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Chapter 14
Ethical Leadership – How to Integrate Empirical and Ethical Aspects for Promoting Moral Decision Making in Business Practice

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14.1 Introduction

Corporate ethical scandals, the financial and economic crisis of the past several years, and examples of misuse of power by prominent leaders have shocked the business world. They have not only called into question the role of the economic system design at large, but have also raised questions about the role of leaders in influencing ethics and ethical behavior in organizations. It is hardly controversial to state that aspects of management and leadership are crucial in determining the strategical direction and daily operations of an organization. Few would doubt that leaders are key figures in shaping ethical conduct. However, little is known about what constitutes ethical leadership. What are the relevant competencies leaders should acquire? The behavior of leaders and the extent to which they behave with moral integrity has also become a topic of high interest in the media and public discussion. Yet, many people believe that ethical leadership is simply a matter of having good character or having the "right values. "Although character and values are obviously important, the concept of ethical leadership is far more complex than those factors and there is little consensus on what precisely characterizes ethical leadership.

The field of ethical leadership can be divided roughly into two realms of inquiry. Psychology (and economics) is concerned with descriptive (or empirical) ethics as

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to how individuals "do" behave, while ethics is concerned with the normative impli-
cations of leadership and the question as to how individuals and organizations
"should" behave. We argue that both empirical and normative approaches are
important in the research and discussion of ethical leadership. Hence, this chapter
explores the possibilities for cross-fertilization between psychology and ethics.

The purpose of this chapter is threefold. Our first goal is to highlight some typi-
cal features of the empirical and normative approaches to exploring ethical decision-
making and behavior, and to sketch out how ethics and psychology can learn and
benefit from each other. We argue that empirical research without normative reflec-
tion is "blind". Since empirical leadership research usually has normative implica-
tions, normative reflection is necessary to identify and understand those implications.
On the other hand, normative reflection is "empty" without empirical insights. We
believe that studying ethical leadership using an interdisciplinary approach helps to
advance our knowledge of what constitutes or should constitute ethical leadership
and how it can be promoted. Second, based on previous empirical research and our
own perspectives, we wish to shed light on some important components and compe-
tencies of ethical leaders. Even though most scholars agree that all forms of leader-
ship should be based on some ethical foundations (Bass and Steidlmeier 1999;
Kanungo 2001), discussions still differ in regard to what should be expected from
an ethical leader. While discussing important characteristics of ethical leaders, we
also aim to discover some unresolved key questions about ethical leadership. We
argue that these questions reflect important points of intersection between empirical
and normative approaches, and points where it appears beneficial that normative
reflection comes in. These questions and their implications for the practice of moral
behavior and leadership will be discussed in the final section.

14.2   The Relation Between Empirical and Normative Research

Both ethicists and psychologists are concerned with identifying the qualities of
moral behavior, yet they pursue distinctive goals. Ethicists usually evaluate and jus-
tify the quality of actions through reflective deliberations (Singer 2000) referring to
abstract standards of ethical conduct and a moral point of view. Their focus is on
normative goals and the question of what ought to be done. In contrast, psycholo-
gists examine people's beliefs, values and actual behaviors in specific contexts, and
test assumptions about the mechanisms involved in ethical decision-making and
behavior through empirical research. Their focus is on descriptive goals which aim
to discover what actually is. Despite these differences, calls for a dialog and a closer
relation between the empirical and normative approaches in moral research and
business ethics are often heard (e.g., Singer 2000; Weaver and Treviño 1994;
Waterman 1988). Our goal in this portion of the chapter is to contribute to this

empirical-normative dialog in the context of ethics and ethical leadership by 64
emphasizing how the two can be mutually beneficial. 65

One problem of empirical research in the realm of ethics is that its concepts of 66
moral values, norms or behavior typically rest upon consensual beliefs and common 67
views of morality. This is also the case in leadership research. As such, the research 68
concepts represent "social constructions that reflect the value and paradigms of 69
leadership at a particular time and place" (Ciulla 2006: 21). Though empirical stud- 70
ies often build upon prior interviews with experts and practitioners, the concepts 71
implemented in experiments and surveys are based on characteristics people con- 72
sider to be ethical in leaders. However, generating knowledge about what people 73
claim to be moral does not tell us if these claims are normatively appropriate. In 74
other words, providing descriptions about what *is*, does not automatically reveal 75
what *should be* (Waterman 1988; Fraedrich et al. 2011: 240). When, for example, 76
Kohlberg claims that the highest stage of moral thinking is expressed in terms of a 77
deontological moral perspective, this description shifts into prescription (cf., Miner 78
and Petocz 2003: 15). In philosophy this slide is considered problematic and is 79
called the "naturalistic fallacy" (Dunfee and Donaldson 2002: 41). Interdisciplinary 80
collaboration is therefore important to psychology since it helps to take into account 81
the normative implications of the concepts used, and to reduce the risk of merely 82
deeming common sense to be sufficient for deciding which standards and behaviors 83
are ethically adequate. Moreover, as Miner and Petocz (2003) argue, any psycho- 84
logical investigation must acknowledge the importance of meta-ethical positions 85
and specific moral theories for ethical decision-making and then "consider how they 86
might affect the processes and outcomes of decision-making" (p. 14). 87

On the other hand, in examining which processes and factors determine moral 88
judgment and behavior, psychology has provided solid insights about human func- 89
tioning which should also be essential for understanding normative ethics. For 90
instance, one insight, for which there is converging empirical evidence, is that moral 91
judgment and decision-making are often based on automatic intuitive reactions 92
rather than reflective deliberations (Haidt 2001). Studies have shown that externally 93
induced or even hypnotically induced gut feelings (such as flashes of disgust) do 94
causally affect moral judgments, supporting the view that such gut feelings or moral 95
intuitions serve as information when evaluating moral transgressions (e.g., Wheatley 96
and Haidt 2005). There is, in addition, much evidence that the nature of automatic- 97
intuitive or more deliberative-reflective processing is highly contingent on personal 98
and situational factors (e.g., Fazio 1990). Overall, empirical research has made a 99
valuable contribution to normative ethics and encouraged further discussions by 100
forcing acknowledgement of the role of moral intuitions and automatic processes in 101
ethical decision-making (Kennett and Fine 2009; Treviño 2009). 102

Should normative ethics account for these empirical findings about what deter- 103
mines moral judgment and decision-making? In the context of business ethics, 104
empirical sciences provide information about actual problems and conflicts with 105
which business agents contend. They generate knowledge about individual differ- 106
ences in judgment, behavior, values and attitudes based upon the people who make 107
decisions. This is important for ethics for two reasons. First, without this empirical 108

"material" normative ethics would lack a sound basis for its reflection. Hence, it is an important task for ethics to clarify and formulate systematically what people think (Miller 2008: 93f.). Second, normative approaches without certain knowledge of people's specific beliefs and values, which serve to guide their judgments and behaviors, risk being irrelevant to any attempted application or implementation in daily life and professional settings. In either case, normative ethics proceeds in a critical way, asking whether or not people's given moral judgments and decision-making are right from a moral point of view. This form of critical analysis may, of course, end in doubts about the legitimacy of empirically ascertained moral judgments and decisions.

In sum, we believe that fostering a empirical-normative dialog is beneficial for advancing moral theory and research. Empirical research is blind without normative reflection since its concepts fail the critical analysis of whether they are normatively appropriate, meaning whether the norms and values people use to guide their judgments and actions are indeed right. In turn, normative reflection is empty without empirical knowledge and risks being of little practical value without acknowledging the relevance of what is, and why it is. To generate an empirical-normative dialog, the purpose of the next section is to identify some intersections within ethical leadership research where the bringing together of "is" and "ought" issues may be crucial and useful. To this end, we start with a short overview of the empirical literature on ethical leadership and then define some core features of ethical leaders. In so doing, our goal is to identify those (or at least some) key areas of ethical decision-making and ethical leadership research where it may be important to employ normative reflection.

14.3   What Are the Characteristics of Ethical Leadership?

14.3.1   Empirical Research on Ethical Leadership

Understanding the constituents of ethical leadership has captured the interest of researchers and practitioners alike. In particular, one large empirical research line has looked to develop frameworks explaining the process of ethical decision-making (for a comprehensive overview, see Treviño et al. 2006). While this research has made important contributions to understanding and predicting ethical decision-making by describing how individuals actually think and act when faced with ethical situations, it says little about what the essential characteristics of ethical leaders are. In this regard, leadership research and, more recently, research into moral intelligence (see also the Chap. 7 of Tanner and Christen, in this volume) seek to identify and develop moral competences of ethical leadership and conduct.

As to leadership research, various approaches have emerged over the past decades. Although all of them tap into ethical aspects in some way, such dimensions actually play a relatively implicit or indirect role. For instance, embedded in the

charismatic or transformational leadership paradigm is the idea that "transforming" 148
leaders are those who feel responsible for achieving the good for their organization 149
and society, and who inspire followers to elevate their levels of motivation and 150
morality (Bass and Steidlmeier 1999). Conceptualizations of authentic leadership 151
typically assert that (moral) authenticity is achieved when individuals act in concert 152
with an internalized moral perspective (e.g., Gardner et al. 2005). Still other models 153
have highlighted either the importance of a leader's ethical values that guide choices 154
and behaviors (e.g., Resick et al. 2006; Russell 2001), or the role of a leader's moral 155
virtues (e.g. Manz et al. 2008; Solomon 2003). 156

With an explicit focus on ethical leadership, seminal work has been performed 157
by Brown and colleagues (Brown et al. 2005; Brown and Treviño 2006). They 158
define ethical leadership as "the demonstration of normatively appropriate conduct 159
through personal actions and interpersonal relationships, and the promotion of such 160
conduct to followers through two-way communication and decision-making" 161
(Brown et al. 2005: 120). As to this conceptualization, ethical leadership involves 162
promoting normatively appropriate conduct through role modeling and interper- 163
sonal relationships. The authors also suggest some ethical ideals that they deem to 164
be (normatively) right: ethical leaders should be perceived as trustworthy, fair and 165
concerned about others; they should set clear ethical standards and use rewards and 166
punishments to promote ethical conduct. Consistent with these suggestions, Brown 167
and colleagues have built an Ethical Leadership Scale (ELS) designed to assess 168
whether a leader can be characterized as fair, trustworthy, or caring, and whether he 169
or she makes an effort to communicate or demonstrate ethical behaviors (Brown 170
et al. 2005). 171

In a similar vein, one author of this chapter and her colleagues have taken an 172
action-based approach, developing an Ethical Leadership Behavior Scale (ELBS) 173
(Tanner et al. 2010) that is based on specific behaviors reflecting concrete manifes- 174
tations of ethical values (such as fairness, respect) across occasions and situational 175
challenges. This approach shares with others the idea that moral norms and values 176
are essential in guiding and promoting ethical conduct, but remains distinct from 177
them by calling for more focused attention on whether and how moral values are 178
reflected in behavioral patterns. It is commonly known that values and good inten- 179
tions are not always implemented in actions. Of course, there may be many good 180
reasons why leaders with moral intentions may choose not to act ethically, including 181
that of avoiding unpopularity or preserving their own career (May et al. 2003). 182
Tanner and colleagues (2010) and other scholars (Ciulla 1999) therefore emphasize 183
the importance of leaders acting upon moral standards and values consistently, on a 184
regular basis, and despite potentially unpleasant consequences, in order to earn the 185
attribute of an "ethical leader." 186

With the concept of moral intelligence, a quite different approach to moral or 187
ethical leadership has recently emerged. In the past, researcher and practitioners 188
alike acknowledged that beyond cognitive skills, emotional intelligence and social 189
intelligence represent additional advantageous capabilities (e.g., Goleman 1995; 190
Salovey and Mayer 1990). In the aftermath of recent business scandals, researchers 191
and practitioners alike have now started to turn their attention more thoroughly to 192

193 the moral competencies that business leaders should have or acquire. With an
194 explicit emphasis on moral skills, Lennick and Kiel (2005) introduced the term
195 moral intelligence to capture a new facet of intelligence. Tanner and Christen (Chap.
196 7 in this volume) define moral intelligence as the individual's capacity to process
197 and manage moral problems. Current research and discussion is engaged in identi-
198 fying and assessing the key elements and abilities of moral intelligence (Lennick
199 and Kiel 2005; Martin and Austin 2010; Narvaez 2005; Chap. 7 by Tanner and
200 Christen, in this volume). Scholars working in this area or the domain of moral
201 expertise commonly assert that individuals need multiple abilities, but their
202 approaches differ in terms of which skills and subskills are crucial. An elaborated
203 model by Narvaez (2005), for instance, posits that moral experts need skills in ethi-
204 cal sensitivity, moral judgment, moral motivation and moral action. In general, we
205 believe that the approach of moral intelligence with its emphasis on various moral
206 skills can expand our understanding of ethical leadership in useful ways.

207   In the following section, we wish to highlight a few core characteristics of ethical
208 leadership, building upon the research and development of leadership and morality. Our
209 goal is also to discover points of intersection between empirical and normative
210 approaches by identifying some key questions about ethical leadership that demand nor-
211 mative reflection. In this chapter we will focus on just three such points of intersection
212 which we deem to be highly relevant (of course, we do not claim to be exhaustive).

213 ### *14.3.2   Defining Ethical Leadership*

214 We will structure the elements of ethical leadership using two categories which
215 Treviño and colleagues (2000) termed the aspect of the "moral person" and the
216 "moral manager." According to these authors, moral person refers to traits, charac-
217 teristics and motivations of leaders. Yet, as Treviño et al. have emphasized, ethical
218 leaders are not just moral persons, they are also moral managers in that they "lead"
219 and influence followers to develop ethical conduct. This dimension of moral man-
220 ager represents the leader's efforts to influence the ethical or unethical behaviors of
221 followers. In what follows we focus on psychological literature but of course similar
222 definitions are presented by business ethicists in philosophy (cf., Bowie 1999; Price   [AU3]
223 2005; Solomon 2009). With regard to aspects of the ethical person, we deem the
224 following facets to be fundamental.

225 **Committed to ethical values:** Psychologists usually assert that values, typically
226 defined as stable beliefs about desirable states or conducts of behaviors (Schwartz
227 1992), are standards that serve to judge and justify actions and have the potential to
228 energize and regulate behavior (e.g. Verplanken and Holland 2002). Since standards
229 and values guide choices and behaviors, ethical values appear to be at the root of
230 ethical leadership (Lord and Brown 2001). Schmidt and Posner (1982) therefore
231 asserted that managerial values are the "silent power" in personal and organiza-
232 tional life. Lennick and Kiel (2005) have emphasized that ethical leaders distinguish

themselves from other leaders in that their thoughts, decisions and actions appear to   233
be guided by moral principles and values. Lennick and Kiel (2005) have used the   234
metaphor of the "moral compass" to refer to this set of moral standards, values and   235
beliefs which serve as a reference in all matters of right and wrong. Although having   236
a moral compass is relevant, it is not sufficient to initiate action. A leader may some-   237
times have quite clear ideas about what should be done, but he or she may then lack   238
the motivation to pursue it. Literature suggests that commitment to ethical values is   239
such a crucial motivational source that it leads individuals to prioritize moral goals   240
over other ones and to strive for desirable moral ends (Narvaez 2005; Rest 1986;   241
Chap. 7 by Tanner and Christen, in this volume).   242

Given these findings, ethical leaders are expected to be committed to ethical   243
values that serve to guide their thinking, decisions and actions. We believe that this   244
aspect is the first intersection at which normative reflection should occur. More   245
specifically, asserting that ethical values play a crucial role leads to the ultimate   246
question: which values can we consider essential? Which moral principles should   247
leaders convey? These are normative questions that cannot sufficiently be resolved   248
on an empirical basis by common sense and consensual beliefs about what people   249
consider to be relevant. We will discuss this topic more thoroughly in Sect. 14.4.   250

Endowed with ethical competencies: Here, we refer to an additional set of personal   251
moral competencies that are likely to facilitate ethical leadership. First, we expect   252
leaders to be ethically sensitive, recognizing and identifying ethical issues when they   253
arise in practice. Individuals may not always be aware that they are facing an ethical   254
issue. As Trevino & Brown accurately pictured, decisions rarely arrive with waving   255
red flags announcing that they are ethical issues (2004: 70). The relevance of this   256
point is obvious: if leaders do not recognize the ethical nature of a problem, no moral   257
judgment or decision-making process is initiated (Narvaez 2005; Rest 1986; Bleisch   258
and Huppenbauer 2011; Chap. 7 by Tanner and Christen, in this volume). We there-   259
fore consider ethical sensitivity to be another key feature of ethical leadership.   260

Second, ethical leaders need problem-solving capabilities. Once an ethical prob-   261
lem has been identified, the next challenge consists of finding viable ways to cope   262
with it. Drawing on prior work and current research, effective problem-solving   263
entails reasoning skills. From a moral philosophical perspective, reasoning demands   264
the capability to critically and impartially reflect on ethical dilemmas and to give   265
good reasons and proper justifications for possible solutions (Maak and Ulrich   266
2007: 383ff, 480ff.). Leaders are frequently required to justify their decisions not   267
only within the organization, but also towards stakeholders and society at large (e.g.   268
Freemann et al. 2010). While moral psychology has intensively studied the develop-   269
ment from childhood to adulthood of moral reasoning processes since Kohlberg   270
(1984) and the ways in which individuals think about ethical dilemmas and justify   271
their decisions, normative ethics teaches the application of multiple frameworks as   272
method of choice when faced with dilemmas where values conflict. Yet, as noted,   273
ethical problems are often rather complex and confront individuals with great   274
uncertainty regarding possible alternatives and consequences, competing values and   275
incompatible courses of actions, pressures from outside. Individuals have to cope   276

277 with emotional stress, especially when strong beliefs or convictions are at risk or
278 when decisions have threatening implications (e.g., employees may be harmed)
279 (Hanselmann and Tanner 2008; Luce et al. 1997). In addition, ethical problems
280 rarely offer obvious solutions concerning which course of action is most ethical.
281 This requires sound and viable reasoning skills.

282   We suggest that this type of discernment is another key area where an exchange
283 between empirical and normative viewpoints is useful. Acknowledging the com-
284 plexity of ethical decision-making is a critical step with respect to how a leader
285 endowed with reflective capabilities should proceed in order to come up with a
286 reasonable and justifiable solution. What are the criteria for appropriate and effec-
287 tive ethical decision-making and a reasonable solution? Again, we will address
288 these questions later, in Sect. 14.4.

289   Note that reasoning and reflection typically require conscious cognitive or delib-
290 erate processing efforts. What if leaders work under conditions that limit their
291 capacity for controlled processes, such as time pressure or high mental workload?
292 Empirical evidence has demonstrated that under such conditions, which limit the
293 capacity for extended reflection, individuals tend to rely on intuitive judgments
294 (e.g., Fazio 1990; Marquardt and Hoeger 2009). Moral psychology and moral the-
295 ory, mainly in the Kantian tradition, have focused on the conscious and deliberate
296 aspects of moral judgment (e.g., Kohlberg 1984). This research, however, has
297 underestimated the role of intuitive and affective processes in (moral) decision-
298 making—a critique that was, among others, highlighted by Roberts (2003) and
299 Nichols (2004), as well as by the social intuitionist model of Haidt (2001). According
300 to Haidt, people often base their moral judgments on quick flashes of affectively-
301 laden approvals or disapprovals ("gut feelings") which tell us that something is right
302 or wrong (Haidt 2001; Monin et al. 2007). Meanwhile, an impressive body of
303 research points to the fact that automatic and affective processes assert a much more
304 powerful influence on judgment and decision-making than was previously believed
305 (for an overview, see Loewenstein and Lerner 2003).

306   It seems obvious that, when under conditions that encourage intuitive rather than
307 deliberate reasoning judgments, ethical leaders are expected to come up with the
308 proper intuitions. Yet, when acknowledging that intuitions often play an essential
309 and demonstrably causal role in decision-making, important questions arise as to
310 how intuitive and reflective capabilities are or should be related. Is it acceptable,
311 even desirable, to allow intuitions to affect ethical decisions or not? Are there
312 "good" or "wrong" intuitions? What are the features of proper moral intuitions? The
313 answer is not simple. There is a large body of psychological research demonstrating
314 that intuitions and choices can easily be influenced by subtle, but otherwise irrele-
315 vant factors such as mood, problem descriptions, or the presence of others
316 (Loewenstein and Lerner 2003). This provides little confidence about the relevance
317 of intuitions. Other research, in contrast, supports the view that intuitions and affect
318 contribute to better decision-making because they provide vital information about
319 aspects of the current situation or about past experiences (Damasio 1994: Baumeister
320 et al. 2007). This is another point of intersection for a dialog between empirical and
321 normative approaches (see Sect. 14.4).

Third, we expect ethical leaders to act upon moral values, consistently and per- 322
sistently, regardless of the presence of external obstacles. Ciulla (1999: 169) pointed 323
out that "leaders sometimes lack the ability or the moral courage to act on their 324
values". But, leaders' values only matter to organizations and followers if they con- 325
vey their values and beliefs through "visible" actions. Ethical leaders are therefore 326
expected to act in accordance with ethical standards. Even more, we wish them to 327
behave so on a regular basis. Fundamental to our conception is that consistency 328
between words and deeds must be demonstrated repeatedly, across time and situa- 329
tions (Tanner et al. 2010). This is based on the idea that the more a leader maintains 330
an ethical stance over time and situations, and the more predictable and transparent 331
his or her behavior, the more likely observers will be to characterize the leader as 332
credible, trustworthy, or possessing integrity (Tanner et al. 2010). 333

Whether or not leaders act on their values is also influenced by their moral cour- 334
age, the state of mind that enables one to pursue what is considered right, despite 335
potentially unpleasant consequences (e.g., threat to career survival, financial costs, 336
social pressures; Sekerka and Bagozzi 2007). We believe that ethical leaders are 337
more likely than others to display moral courage and take a stand, even when it is 338
costly (see also Solomon 2003). 339

We now turn to the aspect of ethical managers, which focuses on efforts to influ- 340
ence the ethical conduct of followers (Treviño et al. 2007). In general, there are 341
several ways leaders can affect the ethical behavior of workers, including commu- 342
nication practices, performance compensation practices, ethical training, or codes 343
of ethics, etc. (e.g. James 2000). We focus here primarily on two mechanisms that 344
have been revealed to be important: role modeling and reinforcement by rewards 345
and punishments. 346

Being a role model: Brown and colleagues (Brown et al. 2005; Brown and Treviño 347
2006) emphasized that ethical leaders should promote normatively appropriate con- 348
duct via communication of clear standards and intentional role modeling. According 349
to social learning theory (Bandura 1986), leaders influence the behavior of follow- 350
ers through modeling. Bandura demonstrated the relevance of vicarious learning, 351
suggesting that individuals do not only learn through their own, direct practice, but 352
also by observing others' behavior and its consequences. The specific mechanisms 353
involved are observation, imitation and identification. That is, by observing ethical 354
leaders, followers may come to identify with those models, internalize their values 355
and standards, and imitate their behaviors (Brown and Treviño 2006). Thus, having 356
ethical leaders as role models can promote ethical conduct. Obviously, a leader's 357
capacity to be an ethical role model is also based on that leader's ability to act upon 358
ethical values, as noted above. We propose that only by engaging habitually in ethi- 359
cal behavior can leaders come to be seen as ethically credible models by the work- 360
ers. We conclude that ethical leadership also entails leaders becoming models of 361
ethical conduct by engaging in ethical behaviors (Brown et al. 2005). 362

Reinforcing ethical conduct: In order to generally promote ethical conduct, it is 363
essential for each organization to have a kind of feedback system that reinforces the 364
achievement of ethical goals. There is an extensive theoretical and empirical 365

366 literature indicating that organizational (formal or informal) rewards and punish-
367 ments affect ethical behavior (see e.g., James 2000; Metzger et al. 1993). Above, we
368 have highlighted the potential of vicarious learning. Followers also learn and adapt
369 their behaviors through direct experience and its benefits and costs. Undoubtedly,
370 due to their status and power to influence the organization and outcomes of others,
371 leaders are an important source of reinforcement. Ethical leaders are therefore
372 expected to set ethical expectations for followers and to hold them accountable by
373 giving direct feedback on employees' conduct. In essence, ethical leaders should
374 ensure that unethical behavior is punished, while ethical behavior is rewarded
375 (Ciulla 1998; Treviño et al. 2003). The organizational structure established by lead-
376 ers combined with informal organizational factors such as the corporate culture, are
377 key elements in promoting ethical conduct (James 2000).

378   However, implementing a useful and effective reinforcement system is not sim-
379 ple. Some ethical lapses may go undetected, and others may not be the result of
380 willful intent. In order to apply rewards and punishments, a leader must monitor and
381 control follower's behavior. However, prior research suggests that too much control
382 can undermine followers' work motivation or, when perceived as a threat to free-
383 dom, augment their resistance (i.e., reactance; Brehm 1966). Thus, it is not simple
384 to ensure an "ethically balanced" system (James 2000) that does not inadvertently
385 discourage ethical conduct.

386   To summarize, drawing on prior literature and building on our own work, we
387 conceptualize ethical leadership as entailing: (a) adherence to ethically upright val-
388 ues and (b) endowment with ethical competencies. The latter entails subcompe-
389 tences, such as ethical sensitivity, ethical problem solving skills (including proper
390 reflection and intuition), and the ability to act in accordance with ethical values
391 across time and various settings. Furthermore, ethical leaders should have the abil-
392 ity to influence and encourage employees to behave ethically (Ciulla 2006). For this
393 reason, they should (c) serve as role models for employees and d) use rewards and
394 punishments to promote ethical conduct.

14.4   Interdisciplinary Research into Ethical Leadership: Intersections with Normative Reflection

397 In Sect. 14.3 we identified a select number of key areas and questions where an
398 integration of psychology and normative ethics appears to be important to improve
399 our understanding of ethical leadership. We focused on three sets of questions:

400 1. Which values can we consider as essential in the context of ethical leadership?
401   Which moral principles should leaders convey?
402 2. What are the essential features of ethical decision-making and reasonable
403   solutions?
404 3. Is it acceptable or even desirable to allow intuitions to affect ethical decisions or
405   not? Are there "good" or "wrong" intuitions?

14.4.1   Which Moral Values and Norms May Be Essential   406
for Ethical Leaders?   407

There is no doubt that ethical norms and values play a crucial role in economic and   408
management contexts. But ethical leaders need to know which moral norms and   409
values are considered as essential. This question has become increasingly signifi-   410
cant with the advance of globalization. Three points should be addressed here.   411

First: Throughout the world, a large number of countries has signed the "Universal   412
Declaration of Human Rights." This indicates that the respect for human rights is   413
nearing a consensus in the international community. Companies and ethical leaders   414
can therefore draw on this global moral framework to adopt important values and   415
standards. Even though the claim that human rights are grounded in universal moral   416
principles has provoked highly controversial and lengthy philosophical and theo-   417
logical debates (cf., Dunfee and Donaldson 2002; Beauchamp 2010), it is reason-   418
able that companies and leaders apply this moral framework to their own values,   419
goals and actions when faced with tangible ethical problems. Indeed, the "Universal   420
Declaration of Human rights" and its subsequent covenants represent the greatest   421
normative consensus achieved on this topic within the international community. In   422
light of this level of agreement, any respectable company must ensure that its legiti-   423
mate pursuit of profits does not lead to 'collateral damage' in terms of human rights   424
(Leisinger 2006: 15).   425

Furthermore, beyond the official consensus on human rights, a multitude of uni-   426
versally recognized norms, values and virtues exists for ethical leadership (e.g.,   427
Ciulla 2003; Price 2008; Solomon 2009). They include integrity, responsibility,   428
compassion and forgiveness, as well as respect, honesty, integrity, caring, encour-   429
agement, courage and fairness, to name just a few. Norms, values and virtues of this   430
nature have been well researched, both empirically and interculturally (see an over-   431
view, see Resick et al. 2006).   432

The problem is not so much a lack of awareness of these norms, values and vir-   433
tues, but the fact that they are usually formulated so generally that they fail to pro-   434
vide orientation for specific actions. Questions often arise regarding how they are to   435
be interpreted and implemented in individual contexts. For this reason, Beauchamp   436
(2010) states how important it is "that we engage in specification: the process of   437
reducing the indeterminate character of abstract norms and generating more specific   438
action-guiding content. All general norms must be specified for particular contexts"   439
(Beauchamp 2010: 260). This is true, not only for moral protagonists making ethi-   440
cal decisions and engaging in ethical reflection, but also for empiricists conducting   441
research in this field. Empirical studies are bound to an analogous specification   442
process if their conclusions are to be of any use, when they operationalize norms,   443
values or virtues (e.g., Tanner et al. 2010: 229). For example, the value "respect" is   444
operationalized by Tanner et al. (2010) in the context of the following two behaviors   445
by leaders: "Insults coworkers while others are present" or "Includes employees in   446
decisions that affect them." It is important to find appropriate specifications and   447

448 interpretations if research is to be fruitful, and this task is one that can only gain
449 from an intersection between psychology and ethics.

450 These interpretations and specifications can, of course, lead to divergences and
451 tensions, especially against a background of culturally differing interpretation pat-
452 terns. It is therefore important to know precisely the contextual circumstances of a
453 moral debate when striving for good ethical decision-making (cf., Bleisch and
454 Huppenbauer 2011: 18–31). Since, in addition, it is likely that individual prejudices,
455 bias or group interests may have entered into the abovementioned processes of
456 interpretation and specification (cf., Rawls 2005: 58), critical reflection is a must.

457 Second: Another problem exists in the issue of which moral theory should
458 underlie ethical decision-making. Moral theories (e.g., deontology, consequential-
459 ism, ethics of virtue or contractualism) serve to evaluate and substantiate the ethi-
460 cal legitimacy of actions, norms and values (Audi 2010). They provide fundamental
461 normative criteria. Depending on which theory is adopted, different judgments and
462 decisions can result. Various authors advocate pragmatic and pluralistic dealings
463 with moral theories (e.g., Goodpaster 2002; Crane and Matten 2010; Miner and
464 Petocz 2003). Instead, they prefer not to rely on one theory alone but on different
465 theories. An important basis for this position is everyday moral life. Often decision
466 makers use consequentialist as well as deontological reasoning to arrive at ethical
467 judgments (cf., Sparks and Pan 2010: 413). In line with this, Goodpaster (2002)
468 employs four principal "normative lenses" (or "avenues"). With them, he system-
469 atically questions the interests, rights, obligations and virtues of all those involved
470 and affected (Goodpaster 2002: 127ff.). The "normative lenses" he uses correspond
471 to fundamental normative criteria representing important voices in the ethical
472 debate. In a modified guise they take up the abovementioned moral theories, aim-
473 ing to achieve an adequate and potentially complex "insight of the moral point of
474 view."

475 Third: So-called "bottom-up" approaches are being used more and more in
476 applied ethics instead of the classic "top-down" approaches. Rather than taking
477 abstract moral theories as a starting point, opting for one theory and then applying
478 that theory to real situations, moral principles are instead critically reconstructed on
479 the basis of different areas of practice and moral experiences, as well as intuitions,
480 and then used within the framework of ethical decision-making. Particularly in this
481 context, then, it makes sense to speak of "empirically informed ethics" (cf.,
482 Musschenga 2005). In the classic work on this methodology (Beauchamp and
483 Childress 1979), autonomy, beneficence, non-maleficence and justice are cited as
484 four universally recognized and therefore consensual mid-range principles.
485 Regarding the normative criteria used, this ethical approach is therefore pluralistic.
486 An analogous pluralism can be found in more recent works aiming to provide
487 decidedly practical and viable methods for ethical decision-making (cf., Mepham
488 2008; Weston 2008; Bleisch and Huppenbauer 2011). Pluralism does not mean that
489 the moral norms and values relevant to ethical leaders (such as fairness, respect,
490 honesty, integrity) are arbitrary. Pluralism means that their justification and applica-
491 tion to specific situations can occur within the framework of different moral
492 theories.

14.4.2   What Are Essential Features of Ethical Decisions and Reasonable Solutions?

From a normative perspective, ethical competence undoubtedly includes certain reflective skills (Maak and Ulrich 2007: 383ff., 480ff.). From a certain distance and with a certain neutrality, ethical leaders have to be able to recognize moral issues, then to analyze and incorporate them in a reasonable decision (Bleisch and Huppenbauer 2011; Chap. 7 by Tanner and Christen, in this volume). In addition, ethical leaders are expected to justify their decisions, with sound arguments within their own company and in discussion with external stakeholders. What "reasonable" solutions are, how such arguments and justifications are to be structured, and how decisions are to be reached, all constitute crucial questions. Three points of interest with regard to this situation will be addressed in the following section.

First: As far as the meaning of "reasonable" is concerned, we find ourselves entering the terrain of moral philosophy. Taking all the information relevant to a problem (empirical facts, the interests of stakeholders, legal contexts, etc.) as a basis, it is sufficient for tangible problems to demand that controversial issues are processed in a manner that is intersubjectively comprehensible. This does not mean that a consensus must emerge. It simply means that reasonable persons have to be able to comprehend the decisions reached. In a famous formulation by John Rawls, reasonable persons are those who are able to "draw inferences, weigh evidence, and balance competing considerations" (Rawls 2005: 55). Since the use of such logical and argumentative means does not incorporate mathematically precise procedures and rules, differences of opinion are inevitable, as Rawls himself makes clear. However, it appears to be important with regard to moral practice that the interests and concerns of those affected and involved are fairly taken into account during the decision-making process (Dunfee and Donaldson 2009).

Second: Ethical leaders need to know how to arrive at well-structured and comprehensible results. Goodpaster (2002), for example, suggests a five-step method to cope with moral problems: (1) Describe the key factual elements of the situation; (2) Discern the most significant ethical issues at stake; (3) Display the main options available to the decision; (4) Decide among the options and offer a plan of action; (5) Defend your decision and your moral framework (Goodpaster 2002:128; see also Bleisch and Huppenbauer 2011 with an analogous model). Other authors have presented different methods of ethical decision-making (cf., Miner and Petocz 2003; Payne 2006; Maak and Ulrich 2007). Which of these methods is used is of less importance than the fact that ethical decision-making proceeds in a well-structured way.

Third: As stated earlier, when discussing the leader's problem-solving capabilities (Sect. 14.3.2), leaders often rely on intuitive judgments to address commonly recurring situations because a lack of time and resources inhibits them from carefully applying methods of ethical decision-making. Nonetheless, from an ethical point of view, a retrospective critical analysis of intuition-guided behavior is recommended to assess its adequacy. But even when sufficient time is available, it is

important to acknowledge that methods of ethical decision-making do rarely produce unambiguous and reproducible results (Palazzo 2007). Ethical decision-making is thus a process that must be continually reassessed.

14.4.3 What Relation Exists Between Moral Intuitions and Ethical Reflection?

This question brings us back to the abovementioned difference between empirical research and philosophical-normative reflection. On the one hand, empirical research can study how moral intuitions and reflection are interrelated in real ethical decision-making situations. On the other hand, philosophical reflection can (possibly based on these empirical findings) establish norms for how ethical decision-making should take place.

As mentioned in Sect. 14.2, psychological research has promoted acknowledgment of the role of moral intuitions and automatic processes in ethical decision-making (Kennett and Fine 2009; Treviño 2009). Meanwhile, a number of philosophical (and theological) authors have also advocated metaethical and methodological positions, according to which moral intuitions are an important component of ethical decision-making. In fact, the problem is not the moral intuitions themselves, but the question of the nature of the role they should play in processes of ethical decision-making. Looking at van Thiel and van Delden (2010: 189; see also their Chap. 10 in this book), one can first define moral intuitions very generally as "beliefs that a person comes to hold without extensive deliberation." On this foundation they then present an interesting model for how, within a theory of "Reflective Equilibrium," empirical findings can be used during decision-making: "The thinker who wants to produce a reflective-equilibrium has to consider empirical elements together with normative principles and background theories. In this process, the thinker aims for coherence among all relevant considerations" (van Thiel and van Delden 2010: 193). Empirical elements refer to the moral intuitions of practitioners who have gained a wealth of experience in their specific contexts: "People who work and live in a certain moral practice have experiences that are generally not found among those outside this practice" (Van Thiel and van Delden 2010: 187). Seen from this perspective, this model also makes it clear that moral intuitions are not simply emotions and affects which occur randomly and then disappear again, like anger, annoyance or rage: "These experiences amount to specific moral wisdom, which can be defined as expert-level knowledge and judgment in the fundamental pragmatics of life" (Van Thiel and van Delden 2010: 187).

Due to its focus on acquired competencies, this definition of moral wisdom can readily be linked to approaches from an ethics of virtues (Solomon 1992, 2003, 2009), yet is also in line with psychological approaches. According to several authors, intuitive decisions are highly accurate when they are "expert-like" (Dane and Pratt 2007; Hogarth 2001). As Narvaez and other scholars posited, moral

experts are similar to other experts. They differ from novices in that they have more   576
complex, domain-relevant and chronically accessible mental structures, which trig-   577
ger effective responses (Dane and Pratt 2007; Narvaez 2005; Lapsley and Narvaez   578
2005).   579

Van Thiel and van Delden (2010) argue that no intuitions need advance discard-   580
ing from the ethical decision-making process. This stems from their definition of   581
intuitions as expert knowledge. As the result of experiences, these intuitions do of   582
course contain manifold influences, as well as reflections about the experiences in   583
question (cf., Musschenga 2009: 608). Since they wish to have a basis for ethical   584
decision-making that is as broad as possible, and an ethical judgment that is sup-   585
ported as broadly as possible, they rely on as much expert knowledge as possible   586
(Van Thiel and van Delden 2010: 198f.). From an ethical perspective, this does not   587
mean, however, that all the intuitions brought into play by experts are inherently   588
correct. As already mentioned, prior research has revealed that intuitive judgment   589
choices can easily be influenced by subtle but otherwise irrelevant factors such as   590
mood, problem descriptions, presence of others (Loewenstein and Lerner 2003).   591
Furthermore, it is probable that specific prejudices, biases and group interests may   592
have entered into moral intuitions (see also Musschenga 2009). The important task   593
of reflection and critical deliberation is thus to adopt a critical stance towards moral   594
intuitions: "In the … process of moral reasoning, moral intuitions, principles and   595
theories can gain or lose justificatory power" (Van Thiel and van Delden 2010: 198).   596
In short, it is not self-evident that every expert intuition is ethically justified. This   597
can only be judged as the result of an empirically enriched deliberation process.   598

Despite empirical research having demonstrated that human beings do not regu-   599
larly draw on critical analysis and reflection, this does not imply that reflection is   600
not needed; quite the contrary! Leaders should use reflective competencies at least   601
in difficult and controversial situations. Lack of time is not a sound argument in   602
most instances. Since moral questions usually address important issues, they should   603
be processed with the same degree of earnestness and expertise as other important   604
business issues. We do not intend to imply that protagonists have to be in a constant   605
state of reflection but there are certainly many situations where intuition-based   606
decision-making is clearly appropriate. Key occasions for reflection arise when con-   607
flicting interests are held by company stakeholders and intuitions are not helping to   608
resolve the turmoil.   609

Since stakeholders are likely to have divergent interests and moral intuitions, not   610
only the moral intuitions of the leaders themselves should be integrated in the pro-   611
cess of ethical decision-making, but also those of the relevant stakeholders.   612
Unfortunately, intuitions and convictions held by different stakeholders are some-   613
times directly and irreconcilably opposed (Leisinger 2006: 19). To deal with such   614
situations, obviously, recourse to intuitions is not enough. Reasoned communica-   615
tion is needed between those involved, and in order for this to succeed, reflective   616
and critical competences are required: "Reasoning skills may not be necessary for   617
finding the right answers to moral problems, but you cannot participate in collective   618
debates without having them" (Musschenga 2009: 609).   619

620   In conclusion, this chapter was designed to highlight some typical features of the
621 empirical and normative approaches toward exploring ethical leadership and ethical
622 decision-making. Based on a respect for the unique disciplinary foci, while remain-
623 ing critical, we tried to sketch out some areas of intersections where ethics and
624 psychology can learn and benefit from each other. Of course, more work and ongo-
625 ing dialog are needed to develop further forms of integration. We believe, however,
626 that attempts at interdisciplinary collaboration in the development of business ethics
627 are, in the long term, beneficial for researchers and practitioners alike.

Author Queries

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Queries	Details Required	Author's Response
AU1	Please confirm the corresponding author.	
AU2	Please confirm the affiliation of the author "Carmen Tanner".	
AU3	The references Price (2005), Baumeister et al. (2007), Treviño et al. (2003, 2007), Ciulla (1998), Dunfee and Donaldson (2009) are not provided in the reference list. Please check.	