

Moral Leadership: the crucial theme of our time



We live in a time where ethical issues and integrity violations continuously receive media attention, and leaders are under scrutiny. This is rightfully so, as CEOs and executives bear significant responsibility, not only for the results they achieve, but also for the means by which these results are attained. Recent research by PwC reveals that in 2018, for the first time, more CEOs were dismissed due to ethical issues than poor performance. This is a distressing outcome that won't improve without action. Meanwhile, leaders wield a tremendous amount of influence. Consider the admiration for icons like Elon Musk, Jeff Bezos, and Warren Buffet, who have influence not only within their organizations but also beyond. Moral leadership is, therefore, the crucial theme of our time.

Every year, in collaboration with Risk and Compliance Platform Europe, Michael Page, and the Association of Compliance Officers, we examine a current theme in the compliance field. We call this the Compliance Barometer. In 2019, we asked Dutch compliance and ethics professionals, as guardians of integrity, about the moral leadership of their boards. Using a validated questionnaire, we assessed ethical leadership, authentic leadership, and servant leadership: three forms of moral leadership.

*Do you want to know how moral leadership is faring within the Dutch business community?
Read the results of our research below!*

The three forms of moral leadership:

1. Ethical Leadership

Ethical leadership is about whether leaders demonstrate normative exemplary behaviour, i.e., whether they comply with laws and regulations.

2. Authentic Leadership

Servant leadership involves the leader placing the interests of employees, customers, and other stakeholders at the forefront.

3. Servant Leadership

In servant leadership, the leader puts the interests of employees, customers and other stakeholders first

These three forms of moral leadership partially overlap but place specific emphasis on the type of exemplary behaviour:

1. Moral/ethical behaviour
2. Moral consistency
3. Improving personal growth in followers
4. Care for followers

1. Ethical Leadership

Ethical leadership revolves around morality as an individual and as a manager. As an individual, a leader focuses on honesty and justice in relationships with employees, while as a manager, it involves demonstrating normative exemplary behaviour. An ethical leader must be able to combine a moral character with a focus on organizational and cultural norms, standards, and legal requirements. Ethical leadership, therefore, pertains to meeting external expectations.

Use rewards and punishments to hold followers accountable for standards and values within the organization.

2. Authentic Leadership

Authentic leadership is centered on the leader's self-awareness, self-regulation, and internal consistency. This forms the basis for exemplary behaviour towards employees. The character of this leader is more important than their formal role. An authentic leader knows who they are, what they believe in, and what they value. The authentic leader is also capable of acting in accordance with those beliefs.

Demonstrates self-awareness and actively seeks feedback for personal growth.

3. Servant Leadership

Servant leadership encompasses a broader definition of moral responsibility than just the success of one's own organization. A servant leader understands that their moral responsibility also serves the interests of employees, customers, and other stakeholders and sometimes even prioritizes these interests over their own. Think about the development of other people and value creation for the community.

Creates valued outcomes for multiple stakeholders.

The outcomes of the research

Compliance and ethics professionals are responsible for compliance and ethics programs. These change programs aim to increase the moral sensitivity of the organization and ensure that the organization complies with current regulations. Therefore, we find it interesting and logical to question this group of professionals about their perspective on moral leadership within their own organization. After all, this group of people should critically follow their management because they understand how essential exemplary behaviour is for an ethical and compliant organization

How critical is the compliance officer?

Compliance officers are generally satisfied with the moral leadership of their management. In the graph on the right, you can see a peak in the response 'agree,' as an average of the statements corresponding to each moral construct. This appears to be a good score, but it does raise the question of whether the compliance officer is critical enough. Given the crucial importance of moral leadership in this day and age, it is important to closely monitor the actions and behaviours of board members and engage in discussions about them. Additionally, there is a sudden dip in the score 'strongly agree.'



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What stands out in...

Ethical Leadership

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Servan Leadership

In servant leadership, compliance officers perceive that their management values giving back to the community. This is notably the highest score in this construct. Additionally, the surveyed compliance officers feel they have a lot of freedom to address difficult situations in a way they believe is best. However, the majority of compliance officers indicate that management does not place enough importance on the career development of others. Furthermore, management often compromises on ethical principles.

Authentic Leadership

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Succes and ethics create a tension

Despite the increasing number of CEOs being dismissed for misconduct, the research shows that scores on moral leadership decrease when a combination with 'results' or 'success' is mentioned in the statement.

Compliance officers doubt whether their executives refrain from compromising on ethics to achieve success. Furthermore, compliance officers observe that success is primarily defined based on financial results and that the way success is achieved is considered less important, even though these are often the defining moments. Combined with the perception that executives can genuinely improve their ethical role modeling, it is crucial for organizations to closely monitor their executives in this tension field.

Moral Leadership at personal cost

Being open to feedback and reports from within the organization is important exemplary behaviour. In this regard, we formulated statements related to both passive and active behaviour. We see a stronger score when it comes to passive behaviour such as 'listening to employees,' 'keeping the interests of others in mind,' or 'being approachable for help requests.' Scores are lower when it comes to actively seeking feedback or encouraging others to share opposing views, in other words, fostering dissent. Therefore, it raises the question of whether moral leadership is demonstrated when it personally costs a leader something or entails sacrifices.



Conclusions and recommendations

First and foremost, I believe that the ambition regarding moral leadership needs to be raised. The personal and corporate risk is too high in an era where an increasing number of CEOs lose their jobs due to misconduct and integrity violations. Moral leadership should always be on the board's agenda, with a continuous assessment based on these three questions:

1. **Am I setting a normative example and therefore complying with the law?**
2. **Am I acting in accordance with my own values and beliefs, and do they fit within this timeframe?**
3. **Am I taking moral responsibility by serving the interests of the people around me?**

Secondly, moral leadership should be a primary responsibility of executives and CEOs. The board of directors (RvC) should also emphasize this in their role as supervisors. At the same time, employees should be enabled to grow and reflect on moral followership.

Thirdly, we assess ourselves based on intentions, while others judge us based on behaviour. Especially with moral leadership, this is a dangerous tendency because we tend to rate ourselves more positively than is actually the case. Exemplary behaviour is essential in this regard. This research indicates that executives do not sufficiently inquire about how their behaviour is perceived. If compliance officers or organizations allow executives to primarily rate themselves, then this score is mainly based on an intentional level, creating a distorted picture. It is essential to conduct a '360-degree assessment' and engage in continuous dialogue about this.

Finally, moral leadership is the responsibility of everyone. It should be a system within an organization where informal norms align with formal norms, employees know how they contribute, leaders explicitly understand what exemplary behaviour looks like, and a Board of Directors (RvC) genuinely exercises moral oversight. There should be a continuous process of discussing, agreeing upon, and addressing issues. And because societal norms of ethics and morality are constantly evolving, this dynamism must not weaken.

Interested in developing moral leadership within your organization?

Contact Sjoerd Hogenbirk



Sjoerd Hogenbirk, organizational scientist and theologian, is a partner and management consultant at Highberg. In this role, he supports organizations and executives in achieving their ambitions effectively and efficiently. The way this is accomplished is equally important to him and Highberg. Acting congruently based on core values is, in his view, essential and inspiring. He is a researcher in the field of business ethics and is driven to help people excel and enable them to do the right thing in the right way.

