

**POWER, ETHICS AND LEADERSHIP:
THE ROLE MODELING, AND EXPERIENTIAL LEARNING, OF MORAL LEADERSHIP**

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ABSTRACT

This article examines the relationship between power, leadership, and ethics from an organizational theory perspective. The organizational theory literature defines leadership as influencing employees to pursue organizational goals. This definition implies the use of power that benefits someone or something other than the leader herself (i.e., the use of socialized power). The authors argue that this understanding of leadership, based on organizational theory, is consistent with both stockholder and stakeholder frameworks of utilitarian ethical theory. Additionally, the Ohio State model of leadership is examined and proposed as an application of leadership consistent with the use of socialized power and moral leadership. The authors discuss an in-class exercise, the Prisoners Dilemma, for helping students experientially understand the consideration dimension of the Ohio State model of leadership and present a short survey to help teachers model, and assess, their leadership style (Are faculty who teach leadership ethical themselves?).

INTRODUCTION

“Influencing employees to pursue organizational goals” (Kreitner & Kinicki, 2004, p. 595) is a common definition of leadership among contemporary textbooks of organizational behavior (Hellriegel & Slocum, 2004; Dradt & Doe, 2001). This definition assumes leaders have sufficient power to influence others. Power is a necessary, but not sufficient, component of leadership. Behavioral scientists (Chusmir, 1986) distinguish between power directed at helping other people (socialized power) and power directed at helping oneself (personalized power). The former power qualifies as leadership, while the latter does not. The distinction between socialized and personalized power helps explain public dismay towards business executives who exercised personalized power (not leadership) in the current rash of business scandals (e.g., Enron, WorldCom, Arthur Andersen, Tyco, Global Crossing, Martha Stewart). These executives appeared to be concerned with their own interests (i.e., use of personalized power) to the detriment of the interests of stockholders, employees, suppliers, customers, and creditors (i.e., use of socialized power). The exclusive use of personalized power is inconsistent with the definition of leadership and both stockholder and stakeholder frameworks of corporate social responsibility.

This paper examines personalized and socialized power and their relationship to leadership and the stockholder and stakeholder frameworks of corporate social responsibility. The Ohio State model of leadership,

specifically the consideration dimension of that model (e.g., creating mutual respect and trust with followers), is suggested as a useful model of applied socialized power. The author discusses an in-class exercise, the Prisoners Dilemma, for helping students experientially appreciate the consideration dimension of leadership and presents teacher modeling, including a short student evaluation survey, as a tool to help teachers assess their leadership style (Are faculty who teach ethics leaders themselves?).

POWER, LEADERSHIP AND ETHICS

Power

The greater the leaders' power over people and resources, the greater their influence. Warren Buffett, investor and second-richest man in the world, remarked to a journalist upon being named Fortune Magazine's most powerful person in business: “It really means that if I do something dumb, I can do it on a very big scale” (Serwer, 2003, p. 61). In Warren Buffett's case, power is not confined to his financial decisions. For example, just days before the U.S. Congress voted on President Bush's tax proposal, Warren Buffett wrote an op-ed piece in the *Washington Post* arguing the inappropriateness of eliminating taxes on dividends (which would have been a great benefit to him personally). Many observers believe his comments were sufficient to influence members of congress to water down the final version of the tax cut. Warren Buffett's influencing tactic not only demonstrated his considerable power, but also the second necessary condition to qualify as a leader: power must be directed

towards others and not solely for personal gain. Individuals who have, and exercise, power exclusively for their own goals would by definition not be called leaders. The important, though often overlooked, perspective of leadership from an organizational theory perspective is: All leaders have power, but not all people that have power are leaders.

An organizational theory understanding of leadership, influencing employees to pursue organizational goals, assumes leaders have sufficient power to influence others. Leadership implies an unequal distribution of power between leaders and those they influence. In their pioneering research, French and Raven (1959) identified five sources of leadership power: 1) Rewards power (e.g., pay, promotions, job assignments), 2) Coercive power (e.g., reprimand, loss of pay, layoffs, dismissals, demotions); 3) Legitimate power (i.e., occupation of legitimate position of authority), 4) Referent power (e.g., attractiveness, charisma), and 5) Expert power (e.g., expertise, knowledge, talent). These sources of power represent influencing potential but not the object or purpose of power. Chusmir (1986) provides a theory for distinguishing between power directed at helping other people (socialized power) and power directed at helping oneself (personalized power). The former power qualifies as leadership, while the latter does not.

Leadership

Prior to World War II the prevailing belief was leaders were born, not made. It was thought the physical or personality characteristics of individuals could be used to distinguish leaders from followers. For example, it was believed leaders were: taller than average, intelligent, self-confident, assertive, and had high levels of energy. This model of leadership was known as the trait theory. However, although leaders did indeed often have these traits, so did million of other individuals who were not leaders. The trait theory failed to be able to predict leadership ability. During World War II researchers at Ohio State University began to focus on leaders behaviors rather than traits. This stream of research generated as many as 1,800 statements describing leadership. Ultimately only two independent dimensions of leadership emerged: Consideration, creating mutual respect and trust within followers; and initiating structure, organizing and defining what employees should be doing. Subsequent theories of leadership have emerged (e.g., transactional leadership, charismatic leadership, and situational leadership theory). While an entire review of the leadership literature is beyond the scope of this paper it should be noted that the oldest and most widely known

models of situational leadership, Fiedler's Contingency Model (Fiedler, 1964), has a leader-member relations dimension similar to the consideration dimension of the Ohio State Model. The leader-member relations dimension measures the extent to which leaders have the support, loyalty, and trust of the work group and is considered the most important component dimension of Fiedler's Contingency Model.

Creating mutual respect and trust with followers is opposed to exclusive managerial self-interest and Machiavellian behaviors and is representative of socialized power. Since by definition leadership cannot be directed solely towards the leaders self-interest, and must be other oriented, the development of an appreciation for and consideration of others by the leader is of fundamental importance for moral leadership training.

Ethics

The classical model of corporate social responsibility (Friedman, 1962) posits the duty of business leaders is to make as much money for their stockholders as possible while staying within the laws of society. The ethical defense of this position rests in part on a utilitarian ethical argument of maximizing overall happiness. The question of what constitutes happiness is decided by individual consumer choice. The priority of business leaders is to maximize profits by providing what consumers want (e.g., product, price, quality) and therefore maximize overall consumer preferences (i.e., proxy for overall happiness). Leaders under this model of social responsibility act primarily for stockholder interests and maximize consumer happiness by the efficient and effective utilization of scarce resources directed towards consumer preference. The stakeholder theory of corporate social responsibility (Evan & Freeman, 2000) differs from the stockholder theory in the answer to the following questions: "For whose benefit and at what cost costs should the business be managed?" (DesJardins, 2003, p. 57). The stakeholder perspective answer to this question is: any group having a vital interest in the survival and success of the firm (e.g., employees, consumers, debtors, suppliers, citizens, stockholder, etc.). For the stockholder perspective, the overriding interest is exclusively the stockholder. It is not the purpose to debate the relative merits of either perspective but simply to note that neither perspective supports the primary or exclusive interests of leaders (managers) over other constituents. Leadership or managerial power not directed towards organizational or stakeholder goals is not supported by either the

classical model of corporate social responsibility or stakeholder theory.

Role Modeling

One review of the literature on role modeling (Moberg, 2000), concludes that behavior is “taught best not by employees being systematically rewarded or punished but instead by the experience of observing others (i.e., role models) who profoundly demonstrate excellence of character” (p.675). One application of this insight might be leadership role modeling by college professors. Teachers convey lessons not only in what they say but also in how they communicate and interact with students. For example, in one study of pedagogies that discourage cheating among college students (Busby, Sorenson & Anderson, 2004) the authors note “those who have studied cheating in the Higher Education community identify business-major students as the group most likely to cheat and report *that instructors of business subjects have been found to condone cheating*” (emphasis added, p. 19). In this particular study role modeling by business instructors appear to be related to higher incidents of cheating among business students. One possible explanation of the above findings is perhaps business students and instructors are more likely to have adapted what Albert Carr (1968), in an essay comparing business practice to the game of poker, argues are acceptable strategies within business:

Poker’s own brand of ethics is different from the ethical ideals of civilized human relationships. The game calls for distrust of the other fellow. Cunning, deception and concealment of one’s strength and intentions, not kindness and openheartedness, are vital in poker.....no one should think any worse of the game of business because its standards of right and wrong differ from prevailing traditions of morality in our society (p. 9).

The Association to Advance Collegiate Schools of Business (AACSB) report “Ethics Education in Business Schools” (2004) makes special note of the importance of developing ethical leadership and the responsible use of socialized power in business school curriculum:

We must ground students in the duties and rewards of stewardship, including the concerns of multiple stockholders and the responsibility use of power (p.17).

A society where those holding power are neither moral nor accountable creates a state where the strong do what they will and the weak what they must (p10).

Leaders demonstrate ethical leadership through being open, fair, trustworthy, and caring with employees ...by role modeling ethical conduct (p. 11).

The above AACSB report notes the need of responsible use of socialized power, proper role modeling and being open, trustworthy and caring with employees (i.e., the consideration leadership dimension) as important aspects of moral leadership.

Angelo Kinicki and Chest Schriesheim (1978) have utilized the consideration dimension of the Ohio State Model of leadership in proposing a measure for teacher leadership. This instrument is presented in Table 1 and is suggested as a pedagogical exercise for assessing teacher leadership style.

Teacher behaviors that are thoughtful of, and look out for, student welfare and needs are emphasized. Teachers instruct by role modeling as well as providing and managing subject content. Leadership role modeling that is student centered provides example of interpersonal relationships that respect the dignity and autonomy of individuals. This paper suggests that Kinicki and Schriesheim’s leadership assessment exercise might be expanded for a greater range of role modeling behaviors. For example, the project for “global leadership and organizational behavior (GLOBE)”, an ongoing empirically based theory to describe leadership involving a network of more than 150 scholars from 62 countries (House, Javidan, Hanges & Dorfman, 2002) has identified a number of leadership behaviors that are admired across various cultures. Table 2 lists five leader behaviors that are both universally liked as well as universally disliked.

Four of the five universally liked behaviors are other oriented behaviors that appear to fit the consideration dimension of leadership (and socialized power) while the universally disliked behaviors are generally self-centered (personalized power). One possibility for assessing teacher leadership in the classroom might be to expand the Kinicki and Schriesheim measurement to include positive leadership items of trustworthy, encouraging, motivational, and dependable as well as the negative leadership items (reverse coded) of irritable, non-cooperative, self-centered and ruthless. An empirical research study could be conducted combining the above two scales to produce a single

instructor-student leadership evaluation instrument for course evaluation:

Proposition 1: A combined Kinicki & Schriesheim and GLOBE item scale will constitute a single instructor leadership assessment factor that will discriminate from other student-instructor evaluation factors.

Experiential Learning

The disciplines of economics (Wernerfelt, 1988), science (Dugatkin, 1991), psychology (Komorita & Hilty, 1991), and sociology (Raub & Wessie, 1990) have explored cooperative behavior through Game Theory Models; the most popular being The Prisoner's Dilemma. The Prisoner's dilemma presents a basic scenario where two players have two choices: to cooperate and trust each other or to act opportunistically. If the game is played only once there is an incentive for the players to act opportunistically. As the game is repeated, more cooperative strategies emerge. For example, the "tit-for-tat" strategy is a well-known solution to the iterated Prisoner's Dilemma (Axelrod, 1980). This strategy is: (a) "nice" in that it cooperates on the first move of the game; (b) is retaliatory in that it matches opportunistic moves in kind; and (c) is forgiving in that it cooperates with repentant opportunists. The implications of this game theory literature suggest that cooperative strategies are rational because all parties achieve mutual gains through cooperative, and trusting, relations. Cooperative strategies are instrumentally effective in achieving superior results to all parties. Reputations play an important part in determining the willingness of others to enter into an exchange with a given party. Economic actors will avoid entering into an exchange with other actors who have a reputation for opportunistic behavior. Additionally, if one party is the victim of opportunism it is reasonable to suspect they will retaliate in any number of ways (e.g., withhold organizational citizenship type behaviors). Two studies, Anchor & Cross (1974) and Jacobs (1975), found significant relationships between higher levels of moral reasoning and cooperative moves (or unwillingness to use gratuitous aggression) on the Prisoner's Dilemma game.

The author has used the prisoner's dilemma exercise (Marcic & Seltzer, 1995) as a class exercise useful in training for the consideration dimension of leadership. In this exercise, an even number of teams are paired (red team, blue team) and told to come up with a consensus decision of either co-operating or competing with the opposing team. Outcome payouts, based on

paired team decisions, are listed in Table 3. There is an incentive to act in an opportunistic fashion if you can deceive your paired team into cooperating while your team decides to compete. However, the teams soon learn that one opportunistic play, based on deceit or dishonesty, results in retaliation by the opposing team. The typical outcome, based on successive plays, is that all teams end up with minus points. The team with the lowest minus points does not win, it merely ends up losing less. Discussion following the game asks why the teams chose to compete when cooperation would have guaranteed all teams would have ended up with positive payments. Issues of bluffing, trust, and repairing reputation are discussed. The advantage of the game method is that the learning experience is affective as well as cognitive. The game offers a type of tacit knowledge that reinforces an abstract ideal such as leader consideration.

A research project to test the effectiveness of the prisoner's dilemma exercise in training for the appreciation of the consideration dimension of leadership might include testing for changes in appreciation for considerate leadership styles. The above mentioned instructor-student leadership evaluation instrument could be modified to ask students the extent to which they valued the leadership traits listed in the instrument and administer both before and after engaging in the prisoner's dilemma exercise. Pre-Post scores could be evaluated for significant changes in "appreciation for considerate leadership" scores and follow-up discussions could provide support for the reasons for score changes (or lack of changes). It is believed that the prisoner's dilemma exercise will demonstrate to students, both cognitively and affectively, the value of cooperative strategies over opportunistic strategies and the importance of considerate leadership.

Proposition 2: Students will report statistically significant higher scores on the appreciating considerate leadership scale after engaging in the prisoner's dilemma exercise than before engaging in the exercise.

CONCLUSION

The purpose of this paper was to suggest the theme of socialized power (power directed at helping other people or achieving organizational goals) as the connecting concept between power and leadership. Power implies the ability to influence other people. The exercise of socialized power, influencing people towards the pursuit of organizational goals, converts power into leadership. Moral leadership is directed

towards others (i.e., directed towards constituencies other than self) while immoral management is in part power that is exclusively self-directed (e.g., Machiavellian behaviors). It is suggested that much of the public outrage regarding recent business scandals is directed towards greedy self-serving behavior of certain executives (failure to use power in an ethical manner). Both stockholder and stakeholder perspectives of social responsibility were reviewed and were found to support socialized power as opposed to personalized power.

The consideration dimension of the Ohio State Leadership model was proposed as a construct that illustrates the use of socialized power. Following AACSB suggestions for the development of moral leadership, an instructor-student leadership evaluation instrument theoretically operationalized the consideration dimension of creating mutual respect and trust between leader and follower. It is proposed that instructor role modeling be utilized in the development of moral leadership in students and the instructors role modeling behavior be evaluated using the instructor-student leadership evaluation instrument. It is further proposed that prisoner's dilemma exercise will demonstrate to students, both cognitively and affectively, the value of cooperative strategies over opportunistic strategies and the importance of considerate moral leadership.

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TABLE 1

Assessing Teacher Leadership Style, Class Satisfaction, and Student Role Clarity

Instructions

A team of researchers converted a set of leadership measures for application in the classroom. For each of the items shown here, use the following rating scale to indicate whether your (1) Strongly Disagree, (2) Disagree, (3) Neither Agree nor Disagree, (4) Agree, or (5) Strongly Agree with the statement by filling in the appropriate number after each item. Next, use the scoring key to compute scores for your teacher’s leadership style and your class satisfaction and role clarity.

1	2	3	4	5
Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1. My instructor behaves in a manner which is thoughtful of my personal needs. _____				
2. My instructor maintains a friendly working relationship with me. _____				
3. My instructor looks out for my personal welfare. _____				
4. My instructor gives clear explanations of what is expected of me. _____				
5. My instructor tells me the performance goals for the class. _____				
6. My instructor explains the level of performance that is expected of me. _____				
7. I am satisfied with the variety of class assignments. _____				
8. I am satisfied with the way my instructor handles the students. _____				
9. I am satisfied with the spirit of cooperation among my fellow students. _____				

Scoring Key

Teacher consideration (1,2,3) _____
 Teacher initiating structure (4,5,6) _____
 Class satisfaction (7,8,9)

Arbitrary Norms

Low consideration = 3-8
 High consideration = 9-15
 Low structure = 3-8
 High structure = 9-15
 Low satisfaction = 3-8
 High satisfaction = 9-15

SOURCE: Adapted from R. Kreitner & A. Kinicki, *Organizational Behavior*, 6th edition, 2004, p. 604.

Table 2**Leadership Attributes Universally Liked, Universally Disliked**

Trustworthy	Ruthless
Team builder	Loner / self-centered
Encouraging	Egocentric
Motive arouser	Irritable
Dependable	Non-cooperative

Source: Adapted from Kreitner & Kinicki, 2004, p.132.

TABLE 3**Prisoner's Dilemma: An Inter-group Competition**

An even number of two types of teams is formed (Red Team and Blue Team). Each team is paired with another, with one side being the blue team and the other the red team.

Each team has three minutes to make a team decision to either cooperate or compete with their paired team. Payoff points for resulting decision are as follows:

Red Team	Blue Team
A = Cooperates	X = Cooperates
B = Competes	Y = Competes

AX - Both teams win 3 points.

AY - Red team loses 6 points; Blue Team wins 6 points.

BX - Red team wins 6 points; Blue Team loses 6 points.

BY - Both teams lose 3 points.

Each team must not communicate with the other team except when told to do so by the instructor. Successive rounds are played and points scored.

Follow up questions:

1. Why did the initial trust get betrayed?
2. What happens when trust is betrayed? Can you get it back?

SOURCE: Adapted from D. Marcic & J. Seltzer, *Organizational Behavior: Experiences and Cases*, 5th edition, 1995, pp. 195-196.