

**Business Ethics and Corporate Governance**  
**Lecture 11**  
**Ethical Decision Making (4)**  
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**Ethical Issue Intensity**

- In the world of business, making the right decisions is not always easy. Sometimes, people in a company or a team must choose between different actions. Some of these actions may be seen as right, while others might be considered wrong, depending on how people look at them. This kind of situation is called an *ethical issue*. The first and most important step in handling ethical issues is realizing that the decision involves ethical choices. In simple words, we must know that our actions might affect others in either good or bad ways.
- The term *ethical issue intensity* refers to how serious or important a person feels the issue is. This can differ from person to person, or from one group to another. For example, what one employee sees as a big problem, another may not worry about at all. This feeling or perception of importance depends on personal values, beliefs, needs, and the situation someone is in. It also changes over time, depending on things like stress, job roles, and pressure from others.
- Leaders and senior staff play a big role in shaping how intense an ethical issue feels. Since they are often in charge, their opinions and actions influence how others see ethical matters. In some places, the law even says that managers can be responsible if someone working under them does something wrong. That's why it's important for those in leadership to take ethical issues seriously and act properly when problems arise.
- Sometimes, people don't see an issue as unethical because they are told it's legal or acceptable. However, just because something is legal doesn't always mean it's ethical. The way a person or a group uses something legal can turn into an unethical action, especially if it harms others or is done in a dishonest way. So, ethical issue intensity is not just about knowing the rules; it is about understanding the deeper impact of one's actions and being aware of right and wrong.

**How People See Ethical Issues**

- Different people react differently to the same ethical problem. This is because our personal experiences and surroundings shape how we see things. A person's workplace, family values, religious background, laws, social community, and professional field all affect their views on ethics. These are called *spheres of influence*, and their impact can change depending on the situation.

- For example, one person may listen more to their family values when deciding what's right, while another may focus more on what the law says. If an issue feels morally serious to someone, they are more likely to notice the ethical problem and think twice before making a wrong move. When people believe that their decision could hurt others or bring shame, they tend to avoid unethical behavior. This shows that the higher the ethical issue intensity, the better the chances are that people will try to make the right choice.
- This feeling is also connected to what is called *moral intensity*. Moral intensity is how much someone feels that a decision could have real effects on others. If a person sees that their actions may cause harm, they may stop and think more deeply. This pressure, whether social or internal, can make someone behave more responsibly.

### **Why People See Things Differently**

- Even when working in the same organization, employees might not see ethical problems the same way. Why does this happen? It's because each person brings their own values and life experiences. One worker may come from a culture that values honesty above all, while another may have been taught to focus on results, even if that means cutting corners. When people have different views, disagreements and misunderstandings about what's ethical can happen.
- To avoid this confusion, companies need to create shared beliefs and values around ethics. Managers can guide employees through policies, rewards, and punishments. If employees are praised for doing the right thing and corrected when they go off track, they begin to understand what the company expects. Clear rules and consistent actions from leaders help raise ethical awareness and make it easier for everyone to recognize when an ethical issue is present.

### **The Role of Training and Communication**

- In many cases, employees don't realize they are facing an ethical problem because they have never been trained to recognize it. If leaders fail to explain the risks or the wrong actions that could happen, workers may unintentionally make poor decisions. For example, people in sales might be tempted to give false information just to meet their targets, not realizing the harm they cause to customers or the company.
- Training helps close this gap. Employees must be taught how to spot common ethical problems and what to do when they face them. Companies with workers from different cultures and backgrounds must put extra effort into this because what is considered wrong in one culture may seem acceptable in another. Giving clear guidance ensures everyone understands the same standards.
- Some ethical problems are well-known in certain industries, while others may only become clear over time. By identifying the most likely ethical risks, companies can

better prepare their teams. It is important for leaders to talk about these issues openly and regularly so employees know what to watch out for.

### **Why Ethical Issue Intensity Matters**

- The way people judge the seriousness of an ethical issue affects how they behave. Research shows that when people feel an ethical issue is important, they are less likely to make a bad choice. In other words, if workers are made aware that a problem is serious, they will usually try harder to do the right thing.
- That's why ethical issue intensity should be seen as a major part of ethical decision making. It helps guide behavior and shapes the way employees think. Managers and leaders should work to raise this awareness by creating a workplace where ethics matter and where people feel responsible for their actions.
- In conclusion, ethical issue intensity is about how strongly a person or team feels that a situation has ethical importance. It is influenced by personal values, leadership, workplace culture, and training. The stronger this feeling, the more likely people are to act ethically. Businesses that want to build trust and long-term success must take ethical issue intensity seriously and create a culture where doing the right thing is always a priority.

### **Understanding Individual Factors in Ethical Decision-Making**

- When people face ethical problems in life or at work, they often decide what to do based on their personal values—what they believe is right or wrong. These values usually come from their upbringing, such as what their family teaches, what they learn at school, what their religion says, and the people they spend time with. All of these things help shape their thinking about what is acceptable behavior.
- In the workplace, we often see examples of people making bad ethical choices. Sometimes, individuals in high-level positions make decisions that serve their own interests rather than doing what is good for the company or society. These choices can cause serious problems, including financial loss, damaged reputations, and even legal consequences. Some workers may try to cheat the system to earn more money, or they may ignore the rules because they think it will help them reach their goals faster.

### **Common Personal Ethical Problems at Work**

- In a work environment, ethical problems can take many forms. Some common examples include lying, favoritism, unfair treatment, stealing company resources, or using work time for personal matters. For instance, an employee might spend company hours browsing social media or shopping online. While short breaks are often okay, excessive use of work time for personal reasons can be seen as unethical.

The line between what is acceptable and what is not may vary from one company to another, but it often depends on company policies and the work culture.

- How people behave at work also shows how seriously they take their responsibilities. For example, someone who always follows the rules and respects others is seen as more trustworthy than someone who bends the rules for personal benefit.
- Different professions also carry different public opinions about ethics. Some jobs are seen as more honest, while others are viewed with suspicion. These views are based on how people in those roles behave and how much trust the public has in them.

### **Personal Characteristics That Affect Ethical Choices**

- Many studies have tried to find out which personal factors influence ethical behavior. These include gender, education, job experience, age, nationality, and something called "locus of control."
- Gender: Studies have shown that men and women are often similar in how they handle ethical issues. However, when differences are found, women tend to be more aware of ethical problems and less accepting of unethical behavior. This means that, in many situations, women may be more likely to speak up or report something wrong. As more women take leadership roles, this difference could have a big impact on how ethics is handled in organizations.
- Education and Work Experience: The number of years someone spends learning in school and working in a job also matters. Generally, the more education and job experience a person has, the better they are at making ethical choices. But it's important to understand that education alone is not enough. Someone can have a high degree but still lack the experience to handle complex work situations ethically. Interestingly, the type of education (business, science, arts) does not seem to make a big difference in how ethical someone is. Also, people who have worked in the real world tend to behave more ethically than students because they've had more chances to face and think through tough situations.
- Where a person is born and what country they belong to (nationality) can also influence how they make ethical decisions. However, in today's world, especially with the growth of global businesses, this influence is starting to change. For example, someone may be born in one country but feel more connected to the place where they currently live and work. This shift shows that personal and company values might become more important than national identity when making ethical decisions. In the future, it is possible that the culture of the organization or company will matter more than where someone comes from.
- Age used to be considered a strong factor in ethics. Many people believed that older individuals were naturally more ethical because they had more life experience. However, recent research shows that the relationship between age and ethics is more complex. While older employees do tend to have more knowledge and are better at

solving complicated problems, being older does not automatically make someone more ethical. Experience, rather than age alone, plays a bigger role in handling ethical issues.

### **Locus of Control: Who's in Charge?**

- Another factor that affects ethical behavior is something called locus of control. This term refers to how people view their ability to control events in their lives.
  - People with external locus of control believe that outside forces like luck, chance, or powerful people in their workplace decide what happens to them. They may feel like they don't have much power over their actions or the outcomes.
  - People with internal locus of control believe they have the power to shape their lives through their own efforts and decisions. They feel responsible for their successes or failures.
- Some studies suggest that people who feel in control of their own lives (internals) are more likely to act ethically because they believe they can make a difference. Others suggest the opposite, that people who feel they must follow rules made by others (externals) may be more careful and ethical because they don't want to get in trouble. More research is needed to fully understand how this factor affects ethical choices.

### **How Organizational Factors Influence Ethical Behavior**

- While people do have personal values and beliefs that guide their decisions, the reality is that no one makes choices completely on their own, especially at work. In fact, many studies have shown that the environment at work—especially the values and rules of the organization, can influence people more than their individual morals.
- Ethical decisions in the workplace are often not made alone. They are shaped through team discussions, group projects, committee meetings, and even casual conversations with colleagues. Workers take cues from the behavior and attitudes of those around them. So, even if someone has strong personal values, those values can be influenced or challenged depending on the company's culture, the chances they have to act unethically, and how often they see others acting in ethical or unethical ways.
- Outside influences like family and friends can also play a role. However, the relationships people form at work and the rules of the organization tend to have a more direct impact on daily decision-making.

### **What Is Corporate Culture?**

- Every organization has something called a corporate culture. This refers to the shared values, beliefs, customs, and ways of solving problems that employees follow. Over time, this culture becomes part of how the company is known and how it operates.

People start seeing the company as more than just a business—it becomes like a living thing with its own personality and style.

- For example, a company might train all its new employees to understand and follow a specific set of values from the start. This training may include stories and examples of how employees have handled situations in the past, especially when it comes to doing the right thing. When employees constantly hear stories of others going above and beyond to help, they feel encouraged to do the same. These traditions, once repeated over time, become part of the company's culture.
- A strong corporate culture can motivate employees to behave ethically and feel proud of the organization. It shapes what people think is acceptable and expected in the workplace.

### **Ethical Culture Within Organizations**

- Within corporate culture, there is a special part called the ethical culture. This deals directly with how a company approaches right and wrong. Ethical culture includes the company's official policies on ethics, the example set by leadership, the support (or lack of it) from coworkers, and how easy or difficult it is to behave unethically.
- Some parts of a company may develop their own smaller work cultures. For instance, the finance department might have different values or pressures than the marketing team. However, these smaller "subcultures" are still influenced by the larger organization's ethical tone.
- When employees believe their company has strong ethics, they are less likely to make unethical decisions. The connection between corporate culture and ethical behavior is very strong. If people feel that those around them care about doing the right thing, they are more likely to follow that lead.
- Studies have shown that when a company promotes ethical values, employees feel more connected to their work. They are also more loyal to the organization and feel that they belong. That's why building a strong ethical culture can make a company more successful, not just in business results, but also in employee satisfaction.

### **The Role of Significant Others in Shaping Ethics**

- In every workplace, there are certain people who have more influence over others. These may include managers, supervisors, team leaders, and even coworkers or subordinates. These people are often referred to as **significant others**. They have the power to guide, support, and shape the decisions of those around them.
- Sometimes, their influence is direct—for example, when they teach a new employee how to complete a task. Other times, it's more subtle, like giving advice during a coffee break or sharing a story about how something was handled in the past. Even informal comments or jokes can send messages about what is considered right or wrong in the workplace.

- Supervisors, in particular, play a major role in helping employees understand their place in the company. They are the ones who often set the tone for behavior, offer daily direction, and act as role models. Because of this, what supervisors say or do can have more impact than any written rule or policy.
- In fact, years of research show that these "significant others" often have a bigger effect on an employee's ethical decisions than personal beliefs, official rules, or even company training. Employees tend to follow the behavior of those they look up to or rely on for help.

### **Obedience to Authority: Why People Follow Orders**

- A key reason why significant others have so much power is because of something called obedience to authority. This idea explains why people often do what their supervisors or leaders tell them to do, even if it goes against their own judgment.
- In many workplaces, respecting authority is expected. Employees may feel that they don't have a choice but to follow orders. For example, if a manager tells someone to complete a task in a certain way—even if it seems questionable—the employee might follow through simply because the boss said so. Later, if the action turns out to be wrong, the employee might say, "I was just doing what I was told."
- This sense of duty to obey can make it hard for workers to say no or challenge unethical directions. It is one of the reasons unethical behavior can spread in companies, especially if leaders are not setting a good example.

### **Size and Type of Organization Also Matter**

- The size of a company and the type of business it operates in can also affect ethical behavior. Larger organizations often have more departments, more rules, and more complex systems. This makes it easier for unethical behavior to go unnoticed. In big companies, employees might feel like they are just one small part of a large machine, which can make it harder to speak up or feel responsible for the company's overall ethics.
- The kind of industry also matters. Some industries are more regulated or face more public attention, which puts more pressure on companies to behave ethically. Others may have looser rules, giving employees more chances to take shortcuts.

### **Why Organizational Factors Shouldn't Be Ignored**

- In the end, the organization a person works for plays a huge role in shaping ethical behavior. Even if someone has strong personal values, their decisions can still be influenced by the people they work with, the culture of the company, and the rules (or lack of rules) around them.
- This is why it is so important for companies to build a strong ethical culture. This means not only having clear policies but also making sure leaders set a good example

and that ethical behavior is supported throughout all levels of the organization. When employees feel that doing the right thing is part of the company's identity, they are more likely to act with honesty and integrity.

- A healthy ethical environment benefits everyone. It reduces risks, builds trust, improves teamwork, and makes the company a better place to work.

### **Understanding Opportunity in Ethical and Unethical Behavior**

- In the workplace, opportunity plays a big role in whether people behave ethically or unethically. Opportunity means the situation or environment at work that makes it either easier or harder for people to do the right thing. If employees are in a place where it's easy to do the wrong thing and there are no real consequences, they are more likely to behave unethically. On the other hand, if the workplace has clear rules, strong monitoring, and rewards ethical behavior, then people are more likely to make better choices.
- There are two types of rewards that shape behavior: internal and external. Internal rewards are personal feelings, like a sense of pride or happiness that comes from doing something good or helpful. External rewards come from others, like getting praise, bonuses, or recognition from coworkers or managers. If people believe that doing the right thing will get them either kind of reward, they are more likely to act ethically.
- However, problems occur when companies unintentionally create chances for employees to act unethically. For example, if an organization does not punish workers for taking expensive gifts from clients, then employees might feel that it's okay to accept them—even if it goes against ethical norms. A lack of punishment or oversight gives people a sense that they won't be held responsible, which opens the door for more unethical behavior. Even worse, if someone is rewarded for getting results using dishonest methods, others might copy those behaviors, believing that it's worth the risk.

### **Work Environment and Motivation**

- The workplace environment has a strong effect on how people behave. The people employees work with, the type of work they do, and how they are managed all influence their actions. In many jobs, employees respond to rewards and punishments. Rewards might include things like bonuses, salary increases, or public praise. Punishments might include warnings, pay cuts, or even losing the job.
- If a company rewards performance without paying attention to how that performance is achieved, it can cause employees to cut corners or break rules just to meet targets. If managers only care about sales numbers or deadlines, workers may feel pressure to act unethically just to keep up. On the other hand, if leaders show that how you

reach a goal is just as important as reaching the goal itself, employees are more likely to stick to ethical behavior.

- Sometimes, small things—like taking office supplies—may seem harmless, but over time, they can grow into bigger problems. If people see others taking things without punishment or if there's no policy to stop it, they might start doing it too. Over time, the line between right and wrong gets blurry, especially if people think “no one cares” or “everyone does it.”

### **Creating Rules and Enforcing Them**

- One of the best ways to prevent unethical behavior is to create strong rules and make sure they are followed. Written rules, codes of conduct, and clear company policies are important tools. But they only work if leaders enforce them and take action when rules are broken. If employees see that unethical actions lead to punishment, they will think twice before doing something wrong.
- In some industries, like banking or finance, rules are even stricter. For example, workers might be required to take regular vacations. This might seem like a nice benefit, but it actually helps the company detect fraud. If someone is hiding something, being away from work makes it harder for them to keep covering it up. In some real-world situations, massive fraud happened because no one was checking closely or the rules weren't strong enough. When businesses fail to stop misconduct, it is often because there are loopholes or a lack of proper checks.
- Laws and government oversight are also important. If companies are not properly watched by outside regulators, it becomes easier for employees to manipulate data or hide problems. Making rules is not enough—there must be strong systems to make sure those rules are followed. Everyone involved, from leaders to junior employees, must understand the importance of these rules and the consequences of breaking them.

### **Information and Power in Decision Making**

- Another source of opportunity comes from the knowledge and experience an employee has. Someone who has been working in a company for a long time knows how things work and might even understand the unwritten rules. They know what can be done without getting into trouble. These employees often train new staff or serve as mentors, teaching others how to fit into the culture of the company. But depending on how they use their influence, they can guide others toward good or bad behavior.
- Employees with a lot of information or decision-making power have more chances to act in ways that are not ethical—especially if no one is watching closely. They may lie, hide information, or use what they know to gain an unfair advantage. This is why companies need to make sure that information is handled carefully and that no one person has too much unchecked power.

- Managers and supervisors should act as role models. If they demonstrate honesty, fairness, and care for others, their team is more likely to follow their example. But if leaders break rules or ignore problems, employees will think that bad behavior is acceptable. A strong ethical culture needs constant reinforcement through communication, training, and monitoring.

### **Closing the Doors to Unethical Behavior**

- To stop unethical actions from happening, companies need to send a strong message. They must show that wrongdoing will not be tolerated and will be punished. Even one act of bad behavior, if left unpunished, can weaken trust and open the door for more problems. If people think that they can break the rules and get away with it—or worse, be rewarded for it—then unethical behavior becomes a pattern.
- For example, when a company finds out that an employee has taken a bribe, they must take quick and firm action. Removing the employee and cutting ties with the involved partner sends a clear message: unethical behavior is not okay, and it will have consequences. This kind of strict enforcement teaches others in the company that they need to follow the rules.
- Eliminating the opportunity for unethical behavior means building a workplace where honesty is valued and protected. It involves setting clear expectations, having strong leaders, monitoring behavior, and rewarding the right actions. Organizations must create an environment where doing the right thing is not only expected—but also supported, recognized, and rewarded.

### **Understanding Ethical Choices in Business**

- In the business world, people often face situations where they need to make difficult ethical decisions. These situations are called ethical dilemmas. What makes them tricky is that the rules or guidelines for making the right choice are often unclear or can even conflict with each other. There isn't always a clear answer about what is right or wrong. Even when someone wants to do the right thing, the situation might be so complicated that they still make the wrong choice.
- There is no perfect tool, formula, or software that can tell people exactly what to do in every ethical situation. This is why critical thinking—using logic and judgment carefully—is so important. People need to think deeply about the possible outcomes and be willing to take responsibility for their decisions. Making mistakes in ethical judgment is part of being human. What matters most is how individuals handle those mistakes and what they learn from them.
- At the end of the decision-making process, a person must choose what they are actually going to do. This final action reflects their intention. Sometimes, people feel that something is wrong, but still choose to do it because of outside pressure or fear of losing something valuable, like their job or income. When this happens, they often

feel guilty afterward because their behavior does not match their personal values or beliefs.

### **Why People Sometimes Act Against Their Beliefs**

- Let's imagine a worker in marketing is asked to create an advertisement that is not completely honest. She knows that the ad could mislead customers. She has two choices: say no and risk losing her job or do what the client wants and go against her ethics. The pressure to keep her job, pay bills, or even get a promotion could lead her to choose the unethical option. Even if she chooses to go along with it, deep down she may feel bad about what she did.
- This uncomfortable feeling—guilt or regret—is usually a sign that the decision made was not ethically right. When people experience this, they try to reduce the bad feeling in different ways. Some people might change their future behavior to avoid feeling that way again. Others might try to justify their actions so they feel less guilty.
- Over time, people may even begin to change their personal values to match the decisions they keep making. Instead of changing their actions, they adjust how they see right and wrong so they don't feel as guilty anymore. This process is dangerous because it allows people to keep doing unethical things without feeling bad. Another way people escape guilt is by quitting the job or removing themselves from the situation altogether.

### **What Drives Ethical or Unethical Actions**

- A person's definition of success plays a big part in how they behave in ethical situations. For example, someone who sees success only as making more money might be willing to make morally questionable choices to earn it. Others may see success as having a stable job, supporting their family, gaining respect, or feeling proud of their work. These different views shape how people behave when faced with ethical challenges.
- Sometimes people don't think deeply about what success means to them. They just follow what others around them are doing or what the company seems to reward. If lying or cheating leads to promotions and raises, then employees might learn that it's worth doing, even if it feels wrong.
- Another thing that influences decisions is the chance of getting rewarded or punished. If someone thinks they will be praised for doing something—even if it's unethical—they might go ahead and do it. But if they believe they will be caught and punished, they might avoid it. The perceived risk or reward affects how likely someone is to take the unethical path.
- This is why it is important for businesses to clearly reward ethical behavior and take quick action when unethical behavior is discovered. Without that structure, people might believe that doing the wrong thing is the only way to get ahead.

## **Ethical Awareness and Responsibility**

- Making ethical decisions in business is rarely easy. Often, people face unclear rules and outside pressures. However, it's important to take time to reflect, think critically, and understand personal values. While it may not be possible to avoid all ethical mistakes, it is possible to learn from them and grow stronger in moral judgment.
- People should be aware of how their intentions match their behavior. Feeling guilty can be a helpful signal that something went wrong. It's also important to recognize when outside factors are pushing someone to act against their values and find ways to stand firm or change the situation.
- Finally, success should not just be measured in money or position. Real success includes being proud of one's decisions and maintaining personal integrity. Businesses that value ethics, support honest behavior, and discourage wrongdoing create environments where people feel safe doing what is right—even when it's hard.

## **Understanding Ethical Decisions in Business Settings**

- When it comes to making the right or wrong decision in business, there is rarely a clear answer. A structured way of thinking, called an ethical decision-making framework, can help guide people, but it cannot give a definite “yes” or “no” to whether something is ethical. The goal of such a framework is not to give strict rules. Instead, it helps individuals better understand how they usually make decisions and what factors influence their choices.
- It's important to know that ethical thinking in business is not about finding one correct solution. Rather, it's about learning how to think more carefully and responsibly. Everyone faces situations where it's hard to choose the right path. By understanding the process behind these decisions, we can become more confident and responsible in how we handle challenges.
- This framework doesn't tell us what to do in every situation. Instead, it gives us a better picture of how ethical decisions typically happen in organizations. It also shows us that many different elements—like personal beliefs, company culture, peer pressure, and even rules and systems—can all shape how a person makes choices in a business environment.

## **Why Understanding the Decision-Making Process Matters**

- In the world of business, people have different opinions about what is ethical. What one person sees as right, another may see as wrong. Because of this, it's difficult to come up with one standard answer for every situation. That's why researchers and professionals often focus on how decisions are made rather than trying to define what is ethical in every case.
- By looking at how people usually make decisions, we can see patterns that repeat over time. These patterns help us understand common challenges and the behaviors

that tend to follow. Knowing this can help us prepare better when we face similar issues. It also allows organizations to train employees in ways that improve ethical thinking and behavior.

- But just knowing about ethical theories is not enough. A person might learn all the right principles, but still struggle to apply them if they don't understand the business world around them. Ethical choices are not made in isolation. They are shaped by the environment, the organization's goals, and the responsibilities people carry in their roles. That's why it's important to combine ethical thinking with practical business knowledge.

### **Personal Values Alone Are Not Enough**

- While individual values such as honesty, fairness, and respect are important, they are only one part of ethical decision making. In a real business situation, someone also needs to understand the risks, rules, and responsibilities involved. For example, making an ethical decision in a financial firm might require knowledge of complex financial tools. Even if a manager wants to be fair and truthful, they can't make a sound decision if they don't understand how those tools work.
- This means that making ethical choices also depends on how well someone understands the business setting they are in. They need to know not just what is right, but also how the business operates. Ethical leadership, therefore, involves both strong values and strong business skills. A leader who understands both is more likely to make balanced decisions that benefit both the company and society.
- It's also important to realize that people don't make decisions completely on their own. In any organization, there is a shared environment—a culture—that strongly shapes how people think and act. Managers, coworkers, and company rules all play a part. The expectations and examples set by others can either encourage ethical behavior or pressure people to act unethically.

### **The Role of Organizational Culture and Leadership**

- Every workplace has a culture, or a shared way of thinking and behaving, that influences everyone in the company. This culture is not created overnight. It grows over time through shared experiences, leadership styles, and everyday habits. In this environment, people learn what is considered acceptable behavior and what is not.
- Because of this, leadership plays a major role in shaping ethical behavior. If a leader is clear, fair, and consistent, employees are more likely to follow ethical practices. But if leadership sends mixed messages or ignores bad behavior, unethical practices can spread quickly. Leaders set the tone for what is right and wrong within the company.
- People in leadership positions should not only focus on profits or performance but also pay attention to the long-term effects of their decisions. Ethical leadership involves looking beyond short-term wins and thinking about fairness, honesty, and the impact

of business actions on others. When leaders show integrity, they create a workplace where employees feel encouraged to do the right thing, even when it's difficult.

- Employees also learn from each other. If the team around them cuts corners, takes shortcuts, or hides mistakes, they may feel pressured to do the same. That's why a healthy work culture where ethical behavior is rewarded is key. When organizations clearly support ethical behavior, more people are likely to act responsibly.

### **Leadership as the Foundation of Corporate Culture**

- In any business or organization, leadership plays a vital role in shaping the overall atmosphere, beliefs, and practices—what we call corporate culture. The people at the top, such as executives or top managers, are responsible for setting the tone and direction of the organization. They are expected to act as examples, showing others how to behave and what values are important in the workplace. If leaders do not clearly express what behaviors they want to see, the company's culture will still develop, but it might not align with the company's long-term goals or ethical standards.
- Leadership is more than just giving orders—it involves guiding, motivating, and inspiring others to work toward common objectives. A good leader encourages others to act ethically and stay aligned with the organization's rules and goals. Leaders help create an environment where employees understand what is expected of them and feel encouraged to do the right thing, even when it's hard.
- However, it's important to know that not all employees see their leaders as ethical. In many large organizations, a significant number of workers feel that their senior leadership lacks high ethical standards. This shows that simply holding a leadership position is not enough. Leaders must consistently demonstrate honesty, responsibility, and fairness if they want to earn the trust and respect of their teams.

### **Leadership Beyond the CEO: The Role of the Board**

- When people think of leadership in a company, they often picture the CEO or other top executives. While these individuals are definitely important, there is another group that also plays a big role in setting ethical direction—the board of directors. These directors are chosen to help guide the company from a higher level. Their job is to make decisions that are in the best interest of the company as a whole.
- Good leadership at the board level means looking out not only for profits and shareholders but also for employees, customers, and the wider community. Ethical boards consider how their decisions will impact everyone who is connected to the business. In this way, leadership is not just about managing resources or reaching goals—it's also about protecting values and making decisions that are fair and responsible.
- Boards have legal and ethical duties. They must make sure that the organization runs in a way that benefits the entire company, not just a few individuals. When board

members act with integrity, they help build a strong foundation of trust and responsibility throughout the company.

### **The Importance of Trust and Ethics in Leadership**

- For a leader to be successful, they must have the support and respect of those they lead. Employees and other stakeholders—such as customers, suppliers, and investors—need to believe that the leader is honest, capable, and working in their best interest. If trust is lost, the leader may eventually lose their position. Respect and ethical behavior go hand in hand. A leader who lacks ethics will likely lose the trust of the people who depend on them.
- Leadership also involves setting an example for others. When a leader acts ethically, others are more likely to follow that behavior. On the other hand, if a leader breaks rules or behaves dishonestly, it sends a message that unethical behavior is acceptable. This can create serious problems in the organization, including loss of reputation, legal issues, and employee dissatisfaction.
- There have been real-life cases where leaders have faced consequences due to unethical behavior. Although we won't mention names, such events remind us that leadership must be based on accountability and transparency. When leaders misuse their power or behave dishonestly, it can damage not only their own careers but also the reputation of the entire company. A company's public image and internal morale can suffer greatly from such actions.

### **Building a Culture of Ethical Leadership**

- Creating an ethical company culture does not happen overnight. It starts with leaders who are committed to doing the right thing. These leaders must communicate clearly what is expected, hold themselves to high standards, and reward ethical behavior within the company. When this happens, employees feel more confident in their work and more connected to the goals of the organization.
- A strong culture also means that unethical behavior is not tolerated. It should be addressed openly and fairly. Employees should feel safe reporting problems and should know that their concerns will be taken seriously. Ethical leadership encourages open communication and builds a sense of shared responsibility.
- Moreover, good leaders invest in training and development to help their teams grow not just in skills, but also in values. They promote teamwork, fairness, and respect. They focus not only on results but also on how those results are achieved. This kind of leadership creates a positive work environment, where people feel valued and motivated.
- In the end, leadership is not about control. It's about influence. When leaders make ethical behavior a priority, they shape the entire organization in a positive way. They create a culture that supports integrity, trust, and long-term success. Ethical

leadership is one of the most powerful tools a company has for staying strong, responsible, and respected in the eyes of both its employees and the wider public.

### **How Leadership Styles Affect Ethical Behavior in Organizations**

- Leadership plays a big role in shaping how employees behave in a company. The way leaders manage and interact with their teams influences whether employees accept and follow the organization's values and rules. When leaders focus on building strong shared values, it helps create clear standards for how people should act. Leaders also help spread and check how well those values and rules are followed. In short, the style of leadership impacts the everyday behavior of employees.
- For example, some leaders prefer a very direct and demanding approach. This might work in fast-moving and highly competitive industries, where pressure is high and quick decisions are needed. Such leaders encourage strong challenges and debates among team members, which can lead to better problem solving even if it feels intense. Other leadership styles may focus more on collaboration, trust, and emotional support, creating a more relaxed but still effective workplace.
- Understanding a company's leadership styles and attitudes can also help predict where ethical problems might appear in the future. Even if certain actions might break laws or rules, employees often look to their leaders to decide what is acceptable. So, leadership is very important when it comes to guiding the organization's ethical behavior.

### **Leaders at All Levels Have Ethical Influence**

- Although we usually think about top executives or CEOs when we talk about leadership, other people also have leadership roles. The company's board of directors plays an important part in guiding the organization's ethics and governance. Leadership doesn't only come from those at the very top. It can come from managers, supervisors, and even fellow employees who influence others by example.
- Good ethical leadership means understanding the company's overall goals and values, as well as the responsibilities that come with making difficult decisions. Sometimes even people who are generally honest and good in their personal lives can struggle to make ethical choices at work. This happens because they might see business decisions as separate from their personal moral beliefs.
- It is common to find people who are respected in their communities but who have made poor ethical choices in business. This shows how challenging it can be to keep personal ethics aligned with workplace demands. It highlights the importance of having strong, clear ethical leadership within the organization.

## **The Qualities of Ethical Leaders**

- Ethical leaders need more than just good intentions. They require both knowledge and experience to make well-informed decisions. True integrity means acting in ways that are honest and fair even when no one is watching. This kind of transparency is essential for building trust.
- Strong ethical leaders are also willing to leave an organization if it becomes impossible to do the right thing because of poor corporate governance. Making ethical decisions often means balancing many competing interests. Leaders must consider not only the interests of shareholders but also the welfare of all employees, including those who earn the least.
- No leader can be perfect or always agree with every stakeholder. Admitting this does not show weakness; instead, it builds trust by encouraging open discussion and debate about ethics. A leader who welcomes diverse viewpoints and is open to feedback helps create a healthier ethical culture.

## **Building Ethical Leadership in Practice**

- Many professional groups and industry associations support the development of transformational leadership skills to help companies create ethical cultures. They offer training and resources to help leaders inspire their teams and handle ethical challenges.
- Transactional leadership remains important, especially during times of transition or crisis. For example, companies recovering from scandals may need leaders who can enforce new policies quickly and hold employees accountable. Such leaders focus on clear communication and follow-up to rebuild trust and strengthen governance.
- In reality, organizations benefit most when leaders combine elements from both styles—using transactional leadership to maintain order and compliance, while also applying transformational leadership to inspire and engage employees in ethical practices.