Managing Ethical Conduct in Organizations:
Ethical Culture and Ethical Leadership

Linda Klebe Treviño

(Professor of Organizational Behavior, Pennsylvania State University)

In the aftermath of recent corporate scandals, managers and researchers have turned their attention to questions of ethics management. We identify five common myths about business ethics and provide responses that are grounded in theory, research, and business examples. Although the social scientific study of business ethics is relatively new, theory and research exist that can guide executives who are trying to better manage their employees' and their own ethical behavior. We recommend that ethical conduct be managed proactively via explicit ethical leadership and conscious management of the organization's ethical culture.

Unethical conduct in business has been with us as long as business transactions have occurred. People are not necessarily more unethical today, but gray areas abound along with many opportunities to cross into unethical territory. Much unethical conduct is the result, not just of bad apples, but of neglectful leadership and organizational cultures that send mixed messages about what's important and what's expected. It isn't easy to be ethical. Employees must recognize ethical issues in their work, develop the cognitive tools to make the right choices, and then be supported in those choices by the organizational environment. Executives must manage the ethical conduct of their employees as proactively as they manage any important behavior. And, the complexity of the management system should match the complexity of the behavior being managed. The best way to manage ethical conduct is by aligning the multiple formal and informal cultural systems in support of doing the right thing. Cultural messages about the importance of trust and long-term relationships with multiple stakeholders must get at least as much attention as messages about the short-term bottom line, and employees must be held accountable for ethical conduct through performance management and reward systems.

References

Brown, M. E. & Treviño, L.K. "Socialized charismatic leadership, values congruence, and deviance in work groups: An empirical test". *Journal of Applied Psychology*, in press.

Brown, M., Treviño, L.K., and Harrison, D. "Ethical leadership: A social learning perspective for construct development and testing". *Organizational Behavior and Human Decision Processes*, 97: 117-134, 2005.

Ethics Resource Center. 2005. *National Business Ethics Survey*. (ethics.org)

Treviño, L.K. & Brown, M. 2004. "Managing to be ethical: Debunking five business ethics myth". *Academy of Management Executive*, 18: 69-81.

Treviño, L.K., Brown, M., & Pincus-Hartman, L. "A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite", *Human Relations*, 56(1): 5-37, 2003.

Treviño, L.K., Hartman, L.P., Brown, M. "Moral person and moral manager: How executives develop a reputation for ethical leadership". *California Management Review*, 42(4): Summer, 2000, 128-142.

Treviño, L.K., Weaver, G., Gibson, D., & Toffler, B. "Managing ethics and legal compliance: What works and what hurts". *California Management Review*, 41 (2):131-151,1999

Weaver, G., Treviño, L.K., & Agle, B. "Somebody I look up to; Ethical role modeling in business", *Organizational Dynamics*, in press.