

Transpersonal Leadership Series: *White Paper One*

How to Develop Ethical Leaders

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TRANSPERSONAL LEADERSHIP

Routledge and LeaderShape Global in partnership are pleased to announce a series of quarterly White Papers around the subject of Transpersonal Leadership, culminating in the publication of a book entitled "Becoming a Transpersonal Leader" in January 2018.

So what is Transpersonal Leadership? The concept was first published in a report on tomorrow's leadership, based on a leadership development journey developed by LeaderShape (Knights, 2011). The word "transpersonal" was inspired by the use of the word in "transpersonal psychology" (Bynum, 2010). "Transpersonal" is defined as "extending or going beyond the personal or individual, beyond the usual limits of ego and personality".

A Transpersonal Leader is defined as:

They operate beyond the ego while continuing personal development and learning. They are radical, ethical, and authentic while emotionally intelligent and caring.

They are able to:

- *embed authentic, ethical and emotionally intelligent behaviours into the DNA of the organisation*
- *build strong, collaborative relationships, and*
- *create a Performance Enhancing Culture that is Ethical, Caring and Sustainable*

LeaderShape Global is a UK headquartered organisation with a global culture that operates without borders. It exists to develop people around the world who can lead beyond their ego to be radical, ethical and authentic, ie. Transpersonal Leaders. It provides work-based learning through a faculty of senior executives who are accredited coaches and experienced facilitators, blended with online content and web based tools. www.leadershape.biz

To get involved, join the LinkedIn Group "Transpersonal Leadership – Leading beyond the Ego" at www.linkedin.com/groups/8257117

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Ethical Leadership

How to develop ethical leaders

By John Knights

The first White Paper published in this series is on the subject of “Ethical Leadership: How to Develop Ethical Leaders”, written by John Knights. Ethical Leadership is a fundamental component of Transpersonal Leadership.

The paper first clarifies what Ethical Leadership is and then explains its principles and practicalities, introducing a new principle for the 21st century. It explains why we need ethical leadership and how we develop ethical leaders utilising the concepts of awareness and consciousness within the context of three levels of intelligence that each have their own neural connection system.

John Knights, Chairman of LeaderShape Global, has been a thought leader in the field of leadership development for 18 years following a career as a senior international corporate executive and a serial entrepreneur – see www.leadershape.biz/john-knights-1. He is the author of “The Invisible Elephant & the Pyramid Treasure: Tomorrow’s Leadership – the Transpersonal Journey” (2011) and “Leadership Assessment for Talent Development” (2013), and lectures at the University of Oxford.

Introduction:

The consequences of the lack of Ethical Leadership are in the news headlines virtually every day, whether it is the leaders of major countries, immigration, or organisations accused of tax evasion (avoidance?), negligence, misrepresentations, bribery, money laundering, financial manipulation, etc., etc. Policy makers and legislators seem to be at a loss of what to do other than to come up with new sticking plaster rules and regulations that lawyers and accountants then find ways around. And the populace is angry, resulting in populist and idealistic politicians coming to the fore and extreme political parties gaining ground.

It all seems quite a mess and quite frightening! But actually, the fact that all these corporate misdeeds are coming to light demonstrates a positive underlying development that is the result of the information and internet age we are living in. In the 20th century and earlier, organisations were much more easily able to hide their law breaking and unethical behaviour. Slowly, very slowly, there is a realisation that fundamental changes need to take place. We need a new kind of leadership.

Ethical behaviour is a core element of Transpersonal Leadership and sits alongside “radical”, “authentic”, “caring”, and “performance-enhancing” as its key purposes. Ethical leadership is one of those things that most of us know is important but where there are very few methodologies on how it can be achieved or examples of how it has been actually realised in organisations.

At the time of writing, “ethical leadership” got over 3 million hits on internet search-engines (not to mention over 5,000 results on Amazon) with a main focus on what ethical leadership is and what leaders should do.

However, although I need to explain and define in this article what we mean by “ethical leadership”, there are two other areas that require much more debate and development:

Why do we need ethical leadership?

How do we develop ethical leaders?

The second of these is really critical. Unless we actually develop the leaders that can implement an embedded ethical way of operating within organisational cultures, the whole subject becomes a purely academic and unrealisable exercise.

I believe the reason there is little literature on how we actually develop ethical leaders is probably because we prefer – as a result of our standard education and training methodologies – to think logically and analytically about these subjects. Hence the abundance of descriptions of what ethical leadership is and what needs to be done. Overwhelmingly the solutions are process and structure based and focus on compliance. These processes tend not to deal with values and behaviour even though the only way that people will comply in the spirit rather than the letter is where they use their values to ensure they behave ethically. The result, not only in today's world but since ancient times, is that it is morally acceptable to play the game by ticking the boxes while circumventing the rules. This is exemplified by the attitude of professional advisors around the world who hide behind compliance with the rules to undermine ethical behaviour.

Fixed rules and processes actually allow an abdication of personal leadership, accountability and responsibility if they are not underpinned with a strong ethical culture.

As someone who received his university degree in chemical engineering and spent most of his career in international business I have come to realise that sometimes a logical and analytically trained brain like mine has its drawbacks and “thinking” needs to be balanced by “feeling” and “being”. That is, actions need to be underpinned by behaviours and values.

Definitions:

The English language, being what it is, contains many words that have different meanings depending on the context or who you ask. So it is with “ethics”. The big confusion is between the words “ethics” and “morals”. One reputable reference can define them exactly the opposite of another. So we need to define what these words mean in our discussion of Transpersonal Leadership in general and for this article in particular, especially in terms of behaviour.

Ethical Behaviour: Acting in a way that is consistent with one's own principles and values which are characterized by honesty, fairness and equity in all interpersonal activities, be they personal or professional. And by respecting the dignity, diversity and rights of individuals and groups of people.

Moral Behaviour: Understands there are Rules of Conduct of any group or society, which may differ from one to another, but are based on conviction rather than proven evidence and which may or may not be ethical as in the definition above.

So in essence, Ethical Behaviour is of a higher order than Moral Behaviour and this is very important for any leader operating in a culture (be it a country or organisation) where what is accepted morally is not ethical in the view of that individual. Just think about how capital punishment or gay rights are treated in different societies and what your view is – and how you might need to act.

We also need to define the following in order to be able to communicate accurately:

Ethical Organisations can be defined as ones that have a culture that considers the implications of what they are doing and the effect it might have on all their stakeholders, which includes employees, customers, suppliers, the community, the shareholders, the planet and even the universe. An ethical organisation does the right thing (being honest, fair and equitable) through everyone in the organisation having a common touchstone about what that is.

Leadership is usually a process which involves influencing others and happens within the context of a group. Leadership involves goal attainment and these goals are shared by leaders and their followers. The very act of defining leadership as a process suggests that leadership is not a characteristic or trait with which only a few certain people are endowed at birth. Rowe & Guerrero, (2013) defines leadership as a process which is a transactional event that happens between leaders and their followers and can happen anywhere in the hierarchy of the organisation. Our experience suggests that leading one's self is an important first step in the journey in which an individual "just" needs to face and overcome fear to act (Barrett, 2010).

In summary, *Leadership* is the process of influencing others to achieve goals (Van Buren).

We can therefore define *Ethical Leadership* as the process of influencing people to act through principles and values and beliefs that embrace what we have defined as ethical behaviour.

Principles and Practicalities of Ethical Leadership

The Western literature on ethical leadership generally refers to the five principles which can be traced back to Aristotle (ca. 384 – 322 BC). They are **Respect** and **Service** to others, **Justice** for others, **Honesty** towards others and **Building community** with others (DuBrin 2010; Northouse 2013). The words trip easily off the tongue but they are extremely difficult to always put into practice.

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As I am sure you have noticed, these principles are all about how the individual deals with "others". The key criterion to be able to actually live these principles is to operate beyond the ego, to put others first. This not only potentially creates conflict between self and others but also between others and others. Our families are naturally our prime "others" but to be an ethical leader we also have to think about the greater good. Is there an order of priority of whom you take care of first or does it depend on the circumstances? This requires a really mature and high level of decision-making and judgement which goes beyond rational thinking and requires effective use of the sub-conscious and unconscious neural processes of intuition, instinct and insight (Sadler-Smith 2007, 2009) as well as a sound personal ethical philosophy (Stear 2006).

In one important area we live in a different world to Aristotle, Plato, Confucius, and all the other revered ancient sages. They lived in a world of extreme hierarchy and ultimately they always honoured and respected their leader who felt the moral obligation and expectation to make all decisions. But to expect "the leader" to always come to the best solution alone is unrealistic, especially in our modern complex world.

Today, hierarchy is disappearing as leadership depends less on hereditary, victory, power and unavailable knowledge. Just over the last 20 years we have not only seen the arrival of the information age but also huge global societal change which is continuing to break down barriers.

The consequence of all this is that people are becoming more equal as human beings – even though this change is still very slow in many cultures and the modern celebrity culture actually fights against this. Counter to this trend is the growing wealth gap between the super-rich and the rest. Between 2004 and 2014 the number of US\$ billionaires tripled to 1,645 according to *Forbes Magazine* with the number from the emerging world growing from 20 to 43% during the same period. Some of these billionaires are a result of the rapid growth of large companies, especially in Asia, but others are the result of cronyism (Freund 2016). Each will no doubt have their own story of ethical behaviour.¹

So I would add a 6th principle, “**Human Equality**”. This does not mean we have to be equal in our roles or in our living standard or in our salaries, but just being equal as human beings will inevitably reduce the extremes of excess and poverty which themselves are drivers for unethical behaviour. We should treat those at the bottom of society’s hierarchy with the same dignity, respect, fairness and honesty as we do at the top – think “janitor vs the Queen of England”! Both our ego and our emotions (especially “fear”) need managing to be able to overcome this instinctive tendency.

The impact of this change is that anyone can and should look to be a leader wherever they are in an organisation. Leadership is becoming more distributed, more informal, more shared. In this context, on the one hand the role of senior Ethical Leaders is pivotal and on the other, every single employee should be thinking of themselves as an ethical leader. This can only be achieved by creating an ethical culture.

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“Just being equal as human beings will inevitably reduce the extremes of excess and poverty.”
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The role of the ethical leader is not just about values and principles but also about behaviours. This recent personal experience explains why:

Recently, on a business trip to India, I met the CEO of a major insurance company. He was an extremely intelligent and urbane man who had studied at Harvard and was interested in developing the next generation of leaders in their organisation. He was keen to better engage the people in the organisation (there was a high turnover of staff), he wanted to genuinely improve customer service and he was keen to increase the involvement of the organisation in the communities where they operated. All good values and principals. After about 15 minutes he phoned the HR Director (who he had spoken highly about) and told her she would be interested in what we were discussing and to come to the meeting right away! She arrived soon after but was obviously not able to concentrate, perhaps because she had been taken away from something that she considered very important.

Coincidentally, during the same trip, I met the very mature CEO of a manufacturing organisation in the energy sector who had very similar issues. And after about 15 minutes or so he phoned the HR Manager (the HRD was away visiting one of their factories) and asked him how he was and explained that I was visiting and talking about leadership development in their organisation and thought he might be interested to attend if he was available although realised he should have informed him earlier. After a few seconds listening, the CEO said to the HR Manager that he understood, it was important that he attended the other meeting that had been arranged and would brief him later.

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1. Future White Papers in this series on Regional Cultural Diversity, Leadership in India and Leadership in China will address the culture, morals and hierarchy in more detail.

They were both ethical leaders in their intent of service, justice and honesty but one of them did not match up to the principles of “respect” and “human equality” through their behaviour.

This very simple yet important lesson demonstrates that a good intellect and good values alone are not sufficient to be a good ethical leader. Often what is lacking in real life situations are the appropriate behaviours.

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“Millennials regard fairness and ethics in the workplace as even more important than recognition and opportunity.”
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Why do we need Ethical Leadership?

It may seem an obvious question, but one that needs answering because of the evidence of the misdeeds of national leaders and large corporations discussed earlier... and think of all those we don't know about – yet!

This brief case study provides a good reason why:

Working with a major division of a global multinational recently, the CEO was very keen to develop and embed an ethical culture for the long term success of the organisation. This was especially important as they were becoming increasingly global with operations in different countries that have a variety of moral codes. In a session with the senior leadership team we asked the question “Why do you think being an ethical company is important for your organisation?” The response was the following list:

1. To create trust with our stakeholders to help overcome barriers
2. To create a safe environment
3. To attract and retain good people
4. To connect the personal to the corporate
5. To secure a long term future as a business
6. To be able to sleep well at night
7. It's good for the corporate image – relevant and ethical
8. So everyone has the same ethical framework and knows where the line is
9. To create a positive environment which will positively impact innovation
10. Reducing any fear culture
11. To get balanced decision making
12. To get consistency of culture in a changing environment
13. To make the right choices generating sustainability
14. To create transparency and all the benefits it brings

Then we asked the question, “and how many of these are good for business?” The somewhat surprised answer was “they all are”.

There is a strong default mentality in the corporate world that at the crux, business needs (success and competitiveness) override ethical concerns. The example above alone gives 14 reasons why we fundamentally disagree with this and believe that in the 21st century, good ethics are increasingly important for a successful, sustainable business.

An additional reason for our view comes from a recent global study by IBM comparing the demands of different generations which found that Millennials (between 23 and 36 years old in 2016) regard fairness and ethics in the workplace as even more important than recognition and opportunity (IBM 2015). This is a real shift. Many are both today's "followers" and young leaders as well as the next generation of senior leaders.

How do we develop ethical leaders?

The fundamental to developing ethical leaders is to increase values to a higher level of consciousness and to raise their awareness of how their behaviour impacts the performance of themselves and the people around them (Wall & Knights, 2013).

A core problem is that although most people fundamentally have good values and a real sense of what is right and wrong, organisations tend to ignore these traits when identifying future leaders.

Instead they favour traditional leadership characteristics of self-confidence, assertiveness, influence and achievement which without the good values to temper them regress to high-ego, aggression, manipulation and ruthlessness and an obsession for total control. It is therefore not surprising that 1 in 25 CEOs are considered psychopathic – 4 times higher than the general population (Babiak 2010) (Dutton 2012) though personally I would use the term "sociopathic" to describe these undesirable behaviours. Even those with good basic values have most often been taught to "leave values and ethics at the front door when you come to work".

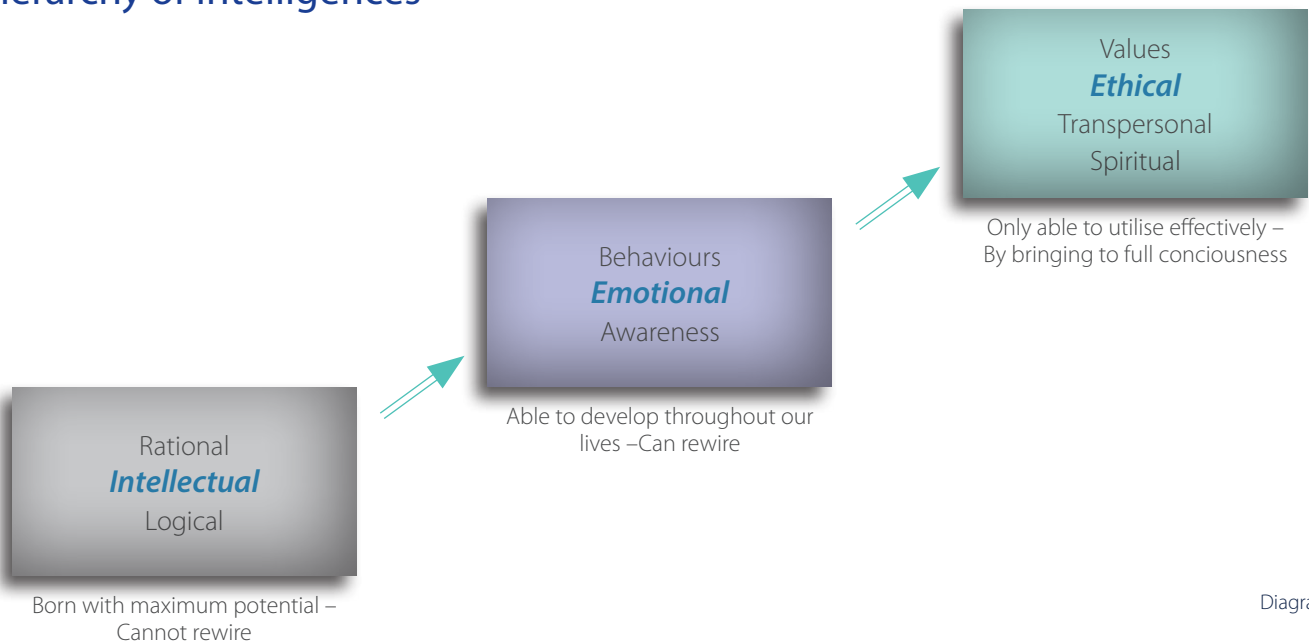
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"Organisations must change and start identifying leaders that will be the right kind of leader when they get there, not just effective at climbing to the top."
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Another challenge is that many potentially good ethical leaders (as well as unethical ones) are unable to motivate and engage staff to reach their potential in order to raise the sustainable productivity of the organisation. These leaders often generate stress and fear, releasing cortisol which in turn reduces creative thinking and openness to new ideas (Shiv 2102). However, we know clearly from neuroscience research that positive behaviours can be learned and negative behaviours unlearned in the same way we learn to drive a car and change from driving an automatic to a manual. And the methodologies and experience are available to enable real behavioural change (Wall & Knights, 2013).

During my life I have come across many people who could have become excellent Transpersonal Leaders but were either not good at getting to the top (they didn't always put themselves first) or were not willing to make the ethical compromises. Organisations must change and start identifying leaders that will be the right kind of leader when they get there, not just effective at climbing to the top.

To look at some of the basics about how we identify and develop ethical leaders we need to consider the hierarchy of intelligences (Zohar & Marshall 2000) as shown in Diagram 1.

Hierarchy of Intelligences



The first level of intelligence is the intellectual. Our rational and logical “thinking”. The neural processes that enable this are through serial connections that are hard wired. To a large extent, our potential intellectual capacity is fixed from birth (although most never reach anywhere near their capacity).

The second level is emotional intelligence which manages our emotions and impacts our feelings and behaviours. The neural connections that enable this intelligence are associative. That means billions of neuro cells are loosely connected but desirable connections can be strengthened through practice and repetition (this is often referred to as the “plasticity” of the brain).

The highest level of intelligence is “spiritual” (which includes ethical) which manages, amongst other things, how we activate our values. Spiritual intelligence also has a unique way for our neurons to connect known as synchronous oscillations. First discovered by Singer & Grey in 1989 (Singer and Grey 1989), every neuron in the localised part of the brain involved emits oscillations in harmony and unison in the 40 Hz range. Raising one’s level of consciousness, for example through mindfulness exercises, activates this mechanism.

Let’s look at how these intelligences and the method of neural connections effect ethical leadership.

To be an excellent leader one does need a certain level of intellect. But an IQ anything more than 15% above the norm makes no difference (Goleman, 2004) to the likelihood of success as a leader. So whereas a reasonable intellect is a threshold necessity to becoming an excellent leader, it is not sufficient and certainly does not guarantee any competence in ethical leadership.

Core Leadership Values

Personal Conscience Values

Fairness

Trustworthiness

Conscientiousness

Humility

Vulnerability

Patience

Truth & Honesty

Excellence

Integrity

Forgiveness

Altruistic Love

Self Determination Values

Purpose

Motivation

Drive (Intense Will)

Power

Energy

Courage

Resilience

Aspirations

Continuous Professional Development – CPD

Diagram 2

Having passed that threshold, the one thing anyone would accept as vital to being a good ethical leader is having good values, something that involves the highest level of intelligence. However, we really need to investigate which values are critical for “ethical” leadership. LeaderShape has developed a model that divides values into two separate categories: those that define Personal Conscience (who I am) and those that categorise Self-Determination (what I am going to do with who I am). The list, developed over 8 years, containing the most common and relevant values for leadership is shown in Diagram 2 (Wall & Knights 2013).

The most common desired values for leaders to possess as cited by employees are integrity, trust honesty and excellence. But to be an ethical leader it is also necessary to specifically develop the “softer” personal conscience values of Fairness, Forgiveness and Altruistic Love as well as the self-determination values of Purpose, Courage and Resilience. This can only be achieved by the leader raising their level of consciousness so that a true understanding of each key value is used as a touchstone in every decision made. This takes time, practice and commitment but *can* be achieved. The more it is done, the easier it becomes. A more complete explanation of this will be provided in the forthcoming book “Becoming a Transpersonal Leader” but as an example, let’s look at Fairness.

To answer the broad question about Fairness, “am I being fair?” can feel quite complex. It becomes less daunting if we break it down into granular steps such as these four phrases for fairness:

- Treats everyone on an equal basis**
- Appoints and promotes those best suited for the job**
- Helps people to learn from genuine mistakes**
- Supports those affected negatively by personal and family pressures**

... it suddenly becomes more manageable.

The best practical way for a leader to bring a full armoury of values into their every-day working lives is to carry out a 360° values assessment (such as LeaderShape's 8ICOL – www.leadershape.biz/8-icol). Then they can identify which of the core values the individual leader and the people around her/him believe are the core strengths and observe need development. If we look at the list in Diagram 2, each of us – if we can be honest with ourselves – can immediately identify several values we personally find challenging to demonstrate.

Building these values through their granular components into a touchstone for every decision made and action taken is a key step to developing into an ethical leader.

Unexpectedly, the key intelligence, one that is most important to successfully becoming an ethical leader is the second level, that of emotional intelligence. The fact is, the combination of thinking (intellect) and being (spiritual) is useless to a leader unless they can be translated into behaviour, as behaviours are the outcome of how we manage our emotions. The case described in the early section "Principals and Practicalities of Ethical Leadership" is a perfect example of this.

The right behaviours can be learned, but this is only achieved as a result of the individual leader becoming more aware of how their behaviours impact not only their own performance as well as the performance of the people around them. Just think of the example of the Chief Executive of the insurance company. He not only caused the HRD to be ineffective during the meeting but also ruined whatever else she was trying to accomplish when she was interrupted. And this may have impacted her overall performance for some time after the event due to the negative emotions caused.

The way we recommend leaders identify which behaviours they need to improve is by carrying out an emotional intelligence and leadership 360° (such as LeaderShape's LEIPA www.leadershape.biz/leipa) that identifies how they and their close network both observe and would desire their behaviour to be. From there, they can thus isolate a few granular behaviours that will have the greatest impact on the leader's performance.

Working either in a facilitated team or with a personal coach, or even better a combination, can lead to those with fundamentally good values becoming excellent ethical leaders.

If enough organisations embrace this approach to choose the right future leaders for development, we would be on our way to a better world for everyone.

[Ed: More details on the personal development of becoming an ethical leader will be explained in "Becoming a Transpersonal Leader" as will other "ethics" related topics such as:

- The drivers of Ego and how to overcome them.
- The battle between compliance vs ethical behaviours
- Altruism – the selfish (?) gene]

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