



## **Archie Carroll: Ethical leadership has 4 realms**

In recent years, it has become apparent one cannot talk about effective leadership without attention being given to the ethical facet of management practice. In many surveys, integrity is showing up as one of the primary requisites of successful leaders. Today, leaders need to "do the right thing" along with "doing things right." The Enron and post-Enron scandals of the past couple years have depicted a depressing picture of business ethics. They have surely emphasized the acute need for higher standards of moral principles on the part of organizational leaders.

What are the arenas or spheres in which a businessperson must balance and reconcile ethics? Joseph Badaracco once argued that managers have four realms of ethical responsibility. The four arenas of ethical obligation include managers' roles 1. as a person, 2. as an economic agent, 3. as an organizational leader, and 4. as a boundary spanner.

As a "private person," managers face a high-priority ethical world as we are private persons first and only assume broader social roles later. In many respects this is the realm of genuine morality in its deepest sense for it pervades all else. R. H. Tawney, the British historian, once wrote: "To argue, in the manner of Machiavelli, that there is one rule for business and another for private life, is to open the door to an orgy of unscrupulousness before which the mind recoils." Tawney reminds us of the result of thinking that our private morality is independent of our other life roles. More recently, Truett Cathy, founder of Chick-fil-A, argued there is no such thing as business ethics - only ethics. This is certainly something to ponder.

Businesspeople are also "economic agents." They represent their organizations in the commercial realm. Managers are expected to represent the interests of stockholders and other stakeholders. We think of this as an economic relationship, but it is also a moral one. Effective relationships are based on trust and mutual respect. Not only are businesspeople expected to be profitable, they are expected to comply with the law and function ethically as economic agents. Often, these roles create tension within the manager as a person, and the challenge is in their reconciliation.

As "company leaders," business people confront another sphere of moral responsibility. As leaders, managers hold substantial power over the lives of others. They serve as role models whether they intend to or not. A first obligation is not to abuse their power. Whether it is the promulgation of formal policy, a casual statement made in passing, or the leader's personal actions, forceful messages about what constitutes ethical behavior are transmitted. It is axiomatic that the moral tone of an organization is set by top management.

As a "boundary spanner," the businessperson has ethical responsibilities extending beyond the organization. It is tempting, but erroneous, to think that managers are limited in their obligations to their own organizations. An economist once described

companies as islands of managerial coordination in a sea of market relations. Companies are hardly "islands," however, as they have numerous, varied, and complex relationships with outside stakeholders - government agencies, labor unions, strategic alliances with suppliers, communities, global networks, and so on.

Businesspeople have ethical responsibilities that extend deeply into the relationships and impacts that they have in the stakeholder environment, and in how they use their power. Using power responsibly is a significant component of leadership. The Iron Law of Responsibility holds that: "In the long run, those who do not use power in a manner society considers responsible will tend to lose it." In the ethics context, power and responsibility are to be kept in balance.

The conscientious businessperson has these four, intertwined, spheres of managerial responsibility and business ethics to juggle as he or she pursues the quest of principled leadership - as a person, economic agent, organizational leader, and boundary spanner. Consistency among the four realms will increase the likelihood of ethical sustainability.