Chapter 70
Leading Ethically in a Culturally Diverse Global Environment

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ABSTRACT

Globalization has amplified interdependence among nations, creating an increasing need for leaders to function in a variety of cultures. Leaders face ever-expanding complexities and challenges, many of which include ethical dimensions. Lapses in ethical leadership in recent decades have resulted in the destruction of companies and harm to individuals, societies, and economies. Although many leadership theories have been offered to date, scholars and practitioners still search for answers to failed leadership. A recent theoretical construct of ethical leadership has been proposed that may offer a solution (Brown, Trevino, & Harrison, 2004; Trevino, Brown, & Hartman, 2003). This chapter addressed these issues by exploring ethical leadership as a viable theory that may be considered for use across cultures. Research consisted of interviews with experienced international managers who also held MBA degrees. The results led to recommendations for international managers in leadership positions as well as directions for future research.

INTRODUCTION

As the world shifts towards an integrated economic system, barriers to cross border trade and investment continue to decline. The world is no longer comprised of separate, protected national markets that look to their own citizens for trade and commerce. In the last few decades, growing economic interconnectedness has produced global businesses, virtual organizations, and migrating labor forces (Hill, 2011; Menipaz & Menipaz, 2011). Rapid technology advances and chang-

ing political systems have fueled the speed of globalization (Friedman, 2006). These change mechanisms have provided complexity to the evolving role of global business leaders. In this increasingly global environment, different cultures find themselves in much greater contact than in the past. This presents new leadership challenges and creates a need to understand various cultures (Javidan & Dastmalchian, 2009). Simultaneously, the twenty-first century witnessed failed leadership and the collapse of giant companies such as Enron, WorldCom, and Arthur Andersen. The financial

mortgage crisis of 2008 presented a further sign of ethical lapses in organizational leadership. Ethical business practices and leadership are topics central to the discussion of these broken organizations and systems (Prilleltensky, 2000; Thomas, Schermerhorn Jr., & Dienhart, 2004).

These events and the changing landscape serve as a backdrop to the continual search for a universal theory of leadership. Many theories have been offered but one decisive definition has yet to emerge (Avolio, Walumbwa, & Weber, 2009; Ciulla, 1995; Northouse, 2013). A somewhat new model, ethical leadership, has been the source of recent study and research (Brown, Trevino, & Harrison, 2005; Trevino, Brown, & Hartman, 2003). This research furthers these endeavors by introducing national culture and global application in an effort to ascertain whether ethical leadership can meet the needs of the changing world economic environment.

The rise of global companies raises a question as to whether or not leadership theories can be applied universally across various cultures. International managers who function across national borders have little guidance on how to lead in different cultures (Hill, 2011). Leaders need to display skills that reflect adaptability and flexibility. Equally important, they need to establish effective communication and trust within their organizations. Leadership styles that foster trust can be an important factor in developing effective, high performing organizations (Johnson, Shelton, & Yates, 2012). New data on effective leadership practices and styles may be beneficial to global organizations.

This study examined the theory of ethical leadership and its cross cultural viability. Findings from the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research project were used as a foundation upon which to test cross cultural leadership dimensions (Chhokar, Brodbeck, & House, 2007; Javidan & Dastmalchian, 2009; Javidan, Dorfman, DeLuque, & House,

2006). Ethical leadership theory was examined for compatibility with these dimensions. This study also sought to determine whether findings of universally desirable and culturally contingent leadership attributes from the GLOBE project paralleled two components of ethical leadership discovered through empirical research, transformational and transactional leadership. A qualitative study was conducted through interviews of international managers to obtain data on these questions. With the following research questions as guidance, this study sought to explore ethical leadership in a global context.

Research Question 1: Could ethical leadership be a viable cross cultural leadership style?
Research Question 2: Do the transformational and transactional dimensions of ethical leadership parallel universally desirable and culturally contingent leadership attributes respectively?

BACKGROUND

Ethics and Leadership Theories

For the purposes of this study, ethics can broadly be defined as "judgments about the rightness or wrongness of human behavior . . . When we make such evaluations, we draw upon universal principles as well as upon cultural standards" (Johnson, 2011, p. 11). Universal principles generally are not constrained by any particular cultural or religious traditions, nor by economic and social conditions. It is hoped that following them will result in an overall benefit to the full society (Hosmer, 2011). Broad categories of universal principles might include the principles of enlightened self-interest, personal virtues, religious injunctions, government requirements, utilitarian benefits, universal duties, distributive justice, and contributive liberty. The study of ethics is beyond the scope of this

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