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The Challenge Of Ethical Leadership

One of the most anticipated events in international football (or soccer) is the Spanish Supercup. This year's match-up between Barcelona and Real Madrid, widely regarded as the top two teams in the world, was set to be a special treat for all football fans.

My enthusiasm, however, was dampened by an angry foul committed against a Barcelona player during the last minutes of the final game. A Real Madrid player was ejected and Barcelona went on to win both the game and the Supercup.

The next day, the media was buzzing about the mean-spirited antics of the Real Madrid squad. A *New York Times* blog post aptly titled, "This Is Why Some People Don't Like Real Madrid," described how the combative attitude of the Real Madrid coach, Jose Mourinho, is at least partially responsible for the repeated instances of unsportsmanlike conduct of his players.

Mourinho, whose team consistently loses to Barcelona, attributes the team's poor performance to "biased officiating," comments which earned him a five-game suspension last year. Gerald Pique, a defender for Barcelona, perhaps summed up the feeling of many football fans when he was quoted as saying, "Mourinho is destroying Spanish football."

Clearly, Jose Mourinho has acted badly. This is all the more significant because he is widely known for acting badly in an industry where poor behavior seems to be the expectation rather than an exception.

As someone who studies ethics and

values, I believe that unethical leaders will not be successful in the long term for the following reasons: They will find it difficult to recruit, develop and maintain top talent; their practices encourage dissension and diminish morale; and ultimately, their industry will reject them as a threat to its sustainability and flourishing.

Unfortunately, the timeline for this richly deserved come-uppance may not be as speedy as one might hope. That is why the better argument for ethical leadership is the positive argument.

Ethical leadership is personally rewarding for the leader as well as the followers; creates an environment in which people will cooperate and innovate; and brings material rewards as well.

But what does it mean to be an ethical leader in the financial services industry? Consider the following list:

Ethical leaders reward ethical behavior and in doing so, create an environment in which ethical behavior is considered the norm. Keep in mind, there is an important difference between rewarding ethical behavior and punishing unethical behavior.

At times, leaders are reluctant to recognize people for what they should be doing, even if they are quick to sanction people who act unethically. In my mind, this is a mistake. Rewards don't need to be financial; they can take a variety of forms, including public praise or a personal note. The important thing is that the message—*you did the right thing and I want you to know*

that I recognize that—is conveyed.

I recently taught a class of accomplished and successful advisors. When I asked whether anyone had been publicly rewarded for doing the right thing, one veteran raised his hand and shared how an early manager had singled him out in a meeting to thank him for giving credit to another agent even though he stood to lose financially by doing so. He shared how the praise made him feel proud and that he never forgot that incident or the manager. Moreover, it was an important moment for the entire office, both a reminder and a recommitment of the importance of their shared ethical values.

Ethical leaders judge their success by the development of ethically minded followers and the spread of ethical practices. These leaders are outwardly focused. While most people are rightly concerned with their own ethics and decisions, ethical leaders base their success, at least in part, on their ability to create an environment

which encourages the ethical behavior of others.

Ethical leaders are always asking themselves, “Am I making it easier or harder for my people to do the right thing?” While many leaders and managers judge their success on the production and efficiency of their followers, *ethical leaders know that the manner in which success is achieved matters and that wins “bought cheaply” (that is, by unethical means) aren’t really wins at all.* More importantly, they make sure that their people know that, too.

Ethical leaders recognize that ethical behavior is valuable in itself and not as a means to another end (i.e., increased revenue or market share). Far more frequently than we might expect, we can meet and exceed our financial goals by acting ethically. But that is not the only reason for being ethical. Frankly, it is not even the most important reason.

Ethics should not be treated as a mere strategy for financial success. *Ethical leaders*

recognize that their actions should be firmly grounded in a commitment to treat others as we would like to be treated. They are successful because people yearn to be treated with dignity and flourish in an environment in which they are respected. Ask yourself one question: “Would I want to be coached by Mourinho?” I suspect that the answer is “no.”

I want to close by clearing up a misconception, which is that only managers (people who are formally responsible for production) can be ethical leaders. This is absolutely untrue. The basic characteristic of an ethical leader is a commitment to creating and promoting an environment in which ethical behavior is rewarded and encouraged for its own sake. There are some who are in a position to have a greater impact than others, but **we can all make an important contribution.** *No one has the right to sit on the sidelines when so much is at stake.* You are either a part of the problem or part of the solution. 🌍