequencies. The number to the left of the slash represents The number of times the category appeared in the data. The number to the right of the slash represents the number of interviews within which the category appeared.

Ethical leaders are also seen as simply *doing the right thing*. An executive made the following comment, 'it's [ethical leadership is] doing the right thing in the right way for the right reasons'. They are also *honest, trustworthy, people of integrity*. Part of trustworthiness and integrity is consistency, credibility, and predictability.

Integrity is . . . consistency. It's doing what you say, it's following up and following through, and a pattern that when you say something, people believe it because historically when you've said it, you've followed through.

Similarly, executive ethical leaders are perceived to be *good, open communicators and receptive listeners*. They are 'approachable so that people feel comfortable raising the tough issues with that individual and know that they would be listened to'. Ethical leaders are receptive to bad news: 'An ethical leader is someone who makes people feel as though they can bring up and present problems.'

In the categories most related to exceptional forms of leadership, informants described ethical leaders as being *influential/inspirational*, as well as *courageous and strong*.

Setting ethical standards and accountability

In a type of leadership that can be considered more 'transactional', informants said that executive ethical leaders create the ground rules for ethical behavior in the organization and hold people accountable. First, they *set standards and expectations* regarding appropriate and inappropriate conduct. Ethical leaders set expectations by 'saying these are our standards, these are our values . . . [that] we'd like you to follow'. They also 'keep [that] drum beat going, keep it on everyone's mind'. They *create and institutionalize values*. *Sticking to principles and standards* was also seen as characteristic of ethical leadership. Ethical leaders are thought to be 'tenacious', 'steadfast', and 'uncompromising' as they practice *values-based management*. These 'basic principles . . . don't change in the wind or change from day to day, month to month, year to year'.

Ethical leaders also use *rewards and punishments* to hold people *accountable to standards* – creating a system that reinforces ethical behavior, and punishes ethical violations. In this way, they convey to employees 'how individuals win and lose in the organization'. Similarly, ethical leaders *do not tolerate ethical lapses*. They make sure that unethical conduct is followed by *discipline*. As one ethics officer put it, 'their toleration of cutting corners or doing wrong things . . . was zero'.

Broad ethical awareness

Interviewees also characterized ethical leaders as having broad ethical awareness and concerns that include, but extend beyond, bottom-line interests to include the good of the organization and the community, and concern about *servicing the greater good*. They have a fundamental vision of the corporation that makes 'sure that the common good is served in the pursuit of . . . business objectives'. Ethical leaders are also concerned about *the interests of multiple stakeholders*, including the *community and society*:

I think an ethical leader probably concentrates on the quality of the products or services, the organization's place in the community, what the organization means to the people who work there, and is fairly confident that if all those things work together, the bottom line will take care of itself.

Like any effective executive, ethical leaders care a great deal about *bottom-line success*. But ethical leaders are also seen as generally ethically aware, conscious of what they are doing and how they are doing it: 'That goes back to the self awareness piece . . . That's what makes them as successful as they are . . . because they're conscious of what they're doing.'

Ethics officers said that ethical leaders are concerned about the *means* used to achieve their business goals, not just the ends. In addition, ethics officers said that ethical leaders see beyond quick-fix solutions that might deliver immediate, bottom-line results but also could be detrimental to the corporation and its reputation over the *long term*.

Ethically neutral leaders were differentiated from ethical leaders in terms of their *short-term focus on the financial bottom line*: 'I picture this leader as the one who is more driven to gain the bottom line no matter what.' EN leaders were also perceived to be *less aware of ethical issues*. Ethics is 'not on the ethically neutral leader's radar screen'.

Decision-making processes

Finally, executive informants also emphasized the *decision-making processes* ethical leaders use, such as the golden rule, the flashlight/newspaper test (also referred to as the disclosure rule) that asks whether you would be comfortable with your action being disclosed to the public, and the use of fairness criteria in making decisions.

Responses to specific probe questions

We have separated out the responses to specific probe questions we asked because they did not emerge spontaneously and our prompting is a potential source of bias (note that these questions came late in the interviews so they would not bias other responses). For example, because some of the interviews took place in the midst of the President Clinton–Monica Lewinsky scandals, we asked an explicit question about whether personal morality was related to ethical leadership. Although few informants had mentioned personal morality on their own, the majority of interviewees responded affirmatively to our question, linking personal moral behavior to ethical leadership. Our informants suggested that leaders are subject to constant scrutiny because at the executive level ‘one’s personal and one’s business life tend to be rather seamless’.

In response to another question about whether ethics is a top down phenomenon in large organizations, most ethics officers and executives said that it was top down, expressing the belief that ‘it has to emanate . . . from the top . . . otherwise . . . it’s [not] going to be nearly as strong or significant . . . the origin of it and the impetus for it has to come from the top’.

In response to a question about what lower-level employees would think of the ethical leader, the ethics officers said that, in large corporations, an executive must not assume that his or her message is being heard by lower-level employees. It is ‘near the bottom’ of the organization where ‘*cynicism* is really high’, and people don’t necessarily expect their leaders to be ethical.

We also asked, ‘Is an ethical person who is in a leadership position automatically an ethical leader?’ Ethics officers said that ‘you can be ethical and be a leader but you may not choose to put ethics at the forefront of your leadership’. In addition, because of the pressures to succeed, to make a profit, to compete and survive, *ethical people can be bad leaders or unethical leaders*. One ethics officer noted, ‘I have seen examples of people who would never dream of doing anything that they would view as unethical but in the heat of battle they can sometimes lose their compass.’

Another probe question was prompted by McClelland’s (1975) work on leader motive profile and need for power. It asked whether ethical leaders and EN leaders are different in the way they use power. Ethics officers said that ethical leaders *use power judiciously* while EN leaders *use power in a more negative way*: ‘There is . . . a love of power for the sake of power.’

Discussion

We began this research with the question – how is executive ethical leadership perceived and understood by those inside and outside the executive suite? The findings of the manifest content analysis discussed above suggest

significant convergence between our two sets of informants regarding most dimensions of executive ethical leadership. The broad themes we identified (people-orientation, visible ethical actions and traits, standard-setting and accountability, broad ethical awareness, decision-making processes), and the categories that contribute to them, serve to expand and refine our understanding of executive ethical leadership. For example, we learned that our informants identified a key transactional component of ethical leadership, and that most of them acknowledged that ethically neutral leadership exists. In this discussion section we focus more on differences in perception across the two sets of informants that led to theoretical insights about the importance of vantage point and social salience in understanding perceptions of executive ethical leadership.

Expanding our understanding of executive ethical leadership

As we stated in the introduction, previous work related to ethical leadership has focused primarily on traits such as integrity and exceptional forms of leadership (such as transformational or charismatic leadership). The results of this study have expanded our understanding of executive ethical leadership – they emphasize the importance of being perceived as having a people-orientation, as well as the importance of engaging in visible ethical action. Ethical leaders are thought to be receptive and open, in addition to the more traditionally considered traits of integrity, honesty, and trustworthiness. In addition, ethical leadership includes transactional leader behaviors such as setting ethical standards and holding followers accountable for ethical conduct. Finally, being perceived as having a broad ethical awareness and concern for multiple stakeholders, and using ethical decision processes are also important. Future research can build on this expanded understanding in attempts to determine whether some of these dimensions are more important than others.

The relationship between ethical leadership and exceptional leadership

We learned that ethical leaders do many of the things ‘leaders’ do (e.g. reinforce the conduct they are looking for, create standards for behavior, etc.), but within the context of an ethics agenda. People perceive that the ethical leader’s goal is not simply job performance, but performance that is consistent with a set of ethical values and principles; and ethical leaders demonstrate caring for people (employees and external stakeholders) in the process.

Clearly, our results suggest overlap with the transformational leadership dimensions of individualized consideration (similar to our people-orientation dimension) and charisma/inspirational (which includes role-modeling ethical

conduct and a focus on values). However, there is not perfect correspondence between ethical leadership and exceptional leadership types. For example, our informants did not identify ethical leaders as charismatic in the sense that charisma has to do with being heroic and extraordinary, or transformational in the sense that being transformational has to do with being visionary (Yukl, 2002). In our interviews, we heard almost nothing about employees' personal sacrifice or intrinsic motivation, and our informants did not characterize executive ethical leadership with the intensity and passion normally associated with charismatic leadership. They did not talk about being energized (Conger & Kanungo, 1987; House et al., 1991) and said little about the change that is normally associated with transformational leadership. More work will be needed to clarify to what extent ethical leadership and transformational and/or charismatic leadership forms overlap and this research has provided a solid basis for conducting such studies.

The transactional or instrumental ethical leader

Our data did surface evidence of a transactional ethical leader who engages in task-oriented behaviors, including ethical standard setting, performance appraisal, and the use of the reward system to hold people accountable for ethical conduct. This transactional dimension of ethical leadership has not been identified previously, but seems to be an important addition to the content domain. Thus future research on the ethical dimension of leadership should incorporate a transactional as well as a transformational focus.

Ethically neutral leadership

In attempting to understand executive ethical leadership, we also asked our informants to answer questions about a contrasting category that we described as neither clearly ethical nor clearly unethical executive leadership. We did not know how informants would respond to this question because, despite previous conceptualizations of a similar phenomenon (Carroll, 1987), no empirical evidence of such a category existed previously. However, the 20 ethics officers and half the senior executives responded as quickly and easily to this category and our questions as they had to the questions about ethical leadership. That response suggests to us that the category does exist in their minds and may be important. When previous research has contrasted ethical leadership with something else, that something else has been unethical (charismatic) leadership (e.g. Howell & Avolio, 1992). Yet ethics officers had told us previously that, at the executive level, unethical leadership was relatively rare. Therefore, future research should consider this ethically neutral

category. On the other hand, we did encounter resistance to the category among a number of the senior executives (discussed later).

According to ethics officers, ethically neutral leaders are similar to ethical leaders in one way – both are keenly interested in the financial success of the organization – but the similarity ends there. Ethical leaders are perceived to have a broader awareness that looks outward (to multiple stakeholders) and ahead (to long-term outcomes). Both ethics officers and executives saw ethically neutral leaders as having a narrower view. They look inward, being more interested in personal gain, with a narrow focus on the organization's bottom line; they are less aware of ethical issues, and less concerned with leaving the organization or the world a better place for the future; and they are more self-centered and may use power in negative ways. This focus on ethical awareness is important given that awareness and recognition of ethical issues is acknowledged to be a key first step in the ethical decision-making process and a step that is receiving increasing research attention (e.g. Butterfield et al., 2000; Jones, 1991; May & Pauli, 2000).

The characterization of ethically neutral leaders as less aware of ethical issues is similar to Carroll's description of the unintentional amoral manager who is unaware of or insensitive to ethical concerns, but their perceived intense focus on the bottom line sounds more like Carroll's intentional amoral manager who sees no role for ethics in his work. Thus our observers did not differentiate between intentional and unintentional amoral managers, as Carroll's conceptualization suggests. This may be particularly true for executive leaders whose intentions may be difficult for observers to judge from a distance. Future research should consider this issue.

The characterization of ethically neutral leaders as self-centered is reminiscent of McClelland's (1975) leader motive profile theory which suggests that leaders with high power motivation tempered by a disposition toward the moral exercise of that power rather than a tendency toward self aggrandizement are more effective leaders (House & Aditya, 1997). This self-centered versus other-centered distinction is also similar to the motivations attributed to ethical and unethical leaders by Bass and Steidlmeier (1999), Kanungo and Mendonca (1996) and found by Howell and Avolio (1992) in their research on charismatic ethical and unethical leadership. However, in our research, this distinction characterized a difference between ethical and ethically neutral leadership. This is important because the characterization of ethically neutral leaders as self-centered represents the largest category referring to ethically neutral leaders in our data, and it contrasts with the high frequencies that associate ethical executive leadership with caring about others. All of this suggests that people look for evidence of leader motivation in order to characterize executives as ethical or ethically neutral leaders, and

they look primarily for evidence that the leader cares mostly about himself or herself and the organization's bottom line rather than caring about other people. This motivational component of ethical leadership should be investigated in future research. In particular, given that motives cannot be directly observed, it will be important to understand how followers ascribe motives to executives' actions.

The differing vantage points of ethics officers and executives

We chose to interview both ethics officers and executives because of their respective perspectives from outside and inside the executive suite. Although we found a great deal of convergence across these two sets of informants (e.g. the importance of concern for people), we also found significant differences. These differences led to the development of insights about the importance of understanding the social context within which perceptions of ethical leadership form, and the importance of social salience to these perceptual processes.

Ethics officers are key observers of executive ethical leadership in their organizations. They interact frequently with rank and file workers in responding to ethics questions, designing and delivering ethics training programs and in handling and investigating reports of ethical problems. As such, they are closer to employees' social reality than are senior executives, and their perspective on executive ethical leadership is more of an 'outside the executive suite' perspective.

Senior executives operate within a different zone of reality. The process of conducting the executive interviews led to a striking sense of how distant executive leaders are from most organization members. The executives' offices we visited were perched atop tall office buildings. When the elevator doors opened, we stepped into plush and quiet executive domains. We quickly understood why perceptions of ethical leadership might differ depending on the distance of the perceiver from the target leader. Other senior executives who work closely with a leader would have significant information about the executive and his or her traits, behaviors, and decision-making processes based on regular and direct interaction. However, most employees' perceptions of executive leaders must result not from dyadic relationships or face-to-face interactions, but rather from more distant images of the leader. Employees are observers who make sense, mostly from afar, of who the leader is as a person, what the leader stands for and cares about.

This contrast is important because it provides insight into senior executives' perspectives on this significant leadership dimension and an opportunity to compare these potentially different perspectives. Therefore, we

focus here on the differences between the two sets of informants by highlighting categories that appeared in only one or the other sample.

A key difference between these two sets of informants is that executives focused more on decisions and decision processes than did ethics officers. Only executives characterized ethical leadership in terms of decision-making processes such as the golden rule, the flashlight/newspaper test, and fairness in decision-making (see Table 1). The flashlight or newspaper test refers to the disclosure rule that can be used to evaluate the propriety of a particular decision and asks how one would feel if a flashlight were shone on this decision or action, or if it were published on the front page of the newspaper. The emphasis does not surprise us because decision-making is such a consuming aspect of the executive's daily life.

This emphasis on decision-making also emerged in executives' responses to our questions about the ethically neutral leadership category. Despite some overlap in responses from ethics officers and executives regarding ENS leadership, note the relatively few responses from executives on this topic. After our experience of interviewing ethics officers who were quite comfortable with the ethically neutral leader category, we were surprised to find such strong resistance from 10 of the 20 executive informants who contended that this category made no sense to them at all: 'So, through your living of your corporate role you hang out a sign. And to say that you can be ethically neutral is pure baloney.'

Even after further probing, these executives resisted answering questions about this category and so we dropped it in those interviews. Note the following quotes from two different executives who rejected the ethically neutral leadership category, one the CEO of a medium-sized corporation, and the other the retired CEO of a Fortune 500 company.

Intuitively, it [ENS leadership] just doesn't make sense. I think you're either one or the other. There are too many choices to make [that] . . . call on you to be either ethical or unethical.

I don't think there is such a thing as ethical neutrality . . . because I think . . . we are forced to make judgments and decisions that, whether we like it or not, have a moral dimension.

These statements suggest a belief among these senior executives that ethical leadership is a function of choices and decisions. The executives who rejected the ethically neutral leadership category appeared to do so largely because they are acutely aware of how ethically charged the decisions of senior executives are.

You cannot be ethically neutral. No you can't because you decide every day and ultimately people start to understand. You decide . . . what disciplinary action you're going to take because someone else did not act ethically and everyone's in the room when you make that decision. So how can you be ethically neutral? You decide.

In this quote, we again see the emphasis on ethical leadership as decision-making – 'you decide' – and the suggestion that others will understand because they observe these decisions. But how many people will be aware of a senior executive's decisions? How many people are 'in the room'? This example is particularly interesting because the specifics of disciplinary actions are often kept confidential in organizations. Other than those who are directly involved, few people are likely to know about the specifics of this decision, or other executive decisions for that matter, unless they are made to stand out in some way. Senior executive decisions are simply not a part of the 'here and now' of most organization members (Berger & Luckman, 1966: 33). To use the language of social cognition, senior executive decisions are not socially salient to most organization members unless the executive goes out of his or her way to make them so.

Ethics officers, on the other hand, readily accepted the ethically neutral leadership category, and responded quickly and easily to our questions about it. Their responses also suggested an understanding of the importance of social salience to perceptions of ethical leadership. For example, some categories that were unique to the ethics officer data related to the importance of conveying an ethics message that will stand out and be noticed. Ethics officers identified communication about ethics as an important category, while executives did not explicitly mention communication at all. Ethics officers also recognized the importance of appearing courageous in tough ethical situations, clearly a category that reflects behavior that will garner attention and be noticed. Finally, ethics officers said that ethical leaders are concerned about means, not just ends, and the long term, not just the short term. This suggested to us a contrast effect that again assumes the importance of social salience. Previous research suggests that managers are utilitarian in their thinking (Fritzsche & Becker, 1984). If employees expect leaders to focus on short-term outcomes only, those who communicate the importance of the long term and the means used to achieve ends are likely to stand out. These category differences also supported other ethics officer statements, such as the idea that executive leaders should not assume that lower-level employees are aware of their values.

Understanding the importance of social context and social salience

One way to understand our findings is to consider the social context within which perceptions of ethical leadership are formed. According to Smircich and Morgan (1982: 261), 'leadership works by influencing the relationship between figure and ground'. The ground in this case comprises both the organizational context and the broader social context that surrounds it. With few exceptions, the broader social context, particularly the mass media, highlights unethical conduct in American business. Hollywood films generally portray American business in a negative ethical light, and the recent media frenzy in the US over widespread business misconduct points to the cynicism about business ethics that pervades broader society.

Employees are also cynical about the social context inside business organizations. We learned from the ethics officer informants that many leaders within large business organizations are perceived to be 'ethically neutral'. This is probably because the social reality within businesses, especially publicly owned US businesses, overwhelmingly emphasizes short-term financial results, with less attention on how those results are achieved. In this context, employees do not necessarily see executive leaders as 'unethical', but neither do they see them as 'ethical leaders'. Rather, they see them as 'ethically neutral'.

Socially salient leader behaviors get noticed

We propose that this (at best) ethically neutral context provides a challenging 'ground' against which ethical leaders must emerge as figures. An executive must engage in behaviors that are salient in that social setting; behaviors that organization members who are outside the executive suite will notice and attend to. Simply put, if an executive is quietly ethical within the confines of the top management team, but more distant employees do not know about it, he or she is not likely to be perceived as an ethical leader.

Fiske and Taylor (1991) reviewed the causes of social salience and a number of these seem particularly relevant to perceptions of executive ethical leadership. Salience includes being novel or figural in the immediate context, behaving in unusual or unexpected ways for a person in a particular social category (i.e. executive), and being 'goal-relevant' (e.g. being the boss).

The highest frequency categories in the data had to do with the executive's concern for people. The executive's demonstration of caring for people is likely to be salient because it is inconsistent with the image of the hard-charging American executive and a sense of cynicism about executives among employees (Dean et al., 1998). Demonstrating concern and caring

for people is considered unusual behavior for a senior executive and will be noticed.

People also notice when an executive walks the talk and acts on concerns for the common good, society as a whole, and the long term, because executives are expected to be focused on the financial bottom line and the short-term demands of stock analysts. When they focus on these broader and longer-term concerns, people notice.

Rewards and punishments are also figural in organizations. The reward system represents a key symbol system that helps to create and maintain shared meaning about appropriate and inappropriate conduct. People pay close attention to behaviors that are rewarded, and those that are punished. And, to the extent that others know about them, rewards and punishments are salient social events. Through the reward system, the leader focuses and maintains attention on the kinds of behaviors that are valued and not valued in the organization. Employees understand that the reward system carries powerful meaning about what leaders truly care about. Disciplinary events are especially salient because they are relatively rare, they symbolize the value of conformity to organizational norms, and they make an example of rule violators (Blau, 1964). People pay attention to disciplinary events because they provide important social information about what matters in the organization (Treviño, 1992). Yet, interestingly, information about disciplinary action is often kept quiet because of concerns about the privacy of the disciplined employee. Our findings suggest that executives who keep such information quiet may be trading off employees' perceptions of the executive as an ethical leader.

Making courageous decisions in tough situations represents another (although much less frequent according to our data) way ethical leaders get noticed. Ethical leaders are 'courageous enough to say "no" to conduct that would be inconsistent with [their] values'. This type of courageous decision-making is certain to garner attention in the organization and to stand out from a neutral or unethical landscape, conveying information about the importance of standing up for what's right.

Both sets of informants also defined executive ethical leadership in terms of traits such as honesty, trustworthiness, and integrity, although these were not the most frequently identified categories. These findings generally support Bass and Steidlmeier's (1999) contention that authentic transformational leaders are perceived to be of high moral character and are concerned about the common good, Kanungo and Mendonca's (1996) suggestion that ethical leaders have altruistic motives, and Yukl's (1998) definition of leader integrity as behavior that is honest, trustworthy, and consistent with espoused values. However, these findings raise questions about how employees will know that

an executive leader has these traits and concerns. One way is to infer traits from the behaviors discussed; another is to be influenced by the executive's use of language to talk about values, principles, and standards. Pfeffer (1981: 24) argued that 'in the management activity of developing shared systems of belief and meaning within an organization, the use of language is important'. Similarly, according to Berger and Luckman (1966: 37), 'language . . . is the most important sign system of human society'. We learned that ethical leaders use language to communicate about ethics and values, to emphasize the importance of ethical standards and principles, and to show concern for the means used to achieve financial ends. With so much attention on the ends (the financial bottom line), explicit language that refers to ethics and values, and the means used to achieve financial ends, makes the leader stand out and attracts attention to the ethics message. If the leader uses the language of ethics and values to communicate with employees, such language focuses observers' attention and provides a pattern of thinking and talking that employees can emulate. This is also where being 'goal-relevant' may come in. If the senior executive talks about integrity, values, and standards, people are likely to pay attention simply because the message is coming from the senior executive, and perhaps because such statements are unexpected from senior executives – who are expected to focus intently on their own organization's bottom line.

Implications for management

These perceptual differences based on vantage point have important implications for management. Ethics officers may now understand that if the CEO is making daily value-laden decisions that essentially 'do the right thing' and follow key ethical decision rules (e.g. the golden rule), the CEO *is* being an ethical leader in his or her own view of what that means, and may be perceived as an ethical leader by those in the senior executive's inner circle. But more distant employees are not likely to infer ethical leadership from routine executive decisions that are not widely communicated. Rather, they will infer ethical leadership from actions and decisions that make the leader stand out from an ethically neutral background. Certainly, people may infer ethical leadership from courageous or compassionate ethical action in crisis situations. These actions stand out and are noticed because they defy expectations about what would normally occur in such a situation, but such crises are relatively rare in organizations and they were rarely cited in our data. Executives are more likely to be perceived as ethical leaders if they place ethics at the forefront of their leadership agenda in ways that will stand out and be noticed against the ethically neutral backdrop.

For their part, executives need to understand that putting on the CEO

hat may distort their perspective regarding how others perceive their ethical leadership. Executives said that they live in a 'fishbowl'. They know that people pay attention to them and their behavior and, as a result, they may believe that their 'ethics' are quite transparent to others. But, to distant employees, the 'fishbowl' may look more like a 'fortress' designed to allow only selected information through. As a result, distant employees may not perceive executives to be as ethical as the executives perceive themselves to be because these employees are not privy to executive decisions and do not have personal relationships with these leaders. Also, employees are influenced not just by what happens in the organization, but by the broader social context that includes cynicism about business leaders and their ethics (Dean et al., 1998). Executives should therefore ask themselves what they can do to make the ethical dimension of their leadership salient in the social context. It is not enough to be a good 'boy scout' or 'girl scout'. Leaders must convey a socially salient ethics agenda. One way to do so is to share information publicly about important organizational decisions – especially those that affect people – along with information about the principles and decision-making process that were used to make these decisions. Ethical leaders can also demonstrate that they care about people in a variety of ways: listening, and visibly demonstrating concern for the greater good and the long-term best interest of the organization. Executives should also communicate with employees regularly about ethical issues, and use socially salient action, such as rewards and punishments, to signal support for ethical values.

Implications for future research

Executive ethical leadership has been discussed a great deal, but empirical studies have been rare and none have focused explicitly or in any depth on executive ethical leadership. Business ethics researchers have identified executive ethical leadership as important to a firm's ethical stance (e.g. Clinard, 1983; Posner & Schmidt, 1992; Treviño et al., 1998; Weaver et al., 1999b) and the employee outcomes associated with that ethical stance (Treviño et al., 2000), but these studies have tended to conceptualize ethical leadership in very broad and simple terms. Future research can use the results of this study to develop more complex and precise measures of the ethical dimension of executive leadership that will allow broader based empirical studies to be conducted. Survey methodologies can better answer questions, such as which dimensions of executive ethical leadership are most important and how they work together, what factors influence the development of ethical leadership in executives, and what organizational and employee outcomes it influences.

Additional research will also be required to determine how common or rare executive ethical leadership is perceived to be in organizations. The media tend to focus our attention on extreme examples that include courageous or heroic leaders at one extreme or, more commonly, highly unethical leaders at the other extreme. This may be important because, as Jeffrey Sonnenfeld suggests, 'the persona of the CEO' has become 'shorthand for the persona of the company' (Boyle, 2002: 86). Our research suggests that ethical leaders need not be heroic and, therefore, the media are likely to find them unexciting and overlook them. Thus, if future research finds that ethical leadership is more common than the media would lead us to believe, we can bring examples of ethical leadership to the attention of management students and employees, and use these examples to counter their cynicism.

When the leadership literature has attended to the ethical dimension of leadership, it has emphasized personal characteristics of the leader (e.g. integrity) and most attention has been on supervisory-level leadership and exceptional forms of leadership. Supervisory leaders interact with their direct reports on a regular basis and employees are more likely to know these leaders as people. Therefore, traits may be more important to perceptions of supervisory ethical leadership. However, executive ethical leaders are likely to be perceived differently – at least in large organizations, most employees know them only indirectly and from afar. Therefore, visible ethical conduct and salient action (such as rewards and punishments) may be more important at the executive level. Future studies of the ethical dimensions of leadership should take level of analysis into account. Previous leadership research has rarely differentiated explicitly between levels of analysis, although Lord and Maher (1991) do so.

An important research question relates to the cognitive processes that are involved in perceiving executive ethical leadership. This study was not designed to investigate these cognitive processes directly, but we did learn a great deal about what the attributes of a 'prototypic' ethical leader are likely to be. This knowledge can be used in future investigations. Future studies should consider research on impression formation and judgments about people (Srull & Wyer, 1989) to delve more deeply into these cognitive processes. For example, understanding more specifically what types of executive behavior are interpreted by employees as kind, caring, and compassionate can help us understand whether an executive is likely to be perceived as an ethical leader based on specific actions. Further, it will be important to understand how perceivers deal with information about leader behavior that appears to be inconsistent with their previous perceptions of the leader. Finally, perceptions of ethical leadership are not static and need to be understood as unfolding over time.

Future research will also be required in order to understand which types of leader behaviors or messages are most socially salient and will have the strongest effects on perceptions of ethical leadership. The social context of the organization may be important. Based on our data and our experience with thousands of MBA students over the years, we believe that most organizational contexts fall somewhere between the highly ethical or highly unethical extremes, but some organizational contexts do fit the extreme categories. Perceptions of executive ethical leadership are likely to differ in these different contexts. If a particular company has a history of a strong ethical culture, does the executive have to stand out more or less in order to be perceived as an ethical leader? If the broader business landscape is rife with ethical scandals, how does that influence these perceptual processes? These cognitive processes may also differ depending on the observer. In this research, we focused on internal organizational observers and found differences in the ways ethics officers and senior executives perceive ethical leadership, but further research will be required to determine whether ethics officers' perspectives accurately mirror employees' perspectives. Also, external observers such as the media are also likely to be important too. Research should consider how external stakeholders' perceptions of executive ethical leadership are formed, and whether these perceptions have an impact on perceptions inside the firm.

Another important research question relates to the relationship between ethical leadership and leader effectiveness. Previous work has linked traits such as honesty and integrity to leader effectiveness (e.g. Kouzes & Posner, 1993, 1995; Posner & Schmidt, 1992; Schmidt & Posner, 1982; Yukl, 1998), but our findings suggest that the relationship may be more complex. First, we learned that executive ethical leadership is more than just traits. Second, some of the identified characteristics of ethical leaders could interfere with common measures of executive effectiveness. For example, caring a great deal about people might make it difficult for an executive to make cuts in personnel that are necessary for organizational performance. These more complex relationships should also be investigated in future research.

The relationship between executive ethical leadership and corporate social and financial performance of the firm should also be investigated. Past studies have considered the influence of CEO values on corporate social and financial performance, with mixed results (e.g. Agle et al., 1999). For example, Agle and colleagues (1999) questioned whether CEOs actually have the discretion to act on their values when making decisions about responses to stakeholders, but this may depend on the type of decision. Buchholtz et al. (1999) found that top management values did influence corporate philanthropy decisions, and Weaver and colleagues (1999c) found that senior

executives' attention to ethics influenced the integration of ethics into organizational structures and processes. However, the association between executive ethical leadership and corporate performance remains an open question.

Strengths and limitations of the study

An important contribution of this study is its use of an inductive qualitative research methodology (Conger, 1998). We believe that our qualitative investigation has yielded a broader and deeper understanding of executive ethical leadership than would otherwise have been possible using more traditional survey or other techniques.

We attempted to reduce the potential for biased responding by asking our informants to think of an executive from their experience for each part of the interview, but not to identify the individual. That made the interview less sensitive and less subject to socially desirable responding. Also, interviewees were quite willing to disagree. For example, despite prodding, half of the executives simply did not respond to our questions about the ethically neutral category – an indication that they were not just telling us what they thought we wanted to hear.

Accessing senior executives of major companies is difficult, but we were able to interview 20 senior executives and 20 ethics officers charged with overseeing the ethics and legal compliance activities at major US corporations. Interviewing representatives from these groups allowed us to compare and contrast their responses, leading to insights that would probably not have been possible with just one informant group. However, these samples were not random and the ethics officer and executive samples were not drawn from the same firms. Therefore, we did not 'match' perspectives from within a firm or with regard to a particular ethical leader. As a result, questions about the results and their generalizability remain. Further, we were not able to return to these executives for follow-up interviews. However, we have shared the results with practitioner audiences who have validated the findings as consistent with their experience.

Conclusion

In this inductive study of executive ethical leadership, we interviewed ethics officers and senior executives in American businesses. Analysis of the interview data surfaced important dimensions of executive ethical leadership that can be used to further research in this important area. Our informants

associated executive ethical leadership with some aspects of transformational leadership, such as concern for people and values-based leadership, but they also highlighted a more transactional dimension, calling attention to the use of communication and the reward system to send signals about what is important and guide behavior. We also learned about the existence of a category we termed 'ethically neutral' leadership, defined as a self-centered leader who lacks ethical awareness and cares mostly about himself or herself and the organization's bottom line rather than other people. Related to this is the insight that, to be perceived as an ethical leader by those outside the executive suite, the executive must engage in behaviors that are socially salient, making the executive stand out as an ethical figure against an ethically neutral ground. Additional research will be required to understand more about the cognitive processes involved in perceiving ethical leadership from different vantage points inside and outside the organization, and about its role in influencing employee and organizational behavior. We hope that this research will contribute to better understanding of the potential role of executive leadership in restoring confidence in American business and its leaders.

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