

DYNAMICS OF ETHICAL LEADERSHIP

Key insights on ethical leadership and decision making
in Mauritian business enterprises

WHITE PAPER

Dr. Rishi O. Sookdawoor - December 2022



Transforming leadership
for the greater good

The role modelling of business leaders in promoting ethical standards and practices is a major enabler in shaping the right work environment that would, in turn, positively influence employees to surpass their own minimum role requirements with self-motivated behaviours, engagement, and performance for organisational interests.

The importance of leaders' own conduct, how people "read" and perceive their behaviour, and how such conduct is promoted within organisations or societies are central to the understanding of ethical leadership.

This white paper examines the underlying factors characterising ethical leadership in business organisations in Mauritius as well as sheds light on its significance, dynamics, effects, and how it shapes organisational citizenship behaviour in the workplace.

The Dynamics of Ethical Leadership

Several empirical studies on the global front have shown that ethical leadership plays a fundamental role in the workplace in fostering:

- Employees' moral attitude and behaviour
- Employees' performance
- Organisational commitment
- Job satisfaction

It has been established through theories and empirical findings that people learn from their models (*leaders consistently demonstrating ethical behaviour in their workplace*), then react through internal cognitive events before responding with positive attitudes and behaviours. The findings of Brown, Trevino and Harrison (2005) reinforced the positive association of ethical leadership with employees' job satisfaction, motivation, and organisational commitment.

It was also established that employees perform better as they are psychologically motivated by their leaders' ethical behaviours (Piccolo et al., 2010; Walumbwa et al., 2011).

These studies highlighted the significance of the quality of the relationship between leaders and followers as an enabling factor in ensuring alignment between the two parties and the engagement and motivation of followers in achieving business goals ethically.

Defining Ethical Leadership

Ethical leadership is commonly defined as the "*demonstration of normatively appropriate conduct through personal actions and interpersonal relationships and the promotion of such conduct to followers through two-way communication, reinforcement, and decision making*" (Brown, Trevino and Harrison, 2005).

Attention is often focused on two main pillars of ethical leadership: the moral person and the moral manager. Central to ethical leadership is the person's or the leader's own set of moral traits, values, and behaviours (as a moral person). This encompasses their role as a leader or manager in setting up and living up to the right moral standards, conduct, and practices through their own actions and those of their followers and collaborators. The moral manager has a duty to conform and be seen to be conforming to a code of morals. They are expected to have certain moral traits, engage in a set of professionally and socially acceptable behaviours, and reconcile these with their personal and professional lives in a consistent manner (Brown, 2007).

Being a moral person with a strong sense of ethical awareness is not the only requirement to be a successful ethical leader. It also necessitates managerial abilities to focus on ethics and infuse the right set of principles guiding ethical actions and citizenship behaviours (Toor & Ofori, 2009; Trevino et al., 2000, 2003).

Ethical leadership is ultimately about formulating and advocating ethical principles and organisational concerns related to moral and sustainable interrelationships between the enterprise and its members (Brown et al., 2005).

The Ethical Decision Making Process

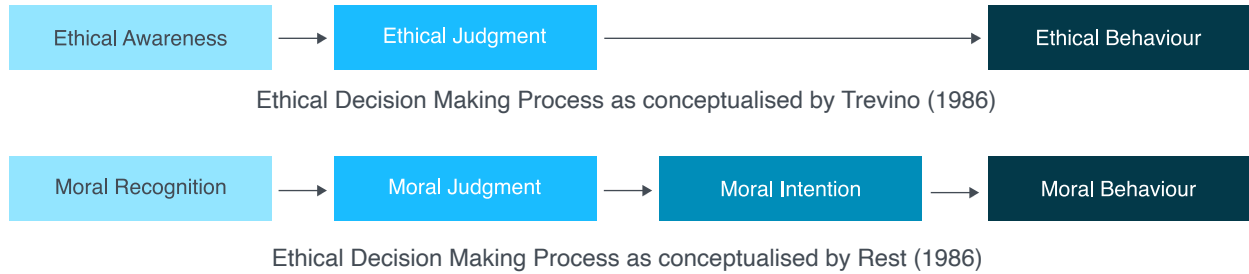
Lawton and Páez (2015) presented virtues (the who), purposes (the why), and practices (the how) as three interlocking dimensions of ethical leadership. Ethical outcomes often demand that the leader is virtuous (e.g., courageous, truthful, fair, and honest) and engages others for a purpose (social or economic) through the execution of the right practices (e.g., ethical judgement and ethical decision making).

Decision making stands as a crucial process in the overall organisational dynamics, as it is the trigger point for subsequent actions with multifold impacts. Individuals or groups of individuals are all subject to such a process when confronted with a moral dilemma.

Both Rest (1986) and Trevino (1986) defined almost similar processes of ethical decision making, specifying the subtle psychological stages through which a person progresses to reach an ethical decision. However, Rest (1986) identified moral intention as a component playing a crucial role in the overall ethical decision making process, as depicted in Figure 1.

FIGURE 1

Ethical Decision Making Process models by Trevino (1986) and Rest (1986)



The subtle difference

Moral recognition (also referred to as ethical awareness or moral sensitivity) refers to the ability of a person to determine and recognise a moral issue in a particular situation. This requires the person to be aware of the potential harm and/or benefit that their actions may entail for other people within the organisation or society. At this stage, a person can decipher that a particular situation has a moral content and implication.

The subsequent stage is the process of moral judgment (also referred to as ethical judgment). At this stage, the individual judges between what is right and wrong. The individual evaluates possible avenues or solutions to an ethical dilemma and then applies his/her reasoning to determine the ethical soundness of such options by evaluating their respective potential consequences.

The third stage of Rest’s model is the process of moral intention or moral motivation, which refers to the intention to opt for an ethical decision over another solution of different value.

At this stage, the individual takes an ethical stance and chooses the moral value. For instance, a leader may be confronted to choose between two solutions to an ethical dilemma, but his/her decision is motivated by factors such as:

- **proximity** (closeness of the decision maker and the person(s) whom the decision is likely to affect).
- **social consensus** (degree of consensus amongst individuals or social groups about whether an action is regarded as good or bad).
- **magnitude of consequences** (degree of ethical impact, harm or good, caused by the decision maker’s action).
- **probability of effects** (likelihood that the predicted consequences and anticipated level of harm or good will happen).

The last stage of the ethical decision making process is moral behaviour (also referred to as ethical behaviour or moral action). This is the culminating point of the influences from the earlier stages whereby the individual acts in the situation. It involves determination, courage, and the ability to follow through to reach an ethical decision.



Ethical leaders are individuals who are impartial and unbiased, exhibit ethical behaviours, take the wishes of people into notice, and protect their employees' rights fairly (Zhu et al., 2004).

Ethical Leadership and decision making in Mauritius

The empirical findings from the multi-faceted ethics study carried out with 523 employees operating across hierarchy levels and 19 industries in Mauritius show that ethical leadership and decision making are characterised mainly by six factors in business organisations in Mauritius.

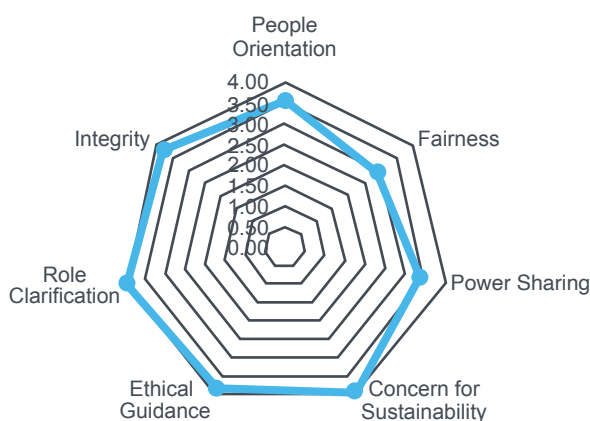
The six factors that emerged in business organisations in Mauritius are:

- People Orientation
- Fairness
- Power Sharing
- Role Clarification
- Integrity
- Concern for Sustainability and Ethical Guidance

FIGURE 2

Respondents' mean score ratings of their organisational leaders' behavioural traits

(On a 5-point Likert scale, with 1 being strongly disagree and 5 being strongly agree)



“**People Orientation**” is characterised by the care and attention directed towards others and the genuine concern shown in relation to the needs, interests, and feelings of other colleagues at work. The study indicates a tendency for people-oriented ethical leadership traits in Mauritian organisations.

“**Fairness**” is characterised by properly situating the responsibilities and accountabilities of a fault or problem in the workplace. The study reveals a tendency for such attributes prevailing as part of the ethical leadership and decision making traits, though the mean score of this factor was relatively lower compared to the other factors that were measured. Generally, the score inclined towards a disagreement when conditions of unfairness in the workplace were presented to the respondents for rating. For example, respondents were inclined to disagree when presented with conditions where their leaders or organisations would hold someone unfairly accountable.

“**Power sharing**” involves a culture of obtaining inputs, recommendations, and advice from subordinates in the organisational strategy and decision making process. This has also emerged as an important component in the assessment of ethical leadership and decision making in Mauritius. The results indicate that a majority of the respondents tend to agree that such traits of power sharing prevail in their organisations.

“**Concern for sustainability**” and “**Ethical Guidance**” emerged as related factors of a common main factor in the exploratory and confirmatory factor analysis. “**Concern for sustainability**” considers the importance of caring for the environment in general and for such development goals that fulfil the present needs without compromising those of the future generation.

“Ethical Guidance” encompasses behaviours and practices promoting integrity at work, such as adherence to codes of conduct, stimulating discussions of integrity amongst employees, explaining the consequences of unethical behaviour, and complimenting those who demonstrate good behaviour in line with the integrity guidelines. These two underlying factors are interlinked and seem to be perceived as one common factor by the respondents, given their interrelatedness. They both emerged from the study with relatively stronger mean scores, tending towards an agreement that such behaviours are prevailing in business organisations in Mauritius.

“Role clarification” explains what is expected from the incumbents, clarifies priorities and performance goals, and identifies who is responsible for what. This factor was rated with the highest mean score, indicating that respondents tend to agree with its prevalence in business organisations. This is consistent with the culture of achieving goals that emerged in the evaluation of organisational culture in Mauritius, where clarity on role, responsibility, priorities, and performance expectations is central.

In the context of ethical leadership and decision making, **“Integrity”** was particularly characterised by the leaders who kept their promises and could be trusted and relied on.



However, when it came to ethical leadership practices, one third of the respondents felt the pressure to follow and execute orders from the boss(es) for the latter’s own self-interest. Such demands are viewed as disproportionate and place the employees into ethical dilemmas in fulfilling such instructions for their own job’s security.

It was also found that employees have difficulties in making ethical judgements about what actions are ethical or not. These conditions were characterised by deficiencies in ethical leadership and ethical decision making and are likely to influence unhealthy ethical behaviour to prevail in business organisations in Mauritius.



Ethical leadership and decision making considerably influence organisational citizenship behaviour, employee ethical conduct, and perceived employee performance in business organisations in Mauritius, with the effect on perceived employee performance being the highest.

FIGURE 3

Emerging factors characterising Ethical Leadership in business organisations in Mauritius



KEY OUTCOMES OF THE STUDY

0.1

Ethics in the workplace

drive work engagement behaviour and enables employee retention. Ethical culture and ethical climate within organisations are the most impactful contributors to fostering employee engagement at work.

0.2

Ethical standards, systems & practices

lead to higher employee emotional engagement and work commitment in the workplace.

0.3

Ethical leadership

influences employees' moral attitudes and behaviours as well as their performance at work. It is also positively associated with the employees' job satisfaction and their commitment to the organisation.

0.4

Goal congruence

between leaders and followers plays a vital role and is an enabling mechanism between ethical leadership and employee performance.

The Way Forward

Global studies undertaken by researchers and scholars provide insightful supporting evidence that significantly helps business leaders in fostering a positive and ethically oriented work environment.

Similarly, the study suggests that ethical leadership influences employees to voluntarily perform above and beyond their prescribed duties (*doing the extra mile in the best interests of the organisation*), and motivates them to maintain an ethical conduct at work in Mauritius.

In light of the research findings and with a view to stimulate positive and ethically oriented behaviour in their employees, business leaders have to act and be seen to be acting fairly vis-à-vis their subordinates and other stakeholders.

They must demonstrate that their decisions are made on the basis of ethical consideration and fairness. These should be communicated in a transparent manner, and dialogue should be enabled to clarify potential misunderstandings or adverse perceptions.

Transparency in leaders' decision making and actions fosters ethical and citizenship behaviour within organisations. This particularly includes transparency in:

- dealings;
- recognising and rewarding successful efforts fairly; and
- mitigating such pressures that could compromise the ethical stance of a team member.

The leadership team thus has a strong duty to promote ethical behaviour and practices as part of the overall organisational culture and operating philosophies of the organisation.

Conclusion

Ethical leadership and decision making play an influential mediating role in fostering organisational citizenship behaviour, employee ethical conduct, and performance at work.

We call for a transformation of our business leaders into ethical leaders who communicate openly, show consistency and alignment in their ethical messages and actions, role model, and create a fair work environment. This will unlock the positive psychological states and behaviours of their subordinates.

Our business leaders must further demonstrate their ethical qualities, paying particular attention to the key underlying factors of fairness, integrity, people consideration, role clarification, power sharing, respect for deontological duties, and concerns for sustainability.



A transformation of our business leaders into ethical leaders is required in order to reinforce the right ethical climate through their own stewardship and to instil an ethical culture in business organisations through their good judgement, decision making, and actions, whilst ensuring transparent dialogue regarding their decisions, actions, and the welfare of their people.

Methodology and Participants' Profiles

Methodology: Quantitative study, cross sectional design & survey strategy executed between November 2019 and February 2020.

Target Population: 2,534 'large' establishments across 19 industries in Mauritius (employing 10 or more persons as defined by Statistics Mauritius, 2017).

Sample Size: 526 participants of varying backgrounds working in these 'large' establishments (523 retained post quality assurance and controls).

Data gathering: Through Computer Aided Personal Interview ("CAPI") undertaken by Kantar as per scope entrusted.

Instruments: Master questionnaire of 232 items, compiled and marginally adapted from well-established instruments used globally. Measured through a 5-point Likert scale (1 being Strongly Disagree and 5 being Strongly Agree). Key instruments used for this multidimensional study are as follows:

- State of Ethics & Compliance Standards and Practices: Adapted from Ethics & Compliance Initiatives (2018)
- Organisational Culture: Organisational Culture Assessment Questionnaire (Sashkin & Rosenbach, 2013)
- Ethical Organisational Climate: Ethical Climate Questionnaire (Victor & Cullen, 1998)
- Ethical Leadership & Decision Making: Ethical Leadership at Work Questionnaire (Kalshoven et al., 2011)
- Internal & External Workplace Pressures : Adapted from "Factors eliciting Managerial Unethical Decision Making" (Lasakova & Remisova, 2017)
- Organisational Citizenship Behaviour: Organisational Citizenship Behaviour Scale (Podsakoff et al., 1990)
- Employee Ethical Behaviour & Conduct: Adapted from Scale of Measurement of Questionable Behaviour (Maesschalck, 2004)

- Perceived Employee Performance: Adapted from Perceived Organisational Performance (Delaney & Huselid, 1996)

Statistical analysis: Descriptive statistics, correlation, multiple regression, exploratory and confirmatory factor analysis, path analysis and model fit indices amongst others.

Tools used: IBM SPSS, Amos Software Packages, Hayes' Process Procedures for SPSS and Microsoft.

FIGURE 4
Size of organisation surveyed

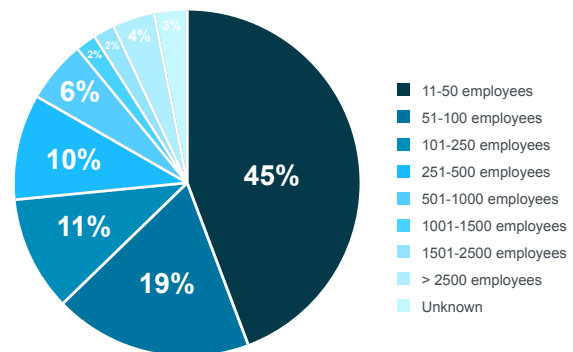
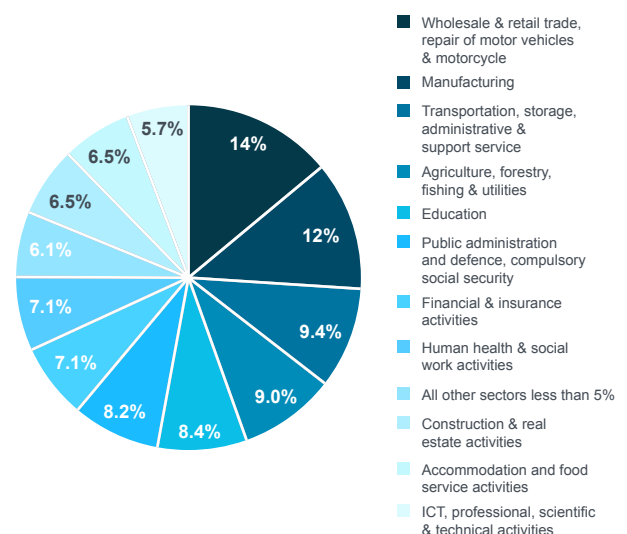


FIGURE 5
Key industry sectors surveyed (regrouped)



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About this Paper

This paper forms part of an overarching strategy to share and disseminate the research findings from the author's multifaceted study "*The dynamics of ethical climate: mediating effects of ethical leadership and workplace pressures on organisational citizenship behaviour*" in the business context of Mauritius. <https://doi.org/10.1080/23311975.2022.2128250>

The main objective of this paper is to focus on one particular aspect of this multidimensional study, more specifically on the dynamics of ethical leadership and decision making, and how it can be reinforced in business organisations.

Through this paper, the author attempts to bring together key concepts, findings, insights, views, and recommendations on the topic of focus in a relatively non-technical format to ease the dissemination to a broader audience for the welfare of the business community. An attempt has also been made to recognise the work of other scholars and researchers through the references, to help bridge the academic and business worlds.

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We acknowledge the valuable inputs of all the respondents and stakeholders who participated in this study. By sharing their experiences, they have provided a much needed insight into today's reality. Their important contributions are much appreciated as they will go a long way towards further strengthening the ethical culture in business for the greater good.

We also acknowledge the strategic mindset and creative capabilities of Peppi Ltd, our brand innovation consultant, in helping us build, develop and connect our LeadEthics purpose-driven brand and experiences.

Author



Dr. Rishi O. Sookdawoor
Founding research member

Rishi O. Sookdawoor is a Doctor of Business Leadership from the Graduate School of Business Leadership, University of South Africa. He is a multi-functional, strategic and board-level executive with a 20-year track record of spearheading strategic ventures and transforming businesses. With a strong passion and advocacy for ethical leadership, Dr. Sookdawoor aims to contribute to the body of knowledge through his research and opinion papers on ethical leadership and organisational citizenship behaviour. In his quest to contribute towards shaping a stronger ethical culture in business organisations, he advocates for the collective drive and stewardship of business leaders in fostering ethical culture and behaviour in the business community.

Dr. Sookdawoor is also the founding research member of LeadEthics, a platform dedicated to steering forward the mission of fostering ethical leadership at national and global levels. He can be reached at: rsookdawoor@leadethics.com

About LEAETHICS

LEAETHICS is a platform dedicated to empowering the business community to foster ethical leadership and culture. Through its research, LEAETHICS provides insights on the ethical culture, behaviour and leadership in business organisations in Mauritius. Based on empirical research, insights, and experiences, it puts forward the key ethics related actions required to implement highly effective ethics standards and programmes in the business community.

LEAETHICS aims to bring together policymakers, industry leaders, business drivers, professionals, ethics & governance experts and scholars from Mauritius and all over the world to share their experiences, ideas, resources, and techniques, and make the right call to collectively commit to putting ethics at the top of the leadership agenda and drive the transformation of ethical organisational culture and leadership for the greater good.

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