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Ethical leadership as an enabler of organizational culture change

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ETHICAL LEADERSHIP AS AN ENABLER OF ORGANIZATIONAL CULTURE CHANGE

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by

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DEDICATION

To my parents, Dr. Iraj and Mitra Ershaghi:

for their love and support,

and for instilling the value and importance of a good education.

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VITA

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ABSTRACT

We are emerging from a decade plagued with headlines of crises that tell the narrative of the cost of organizational culture. Evolving before our eyes, the world is acutely focused on the actions of individual leaders and the organizational cultures that have cultivated low-trust and high-fear environments, dysfunctional and failing organizational cultures. Drawing from research in organizational theory, moral philosophy, psychology and sociology, the study focuses on organizational cultures, the role of leadership in enabling healthy cultures. This exploratory, qualitative study utilizing the grounded theory approach addressed the question of how organizations are establishing and reinforcing acceptable ethical leadership behaviors and principles and the factors critical in the role of leadership as an enabler of ethical cultures. The research explores how these leadership behaviors are manifested, and what is the impact and potential consequences these leadership behaviors have on creating healthy organizational cultures. The framework for this exploratory study was to research the questions and assess the phenomena from multiple perspectives. A process of data triangulation was performed, including an evaluation of multiple forms of primary and secondary sources. An analysis of the convergence and disparities of the data patterns resulted in the emergence of the key factors informing the grounded theory. The study points to the importance of leaders as visible and reflective models of organizational culture, especially at the middle layer of the organization. The study points to some emergent themes and effective practices that organizations can utilize to build and frame their ethical leadership development programs and initiatives. These themes include that rules and policies alone, do not provide a sustainable framework for mitigating leadership behavior. Other themes include social learning tools as channels for reinforcement and peer support of ethical decision making practices, evaluation of multiple perspectives of a situation, framing guidance with a tone set through the middle layer of an organization, and implementing diverse activities with a cadence of frequent contact over time. Implications and recommendations for leadership development in the areas of organizational development and business ethics are outlined. Suggestions for future study include organizational reputation management, phenomena of sensationalism and global transparency.

Chapter 1: Introduction to Research Problem

Looking back to the early days of twentieth century, Albert Einstein, a Nobel Prize Laureate and theoretical physicist, was quoted saying, "Try not to become a man of success, but rather try to become a man of value" (as cited in Krieger, 2007, p. 173). Warren Buffet (as cited in Schuman, 2006), widely considered one of the most successful investors of the twentieth century, has famously stated, "If you lose dollars for the firm by bad decisions, I will be understanding, if you lose reputation for the firm, I will be ruthless" (p. 33).

We are emerging from a lost decade that was plagued by great crises and one that is filled with headlines that tell the story of the cost of culture. The technology bubble of the 1990s came to an abrupt end in early 2000. The Dow Jones Industrial Average (DIJA) peaked at 11,750 in January 2000 ("Dow Jones Industrial," n.d.). The dramatic decline in the equity markets has exposed extraordinary accounting scandals, including Enron, Tyco, Adelphia, HealthSouth, and WorldCom. In response, Congress passed the Sarbanes-Oxley Act on July 30, 2002, which has resulted in being the most comprehensive regulatory reform since the Great Depression. The continued corporate scandals from 2001 through 2010 have resulted in a loss of credibility in the management and leadership of these large corporations and institutions ("Ramalinga Raju," 2009; U.S. Sentencing Commission, 2011; Weidner, 2010; Zhu, May, & Avolio, 2004).

Beyond the corporation, the world is acutely focused on the actions of individual leaders and the organizational cultures that have enabled such low-trust and high-fear environments. As the corporate malfeasance continues, the world is paralyzed by the stunning headlines, such as the disclosure in 2008 that Bernard Madoff, a money manager and former chairman of the National Association of Securities Dealers had defrauded over 15,000 investors in a $65 billion Ponzi scheme. These corporate scandals and breaches of trust are not limited to United States soil. In January 2009, Ramalinga Raju, CEO of Satyam Corporation disclosed to his board that he had defrauded his corporation of $1 Billion by siphoning off money to 400 fake companies and 10,000 fictitious employees. One event, which may have singlehandedly defined the end of this decade of corporate crises, splashing across the global stage an organizational culture of risk, is what is being characterized as the worst oil spill in United States history. The catastrophic explosion and resulting oil spill of British Petroleum's Deepwater Horizon drilling rig on April 20, 2010 has produced a groundswell of backlash and debate worldwide around the role of organizational leadership and ethics in corporate values and the consequences of unethical conduct on the organization, community and environment. The spectacle of executives being led away in handcuffs may become the image that defines these times, the *New Normal* (Agle, Mitchell, & Sonnenfeld, 1999; Bernardi & LaCross, 2005; Walker, 2004; Weidner, 2010).

Leadership in the Era of Behavior

Leadership in this New Normal of complex and challenging times will require more than the traditional ingredients of infrastructure and success factors. Instead there is a refocus on the organization's corporate culture as the *conscience* for the sustainable journey ahead. Operating in a globally interdependent world, business leaders are beginning to fundamentally "rethink the very nature of how their organizations operate and how their people conduct business" (LRN, 2010, p. 4). According to data from the National Business Ethics Surveys conducted by the Ethics Resource Center (ERC, 2009), most ethics and compliance leaders now cite "building ethical culture" (p. 7) as a major goal of their strategy for program development.

Culture is defined as the values, norms, assumptions, expectations, and definitions that characterize organizations, sometimes referred as, how things are done around here (Schein, 1999). According to Schein (1999), culture is often the unseen hand that profoundly influences the way we individually and collectively see ourselves, our organizations, our leaders, and the world around us. Ultimately underlying culture is the organization's purpose or set of core values, but often times these are not discussed daily, nor internalized in the operational aspect of an organization's day-to-day business. According to the National Governance, Culture and Leadership Assessment (GCLA), a recent national study conducted in corroboration by LRN Corporation and the Boston Research Group, culture can be the "engine that drives a company forward, or it can be a huge brake on progress" (LRN, 2010, p. 3). The GCLA study was based upon a survey of over 5,000 employees working in the US for both local and global organizations of various sizes. The GCLA indicates that over 43% of those surveyed described their company's culture based upon a command-and-control, leadership by coercion framework. Interestingly, over 54% of respondents indicated that their employer's culture is top-down with lots of rules and a mix of *carrots and sticks,* indicating a nod towards calculated initiatives to sustain and motivate progress. The results of this study are so profound that the nuggets of data are appearing in contemporary commentary including a recent article in *The Economist* ("Corporate Culture," 2011). Citing data from the GCLA, the author posits that *values* is the latest hot topic in management thinking, citing organizations such as PepsiCo and Chevron as *rebranding* themselves around their corporate creed, and building an image of a more caring and *ethical culture*. LRN's HOW Report states "Culture is how things really work, how decisions are made. Culture frames how customers, suppliers and communities are engaged" (LRN, 2010, p. 10). Sometimes referred to as an organization's DNA, culture is what provides an organization its unique qualities, strengths and weaknesses. Culture can manifest itself in many ways, and Schein (2009) describes these at several levels. Schein's primary level is the Artifacts, which are the visible organizational structures and processes. The second level is Espoused Values, the strategies, goals and philosophies used to justify the foundation of organization policies, frameworks and decision models. Lastly, the third but most visible level in today's *Era of Behavior* is the Underlying Assumptions. These are the *way we do things around here* notions of beliefs, perceptions, thoughts and feelings. Schein refers to these as ultimately the source driving the values and behavior in an organization.

Several explanations may emerge for the grim picture of recent headlines in the United States, including the unemployment rates, infighting between business and government, the U.S. falling square at the epicenter of the headline crises of 2010 including the BP Oil Spill, product recalls and the SEC investigation of Goldman Sachs. According to the 2011 Edelman Trust Barometer®, an annual survey that gauges attitudes about the state of trust in business, government, NGOs and media, culture and behavior can have material implications. The 2011 Edelman Trust Barometer® survey sampled 5,075 informed publics in two age groups (25-34 and 35-64) across 23 countries (Edelman, 2012). The survey has an index called the Trust Barometer Index country score. This index represents an average of the country's trust in business, government, NGOs and the media. Upon reviewing the Trust Barometer Index, in 2011, the United States sunk to the bottom, barely above the United Kingdom and Russia. Whereas just a few years back, in 2008, the United States was fourth from the top of the list in the Trust Barometer Index.

Statement of the Problem

The current state of ethics reveals that a new reality has emerged. This has spurred business leaders to rethink the ethical norms of business. In 2010, Kiaus Schwab, the founder of the World Economic Forum and Executive Chairman stated, “the current crisis should…sound the alarm for us to fundamentally rethink the development … our ethical norms and the regulatory mechanisms that underpin our economic, politics and global interconnectedness” (para. 9). Building an ethical culture has emerged as a modern business imperative, an imperative underscored by several studies. For example, according to the 2006 results of the KPMG Organizational Integrity Survey, 75% of employees in business have observed a high level of illegal and unethical conduct at work in the last 12 months (KPMG, 2006). The NGCLA reveals that only 9% of employees believe they work for a high-trust organization where there is little or no fear or coercion (LRN, 2010). With all the corporate scandals, market skepticism and low trust, this has signaled a larger desire for authority and accountability from leadership and business. The Edelman Trust Barometer report summarizes the problem by stating, “trust is now an essential line of business” (Edelman, 2012, p. 3). Culture can sometimes hinder an environment trust but alternatively it can help “manage an organization’s downside risk by discouraging unwanted behaviors” (LRN, 2010, p. 15). Culture can also inspire and promote the desired behaviors leading to an ethical culture.

Therefore, the problem is to determine how organizations are establishing and reinforcing acceptable ethical leadership behaviors and principles. The research explored how these behaviors are manifested, and the impact these values-based leadership behaviors can have on creating sustainable organizational cultures.

Statement of the Purpose

This purpose of this study, therefore, is to examine the impact of organizational culture and leadership as an enabler of trust. The research evaluated how today's global leaders create, enable, and drive the culture in their business organizations, and how their visible modeling of positive behaviors can impact the behavior and decision making principles of employees. This study explored how a values-based organizational culture and its leadership behaviors can impact employee behavior. The research reviewed how this is manifested, such as the willingness to speak up, more collaboration through innovation and high performance, and overall better business performance. The study evaluated whether building and investing in ethical cultures can be a competitive advantage through the lens of contemporary case studies.

Research Questions

1. How are leaders establishing acceptable organizational ethical behaviors?
2. How are these behaviors manifested?
3. How does leadership evidence or demonstrate the espoused values and culture? What does it look like: tangible evidence, artifacts, and observations?

Research Approach

The research approach for this study was an exploratory study framed in the grounded theory approach. The grounded theory methodology was developed by Glaser and Strauss in 1960 as an approach to develop theory empirically in the study of social phenomenon (Glaser & Strauss, 1967). The grounded theory process entails evaluating public records, reports, news, existing literature, and artifacts from existing literature around organizational culture, ethics and leadership, which produce indicators that will lead to segments of coding. This process can result in the emergence of core themes and result in a grounded theory. The research included an evaluation of current commentary around headlines of organizations that have experienced breaches in ethical leadership. Moreover, the researcher reviewed and evaluated cases that represent links between corporate culture, risk management and business performance. Public documents such as the artifacts and frameworks of organizations, including leadership frameworks, vision and value statements and Codes of Conduct were a central area of focus and information gathering. The researcher also conducted a review of surveys and studies around employee engagement, ethical leadership, and competency models. The researcher compared and contrasted recent case studies that exemplify healthy ethical culture and or maladaptive organizational cultures. Additionally, the researcher applied legacy models such as Edgar Schein's Three Dimensions of Organizational Culture, by analyzing the artifacts, beliefs and values and underlying assumptions to filter and evaluate the various case studies. The study included a review of mass media outlets and hyper-current articles accessed in various formats including online editorials and commentary, journals, Internet blogs and thought leadership and peer reviewed white papers and case studies.

Significance of Study

This study attempts to contribute greater and emerging insight to what is already known about the convergence relationship between leadership, ethical behavior and its resulting impact on organizational culture. The significance of this study is that it explores the framework and criteria to developing a sustainable values-based organizational culture, beyond the legal (rules-based) foundation of corporate governance. The U.S. Sentencing Guidelines indicates that a firm must promote an organizational culture that encourages ethical conduct (U.S. Sentencing Commission, 2004). There are numerous laws such as the U.S. Sentencing Guidelines of 1991 and 2004, the Federal Prosecutorial Policy regarding Organizations, Sarbanes Oxley Internal controls and accountability and the FCPA and Whistleblower provisions that have been implemented to regulate and mandate ethical corporate governance measures. Yet the corporate scandals reflective of unethical and poor leadership behavior continue to multiply in depth and breadth. This study is important because it seeks to evaluate whether rules alone are a sustainable mitigation of behavior or market differentiator. Instead, the research seeks to uncover whether organizational culture and the positive modeling of leadership behavior can directly affect business performance. For example, since 2004 the Compliance and Ethics Leadership Council (CELC) has explored the links between business performance and organizational culture in their member research as their commitment to being a steward in ethics and compliance management and advisory best practices. The CELC cites three organizational cultural factors directly hindering business performance: (a) lack of employee engagement, (b) limited information flow, and (c) reputational impact. This study also seeks to validate that an organizational culture rooted in trust and integrity may be the truest competitive differentiator for business today. The research explored how connecting through culture, with the hearts and minds of people, evokes a newly emergent central business strategy. The researcher seeks to investigate the role of leadership in establishing whether culture in it of itself may be the central strategy.

Definition of Terms

Benchmarking is the measurement of performance against best practice standards.

Best Practices, in this study, is defined as approaches that represent the best or state of the art methods in assuring an organization's compliance and ethics program is leading edge.

The *Chief Compliance Officer* is the officer primarily responsible for overseeing and managing the compliance matters of an organization. The scope of the role continues to expand as many compliance programs are encompassing ethics, and organizational culture and behavior issues. The Chief Compliance Officer typically reports to the executive leadership such as the CEO or COO and or the Board of Directors. The position helps meet two of the Federal Sentencing Guidelines compliance standards.

Codes of Conduct or *Codes of Ethics* are documented platform guidelines that corporations use to represent the bedrock of their values. These documents represent the principles, values, standards, or rules of behavior that guide the decisions, procedures and systems of an organization in a way that contributes to the welfare of its key stakeholders, and respects the rights of all constituents affected by its operations (U.S. Sentencing Commission, 2004) Companies adopt Codes of Conduct to set their standards of conduct on compliance and ethical issues. Codes of Conduct also help meet the first element of the U.S. Federal Sentencing Guidelines. Codes of Conduct are required for all companies listed on the NYSE and NASDAQ and are increasingly being adopted internationally with non-US corporations.

A *Compliance Program* is a system of management steps, initiatives and programs to prevent and detect misconduct. Guidelines for effective compliance programs are set forth by the Federal Sentencing Guidelines for Organizations.

The *Department of Justice (DOJ)* is the cabinet level agency of the U.S. government responsible for enforcing federal law, including federal criminal law. This department is organized by divisions that focus on various areas of violations of the law such as antitrust, anti-corruption and bribery.

Due Diligence is a legal term often used in the Federal Sentencing Guidelines. It represents the amount of effort required to meet the legal requirements and to mitigate risk.

Espoused Theory represents the words we use to convey what we do or what we would like others to think we do (Argyris & Schön, 1974).

Ethics is defined as a set of moral principles or the principles of conduct governing an individual or group. For the follower, ethical principles are a guiding philosophy (“Ethics,” n.d.). According to Starratt (2004) ethics is a summary of principles, beliefs, assumptions and values into a logical dynamic that characterizes a moral way of life.

Ethical Culture is the extent to which an organization regards its values. Strong ethical cultures make doing what is right a priority (ERC, 2009). Ethical culture is often the unwritten code by which employees behave (Jennings, 2006). An ethical culture can formally and informally teaches employees about how things are really done around here (Trevino, Weaver, Gibson, & Toffler, 1999).

Ethical Leadership is connecting people morally to each other and their work by developing shared purpose, beliefs, values and community building (Sergiovanni, 2006).

Federal Sentencing Guidelines for Organizations. In 1991, the United States Sentencing Commission established guidelines to govern the imposition of sentences by Federal Judges on organizational defendants. These guidelines are referred to as the Federal Sentencing Guidelines for Organizations (FSGO). The guidelines impose harsh penalties upon organizations whose employees or other agents have committed federal crimes. Penalties include restitution, remedial orders, community service, and substantial fines, based upon a point system for determining severity of offense. The guidelines require organizations to develop effective programs to prevent and detect violations of law, and prescribe seven steps that should be included in an effective program. Where organizations demonstrate an effort to implement the seven steps, lower sanctions are levied by Federal Judges (ERC, 2003).

Helplines or *hotlines* are reporting systems that help meet the fifth element of the Federal Sentencing Guidelines and section 301 of Sarbanes-Oxley. These reporting systems are designed to be anonymous and allow a safe and protected platform for employees to raise questions and report violations outside the normal supervisory chain of command.

A *leader* is a person by word or personal example, who markedly influences the behaviors, thoughts and feelings of a significant number of human beings (Gardner, 2004).

Leadership is defined as the process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task (Chemers, 2002). According to Kellerman (2004) leaders are the most important and powerful influence on the culture of an organization, and are responsible for creating an environment of credibility and trust. Over the past decade, leadership has evolved into many shapes and forms. Further, Kellerman suggests that one facet of this change has been the behavior of leaders and how a leader's ethical behavior can impact the organizational culture.

Monitoring is the real-time checking of performance, a proactive process. The Federal Sentencing Guidelines require that effective compliance programs should include steps to ensure the program is tracked and monitored to ensure program effectiveness and to prevent and detect problems. The process of monitoring can be contrasted by the concept of auditing, which is an activity that typically takes place after an incident occurs or is provoked as a forward looking process post-incident.

Organizational Culture is defined as an organization's culture is the set of values, beliefs, assumptions, principles, myths, legends and more that define how people actually think, decide and perform in an organization. Culture is often characterized as the "unseen hand" that profoundly influences the way we individually and collectively see ourselves, our organization, our leaders, and the world around us (Schein, 1992, p. 8).

Organizational Values are the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization (Hill & Jones, 2001). According to Deal and Kennedy (1982), organizational values are the beliefs and ideas about what kinds of goals members of an organization should pursue and ideas about the appropriate kinds or standards of behavior organizational members should use to achieve these goals.

Retaliation is an adverse action taken to punish someone for raising ethical or compliance questions and or reporting misconduct. Under the Federal Sentencing Guidelines, programs should allow employees to report violations, often characterized as whistleblowers, with the assurance of protection against retaliation. See Whistleblowers, recent Dodd-Frank legislation protects whistleblowers.

The *Sarbanes-Oxley Act* (SOX) was passed by the United States Congress in 2002 following the Enron, Tyco, Global Crossing and WorldCom corporate scandals. The Sarbanes-Oxley legislation made major changes in the rules for corporate governance, financial disclosure, auditor independence and corporate criminal liability. Sarbanes-Oxley was intended to protect shareholders and the general public from accounting errors and fraudulent practices in the enterprise. The Sarbanes-Oxley Act is administered by the Securities and Exchange Commission, which sets deadlines for compliance and publishes rules on requirements (U. S. Congress, 2002).

Social Influence is defined as the state when an individual's thoughts, feelings or actions are affected by other people. Social influence can take many forms and can be seen in leadership, organizational conformity, persuasion, and peer pressure (Kelman, 1958).

Transformational Leaders are those who inspire followers to commit to a shared vision and goals of an organization, challenging them to be innovative problem solvers, and develop followers' leadership capacity through coaching, mentoring and provision of both challenge and support (Bass & Riggio, 2006).

Transparency in the context of organizational and business transparency refers to those organizations that share information beyond the traditional confines of the boardroom or executive leadership group. Transparent organizational cultures often encourage and promote authentic and open communication and knowledge sharing.

The *U.S. Sentencing Commission* is the agency of the federal government that sets standards federal judges must use when sentencing those convicted of federal crimes. The commission has issued standards and guidelines that apply to the sentencing of organizations and corporations, referred to as the Federal Sentencing Guidelines for Organizations.

Whistleblowers are individuals in an organization who come forward and report misconduct. Under the Federal Sentencing Guidelines, organizations are expected to protect whistleblowers from retaliation (U. S. Congress, 2010)

Chapter 2: Literature Review

Introduction

This review of literature is a summary of the major theories and research on organizational culture and ethical leadership and the importance of the role of organizational culture as an enabler of workplace integrity and trust. Specifically this review will present historical and prevailing thought that examines the notion of a values revolution and why values are becoming a business imperative and a competitive business advantage. A review of the literature will reveal an increasing emphasis on the importance of ethical behavior on the part of organizational leaders and how ethics and effective leadership are so closely related to the point of inseparability (Butcher, 1987). The study includes an exploratory review of a sampling of organizations that illustrate how employee behavior can be impacted by an organizational culture of trust and how these behaviors are manifested, such as an increase in values-based decision-making or other tangible examples. The research identified how organizations are establishing and reinforcing acceptable ethical leadership behaviors and principles that can result in an ethical and sustainable organizational culture of trust. The researcher explored the role of leadership and the leader's influence in positively or negatively transforming the perceptions and behaviors of an organization in representing and upholding the espoused values of the culture. Further the study sought key themes that represent this leader behavior manifested in tangible actions. To illustrate, by way of example, this study explored whether in a high-trust workplace culture, employees are more likely to speak up and whether the role of leadership can impact the environment that enables a speak-up culture.

Organizational Culture

Culture is the organization's pulse and operating system, it represents the values that everyone live by (Schein, 2004). In some ways an organization's cultural operating system can help enable communication, decision making and provide the framework for innovation and business progress. Culture is the shared understanding of *how we do things around here* as opposed to how we are supposed to do them. Culture is about the unwritten rules, which often stem from the organization's history, reflected in behaviors and artifacts (Navran, 2012). Key statements such as Codes of Conduct and Vision and Values statements represent some of the many artifacts that can represent an organization's culture. Further, actions or inactions of an organization also speak volumes about the organizational culture. As Ghandi famously said, "Silence becomes cowardice when occasion demands speaking out the whole truth and acting accordingly" (as cited in Merton, 2007, p. 73)

Culture is often shaped by actions, perceptions, and observations (Coopey, 1998). Therefore, in some ways, organizational culture can sometimes harm and hinder the purpose of an organization. For example in the recent British Petroleum Gulf Oil crises of 2010, the research represents that the behavior of cutting corners on procedures and safety contributed to the fateful blow-up. Ultimately, "the culture allowed extreme shortsightedness in the pursuit of profit at the cost of safety and environmental stewardship" (Edersheim, 2010, p. 7). Sometimes an organizational culture can naturally ignore error messages or cries for help. Whereas Cawood (2007) suggests that a solid organizational culture would by default, close doors to malware or viruses, rejecting anything that is harmful or undermining the values and principles of the organization. A good culture will keep the priorities in focus and ensure that the decision making process is working with integrity, transparency and allowing open communication to ensure the best possible business outcomes (Cawood, 2007). In the case of British Petroleum, the culture didn't work effectively and unfortunately the failures went on full public display through the media and global web outlets (Boykoff, 2010).

Three Levels of Organizational Culture

According to Edgar Schein (1999), every organizational culture is comprised of three dimensions (see Figure 1). The first level is the Artifacts. The artifacts are the visible manifestations of the culture, the types that represent the outward manifestations of the culture. For example they can constitute the physical evidence of the powers that drive the organization. Common artifacts can include behaviors, goals, plans, rules, policies, practices and systems.

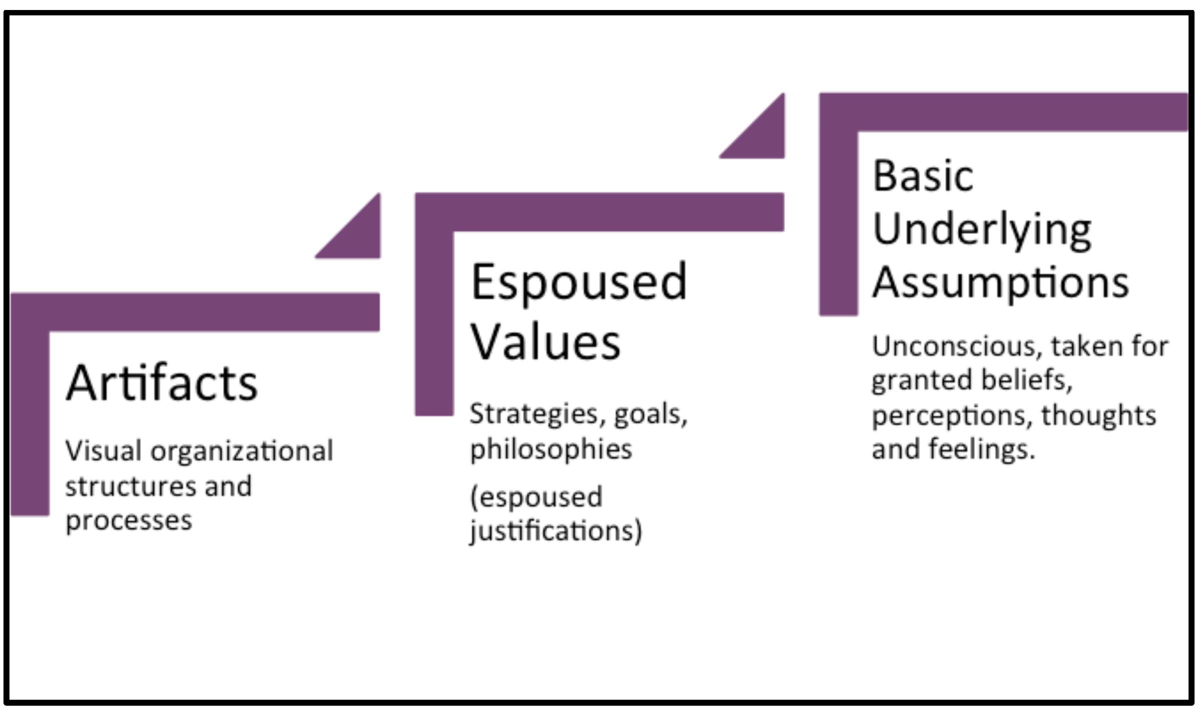

Figure 1. Edgar Schein's three levels of culture.

The second level of culture comprises the espoused beliefs and values. These are what the organization says is important and what it values. These are explicitly stated in core beliefs, principles, and values that the organization officially declares as its creed. They often reflect the founders' priorities, CEO messages, strategic plans and orientation programs and performance standards.

Underlying assumptions represents the third level of culture. These are commonly known as the unspoken shared assumptions that define how things really work in the organization. Although most organizations begin with a set of guiding beliefs and principles, over time these principles are taken for granted and disappear from awareness. Therefore the sentiment of *this is just the way we do things here* becomes the status quo. Organizational success reinforces the tacit assumptions and makes them stronger.

The research suggests that culture can also be shaped social influence such as the perceptions of people, namely leaders or those that can set the tone, influence others and reinforce values and guidelines. For example, Kelman (1958) investigated how individuals could influence each other, especially in the realm of stressful and conflicting situations. In Kelman's (1961) Process of Opinion Change, he created a model representing a three-step process of how opinions can be transformed and changed. He identifies these three steps as compliance, identification and internalization. Kelman describes the act of compliance as when the individual follows the guideline, yet acknowledges that there may be cognitive dissonance as the individual's actions can be inconsistent with their beliefs.

Therefore, Kelman (1961) suggests that compliance can be categorized as blind obedience where the individual has no real connection or alignment to the espoused rule or value. The second element of identification is where the individual is passionate and believes the espoused value or guideline without question or challenge. As an illustration, in today's contemporary organization, Kelman's notion of identification could be represented by a key corporate stakeholder or organizational leader that champions and *waves the flag* representing their belief in the mission, purpose and values of the organization. The third element in Kelman's Process of Opinion Change and social influence suggests that internalization is the final seal of the transformation, whereby the individual has adopted an idea of belief without coercion and does not need to be motivated by any external person or guidelines.

Brief Background on the Foundation of Ethics

Aristotle is considered by many to have determined the orientation and the content of Western intellectual history, providing much of the intellectual foundations for understanding leadership. He is considered the author of a philosophical and scientific system that through the centuries has become the support and vehicle for both medieval Christian and Islamic scholastic thought: until the end of the 17th century, Western culture was Aristotelian (Sommers & Sommers, 2004). Even after the intellectual revolutions of centuries to follow, Aristotelian concepts and ideas appear to have remained, embedded in Western thinking and philosophy. It is suggested by many that the contemporary model for today's organizational code of ethics was grandfathered by Aristotle. According to Ciulla (1998), Aristotle believed that the study of ethics was inseparable from the study of politics. For example, Aristotle indicated that most people live in groups, concluding that the ethics of individuals should be studied as the ethics of groups. This notion correlates to the *group think* concept of organizational culture and the resulting behavioral norms that stem from what is acceptable by the group (Latané, 1981). Aristotle (as cited in Ciulla, 1998) believed that the activity of the groups manifested the virtues of character, honesty, and rationality in judgment that are fundamental to ethical codes of behavior and values. Aristotle believed that everything in the universe had a purpose or goal, including human action. He contended that every action was aimed at some good. He asserted that if an action is not chosen for the sake of something else, that it would involve an infinite progression, resulting in the action being pointless and ineffectual (Sommers & Sommers, 2004).

Ethical Leadership Perspectives

Leadership scholars have attempted to develop a broad theory of ethical leadership from many different angles. House and Shamir (1993) indicate that learning occurs when relevant messages are inferred by followers on the basis of observation of leaders' behavior, emotional reaction, values and preferences. Therefore, a leader can become a representative character, a model and symbol that brings together in one concentrated image the way people in a given social environment organize and give meaning and direction to their lives (Chemers & Ayman, 1993). Research in behavioral science also reinforces this perspective, with more organizations investing in ethical leadership training and promoting leaders to model the desired behaviors (Trevino et al., 1999). According to the research on workplace compliance by Tyler, Deinhart, and Thomas (2008), values are the actions and decisions people perform when they think no one is looking. Thus, when employees embrace organizational values and have strong ethical leadership, following the rules and guidelines of expected behavior can possibly become an intrinsic motivation and does not necessarily depend on monitoring, detection, or fear of punishment. For example, according to Heifetz (1994), leadership involves the use of authority to help followers deal with the conflicting values that emerge in rapidly changing work environments and social cultures. It is an ethical perspective because it speaks directly to the values of workers. Similar to that of Heifetz, Burns (1978) argues that it is important for leaders to engage themselves with followers and help them in their personal struggles regarding conflicting values. In the process, the connection between the leader and the follower raises the level of morality for both.

Bass and Steidlmeier (1998) contend that the ethics of leadership relies upon three pillars: (a) the moral character of the leader; (b) the ethical values embedded in the leader’s vision, articulation and programs which followers either embrace or reject; and (c) the morality of the processes of social ethical choices and actions that leaders and followers engage in and collectively pursue. In transformational leadership, leaders and followers unite in pursuit of higher-level goals common to both (Sergiovanni, 2006). Burns (1978) suggests that “such leadership occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality” (p. 20). Boatman (2005) believes that ethical leadership combines ethical decision-making and ethical behavior, and it occurs in both an individual and an organized context. Boatman sees the major responsibility of a leader as entailing the making of ethical decisions and behaving in ethical methods, to help exemplify the organizational understanding of how to practice and live its ethical code. Greenleaf’s (1976, 1991) research around servant leadership suggests that leadership is bestowed on a person who was by nature a servant. He indicates that the way an individual emerges as a leader is by first becoming a servant. A servant leader focuses on the needs of followers and helps them to become more knowledgeable, freer, more autonomous, and more like servants themselves. Ciulla (1998) believes that ethical questions have always been at the heart of scholars' definitions of leadership. She also sees the underlying structure as defining the struggle with the ethical implications of how leaders get people to do things; it is a struggle to define what is good, where she defines good as being both effective and moral leadership.

A Recent History of Corporate Values

Historical trends indicate that as the economy improves, ethical behavior in the workplace declines (ERC, 2011). Yet, the awful truth is that capitalism has always wrestled with values. Ever since President Calvin Coolidge declared, "The business of America is business" in 1925, it seems that value has taken precedence over values (Chalberg, 2011, p. 9). This *whatever it takes* morality led many companies to break rules in an attempt to break the bank (Butterfield, Trevino, & Weaver, 2000). During the 1960s and 1970s, the public became increasingly aware of the adverse consequences of corporate growth. Companies introduced publicly posted codes as documented artifacts to attest to their ethical awareness and behavior, amidst an array of business scandals during the 1970s and 1980s that raised public concern about corporations acting in the best interests of society (Bernardi & LaCross, 2005). In the 1980s, in what has been characterized as the Age of Greed, hostile takeovers were common (Mason, 2010).

The 21st century kicked off with values taking a beating. Politicians were serving their own interests first and business leaders were operating like emperors, leading organizations such as Enron and WorldCom with the mindset of *whatever it takes* to ensure their fortunes lasted (Reiman, 2008). Paine (2002) indicates that historically business was an amoral, rather than immoral organism. But in her book, *Value Shift*, she observes that a shift is taking place and that today's business leaders are now searching for a moral center.

The research presents many examples of the values shift where organizations are seeking to create an environment of trust, balanced by a moral center that is the daily pulse of the organization. For example, Joanne Smith (as cited in Reiman, 2008), Vice President of Marketing for Delta Airlines says that when profits were finally on the rise after Delta filed for bankruptcy she says, "we believe that our renewed focus on values has ignited the spirit of our employees and has been instrumental in our company's financial performance" (para. 16). At Deloitte & Touche USA, Chairman of the Board Sharon Allen (as cited in Reiman, 2008) says, "Values equal dollars here" (para. 20). She notes that the organization benefits from its commitment to promote women, who in 2005 constituted 45% of new hires and a 16% increase in female partners and principals from 2004 to 2005. Allen says that "diverse teams create better solutions" (para. 20). Likewise, John Rice, who was vice chairman of General Electric, correlates values with profits saying, "our reputation gets us in the door, and it helps us keep the best people" (para. 15). Shannon McFayden, head of human resources at Wachovia bank, says her company's core values of integrity, winning, teamwork, service and accountability and valuing the individual hit home for employee because they have real-world meaning (Covey, 2009; Dalla Costa, 1998).

Too Big to Fail: Ethical Relativism

Ethical relativism is the theory that morality is relative to the norms of one's culture (Velasquez, Andre, Shanks, & Meyer, 2005). Ethical relativism asserts that whether an action is right or wrong depends on the moral norms of the society in which it is practiced. For example the same action may be morally right in one society but be morally wrong in another. Ethical relativism is a behavior that can affect organizational leadership effectiveness. Ciulla (1998) contends that leadership is a social construction shaped by moral values and the cultural practices and beliefs of a society. This is why societies can have different ideas concerning leadership and ethical values. The ideals of an ethical leader may differ from culture to culture due to the nuances, local customs and organizational traditions. Ethical relativism is the position that there are no moral absolutes, no moral rights and wrongs and that morals can evolve and change over time. This perspective supports the notion that people may adapt ethically to different culture, especially when there are local norms and nuances that make certain behaviors acceptable. Leaders with ethical relativism attitudes are prevalent in today's world. One of the tough balancing acts in leadership roles today is having too much confidence, creating a blind and sometimes stubborn and self-righteous attitude. Leaders often do not see their actions and how it may hurt themselves, their colleagues and their organizations. There is a fine line between the confidence of leaders and the single-minded vision that sometimes helps them rise to their position of prominence (Dotlich & Cairo, 2003). For example, although Harry Stonecipher, the former CEO of Boeing, had authored the ethics policy for Boeing, he was let go by the board due to his ethical relativist's views. Stonecipher came out of retirement to take the reins of Boeing in 2003 after the former CEO, Philip Condit was dismissed from an Air Force contracting scandal and affairs with employees. Yet despite the lessons from Condit's resignation, Stonecipher did not believe the ethics policies he wrote would apply to himself (Sinha, 2005). Just a mere 15 months after taking over as CEO, he resigned after an investigation into illicit emails between himself and a female executive, Debra Peabody confirmed allegations of an extra-marital affair (Romero, 2010).

The question of whether values in business are separate from values at home also surfaced in the case of Jack Welch former CEO of General Electric and his affair with his mistress, Suzy Wetlaufer, a former Harvard Business Review editor. General Electric is famously known for its espoused values, led by Jack Welch, who had them inscribed on a wallet-sized card and distributed to all employees. Welch (as cited in Slater, 1998) states "there isn't a human being in GE that wouldn't have the Values Guide with them…it means everything, and we live it. And we remove people who don't have those values, even when they post great results" (p. 16).

In the case of John Browne's resignation from BP in 2007, the question of separating business values and personal values surfaced. Browne had been credited with turning BP into one of the largest and most successful energy companies in the world. As a leader, he became known for his willingness to take risks and to pursue big deals. For example, under his leadership BP acquired Amoco in 1998, in a deal worth $60 Billion. Browne had also been credited for setting the vision for BP with a focus on building a business beyond petroleum (Hammer, 2010). His vision attempted to portray the image of a firm that cared about the environment and the safety of its employees more than it cared about oil and profits. Under his tenure, BP issued many reports and updated its website to focus on the environment and safety. It undertook numerous investments and made contributions to environmental groups. BP updated its Code of conduct for employees to expand its policies around safety and the environment and issued statements of corporate governance and social responsibility. BP's corporate website (www.bp.com) has extensive sections on *Responsible Operations*, *Environment*, *Compliance and Ethics*, and *Health and Safety*.

Browne's exit from BP was shadowed in a personal scandal that affected BP's reputation. An English newspaper threatened to publish private details about his sexual orientation, causing him to go to court to prevent an embarrassing personal story going to press. While under oath, Browne lied about his relationship with his Canadian boyfriend, Jeff Chevalier. Ironically Browne was replaced by Tony Hayward, who also may have been embattled in the realm of ethical relativism. Hayward resigned after the infamous Deepwater Horizon Oil spill (also commonly referred to as the BP oil spill). It was an oil spill in the Gulf of Mexico in April 2010, cited as the largest marine oil spill in the history of the petroleum industry (The Telegraph, 2010). According to Pfeffer (2010), Hayward performed a terrible job for BP's shareholders and employees as he followed the conventional wisdom of admitting responsibility, apologizing and promising to rectify damages and act with contrition in how he dealt with the disaster. Yet, according to Pfeffer, Hayward did not do a good job of demonstrating contrition or humility, and in this case, the crisis went beyond the event, it became an ecological disaster. The impact to the environment and the livelihoods of thousands who earn their living from the region was devastating. According to Bill George (2009a), crisis is often caused by failed leadership. He indicates that leaders must face reality and look themselves in the mirror, acknowledging their role in creating the problem. The lack of ownership and accountability is a resounding theme of ethical relativism.

Ethical relativism affects leaders in all types of organizational cultures, from athletes to financial leaders. T. Hamilton and Coyle tell the story of Lance Armstrong modern day Greek Tragedy. Armstrong is a famous cyclist who won the Tour de France seven times and survived testicular cancer, created an inspiring foundation to research and raise awareness around cancer, Livestrong. Livestrong's mission is to "inspire and empower" cancer survivors and their families (Livestrong, n.d., para. 9). Yet, Lance Armstrong himself succumbed to temptation taking performance-enhancing drugs and then covered up and vehemently denied corruption, money laundering, tax evasion and the doping charges (T. Hamilton & Coyle, 2012). They compare the Armstrong story to the fall of Wall Street and Lehman Bros, a global financial services firm that declared bankruptcy in 2008. In an article on Slate.com, Coyle indicates that I both cases "a culture of excess and risk led to record-breaking performances and then to catastrophe" (Coyle, 2012, p. 1).

The similarities between the leaders of Lehman Bros and Lance Armstrong himself are startling. Both operated in highly visible and stressful environments, with high levels of confidence, and operated in regulated environments. Yet, in these cases the unethical behavior in question was driven by a set of social and organizational forces, such as a *winning at all costs* culture, a lack of enforceable regulation and a social public that at times turned a blind eye to holding their behavior accountable. Just as Wall Street firms hired leaders to invent new financial instruments, cycling teams had hired doctors to perfect new pharmaceutical instruments. The organizational culture and structure of professional cycling resembles a Wall Street trading floor. There are small, tightly knit teams, competing daily with intensity and effort. Sometimes a single percentage point can make a significant difference between winning and losing (T. Hamilton & Coyle, 2012)

CEOs are highly visible leaders who can find themselves operating in a bubble of ethical relativism, cutting themselves off from people, ideas, and information that would hold them accountable to the ethical values and norms of the organizational culture. According to ERC's 2011 National Business Ethics Survey, 40% of respondents state that their direct supervisors do not display ethical behavior and a growing number of employees say they feel pressure to compromise standards.

Fewer employees believe that senior leadership is committed to ethical conduct. In the case of Sanjay Kumar, his rise to the top is a heartening story of family fleeing ethnic strife back home in Sri-Lanka. He worked his way to the top of the IT industry and in 2002 became the chairman and CEO of software tech company, Computer Associates. In 2004 he was investigated for falsifying company records to an estimated $2.2 Billion, causing him to resign. He and several company executives pled guilty to securities fraud charges, charged with inflating revenue and backdating sales contracts. Kumar was sentenced to 12 years in jail in 2006 and recently lost an appeal to have his sentence reduced (Van Voris, 2010).

Ethical Health of Organizational Cultures

For purposes of this study, it is important to review the context of organizational culture, its importance, influence and the consequences if culture is misunderstood. Organizations typically manage their external cultural image by issuing a broad reaching vision and mission statement. They integrate their vision and mission into their strategy and strategic direction, including organizational structure and decision-making systems.

But organizational culture can also impact behavior, how strategies are operationalized and how work processes and methods are defined and executed. The driver of daily behavior is the learned, shared, tacit assumptions on which people base their view of reality (Schein, 2009). Employees come to know that this is the *way we do things around here* exhibited through the organizational culture. People come to rely on this organizational construct and exhibit behaviors that fit the pattern of what is expected, accepted and routine. Ethical cultures can encourage employees implement values-based decision making, take ownership of the values and trust to communicate, share and respond to situations, even when no one is looking.

An organizational culture is considered healthy or effective to the extent that the organization's shared beliefs and assumptions enable the organization to solve external problems of survival while also addressing internal problems of integration (Kanungo & Mendonca, 1996). For example a healthy culture is one that can effectively respond to the demands of the environment or market that it is operating within while still balancing internal systems such as the evolution of common language and concepts, and how relationships are defined, managed, and so forth. Over time what is working well within the organizational culture will be reinforced by success and what doesn't work or what fails to get results will be abandoned.

DaVita is an exemplar case of a values-based turnaround, transforming an unhealthy and stagnant culture into an authentic sustainable organizational environment. DaVita is the second largest provider of dialysis services to patients suffering from chronic kidney failure, also known as end-stage renal disease. The work environment can be regarded as very emotionally challenging, because one in five of their clients die every year. In 1999, before the company was known as DaVita, the organization was called TRC (Total Renal Care). TRC was practically bankrupt, heavily leveraged. Employee turnover was almost 50%. The company was being sued by shareholders and was the target of several SEC investigations. Kent Thiry was selected by the Board of Directors to run the business in 1999. Kent anchored his plan around the concept of building a village community. Early on in his tenure at DaVita, he paid close attention to building a culture and organization that brought values and the core mission to life. It was important to him to bring real authenticity to the everyday operations of the organization. Building a values-based approach was innovative and challenging in that Kent had walked into a very cynical workforce (Bingam & Galagan, 2010)

Kent Thiry reassessed every symbol of the culture including benchmarks, policies and performance assessment. He changed language, terms like *worker* and *employee* were dropped. People were referred to as *teammates* or *citizens*. He launched a program called *Reality 101* wherein every manager had to spend a week working in a dialysis center, learning firsthand the challenge of removing toxic wastes from the body. Kent systematically broke down the traditional symbols of hierarchy and rank. Decision-making was cascaded down to the frontline caregivers, who were consulted on areas such as equipment decisions, inventory and cost cutting. Even the company was renamed by employees, the name DaVita comes from the Italian phrase for “He gives life.” By 2005, employee turnover had dropped in half, patient outcomes improved, and the revenue losses in 1999 nearly doubled in revenue of $2.3 B (“CEO Interview,” 2009).

When there is failure of the culture to successfully solve the external problems of survival or adequately address the internal problems of integration, then the culture can be characterized as unhealthy. An unhealthy culture is one where the shared beliefs and artifacts based upon the system no longer enable the organization to achieve its goals. Sometimes an organizational culture is unable to recognize or respond to internal growth or external changes in the environment. This can lead to internal disintegration, such as in global financial services and banking institutions. For example, the recent case of the resignation of Barclays CEO and COO amid the interest-rate fixing scandal has rocked the financial services world, with the media reporting that this may signal a “complete and radical culture change within the financial services industry” (Thompson, 2012, para. 5). Fined $450 million by British and U.S. regulators, the Barclays scandal set a global precedent, launching an investigation of fifteen more banks for LIBOR manipulation. LIBOR is the London Interbank Offered Rate, an interest rate floor big banks set in London daily, each trading morning. In an interview with CNN, Ralph Silva, a former investment banker with more than 20 years experience in the financial services sector, provides an insightful connection to ethical relativism and distorted perceptions of reality from many of the leaders in the financial services industry. He says that the leaders thought they “were untouchable. The problem with culture is the degrees of separation – these guys know the price of a bottle of Dom Perignon, but you ask them the price of a pint of milk and they have absolutely no clue” (Thompson, 2012, para. 15). Silva speaks of a push for *moral* banking indicating the system has to change.

An organizational culture will fail when it no longer serves the external or internal requirements. In an unhealthy organizational culture, employees or leaders who are internally suggesting more effective organizational responses or new ideas may often find themselves marginalized or labeled as *heretics*, and this prevents the organization from seeing or understanding what it needs to adapt to the real world (Brady, 1999).

Compliance: Can Behavior be Managed Through Rules?

Warren Buffet, an American business investor and philanthropist, widely considered one of the most successful investors of the twentieth century, famously stated, "culture, more than rule books, determines how an organization behaves" (as cited in Schuman, 2006, p. 34).

There is an increase in legislation and a heightened awareness of the business case for high ethical standards in corporations. In response to the many recent global corporate scandals such as Enron, Tyco, and WorldCom, which shook investor confidence, legislation poured in with rules to help frame guidelines for behavior and ethical decision-making. Two sets of legislation that set the framework for business practices in the last two decades are the Federal Sentencing Guidelines for Organizations and Sarbanes-Oxley. Compliance with rules can help provide a consistent floor of standards across an organization, often representing the very minimum the government expects a company to honor as it conducts business. This study is important because it seeks to evaluate whether rules alone are a sustainable mitigation of behavior and what is the role of leadership in promoting, reinforcing and driving the organizational cultural norms and acceptable behavior (Walker, 2004).

In 2002, Congress passed the Sarbanes-Oxley Act (SOX). This legislation made major changes in the rules for corporate governance, financial disclosure, auditor independence and corporate criminal liability. Sarbanes-Oxley was intended to protect shareholders and the general public from accounting errors and fraudulent practices in the enterprise. The SOX Act is administered by the Securities and Exchange Commission, which sets deadlines for compliance and publishes rules on requirements.

The United States Sentencing Commission (USSC) put into effect the Federal Sentencing Guidelines for Organizations (FSGO) in November 1991. Under the FSGO, organizations with ethics and compliance programs meeting defined standards earn credit toward reduced penalties if employees engage in wrongdoing. Organizations with substandard programs receive far tougher penalties. One of the cornerstones of the Federal Sentencing Guidelines is the Code of Conduct and subsequent Ethics & Compliance program to bring the company code and guidelines to life (U.S. Sentencing Commission, 2011).

There are seven essential elements outlined by the FSGO. The first calls for the development and distribution of written standards of conduct as well as policies. These tools are typically Codes of Conduct or Codes of Ethics that provide policies and guidelines for proper decision-making. The second element is the designation of a compliance officer to *serve as the focal point of compliance activities*. The compliance officer should have authority and access to all documents relevant to compliance activities. The authority should have the full backing of the board of directors, executive management, including the CEO and Legal Counsel.

Education and training represent the third element of the Federal Sentencing Guidelines. Specific risk-based training, ethics awareness education, communication tools and engagement initiatives are sample components of an essential compliance and ethics education program. Strategies to design effective education curriculums that span global employee needs and provide relevant and practical knowledge continues to be a growing area of focus for multinationals. Evaluation, monitoring and auditing of a compliance program is the fourth element in the guidelines. The objective is to demonstrate a process for continually improving the compliance activities. Ongoing monitoring and assessment of program effectiveness allows for improvement and growth to ensure the activities are relevant and representing the key risks and emerging issues in an evolving organization's culture and ethical health. Reporting is the fifth element of the guidelines. There are many methods for employees to report potential problems or to speak up and raise concerns. Policies and procedures should ensure confidentiality and anonymity in all reporting processes. The hotline or anonymous helpline is one of the more common methods organizations utilize to support reporting. Access is typically through a toll-free number or web-based link to support global and international program needs. As an added measure supporting protection for individuals that report or speak up, in August 2010, the Dodd-Frank Act was passed. This financial legislative reform included strict guidelines and protections for whistleblowers, individual(s) who report suspected illegal, unethical, and or dishonest behavior. Enforcement and visible discipline and follow through represent the sixth element of the FSGO. Because compliance can be an active and ongoing process, it is important for organizations to reinforce consistent enforcement of policies, standards and expectations. This particular element of reporting strongly links to organizational culture and the norms of acceptable and unacceptable behavior. Employees perceiving that the company behaves inconsistently in enforcing guidelines around the behaviors of some colleagues versus others, such as providing exceptions to specific managers, can result in the emergence of an unhealthy culture. Most importantly action must be taken to surface the ambiguous and often grey areas of ethical misconduct. As a follow on to enforcement activities, organizations are increasingly using real-life scenarios of employee infractions and unethical behavior as teachable examples for the education and awareness training. Lastly, the detected but uncorrected misconduct can endanger the reputation and mission and legal status of an organization. Therefore response and protection represent the seventh element of the FSGO guidelines. All organizations should have a framework for internal investigations and meticulous documentation is critical. Timing can be of essence and many organizations find that detecting problems and or voluntary disclosure are positive signs that the compliance and ethics program is working.

One of the key premises of both the FSGO and SOX is that the transparency rule serves as the framework and underlying deterrent to illegal and or unethical behavior. The more information a company is required to disclose, lawmakers reason, the more likely it is that investors will make sound decisions. Organizational transparency is manifesting into corporate initiatives where "increased detailed reporting of operations around the world are becoming common standards, reports and communications" (Pinkham, 2008, p. 27).

The Organizational Code of Conduct: A Guiding Framework

The Code of Conduct is the company's framework and guidelines for ethical behavior. An effective Code of Conduct is the living manifestation of the company's core values, the cornerstone of an organization's culture. It should identify the company's ethical expectations of employees in a variety of areas, communicate the CEO and Board priorities and the organizational commitment to ethics and integrity. Typically the Code of Conduct outlines the rules, policies and guidelines that govern their unique business areas. Codes can also provide scenarios and examples of consequences of policy violations. But most importantly it should provide a good framework for ethical decision-making and provide a telephone or web-based anonymous contact vehicle for employees to escalate questions or concerns if they observe misconduct or doubt which path to take in a complex situation. In today's organizations, Codes of Conduct are artifacts that live in a variety of formats. Some organizations continue to produce and distribute the Code of Conduct in a traditional format, print and paper-based booklets and documents. Most organizations today, though, are supporting access to their Code of Conduct in a virtual and remote global landscape through online web-enabled Codes with hyperlinks to policies and video vignettes containing sample ethical dilemmas and scenarios that serve as learning experiences to help contextualize policies and guidelines. At your fingertips, 24/7 access to the policies, guidelines and espoused values through online portals, is a trend that is facilitating access and integration of two of Schein's levels of culture: Artifacts and Espoused Values.

Organizational Culture and Leadership: The Connection

As the world is becoming more complex and global, the emerging issue of corporate culture is becoming more relevant to leadership and organizational performance. Leaders are not only creating culture but have emerged as the central role in managing and sustaining a culture of trust and integrity (Schein, 1999). Moreover, Ethical Element™ CEO Jason Lunday (as cited in Business Roundtable Institute for Corporate Ethics, 2010) states that "leaders are taking visible stands to engage employees and demonstrate the 'tone at the top' that is so critical to any business initiative" (p. 19). Many of today's organizations are faced with the challenge of creating an ethical organization (Carroll, 1987). Carroll argues that organizational ethics is the capacity for an organization to reflect on values in the corporate decision-making process and establish how managers can use these observations in management of the organization. Moreover, according to Schein (1999), the “issues leaders face at each of the different organizational growth stages are completely different, partly because the role that culture plays at each stage is completely different” (p. 87) The ability or inability of a leader to adapt and continue to lead with full transparency and a culture of candor at each stage of growth can completely make or break an organization’s success. O’Toole and Bennis (2009) analyze the impact of honesty and transparency on an organization’s success. They posit that in order for an organization to be honest with the public it must first be honest with itself. The idea of a *culture of candor* is ambitious, but according to the article the new metric of corporate leadership is the “extent to which executives create organizations that are economically, ethically and socially sustainable” (p. 78). There is tremendous research around effective leadership, but one theme that has emerged is the new standard of leadership embodying the inspirational skills to lead organizational cultures of candor. Ulrich, Smallwood, and Sweetman (2009) describe the tremendous importance of developing leaders that can support a values-driven culture. This new standard of inspirational leadership demands the skills to connect and collaborate and pursue significance and meaning. Organizations with inspirational leaders and a values-driven culture provide many tangible benefits, including greater financial returns, higher engagement and better responses in times of crisis. But the greatest return in this economy is the nurturing and development of innovation. Pink (2011) indicates that connection to meaning and purpose is the most endearing and sustaining motivation. He says that the secret to high performance and satisfaction centers around the deeply human need to direct our lives, to learn and create new things, and to do better by ourselves and our world. One can conclude that when employees are invested and believe in the mission, purpose and values of their organization, they are more likely to invest and commit their intellectual capital in new and creative waves. Mitigating integrity risk and improved performance can be strong indicators and sustainable benefits of a strategic turn to culture. LRN's (2010) *HOW Report*, a cross-industry survey of over 36,000 employees in 18 countries, found that culture impacts performance significantly and that it can be measured.

Culture Builders

Today's leaders are in effect champions of ethical cultures in their companies. In *Tribal Leadership* the authors posit that leadership is far more successful in an organization if it focuses on language and behavior within a culture. They emphasize that what makes some tribes more effective than others is culture (Logan, King, & Fischer-Wright, 2011). Leaders can have a significant impact on the success of a company. This is coupled with the research from the 2009 National Business Ethics Survey, which indicates that the actions and perceptions of the behaviors of leaders drive the ethical culture of a company, and ultimately have a tremendous impact on outcomes (ERC, 2009). In other words, leaders must talk the talk and walk the talk, yet the research shows that sometimes this is easier said, and more difficult to execute consistently. Argyris and Schön (1974) researched the distinction between espoused theory and action, arguing that people have mental maps with regard to how to behave in situations. These maps influence how they plan, implement and review their actions. Further, Argyris and Schön assert that these mental maps become the guiding frameworks of people's actions rather than the theories that they espouse (Argyris, 1985; Argyris & Schön, 1978).

The cultural environment and acceptable norms of behavior can be supported and endorsed through the behaviors and actions of leadership, whether the behavior involves a deliberate action or lack of action. Sometimes inaction can speak volumes and set a tone of inequity or acceptance of unethical decisions. Leaders can play a critical role in modeling the values and principles of the organizational culture. The research and various case studies may demonstrate that some leaders can fail to see that ethical leadership is a vital component of being a responsible manager and this type of mindset can place the organization at risk. Or conversely, the data may represent that some leaders will espouse values that they would like others to think they endorse, yet the theory and framework that actually governs their actions is the actual behavior and decision points they implement when faced with situations and dilemmas, thus the notion of *espoused theory* versus the *theory-in-action* distinction discussed by Argyris (1982).

According to the 2009 findings of the National Business Ethics Survey, rates of misconduct were roughly halved from 77 to 40% in cultures with strong ethical leadership (ERC, 2003). According to a 2006 ERC report (as cited in ERC, 2010), Critical elements of an organizational ethical culture, senior leaders have the greatest impact on their companies' cultures. In their role, they have the opportunity to keep employees informed and live the values by modeling commitment to ethical decision-making. Consequently this can have a profound impact on the company ethical culture and overall ethical health.

Values can significantly contribute to an organization's positive reputation in the marketplace (Paine, 2002). As an illustration, Zappos, an online retailer, has built a thriving business that has grown to over $1 Billion in revenues in just a decade. They believe in leading through culture and promoting culture-attuned workforce management practices. Zappos considers its culture its biggest asset and has a set of 10 core values all employees live by and commit to, explicitly hiring and evaluating employee performance based upon how well they embody these core values. Zappos also works with its vendors based upon a partnership mentality of shared risks and rewards. It makes a point of treating vendors as they would treat a customer, following their self-professed Golden Rule: "Treat others as you would like to be treated yourself" (Hsieh, 2010a, p. 17). Founded in 1999, Zappos' customer base has grown to over 10 million, with over 75% of purchases from repeat customers. In 2009 Amazon acquired the company (Hsieh, 2010c). Tony Hsieh, founder and CEO firmly believed that the company's culture was its main asset and sought to define what made its organization so unique by soliciting input from every Zappos employee (Hsieh, 2010b). Hsieh (2010a) did not want to solely define the company's culture but to make it the backbone of its purpose and mission around which everyone would commit and to produce visible and tangible artifacts to support the culture.

One example of artifacts Zappos has created is the *Zappos Culture Book*. It contains short, unedited essays from every employee on the subject of the company's culture. The *Culture Book* expresses Zappos culture through unedited, personal and authentic expressions. It is published annually with fresh essays from each employee (Palmieri, 2009). Updating the book is a strategy effectively implemented to promote their employees to reflect on the meaning of their work and for the company to gauge the employee level of engagement. The publication has also served as a powerful branding tool to outside audiences. Zappos has created creative artifacts representing its culture in their 10 core values. To demonstrate, Zappos has direct and tangible core values such as *Deliver WOW Through Service* or *Build Open and Honest Relationships with Communications*. Their last but rather significant core value is *Be Humble* ("Zappos Family," n.d.). Studies have also shown that employees are more likely to exhibit a stronger commitment to ethical behavior when management's actions show character and integrity (McDowell, 2006). Employees are often the company's eyes and ears, having access to every transaction, partner, product and peer. In the study of Zappos' organizational culture, they are clearly taking the role of employees as an influential and pivotal access point to heart in the development of own their core values. Moreover they are creating an environment that enables healthy employee engagement, communication and collaboration. According to the ERC's 2009 National Business Ethics Survey (as cited in ERC, 2009), there are significant benefits to fostering an environment that promotes a committed workforce. Benefits include less need for surveillance and monitoring of employee behavior, more rule adherence, with more self-reporting and self-governance. Furthermore, the 2009 National Business Ethics Study shows that there is an increase in voluntary actions to benefit the organization and colleagues are more likely to report suspected violations or bad news, rather than turn a blind eye.

The Era of Transparency

Historically, information access has represented a strategic source of power and control. As a matter of fact, leaders sometimes believe that access to information separates their privileged caste from their followers (Bennis, 1989). In their book, *Transparency: How Leaders Create a Culture of Candor*, Bennis, Goleman, and O'Toole (2008) promote that organizational transparency makes sense rationally and ethically, and conclude that it makes business run more efficiently driving longer-term impact. Although Bennis et al. promote greater transparency as a sustainable leadership strategy and market differentiator, the research shows that companies continue to struggle with their leadership suffering from collective denial and self-deception. This situation is exacerbated by the growing problem of Boards of Directors abdicating their responsibility to provide genuine oversight. The scandal-laden headlines frame this narrative, with an alarming number of board members today succumbing to what Bennis et al. characterize as the "shimmer effect" (p. 79), where they let charismatic CEOS get away with poor judgment, greed or plain murder. As an illustration, let's return to the case of British Petroleum. Even after the Baker report (Baker et al., 2007) pointed to systemic problems within BP that had grown during the CEO Lord Browne's tenure, such as creating and often promoting a culture of risk, these problems reduced shareholder confidence and risked lives and the company's reputation. However, when Browne announced he would retire from BP, he received over $50 Million in a severance package, approved by the board of directors. Understandably, there was a lot of negative market reaction backfiring around the board decision to award Lord Browne such a large severance package after poor performance and problems over recent years (D. Hamilton, 2007). Equally important are the countless examples of executives misusing shareholder funds to treat themselves to excessive spending, furnishing their homes, offices and lifestyles. Raytheon's board, for example, recently claimed that promoting ethical behavior was a criterion it used in setting executive bonuses and still shortly after the company's CEO, William Swanson, admitted that he had plagiarized large parts of a book he claimed to have written himself, the board of directors voted him a $2.8 million bonus. Later, when the situation came into public view, a Raytheon spokesman explained that ethics was just one factor the board had considered. Shortly thereafter the board of directors issued a statement saying that the board "takes this matter very seriously," but also praising Swanson for his "extraordinary vision" and emphasizing that the board has "full confidence in him" (Wayne, 2006, para. 8).

Transparency is inevitable today because we have entered an age of open and socialized information. As information consumers we have been socialized to demand access to information. Therefore, the traditional methods of corporations managing information are evolving and can prove to be a challenge (Bennis & Nanus, 1985; Bernardi & LaCross, 2005). Today's Internet landscape has created an open forum for the exchange of ideas, beliefs and private information (Meyer & Kirby, 2010). Email, blogs, social networks and SMS messages have become common methods for regular communication across organizations worldwide. Employees can snap a photo and post it online for hundreds of thousands of stakeholders to view. It is virtually impossible to restrict the free flow of corporate information. Furthermore, employees are blurring the lines between what should remain between the walls of the corporations and what can be discussed openly in public social forums.

The case of Guidant Corporation illustrates the example of how attempting to conceal the truth can backfire. Guidant is a manufacturer of pacemakers and defibrillators. They decided not to publicize a defect discovered in some models of its defibrillators. The flaw was reported to cause a very small number of implanted heart regulators to short-circuit and malfunction. According to reports in the *New York Times*, Guidant executives did not tell doctors about the malfunction for 3 years (Meier, 2005). In the 2005, one of the Guidant devices was implicated in the death of a college student. Despite the tragedy, Guidant still did not recall the defibrillators for another month, then another death was connected to its product. Eventually the devices were implicated in five more deaths, resulting in a trust problem with Guidant's primary customers, the doctors. A similar medical device manufacturer, DaVita, Inc. took a lesson from this case (W. George & Kindred, 2010). Kent instituted a *no secrets* policy designed to build trust. DaVita, Inc. now systematically collects data and solicits candid feedback from employees, ex-employees, customers and suppliers in order to avoid making blind mistakes. Their CEO, Kent Thiry, rewards and recognizes employees that come forward and share the bad news early enough to prevent accidents ("CEO Interview," 2009). The strategy of leadership promoting an open culture that shares information is critical. For instance, Jamie Dimon, CEO of J.P. Morgan Chase said on a panel at the 2009 World Economic Forum in Davos that "it is not sufficient to have one person on your team who is a truth teller. Everyone on the team must be candid in sharing the entire truth, no matter how painful it is" (George, 2009b, p. 5).

Extending trust and promoting greater transparency is exemplified in the case of HCL Technologies Ltd, a $2.6 billion provider of custom IT applications, infrastructure management and business process outsourcing. HCL has 60,000 employees in 26 countries (HCL, n.d.). In February 2005, prompted by slowing revenue growth and profitability relative to competitors, the newly appointed CEO, Vineet Nayar announced a radical new philosophy: *Employee First, Customer Second*. The introduction of this new philosophy ushered in a complete transformation of how the company delivered IT services to its customer (Ferrarina, 2010). HCL realized that by only empowering creative, and highly engaged teams to solve complex customer challenges could it achieve its goal of being the leading end-to-end provider of IT solutions. Nayar deliberately set out to shift power away from the top leadership and into the hands of employees (Bryant, 2010). He extended trust and authority to employees, promoting a spirit of entrepreneurship. His aim was to create a values-inspired and employee driven organization with an inverted organizational structure. HCL's new philosophy reflected three new core values: (a) creating trust through transparency, (b) empowering employees to create value, and (c) flexibility. This new philosophy earned HCL recognition as a large multinational that had successfully reinvented itself by creating a culture where employees matter and feel valued. Nayar understood that promoting a culture and environment of open entrepreneurship and innovation did involve allowing for failures. As a matter of fact he is quoted as stating, "the failures are far in excess of successes," but that "those few we got right created huge value for HCL" (Hamel, 2010, p. 8). He realized that to truly empower employees, the organization had to become accountable to all of its constituents. For example, accountability had historically flowed vertically and in one direction. The company recognized that data transparency was essential in order to make mutual accountability across the company a reality. Nayar (as cited in Bryant, 2010) states, "You have to create a culture of pushing the envelope of trust. How do we push the envelope of trust? By creating transparency" (para. 8). Since 2005, when Nayar became CEO, the company has tripled its revenue and income growth, even as other companies struggled through the recession. In a 2009 HCL Press Release, its stated that employee satisfaction grew by 70% between 2006 and 2008 and that the company is regarded as one of Britain's top employers (HCL, 2009).

In the age of the Internet and corporate intranets, there is an increasing risk of misinformation, and sometimes accusations and assumptions can spread like wildfire. O'Toole and Bennis (2009) emphasize that leaders need to learn how to use technology to counter misinformation with facts and to convey honest and consistent corporate messages. A leader's job is to create systems and norms that lead to a culture of candor (O'Toole & Bennis, 2009). Whether employees who need to communicate and escalate concerns upwards are able to do so honestly may be the issue that lies at the crux of so many preventable accidents and grave situations. Building an organizational architecture that supports candor and transparency is an ambitious task. Many organizations are attempting to achieve this task by revisiting their organizational practices. This starts by creating norms and structures that sanction truth telling and open communication. Initiatives such as open door policies, ombudsmen, protection for whistle-blowers and internal blogs that give voices to those at the bottom of the hierarchy can help. Ethics training programs can also be useful, although more often than not, the programs are perceived to be more protection on the compliance side of the business than to promote ethical behavior change (Knouse & Giacalone, 1992).

Sharing of information at all levels of a company is critical to organizational effectiveness and ethics. For example, British Petroleum has endured a lot of criticism since the Deepwater Horizon disaster on April 20, 2010. Unfortunately, the research reveals an alarming sense of a culture of risk with the history of accidents at BP. Former

American Secretary of State, James Baker's report, commissioned by the U.S. Chemical Safety and Hazard Investigation Board after the explosion in 2005 at a BP refinery in Texas City, identified a history of poorly regulated safety measures in the plant and risk management (U.S. Chemical Safety and Hazard Investigation Board, 2007). The blame was centered around BP's group chief executive at the time, Lord John Browne. There were in fact other independent reports, one in 2004 and one a few months after the 2007 Baker report that were critical of BP's *culture of safety* (Baker et al., 2007). In the 2004 Telos report, the conclusion was that the safety in BP's facilities had been compromised due to three core factors, namely (a) profits, (b) cost savings, and (c) lack of management supervision. A pattern of warning signs went unheeded as illustrated in the 2007 Baker report, which states that "warning signs of a possible disaster were present for several years, but company officials did not intervene effectively to prevent it" (US Chemical Safety and Hazard Investigation Board Report, 2007, p.78). This case emphasizes why it is important for leaders to encourage and even reward openness, because the initial discomfort of learning bad information is offset by the fact that better information can inform and help the company make better decisions. Honesty at the top helps, but transparency company-wide requires an ongoing effort, sustained attention and regular vigilance top down, through the middle and bottom up.

The history of corporations communicating is littered with examples, good and bad, of what happens when you adhere to or violate the unspoken rule of transparency. One of the best practices of corporate communications, especially in handling a crisis, is that transparency is a good thing. The modern example that has long been held as the standard is Johnson & Johnson's response to the Tylenol recall of 1982. In the research, by all accounts, the company handled the crisis brilliantly. It warned everyone, pulled Tylenol off the shelves, and ultimately re-launched the brand with tamper-proof bottles. Tylenol regained virtually all of its market share and has continued to sell and remain a stable player in the market nearly 30 years later (Rehak, 2002). By contrast, today's corporate graveyards are marked with the headstones of many companies, several named in this research, that were less forthcoming, or even deceptive, in their dealings with the public. The lessons seem to be clear, that communicating with transparency is a good thing. Those who follow the transparency rule get a chance to survive, even possibly thrive. Organizations that do not follow the transparency rule, can suffer through marred reputations profits, employee attrition and may completely, irrecoverably dissolve, such as Enron and WorldCom.

Given these various examples in the research, it is clear that the era of transparency is here. This is notably emphasized in today's world of on-demand access to knowledge through social network websites, video demand network and instant communication tools. Facebook, Instagram, Twitter, YouTube, the 24/7 news cycle on the internet, SKYPE, FaceTime, and web collaboration tools such as Live Meeting or Webex are all examples of platforms for open communication. People are communicating and collaborating, making decisions collectively and individually, 24 hours a day, 365 days a year, sometimes unknowingly leaving footprints of data. The opportunity and frequency in which confidential information can be casually leaked is at an all time high. Eventually information will hit the news, sometimes in a nanosecond. Therefore, what an organization does not admit to in public, will only damage the public trust as the information is already living out there in various shapes and format. Additionally, since the news is often shaped by the point of view of someone else, probably outside the organization, the odds are that information will be considerably less kind to the organization's point of view. When an organizational crisis unfolds however small or large, the argument can be made that in today's world, an organization does not have a choice, and must be prepared to operate transparently and communicate proactively, especially in an effort to mitigate reputational damage and a bruised organizational culture.

Chapter 3: Research Methods

Introduction

The purpose of this study is to examine the impact of organizational culture and leadership as an enabler of trust. The research evaluated how today's global leaders are creating, enabling and driving their organizational cultures and how their visible modeling of positive behaviors can impact the behavior and decision making principles of the organization. The research reviewed how this is manifested, such as the willingness to speak up, more collaboration through innovation and higher performance, or improved business performance. The study further evaluated whether building and investing in ethical cultures can be a competitive advantage through the lens of contemporary case studies.

Research Design

To fulfill the purpose of the study, the research design involved a grounded theory exploratory method. Exploratory studies are a valuable means of finding out what is happening and can enable the identification of new insights. The framework for an exploratory study is to ask questions and to assess phenomena in a new light (Robson, as cited in Saunders, 2003).

Glaser and Strauss (1967) developed the grounded theory method of qualitative research in the late 1960s. The premise of the grounded theory model is to develop theory empirically, characterized in the research as *from the bottom up*, challenging the conventional way of research theory development, which can typically be represented from the *top down*. The grounded theory method has been used in many fields such as sociology, medical, behavior research, and psychotherapy.

According to Yin (2003), the research design method is the logical sequence that connects the empirical data to a study's initial research questions and, ultimately, to its conclusions. The research design guided the process of linking data at each respective stage and connecting them as a whole to an acknowledgement and conclusion of the answers and findings of the research questions. In this study, the researcher triangulated the data, a process that entailed the collection and analysis of multiple forms of primary and secondary data, which can reveal the convergence, and disparities of data patterns.

Contemporary Lens into Legacy Design Models

The researcher has reviewed the literature and historical approaches of older models. One of the more famous and well-regarded legacy models of explaining organizational culture was developed by Schein (2009), MIT professor and organizational culture theorist. According to Schein, culture can manifest itself in many ways, described in three core levels. The first level is Artifacts, defined as the visible organizational structures and processes. The second level is referred to as Espoused Values, the strategies, goals and philosophies used to justify the foundation of organization policies, frameworks and decision models. Lastly, the third but most visible level is the Underlying Assumptions. Schein characterizes this level as the *way we do things around here*, which includes notions of beliefs, perceptions, thoughts and feelings. Schein's three-tiered model is the source of driving the values and behavior in an organization. It is apparent to the researcher that in a significant number of the cases and documents reviewed, that most if not all, corporate organizations have adopted and implemented the three levels of organizational culture doctrines as prescribed by Schein. Interestingly, the scandals continue and the widespread behavior and decision making is not necessarily changing or improving, even though a large percentage of the scandal-laden organizations have organizational cultures that meet Schein's three levels doctrine. Interestingly, in some cases the organizational and leadership behavior appears to be regressing to higher levels of risk-based decision making thus creating counter-productive strategies. In some cases, organizations appear to be further over-correcting with additional layers of rules and processes, often contributing to more robotic decision making behavior. Therefore for purposes of this study, the researcher believes there is a need to evaluate additional evaluation models and research approaches, such as the grounded theory approach.

Human Subjects

For purposes of this study, there are no concerns or risks with human subjects. This study did not provide for any direct interaction with people or human subjects. The researcher did not interview or survey people. Instead the researcher read and reviewed publicly available data sources such as white papers, published thought leadership, analysis of existing industry and association benchmark surveys, case data and other public documents such as news articles, opinion blogs and commentary. Media clips including online interviews with people, white papers and organizational artifacts such as organizational mission, vision and values statements and publicly posted Code of Conduct documents were considered and incorporated into the study.

Restatement of the Problem

Building an ethical culture has emerged as a modern business imperative. The problem is to determine how organizations are establishing and reinforcing acceptable ethical leadership behaviors and principles that can result in an ethical organizational culture. The research explored how these behaviors are manifested and the impact these behaviors can have on creating ethical organizational cultures

Restatement of the Research Questions

Bryman and Bell (2007) provide criteria for evaluating research questions. They indicate that the questions should be understandable to the researcher and to others. The questions should be capable of development into a research design, so that data can be collected in direct correlation to the questions. Bryman and Bell provide for some core recommendations around the requirements and framework for research questions. They state that research questions that are abstract or ambiguous are unlikely to be appropriate for a research study. Additionally they emphasize that research questions should be able to connect with established literature and theory. Lastly, they advise that research questions must be linked to existing research so that the researcher can demonstrate how the new research is providing a contribution to the body of knowledge. The research questions for this study are as follows:

1. How are leaders establishing acceptable organizational ethical behaviors?
2. How are these behaviors manifested?
3. How does leadership evidence or demonstrate the espoused values and culture? What does it look like: tangible evidence, artifacts, and observations?

Role of the Researcher and Researcher Bias

The role of the researcher in this study was to conduct a comprehensive and accurate assessment of the research problem, identify key themes through the exercise of coding and pattern assessment and to finally develop a theory that explains the social and behavioral phenomenon.

The researcher is interested in the study of organizational culture and the impact of leadership behavior on the ethical health of an organization. As a management consultant and strategic advisor in global compliance and ethics program strategy and business practices, the researcher is passionate about promoting awareness, dialogue and deepening the learning experience about methods to drive ethical cultures towards greater productivity and performance. Although the researcher's role is squarely rooted in the area of research, her professional experience and interest in expanding this topic base fuels her motivation to understand and contribute to the greater body of knowledge. The researcher's objectivity was demonstrated through the coding of categories of knowledge, allowing the research to produce the emergent central and key themes. Every attempt was made to remove researcher bias from this study.

Grounded Theory Methodology: Advantages and Criticisms

Glaser and Strauss (1967) developed the grounded theory method of qualitative research in the 1960s. The premise is to develop theory empirically, sometimes characterized as from the bottom up, challenging the conventional way of research theory development from the top down. The grounded theory method has been used in many fields such as sociology, medical, behavior research and psychotherapy. Procedurally, the researcher collected data around the area of study. Usually in the case of the grounded theory approach, the study is based on some type of social phenomenon. Data collection can represent a multitude of sources. Examples can be published reports, quantitative indicators such as surveys, verbal reports of transcripts, or inquiry on individual or collective experiences and or conduct in or around the social phenomenon.

There are a few tools of grounded theory. One of the hallmarks of the grounded theory collection method is the constant comparative analytic procedure. The approach is very iterative, whereby the researcher collects data and conducts analysis in tandem, repeatedly referring back and forth to the data and analysis. The general idea around the comparative approach is that data is broken into segments of text. These segments are organized into units of analysis through coding. The coding process often results in representative categories. As the number of categories increase, the data and representative coding is compared, which can result in the emergence of more categories. The categories are organized and aligned by themes until a central core category is conceptualized. This core category organizes the resulting theory, thus the definitional premise of grounded theory.

One of the symbols of grounded theory is what Glaser and Strauss (1967) have characterized as theoretical memos. They encourage the researcher to capture subjective notes, documenting the process and the researcher's experiencing of the insights (Strauss, 1987). Categories developed from the memos and grounded in the text enable more intuitive insights and reflection. Through the memos and notes, the researcher created abstract categories including the core category. Essentially the process of writing subjective memos and notes and reviewing, comparing and reflecting on the insights helps reinforce and prove the grounding of the theoretical conclusions (Charmaz, 2000). Grounded theory enabled the researcher to develop a theory that provided an explanation for the research problem (Rennie, 2006).

The methodology of grounded theory is ultimately to develop an understanding of what themes are in common among a collection of data, especially as reflected in the social phenomenon and behavioral experience. Corbin and Strauss (2008) state that analysis of particular instances of data can lead to an understanding of the particulars of a phenomenon, taken as a whole and the theory emerges from understanding the categories and emergent themes. The entire process is designed to result in creating a grounded understanding of the phenomenon.

Grounded theory is the research tool that enabled the researcher to seek out and conceptualize the social patterns or structures of the research problem, through a process of comparison. Andrews (2007) advocates for grounded theory, indicating that it is an effective style of comparative analysis for case study research. The research showed that grounded theory has more in common with case studies and with ethnography. Grounded theory is different from action researchers commitment to transformation or to partnering with research subjects in the inquiry process (K. Locke, 2001). Glaser and Strauss (1967) indicate in the research that grounded theory researchers tend to be interested in developing theoretical elements that are useful to practitioners in the settings studied, providing some understanding and control over situations they encounter on a daily basis. The methodology process the researcher used follows a process and model developed by Post and Andrews (1982). Following the Post and Andrews model, the researcher identified the overall substantive area of research, including research problem or question(s). The next step is the process of data collection. In the grounded theory approach, data collection may use qualitative data or quantitative data (Glaser 1964, 2008) or a combination of the two. In this study, the researcher accessed public records such as media, business and news articles, commentary and blogs, thought leadership papers, corporate annual reports and company literature. Public documents can be used to analyze and code research through the collection of primary and secondary sources of media articles, transcripts of incident inquiry, reports, and commentary (Glaser, 2008). For example, Gephart (1993) studied the 1985 Western Pipe Lines accident using a *textual approach* to collecting and observing public documents as *texts*. He reviewed public inquiry transcripts, proceedings, newspaper reports and corporate and government documents. Using this approach he was able to develop coding through a set of key words to reflect how participants in the accident saw concepts of risk, blame and responsibility. Through his research, he was able to uncover practices and behaviors that were generating and impacting the course of events causing the accident (Bryman & Bell, 2007). Further, the researcher collected other types of data such as organizational documents reflecting corporate Codes of Conduct, mission, vision and values statements, guidelines issued by various regulatory agencies in the area of compliance and ethics, and nationally benchmarked research surveys and reports. The researcher may collect observations or document notes and memos of the substantive area itself and activities occurring within the substantive area, since the researcher is a management consultant working and advising organizations in the substantive area. Finally, as part of this study, the researcher did not interview or converse with individuals or any human subjects.

According to Holton (2007) coding is an essential aspect of the grounded theory process. In this study, open coding and data collection are activities that the researcher performed simultaneously and continued until core categories were recognized. The researcher evaluated the data and developed an open coding model reflective of the three elements originally assessed by Argyris and Schön (1974) and later refined by Argyris (1990) as part of his research in single-loop learning and the role of self reflection. Chris Argyris' three elements are:

1. Governing Variables
2. Action Strategies
3. Consequences

To put these elements into context, let's use the element of evaluating consequences as an example. The researcher may come across some examples of the outcomes or impact of an action, such as unethical decision that reflects a gap between a leader's espoused values versus the espoused values-in-action. Further, the researcher sought to identify whether the consequences may represent themselves as intended and deliberate or perhaps unintentional consequences intended to benefit the self versus benefiting others, such as the broader organizational culture.

Eventually the core category or categories may become apparent and can explain the behavior in the substantive area. For example the coding may result in understanding and developing a theory to explain why unethical behavior continues to persist despite all the artifacts that set a tone of trust and expectations of an ethical organizational culture (Andrews, 2007). Throughout the coding process the researcher took notes, captured memos, and summarized the coding and their potential relationships with other codes and categories (Holton, 2009). According to McCallin (2006), organization and sorting of coding is how and where a code can be considered saturated. In this study, the researcher assessed similar themes in the coding and identified organizational alignment with core themes and categories. Additionally, the researcher organized the substantive codes and began developing a theory to explain the codes and their relationships, patterns, and alignment or conflicts. Following the coding organization and assessment of memos and notes, a second review of the literature helped to determine where the research integrates with the grounded theory through coding and substantive category alignment. For the final step in the process, the researcher offered a final grounded theory or set of theories that explained the substantive codes, alignment, relationships and potential patterns leading to unethical decision making and unethical leadership and organizational patterns.

Although grounded theory is cited heavily it does have some criticisms and limitations. Writers such as Bryman (as cited in Bryman & Bell, 2007), E. Locke (1996) and Charmaz (2000) have suggested that grounded theory can sometimes demonstrate more in the breach than in the implicit methodological observance. They assert that although the research may assert the claim of using a methodological process framed in grounded theory, evidence has been uncertain. Grounded theory is also sometimes utilized to infer that the researcher has grounded their theory in data and can be misunderstood or misapplied. Often times, researchers use just a limited aspect of the grounded theory approach without full qualification (E. Locke, 1996). Bulmer (1979) challenged whether researchers could suspend their awareness of relevant theories or concepts until a later stage of the coding and analysis, thus inferring some early bias. In the case of the analysis and coding process, some researchers in the past have claimed that there are practical barriers with grounded theory, such as the sheer time it can take to transcribe tape recordings of interviews. But these criticisms are less valid today as most interviews are already transcribed and easily accessible through public Internet sources.

Interestingly, the original authors of grounded theory, Glaser and Strauss later ended up diverging around how to apply the grounded theory method, resulting in what the research defines as the Glaserian and Straussian paradigms (Charmaz, 2000) The research demonstrates that there is some healthy academic debate about the divergence in methodology amongst Glaser and Strauss. Glaser's grounded theory approach is rooted in the data collection and notion of constantly comparing indicators, concepts and categories (Bryant & Charmaz, 2007). The Glaser approach is not purely a qualitative method but instead is all encompassing of however the data appears. Therefore surveys or statistical analysis can be included in the substantive research. Glaser's methodology appears to emphasize induction and the researcher's ability to identify a clear frame of the phases of the phenomenon (Goulding, 2002). Whereas Strauss' (1987) approach is mostly qualitative, such as reviewing public documents, transcripts of interviews. Strauss's approach centers more on validation criteria and a systematic approach of constant comparison (Charmaz, 2000).

Time Element

In recent years, the extraordinary corporate scandals that led to the downfall of Enron and WorldCom have impacted a broad spectrum of stakeholders: employees have lost jobs; customers have lost services; and shareholders have lost money. Following the scandals, legal reform and policy campaigns were implemented with the intent to avert future scandals and the resulting harm to stakeholders. Congress passed the Sarbanes-Oxley Act of 2002, which resulted in being the most comprehensive regulatory reform since the Great Depression. Additionally, the 2004 revisions to the Federal Sentencing Guidelines specify that corporations must promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law (U.S. Sentencing Commission, 2004). Yet, despite the legal reforms and the initiation of firmer controls, the scandals have continued and are growing in depth and complexity. Corporations have emerged from this post-Enron era with a renewed focus on the ethical health of their organizational cultures and their leadership. Moreover, the transformation of how we communicate and share information with the viral explosion of the internet and social media has amplified a sense of public expectations to know and follow the information as it unfolds real-time, transparently, and often unedited. Although corporate scandals are not a new phenomenon, the researcher assessed the data in a post-Enron timeframe, where public trust has eroded rapidly because of the transparent live feed of information worldwide. Furthermore, the researcher selected a wide spectrum of high profile cases, perhaps those with high financial and punitive fines or with significant human impact such as lives lost, or environmental impact, across multiple industries to provide a balanced representation of the phenomenon. For these reasons, the research and case studies began on or around the last decade, approximately on or around the year 2001 until present day.

Case Selection

For purposes of this study, I am limiting the data collection sources and case selection to only those cases widely cited in the Ethics & Compliance professional associations and member organizations such as the Society of Corporate Compliance and Ethics (SCCE), the Ethics and Compliance Officer Association (ECOA), and the ERC. The case selection reflected studies that have been reviewed and analyzed in industry live and web conferences, webinars, thought leadership papers, newsletters, blogs and other publicly available resources (see Figure 2).

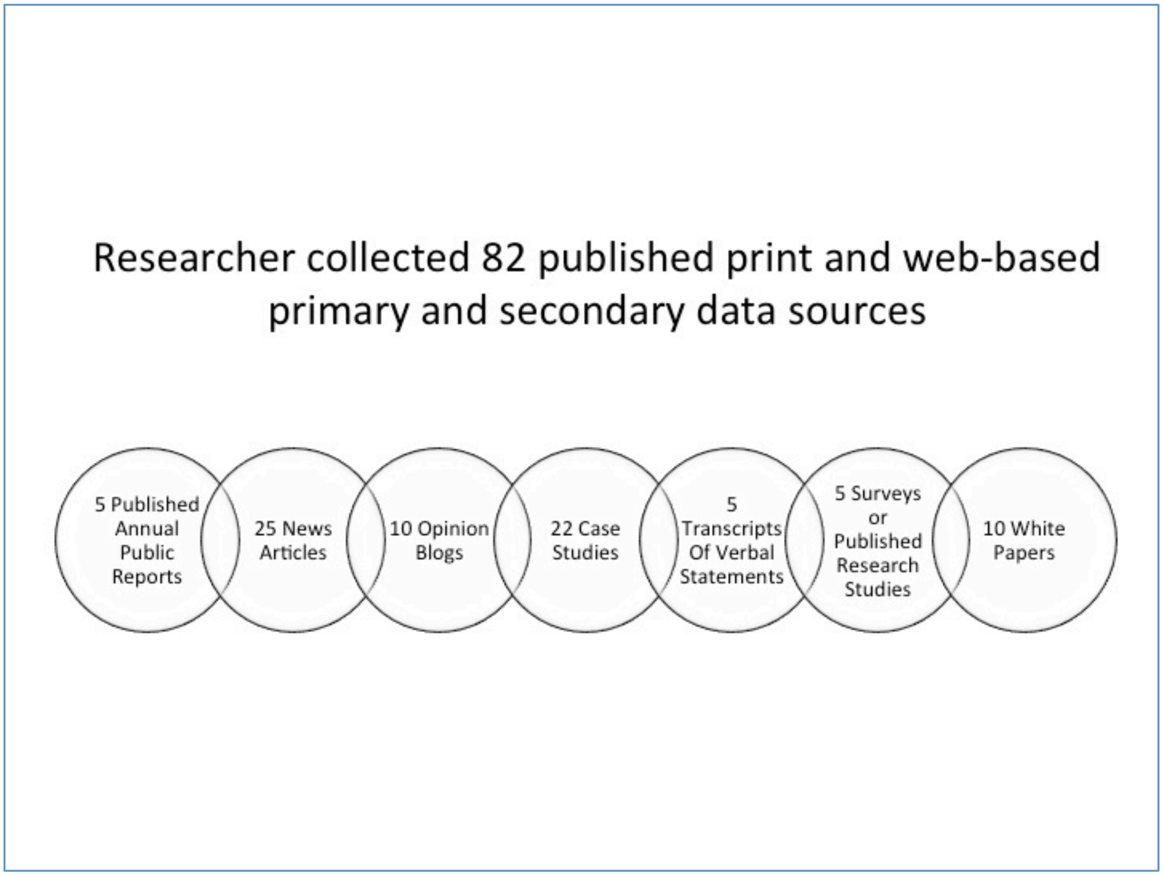

Figure 2. Data collection sources.

The SCCE is a 501 c(6) non-profit, member based organization for compliance professionals. According to its website, their "events, products, and resources offer education for those who are looking to be certified in compliance and ethics, or for those just looking to keep their compliance department up-to-date with the latest news" (SCCE, n.d., para. 1). The SCCE has a distinguished Advisory Board representing practitioners and world-renowned leaders from corporate, government and non-profit sectors. SCCE has over 3000 members and over 1,650 members are certified as Corporate Compliance and Ethics Professional (CCEP). By way of disclosure, this researcher holds a current

CCEP certification license.

The ERC is a private, nonprofit, nonpartisan research organization. According to their website their mission is “devoted to independent research and the advancement of high ethical standards and practices in public and private institutions” (ERC, n.d.b, para. 1). The ERC has been in the organizational ethics business for 89 years. Pat Harned, PhD the current ERC President, states that the ERC site “is visited thousands of times a month by policymakers, chief ethics and compliance officers from business and government, students, scholars, nonprofit professionals and every-day readers from around the world” (ERC, n.d.a, para. 3). The ERC conducts benchmarking surveys and studies that inform the public dialogue on ethics and organizational culture. The ERC governing board represents a diverse group of corporate, government and association thought leaders and key influencers in the area of business ethics, including Michael Oxley who co-authored the Sarbanes-Oxley Act of 2002, Nancy Boswell the former President and CEO of Transparency International, and Henry Hart the General Counsel and Chief Ethics Officer for the Society of Human Resource Management (SHRM).

The ECOA is also a non-profit, 501(c)(6) member-based association. Its membership is primarily comprised leaders responsible for their corporate ethics and compliance programs. ECOA’s mission is to provide ethics, compliance and corporate governance resources to ethics and compliance practitioners worldwide. The ECOA Board of Directors comprises practitioners from multiple industry sectors (Ethics and Compliance Officer Association, n.d.).

All three of the above-referenced professional associations hold annual conferences, academics for knowledge sharing and conduct active research and benchmarking studies in the area of business ethics and compliance.

Coding

According to Bryman and Bell (2007) one of the most central processes in the methodology of grounded theory is coding. The process of coding entails reviewing the data such as transcripts, documents of research, memos and notes and giving categories or labels to components of the research. Charmaz (1983) indicates that codes can serve as shorthand devices to label, separate, compile and organize data. Strauss (1987) states that there are many behavioral actions or events that can be examined comparatively by the analyst who then codes them, naming them as indicators of behavioral actions. Accordingly to Glaser and Strauss (1967) one of the core aspects of grounded theory is the notion of constant comparison. During the process of grounded theory research methodology, the researcher needs to maintain a process of keeping a close connection between the research data and the concepts and categories, so that the essence of the indicators is not lost. The process of constant comparison can enjoin the researcher to develop a theoretical pattern emerging from the categories of data coding. Although the coding process can be tedious the research shows that the more data that is coded, the more concepts emerge and sometimes are renamed and modified (Strauss & Corbin, 1990).

In this study, the researcher was sensitive to potential contrasts between the categories that can emerge from the research. The grounded theory methodology does not necessarily seek to find one single answer to the research problem and questions. Instead the process is designed to conceptualize the social phenomenon using empirical data (Glaser, 1998).

The researcher created a Microsoft Excel spreadsheet as an organized table. The emergent themes were coded and reviewed regularly to determine patterns and key concepts. Integrating the frame of Argyris' (1990) three elements of governing variables, action strategies and consequences provided a coding framework to help synthesize and align the matches between behavioral intention and results or outcome. For example, the themes might be labeled as follows: collaboration, progress and innovation, decision points, failures, increased communication, increased colleague retention and reduction in turnover. The researcher compared and contrasted these patterns of impact to drivers such as leadership behaviors that are inspirational or conversely adverse setting the tone in their cultures of what is or is not acceptable. Furthermore, the data were evaluated for behaviors that exhibit error-laden pitfalls, such as lapses in ethical decisions or positive turning points, financial or bottom line decisions, stakeholder influence, regulatory or policy drivers, and fear of retaliation and human or environmental impact. Additionally the researcher compared and contrasted where the decisions and behaviors of leaders influence employee behavior, such as producing a heightened awareness or commitment towards ethical decisions, or employees consulting peers or supervisors before making hasty decisions. The researcher also sought artifacts that represent the self-identity and a heightened sense of responsibility the organizational leaders may have held before and or after the corporate incidents unfolded. The various codes were assigned to demonstrate where and how unethical lapses in decision making may occur such as in the areas of non-compliance or role-based oversight, potential influences from local business culture, stakeholder influence impacting leadership behaviors. The researcher evaluated, compared, and mapped diverse case studies across a spectrum of industries, all of which were high profile, game-changing situations (see Figure 3). During this exercise the researcher identified common themes emerging around ethical leadership and the ethical climate of an organizational culture.

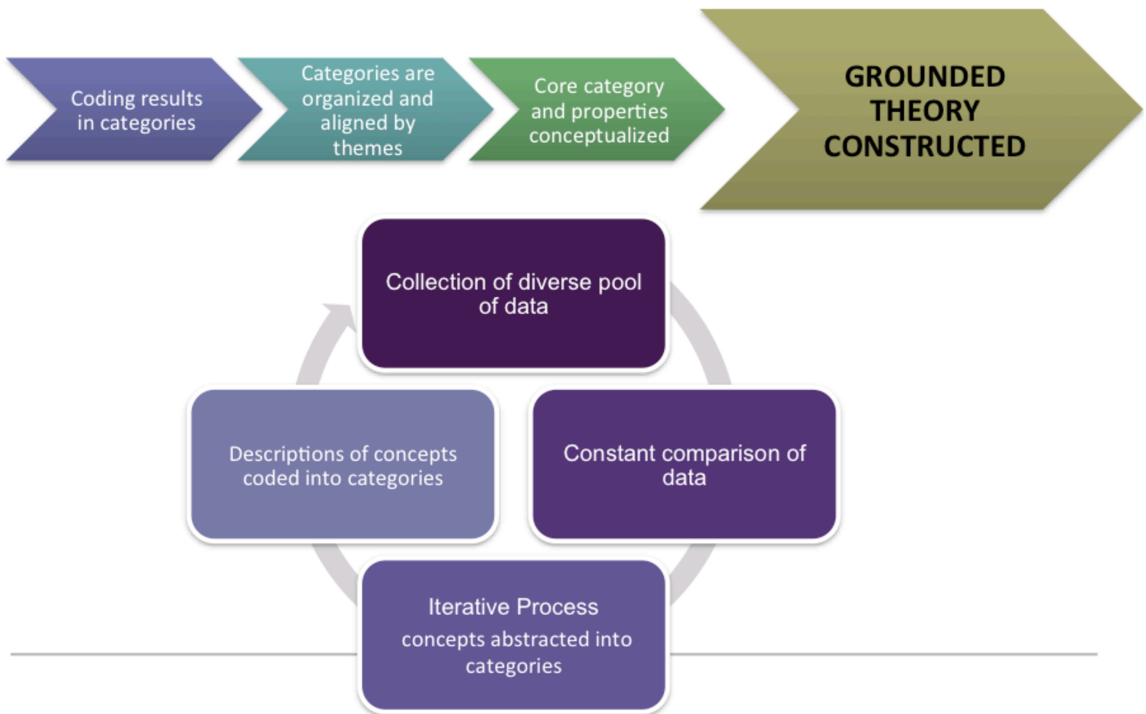

Figure 3. Proposed process.

Research Assumptions

Some research assumptions were implicit in this study. For example, the researcher expects that themes and patterns around the focus areas would likely present themselves. As these patterns surface the core themes around the issues helped guide the researcher towards a better understanding of the motivations and inherent drivers promoting the problem. Furthermore, the researcher assumed she would have access to the information she needs in various forms and in a timely fashion. Lastly, the researcher assumed she would have access to a broad suite of information, derived within multiple layers of sources that can provide a diverse and balanced lens into the situation.

Limitations

The limitations of this study include but are not limited to:

- Results from this study may not be generalizable to all cases and situations.
- This study was expected to represent the voice and perspective of the researcher, although the researcher applied objectivity and rigor to her methods.
- Since the researcher did not interview human subjects, the interpretation of the data, core themes and patterns were expected to emerge from the lens of the primary and secondary sources. Therefore it is possible that some of the emotional context of the situations researched may not be fully appreciated or contextually understood.
- The results of this study are framed in the research of organizations that have surfaced because of negative publicity. Therefore, the researcher acknowledges that there may be other situations and case studies that have not surfaced, yet they, too, may have also resulted in adverse impact.

Chapter 4: Data Collection and Analysis

Introduction

This chapter will summarize and analyze the results of the research, including a review of the data instruments, coding process and findings.

The research questions used to guide the framework of the study are as follows:

1. How are leaders establishing acceptable organizational ethical behaviors?
2. How are these behaviors manifested?
3. How does leadership evidence or demonstrate the espoused values and culture? What does it look like: tangible evidence, artifacts, observations?

The literature review established that building an ethical culture has emerged as a modern business imperative. The purpose of this study is to examine the impact of organizational culture and leadership as an enabler of trust. The study explores the trends and leading methods in how organizations are establishing and reinforcing acceptable ethical leadership behaviors. The research evaluates how these behaviors are manifested, how leaders are enabling their organizational cultures and why their visible modeling of positive behaviors impacts the behavior and decision making principles of the organization.

Research Design and Approach

This researcher rooted the study in an exploratory methodology, using the grounded theory method. Glaser and Strauss (1967) developed the grounded theory method of qualitative research in the 1960s. The premise is to develop theory empirically, sometimes characterized as from the bottom up, challenging the conventional way of research theory development from the top down. The literature demonstrates that most often, the grounded theory approach is used when the study is based on some type of social phenomenon. The last decade has left us with an extraordinary chasm of scandals that led to the downfall of countless large corporations. The literature shows that the impact has been significant, affecting a broad spectrum of stakeholders from employees losing jobs, to customers losing services, to shareholders losing money. Following the scandals, legal reform and policy campaigns were implemented with the intent to avert future scandals and the resulting harm to stakeholders. Yet, despite the legal reforms and firmer controls, the scandals continued and have produced more complexity and driven greater public demand for transparency and ethical leadership.

The methodology of grounded theory is ultimately to develop an understanding of what themes are in common among a collection of data, especially as reflected in the social phenomenon and behavioral experience. Corbin and Strauss (2008) state that analysis of particular instances of data can lead to an understanding of the particulars of a phenomenon, taken as a whole and the theory emerges from understanding the categories and emergent themes.

Grounded theory is the research tool used to conceptualize the social patterns of the research problem, through an iterative process of comparison. Andrews (2007) advocates for grounded theory, indicating that it is an effective style of comparative analysis for case study research. One of the hallmarks of the grounded theory collection method is the constant comparative analytic procedure. The approach is very iterative, whereby the researcher collects data and conducts analysis in tandem, repeatedly referring back and forth to the data and analysis.

The researcher's coding model reflects the three elements originally assessed by Argyris and Schön (1974) and later refined by Argyris (1990) as part of his research in single-loop learning and the role of self-reflection. Argyris and Schön believed that individuals have mental maps with regard to how to react in certain situations, and these mental maps affect how they plan, implement and review their actions. In their research they found that these mental maps guide individual's actions rather than the theories they espouse, thus resulting in the gap between what is espoused versus the action taken. Argyris further researched the relationship between the individual and the organization. He found that practitioners who are likely to be looked upon as a leader tend to respond with their espoused theory of action when asked how they might react to a hypothetical situation. It is important to point out that the explicit allegiance to the espoused theory or theory of action is what the individual regards as perceived to be the correct response. Whereas the research demonstrates that the theory that actually governs the individual's actions is the theory in use, which can often be incongruent from the espoused theory. Argyris proposes that adopting the behavior of self-reflection supported by ongoing dialogue, is how individuals can analyze their behavior, realize the clear gaps and learn how to bring more alignment between espoused theory and theory in action. The coding model for this study analyzes the cases against the three elements developed by Argyris and Schön (1974):

1. Governing variables
2. Action strategies
3. Consequences

Governing variables are defined as those dimensions that people are trying to keep within acceptable limits (Argyris & Schön, 1974). For purposes of this study, Governing variables represents the artifacts Schein (1999) refers to in his three level of culture, such as code of ethics, business guidelines of conduct, mission and values statements. Argyris and Schön (1974) define action strategies as the moves and plans used by people to keep their governing values within the acceptable range. This study analyzes where the gaps between governing variables and action strategies can occur and the resulting consequences, which is the third element. Argyris and Schön define the third element of consequences as what happens as a result of an action. For instance the consequence can be deliberate and intentional or the consequences can be unintentional. Anderson (1997) indicates that additionally the consequences can be for the self and or for others.

For this study, the coding process was framed by the above three elements defined by Argyris and Schön (1974) and resulted in representative categories. As the number of categories increased, the data and representative coding was compared and triangulated, which resulted in the emergence of more categories. The categories were organized and aligned by themes until a central core category was conceptualized. This core category organized the resulting theory, which becomes the definitional premise of the grounded theory.

Data Collection Model

The data collection is represented by a multitude of sources. The researcher used the concept of data triangulation. Triangulation is a method used by researchers to check and establish validity in their studies by analyzing a research question from multiple perspectives (Patton, 2002). The triangulation methodology is typically performed as a strategy to increase the validity of a study. Triangulation can have many benefits, including an increased confidence in the research data. Additionally according to Thurmond, triangulation can produce perspectives in understanding "a phenomenon, revealing unique findings, challenging or integrating theories, and providing a clearer understanding of the problem" (Thurmond, 2001, p. 87). In this study, the researcher evaluated multiple sources of data and considered multiple theoretical perspectives. The researcher reviewed over 65 published and publicly available print and web-based data sources, including annual reports, news articles, opinion blogs, case studies, nationally benchmarked surveys and research studies and thought leadership white papers in peer reviewed journals. As noted in Chapter 3, for purposes of this study, the data collection sources and case selection were limited to only those cases widely cited in the Ethics & Compliance professional associations and member organizations such as the SCCE, the ECOA, and the ERC. These organizations were defined in detail in Chapter 3. The case selection reflects studies that have been reviewed and analyzed in Ethics and Compliance industry activities such as live and web conferences, webinars, thought leadership papers, newsletters, blogs and other publicly available resources.

The researcher reviewed the cases of 22 organizations, two of which had two separate cases each, demonstrating lapses in ethical decision making, unhealthy organizational culture and toxic patterns of leadership. Its important to point out that these two repeat organizations were British Petroleum and NASA, representing completely separate industries and organizational sizes.

Coding Matrix

The researcher developed a Microsoft Excel spreadsheet evaluating 22 organizations, resulting in 24 case reviews. The case studies were evaluated against Argyris' (1990) three elements of Governing Variables, Action Strategies and Consequences. Key facts and circumstances that represented leadership behaviors, lapses in ethical decisions or positive turning points were captured in cited through a full review of publicly available materials. Figure 4 depicts the categories of information captured in the analysis:

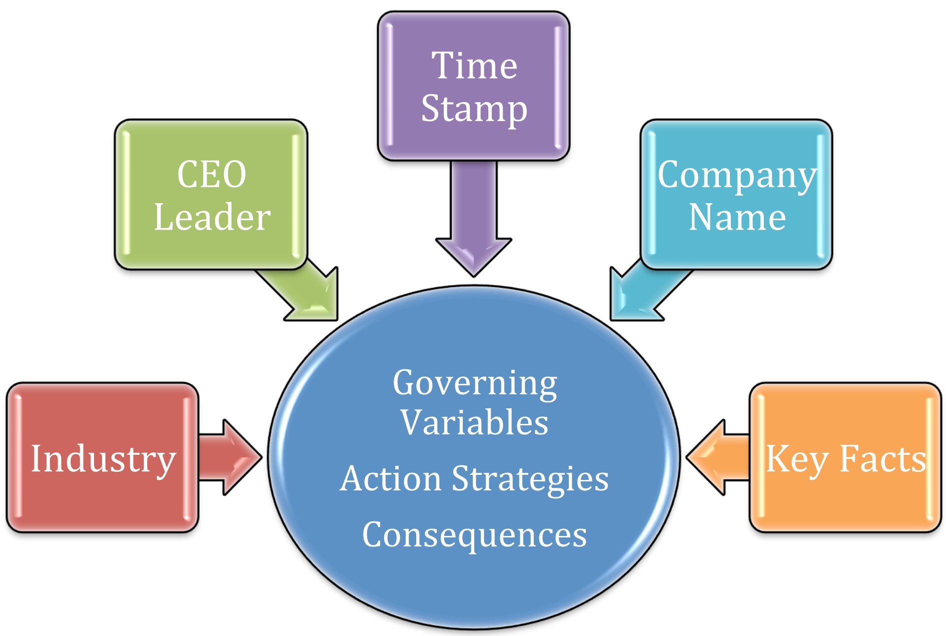

Figure 4. Categories of information captured in the analysis.

In the analysis of the 24 cases, three distinct groupings of themes central to the action strategies of the leaders emerged. The researcher coded these three themes as *focus areas*. These focus areas were labeled as follows: focus on self, focus on others, and ethical relativism. Figure 5 describes the three areas of focus.

Figure 5. Three areas of focus.

A detailed table of the organizational cases and the focus areas associated with the leader action strategies is outlined in Table 1. After creating the coding table, the researcher followed the Glaser and Strauss (1967) process of constant comparison throughout the analysis, see Figure 6. This approach was used throughout each stage of the theoretical development, including the open coding, literature integration, case evaluation, category analysis, theme evaluation, critical success factors and influential environmental factor analysis. For a full overview of the entire coding matrix and variables see Appendix A.

Emergent Themes

As an opening note to the reader, in the data and case analysis, many of these cases and the details surrounding the situations, were previously discussed in Chapter 2. For purposes of the evaluation, Chapter 4 includes a short recap or summary of the situation, but please refer back to Chapter 2 for a fully detailed reference, and background information. Fresh citations for newly analyzed cases are in the references. During the case evaluation and coding process the researcher reflected on the themes that were emerging. This process of reflection was enhanced with the notes and memos captured from the research and the constant comparison and reflection of the leader behaviors. Further through the constant comparison the researcher captured notes on the artifacts present, organizational cultural norms, prior leaders that may have impacted the culture the current leader inherited, and other potential influences from the stakeholder ecosystem such as investors, consumers and the public media.

Table 1

Case Evaluation and Coding Matrix

Company	Leader	Focus on Self	Focus on Others	Ethical Relativism
BOEING	CEO, Harry Stonecipher	XX		XX
General Electric	CEO, Jack Welch	XX		XX
BP Case I	CEO, John Browne		XX	
BP Case II	CEO, Tony Hayward	XX		XX
Lance Armstrong Foundation	Lance Armstrong	XX		XX
CA (Computer Associates)	CEO, Sanjay Kumar	XX		XX
NASA	Columbia & Challenger Disasters	XX		
GUIDANT/Boston Scientific	CEO Ray Elliott	XX		
ZAPPOS	CEO, Tony Hsieh		XX	
DA VITA	CEO, Kent Thiry		XX	
AIG	CEO Maurice Greenberg	XX		
Ponzi Scheme	Bernie Madoff	XX		
ENRON	CEO Kenneth Lay	XX		XX
WORLDCOM	CEO Bernie Ebbers	XX		XX
LEHMAN BROs	CEO Richard Fuld	XX		
TAMKO	CEO, David Humphreys		XX	
SATYAM	CEO Ramalingam Raju	XX		XX
HealthSouth	CEO Richard Scrushy	XX		
Tyco	CEO Dennis Kozlowski	XX		
Computer Associates	CEO Sanjay Kumar	XX		
Barclays	CEO Bob Diamond	XX		
HCL Technologies	CEO Vineet Nayar		XX	
US Government / Military	CIA Director, General Petraeus			XX

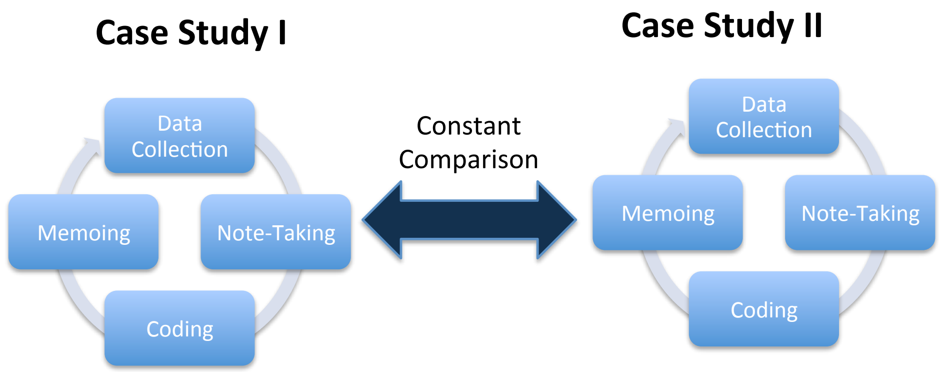

Figure 6. Constant comparison.

Emergent Theme I: Focus on Self

Focus on Self emerged as one of the primary themes underscoring the action strategies of organizations adversely impacted by the decision of the CEO and or top leaders in the organization. A pattern of selfishness and self-advancement or self-promotion emerged in the leader decision points motivating the gains. Interestingly, all of these organizations had the basic governing variables and artifacts representing their policies and expected guidelines for conduct such as Codes of Ethics, and espoused Mission, Vision and Values statements. In the case of Tyco Corporation, CEO Dennis Kozlowski was very focused on himself, without any regard for how his actions might impact others. He stole more than $120M from company funds for personal used, and received $80M in cash bonuses that were never authorized by directors. Similarly, HealthSouth's CEO, Richard Scrushy demonstrated very callous and self-serving decisions. Shortly before the company reported significant financial losses, he sold his $75M worth of stock. An independent law firm hired by HealthSouth discovered that Scrushy had instructed his officers to release fake earning reports to satisfy investors and control the company's stock prices. An analysis of the gains of these leaders was also performed to understand the context of what factors might be motivating the leader desire to deliberately destroy and risk the overall existence of an organization. In the case of Tyco, the researcher found numerous articles, blogs and harsh commentary about the lavish, non-essential purchases made by Kozlowski. For instance,

> an SEC filing from Tyco alleges that Kozlowski spent company funds on unauthorized purchases including $15,000 for a dog-shaped umbrella stand, $6,300 for a sewing basket, $17,000 for a traveling toilette box, $2,200 for a gold-plated wastebasket, $2,900 on coat hangers, $1,650 for an appointment book, $5,900 for sheets, $445 for a pincushion, and $6,000 on a shower curtain. (Lobb, 2002, para. 2)

In what the New York Times characterized as one of the largest financial frauds in US history, Bernard Madoff, a former American stockbroker and financial advisor, and ex-Chairman of the NASDAQ stock market, spent four decades running his Wall Street Investment Securities firm, with a list of celebrity clients ("Madoff Says," 2011). After confessing to his sons that the asset management firm was a fraud, "one big lie," his sons reported him to authorities (Voreacos, & Glovin, 2008, para. 19). Madoff pled guilty to eleven federal felonies, admitted defrauding thousands of investors to a tune of $18B. In June of 2009 he was sentenced in 150 years in prison.

Interestingly as the researcher observed a growing trend around leader decisions motivated by a *focus on self,* it raised the question of the underscoring behavioral motivations. Underscoring the self-focus, there appeared to be a pattern of leaders completely engulfed in personal greed for money and power, complete negligence of fiduciary duties, ethical standards and a total lack of corporate responsibility, let alone moral responsibility.

Emergent Theme II: Focus on Others

The research revealed a second behavior pattern, categorized as focus on others. In this situation the organizations had leaders implementing action strategies and committing to decision points that considered the totality of the *people* aspect of the company. For purposes of this study, the definition of *others* is a reference to a wide variety of organizational stakeholders, everyone from the employees, direct reports, field and office representatives, and even extensions of the culture, such as clients and suppliers. During the researcher's evaluation of the cases it became quickly evident that leaders that focused on the needs of others, seemed to be more effective in transforming and promoting healthy and positive organizational culture. In fact they became living change agents, inspiring others in the organization to lead and help grow a healthier culture. In these situations, the organizations had Governing Variables such as Codes of Conduct and policies and guidelines, yet it was in the Action Strategies, where the leaders were effective in bringing the governing variables to life. For instance, in the case of Zappos, Inc. founder and CEO, Tony Hsieh, had placed culture at the forefront of entry into the organization. A detailed analysis of Zappos is outlined in Chapter 2. At Zappos, cultural fit was not just an additional screening stage of their interview process. Rather it had become the primary driver to attract new talent, they actively seek candidates that are closely aligned with the core values and culture. The Zappos performance management process is centered around the organization's core values as a priority metric. According to Hsieh, this action strategy has decreased the costs of retaining disengaged and marginally fit employees. Culture is considered their biggest asset and is represented by a set of 10 core values. Their work with vendors and third party suppliers also embodies a partnership mentality of shared risks and rewards. To demonstrate how their culture reflects a focus on others, Zappos has created a Culture Book, which contains unedited, personal and authentic expressions from employees in an essay format. Zappos focus on others is also reflected in the language and Zappos specific vernacular, such as *Deliver WOW Through Service* or *Be Humble* ("Zappos Family," n.d.; Hsieh, 2010a, 2010b, 2010c).

Focus on others was also an eminent theme in the case of DaVita and CEO, Kent Thiry. A detailed case study on DaVita is available in Chapter 2. Thiry took a very inclusive approach in his Action Strategy to transform the organization's culture. He actively walked the talk and developed a reputation for leading in an authentic way. Early on, Thiry actively promoted a culture of transparency, encouraging colleagues to share critical information, such as bad news, early enough so that accidents could be prevented ("CEO Interview," 2009).

Focus on others defines the central operating principles at TAMKO Building Products. The organization is a family business, founded in 1944 as a single roofing line in Joplin, Missouri. Although the organization has expanded its growth in product lines and manufacturing facilities in the past 68 years, there are certain values and principles of inclusivity and a focus on others that guide the operational decisions that frame the organizational culture. David Humphreys, the President and CEO, is the grandson of the company founder. As a lawyer he was professionally trained to avoid all risk, yet as a leader he realized he had to learn to accept some risk of failure. He is very focused on the people aspect of the business, including acknowledging the existence of variation of human behavior. TAMKO provides awareness education around ethical decision-making and provides clear guidelines about what is not acceptable, yet Humphreys recognizes that training alone is not sufficient. He is sensitive to the human element, the potential for breakdown in communication and the need to extend trust that employees will report bad behavior quickly so that it can be mitigated efficiently. As a leader Humphreys promotes a culture of high performance expectations and a culture of responsibility. As a leader, he extends freedom to employees to perform and contribute in their roles (Weiss, 2012). He says "it's a cultural trust where we trust people to do their jobs and they trust us to take care of them in return" (Weiss, 2012, p. 3). Furthermore, TAMKO exhibits a strong and clear ethical culture from the outsides and within, explicitly hiring for culture fit seeking "someone who is honest, humble and dependable" (p. 3)

Emergent Theme III: Ethical Relativist Views

The third major theme that emerged from the analysis was ethical relativism. Leaders displaying ethical relativist attitudes and actions sometimes overlapped with a focus on self, and sometimes was purely a stand-alone motivator. According to Velasquez et al. (2005), ethical relativism is the theory that morality is relative to the norms of one's culture. In the case analysis the researcher noticed a trend in the perspective of leaders that separated the organizational ethical norms and expectations from what was expected from them. In these situations, the leader action strategies reflected an almost this natural, yet alarming behavior that justified a separation of what is expected of others versus what is expected of them. Ethical relativist views were evidenced in the many cases. An illustration of ethical relativism can be represented by the case of Jack Welch. Details on the case can be referenced in Chapter 2. Welch was famous for developing the *Values Guide*, which was a very public set of governing variables. Not only was Welch's action strategy a firmly visible promotion of the importance of living the espoused values at work, he even had all types of tchotchkes, such as wallet-size laminate cards, developed as reminders for employees and to encourage access and reference to values-at-their-fingertips. But what the researcher found interesting was that questions arose whether values in the business were separate from values at home. Welch's extra-marital affair with Suzy Wetlaufer, a former *Harvard Business Review* editor, 17 years his junior, created a storm of articles and public commentary about both of their ethical values and the business ethics of her journalism, as they met each other while she was interviewing him about management lessons in his autobiography *Jack: Straight from the Gut* (Welch & Byrne, 2003). Welch's ethical relativist views allowed him to comfortably separate his values at work from his values at home. In a more recent case, General David Petraeus, the former CIA Director and a four-star general, demonstrated ethical relativist behaviors in his handling of an extra-marital affair with his biographer, Paula Broadwell. Both Petraeus and Broadwell appeared to display ethical relativist perspectives as they were willing participants in separating the values-based decisions at work from the values-based decisions at home (Shear, 2012). In the research it became evident that the U.S. Army holds highly visible governing variables such as the Seven Army Values, which include honesty, integrity, and physical courage (U.S. Army, n.d.). These governing variables can be visible on the dog tags given to each recruit. The importance of ethical leadership would appear to be a critical component of military culture, especially in an environment of battle where reliance on trust and good judgment can mean the difference between life and death. Notably, in the official blog of the United States Army, ARMY LIVE, Barrett (as cited in ashmccall, 2012) writes about integrity and doing the right thing when no one is looking, stating "It's an intangible quality that can only be measured through one's actions and those seemingly harmless actions have the potential to become something altogether different" (para. 4). The decisions of General Petraeus and Paula Broadwell not only had consequences for their professional careers and personal and extended family, but shortly after the situation unfolded publicly in November 2012, it fed into the social phenomenon of public and social media commentary, fueling sensationalism of the scandal. For weeks after the complex scandal unfolded, new players in the web of deceit were also accused of professional misconduct, including General John Allen, top US commander in Afghanistan, who decided to resign post scandal and not pursue a NATO post he had been nominated.

Ironically, the same week the Petraeus scandal broke into mainstream media and news outlets (Shear, 2012), Lockheed Martin, the largest federal government contractor, asked for the resignation of Christopher Kubasik, effective immediately, who was slated to become their CEO in January 2013. His resignation was a result of an investigation where it was found that he had a personal relationship with a subordinate, pointing again towards a theme of ethical relativism. Similarly, in the case of Harry Stonecipher, who came out of retirement to take on the CEO position at Boeing in 2003. The details of the Stonecipher case are covered at length in Chapter 2. In summary, Stonecipher authored new governing variables for Boeing including a new Code of Ethics policy, which included strict guidelines about workplace relationships, anti-harassment policy and more. Yet just a year into his new role, and whilst still married, he resigned. A female whistleblower revealed illicit emails between Stonecipher and Debra Peabody, a Vice President with Boeing. When the scandal was uncovered, Boeing's Board of Directors used the same Code of Ethics that Stonecipher had authored as the grounds for his dismissal. Further the Board indicated that its decision was not based merely on the illicit affair, but more so on issues of poor judgment, unprofessional conduct as a leader, and questioned Stonecipher's ability to lead the organization going forward (Ratnam, 2012).

Comparatively, ethical relativist views and behaviors surfacing as a core theme in the researcher's case analysis was not limited to for-profit corporations. The researcher noted that the ethical relativist attitudes and behaviors appeared to stretch across all industries and types of organizations. For example, in the case of Lance Armstrong, Founder and former CEO of the Lance Armstrong Foundation, ethical relativism appears to have been present throughout the personal career of the cyclist and in his actions and behaviors as founder and CEO of his charitable foundation. The Armstrong case is covered in detail in Chapter 2. In 2012 the Lance Armstrong Foundation, a 501 (c)(3) non-profit organization, changed its name to Livestrong, which is a name brand based upon a yellow silicone gel bracelet launched in 2004 as a fundraising campaign for the Lance Armstrong Foundation. For almost two decades the Livestrong foundation developed a visible brand intertwined with Armstrong's cycling career, yet as he was plagued by allegations of doping the organization suffered reputational damage, public distrust and faced many challenges. In January 2013, Armstrong came clean on a nationally televised series of interviews, that after years of cheating and lying, even under oath, he had used performance enhancing drugs and was the ring leader of an elaborate blood doping scheme. He even discussed his motivation, stating that his "'ruthless desire to win' made him cheat" (Calamur, 2013, para. 2) The research analysis reveals that Armstrong's pattern of deceit represented a classic case of ethical relativism, where he formed an unhealthy logic that justified separating his accountability to himself, and others, a separate reality. In his interview he states, "This story was so perfect for so long. It's this myth, this perfect story, and it wasn't true" (Quinn, 2013, para. 16). His behavior patterns were alarming similar to other cases of ethical relativist leaders, where the perpetrator tries to control the narrative and behaves very arrogantly and callously. For example, when the US Anti-Doping Agency launched their formal investigation, Armstrong famously posted a picture of himself with the seven Tour de France titles in the background, perceived by many bloggers and web commentators as an *in your face* move of arrogance and *catch me if you can*. His callous judgment caused him not only his personal and professional reputation, but in just one day he lost millions of endorsement deals and the chairman position of charity he founded.

Behavioral Factors and Trends

Rationalization of unethical behavior appeared to be a common trend across many of the cases where the organization's failure was directly tied to the leader's poor judgment. Whether it was a focus on self or a clear case of ethical relativism, the leader appeared to comfortably cherry pick values. This behavior is supported in the research around the concept of cognitive bias in making decisions, and how cognitive biases commonly distort judgment (Gardner, 2004).

Another trends was an inherent struggle leaders balanced between the personal gains of their action strategies versus the organizational gains. In many of the cases, the leaders were succeeding in personal aspects (focus on self), but their success often arrived at a price for the organization, notably *in spite of* the organization.

Also the researcher found that in most cases of egregious violations of standards of conduct, such as in the cases of Enron or Tyco, the leaders were openly making massive unethical decisions in full public view. In these cases, the leader decisions were heavily bent on personal gains versus the overall organizational gain, yet there was very little to no challenge by the controls, guidelines and processes in place to prevent such actions.

Leaders as Enablers of Ethical Organizational Cultures

The researcher notes that irrespective of the positive or negative climate of a culture, the cases reflect how important the role of leaders plays in influencing organizational ethical health, surfaced across all of the data evaluation. Irrespective of varying conditions such as organization size, industry or other environmental factors such as company history, the influential role a leader plays in shaping and enabling an ethical organizational culture was a key factor. The leader influences and can even inspire the ethical health of the organization. Acute to this key factor was the ethical behavior of the leader, which set the standard by which the organization's conduct would be measured and plays a critical success factor for organizational ethical health. The ethical behavior of the leader can support or destroy the organization. The data and analysis exhibits examples of how the modeling of positive behavior plays such a direct impact on the organization's ethical health. The actions, deeds and decisions of the leader, even the unspoken words can set the tone and directly impact the sustainability of an organization's culture, squarely placing responsibility on the leader as an enabler of a healthy organizational culture (Messick & Baserman, 1996). Evidenced in the data, unethical behavior completely destroys and marginalizes trust, creates a high risk and disgruntled workforce. In this vein, observable ethical leadership is critical. The leader's action strategies need to be in alignment with the governing variables of the organization (Frank, 2004). For example, a leader must *talk the talk and walk the walk* of the organization's mission, vision and values. The leader must model positive behavior and be available and accessible to guide other colleagues with exemplar behavior.

Fostering a Trust-Based Culture

Lou Gerstner (2003), the former CEO of IBM, memorably said in his book *Who Says Elephants Can't Dance*, "I came to see, in my time at IBM, that culture isn't just one aspect of the game; it is the game" (p. 182). Trust as a corporate asset emerged as another theme and critical success factor, in the researcher's analysis. The importance of building a values-based culture, one with fewer rules and compliance activities and one that results in extending more trust appeared to have greater authenticity, impact and sustainability in the research, exemplified in the case of DaVita. Less reliance on rules-based activities and extending more trust appeared to have a longer-term impact, such as evidenced in the cases of TAMKO and Zappos. Another compelling factor that surfaced in the review of governing variables and the resulting action strategies was that corporate guidelines, rules and policies that were not visibly anchored in values appeared to be more easily broken or violated when there were more immediate incentives and temptations, such as in the cases of ENRON, WorldCom, and Tyco. In those cases, there were governing variables and controls in place and yet the unethical behavior, was conducted openly, visibly and repeatedly at the highest leadership levels in the organization. This issue points to a further area of potential research. The researcher noticed that in those organizations that led with core values enveloping the guidelines, the situational dilemmas were addressed with a more adaptive and flexible, thoughtful approach. There appeared to be greater levels of trust extended to employees to use their best judgment, to collaborate and seek peer and leader guidance to identify risk and formulate the best decisions on behalf of the organization. The leadership behavior in rule-following cultures, appeared to be more rigid, dramatic and less adaptive, and often more troublesome. The researcher surmises that perhaps the rigid, rule-based cultures are experiencing more failures and ethical lapses because there is no common understanding of appropriate conduct to guide employees in those frequent situations, especially where no particular rule applies and the narrative is very grey.

As to how leaders can influence and foster ethical cultures, the research demonstrates that in most cases, employees responded to the actions that the leadership displayed. The leadership behavior aligned closest to what was deemed the *ethical norm* of the organization. In most cases, it was the modeling of the behavior that fostered the corporate culture and set the environmental boundaries of how the organization can perform effectively. Further the exhibited behavior of leaders and unspoken inaction set the markers for the limits of what was considered acceptable and unacceptable behavior. Organizations that had reputations for high ethical standards, publicly displayed their values, recruited talent around the guidelines of a culture fit, encouraged open town-halls and more intimate one on one and or small team discussions, that allowed colleagues to openly dialogue about the ethical dilemmas, grey and collaborate on fostering healthier cultures.

One of the most curious patterns that surfaced is the role of emotion and its influence on leadership's ethical decision making, a concept researched and discussed by Messick and Baserman (1996) on the psychology of ethical leadership and decision making. Also, according to Charles Ruthford, former Ethics and Compliance Officer of The Boeing Company, ethics and compliance decision-making can be a split-second process, where people unconsciously use emotion and intuition to guide choices. In most of the cases analyzed by the researcher, whether the leader performed an ethical or unethical decision, or whether the organization experienced positive outcomes or was positively destroyed by the decision of one, it appears that the leader behavior was influenced by emotion. In their research and resulting paper, "The Ethical Climate and Context of Organizations: A Comprehensive Model," Professors Arnaud and Schminke (2012) discuss the concept of emotion to moral reasoning, presenting that the latest research shows that emotion can enhance rational business decision-making.

Grounded Theory

Considering the totality of all of the data, analysis in this study, the researcher concludes that observable ethical leadership that connects positive modeling of leadership behaviors to the organizational values, along with other key factors such as consistency and an element of time are all critical to leaders fostering an ethical organizational culture. The following guidelines emerged from the study.

Culture Ambassadors: Model What You Preach

Leaders are more likely to successfully establish and foster healthy ethical cultures by being visible in their actions, decisions and choices. They must be active champions and promote a more transparent and open organizational culture. Leaders that are comfortable in revealing and showcasing their actions, and exhibit behaviors that are in clear alignment with the values of the organization had the most impact in fostering ethical cultures. It was evident in the study that leaders should not hide behind espoused words but instead it was necessary that they exhibited consistent actions and decision points. Further the behaviors need to happen in full and open view and not behind closed doors. The learning opportunities for other colleagues to observe, analyze and interpret the actions of leaders, especially in alignment with the organizational culture expectations was critical.

In the case analysis, the leaders that were successful in transforming and building healthy ethical cultures recognized the importance of leading in a role that embodies a *culture ambassador*. They led their organizations in a visible manner, making themselves available, and accessible through informal dialogue, establishing behavioral expectations around values-based decision making and modeling that behavior.

Reciprocal Determinism: Role of the Middle Layer

An important observation that emerged in the findings is the important role the middle manager plays in enabling organizational culture change. This layer of the organization embodies the role of the most local influencer for employees and how their modeling of behavior is reciprocated in the actions and decisions of employees. Albert Bandura (1999) defined reciprocal determinism as the interconnectedness of the world and the individual's behavior, and how they cause and impact each other. For employees, their daily environment is engulfed in the tone set by their local manager and the peer work environment. Managers represent the daily guide, coach and mentor to employees, with an on the ground perspective and sensitivity to the local situations that are most important to employees (Gentile, 2010). The influence of middle managers can be bi-directional, with the capability to drive positive reinforcement and or potentially disrupt and stifle progress.

The research demonstrates that consciously or unconsciously, employees are more likely to judge the ethical health of their organization, based upon the actions of their direct supervisor. Further the study shows that middle managers are in a better position to serve as connective tissue to the operating core of a company. Middle managers are more sensitized to local issues and can translate organizational expectations in a localized context, which proves more relatable and influential for employees and helps connect the dots. The study also covered examples of organizational cultures stifled and disrupted by the gaps between what was espoused at the top and the execution from the middle. This notion is reinforced by a statement Jim Clifton, CEO of Gallup said in an interview for *Business Ethics Magazine* on the importance of tone in the middle. Clifton (as cited in O'Brien, 2012) stated, "If I think my boss treats me ethically and honestly, that is what I think of the company" (p. 23).

Although in most cases, the thick middle layer of an organization was effective in promoting and cultivating positive reinforcement and healthy models of ethical decision making, there are risks if the activities and messages are delegated blindly to the middle managers. The researcher strongly recommends an active *checks and balances* system to ensure open and regular dialogue across the organization to mitigate instances of mis-aligned middle managers. In instances where middle managers abusing their positional power, they can disrupt the messages and create a canyon of fear.

Frequent and Meaningful Contact

Keeping the key messages at the top of everyone's mind is more likely to keep the core values present with timeless consistency. At the thick middle layer of the organization, there is evidence to suggest far more opportunity to provide a regular cadence of reinforcement of ethical decision-making. In the study, frequent and meaningful contact through ongoing dialogue at all levels of the organization seemed to help reinforce a positive tone for the organization and mitigate risky behavior, yet it was doubly clear in the research that leadership behaviors from the middle were more likely to be reinforced locally and frequently. Additionally frequent and meaningful contact helps eliminate long gaps of follow up and promotes more local reinforcement of expectations. When messages are communicated once a year or rather infrequently the employees are more likely to perceive a lower value of importance on the expected behaviors and actions. Notably some of the research pointed to instances that infrequent contact from mangers to employees, brewed the risk of silo based mentalities, misunderstandings, gaps of knowledge, and misaligned expectations. This was most evident in organizations experiencing high turnover in leadership positions.

An example in the study of catalyzing organizational culture change through frequent and meaningful contact was Kent Thiry's transformation of DaVita. Thiry's tireless efforts to inspire change were most effective because he promoted leadership at all levels in the organization to engage locally and frequently, by extending trust, collaborating, being inclusive of new perspectives and ideas and promoting the key messages from the top down *and* bottom up. In his strategy, Thiry also recognized the importance of providing a channel for employees to be heard. He understood that facilitating frequent dialogue between employees and managers to catalyze the DaVita village laid the groundwork for a healthier organizational culture.

Give Employees a Voice

All the research pointed to the importance of giving employees a voice, allowing them to feel like they come first and helping them connect the *what's in it for me* quotient to the equation of ethical culture. HCL Technologies illustrated this well, by inverting its organizational pyramid, promoting greater transparency and dialogue forums for employees to speak out openly and consistently. Middle managers, as the local enablers of organizational culture change, and their localized understanding of the potential risks and issues, emerged as being in the best position to cultivate a trusted atmosphere to allow employees to have a voice. As culture ambassadors, supporting and promoting frequent dialogue, these middle managers can nurture more organic and informal opportunities for employees to feel comfortable speaking up and having their voices and opinions heard. With a frequent cadence of dialogue supported and reinforced by local, middle-managers there is more opportunity to break down some of the silos and the group think mentalities that can emerge and create risk, gaps and foster unhealthy decisions. For example in the study, Tony Hsieh, CEO of Zappos also recognized the importance of team members (the term referring to Zappos employees) being heard. He enabled social media forums for team members to share how they live the Zappos culture. Additionally, through the Zappos Culture Blog, employee testimonials are profiled in short video vignettes, connecting the world to the personal lens of how they live their core values. Lastly the Zappos Family Library ("The Zappos Family Library," n.d.) affords team members free access to recommended books. Thiry, Hsieh, and other leaders in the research recognized the importance to take proactive steps to promoting the freedom and space for employees to express dissenting views or perspectives and to take collective responsibility for building the organizational culture.

Give It Time

Lastly, the research overwhelming points to the importance of developing and implementing these strategies with a longer-term view. Creating and cultivating organizational cultures that will sustain and scale, takes several years or more. The time element is critical because of the layers and necessity to phase in consistent and frequent reinforcement of the organizational values. Bringing values to life in a relatable and identifiable way takes time. Most importantly, taking the time to thoughtfully cascade all of the above referenced approaches, helps to prove that the changes the organization is enacting are not cosmetic and are instead authentic and *here to stay*. The findings and recommended efforts outlined above require consistency and a *stick to it* attitude from the organizational players. Not surprisingly, the research showed that espoused values with no action to follow up, enact and support the expectations failed fast. See the review in Chapter two about the report on ENRON's Code of Conduct reading like fiction. Identifying and nominating cultural ambassadors to spearhead dialogue, and reinforce messages takes time and consistency. Promoting middle managers to play visible, active and reciprocal roles of modeling positive behavior takes development and time to learn, practice and refine. Hosting informal and formal opportunities for frequent and meaningful contact, to allow employees to be heard and incorporate their input in the refined messages and activities takes time.

Given the grounded theory, conclusions, and observations from this research, the researcher will devote Chapter 5 to an exploration of some of the considerations, reflections and recommendations for future studies.

Chapter 5: Conclusions and Recommendations

Overview

Building an ethical culture has emerged as a modern business imperative, validated in the literature review. The purpose of this study was to examine the impact of organizational culture and leadership as an enabler of trust. The study explored the trends and leading methods in how organizations are establishing and reinforcing acceptable ethical leadership behaviors. The research evaluated how these behaviors are manifested, how leaders are enabling their organizational cultures and why their visible modeling of positive behaviors impacts the behavior and decision making principles of the organization.

The research questions for this study were as follows:

1. How are leaders establishing acceptable organizational ethical behaviors?
2. How are these behaviors manifested?
3. How does leadership evidence or demonstrate the espoused values and culture? (e.g., tangible evidence, artifacts, observations)

The design of the research involved a grounded theory, exploratory method. The framework for this exploratory study was to research the questions and assess the phenomena from multiple perspectives. The researcher triangulated the data, a process that entailed the collection and analysis of multiple forms of primary and secondary data, which revealed the convergence, and disparities of data patterns and resulted in the emergence of key themes informing the grounded theory. The grounded theory method of qualitative research was developed by Glaser and Strauss in the late 1960s. The premise of the grounded theory model is to develop theory empirically, characterized in the research as from the bottom up, challenging the conventional way of research theory development.

John Pershing, and United States army general in World War I famously stated, “a competent leader can get efficient service from poor troops; an incapable leader can demoralize the best of troops” (Shockely-Zalabak, Morreale, & Hackman, 2010, p. 27). The role of a leader as an influencer, whether positive or negative, is central to the conclusive factors that emerged in Chapter 4. These factors represented the core enabling strategies of organizational culture. They are summarized again as follows:

1. Culture Ambassadors: Model What You Preach
    - Leaders must be visible in their actions, decisions and choices.
    - Leaders must be active champions of ethical organizational cultures
    - Leaders must promote a more transparent and open organizational culture.
    - Leaders should not hide behind espoused words but instead exhibit open and consistent actions and decision points in full and transparent view.
2. Reciprocal Determinism: Role of the Middle Layer
    - Thick middle layer of organization represents the most local influencer for employees
    - Middle layer modeling of behavior is reciprocated in the actions and decisions of employees
    - Managers represent the coach and mentor to employees
    - They are in best position, with context and sensitivity to the local situations
    - Warning: influence of middle managers can be bi-directional, capable to

drive positive reinforcement and or potentially disrupt and stifle progress.

3. Frequent and Meaningful Contact

- Ongoing dialogue at all levels of the organization promoted a regular cadence, reinforcing a positive tone for the organization and mitigating risky behavior
- Frequent contact helped eliminate long gaps of follow up and promoted more local reinforcement of expectations
- Employee perception of importance: messages communicated once a year versus frequent reinforcement

4. Give Employees a Voice

- Importance of giving employees a voice, help them connect the 'what's in it for me' aspect of being responsible and promoting an ethical culture
- Dialogue breaks down some of the silos & group think mentalities that can emerge and create risk, gaps and foster unhealthy decisions
- Allow employees to be heard, practice 'speaking up' and incorporate their input

Emergence of a New Sensationalism

In the research, the study included a comprehensive evaluation of web-based media sources. One area the researcher found surprising and interesting was that a decade of entirely new waves of careers have emerged through the social phenomenon of sensationalism around the ethical scandals. The opinion of the individual as commentators, bloggers and society-appointed knowledge gurus have created entire careers and positions of influence with their perspectives on ethical leadership scandals as they unfold in the public eye. This has driven greater viewership of these media channels and an increasingly acceptable appetite for media bias. There is almost a palpable and exciting aspect that brews around the emotionally charged debates across channels of information such as television, print and social media. There is an observable excitement to read and absorb the perspectives and discourse of commentators at each an every stage as scandals unfold in the public eye. A wave of grass roots public opinion and accountability is increasingly becoming acceptable. Sometimes reviewing the perspectives of the public is being regarded as a novel way to garner authentic, raw and transparent information. This is comparison to the more traditional and conventional methods of formally managed and constructed news reporting. Further its important to note that the technological forums to support the transfer and dissemination of these opinions continues to evolve and progress as a new trend, where society expects to seek access to information 24/7 at their fingertips. A convergence blending public opinion, outcry and commentary through Internet channels such as crowd sourced content, blog platforms and communities, micro-media channels such as Twitter and Facebook, SMS/voice conversation transcripts made public, video and online news media and pictures captured the essence of the emotion and grit of a scandal's consequences. The social media buzz surrounding each and every scandal, large or small, seemed to hit an emotional nerve worldwide, where there was a social and very public outcry, demanding justice and accountability from the leaders. Leadership behaviors engulfed in selfish focus such as bullying, arrogance, callousness and the dual realities has been met with very direct commentary and often a very public shaming. Leadership behaviors reflecting thoughtful, inclusive and inspirational activities has been amplified and shared worldwide through the viral nature of social media networks. Additionally all players in the scandal, including some that are tangential to the situations are not spared the consequences. As outlined in the research and case analysis, the spouse, children or siblings of a disgraced CEO or their extended eco-system can easily find their reputations damaged through their association with high profile leaders with ethical lapses in judgment, such as the case of the General Petraeus. Interestingly during the course of this study there has been an update on the Petraeus case. Speaking at a dinner hosted by the University of Southern California honoring veterans and ROTC students on March 26th he offered an apology for his behavior choices and the events that led to his resignation from the CIA. In a recent article in the Los Angeles Times excerpts from his speech were published. His concession about his focus on self were evident in his apology as he stated,

> I am also keenly aware that the reason for my recent journey was my own doing…so please allow me to begin my remarks this evening by reiterating how deeply I regret — and apologize for — the circumstances that led to my resignation from the CIA and caused such pain for my family, friends and supporters. (Zavis, 2013, p. 1)

Reflections

The researcher sought to understand the profound examples of ethical relativism and focus on self, which emerged in the large percentage of ethical lapses by leaders. The researcher sees this as a growing problem and recommends further research around the observed duality and paradox of leadership behavior. For example, in the research around Schein's (1992) three levels of organizational culture, some data emerged around the questioning or challenging of the *basic assumptions,* indicating that this behavior can cause a defense mechanism to be released, resulting in the emotional state of anxiety. This type of internal conflict and fear may appear very visible to the organization and may inform the underlying assumptions and acceptable actions and behaviors that occur within the organizational culture environment. If the paradox can be recognized then there is a valid and inherent conflict that should be studied. DeBono (1993) describes this in the research as a paradox in the mind that is extremely good at recognizing things and yet poor at noticing things. This may inform the continued unabashed fraud and unethical behavior by leaders, where there is a full awareness of the poor judgment but a lack of understanding of the consequences and gross and egregious impact.

Implications and Recommendations for Leaders

Clearly the research points to the importance of positive modeling of ethical leadership behaviors. Yet there is an opportunity to explore the best methods and approaches to bring this activity to life. In large, multi-national organizations, with time zone challenges and demanding work environments, it is understandable to view this sort of objective as a challenge with very little ability to scale and manage with any consistency. The researcher strongly recommends that leaders at all levels of the organization play an active role in empowering their employees with forums to practice ethical decision making. First and foremost, organizations should develop the tools and resources to help employees connect their every day decision points with the guidelines expected within the company Code of Conduct. Framing these guidelines within a values-based framework appears to be most likely to sustain across cultures and roles, creating an almost inherent emotional connection to the decisions versus a rigid and inflexible rules based decision. Secondly, organizations should enable discussion forums and mechanisms for employees to interact and collaborate on awareness exercises to practice making decisions together collectively as peers and also with the observation and supportive guidance of their supervisors. These forums can be in person in a face to face format, or virtual, taking advantage of all the social mechanisms organizations employ today to keep employees connected. The discussion forums can be facilitated by peers or by leaders and should be focused on fostering healthy debate and practice around decision points in the context of relatable case dilemmas. As a strategy aligned with Bandura's (1999) theory of social learning, through the act of practice, leaders and employees are more likely to find trust and growing comfort in the dialogue and more likely to speak up about real-life ethical dilemmas in the future.

Through collaborative group exercises employees can grow their learning and understanding from a basic awareness of risk to a better application of the skills and potential actions they can take under the framework of the organizational Code of Conduct. Reinforced by peers and leaders, this is a healthy and critical exercise that promotes reflection and feedback. The exercise can rotate around various topics of risk and or broader ethical and cultural components. These programs should be interactive, collaborative and focused on problem solving with real-life examples. These types of initiatives should have visible commitment by senior leaders, and in practice are most impactful when facilitated by mid-level managers.

In summary, the objective of ethical dilemma practice forums is to create an engaged workforce culture. A frequent cadence of interactive discussion forums where employees can connect with peer-to-peer feedback, reflection and with the visible support and reinforcement of a local manager can help the collective organization align with the organizational values and foster a healthy ethical culture. Worldwide, employees can practice engaging in dialogue, learn how to identify potential risk, understand the prescribed action steps and ultimately build a stronger culture of transparency and trust.

Final Thoughts and Recommendations for Future Study

The results of this study can be used to promote greater adoption of tone in the middle as an effective strategy to cascade ethical decision-making across organizations worldwide. The research, case analysis and emergent themes can be used as part of organizational leadership development and training initiatives both in corporate and academic institutions. It may be helpful to review how a phased approach to integrating some of these themes and strategies impacts an organization over time. For example, the researcher suggests a future study to assess how organizations implementing tone in the middle strategy are doing over an observable period of time, such as one, three and five years. Another future area of research can be around the emerging field of reputation management, and how it is impacting organizational leadership strategy, leadership development and organizational culture management. It may also be interesting to conduct a study on the implications for talent management and how headhunters recruit with a priority focus around leadership behaviors and reputation versus the traditional bottom line metrics such as sales, change management and profits.

Lastly, it is recommended to explore a study on the growing court of public opinion and global social media sensationalism around leadership behaviors and the resulting worldview of the organization's reputation through the impact to their ecosystem. For example will suppliers, consumers and communities shun an organization's products and services because of the unethical behaviors of the company's leaders? With the increasing expectation of greater transparency, and the social media buzz around unethical behavior by leaders, perhaps the behavior choices of leaders or even the perception of an unethical organization may impact sales and the overall economic health and sustainability of an organization.

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