

## Chapter 52

# Utilizing Emotions for Ethical Decision Making in Leadership

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### ABSTRACT

*Modern organizational leaders must rise to the challenge of making both ethically sound decisions as well as traditional fiscal decisions in order to remain competitive in today's marketplace. It is critical for leaders to be mindful of how emotions may assist or hinder them throughout the ethical decision-making process. Attempting to ignore the emotional component of ethical decision making or pretending that emotions do not exert influence on decisions is foolhardy and disregards both empirical and theoretical research suggesting otherwise. The challenge for leaders is how to best incorporate emotion into ethical decision making. This chapter examines several theoretical models of emotion and ethical decision making, applies theoretical and empirical findings to explain how two common emotions—anger and anxiety—impact ethical decision making, and provides recommendations for leaders seeking to improve ethical decision-making outcomes.*

### INTRODUCTION

The dynamic nature of contemporary organizations means that leaders face innumerable demands in uncertain, unpredictable, complex social environments. As a result, leadership involves acquiring, interpreting, and evaluating information to make decisions regarding complex, ill-defined problems presented in these organizational environments (Mumford, Campion, & Morgeson, 2007). These workplace environments are also emotionally laden such that affective events and exchanges are commonplace (Weiss & Cropanzano, 1996). When combined with complex ethical decisions, both the experience and display

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of emotions at work can be facilitative or debilitating, depending on how these affective experiences are interpreted and managed – especially for leaders (Connelly et al., 2013; Gooty, Connelly, Griffith, & Gupta, 2010). As a result, the emotions that leaders deal with both internally and externally have become an inherent component of the leadership process, including the decisions they make (Wenstøp, 2005).

While these areas of study have received considerable attention in the past decade, to the authors' knowledge, an integrated look at the utility of emotions in the ethical decision-making process for those in leadership positions is notably absent in the literature. As such, this chapter outlines how emotions impact leaders' ethical decision-making processes by piecing together information gleaned from theoretical models regarding affect and emotion and translating this information into a guideline for how leaders can use emotions to make better ethical decisions and manage organizations ethically. First, the chapter explains theoretical frameworks of understanding how emotions affect decision making, including affective events theory, affect-as-information framework, and affect infusion model, as well as ethical decision making from a rational and sensemaking perspective. Then, an illustration of how two seemingly similar discrete emotions that leaders may experience in an ethical dilemma can impact decision making in differing ways is provided as an example of how emotions can be helpful or harmful to ethical decision making. Finally, the chapter concludes with discussion of how leaders can utilize or regulate emotions in ethical decision making along with a brief summation of the main points of the chapter.

## **BACKGROUND**

To discuss the role of emotions in decision making, one must first define what an emotion is. Emotions arise due to reactions to a specific event or situation, resulting in shorter, more intense emotional experiences than moods (Forgas, 1992; Lazarus, 1991). These discrete, transient reactions are typically directed towards someone or something and can be powerful enough to interfere with cognitive processes (Schwarz & Clore, 2007). In fact, a growing body of literature underscores the impact that affect has on the cognitive processes involved in interpreting information, reasoning, and making judgments and decisions (e.g., Blanchette & Richards, 2010; Lerner & Tiedens, 2006; Pfister & Böhm, 2008). For example, interpretation of ambiguous stimuli is greatly affected by one's emotional state by biasing the inferences drawn in the situation (Blanchette & Richards, 2010). Research has also found that more risky judgments and choices occur when individuals are in a positive mood while those in a negative mood tend to avoid risk and make more pessimistic judgments and choices (Bower, 1981; Wright & Bower, 1992). Risk aversion and choices also depend on more discrete emotions as well, underscoring the differential effects of discrete emotions above and beyond their general valence (e.g., Lerner & Keltner, 2000; Raghunathan & Pham, 1999).

The prevailing wisdom holds that in order for organizations to survive and prosper, the decisions that organizational leaders make must be logical and rational (Tversky & Kahneman, 1981; Simon, 1979). As Tversky and Kahneman (1986) state, "competition favors rational individuals and organizations. Optimal decisions increase the chance of survival in a competitive environment..." (p. S251). While most scholars and practitioners agree wholeheartedly that competition does indeed favor leaders and organizations that make optimal decisions and that rationality is the key to optimal decision making, they do not always agree on exactly what makes a decision rational (Doyle, 1997). Relatively early in the exploration of decision making in organizations, Tversky and Kahneman (1974) recognized the impact of biases and external factors on decision making and incorporated them into the decision-making process. However,

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