CASES IN ORGANIZATIONAL ETHICS

Edited by

Raminta Pučėtaitė

VILNIUS UNIVERSITY

KAUNAS FACULTY OF HUMANITIES

2012

Cases in Organizational Ethics
Edited by Raminta Pučėtaitė

NORDIC BALTIC ETHICS SERIES, vol.2

Technological assistant: Petras Tamošiūnas

Language editor: Algis Prekeris Brown

Reviewers:
dr. Aurelija Novelskaitė, Lithuanian Social Research Centre
dr. Aistė Urbonienė, Vilnius University

All enquiries, comments and suggestions concerning this publication should be addressed to:

Vilnius University
Kaunas Faculty of Humanities
Muitinės str. 8, LT-44280 Kaunas
Lithuania
Email: raminta.pucetaite@khf.vu.lt

Foreword

This ebook is the extension of another ebook *Cases for Development of Environmental and Ethical Competence*, published by Vilnius University in 2010 (ISBN: 978-9955-33-610-5) when carrying out the networking project *Development of Environmental and Ethical Competence in Leadership and Management* (project website: decom.vukhf.lt), funded by Nordplus Framework Programme in 2009-2010. The project was prompted by a need to highlight sustainability and accountability in business education curricula. Thus, the project partners from Estonian Business School, Norwegian School of Management BI, the University of Jyväskylä, Vilnius University (the coordinator) and from 2010 Hanken School of Economics aimed to develop a curriculum that addresses management of environmental and ethical responsibilities of business and, in this way, contributes to raising business professionals' awareness of potential business risks as well as business opportunities opened by responsible behaviour. Another objective of the project was to highlight a socio-cultural perspective of decision-making and behaviours of the Nordic-Baltic societies in the cases which are presented in this publication.

This ebook contains "old" and new case studies, yet with introductory chapters, which makes it possible to use it as a textbook. Some "old" cases in this edition were amended after their trial in an intensive course *Cases in Organizational Ethics* in 2011. The partners then agreed to write introductory chapters to the topics that their cases cover. This version of the learning material will be used in the same-titled intensive course in the forthcoming years in the partner universities. In the year 2012, the project on *Development of Moral Competence in Leadership and Management* that focuses on an intensive programme alone was initiated with new competences and fresh outlooks from business ethics professionals from Tampere University and Riga International School of Economics and Business.

The cases therein are meant for intermediate or advanced level students in management and leadership. However, wider use of the cases in other degree programmes is welcome. The cases address four issues that can be met in today's business world, namely, gendered practices in organizations, ethical leadership, implementation of environmental standards and corporate volunteering. The cases have general and case-specific questions to be answered either alone by the student, after doing the required (also recommended) reading or / and in groups, when discussing implications of the issues described in the cases to organization management. Some of the organizations under scrutiny are fiction; some are real, yet, for the purposes of discussion of administrative and managerial issues are kept anonymous. The case of *Swedbank* in Lithuania invites participants to explore factual activities of this bank in the (course) participants' countries.

This edition is a result of contribution provided by the participant organizations of the project. Thanks go to the authors of this edition who patiently waited for its publication in a new electronic format. All of them contributed their time, pedagogical experience and knowledge of business. The project team is also grateful to Eglė Brasaitė for the translation of some chapters from Lithuanian to English. Altogether we have a strong belief that comments that we will receive from the students and colleagues will help us to improve the cases and managerial education quality.

Raminta Pučėtaitė, PhD
Editor and institutional coordinator

Contents

Women in managerial careers

Anna-Maija Lämsä
University of Jyväskylä
School of Business and Economics
Jyväskylä, Finland

Marjut Jyrkinen
Hanken School of Economics
Finland

Suvi Heikkinen
University of Jyväskylä
School of Business and Economics
Jyväskylä, Finland

Learning outcomes

On successful completion of the case study, you will be able to:

- understand that managerial careers in organizational life are not gender-neutral phenomena, but rather have a gendered nature,
- describe and analyse different gendered practices from the viewpoint of managerial careers,
- describe and evaluate the advantages and disadvantages that gendered practises have for women in managerial careers,
- understand why gender equality is important in managerial careers, and
- suggest how gender equality can be promoted in managerial careers.

Background

Many studies have shown that women encounter more problems in their managerial careers than their male counterparts (Haussman et al., 2010). In many countries, women are highly educated and represent a significant source of professional competence and experience and yet, because women occupy only a small proportion of managerial and particularly top managerial positions, organisations do not fully benefit from their competencies. Women's advancement in organisational hierarchies is hindered by unequal opportunities in working life, and is linked to overall (overt and hidden) gender discrimination as well. The low proportion of women in managerial positions can thus be regarded in many cases as a reflection of the inequalities and injustices found in society and organisational life. Therefore, a concern of the topic is ethical; that is, women can be considered as a discriminated group, one which does not have the same opportunities as men in a career context and in attaining managerial positions.

The concept of career is typically understood to refer to a life-long process of work-related activities (Hall, 2002). In management, the traditional career is one of continuous upward movement through the hierarchy of one or more organizations. It is also typically that of a white male, with specific masculine characteristics as well as a permanent employment contract (O'Neil et al., 2004). However, this is hardly the case for women in general and women in managerial positions (Lämsä and Hiillos, 2008), whose careers are often characterised by limited opportunities, low-paid part-time work, breaks and leaps due to domestic responsibilities, and disadvantageous presumptions concerning women's capabilities and commitment to work.

Traditional gender roles emphasize differences, rather than similarities, between the genders. Gender roles are identified as sets of norms prescribing the behaviours and activities appropriate for each sex (Eagly, 1987), while gender stereotypes are shared sets of beliefs about the psychological traits characteristic of women and men (Williams and Best, 1990). Stereotypes provide a fixed and over-generalized formula of a given gender, and do not allow for variations or complexities. In the normative gender role grouping, women are associated with the feminine domestic, and men with the masculine public, sphere of responsibility, thus limiting women's career advancement by emphasizing that their primary responsibility is the domestic family role (Wood, 2008).

Managerial work is typically considered primarily suitable for men. Many dominant models of management have been associated with men, as well as a particular masculine quality. It is typically accepted that men in managerial positions exhibit such masculine characteristics as assertiveness, ambition, independence and outstanding performance, while a "normal" woman is regarded as possessing such feminine characteristics as emotionality, nurturing, caring and interdependence (Collinson and Hearn, 1994). Since it is difficult to think about management outside of the dominant image that is linked to a man (Hearn, 2011), women easily become marginalized in management. Hearn (ibid.) states that the domination of men and masculinity in management can apply through:

- men's numerical domination of management,
- ideological constructions of management,
- management and leadership styles called "masculine" or "feminine,"
- images and symbols of management,
- management language that makes use of metaphors from sports and war, and
- assumptions about sexuality and one's domestic situation, as well as the accessories of management in dress, style and way of life.

Approaches to gender and career

Gender can be seen as an essential aspect of organizational life, yet it has often been overlooked or ignored in mainstream organization studies (Hearn and Parkin, 1983). The gender system can be seen as the foundation for social patterns within society, which are constituted by segregation and hierarchization. Gender segregation refers to societal patterns which are formed through the separation of the areas and tasks suitable for women and men, while hierarchization is constructed in societies by the domination of masculine norms and values, thus leading to higher positions occupied by men compared to women. The English language uses two different terms related to gender, namely *sex* and *gender*. Sex means especially the biological sex and refers to the physiological characteristics of females and males, and is thus a biological classification. Gender is a wider concept and is used in the

context of society. Gender refers to the feelings, attitudes, behaviour and interests that belong to or are associated with one's social role as a female or a male.

The division between the biological and social aspects of gender was emphasised in feminist research in the 1960s, and aimed at opening up and deconstructing the mainstream research paradigm, which did not pay attention to the division. The distinction by Ann Oakley (1972) of "sex" as biological sex and "gender" as a socio-cultural construction enabled the critical examination of many aspects of life which were traditionally taken for granted, understood as natural and biological, re-analysing them as political, social, historical and cultural (see Broadbridge and Hearn, 2008). This particular focus on women and different aspects of work and home brought up the power imbalances in patriarchal societies (Walby, 1990). The female workforce and societal positioning were understood to be controlled by men, and to be rooted in divisions of public and private spheres and a gendered division of labour. However, there are problems that arise from the division sex/gender, and later feminist critique relates to the lack of analysis of the biological: bodies, sexuality and their embedded power elements. Essentialist assumptions of sex and sexuality also reconstruct the heterosexual normativity, which has been criticised by postmodernist feminists (e.g., Butler, 1990).

In spite of the diversity in feminist theorising, there are certain agreed-upon assumptions in feminist organisation scholarship (Calás and Smirchich, 2006), such as the recognition of gendered dominance in organisations and the interest in changing such dominations. Thus, bringing gender as a central analytical category into studies of organisations and their management is an important contribution and task for organisation researchers. Gender is an analytical key for understanding how power is constituted in societies as well as in organizations (Scott, 1986). Gender is a core element of social relationships, which are built on the perceived differences between the sexes. The study of gender must go beyond the study of women and the binary categories of "women" and "men." Scott argues that gender analysis has to address the role of gender role in the construction of social relationships, their justifications, and how they signify other relationships of power.

According to Joan Acker (1991), the gendering of organisations involves five interacting processes:

- the production of gender divisions in jobs, hierarchies, power and subordination;
- the creation of symbols and images;
- the interaction of individuals who enact roles of dominance and subordination;
- the construction of gendered individual identities appropriate to the organisational context, and
- the creation and conceptualisation of social structures.

The idea of the abstract and bodiless manager often excludes women as suitable managers, who are expected to be totally dedicated to their career and bear no responsibilities for children or family other than bread-winning (Acker, 2006). Women's bodies, sexuality and ability to procreate still meet with suspicion and stigma in recruitment, promotion and career progression, and are used as grounds for control and exclusion. Covert control can be exercised, for example, through arguments about how "women's emotionality," related to their bodies/sexuality, diminishes their ability to accomplish demanding tasks in management. More overt control is actualised through sexual harassment or relegating women of childbearing age to non-managerial posts (Acker, 1991).

Work organisations are treated in mainstream management theories as gender-neutral, disembodied and asexual constructions; this approach has been criticised by many scholars since the 1970s (e.g., Kanter, 1977; Connell, 1987; Acker, 1991; Cockburn, 1991; Hearn and Parkin, 1995). The assumed gender-neutrality of organizations ignores gender aspects and relies on normalised male-centred premises in research and practice. Gender aspects are, however, integral in questions of inclusion and non-discrimination in organizations. Being female can still be characterised as a major obstacle to career advancement, in particular advancement into top management positions in many public and private organisations (Liff and Ward, 2001; Wahl, 2003). Senior managerial positions are traditionally held by older men. The discontinuity of many women's careers (due to childbearing and gendered care responsibilities) enhances the questioning of women's suitability for managerial posts, but these aspects are often unspoken. Also, the sexualising of women's value (in youth and/or looks) is an aspect that is rather seldom researched (Itzin and Phillipson, 1995).

At a societal level, factors such as legal requirements, government programs, public policies as well as socio-cultural norms and attitudes have been found to influence women's careers in management (Powell and Mainiero, 1992; Crompton and Lyonette, 2006; Emslie and Hunt, 2009). At an organizational level, Oakley (2000) claims that there are two very different categories of causation in explanations concerning the difficulties women experience in reaching management positions. The first category consists of barriers related to organizational practices like training, career development, compensation and promotion, recruitment and retention. Explanations in the second category of behavioural and cultural causes concern the issues of stereotyping, tokenism, power, preferred leadership styles and the psychodynamics of males and females.

Research on women's careers at an individual level suggests that a woman can be seen as both a member of a family unit and as an individual (Powell and Mainiero, 1992). When she is considered as a member of a family unit, issues such as career interruptions, dual-career and parenting demands are highlighted, and when the woman is consider as an individual, her personal work motivation and career choices are unfolded.

Key concepts: token, double-bind, glass ceiling, labyrinth and glass cliff

There are several key concepts related to women in management. One of the most significant books in the field was written by Rosabeth Moss Kanter in the late 1970s, in which she formalized the idea of "*token*". Kanter stated that those women who were few in number among their male peers and often had "only woman" status became tokens: symbols of how-women-can-do, stand-ins for all women (Kanter, 1978). When a woman in a male-dominated management group becomes a token, she becomes a representative for the whole group of women, one which is highly visible and easily stereotyped. For example, Lämsä and Tiensuu (2002) explored the representations of women leaders in Finnish business media in this vein. They concluded that the woman leader is represented as either an iron lady, a woman of cunning, a victim, or a gender-blind professional. Accordingly, the woman in a managerial position is seen as a representative of her gender, whereas the man is a "neutral" human being. The theory of tokenism explores the difficulties women face as they enter traditionally male occupations such as a managerial career, and suggests that many barriers to women's equality in management can be lowered by hiring more women for managerial positions.

Another important concept linked to woman managers is the *double-bind*, which refers to a behavioural norm that creates a situation where a woman manager cannot succeed no matter what she does (Jamieson, 1995; Oakley, 2000). Originally, the concept of a double-bind was described by Gregory Bateson in the mid-1950s in reference to paradoxical no-win situations between a powerful and a powerless individual, or social and institutional norms and a vulnerable class. Bateson and his colleagues suggested that a double-bind exists when two or more people, one of them the victim, undergo a repeated experience in which one "primary negative injunction" conflicts with a second, both "enforced by punishments or signals which threaten survival," and from which the victim has no means of escape (Bateson et al., 1956). Later studies reported that double-binds increase people's anxiety and stress (Jamiesson, 1995, p.13). Typical double-binds for women in management can be like the following constructs:

- Women must be tough and authoritative to be taken seriously as managers, but simultaneously they are expected to behave like "normal women", that is, in a traditional feminine way.
- Women who speak out are immodest, whereas women who are silent are ignored.
- Women who are regarded as feminine are evaluated as incompetent, while women who are competent are seen as unfeminine.
- As men age, they gain wisdom and power; as women age, they wrinkle and become superfluous. (Jamiesson, 1995, p.16)

An important step in overcoming double-binds is to pay attention to the use of language. Language can change our focus and perceptions – the power to name is the power to create and define, and thus to maintain or change situations. For example, instead of speaking of managers as "good guys," we can choose to say "a good team of people," and so on. Gender-sensitive use of language may help to understand and overcome the situation of "damned if you do, damned if you don't" that many women in managerial positions encounter.

Women's difficulties in attaining the very top managerial positions are often problematized with the barrier called *the glass ceiling*. The glass ceiling is a metaphor which refers to obstacles hindering the advancement of women, and is understood as a barrier so subtle that it is transparent, yet so strong that it prevents women from moving up in the management hierarchy – an invisible barrier blocking women's upward mobility. Due to the glass ceiling, women can only advance up to a certain level, usually to middle managerial positions (Morrison et al., 1987; Morrison and von Glinow, 1990).

Eagly and Carli (2007) have recently criticized the metaphor of the glass ceiling, saying that it leads one to overlook interventions that could attack the core of the problem. They agree with Klenke (1997, 2011) that *the labyrinth* could be a better metaphor for the obstacles that women in management and leadership pursuits confront. The metaphor of the labyrinth aims to capture women's journeys as managers and leaders. It underscores the image of women managers who make initial inroads in the labyrinth of managerial careers, but then have difficulty finding their way out. The idea of the labyrinth metaphor is to help organizations understand and address the obstacles to women's career progress. Rather than depicting just one definite barrier, the labyrinth conveys the complexity and variety of challenges that can appear along the way. According to Eagly and Carli (2007), a passage through the labyrinth requires persistence, awareness of one's progress, and careful consideration, and there are many routes with twists and turns to the centre. The metaphor acknowledges obstacles but also includes a positive approach to overcome hurdles in women's career progress.

In addition to these conceptualizations, the metaphor of the *glass escalator* emphasizes the structures and practices which lift up men in the organizational hierarchy, particularly in professions that are female-dominated (Williams, 1992). In other words, men working in traditionally understood "occupations of women" and female-dominated workplaces experience the subtle aspects of norms and expectations which push men upward into higher-status, more "masculine" positions. Thus the glass ceiling that blocks some (often women) can offer a glass escalator to others (usually men). However, as shown by Wingfield (2009), the glass escalator is not uniformly available to all men who do "women's work," such as homosexual or black men; the glass escalator is both a gendered and racialized concept.

More recently, Ryan and Haslam (2005, 2007) have suggested the metaphor of a *glass cliff* to highlight women's managerial careers. This metaphor refers to career-wise critical and hazardous situations women face in organizations. Women are more likely than men to occupy precarious positions as well as positions associated with greater risk and an increased possibility of failure, because they are often promoted in companies or divisions that are in crisis. Haslam and Ryan (2008) argue that such positions are dangerous for the women who hold them, since organizations that experience bad performance attract attention – both to their financial conditions and to those in their management. Thus the glass cliff position offered to women leaders includes particularly more stress than other leadership positions, as the probability (and visibility) of failure are higher.

Women's career development in management

Many mainstream leadership and management scholars have assumed that general models of career development fit both women and men, especially when women are entering the same occupations as men. However, as shown more recently, the models of career development in management are different for women and men. In general men advance faster, further and with greater compensation, while women's careers are more diverse and slower than men's, and they have more difficulties than men in attaining top managerial positions. Several investigations have tried to explain these gender differences in career advancement. Most researchers have concluded that gender-specific career models are needed. Burke (2007, p.113) states that trying to understand women's careers using the traditional male model is "a case of comparing apples and oranges."

For example, Kirchmeyer (1998) reported that women managers have more career breaks and fewer children, are less likely to be married and less likely to have a non-employed spouse, and earn less than men. Powell and Mainiero (1992) suggested a model that differs remarkably from the traditional linear model of a man's career. According to them, women's careers include four unique features: 1) the inclusion of both non-work and work issues, 2) the use of both objective (e.g., salary, rank, status) and subjective (e.g., work satisfaction) measures of career success, 3) the influence of personal, organizational and societal factors on women's career choices and outcomes, and 4) the lack of a predictable sequence of stages over time, as are assumed in traditional career development theories.

O'Neil and Bilimoria (2005) argue that there are three critical factors that make a compelling case for treating women's careers as entities worthy of study in themselves: 1) family responsibilities affect men's and women's careers differently, 2) findings from women's developmental psychology suggest a relational emphasis may pervade women's career

development, and 3) women's relative under-representation and token status at higher organizational levels constrain their career progress.

O'Neil and Bilimoria (ibid.) proposed a three-phased, age-linked model of women's career development assuming a stage-model for career development. The driving force of phase one, the early career phase (ages 24-35), is "idealistic achievement." Women in this phase will most likely base their career choices on their desires for career satisfaction and success, and their desire to positively impact others. Women see themselves in charge of their careers, and they report experiencing more positive feedback from managers than negative ones. They are concerned by the perception that organizational structures do not seem to be supportive of women having a dual focus on both career and family.

According to O'Neil and Bilimoria (ibid.), the driving force of phase two, the mid-career phase (ages 36-45), is "pragmatic endurance." These women's career patterns are reflective of both ordered and emergent tendencies. They have been in the work world long enough to recognize that no matter how internally driven they are, to a large degree their career development is impacted by others such as colleagues, managers, spouses, and children and care responsibilities at home. Moreover, these women are beginning to question the essential centrality of careers in their lives, given the other increasing demands on their time.

Finally, the driving force of phase three (ages 46-60) is "reinventive contribution." The women in this phase are focused on contributing to their organizations, their families and their communities. As they have advanced in their careers, they reconceptualize and reclaim their careers in their lives as opportunities to contribute and to be of service to others, without losing sight of themselves in the process. O'Neil and Bilimoria (ibid.) argue that women's career growth and development may occur over time as a result of age and experience.

The results of White's (1995) study suggest that no matter what a woman's occupation, the successful women managers pass through specific stages. White presented a model of career development in which the sub-identities of mother, wife and careerist vary depending on a woman's career orientation and the stage of her career. Successful women experience periods of stability during which they maintain a satisfactory balance between their career and family lives. These periods of stability are followed by periods of questioning and change. During these different phases the women have a heightened awareness of the reciprocal impact of career and family on each other. White's study showed that one of the important elements of successful women is their strength of commitment to their careers. These women work continuously and full-time, fitting their domestic responsibilities around work or choosing to remain childless.

O'Neil, Bilimoria and Saatciogly (2004) examined women's career types in terms of career satisfaction and career success. According to them, a career type is a configuration of the path of work-related experiences over the life course (career pattern) and the belief set directing these work experiences (career locus). O'Neil et al. (ibid.) characterized women's career patterns as anchored by two poles: ordered and emergent. An ordered career pattern is a linear, sequential or ladder-like career advancement that is strategically planned and executed. An emergent career pattern is a reactive more than proactive path designed to accommodate other aspects of life than traditional work. The locus of a career highlights the source from which career orientation, motivation and success emanate. The concept of career locus is a continuum between internal and external locations of career direction and success: a self-directed and an externally-directed career. The externally-directed career locus

describes the belief that one's career direction and career success occur due to chance. The self-directed career locus is reflected in a belief that one is responsible for one's own career success and in charge of building and managing one's future career.

In their empirical study O'Neil et al. (ibid.) found three distinct career types for women managers: achievers, navigators and accommodators. Achievers have predominantly ordered careers and an internal career locus. Navigators have predominantly ordered careers and an external career locus, while accommodators have predominantly emergent careers and their career locus lies midway between the internal and external poles. Accommodators' scores were lower than navigators' and achievers' on the scale of their satisfaction with their career success. O'Neil et al. (ibid.) concluded that women's careers are not monolithic or random, yet diverse. They suggest that women's satisfaction with career success may differ according to the three different career types.

Klenke (2011) criticizes many theories on women in management and leadership by proposing that context influences what women can do: contextual factors such as social, political, or global forces shape a given context and set the boundaries and opportunities within which women pursue their careers. In fact, many studies in the field draw upon USA- and UK-based samples, and overlook the role of such contexts as the societal context. One example of a study which takes into consideration specifically socio-cultural context is that of Omair (2010). She has explored how women managers in the United Arab Emirates account for and construct their career development. The study produced a typology distinguishing four types of career development among women managers in the United Arab Emirates: progressive, moderate, facilitated and idealistic. The results of Omair's study suggest that social status and family connections play a significant role in women's career development in the studied context. In particular, influential family connections or so-called "*wasta*" are crucial in the Emirati societal and business context, providing possibilities for smooth career development.

Many studies, both conceptual and empirical, exist on women's careers in management. Despite various results, one theme seems to prevail in discussions around the topic, namely the work–family relationship. Next we bring forth some of the main issues on this topic.

Work and family relationship

During the past decades the relationship between work and family has been examined by researchers, societies and the public sphere. The ways in which women succeed in managing the work–family dilemma has become an emergent topic. The relationship between career and family is characterized nowadays as multidimensional: women's career experiences not only affect the experiences of family life, but family life can also have a significant influence on career experiences and outcomes (Greenhaus and Powell, 2006; Greenhaus and Foley, 2007).

Greenhaus and Beutell (1985) present three classical types of work-family conflicts:

- time-based conflict,
- strain-based conflict, and
- behaviour-based conflict.

Time-based conflict draws upon the idea that the more time a woman manager spends at her work role, the less time she has to devote to her family and home role. Strain-based conflict accounts for the negative emotional spillover between work and family, meaning that elements relating to the managerial career can create negative emotions which can interfere in family life, and vice versa. Behaviour-based conflict refers to the incompatibility of behaviours and values between work and family roles (e.g., the behaviour required in a managerial position differs from the nurturing behaviour in parenting).

Rothbard (2001) distinguishes two competing approaches to the work-family relationship:

- depletion and
- enrichment.

From the depletion point of view, the relationship is seen in conflict. This approach is based on the idea that people have fixed amounts of psychological and physiological resources, and tradeoffs are required to accommodate these resources. From the depletion perspective, a woman manager has limited resources to contribute to family life due to the demands of work, or to put it the other way round, a woman with a family has fewer reseources to commit to her managerial career.

The more recent approach to work and family relationship, the enrichment perspective, reflects on the idea that engagement in one role may relate to engagement in another role (Rothbard, 2001). The enrichment perspective implies that resources are developing and increasing, which means that a greater number of role commitments provides benefits to individuals. In practice, the woman manager can transfer and apply skills acquired in her family life to the workplace, resulting in, for example, improved interaction between the manager and her employees. In the organization, work–family culture is crucial to enhancing employees' integration of work and family lives, and it is defined as the shared assumptions, beliefs and values regarding the extent to which an organization supports and values the integration of employees' work and family lives (Thompson et al., 1999).

Thus, promoting family-friendly organization means providing a variety of work–family programmes and initiatives, in an atmosphere in which a woman manager feels comfortable taking advantage of these programmes (Powell and Graves, 2003). However, the challenge for the family-friendly organization is that it often implicitly assumes a traditional and stereotypical gender role, namely, that it is a woman whose responsibility is to take care of the household and family. Thus, such programs have a gendered nature which may not produce equal opportunities between genders.

References

Acker, J. (1991). Hierarchies, Jobs, Bodies: A Theory of Gendered Organisations. In J.L. Lorber and S.A. Farrell (Eds.) *The Social Construction of Gender*. Newbury Park, CA: Sage, pp. 162–179.

Acker, J. (2006). Inequality Regimes: Gender, Class, and Race in Organisations. *Gender and Society*, 20 (4): 441–464.

Bateson, G., Jackson, D.D., Haley, J. and Weakland, J. (1956). Toward a Theory of Schizophrenia. *Behavioral Science*, 1 (4): 251-264.

Broadbridge, A. and Hearn, J. (2008). Gender and Management: New Directions in Research and Continuing Patterns in Practice. *British Journal of Management*, 19: 38–40.

Butler. J. (1990). *Gender Trouble. Feminism and the Subversion of Identity*. London: Routledge.

Burke, R. (2007). Career Development of Managerial Women: Attracting and Managing Talent. In D. Bilimoria and S. K. Piderit (Eds.) *Handbook on Women in Business and Management*. Cheltenhamn: Erward Elgar, pp. 109–131.

Calás, M. and Smirchich, L. (2006). From the 'Women's Point of View' Ten Years Later: Towards a Feminist Organization Studies. In S.R. Clegg, C. Hardy, T. B. Lawrence and R. Nord (Eds.) *The Sage Handbook of Organization Studies*. London: Sage.

Cockburn, C. (1991). *In the Way of Women. Men's Resistance to Sex Equality in Organizations*. London: MacMillan.

Collinson, D. and Hearn, J. (1994). Naming Men as Men: Implications for Work, Organization and Management. *Gender, Work and Organization*, 1 (1): 2–22.

Connell, R.W. (1987). *Gender and Power: Society, the Person and Sexual Politics*. Stanford, CA: Stanford University Press.

Crompton, R. and Lyonette, C. (2006). Work-Life 'Balance' in Europe. *Acta Sociologica*, 49 (4): 379–393.

Eagly, A.H. (1987). *Sex Differences in Social Behavior: A Social-Role Interpretation*. Hillsdale: Erlbaum.

Eagly, A.H. and Carli, L.L. (2007). Women and the Labyrinth of Leadership. *Harvard Business Review*, 85 (9): 63–71.

Emslie, C. and Hunt, K. (2009). 'Live to Work' or 'Work to live? A Qualitative Study of Gender and Work-Life Balance among Men and Women in Mid-life. *Gender, Work and Organization*, 16 (1): 151–172.

Greenhaus, J.H. and Beutell, N. J. (1985). Sources of Conflict between Work and Family Roles. *Academy of Management Review*, 10 (1): 76–88.

Greenhaus, J.H. and Foley, S. (2007). The Intersection of Work and Family Lives". In H. Gunz and M. Peiperl (Eds.) *Handbook of Career Studies*. Los Angeles: Sage, pp. 131–152.

Greenhaus, J.H. and Powell. G.N. (2006). "When Work and Family are Allies: A Theory of Work-Family Enrichment. *Academy of Management Review*, 31 (1): 72–92.

Hall, D.T. (2002). *Careers in and out of Organizations*. Thousand Oaks: Sage.

Haslam, S. A. and Ryan, M. (2008). The Road off The Glass Cliff: Differences in Perceived Suitability of Men and Women for Leadership Positions in Succeeding and Failing Organizations. *The Leadership Quarterly*, 19: 530–546.

Haussman, R., Tyson. L. D. and Zahidi, S. (2010). *Global Gender Gap Report 2010*. Geneva: World Economic Forum. The newest version can be accessed at: <http://www.weforum.org/pdf/gendergap/>

Hearn, J. (2011). *Masculinity and Masculinities. Learning material Naiset ja johtajuus*. Available at: http://www.jyu.fi/economics/naisjohtajuus/Miehet_ja_maskuliinisuus.htm

Hearn, J. and Parkin, W. (1983). Gender and Organizations: A Selective Review and a Critique of a Neglected Area. *Organization Studies*, 4/3: 219–242.

Hearn, J. and Parkin, W. (1995). *'Sex' at 'Work': The Power and Paradox of Organisation Sexuality*. Revised edition. Hemel Hempstead: Prentice-Hall.

Itzin, C. and Phillipson, C. (1995). Gendered Ageism: A Double Jeopardy for Women in Organisations. In C. Itzin and C. Phillipson (Eds.) *Gender, Culture and Organisational Change. Putting Theory into Practice*. London: Routledge, pp. 84–94.

Jamieson, K. H. (1995). *Beyond the Double Bind: Women and Leadership*. New York: Oxford University Press.

Kanter, R. M. (1977). *Men and Women of the Corporation*. New York: Basil Books.

Kirchmeyer, C. (1998). Determinants of Managerial Career Success: Evidence and Explanation of Male/Female Differences. *Journal of Management*, 24: 673–692.

Klenke, K. (1997). Women in the Leadership and Information Labyrinth: Looking for the Thread of Ariadne. *A Leadership Journal: Women in Leadership – Sharing the Vision*, 1 (2): 57–70.

Klenke, K. (2011). *Women in Leadership. Contextual Dynamics and Boundaries*. Bingley: Emerald.

Lämsä, A-M. and Hiillos, M. (2008). Career Counselling for Women Managers at Mid-Career: Developing an Autobiographical Approach. *Gender in Management: An International Journal*, 23 (6): 395–408.

Lämsä, A-M. and Tiensuu, T. (2002). Representations of the Woman Leader in Finnish Business Media Articles. *Business Ethics: A European Review*, 11 (4): 355–366.

Liff, S. and Ward, K. (2001). Distorted Views through the Glass Ceiling: The Construction of Women's Understandings of Promotion and Senior Management Position". *Gender, Work and Organization*, 8 (1): 19–36.

Morrison, A.M. and Von Glinow, M.A. (1990). Women and Minorities in Management. *American Psychologist*, 45: 200–208.

Morrison, A.M., White, R.P., and Van Velsor, E. (1987). *Breaking the Glass Ceiling: Can Women Reach the Top of America's Largest Corporations?* Reading, MA: Addison-Wesley.

Oakley, J.G. (2000). Gender-Based Barriers to Senior Management Positions: Understanding the Scarcity of Female CEOs. *Journal of Business Ethics*, 27 (4): 321–334.

Omair, K. (2010). Typology of Career Development for Arab Women Managers in the United Arab Emirates. *Career Development International*, 15 (2): 121–143.

O'Neil, D.A. and Bilimoria, D. (2005). Women's Career Development Phases. *Career Development International*, 10 (3): 168–189.

O'Neil, D.A., Bilimoria, D. and Saatcioglu, A. (2004). Women's Career Types: Attributions of Satisfaction with Career Success. *Career Development International*, 9: 478–500.

Powell, G.N. and Graves, L.M. (2003). *Women and Men in Management*. Thousand Oaks: Sage.

Powell, G.N. and Mainiero, L.A. (1992). Cross-Currents in the River of the Time: Conceptualizing the Complexities of Women's Careers. *Journal of Management*, 8 (2): 215–237.

Rothbard, N. P. (2001). Enriching or Depleting? The Dynamics of Engagement in Work and Family Roles. *Administrative Science Quarterly*, 46: 655–684.

Ryan, M.K. and Haslam, S.A. (2005). The Glass Cliff: Evidence that Women Are Over-Represented in Precarious Leadership Positions. *British Journal of Management*, 16 (2): 81–90.

Ryan, M.K. and Haslam, S.A. (2007). The Glass Cliff: Exploring the Dynamics Surrounding the Appointment of Women to Precarious Leadership Positions. *Academy of Management Review*, 32: 549–572.

Scott, J.W. (1986). Gender: A Useful Category of Historical Analysis. *The American Historical Review*, 91 (5): 1053–1075.

Thompson, C.A., Beauvais, L.L. and Lyness, K.S. (1999). When Work–Family Benefits Are Not Enough: The Influence of Work–Family Culture on Benefit Utilization, Organizational Attachment, and Work–Family Conflict. *Journal of Vocational Behavior*, 54: 392–415.

Walby, S. (1990). *Theorizing Patriarchy*. Oxford: Blackwell.

Wahl, A. (2003). Sammanfattande kommentarer [Conclusions]. Mansdominans i förändring. Om ledningsgrupper och styrelser (2003) [Male dominance in flux. On executive groups and boards]. *Betänkande av Utredning om kvinnor på ledande poster i näringslivet.* SOU 2003: 16. Stockholm: Fritze, pp. 245–267.

White, B. (1995). The Career Development of Successful Women. *Women in Management Review*, 10: 4–15.

Williams, C.L. (1992). The Glass Escalator: Hidden Advantages for Men in the 'Female' Professions. *Social Problems*, 39 (3): 253–267.

Williams, J.E. and Best, D.L. (1990). *Sex and Psyche: Gender and Self Viewed Cross-Culturally*. Thousand Oaks: Sage.

Wingfield, A.H. (2009). Racializing the Glass Escalator Reconsidering Men's Experiences with Women's Work. *Gender and Society*, 23: 5–26.

Wood, G. (2008). Gender Stereotypical Attitudes: Past, Present and Future Influences on Women's Career Advancement. *Equal Opportunities International*, 27 (7): 613–628.

CASE 1. "Why is she getting annoyed with minor issues?" The Nina Case

Content of the case

The Nina Case is a fictive story of a professional woman at a rather early phase of her career. The story does not refer to any particular individual. However, the story has a close real-life connection, since it was constructed drawing upon data of the experiences of 38 women managers about gendered practices they have experienced and perceived during their careers.

The women mainly represent different branches of business companies which operate in the domestic and/or international markets. A few of the women come from the public sector and non-governmental organizations. A third of the women own their own businesses. To get a rich and broad view of the experiences, a heterogeneous group of women was selected in constructing Nina's story.

Nina's background

Nina is a 34-year-old professional woman working in a relatively small but rapidly internationalising investment bank. She is married to Eric, who is working as an environmental manager in a large international industrial company. Nina and Eric do not have children together, but they are both remarried and Eric has a 5-year old daughter, Laura, from his previous marriage. Laura spends alternate weeks living with her mother and with Nina and Eric.

Nina was first married in her early twenties to her high school sweetheart, but after a couple of years it came apparent that Nina's husband expected her to become a traditional housewife. Nina's first husband's mother was at home during his childhood, so he had a very strong idea that his wife should be at home taking care of the household. He also wanted to have many children. However, Nina felt that she wanted to pursue her studies and career at that stage of her life, and thought that it was too early to start a family. After some years of struggling in a marriage where Nina felt that she did not get any support from her husband for her career aspirations, it seemed the only possibility was for her to end the relationship and get divorced. A few years after the divorce she met Eric, who had totally the opposite frame of mind towards Nina's career. Eric has been supportive of her career ever since. Nina says that she could not have managed to get so far in her career without Eric's positive and encouraging attitude.

Nina comes from a middle-class family. She has two younger brothers, a father who is the managing director of a small business, and a mother who works as a secretary in the father's company. All children in the family are well educated. The father never earned a degree himself, but is a successful "self-made man" in his business. Nina's mother started to study at a business school, but interrupted her studies when she got pregnant. Since the children grew up she has been working in the family company. She seems to enjoy her work a lot, and Nina thinks that she is actually the real boss of the company.

The company where Nina works has 50 employees in the home country and subsidiaries in an Asian country. The company was founded 15 years ago, and it has been successful during both economic recession and recovery. The geographical strategy of the company is to enlarge the business in the international market.

Nina graduated with excellent grades from a business school seven years ago. After that she completed another degree in engineering with a minor in the English language. Nina has always been keen on learning new things and skills, and she is active in many networks related to banking sector work. Nina began to work in the company six years ago as a temporary summer HR assistant. Later she had different secretarial jobs in the company while earning her second degree; at that time she worked in the evenings. Nina says that she has never planned her career in detail, but has always felt that she enjoys new challenges in her worklife.

One of her dreams has been to work abroad for a while, but she has never done this because she needed to work hard for the degrees and finance her studies through evening work at the company. Nina did not want to rely on her parents' financial support very much. Now that she is remarried, working abroad is still more complicated since Eric's career ambitions and life situation need to be taken into consideration as well.

Nina is currently working as a manager in the accounting division. Having done that for two years, she has begun to think that the work no longer gives her any new challenges, and she would like to move on in her career. She is responsible for and reports directly to the managerial group of the company, and is often asked to do her reporting in the group's seminars, which normally take place twice a year during the weekend somewhere outside of the city where the company is located. The members of the managerial group are all men, but on some occasions the secretary of the CEO, Maria, has joined the seminar in order to ensure that all practical arrangements function well and smoothly. Nina has been happy to join these strategic management meetings and hopes eventually to become a real member of the group. Nina has decided to take up the career advancement issue with her supervisor in the next performance appraisal and development discussion. She feels a bit insecure to speak very directly about this idea, but she knows that her competence is of a high quality and urgently needed in the growing company.

The appraisal and development discussion

The appraisal and development discussion is going to take place in two weeks' time, and Nina has decided to work on her CV. She thinks carefully through the suggestions that she wants to make about her career development plans. She even asks for Eric's advice, who encourages and helps her. She feels a real need for new challenges at work. Earlier, she has not been keen to make very specific career plans for her future, but now she thinks that it might be time to do that. Another reason is that to her slight amazement, she has not been mentioned by her supervisor for inclusion in a leadership development program that the company recently decided to buy from an outside consultancy company. Nina knows that the development program will take place in the near future. She remembers well having emphasized in last year's appraisal and development discussion her eagerness to participate in leadership development and training programs. However, seven of her male colleagues have been chosen to participate in the training. Nina is surprised, because none of the men has a double degree like she does, and in fact, four of them have not even completed their

engineering degrees yet. Only two of the chosen men have worked in the company as long as Nina, and all of these men are younger than her.

The discussion starts a bit late, because the previous discussion (with one of Nina's younger male colleagues) took nearly an hour and a half. The planned timetable for the discussion is one hour per person. When Nina's time starts, her superior, Tom, apologises and suggests taking a break, because the day has been rather exhausting. Nina obviously understands Tom's pressures and volunteers to make a nice cup of tea for both of them. Tom appreciates Nina's kind offer. When Nina returns to Tom's room, he is busy having an ad hoc meeting with another colleague. This younger colleague, Peter, has an intensive discussion in Tom's room about the non-success of the national sport team in the Olympics. Tom and Peter are eagerly discussing the problems of the team. They are both keen on sports: Tom is an assistant manager for a junior league where his son plays, and both Tom and Peter play in the team of bank sector professionals as their hobby after work every second week.

Nina waits some minutes at the door until Tom says, "OK, back to business, and see you at next Thursday's match, Peter!" Nina hands Tom the cup of tea, and they sit down. Nina still hopes to have a thorough discussion about her future career, and particularly about the development program she wants to join but was not included in. Tom apologises for the slight delay, and starts to have a look at the papers Nina sent him a week before, as was the agreement. After a while, Tom says, "You have done really nicely, Nina, and I really appreciate that you are so committed to this company." Nina is happy about this compliment, and feels a bit ashamed to start questioning his decision concerning the leadership training. She decides to do it anyway, and asks Tom why she was not included. Tom appears surprised at this question, saying, "Well, on the one hand, you have to understand that our resources are limited, and, on the other hand, your excellent input is so important in the accounting team that I just cannot afford to send you to this training!"

Nina feels a bit confused, because one year before she had clearly stated her willingness not only to participate in the leadership training, but also to move on into another department, even to work for a while as an expatriate in the Asian subsidiary. Tom seems even more surprised, but then very kindly asks Nina how she can think about moving abroad. Nina does not quite understand his comment, so Tom holds a long monologue about the cultural differences between the Asian country and Nina's homeland, pointing out that for a woman to work as a manager is fine at home, but in Asia, Nina would definitely run up against difficulties with local attitudes.

The time is running, and Tom states that unfortunately he should move on, because he still has three other discussions to conduct the same afternoon. Nina is surprised, because she has used only 40 minutes of her share of the expected 60 minutes. At this point, Nina abandons her idea of discussing her membership in the managerial group, since she feels that she is supposed to leave Tom's office. She collects the tea cups and her papers and returns to her office. Nina feels tired and disappointed, and does not have very positive feelings about her future career possibilities in the company.

Managerial group meeting

Nina is happy and excited when she is invited to attend a weekend seminar of the managerial group. The particular weekend is a little bit problematic for Nina and Eric, because Eric is also having an international environmental seminar abroad at that time, but fortunately Eric's

mother agrees to spend the weekend taking care of Laura. Even though Nina is invited to attend the first day of the seminar only as an outside expert to report on the development of accounting, Nina feels that after all, she has a chance to become a member of the group in the future.

The seminar takes place in a holiday resort from Saturday to Sunday. Nina drives there by car to be able to return home after the Saturday session, because she has been invited to stay only for the first day of the expert presentation. The rest of the group will continue the seminar and strategic planning on Sunday, and thus will stay overnight.

The seminar starts with the CEO explaining the general business situation of the company to the participants. Nina is a bit surprised that in addition to the managerial group, all of the participants chosen to attend the leadership development programme are also present. "Well, I assume that this is part of the training, and their attendance here is a learning process; maybe it is good that they have the possibility, like myself, to participate in this special seminar." Nina's presentation goes well in her own estimation, and the CEO thanks her warmly for her accurate work for the company: "We need people like you, Nina, for our success in the future!" Nina is very pleased, and enjoys the rest of the seminar.

In the afternoon, when the seminar is approaching its end, the CEO thanks all the participants and informs them that the dinner and refreshments will be ready in two hours. During those two hours a match of a sports game is arranged. Nina thinks that it is time for the outsiders to leave now, and asks her junior colleagues if anyone wants to have a lift back to the city. The younger colleagues look at Nina with surprise, and tell her that they will be staying overnight, and plan to attend the match and later the dinner. Nina is also surprised, because she is only the second person – together with the CEO's female secretary, Maria – who was not invited to stay or participate in the leisure time get-together activities.

Maria is happy to get a lift back to the city. In the car, Nina complains about the situation, and tells her that she feels excluded not only from the social happening, but also from the strategy planning of the next day. Nina asks whether Maria knew about the arrangements beforehand. She looks at Nina and says, "Of course! And think about the situation. You don't know how to play the sports game, so your staying there would only have made you look ridiculous!"

Required reading

Acker, J. (1990). Hierarchies, Jobs, Bodies: A Theory of Gender Organizations. *Gender and Society*, 4(2): 139-158.

Gilbert, J. A., Stead, B. A. and Ivancevich, J.M. (1999). Diversity Management: New Organizational Paradigm. *Journal of Business Ethics*, 21: 61-76.

Haussman, R., Tyson. L. D. and Zahidi, S. (2010). *Global Gender Gap Report 2010*. Geneva: World Economic Forum. The newest version can be reached on the website http://www.weforum.org/pdf/gendergap/)

Recommended reading

Bilimoria, D. and Piderit, S.K. (Eds.) (2007). *Handbook on Women in Business and Management*. Cheltenham: Edwin Elgar.

Burke, R. J. and Mattis, M. C. (Eds.) (2005). *Supporting Women's Career Advancement. Challenges and Opportunities*. Cheltenham: Edward Elgar.

Burke, R.J. and Nelson, D.L. (2002). *Advancing Women's Careers*. Oxford: Blackwell.

Fels, A. (2004). Do Women Lack Ambition? *Harvard Business Review*, April: 50–60.

Greenhaus, J.H. and Powell, G.N. (2006). When Work and Family are Allies: A Theory of Work-Family Enrichment. *Academy of Management Review*, 31(1): 72-92.

Hearn, J., Jyrkinen, M., Piekkari R. and Oinonen, E. (2008). Women Home and Away: Transnational Work and Gender Relations. *Journal of Business Ethics*, 83(1), Special Issue Women, Globalisation and Global Management: 41-54.

Jamieson, K. H. (1995). *Beyond the Double Bind: Women and Leadership*. New York: Oxford University Press.

Kanter, R. M. (1977). *Men and Women of the Corporation*. New York: Basil Books.

Kirchmeyer, C. (2002). Gender Differences in Managerial Careers: Yesterday, Today, and Tomorrow. *Journal of Business Ethics*, 37(1), 5-24.

Klenke, K. (2011). *Women in Leadership. Contextual Dynamics and Boundaries*. Bingley: Emerald.

Lämsä, A-M. and Sintonen, T. (2001). A Discursive Approach to Understanding Women Leaders in Working Life. *Journal of Business Ethics*, 34(3-4): 255-267.

Oakley, J.G. (2000). Gender-Based Barriers to Senior Management Positions: Understanding the Scarcity of Female CEOs. *Journal of Business Ethics*, 27: 321-334.

O'Neil, D., Hopkins, M. M. and Bilimoria, D. (2008). Women's Careers at the Start of the 21st Century: Patterns and Paradoxes. *Journal of Business Ethics*, 80: 727-743.

Powell, G.N. and Graves, L.M. (2003). *Women and Men in Management*. Thousand Oaks, London: Sage.

Powell, G. N., Butterfield, D. A. and Parent, J. D. (2002). Gender and Managerial Stereotypes: Have Times Changed? *Journal of Management,* 28(2): 177–193

Välimäki, S., Lämsä, A-M. and Hiillos, M. (2009). The spouse of the female manager: Role and influence on the woman's career. *Gender in Management: An International Journal,* 24(8): 596-614.

General questions

General questions are based on Haussman, R., Tyson. L. D. and Zahidi, S. 2010. Global Gender Gap Report 2010. Geneva: World Economic Forum. The newest version can be reached on the website http://www.weforum.org/pdf/gendergap/)

1. Why is gender equality important according to the World Economic Forum Report? What kind of challenges are there globally concerning inequality?
2. What are the main principles for measuring gender gap in the Report?
3. What category (pillar) is the most important in the Report to understand the gap between men and women in management? Describe the content of the category (pillar) in more detail.
4. How large is the gap between men and women in your own country in general and in management? Explain the reasons for your country's ranking in the gender gap index.

Case-specific questions

1. What kind of gendered practices can you perceive in the appraisal and development discussion and seminar situation? What kind of ethical problems do you perceive in the situations? Why are they ethically problematic?
2. How do you think these kinds of events can impact people's careers? Why? How do Nina's long-term career possibilities look in the company? Why?
3. What factors have had an effect on Nina's career in general? What has been the role of family in her career?
4. How can the ethically unacceptable gendered practices in the company be changed? Why?

Ethical leadership, the role of the leader

Mari Kooskora
Estonian Business School
Tallinn, Estonia

Learning outcomes

On successful completion of the case exercise, students will be able to:

- understand the importance of positive work atmosphere on the daily functioning (e.g. initiative-taking, decision-making) of an organization,
- provide arguments for taking the dimension of human dignity into consideration when making business decisions,
- understand and describe potential difficulties faced by the middle management and the importance of communication system in an organization,
- discuss and understand challenges to ethical leadership in the times of economic recession.

Introduction

In our constantly changing environment, people face different kinds of challenges every day. When talking about leadership we can say that leadership is a challenge and a responsibility and it is not an activity that people can do alone. Leadership means collective and concerted activity with a common purpose and a set of rules and norms for how to behave and perform.

It is hard to find a single adequate definition of leadership. Stogdill (1974, p. 259) even finds that there are almost as many definitions of leadership as there are people who have attempted to define the concept. Leadership has been defined in terms of traits, behaviours, influence, interaction patterns and role relationships (see Yukl, 2002). It can be argued further that leadership is one of the many areas of human life and social relationships in which moral character matters most, and, therefore, contemporary leadership development seeks more and more guidance from the ethical perspective and from character formation.

Joanna Ciulla (2004) states that people become leaders in different ways, leaders act in different ways, but no matter how people become leaders, no one is a leader without willing followers. Leadership is not a person or a position, but a complex moral relationship between people based on trust, obligation, commitment, emotion and a shared vision of the common good. Therefore, it can be argued that leadership cannot exist without ethics — ethical behaviour and effective leadership are intertwined and inseparable.

Defining leadership

Defining leadership is not easy, different researchers and practitioners have offered a variety of definitions and emphasised different aspects within the leadership process (Rost, 1991; Burns, 1978; Yukl, 2002; Ciulla, 2004). We can find leadership described as an art (Follett), character (Drucker), relationship (Kouzes and Posner, 1987), vision (Bennis), responsibility

(Drucker) and challenge (London, 1999); it can be seen as serving (Greenleaf), believing, mentoring, and also as action, motivation, change (Kotter), humility and selecting the right people and changing behaviour (Bass, 1985). Leadership seems to be a phenomenon that makes it possible to include everything that characterises a process within and among people while achieving certain goals.

We can argue that leadership is a holistic and value-laden process comprised of different activities that lead to learning, developing, influencing and changing the self and others. Manuel London (1999) believes that good leaders develop through a never-ending process of self-study, education, and training and experience, and Joanna Ciulla (1995) continues that good leadership refers not only to competence but also to ethics.

Both the character and behaviour of people in positions of leadership have a great impact on others. Max DePree (1993) has stated quite strongly: 'Leadership is a serious meddling in other people's lives'. He places the following three things at the top of all leaders' lists: an understanding of the fiduciary nature of leadership, a broadened definition of leadership competence and the enlightenment afforded by a moral purpose. Therefore, it can be said, that ethical leadership combines ethical decision-making and ethical behaviour, and occurs in both the individual and the organisational context.

Pillars of ethical leadership

Bass and Steidlmeier (1999) believe that the ethics of leadership rests upon three pillars: 1) the moral character of the leader; 2) the ethical legitimacy of the values embedded in the leaders vision, articulation and program, which followers either embrace or reject; and 3) the morality of the processes of social ethical choice and action that leaders and followers engage in and collectively pursue. Such ethical characteristics of leadership have been widely acknowledged by several authors (Kanungo and Mendonca, 1996; Trevino, 1986; Kouzes and Posner, 1992).

A leader plays a critical role in establishing and maintaining the ethical culture within his/her organisation (Trevino, 1986; Victor and Cullen, 1988; Brown et al., 2005); however, too often the emphasis in our organisations has been put primarily on the manager's expertise, technique, power, knowledge and strategic choices, at the expense of his or her moral character (Petrick and Scherer, 2003). Mendonca (2001) has stated that true and effective leadership is when a leader's behaviour and the fulfilment of his or her leadership role are consistent with ethical and moral values. According to Joanna Ciulla (1995), good leadership refers not only to competence but also to ethics, and leadership excellence cannot be evaluated without an assessment of the leader's character, moral vision, integrity, values and caring for others and taking responsibility (e.g. Badaracco, 1997; Paine, 1994).

Moreover, there is increasing support that it is good business for an organisation to be ethical and that ethical cultures emerge from strong leadership (Ferrell et al., 1999). High quality leadership may be considered the single most important factor in assuring the behaviour of companies, and, therefore, it is vital to have the right people in managerial positions.

Management quality is largely dependent on the decision-making ability of a managerial leader, and also on the kinds of decisions he or she makes. There is often an ethical conflict between maximising profit and doing what is right. A dilemma must be solved – whether to perform in the most beneficial way either for the employer or one's own career or the

customer. The leader's role is to create the circumstances where people can act according to ethical norms and with their own behaviour they are role models, they are being watched and followed.

Trust and the ability to work together when achieving common goals are the prerequisites for good leadership. One of the most important roles of a leader is to create a culture and environment that supports people's efforts, facilitates fulfilling goals and makes the working process pleasant and effective. Leaders make collaboration possible through clear vision, and concrete acknowledged and recognised rules. The main tool leaders have is communication. Constant and open communication, sharing information, working together, clear criteria in decision-making process, and the consideration of all members' interests and needs should be self-evident in every organisation. Supporting people's initiative and activity, and appreciating and valuing things that members do will take the whole organisation forward and help it to survive even within the most difficult and competitive situations.

The moral character of the leader

We can say that one's personal maturity and ethical development is challenged when a person is required to become a leader. According to London (1999, p. 171), the leadership challenge as we embark on the rough and fast-paced world of the twenty-first century is to get things done expeditiously and profitably, and to do so in a way that shows high integrity, trust and honesty. The task of creating a culture conducive to such interactive trust is perhaps the pre-eminent leadership task and without a trusting environment one cannot succeed as a leader.

There appears to be a growing acknowledgement in the business community of the need for 'good' leadership, implying both effectiveness and morality (Ciulla, 2001; 2004). Still, too often the emphasis has been put primarily on the manager's expertise, technique, power, knowledge and strategic choices, at the expense of the leader's moral character. However, leadership excellence cannot be evaluated without an assessment of the leader's character, moral vision, integrity, values and caring for others and responsibility.

Ethical leadership requires discipline — mental and personal discipline — that not all leaders are strong enough to maintain. Several researchers have reached the conclusion that when an organisation is led by an ethical leader, the moral level of employees is also significantly higher (e.g. Burns, 1978; Duckerich and Nichols, 1999). Therefore, when a leader demonstrates high morality his or her influence is more positive. According to Michael Hofmann (2004, p. 41), 'The final litmus test is when staff members, regardless of their organisational status, do not hesitate in choosing the hard right over the easy wrong'.

People do not often realise what is ethical and what is not. Sometimes people are forced to follow rules that may not take ethical considerations into account. Many people know that being virtuous is more a matter of having the right values than of following a list of rules. But what should an individual do when faced with a legitimate situation in which his or her values conflict with the accepted practice of following certain rules?

Ethical values as the basis of leadership

Aronson (2001) believes that since appropriate values are at the root of moral conduct, the business leaders of today must possess a set a values that will not only create a favourable impression in the eyes of stakeholders but also lead to the greater effectiveness and efficiency

of organisational members. Similarly, Carroll (2010) highlights the importance of improving the organisation's ethical culture and points to the messages and information that managerial leaders transmit foremost through their behaviours and activities, sometimes even unintentionally.

We can argue that ethics is about values and about values-based management, leadership is about a vision: having one, sharing one. Ethical leadership is a combination of righteous goals and righteous behaviour, righteous ends and righteous means, righteous policy and righteous administration, taking a 'helicopter view' and developing followers. Moreover, Mary Parket Follet (1949 in 1995) believed that the role and, thus also, the responsibility of leaders is significant because they are able to see things that others cannot, and the best leaders try to train the followers themselves to become leaders.

When talking about ethics in leadership, we need to discuss the topic of trust (see Lämsä and Pučėtaitė, 2006). In an organisation, besides commitment, employers want loyalty and trust from their employees, but both trust and loyalty are reciprocal concepts. Joanna Ciulla (2000) has noted that it is ironic that the less stability and loyalty companies have to offer employees, the more commitment they demand from them. Good ethical leaders are those who build trust and loyalty in their organisations. Trust is important and makes doing business with others much easier. 'If you trust a person, you can do business with a handshake. If you can't trust someone, you have to try to get all the transactions and agreements down on paper. When there is no trust in a society or organisation, people substitute rules, contracts and laws' (Ciulla, 2000). Robert Solomon (1998) has observed that without trust, there can be no betrayal, but more generally, without trust there can be no cooperation, no community, no commerce and no conversation. In short, there can be no interaction, no business at all.

Trust is a major strategic component of corporate performance as well as of the sustainability of the corporate social mission. The trust of stakeholders must be gained, built, preserved and increased through permanent efforts and consistent behaviour. It is therefore a matter of management and, as such, trust becomes an instrument requiring a suitable method — the 'methodology of coherence'.

Morality of activities

Ethics are revealed through activities and behaviour, and the behaviour and character of leaders have a great impact on others — they influence the lives of many people. A belief about 'honesty' needs interpretation and application across the company. The familiar phrase 'walk the talk' must start at the top and continue down through the structure. The extent to which those in charge apply beliefs to their decisions and behaviour sets the tone. Whether in writing or in discussion, the use of those beliefs should be made visible.

The difference between the morality of leaders and everyone else is that the ethical successes and failures of leaders are magnified by their role, visibility, power and the impact of their actions and behaviour on others (Ciulla, 2004). Companies with sound beliefs and ethics have a competitive advantage that extends far beyond one unique product or service, one set of loyal customers, a single technological breakthrough, the original founders or one talented CEO. They help sustain the company at a baseline success level through all the ups and downs that occur over time. Basic beliefs will not make of for clear and focused strategy or vision or for effective day-to-day operations.

However, when they are clear and consistently applied to influence and test major decisions and behaviour, they allow ethical executives to minimize risk to the enterprise and potentially avoid catastrophe. Individuals perform in many different roles and form organisations that embody different kinds of members, and some people are supposed to lead the others. Day-by-day the consistent application of beliefs and ethical behaviour is a part of each employee's job, and is therefore expected. Examples of outstanding results due to the diligent application of beliefs may be rewarded publicly and financially.

Failures of leadership are rooted in ethical failures, a lack of a corporate culture in which ethical concerns have been integrated, and an unresponsiveness to key organisational stakeholders; therefore, leaders not only have to accept responsibility for the consequences of their activities, they also have to make every effort to ensure that their decisions, recommendations and actions function to identify, serve, and satisfy all relevant entities: customers, organisations and society.

Skilful leadership makes it possible to achieve the best outcome in the long term and it does not matter whether we are addressing the preservation of or increasing the market share, dealing with loyal customers or creating a long lasting trustworthy relationship with our employees; ethical leadership means leadership that is performed in the same clear format both inside and outside the organisation.

A leader plays a critical role in establishing and maintaining the ethical culture within his/her organisation, and organisations often have the face of their leader. Leaders are role models — being watched and being followed. Robert Rogers (1995) has stated that top managers truly live in glasshouses where people scrutinise every move and word for their true meaning. The behaviour of senior leaders is the major thing that determines if and how the organisation's values are admitted. Leaders have to realise that when they make commitments, following through and keeping them are essential. If they don't, they have no one but themselves to blame when their credibility takes a nosedive. If leaders want to earn and build trust, they must 'walk the talk' and additionally share their feelings and beliefs so that employees gain a clear picture of their leader's values and priorities. Senior leaders must truly lead the way in creating a culture that reinforces and models open, honest, straightforward communication.

Collaborative nature of leadership

Leadership is always an expression of collective action, and one thing is sure — one cannot be a leader without willing followers. Mary Parker Follett wrote already in the1920s that leadership is the art of accomplishing something through other people, and Rost (1991, p. 102) has suggested that leadership is the relationship of influence among leaders and followers who intend real changes that reflect their mutual purposes. To be a leader we need other people who are willing to follow us and this gives us an opportunity to do something relevant as well as the responsibility for the outcomes and impact and our own behaviour.

The deeds and decisions of leaders, both in politics and organisations, have a strong influence on a wide range of people and it is the leader's task to direct their followers and businesses meaningfully. Meaningful leadership means leadership that is ethically sound, sustainable and that contributes to society at large. Ethical behaviour and ethical leadership are the critical keys to survival in the future and being a leader means playing a central role in establishing and maintaining an ethical culture of high trust to jointly achieve mutual goals.

Businesses are obliged to ensure the ethical treatment of their employees, customers, suppliers, shareholders and the communities within which they operate. They ought to create a 'do-it-right' climate that emphasises core values such as honesty, fairness, good service to customers, a commitment to diversity and good citizenship. People and businesses have to know how to collaborate peacefully and support each other and this requires building trust and respect among all players.

Quite often people are in situations without realising the need (or having enough time) to reflect and consider their behaviour and decisions, and this will lead to problems and wrongdoings. Sometimes these seem to occur very suddenly and unexpectedly, but deeper analysis of the situation reveals that things have gone on unnoticed or have been hidden from the public, important stakeholders and sometimes even from members of the organisation.

Leadership means responsibility

We can argue that the need for effective leadership has become one of the challenges of the 21st Century, and a growing number of academics and senior managers have come to recognise the importance of a new leadership paradigm (e.g. Ciulla, 2005; Mendonca and Kanungo, 2007). It is believed that in order to be able to succeed in this constantly changing environment, managers need to realise that companies are increasingly being judged, not just from a technical or financial point of view, but also from the moral point of view (Paine, 2003). The society demands and expects greater accountability from business organisations and the managerial leaders are those who bear the primary responsibility to respond to these demands (Mendonca and Kanungo, 2007).

Furthermore, being good, being effective and ethical and taking responsibility for one's activities is a big challenge. One has to be able to value and respect oneself and others and consider the interests of those who are impacted by the activities within and outside the organisation. Every organisation is a part of society and the environment, and ignoring these may force a discontinuation of one's activities. Society and the environment will survive if it loses an organisation here or there, but organisations will not succeed without support.

Modern corporations have significantly broadened their role in society, and this role impacts many both inside and outside the organisation. According to Lynn Sharp Paine (2003), in order to survive and thrive, the modern corporation must be more than a profit machine. She says that a growing body of evidence indicates that corporate citizenship, responsibility and accountability are becoming as vital to the bottom line as an effective business model. Organisations do not only provide products and services but also shape the entire field of public politics, the physical landscape, attitudes, customs and many other factors.

This has raised public expectations about the right and ethical behaviour of corporations and in turn forced much higher requirements upon leaders in terms of their conduct. Therefore, the practice of leadership should aim to guide and look after the interests of people, organisations and countries, and transform the mission of the organisation to seek the good of one's constituents as its responsibility. Moreover, quality leadership may be considered the single most important factor in assuring the behaviour of companies, and therefore, it is vital to have the right people in managerial positions.

Leadership and diversity

Another important topic when talking about ethics and responsibility in leadership is diversity. Diversity can be seen as a fact of modern life that is unavoidable because not all differences can be rationally and conclusively resolved, and people believe that with increased diversity we are facing more conflicts (Milliken and Martins, 1996). However, diversity is also an important source of moral, economic and social energy that brings together different ways of looking at life; and therefore, this enables us to learn from others and deepen our insights into human life. Having different perspectives will be critical to an organisation's survival and growth. Because of this, leaders are asked to embrace and understand the concept of workplace diversity and will be expected to have a solid understanding of leading a diverse workforce to be effective in positioning their organisations for future business opportunities.

To gain value from diversity in leadership requires a sustained, systematic approach and long-term commitment. Success is further facilitated by a perspective that considers diversity to be an opportunity for everyone: an opportunity to learn from each other how better to accomplish great achievements. Four main benefits that can be mentioned here are (Cornelius et al., 2001): to capitalize on diversity in the labour market, increase the potential of people, to manage across borders and among different countries, to enhance creativity and create new business opportunities.

Therefore, organisations and their leaders have a task to create an environment where employees understand the need for ethical conduct; they have to develop and sustain a culture where diversity is valued and leveraged, where all employees are treated with dignity and respect, are optimal contributors to business objectives and have equal access to opportunity. Sharing knowledge is important within all organisations. Only with open communication, trust, tolerance, integrity and respect of all members, can the organisations succeed in highly competitive environments. People create organisations and organisations are created for people, and people differ in their age, sex, skills, work experience, wills and needs. Ethics and diversity, in fact, have a multi-dimensional relationship that affects not only what issues we consider, but also the very process of engaging in ethical reflection.

Different approaches to ethics in leadership

Transactional and transformational leadership

Leadership styles influence organisational behaviour. According to Burns (1978), the leadership process occurs in one of two ways, either transformational or transactional, where the theory of transforming leadership rests on a set of moral assumptions about the relationship between leaders and followers. Bass (1985) claims transformational leadership and transactional leadership to be conceptually distinct and likely to be displayed by the same individuals in varying amounts and intensities. It is argued that transactional leadership satisfies the immediate and separate purposes of both leaders and followers whereas transformational leadership goes much beyond that. Both transformational and transactional leaders can positively influence the organisational culture; however, transformational leaders will have a stronger influence than transactional leadership on co-worker support and the building of an ethical culture.

Bass (1985) names the following three dimensions of transactional leadership: contingent reward, active management by exception, and passive management by exception. And suggests that in transactional leadership followers are motivated by leaders' promises, praises, and rewards, or they are corrected by negative feedback, reproof, threats, or disciplinary actions (Bass and Steidlmeier, 1999). In general, transactional leadership is regarded as basic management and is considered to be the most common form of leadership; however, the ethical and moral legitimacy of transactional leadership 'depends on leaders granting the same liberties and opportunities to others that one claims for oneself, on telling the truth, keeping promises, distributing to each what is due, and employing valid incentives or sanctions' (Bass and Steidlmeier, 1999, p. 185).

In contrast to transactional leadership, Burns (1978, p. 20) notes that transforming leadership ultimately becomes moral in that it raises the level of human contact and the ethical aspirations of both the leader and the led. Bass and others (1987) argue that transformational leaders have been characterised by four separate components. These four factors include: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Transformational leadership integrates creative insight, persistence and energy, intuition and sensitivity to the needs of others to forge the strategy (Bass and Avolio, 1993) and is also known as elevating, mobilizing, inspiring, uplifting, exhorting and exalting.

The fact that transformational leadership places a strong emphasis on followers' needs, values and morals, and involves attempts to move followers to higher standards and moral responsibility sets it apart from most other approaches to leadership because it clearly states that leadership has a moral dimension (see Bass and Steidlmeier, 1999; Northouse, 2009). Furthermore, studies have found significant and positive relationships between transformational leadership and the amount of effort followers are willing to exert, satisfaction with the leader, ratings of job performance and perceived effectiveness (see Avolio et al., 1988). However, transformational leaders can be virtuous or villainous depending on their values.

Therefore, Bass and Steidlmeier (1999) make a distinction between two types of transformational leadership, calling the leadership behaviour, which is consistent with moral values authentic (see also Avolio et al., 2004), and the state that involves an absence of such a moral foundation pseudo-transformational leadership. Authentic transformational leadership encourages and promotes values relating to honesty, loyalty, fairness, justice, equality and human rights, and for transformational leadership to be authentic, it has to incorporate a central core of moral values.

Servant leadership

Another leadership approach, which is firmly grounded on ethical principles is servant leadership (Greenleaf, 1978). The core focus of servant leadership is embedded in the concept that supervising has less to do with directing other people and more to do with serving them (Dannhauser, 2007, p. 19). The approach is related to the concept of transformational leadership and other 'ethical perspectives' on leadership (Northouse, 2001).

For example, Patterson (2003), in her work, explicitly describes servant leadership as an extension of transformational leadership theory, defining servant leaders as 'those leaders who lead an organisation by focusing on their followers, such that the followers are the primary concern and the organisational concerns are peripheral' (Patterson, 2003, p. 5).

Going further she defines followers as 'those who are subordinate to a given leader within a given organisation' (Patterson, 2003, p. 7) and suggests the terms subordinates and employees can be used interchangeably.

According to Patterson (2003), servant leaders are guided by seven virtuous constructs, which define servant leaders and shape their attitudes, characteristics and behaviour. She (ibid: 8) suggests that 'the servant leader a) demonstrates agape love, b) acts with humility, c) is altruistic, d) is a visionary for the followers, e) is trusting, f) empowers followers, and g) is serving'. The Greek word 'agape' refers to 'a moral love, doing the right thing at the right time for the right reason' (see Waddell, 2006; Winston, 2002) and in demonstrating 'agape love', the leader focuses on the employee first, the talents of the employee second and the benefit to the organisation third.

The servant leader leads because he or she wants to serve others and people follow servant leaders freely because they trust them. Like the transforming leader, the servant leader elevates people (Ciulla, 2004, p. 17) and they help followers to become healthier, wiser, freer, more autonomous, and more likely themselves to become servants.

Visionary leadership

Visionary leadership involves the ability to create and articulate a realistic, credible and attractive vision of the future (Nanus, 1992) for the organisation or organisational unit that grows out of and improves upon the present. Visionary leadership is based on a balanced expression of the spiritual, mental, emotional and physical dimensions, and requires core values, clear vision, empowering relationships and innovative action, where if one or more of these dimensions are missing, leadership cannot manifest a vision.

A commitment to values is an outstanding characteristic of all visionary leaders. Warren Bennis (1994) describes visionary leaders as 'people who know what they want and why they want it, and have the skills to communicate that to others in a way that gains support' and he continues 'successful leaders have a vision that other people believe in and treat as their own'. They embody a sense of personal integrity, and radiate a sense of energy, vitality and will. According to Marshall Sashkin (1995, p. 403), 'visionary leaders share certain characteristics that are different from personality traits on which early leadership focused'.

In addition, they have a deep, basic awareness of key situational factors that dictate what leadership approach and actions are required; furthermore, these leaders not only know what behaviours are required, they can also carry out those behaviours. Visionaries who are successful at manifesting their visions base their leadership on an inspirational, positive picture of the future, as well as a clear sense of direction as to how to get there.

Burt Nanus (1992) asserts that 'there is no more powerful engine driving an organisation toward excellence and long-range success than an attractive, worthwhile and achievable vision of the future, widely shared'. Visionary leaders transmit energy to people, giving them a new sense of hope and confidence in achieving the vision. The most effective visionary leaders are responsive for the real needs of people and they develop participative strategies to include people in designing their own futures. Visionary leaders anticipate change and are proactive rather than reactive to events. Their focus is on opportunities, not on problems. They emphasise win/win rather than adversarial win/lose approaches.

Stephen Harper (2001) argues that the vision serves three purposes: First, it serves as the company's North Star, as all decisions, plans and activities should be directed toward fulfilling the company's vision. Second, the vision must be compelling; it should give each person in the company a reason to jump out of bed in the morning. And third, the vision can serve as the glue that binds all the company's components together. By appreciating and supporting those who lead from their core spiritual values, visionary leaders strengthen those leadership qualities in themselves.

To conclude, we can say that a visionary leader is one who motivates and inspires, one who brings out the best in his or her people and one who guides the organisation to greatness. Companies whose leaders fail to do this can't hope to survive in today's economy, and therefore, they have to develop a strategic plan that includes specific and measurable goals to implement a vision. A comprehensive plan will recognise where the organisation is today, and cover all the areas where action is needed to move toward the vision. However, while the vision must have certain clarity about it, it should be broad enough and flexible to allow for unforeseen situations and circumstances.

Responsible leadership

Cameron and Caza (2005, p. 106) state that 'The idea of responsible leadership is not new, and the literature on effective leadership has always been characterised by an element of responsibility' (see also Burns, 1978; Yukl et al., 2002). However, it can be argued that responsible leadership has emerged as a consequence of the unethical, purely money-making behaviour of some business leaders and has become an important topic in leadership discussions especially in recent years. The increasing demand for responsible leadership to cope with the complexity of today's business environment poses a number of challenges for organisational leaders.

Maak and Pless (2006) posit that these challenges have an explicitly relational character, requiring relational intelligence as manifested in their emotional, multicultural and ethical qualities. The moral challenge requires reflection and critical yet respectful thinking about themselves, the organisation and others. Moreover, responsible leadership, responsible leaders and related issues have far-reaching implications not just for the survival of business organisations, but their sustainability. For Maak and Pless (2006), the leaders of today act in the context of a global, complex, uncertain and integrated business environment involving many followers as stakeholders within and outside their organisations.

Therefore, when defining responsible leadership, Maak and Pless (2006) turn their attention to highlighting values, emotions and mutual recognition in building and sustaining morally sound relationships with all relevant stakeholders of an organisation. According to Pless (2007, p. 438), responsible leadership is closely linked to corporate responsibility, which is first and foremost a leadership challenge because caring, moral consciousness, and openness to the diversity, awareness and understanding of the responsibilities of business in society are required of leaders who exercise corporate responsibility. Thus, we can argue that responsible leadership depends not only on principled individuals and their education and training, but also on a 'holding environment' – an organisational and environmental context where responsible leaders can flourish.

Maak and Pless (2006) see responsible leadership as a function of four dimensions: the leader as a responsible person, roles a responsible leader plays, the ethics of the leader-

follower relationship and responsibilities or ethics of what a leader does. The authors assert further (Maak and Pless, 2006), that the responsible leader is at times a servant to others, steward and custodian of values and resources, architect of sound processes and shared systems of meaning and a responsible change agent, coach to nurture and support others and storyteller, who uses the means of storytelling to lead responsibly.

In this regard responsible leaders should act as visionaries to ensure sustainable business success; they should be able to envision a desired future that appeals to followers as stakeholders and that give them direction. They should also respect, be attentive to and care for the needs and interests of others and in their role as servant leader. As a storyteller, a responsible leader creates and enables meaning, and as an architect the role involves creating an environment conducive to followers finding meaning, feeling respected, recognised and belonging.

Additionally, responsible leaders should have a high degree of relational intelligence, be sensitive towards his or her own needs and feelings as well as those of his or her followers. Relational intelligence comprises emotional intelligence and ethical intelligence. Emotional intelligence can be defined as 'the ability to perceive emotions, to access and generate emotions to assist thought, to understand emotions and emotional knowledge, and to regulate emotions reflectively to promote emotional and intellectual growth' (see Caruso et al., 2002, p. 56), and at the heart of emotional intelligence, we can find self-awareness and an awareness of other's needs, motives, desires, emotions and requirements. Ethical intelligence refers to moral awareness, reflection, skills, critical thinking and moral imagination.

Furthermore, responsible leaders adopt the ethics of caring for the well-being of their followers. As coach, the responsible leader supports the relational process and fosters collaborative interaction, facilitates development, enables learning and supports individuals and teams in realising a common vision and achieving objectives. Responsible leadership means value-based leadership comprising the right values, those that enable both leaders and followers to find a common meaning and purpose and be guided by a strong ethical compass. A responsible leader is also a person we can characterise as a committed citizen and member of society.

Concluding remarks

Leadership, especially ethical leadership, is a great challenge as well as an opportunity. Not all people are able to take this responsibility as the leaders are the ones, who have great influence and impact on others, and the decisions they have to make and the actions they take often influence the life of many individuals, businesses and even the whole of society.

Today, we can firmly say that ethical behaviour and ethical leadership are the critical keys to survival in the future, and especially within turbulent circumstances. Meaningful leadership, leadership that in the long run counts for something, cannot be accompanied by moral collapse. It may not be correct to say that 'the leader who acts ethically will ultimately succeed', but reality has proven that the leader who lacks an ethical foundation will ultimately fail, maybe not immediately, but in the long run.

We can argue that ethical leadership that is composed of the combination of vision and values-based management is the best approach. Therefore, the combination of integrity, ethical standards and the fair treatment of employees are the cornerstones of ethical

leadership. Furthermore, emphasising trust and its dimensions of credibility, respect, fairness and pride can create an environment where ethics and responsibility are not only talked about but also practised in business.

Consequently, we can say that the practice of leadership aims to guide and look after the interests of people, organisations and countries; it transforms the mission of the organisation to seek the good of one's constituents as its responsibility. Ethics is about values and about values-based management, leadership is about a vision: having one — sharing one. Ethical leadership is a combination of righteous goals and righteous behaviour, righteous ends and righteous means, righteous policy and righteous administration, taking a 'helicopter view' and developing followers. Here we can turn back to Mary Parket Follet, who claimed that the role and thus also the responsibility of leaders is significant because they are able to see things that others cannot, and the best leaders try to train the followers themselves to become leaders.

Moreover, the role of leaders and leadership has utmost importance in leading the organisations through turbulent and crisis situations and to successful and sustainable long-term performance. However, this can be accomplished when ethical principles and core values are embedded in the shared vision, followed in all the decision-making processes and activities and leaders take a firm stand in engaging and developing followers in enhancing the consideration of ethical values in all organisational activities. In addition, an ethical leader must be able to build and sustain good relationships with all stakeholders inside and outside the organisation (subordinates, customers, employees, suppliers etc.) and coordinate their actions to achieve common objectives.

In an organisation, besides commitment, employers want loyalty and trust from their employees, but both trust and loyalty are reciprocal concepts. When the organisations fail to offer their employees stability and loyalty, they also should not demand high loyalty and commitment from them. Good ethical leaders are those who build trust and loyalty in their organisations. Trust is important and makes doing business with others much easier, and without trust, without a trusting environment there is no cooperation, no community, no commerce and no conversation. In short there can be no interaction and even no business at all. In today's market we do not deal so much with certain products and services as with trust and good relationships among people.

Strong leaders may have clear vision, creativity, pride and even trust among employees, but these may not be enough unless accompanied by competency, transparency, integrity and humility. In this case all these positive traits may lose their value and the organisation may not recognise their leader as an ethical role model.

We can argue that the tasks leaders fulfil are not easy, and ethical leadership can never be said to be easy. Ethical leadership requires discipline, mental and personal discipline that not all leaders are strong enough to maintain. Being a moral person is not enough; one needs to be a moral manager as well. While leading others one has to know and remember that words don't count — only deeds do. By doing things right, leaders may see that ethical leadership pays dividends in employee pride, commitment and loyalty and enables the leader as well as the organisation to benefit from better results, and, moreover, a better and more positive working environment.

References

Aronson, E. (2001). Integrating Leadership Styles and Ethical Perspectives. *Canadian Journal of Administrative Sciences,* 18 (4): 244–256.

Avolio, B.J., Gardner, W.L., Walumbwa, F.O., Luthans, F. and May, D. (2004). Unlocking the Mask: A Look at the Process by Which Authentic Leaders' Impact Follower Attitudes and Behaviors. *Leadership Quarterly,* 15: 801–823.

Badaracco, J.L., Jr. (1997). *Defining Moments: When Managers Must Choose Between Right and Right.* Boston: Harvard Business School Press.

Bass, B. (1985). Leadership: Good, Better, Best. *Organizational Dynamics,* 13: 26–40.

Bass, B.M. and Avolio, B.J. (1993). *Manual: The Multifactor Leadership Questionnaire.* Palo Alto, CA: Consulting Psychologist Press.

Bass, B.M. and Steidlmeier, P. (1999). Ethics, Character, and Authentic Transformational Leadership Behavior. *Leadership Quarterly,* 10 (2): 181–217.

Bass, B.M., Avolio, B.J. and Goodheim, L. (1987). Biography and the Assessment of Transformational Leadership at the World Class Level. *Journal of Management,* 13: 7–19.

Bennis, W. (1994). *On Becoming a Leader.* Reading, MA: Perseus.

Brown, M.E., Trevino, L.K. and Harrison, D.A. (2005). Ethical Leadership: A Social Learning Perspective for Constructs Development and Testing. *Organizational Behavior and Human Decision Process,* 97: 117–134.

Burns, J.M. (1978). *Leadership.* New York: Harper Torchbooks.

Cameron, K. and Caza, A. (2005). Developing Strategies and Skills for Responsible Leadership. In Doh, J.P. Stumpf, S.A. (Eds.) Handbook on Responsible Leadership and Governance in Global Business. Edward Elgar Publishing Ltd.

Carroll, A.B. (2010). *National Business Ethics Survey, 2009.* The Ethics Resource Centre, USA.

Caruso, D. R., Mayer, J. D. and Salovey, P. (2002). Emotional Intelligence and Emotional Leadership. In R. Riggio and S. Murphy (Eds.) *Multiple Intelligences and Leadership.* Mahwah, N.J.: Lawrence Erlbaum Associates, pp. 55–74.

Ciulla, J.B. (2004). *Ethics, the Heart of Leadership,* 2nd ed. Westbury, CT: Quorum Books and Praeger.

Ciulla, J.B. (1995). Leadership Ethics: Mapping the Territory. *Business Ethics Quarterly,* 5(1): 5–28.

Ciulla, J.B. (2000). On Getting to the Future First. *Business Ethics Quarterly,* 10 (1): 53–61.

Ciulla, J.B. (2001). Carving Leaders from the Warped Wood of Humanity. *Canadian Journal of Academic Sciences*, 18 (4): 313–319.

Ciulla, J.B. (2005). The State of Leadership Ethics and the Work that Lies before us. *Business Ethics: A European Review*, 14 (4): 232–335.

Cornelius, N., Gooch, L. and Todd, S. (2000). Managers Leading Diversity for Business Excellence. *Journal of General Management*, 25 (3): 67–79.

Dannhauser, Z. (2007). *The Relationship Between Servant Leadership, Follower Trust, Team Commitment and Unit Effectiveness*. Dissertation. Stellenbosch, South Africa: University of Stellenbosch.

DePree, M. (1993). The Leadership Quest: Three Things Necessary. *Business Strategy Review*, 4 (1): 69–74.

Drucker, P. F. (1999). *Management Challenges for the 21st Century*. Harper Business. Duckerich, J.M., Nichols, M., Elm, D. and Vollrath, D. (1990). Moral Reasoning in Groups: Leaders Make a Difference. *Human Relations*, 43: 473–493.

Ferrell, O.C., Maignan, I. and Terry Loe, T. (1999). A Corporate Ethics + Citizenship = Competitive Advantage. *Successful Business Through Successful Ethics Programs Proceedings*. Center for Ethics, University of Tampa, March 19.

Follett, M.P. (1995). *Prophet of Management: A Celebration of Writings from the 1920s*. In P. Graham (Ed.) Washington D.C.: Beard Books.

Greenleaf, R.K. (1977). *Servant leadership: A journey into the Nature of Legitimate Power and Greatness*. New York, NY: Paulist Press.

Harper, S.C. (2001). *The Forward-Focused Organization: Visionary Thinking and Breakthrough Leadership to Create Your Company's Future*. New York, NY: AMACOM, American Management Association.

Hofmann, B.P. (2004). Why Good People Behave Badly. *Healthcare Executive*, 19: 40–41.

Kanungo, R.N. and Mendonca, M. (1996). *Ethical Dimensions of Leadership*. London: Sage.

Kooskora, M. (2005). A Discussion of Ethical Leadership. Business Ethics and Corporate Social Responsibility. *EBS Review*, 19: 42–49.

Kooskora, M. (2010). Why to Talk about Ethical and Responsible Business? Giving Meaning to Ethics and Responsibility in Business. In R. Pučėtaitė (Ed.) *Ethical and Environmental Competence for Sustainable Development, ebook,* Vilnius University, pp. 7–26.

Kooskora, M. and Mägi, P. (2010). Ethical Leadership Behaviour and Employee Job Satisfaction. In M. Siltaoja, A.-M. Lämsä and J.Kujala (Eds.) *Proceedings of the 11th EBEN Research Conference 'From Theory to Practice– How Does Business Ethics Matter?'* University of Jyväskylä Press, pp. 112–126.

Kotter, J.P. (2001). What Leaders Really Do? *Harvard Business Review*: 3–11.

Kouzes, J.M. and Posner, B.Z. (1992). Ethical Leaders: An Essay about Being in Love. *Journal of Business Ethics*, 11 (5-6): 479–484.

Kouzes, J.M. and Posner, B.Z. (1987). *The Leadership Challenge*. San Francisco: Joey-Bass.

Lämsä, A. and Pučėtaitė, R. (2006). Development of Organizational Trust among Employees From a Contextual Perspective. *Business Ethics: A European Review*, 15 (2): 130–141.

London, M. (1999). Principled Leadership and Business Diplomacy: A Practical, Values-Based Direction for Management Development. *Journal of Management Development*, 18 (2): 170–192.

Maak, T. and Pless, N.M. (2006). Responsible Leadership in a Stakeholder Society – A Relational Perspective. *Journal of Business Ethics*, 66 (1): 99–115.

Mendonca M. (2001). Preparing for Ethical Leadership. *Canadian Journal of Academic Sciences*, 18 (4): 257–285.

Mendonca, M. and Kanungo R.N. (2007). *Ethical Leadership*. Berkshire: Open University Press.

Millikin, F.J. and Martins, L.L. (1996). Searching for Common Threads: Understanding the Multiple Effects of Diversity in Organizational Groups. *Academy of Management Review*, 21: 402–433.

Nanus, B. (1992). *Visionary Leadership: Creating a Compelling Sense of Direction for Your Organization*. San Francisco: Jossey-Bass.

Northouse, P.G. (2001). *Leadership Theory and Practice*. 2nd ed. London: Sage Publications.

Northouse, P.G. (2009). *Introduction to Leadership: Concepts and Practice*. Thousand Oaks, CA: Sage Publications, Inc.

Paine, L.S. (2003). The Thought Leader Interview. *Strategy and Business*, 31: 97–105.

Paine, L. (1994). Managing for Organizational Integrity. *Harvard Business Review*, Mar.-Apr.: 106–107.

Patterson, K.A. (2003). *Servant Leadership: A Theoretical Model*. Doctoral dissertation, Regent University (UMI No. 3082719).

Petrick, J.A. and Scherer, R.F. (2003). The Enron Scandal and the Neglect of Management Integrity Capacity. *Mid-American Journal of Business*, 18 (1): 37–49.

Pless, N.M. (2007). Understanding Responsible Leadership: Role of Identity and Motivational Drivers – The Case of Donne Anita Roddick. *Journal of Business Ethics*, 74 (4): 437–456.

Rogers, R. (1995). The Psychological Contract Of Trust – Part II. *Executive Development*, 8 (2): 15–19.

Rost, J.C. (1991). *Leadership for the Twenty-First Century*. New York: Praeger.

Sashkin, M. (1989). From 'Visionary Leadership'. In W.E. Rosenbach and R.L. Taylor (Eds.) *Contemporary Issues in Leadership*, 2nd Edition, Westview Press.

Solomon, R. (1998). Ethical Leadership, Emotions, and Trust: Beyond "Charisma". In J.B. Ciulla (Ed.) *Ethics: The Heart of Leadership*. Westport, CT: Quorum Books.

Stogdill, R.M. (1974). *Handbook of Leadership*. A Survey of Theory and Research. New York: Free Press.

Trevino, L.K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model. *Academy of Management Review*, 11 (3): 601–617.

Victor, B. and Cullen, J. (1988). The Organizational Bases of Ethical Work Climates. *Administrative Science Quarterly*, 33: 101–125.

Waddell, J.T. (2006). *Servant Leadership. Servant Leadership Research Roundtable*. Virginia Beach, VA: Regent University School of Leadership Studies.

Winston, B.E. (2002). *Be a Leader for God's Sake*. Virginia Beach, VA: Regent University School of Leadership Studies.

Yukl, G., Gordon, A. and Taber, T. (2002). A Hierarchical Taxonomy of Leadership Behavior: Integrating a Half Century of Behavior Research. *Journal of Leadership & Organizational Studies*, 9: 15–32.

CASE 2. Keeping motivated in turbulent times[1]

Introduction

Managing human capital is critical for an organization to beat the competition and perform effectively. Employee motivation goes hand in hand with productivity and success. If a company wants to succeed, it needs to make sure that their employees are satisfied, sufficiently challenged, and contributing to the bottom line. Logically, companies should put up more money in human recourses and concentrate on treating and motivating them. On the opposite, there predominate redundancies, layoffs and ruining of healthy atmosphere and corporate cultures which have been built for many years. Due to massive layoffs and increased workload, working under pressure makes people nervous, stressful, insecure and fearful. What will be if I fail? What will be if I lose a job? On the other hand, many theorists claim that fear is one of the motivating factors which help to increase productivity and withstand the pressure. However, constant pressure of avoidance of failures in the workplace - of prevention of losing one's job and staying strong in order to survive crisis conditions, leads to work stress. The terms "work pressure" and "work stress" are still used interchangeably. Work pressure and stress can lead to deterioration in the way employees work or even result in their becoming sick. That can have an impact on the atmosphere in the workplace, the quality of the work produced, and so on. The causes of work pressure and stress may lie in the work itself, in the employee's private circumstances, or in a combination of both. Whatever the reason, the problem affects employee performance. In many cases, the solution lies in a package of measures targeting both the company and the individual.

Content of the case

It was close to the beginning of March 2009, and members of the Financial Markets Department in one of the largest banks in the Baltic region were waiting with anticipation for the results of the previous year. Just a year ago, all ten of them had received generous monetary rewards for their good performance and similar outcomes were expected for the current year. Although everyone was well aware of how much the overall situation had changed across Estonia and the unfavourable economic conditions that organizations were having to cope with, people still expected to hear good news about their own performance and future. Nobody actually believed that the unemployment rate, which had rocketed from 4% to 13.5% within a single year, could endanger their own working conditions. They knew that other banks had some problems with the yearly bonus payments because of the economic downturn, but hoped that their hard work would be rewarded.

When the results for the previous year were announced, people felt relieved: sales had grown and net profit had increased even more than a year ago. Remarkable bonuses were paid according to each dealer's sales, and people began to feel more secure. The head of the department, Paul, publicly praised the employees and held coaching sessions with each subordinate face-to-face. People felt motivated by the idea of receiving a monetary award

again in March 2010, and members of the department set new aims and were ready to work even harder than before. This also meant that their monthly reports had to show continuously good results throughout the coming year.

Within a month, the overall situation in the banking sector worsened and potential lay-offs in banks became more probable than ever before, creating a feeling of insecurity and adding pressure to produce good results. This was escalated when, on 1 April (April Fool's Day), a joke circulated that 10% of the staff in the bank would be made redundant within 2 weeks. Although there was no official information, people felt worried and unconfident and the working environment became uneasy and very stressful. Soon it became obvious that the loan and leasing departments had suffered significant losses due to the specificity of the market and the crisis circumstances, and had severe problems with liquidity; therefore, it seemed that redundancies in the bank were becoming increasingly likely. Not hearing any official announcement and not knowing what to expect next, Paul started to feel strong pressure. He was afraid of losing his team of highly capable, motivated, well educated trained people. All he could do was to calm his team by reminding them of their great results and the likelihood that, due to these, no redundancies would be made in their department.

It was clear that the pressure influenced everyone in the department. Many people became more stressed, quiet, cautious and even suspicious. Moreover, they stopped taking the initiative and being independent and creative in normal problem-solving and decision-making. Members of the department were afraid of doing something wrong and being punished for that through lay-offs. The previously open, supportive environment disappeared and this all had a direct impact on the performance of the department as a whole (see Appendix 2, Figure 1).

Paul saw that this pressure had a strong adverse affect on everybody, and that people no longer dared to take advantage of the usual shortened working days that they traditionally had enjoyed. Over the years he had been proud of the strong organizational culture and successful motivational policy of his department, where people were highly motivated by having a prestigious and respected job in a successful bank, were able to get remarkable monetary rewards and bonuses, and had opportunities to grow and be promoted within good working conditions, all of which resulted in a healthy and positive working atmosphere and a feeling of belonging to a friendly, trusting and supporting team. Unfortunately, this was being ruined and pressure, stress, insecurity and distrust were starting to prevail.

Paul knew that three younger department members were attending classes at the university in the evenings, and that one chief dealer, Anna, had two children she had to raise alone, while taking care of her retired mother. Paul was certain they all needed more time, but saw that instead of trusting other members, everyone was struggling alone, fighting tiredness and exhaustion.

On 23 April, there was a meeting of the bank's board of directors where an official announcement about restructuring and redundancies was made. Fortunately, Paul's department was not affected and he delivered the good news to his people without delay. He encouraged everybody, emphasising that there was no need to worry and that no lay-offs would be made in their department. In addition, he said that they were moving in the right direction and had had great results – they had earned more profit than before and that the directors were satisfied with their performance.

This gave the department some new breathing space. Feeling safer about their jobs, people became friendlier, started to communicate with each other again, and they were even ready to share their feelings and thoughts about the situation.

Anna expressed her worries, saying:

> If I do not have a job tomorrow, I will not be able to pay for my house, car, children's school, etc. These problems have a significant impact on my life at home and in the workplace. I am not safe, I feel exhausted, tired and vulnerable. I am afraid of making mistakes at work, because then I can be punished and I can lose my job. If I do make any mistakes, I am stressed all day and this de-motivates me because I feel scared of doing something else wrong. I think I've became more diffident and reserved. I do not want to participate in any conflicts or problems.

Almost all the employees had bank loans, leased cars, university tuition to pay each month, and had to take care of other family members, and thus, they all expressed quite similar thoughts and worries about coping and supporting their families – all except the two youngest team members, Sanna and Erik, who were single and more confident than the others.

The Equity Dealer, Sanna, said:

> Despite the fact that I am sure it would not be me who could be made redundant, I often realize the risk. My emotions are not positive in this situation, but I am stimulated by this risk to become more careful. I am trying to do my best in order to avoid errors, to be punctual. I try to work harder and to show the results that indicate I am good at my work. I want to be an invaluable and useful employee for my organization. Technically, I can be made redundant, but I am young, ambitious, I know foreign languages, I have an excellent education and I develop myself all the time. Moreover, I have completed so many in-service courses to update my qualifications. The organization has invested a lot of money in my training and it would not be advantageous to make me redundant now. I can be a useful employee.

The young foreign exchange dealer, Erik, had a much more positive view of the whole situation:

> In Chinese, "crisis" means new opportunities. Just look around: if you are fired today, it could be a new opportunity for you to get a better job with greater potential. These difficulties give us the opportunity to move, to develop, to grow. When we are happy, we are not in need of anything, we just relax and do nothing because the conditions are appropriate and we do not want to change anything. When we are inconvenienced, we try to change things and make our lives better.

On 1 May 2009, the data for April's results were published, showing that sales and net profit had stopped growing and even slightly dropped. The market analysis showed that April was as good for financial market operations as before, and it was difficult to say that the problem came from outside the department. Further analysis had revealed that the number of errors had increased 6.5 times since March, and that most of the errors were made at the beginning of the month. It became clear that the duration of calls had shortened while the number of calls remained the same; therefore, department members were given warnings and required to

write papers and reports explaining the high rate of errors and promising to be more careful in the future.

Despite this, during May people calmed down, they started to be friendlier with each other and the atmosphere became much better. Meanwhile, other departments were restructured and many employees were made redundant. This had an impact on the members of the department as well, but also made them feel more proud to be working for such a prestigious department, which needed them as specialists to continue boosting sales. Motivation grew; they felt valued, that they belonged to the organization, and their trust in Paul was high.

The results for June 2009 showed very good achievements – even better than in May. However, pressure mounted again at the beginning of July 2009, when rumours started to go around that the bank expected further redundancies, extending to 15% of the bank's employees, and that this time it could also affect the department. No official announcements were made, and Paul was not sure what to tell to his people. He hoped that, as the department was obliged to cut costs, they would cut working hours or salaries, without resorting to lay-offs in his department. Despite his assurances, sales started to fall sharply, and the number of errors also increased significantly (Appendix 2, Figure 1). People were afraid of the unknown; they wanted to know if they were going to be there the next working day. Insecurity and instability filled their minds.

The situation for employees was worsened by the new Employment Contracts Act (ECA; see Appendix 5) that came into force on 1 July 2009. The new act was not supposed to come into force before the beginning of the next year, but due to the rapid changes in the labour market and expected further decline, it had been decided to adopt it six months earlier despite opposition from trade unions and strong criticism from various institutions.

This new act provided a more employer-friendly and flexible set of rules, giving employers much more freedom to reduce the wages of employees or cancel employment contracts due to unfavourable economic circumstances, including a decrease in contracts or clients. The new ECA followed the "flexicurity" principles and made it much easier to lay off employees, especially for economic reasons, which were very common during the recession period the whole country was struggling through.

According to the new ECA §37(1), the employer was permitted to reduce the wages of the employees to the minimum wage established by the Government of the country for up to three months in any 12-month period. This was just 1/5 of the average wage in the banking sector, and certainly many times less than what people had been earning in the department. According to the new ECA §37(4) and §89, it was enough to inform the employee of reduced wages and terminated employment contracts for economic reasons by sending an e-mail or SMS, or just through the bulletin board, no less than 14 days in advance. The agreement of the employee was not required. The new law also significantly reduced the remuneration compensation for employers to the employee's average monthly salary.

Paul knew that he had to lay off some people and that the bank's authorities had also made it very clear that they would act as the new law permitted, without taking any additional and voluntary burdens when forcing employees to leave their jobs. Paul felt stressed and frustrated. He had to make very tough decisions and somehow, at the same time, restore the positive working atmosphere of the department.

Required reading

Brown, M.E. and Mitchell, M. S. (2010). Ethical and Unethical Leadership: Exploring New Avenues for Future Research. *Business Ethics Quarterly,* 20 (4): 583-616.

Maak, T. and Pless, N. M. (2006). Responsible Leadership in a Stakeholder Society – A Relational Perspective. *Journal of Business Ethics,* 66: 99–115.

Recommended reading

Drucker, P.F. (2006). *Managing the Non-Profit Organization: Practices and Principles.* VNU Business Media, Inc.

Reina, D.S., Reina, M.L. (2006). *Trust and Betray in the Workplace.* Berrett-Koehler Publishers, Inc.

Stranks J.W. (2005). *Stress at Work: Management and Prevention.* Elsevier Publishing.

Zeus, P. and Skiffington, S. (2000). *The Complete Guide to Coaching at Work.* Sydney: McGraw-Hill.

Case-specific questions

1. How would you describe Paul as a leader? What is Paul's role? What does Paul need to do and what decisions does he need to make? What criteria can Paul base his decisions on? Is he able to save his department? How?
2. How should Paul communicate the news to his department members?
3. What might happen to the department after the lay-offs are made?
4. What role does motivational policy play in lay-off pressure?
5. How can Paul improve the situation and bring back a healthy atmosphere?
6. How do changes in the bank affect its relations with stakeholders?

Appendix 1. Some background facts about the bank

There are about 12 main banks in the country, and most of them are located in the capital city. The bank in this case study has a head office in the capital city, and 22 offices around the country.

The bank group is one of the largest financial enterprises in the region. In addition to its operations in its home country, the group also has business units in most of the neighbouring countries and even on other continents.

Mission – Passionate about making the client's life better. This is the goal the bank works towards, taking into account the basic values of the bank. The values characterize both the attitude to service and relationship toward the clients.

Values
- Benefit the Client
- By far the most active
- Straight talk
- One team
- Bravely different
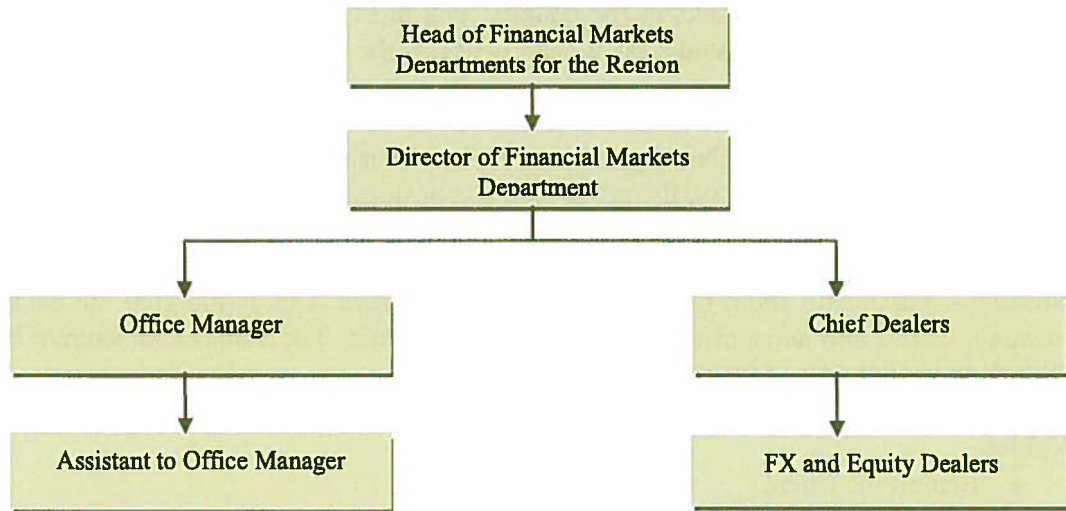- Will to win

Appendix 2. Structure of the Department

Figure 1. Structure of Financial Markets Department

Short background of the department members

The department is one of the bank's divisions and it is located in the head office. Personnel consists of 10 employees, all having worked for more than 2 years:

- Head of Department
  - o Leads the Department, takes care of his employees, has MBA degree, family with 3 teenagers.
- 3 chief dealers
  - o One of the chief dealers does not speak English at the appropriate level, studies English 3 times a week, raises two kids alone.
  - o Another chief dealer cannot quote prices on the foreign exchange market (FX market); therefore, when all lines are busy, he is not able to provide needed information/prices to the clients. He has 2 children and a pregnant wife.
  - o Third chief dealer is very experienced, has been in the bank over 10 years, and has 2 grandchildren.
- 2 Foreign Exchange dealers
  - o The younger dealer is ambitious and more self-confident than the other employees, is well educated and has work experience in foreign countries; close relatives are in high positions in the bank.
  - o The slightly older dealer is completing his MBA, speaks 5 languages fluently, has a family and young children.
- 2 Equity dealers
  - o Both dealers go to the university in the evenings, want to graduate with MBA degrees in the following year, and are living with partners (no children).
- 1 office manager
  - o Manages everyday work of the department, keeps everybody informed and everything in order. Has been in the bank over 8 years, is the mother of 3: twin daughters go to primary school, son is in high school.
- 1 assistant office manager

o Assistant Office Manager joined the department most recently, helps everybody, and realizes the risk of being made redundant in case crisis conditions worsen and reorganization happens in department. Lives with partner (no children).

Employees are aware of their own professional limitations, but involve themselves in training and self-development courses.

The Head of the Department reports to the Director of Regional Financial Markets Departments.

Functions of the Department

The main functions include:
- Dealing with financial instruments: Foreign Exchange swaps, FX forwards, FX spot deals, FX speculation
- Dealing with currency, gold and oil futures
- Dealing with equity trading
- Managing the Reserve Bank's gold and foreign exchange reserves
- Providing market information and analyses to assist the governors in their decision-making
- Managing the risk inherent in gold, foreign exchange, refinancing and government funding activities

The main difference between a trader and a dealer is that the former's responsibility also includes sales, mainly done by telephone because, first, financial markets move every moment; second, deals are made very quickly and the same client can close deals many times per day (20-30 deals); third, the main segment of clients come from neighbouring countries as well as from several developing countries in other regions. Consequently, the telephone is the fastest means of communication between a dealer and a client. All telephone conversations are recorded.

Appendix 3. Motivational Policy of the Department

Motivational policy of the Financial Markets Department:
Employees were highly motivated due to an effective motivational policy, including:

- Monetary rewards and bonuses once a year
- Christmas and summer parties
- Two "kick off" visits to other Capital Cities of the Region (Financial Markets Departments of neighbouring countries) – summer and Christmas meetings/ corporate parties where achievements and plans of the company are discussed
- Deserved shortened days
- Additional winter holidays (7 free days) between November and March
- Paid mobile telephone and petrol
- "Public praise" (good achievements are appreciated and communicated to the financial market department, to other departments, to the head of the "bank")
- Coaching[2] – conducted 2 times per year. Coaching session discussions include: achievements and failings, setting new aims, evaluation of the attainment of previously set goals, etc.
- Opportunities to grow and be promoted
- Business trips to all partner countries
- Having a prestigious and respectful job
- Good and friendly team
- Constant communication with people, colleagues, clients (in order to apply for the position of dealer good communication skills are highly required)
- Absence of job routine
- Good working conditions
- Positive ideology and company culture
- Training and qualifications (BLOOMBERG training, SAXESS qualification/license, etc.)
- Possibility to take initiative

---

[2] Coaching – a dialogue between a coach and a coachee within a productive, results-oriented context. Coaching involves helping individuals access what they know. A coach engages in a collaborative alliance with the individual to establish and clarify purpose and goals and to develop a plan of action to achieve these goals (Zeus and Skiffington, 2000, p.3).

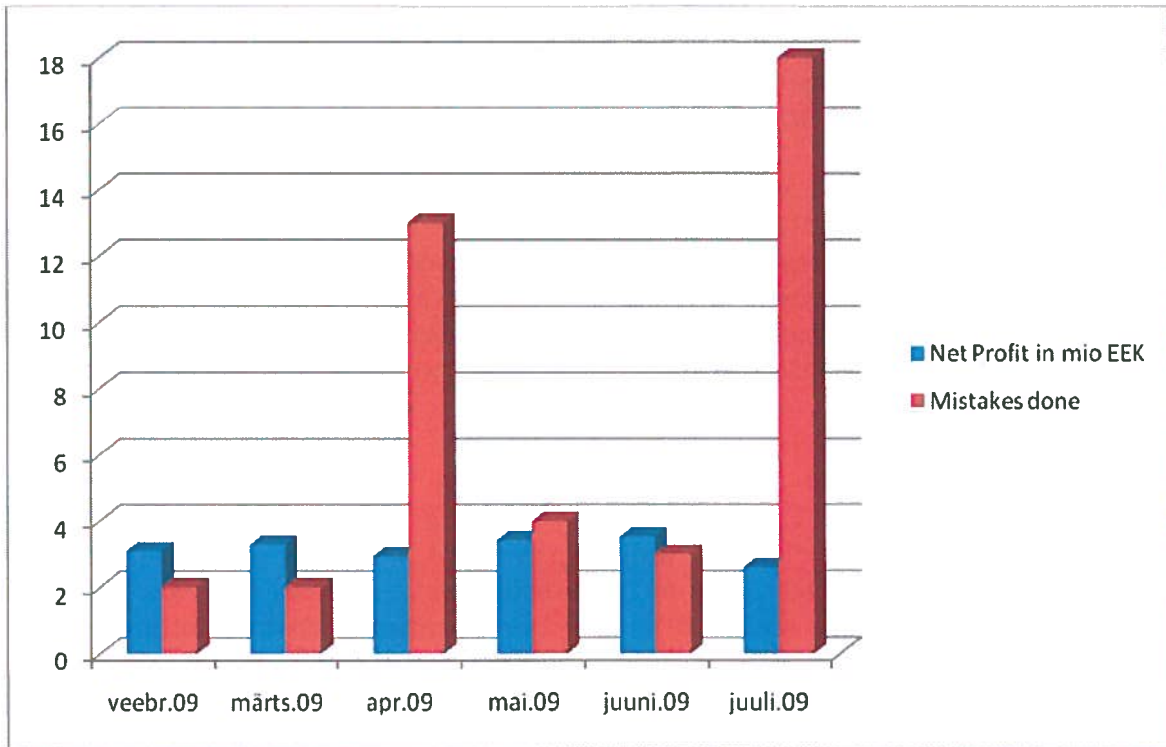## Appendix 4. Performance Results of the Financial Markets Department

Figure 2. Net profit in Million and Errors made by Financial Markets Department (February 2009 – July 2009)

Appendix 5. Employment Contracts Act

New labour law to increase flexibility

The country's new Employment Contracts Act took effect from 1 July 2009, bringing about a number of significant changes to the country's labour market. The legislation primarily aims to make the labour market more flexible.

On 17 December 2008, the parliament passed the new Employment Contracts Act, which took effect from 1 July 2009. Initially, it had been planned that the Act would enter into force in 2010. However, due to rapid changes in the labour market and expected further economic decline, the parliament decided to bring the date forward. It made the decision despite opposition from trade unions, which expressed concern regarding the timing of the adjustment of the institutional framework, as the new act was adopted six months sooner than was initially planned.

Greater flexibility

In order to increase labour market flexibility, dismissal procedures were made easier by reducing the term of advance notice by 30 calendar days to between two weeks and three months, depending on the length of the previous employment contract. In addition, the employer was obliged to provide additional free time for workers to enable them to find a new job before the actual dismissal.

To ease the financial burden of redundancies for the employer, the payment of redundancy benefits was shared by the employer and the Unemployment Insurance Fund. In all redundancy cases, the employer had to pay a proportion of the redundancy benefit amounting to the employee's average monthly salary, while the Unemployment Insurance Fund had to finance the rest of the benefit. In addition, the redundancy benefit amount was reduced by one month's salary and remained in the range of between one and three months' average salary, depending on the length of the previous employment. In the case of people who have employment tenure greater than 20 years, a five-year transition period was implemented, during which they retained the existing level of redundancy benefits – that is, four months of earnings.

The new employment law that took effect in the country on July 1, 2009 enabled the employer to terminate agreements for economic reasons (lay-off, liquidation, etc.) and for reasons dependent on the employee (health, breach of contract, unsatisfactory results, etc.). In some cases the employee was entitled to a severance payment, and usually the employer had to give the employee notice or warning before terminating the agreement.

The new Employment Contracts Act that took effect on July 1 2009 lifts certain rigid, socially outdated requirements, and provides a more employer-friendly and flexible set of rules. The new regulation enabled the private sector to adapt to the changed economic environment and to survive through hard times by restructuring its employment relationships. It was supposed to be beneficial for entrepreneurs upon the expected recovery of the economy. Among other amendments, the notice period for the cancellation of employment agreements was considerably shortened and the amount of redundancy compensation payable by the employer decreased.

Temporary reduction of salary and workload

If an employer is unable to ensure the employee the agreed volume of work, the employer has the right, subject to certain conditions, to reduce the employee's salary for 3 months within a 12-month period to a level not below the established minimum wage. Accordingly, the employee may do less work to the same extent.

Redundancy

The notice period for terminating an employment contract is still dependent on the duration of the employee's period of employment, but compared with the previous act, in the case of redundancy the notice period is reduced on average by 1 month. In the case of making employees redundant, the amount of compensation payable by the employer is limited to one month of the employee's salary. Furthermore, no consent from the labour inspector is required for making staff redundant.

EMPLOYMENT CONTRACTS ACT (ECA)

Proclaimed by Resolution of the President of the Republic on 12 January 2009
Passed on 17 December 2008
Took effect on 1 July 2009

Division 2
Duties of employers

§ 37. Reduction of wages upon failure to provide work
(1) If an employer, due to unforeseen economic circumstances beyond its control, fails to provide an employee with work to the agreed extent, the employer may, for up to three months over a period of 12 months, reduce the wages to a reasonable extent, but not below the minimum wage established by the Government, if payment of the agreed wages would be unreasonably burdensome for the employer.
(2) Before reducing wages an employer shall offer an employee another job, if possible.
(3) An employee has the right to refuse to perform work in proportion to the reduction of the wages.
(4) Before reducing wages an employer shall notify the employees' representative or, in their absence, notify employees and consult them pursuant to the procedure provided for in the Employees Representative Act, taking into account the terms provided for in this subsection. The employer shall provide notice of the reduction of wages no less than 14 calendar days in advance. The employee's representative or the employee shall give their opinion within seven calendar days of receiving the employer's notice.
(5) An employee has the right to cancel the employment contract due to reasons provided for in subsection (1) of this section, notifying thereof five working days in advance. Upon cancellation of the employment contract an employee is paid compensation to the extent provided for in subsections 100 (1) and (2) of this Act.

Chapter 5
TERMINATION AND TRANSFER OF EMPLOYMENT CONTRACT
Division 2
Cancellation
Subdivision 1
Manners of cancellation

§ 89. Extraordinary cancellation of employment contract by employer for economic reasons

(1) An employer may extraordinarily terminate an employment contract if the continuance of the employment relationship on the agreed conditions becomes impossible due to a decrease in the work volume, reorganization of work or other cessation of work (lay-off).

(2) A lay-off is also an extraordinary cancellation of an employment contract:

1) upon cessation of the activities of an employer;

2) upon declaration of bankruptcy or termination of bankruptcy proceedings of an employer without declaring bankruptcy, due to abatement of bankruptcy proceedings.

(3) Before cancellation of an employment contract due to a lay-off an employer shall, where possible, offer another job to the employee, except in events specified in subsection (2) of this section. An employer shall, where necessary, organize an employee's in-service training or change the employee's working conditions, unless the changes cause disproportionately high costs for the employer.

(4) Upon cancellation of employment contracts, employers shall take into account the principle of equal treatment.

(5) Upon cancellation of an employment contract due to a lay-off, except in the cases specified in subsection (2) of this section, the employee's representative and those employees raising children under three years of age have the preferential right of keeping their job.

§ 97. Terms of advance notice upon cancellation of employment contract by the employer

(1) An employer may extraordinarily terminate employment contracts in accordance with the advance notice terms provided for in subsection (2) of this section.

(2) An employer shall give an employee advance notice of an extraordinary cancellation if the employee's employment relationship with the employer has lasted:

1) less than one year of employment – no less than 15 calendar days;

2) one to five years of employment – no less than 30 calendar days;

3) five to ten years of employment – no less than 60 calendar days;

4) ten or more years of employment – no less than 90 calendar days.

§ 100. Compensation for cancellation

(1) Upon cancelling an employment contract due to a lay-off, an employer shall pay an employee compensation to the extent of one month of the employee's average salary.

(2) Upon the cancellation of an employment contract due to a lay-off, an employee has the right to receive an insurance benefit under the conditions and according to the procedure provided for in the Unemployment Insurance Act[3].

---

[3] Upon cancelling an employment contract due to a lay-off, an employer shall pay an employee compensation to the extent of one month's average wages of the employee. Upon the cancellation of an employment contract due to a lay-off, an employee has the right to receive an insurance benefit under the conditions and pursuant to the procedure provided for in the Unemployment Insurance Act. If before 1 January 2015 an employer cancels an employment contract due to a lay-off with an employee whose employment relationship has by the time of entry

(3) Upon cancelling a fixed-term employment contract for economic reasons, except for reasons specified in clause 89 (2) 2) of this Act, an employer shall pay an employee compensation to an extent that corresponds to the salary that the employee would have been entitled to until the expiry of the contract term. No compensation is paid if the employment contract is cancelled due to force majeure.

(4) If an employee cancels an employment contract extraordinarily for the reason that an employer is in fundamental breach of the contract, the employer shall pay the employee compensation to the extent of three months of the employee's average salary. A court or a labour dispute committee may change the amount of the compensation, considering the circumstances of cancellation of the employment contract and the interests of the parties.

(5) If an employer or an employee gives advance notice of cancellation later than provided by law or a collective agreement, the employee or the employer has the right to receive compensation to the extent to which they would have had the right to obtain upon following the terms of advance notice.

---

into force of the Employment Contracts Act lasted for at least 20 years, the Unemployment Insurance Fund shall pay the employee, in addition to the previously named compensation of one month's average wages, a layoff insurance indemnity to the extent of three months' average wages of the employee under the conditions and pursuant to the procedure provided for in the Unemployment Insurance Act. The insured person whose last employment relationship was cancelled due to a lay-off shall be entitled to an unemployment insurance indemnity 90 calendar days after the termination of the employment relationship.

CASE 3. Operation Scrub Brush – Ethical leadership development programme

Erika Heiskanen
Juuriharja Consulting Group Ltd.
Helsinki, Finland

Anna-Maija Lämsä
University of Jyväskylä
School of Business and Economics
Jyväskylä, Finland

Introduction

Ethics – or a lack thereof – is widely discussed in contemporary business life, and different ideas on how to make business more ethical are brought forth. Many of the ideas emphasize the importance of ethical leadership and its development (Ciulla, 2004, 2005; Brown and Treviño 2006). Leadership is seen as crucial since it is a future-oriented activity aiming to energize people to overcome barriers by inspiring and maintaining positive expectations, the most significant resources that organization members have when coping with and facing the many pressures and challenges of contemporary working life. An important way for organizations to enhance their ethical behaviour is to ensure that their leaders are ethical.

Operation Scrub Brush is an ethical leadership programme in which a tight-knit group of leaders trains together for a period of six months, exercising their ethical skills. The most challenging segment is the two-week face-to-face session, where participants take part in and lead manual labour in a developing country, recently Namibia. The programme is conducted by a Finnish consultant company called Juuriharja Consulting Group Ltd (http://www.juuriharja.fi).

An out-of-class approach

According to Mumford (1997), leadership development is an attempt to enhance leadership effectiveness through a planned learning process. The effects of traditional leadership development efforts have been widely criticised (e.g. Bass, 1990; Gardner, 1990). One apparent problem lies in classroom settings: it is easy to give the "right" answers when sitting safely in a classroom with no particular strain put on the participants.

Therefore, a core idea of Operation Scrub Brush is that it follows an out-of-class approach. Kurt Hahn (1957) can be mentioned as the original inventor of out-of-class education. In the early 1940s he devised a programme for the Blue Funnel Shipping Line. The aim was to reduce the loss of lives due to sinking ships. The programme was one month long, and independence, initiative, physical fitness, self-reliance, and resourcefulness were sought after. The programme was successful and led to Hahn spreading the idea.

Even though out-of-class programmes differ from each other, there are several common features which are also applied in Operation Scrub Brush: wilderness or backcountry settings; a small group; assignment of a variety of mentally and/or physically challenging objectives;

frequent and intense interactions that usually involve group problem-solving and decision-making; a nonintrusive, trained leader or leaders; and a duration of 2 to 4 weeks (Hattie et al., 1997). In the Operation Scrub Brush programme, participants face challenges and problems that cannot be predicted (or mimicked in a classroom setting).

Principles

The Operation Scrub Brush programme aims to be a personal growth process, meaning that participants' self-understanding grows and deepens, making it possible for them to develop a more conscious approach to leadership. In particular, the programme focuses on broadening the participants' ethical awareness (Heiskanen and Salo, 2007). This is done through the principles of:

- bringing new and unexpected experiences to the participants in foreign surroundings,
- using physical activity and strain,
- having a small group,
- having meaningful and challenging objectives,
- reflection on the individual and group level,
- dialogue and problem solving,
- observation and feedback tasks,
- safety in the process with experienced leaders,
- having 2 + 14 + 2 days of face-to-face time.

New and unexpected experiences shed light on the reactions of oneself and others. McCauley et al. (1994) assert that challenging experiences stimulate development because they provide people with the opportunity to learn and, in addition, they act as a motivator for learning. A foreign cultural environment and foreign tasks ensure that things turn out differently than one would expect. Physical activities are an essential part of the programme. They enhance the participants' ability to let go of roles and give more spontaneous reactions, enabling them to see how they react when they are not so strongly in control. The group size in the Operation Scrub Brush programme is between five and eight participants, to ensure intense personal interaction and plenty of time for everyone to give and receive feedback.

The participants are given the task of renovating or building something for underprivileged people in a developing economy. As examples, Operation Scrub Brush groups have built a playground for children in Otjomuise Day Centre in Windhoek, Namibia and built a kitchen and dining hall for an orphanage in Sri Lanka. Moreover, the participants are told how important the result is for the future users and they also meet the recipients of their work. This encourages them to see the meaningfulness of their work. So the task has the challenge of foreign subject matter and time pressure (six days to complete the task) and also a profound meaning for the participants.

Organizing

A variety of learning methods both at an individual and a group level are applied in the programme: reading materials, theoretical orientation, interim tasks, experiential learning, personal coaching, leadership feedback, operating in a foreign culture, continuous and systematic feedback, and follow-up feedback one year later.

The whole programme lasts six months and consists of personal coaching and three intensive face-to-face modules:

1. two days in Finland,
2. fourteen days in Namibia, and
3. two days in Finland.

During the module in Namibia, the participants work for six days in a project where they build facilities in a community centre for the underprivileged in a poor area of the Namibian capital Windhoek.

Participants' experiences

Often a first impression of the development programme is that it is "pretty extreme." However, many of the participants had already been through many kinds of traditional leadership trainings and were looking for something new, fresh and effective. So, the programme can be suitable for anyone with the personal commitment and desire to develop ethical leadership competence in a way that differs from traditional trainings. The abundant feedback which is given throughout the programme was experienced as important and valuable, both in getting to know oneself and in examining one's own leadership development challenges. The awareness of a person's values usually becomes clearer than before.

As a result, participants often report that their appetite for growth, learning and development has increased. Since many of the participants work in influential positions in their organizations, they have been able to develop organizational practices, even values. Ethicality has been emphasized in both internal and external communications and in discussions with management; some organizations have even achieved front-runner status in their business branch. In addition to individual level results, organizational results are investigated. Typically, increased mutual trust among the staff and improved efficiency have been detected in the investigations. Participants who are business owners have found new kinds of business opportunities due to better understanding various viewpoints and the needs of different individuals.

References

Bass, B. M. (1990). *Bass & Stodgill's Handbook of Leadership: Theory, Research and Managerial Application*. New York: Free Press.

Brown, M. E. and Treviño, L. K. (2006). Ethical Leadership: A Review and Future Directions. *The Leadership Quarterly,* 17(6): 595-616.

Ciulla, J. B. (2004). Leadership Ethics: Mapping the Territory. In J. B. Ciulla (ed.), *Ethics at the Heart of Leadership*, 2nd edition. Westport, CT: Praeger Publishers, pp. 3-24.

Ciulla, J. B. (2005). The State of Leadership Ethics and the Work that Lies before Us. *Business Ethics: A European Review,* 14 (4): 323-35.

Day, D. D. (2011). Leadership Development. In A. Bryman, D. Collinson, K. Grint, B. Jackson and M. Uhl-Bien (Eds.) *The Sage Handbook of Leadership*, London: Sage, pp. 37-50.

Gardner, J. W.(1990). *On Leadership*. New York: Free Press.

Hahn, K. (1957). *Outward Bound*. New York: World Books.

Hattie, J., Marsh, H. W., Neill, J. T. and Richards, G. E. (1997). Adventure Education and Outward Bound: Out-Of-Class Experiences that Make a Lasting Difference. *Review of Educational Research,* 67: 43-87.

Heiskanen, E. and Salo, J. (2007). *Eettinen johtaminen*. Helsinki: Talentum.

McCauley, C. D., Ruderman, M. N., Ohlott, P. J. and Morrow, J. E. (1994). Assessing the Developmental Components of Managerial Jobs. *Journal of Applied Psychology,* 79: 544-560.

Mumford, A. (1997). *Management Development: Strategies for Action*, 3rd ed. London: IPD.

General questions

1. Why is ethical leadership particularly important for organizations in contemporary working life?
2. What are the advantages and disadvantages of the Operation Scrub Brush leadership development programme? Why?
3. What makes a learning experience in a developing country ethically intensive for participants in the Operation Scrub Brush programme?
4. To whom would you recommend the Operation Scrub Brush programme? Why?

Environmental management systems in context: Small and medium textile enterprises

Rasa Pušinaitė
Vilnius University
Kaunas Faculty of Humanities
Kaunas, Lithuania

Vaida Dudavičienė
Vilnius University
Kaunas Faculty of Humanities
Kaunas, Lithuania

Learning outcomes

On successful completion of the case study, you will be able to:

- assess a company's need to become environmentally responsible by engaging into voluntary agreements,
- understand the importance, benefit and disadvantages of environmental standards to a company,
- provide arguments for implementing environmental standards in small and medium enterprises,
- propose how to use benefits of implementing environmental standards in a particular sector such as textile industry.

Environmental management standards and their application to SMEs

The economy and the environment are interrelated—economic activities use resources and generate significant environmental pollution. This has encouraged the development of environmental initiatives and the creation of international standards to reduce human impact on the environment, in this way enabling future generations to use the environmental resources that are currently used by us. Voluntary corporate agreements are one of the means to reduce the business impact on the environment, one which may change or complement long-existing governmental control methods, such as economic or command and control instruments.

Voluntary agreements are commitments by the polluting enterprises to improve the environmental quality at least to the level provided by law. According to Croci (2005), voluntary agreements fall into the following groups:

1. Voluntary public schemes: these are standardized schemes designed by regulators. Individual firms are given the choice of whether or not to participate in such schemes (e.g., EMAS or Ecolabel).
2. Negotiated agreements: these are agreements struck as the result of a negotiation process between the Public Administration on one side, and one or more firms or an association of firms on the other side.

3. Unilateral commitments: these are set by the industry (either individual firms or an association of firms) without a public counterpart. They can assume the form of either structured programs or codes of conduct aimed at improving environmental performances.

4. Third-party initiatives: these are programs, designed by third parties, that are open to the participation of individual firms. They are similar to voluntary public schemes, but here the scheme and/or the obligations are not designed by a public body, but by private organizations, like the ISO or NGOs, or even international organizations (without the authority to regulate the matter)—cf. ISO 14000 or the UN Global Compact.

5. Private agreements: these are reached through direct bargaining between polluters and the polluted. They identify common solutions and provide direct compensation without any public intervention.

The most commonly highlighted benefits of voluntary agreements (Croci, 2005) are that they allow participating firms to:

- avoid stricter regulations,
- obtain flexibility by complying with regulations,
- induce the Public Administration to adopt stricter regulations, thereby gaining an edge over less environmentally friendly competitors,
- cut costs through pollution prevention,
- get access to credit for profitable investments,
- obtain tax exemptions or incentives, and
- improve their reputation.

Markandya and Longo (2005) note that voluntary agreements may be criticised for the following aspects:

- Voluntary approaches only contain a pollution program which follows a natural trend, a business-as-usual trend; as technology evolves and improves, it "automatically" increases the efficiency with which natural resources are used, and therefore reduces the emissions per unit of resource used. Voluntary agreements may hide the low ambition of the objective itself: in a voluntary agreement, a firm may declare targets that are easy to reach.
- Once an agreement has been signed, the initial pressure may dissipate and firms may find opportunities not to comply with their commitments. Even though voluntary agreements are typically initiated in association with a regulatory threat, most do not include mechanisms for monitoring and sanctioning non-compliance.
- Voluntary measures are often suspected to promote collusive practices between participating firms. The potential danger of industry collusion is greater when the voluntary approach concerns a contracted sector, where a relatively small number of firms dominate the market.

The two voluntary agreements known best around the world are both formal environmental management systems (EMS): ISO 14000 (an environmental management system certified by the ISO 14001 standard) and EMAS (the Environmental Management and Audit System).

The **ISO 14000** standards are the international example of voluntary agreement regulation. These environmental management standards were developed by the International Organization for Standardization (ISO) in Geneva. The measures provided in these standards are intended to help enterprises manage their negative impact on the environment. The first ISO 14000 standards were released in 1996. ISO 14000 standards are similar to ISO 9000 standards, which allows enterprises to connect their quality and environmental protection systems, thus reducing the deployment and maintenance costs. In addition, certifying both systems at once reduces the cost of certification. Both ISO systems overlap up to 70%, so for those organizations that are in need of both systems it is useful to introduce an integrated management system in accordance with several standards.

The ISO 14000 family comprises many standards, the most important of which are:
- ISO 14001:2004 (requirements and application recommendations), and
- ISO 14004:2004 (principles, systems and supporting techniques).

The development of this standard was also influenced by globalization—it was intended to reduce the usage of conflicting standards in different countries, thereby promoting business.

As Neumayer and Perkins (2004) note, enterprises usually implement standards for personal, rather than environmental, gains; this works because ISO 14001 leads to increased productivity and also improves the company's image in the eyes of independent environmental agencies and the public.

On the other hand, the authors point out that ISO is not only beneficial: as they indicate, investments in the implementation of standards can often be higher than the benefits they bring to the environment or the company itself. Small businesses with insufficient budgets often do not implement ISO or find implementation a difficult process, because this standard—though it leads to good results in the long term—requires a relatively large initial investment.

Yin and Schmeidler (2008) stress that the implementation of ISO 14001 regulations may bring different results to different companies, because each has a different attitude to the implementation of standards: some will apply them more stringently, while others will simply follow the general instructions.

López-Fernández and Serrano-Bedia (2007) state that organizational changes upon the implementation of ISO 14001 directly depend on the maturity of EMS, management's involvement in the implementation process and whether the ISO 9001 quality management system was already implemented in the company.

Enterprises that already have ISO 9001 and have evaluated the immediate benefits it brings in terms of profit and cost reduction may expect the same result from ISO 14001. Hence it is worth mentioning that the latter creates public value rather than private gain—it carries the message to society that the enterprise, while producing its goods, is not harmful to our health. This does not, however, imply that it supplies better goods for the same price (Orsato, 2006). So in this way a lot depends on the public consciousness—whether it will agree to pay a little more for a less harmful product.

On the other hand, it is also worth considering that society continues to develop a better understanding of ecology; many authors state that ISO 14001 significantly increases the

efficiency of managing ecological processes and enhances the confidence of management authorities, investors and other parties interested in the company.

EMAS is a stricter and slightly different system than ISO 14001. EMAS II was applied from 2001 to 2010. The first version of the system, EMAS I, was confirmed in 1995. The second, improved version was different in several ways: it was able to be applied in any economic sector; it was fully compatible with the ISO 14001 standard; enterprises that implemented it were allowed to use the attractive EMAS logo, informing society about the company's environmental responsibility; more attention was paid to indirect effects related to finance, administrative and planning decisions; and employees were more involved in the system (Filho and Voudouris, 2010).

In order to further increase the efficiency of EMAS, the European Commission confirmed the third version, EMAS III, in 2008. It has been applicable since 2010 (Iraldo et al., 2010) and aims to:

- increase the attractiveness of the standard to organizations/businesses (e.g., through orientation to clusters, when most of the enterprises of a certain sector are certified at the most favourable conditions; currently this is the case with the press);
- provide a guarantee of excellence to stakeholders;
- promote substantial environmental improvements;
- have a measurable impact on competitiveness by providing certain advantages for registered organizations;
- be easily recognisable and appreciated by the society and markets on which it focuses.

Furthermore, as the European Commission states on the EMAS website (European Commission, 2010), EMAS III is more attractive to SMEs (by their own request):

- the whole system is reviewed and approved every four years (unlike other organizations, which require review every three years), and
- approved revised environmental statements are required every other year (rather than annually).

Taking everything into consideration, the similarities and differences between ISO 14000 and EMAS are presented in Table 1. The differences between the EMAS adapted to SMEs and the general system are also pointed out.

It is still much more difficult for SMEs to implement the strict ISO or EMAS programs, therefore such companies in EU countries often prefer to implement simplified systems, focusing only on the essential business aspects related to environmental issues. Such companies have a choice of modified EMSs. Staniškis et al. (2004) distinguish several EMS alternatives:

- Scale EMS: The Acorn Method, BS 8555.
- Simplified EMS: Eco-mapping.
- Alternative EMS: Eco-labelling (cf. the most popular labels: EU Eco-label, German Blue Angel Eco-label, North European White Dove, Energy star).
- Integrated method: coordination and connection of environmental, quality and security aspects that are important for the company.

Formal EMSs already offer simplified versions, e.g., EMASeasy, designed for small companies and based on the concept *10 people, 10 pages, 10 days*. In order to implement this program, 10 steps must be performed (Filho and Voudouris, 2010):

1. Make a city map and provide specific information about your sector.
2. Identify material resource flows, estimate their revenues and the goods produced out of them.
3. Ascertain staff views and involve them in the system.
4–9. Eco-mapping.
10. Integrate and prepare micro-reports.

Table 1.

ISO 14000, EMAS and EMAS adapted to SMEs

ISO 14001	EMAS	EMAS adapted to SMEs
• Applicable worldwide • Certified by a certifying institution, or the organization simply applies EMS principles in its activities and thus declares ISO 14000 without any third-party certification • Unregulated means of collecting preliminary environmental information • Awareness of environmental issues/activities is promoted within organizations • Environmental policy, objectives, program, organization are set out	• Applicable only in European countries • Evaluated by competent authorities • Initial environmental review must be performed • Environmental policy, objectives, program, organization are set out • Annual environmental report, certified by a third party and publicly available, is compulsory • The attendance of staff while setting objectives is required • Suppliers and contractors must meet the requirements of the environmental policy • Auditing is performed every three years at minimum • Focus on the indirect effects associated with finance, administrative and planning decisions • Logo declaring the company's activities and production to be in compliance with the requirements of the EMAS	• Biannual environmental report, certified by a third party and publicly available, is compulsory • Auditing is performed every four years at minimum

Source: Created by the authors after Skillius and Wennberg (1998); Schaltegger and Burritt (2000); Staniškis, Stasiškienė and Kliopova (2004, p. 504) and European Commission (2010).

Motivation for implementing environmental management standards

To distinguish an enterprise's motives for implementing an EMS, either the theory of institutionalism or a resource-based approach is used; sometimes both are combined (Darnall et al., 2008).

Institutionalism usually comprises governmental, social, shareholder, and market pressures to implement the systems. According to this theory, companies operating under the same norm, value and assumption framework behave in similar ways. As Darnall et al. (2008) explain, this theory proposes that all companies react to the above or other external factors in the same or similar ways. At the inter-organizational level, pressure on a company may come from state institutions, the market, or society. At the organizational level, pressure may arise due to the corporate culture, processes, and value system. The British Standards Institution (2010) states that companies are increasingly forced to implement environmental standards

and systems by such aspects of the theory of institutionalism, including government regulations, society, trade associations, stakeholders and pressure from other interested parties.

The main factors affecting the implementation of various environmental initiatives, according to Darnall et al. (2008), are the following:

- regulatory pressures: legal requirements in the environmental sphere that force companies to meet the provided legal requirements;
- market pressures: increased interest of consumers and customers in environmental issues that encourages companies to comply with these trends;
- social pressures: pressure of environmental organizations, communities, guilds, and trade unions on companies to change behaviour;
- ownership pressures: the perception by shareholders and owners that investment in environmental protection increases the value of their property.

The **resource-based approach** states the opposite: it considers a company's resources (financial, physical, human, or organizational) as the basis of organizational competitiveness, which can be acquired by developing and diversifying rare, valuable, inimitable and irreplaceable resources. Among the most significant resources which can distinguish a company in the market and make it competitive are such intangibles as human and organizational resources (Grant, 1991; Barney, 1991). The latter encompasses organizational systems and their power of socialization. Hence, the way the company will behave and how it will succeed in implementing an EMS and gaining benefits depends on several internal aspects, including: how many and which human resources a company has; whether it has implemented a quality management system (which, as stated, leads to smoother implementation of ISO 14001; cf. Kitazawa and Sarkis, 2000) and health and safety management systems; whether and how much a company invests in environmental research and the development of environmental strategies; and to what extent the company focuses on export (Darnall et al., 2008). Depending on the size and growth potential of the industry in which the company operates, the proper use of resources (technological, financial, human, etc.) is most important—using internal business processes may lead to an innovative environmental advantage over others, thus creating a positive image in the eyes of those clients that are interested in environmental issues (Russo and Fouts, 1997).

Currently, the resource-based approach has evolved into a natural resource-based approach (Hart and Dowell, 2011). This approach states that strategic capacity is likely to be of three main types:

- Pollution prevention strategy: related to cost reduction (in terms of production and adherence to the law) beginning with the reduction of the required quantity of raw materials at the beginning of production and simplifying the manufacturing process.
- Product management period strategy: environmental aspects are integrated into the whole product development/production period, for example, through the exclusive use of organic materials.
- Sustainable development strategy: production is carried out so that it could persist for an indefinite period of time, i.e., does not irreparably damage the environment. In addition, not only environmental, but also economic and social

aspects are considered—in particular, the interests of less developed countries (if they are associated with business activities) are taken into consideration.

Darnall et al. (2005) note that a company's choice to implement an EMS or an equivalent standard—and whether or not this will benefit the environment and the company itself—is determined in large part by pressure from governmental institutions and the resources and options of the company.

Darnall et al. (2001), analysing the ISO 14001 standard and other "green" EMSs, find that ISO 14001 and EMSs do not necessarily bring similar advantages to all companies nor improve their performance. There is a need to consistently assess the actual impact of such systems on the environment, to holistically care for the environment, and to achieve a substantial reduction of environmental pollution in order to:

- increase the staff's involvement in company activities,
- increase control of documents,
- improve control of operations,
- achieve greater automation,
- increase the reuse of chemicals and water in the production cycle, and
- pay greater attention to standard non-regulated aspects, the supply chain, and trade.

The authors also note that the implementation of standards and EMSs in companies may not only bring environmentally friendly changes, but also other benefits, such as:

- improved compliance with legal requirements,
- increased customer satisfaction,
- greater marketing opportunities, and
- increased efficiency of operations.

The greatest implementation barriers, according to the same research (Iraldo et al., 2010), are determined by:

- economic factors (especially the implementation cost),
- poor consumer knowledge and interest, and thus a small market (this is especially true of EMAS), and
- lack of recognition and incentives from state agencies.

As Coglianese and Nash (2001) state, an EMS will deliver the best results when the workers themselves are interested in successfully implementing it, rather than simply carrying out the actions required by the law. Giving companies the opportunity to further adapt environmental requirements may lead to the discovery of much more innovative solutions than those required by the government. However, regardless of the level at which a company adapts an EMS, it will usually contain the company's internal rules, organizational structure and the direct resources used by managers to create the routine behaviour that helps achieve the company's environmental goals. Managers usually create environmental guidelines or a plan and implement it by distributing responsibility and providing adequate resources and training for employees.

In the case below you will be asked to consider the motives of implementing EMSs in small or medium companies.

References

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17 (1): 99-120.

British Standards Institution (2010). *ISO 14001 Environment.* Accessed at: <http://www.bsigroup.com/en/Assessment-and-certification-services/management-systems/Standards-and-Schemes/ISO-14001/>.

Coglianese, C. and Nash J. (Eds.) (2001). *Regulating from the Inside: Can Environmental Management Systems Achieve Policy Goals?* Washington, DC: Resources for the Future.

Croci, E. (2005). The Economics of Environmental Voluntary Agreements. *The Handbook of Environmental Voluntary Agreements*, 43: 3–30.

Darnall, N., Gallagher, D.R. and Andrews, R.N.L. (2001). ISO 14001: Greening Management Systems. In J. Sarkis (ed.) *Greener Manufacturing and Operations: From Design to Delivery and Back.* Sheffield: Greenleaf Publishing, pp. 178-190.

Darnall, N., Henriques, I. and Sadorsky, P. (2005). An International Comparison of the Factors Affecting Environmental Strategy and Performance. In M. Rowan (ed.) *Best Paper Proceedings: Sixty-Third Meeting of the Academy of Management.* Washington, DC: Academy of Management, pp. B1-B6.

Darnall, N., Henriques, I. and Sadorsky, P. (2008). Do Environmental Management Systems Improve Business Performance in an International Setting? *Journal of International Management*, 14(4): 364-376.

European Commission (2010). *SME Corner.* Accessed at <http://ec.europa.eu/environment/emas/tools/sme_index_en.htm>.

Filho, W. L. and Voudouris, V. (2009). Towards Integrated Environmental Management Systems, Working Paper No. 17. Centre for International Business and Sustainability: London Metropolitan Business School.

Grant, R.M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation. *California Management Review*, 34: 114-135.

Hart, S. L. and Dowell, G. (2011). A Natural-Resource-Based View of the Firm: Fifteen Years After. *Journal of Management,* 37 (5): 1464-79.

Iraldo, F., Lanzini, P. and Melis, M. (2010). How Does EMAS Affect Organisations' Efforts and Competitive Rewards? Analysis of the Drivers, Barriers and Benefits Connected with the EU Scheme. IEFE Working Paper No. 28. Accessed at: <http://www.iefe.unibocconi.it/wps/wcm/connect/resources/file/eb858747912c0b3/WP%20Iraldo%20Rev29.pdf>

Kitazawa, S. and Sarkis, J. (2000). The Relationship between ISO 14001 and Continuous Source Reduction Programs. *International Journal of Operations & Production Management*, 20 (2): 225–248.

Markandya, A. and Longo, A. (2005). Identification of Options and Policy Instruments for the Internalisation of External Costs of Electricity Generation. Dissemination of External Costs of Electricity Supply Making Electricity External Costs Known to Policy-Makers MAXIMA. *Working Papers 2005,* 74, Fondazione Eni Enrico Mattei.

López-Fernández, M. C. and Serrano-Bedia, A. M. (2007). Organizational Consequences of Implementing an ISO 14001 Environmental Management System: An Empirical Analysis. *Organization & Environment,* 20 (4): 440–459.

Neumayer, E. and Perkins, R. (2004). What Explains the Uneven Take-Up of ISO 14001 at the Global Level? A Panel Data Analysis. *Environment and Planning A*, 36: 823-839.

Schaltegger, S. and Burritt, R. (2000). *Contemporary Environmental Accounting: Issues, Concepts and Practice*. Sheffield: Greenleaf Publishing.

Skillius, Å.and Wennberg, U. (1998). *Continuity, Credibility and Comparability: Key challenges for Corporate Environmental Performance Measurement and Communication.* European Environment Agency, Environmental Issues Series No. 9. Lund University. Accessed at: <www2.bren.ucsb.edu/~delmas/.../SKILLIUS%20AND%20WENNBERGT.pdf>.

Staniškis, J. K., Stasiškienė, Ž. and Kliopova, I. (2004). *Subalansuotos pramonės plėtros strategija: teorija ir praktika. [Sustainable Development Strategy of Industry: Theory and Practice]*. Kaunas: Technologija.

Yin, H. and Schmeidler, P. (2009). Why Do Standardized ISO 14001 Environmental Management Systems Lead to Heterogeneous Environmental Outcomes? *Business Strategy and the Environment,* 18: 469–486.

CASE 4. Motives of EMS implementation for textile companies

Introduction

A textile company has been operating since 2001. Its parent company was established in 1928. This company is one of the biggest customers for the country's garment factories, producing more than half of the parent company's production. The company is a top quality knitwear manufacturer and emphasizes the importance of export—about 80% of its production is exported to Nordic countries and Western Europe. The company produces sports and leisure underwear, night clothes from organic cotton, as well as original products from merino wool, work wear, military clothing, and fashionable women's, men's and children's outerwear. The company has also repeatedly received the Product of the Year award and has the Oeko-Tex certificate. The company's activity was standardized with ISO 14001 in 2006, and its quality and environmental management system, including not only ISO 14001, but also the ISO 9001 quality standard, has been integrated. The company has voluntary followed EMAS requirements since 2010. The company has ambitions to develop a sustainable business model and to be an example to other textile companies and the leader in the sector.

The table below provides the values of companies' most important motives in the implementation of environmental standards, from 0 (not important) to 5 (the most important).

Table 2.

EMS implementation motives

	0	1	2	3	4	5
• To increase the efficiency of work processes			▪			
• To increase corporate documentation control				▪		
• To increase employee enthusiasm			▪			
• To reduce costs				▪		
• To increase revenue						▪
• To reduce environmental risks						▪
• To improve relations with control officials						▪
• To improve its public image						▪
• To ensure compliance with the law					▪	
• To anticipate future environmental laws/requirements					▪	
• To expand market opportunities						▪
• To expand marketing opportunities						▪
• To improve the supply chain and eligibility						▪

The company's main motivators in implementing an EMS are: increased revenue, reduced environmental risks, improved relations with control officials, improved public image, expanded market and marketing opportunities, and better supply chain compliance. The least motivating aspects are the increased efficiency of work processes and the employees' enthusiasm.

The actual situation in the textile company shows that not all of these motives apply. The company does not see great potential for contributing to environmental protection. They emphasize power saving and waste reduction, but argue that it is difficult to achieve any significant results.

With regard to enhancing the efficiency of work processes, this has been done by acquiring new production machinery. The efficiency greatly increased after the construction of an automated line. This line has also simplified the production accounting—the system reflects each tailor's work time and each operations time. All of the information about each work place is collected in stations at each work place—the manufacturing process is programmed, the product is released, the nature of the operation can be reviewed, etc.

The increased documentation was evaluated quite positively by the company. Dissatisfaction due to the increased workload related to increased documentation was only registered initially—later it became a common element of the employees' performance, and currently the increase of documentation is seen quite positively as a useful means of improving documentation control.

In the prospect of cost reduction, significant opportunities have also not been omitted. The company's energy consumption is largely dependent on factors that cannot be controlled—gas consumption, for example, is dependent on fluctuations in temperature, water and electricity consumption are increasing because of the growing number of orders and expanded production, etc. One of the company's plans to manage energy consumption is the replacement of lighting into cost-efficient lamps; however, such investments are not currently accessible. As energy consumption is difficult to adjust, the company strives to use renewable raw materials, as well as to position details in a sequence that minimizes the amount of waste, but, depending on the nature of the product, waste is not always avoidable. Hence, it appears that the company's biggest problem is its unsuccessful search for a partner company that could recycle polyester stress-strain curve waste.

It is worth mentioning that, after the implementation of these EMSs, the company began using more expensive, higher quality new materials in response to public demands for greener products. Such products are in demand not only in foreign, but also in the Lithuanian markets, and customers are willing to pay more. Thus the increase of income for this company is actually attributable to one of the most motivating aspects of EMS implementation.

The least effective motivators of EMS implementation have been:

- increasing employee enthusiasm—as there is little opportunity to contribute to the environment within the company, workers find little interest in additional environmental activities and are unwilling to make significant changes in their work;
- improving relations with control officials—environmental authorities are not interested in the company, as it is not engaged in painting or other potentially harmful activities that should be further examined (n.b: even the auditors that came to implement the EMS stated that they did not understand why the company needed to be certified, as it was currently working to the best of its abilities);
- ensuring compliance with the law—the company's activities meet the statutory requirements, the built up area of land is maximally used for the activity of the company, opportunities for shortcomings are very low, no warnings or fines have been received, and no hazardous waste or pollution has been found in the company's output; and
- anticipating future environmental laws.

Two opportunities provided by EMS implementation that have not been fully utilized are improved conformity to supply chain requirements and improved public image. The company buys raw materials not only from certified suppliers, even though the most important thing is that the quality and price would conform. In this case the company could establish the use of only certified raw materials and then inform the society about it, thus drawing attention to the company and improving its image.

The company makes effective use of its options regarding environmental risk reduction—it constantly trains its staff, strives to reach its environmental goals, and continues to invest in EMS. Considering the company's market extension opportunities, sufficiently valuable results have also been reached—potential customers, especially in Scandinavia and Western Europe (where having a standardised EMS is a great benefit) have been informed about the implemented EMS. Savings are achieved by reducing production materials and searching for ways to recycle waste. However, competitiveness, as a possible result of EMS implementation, has not been distinguished by the company—it has noted that most of its clients have little knowledge about EMAS and thus express no desire for the company to follow EMAS principles. In general, the quality management system is more important for everyone, so the company's products are presented with a greater focus on the integrated quality and environmental management system than on ISO 14001 or EMAS alone.

Required reading

Darnall, N., Henririques, I. and Sadorsky P. (2008). Do Environmetal Management Systems Improve Business Performance In International Setting? *Journal of International Management*, 14: 364-376.

Lozano, R. (2012). Towards Better Embedding Sustainability Into Companies' Systems: An Analysis of Voluntary Corporate Initiatives. *Journal of Cleaner Production*, 25: 14-26.

Russo V.M. and Fouts P. A. (1997). A Resourse–Based Perspective on Corporate Environmental Performance and Profitability. *Academy of Management Journal*, 40(3): 534-559.

Recommended reading

Ditlev-Simonsen, C. D., Midttun A. (2011). What Motivates Managers to Pursue Corporate Responsibility? A Survey among Key Stakeholders. *Corporate Social Responsibility and Environmental Management*, 18: 25–38

EMAS. http://ec.europa.eu/environment/emas/index_en.htm

ISO 14000. http://www.iso.org/iso/iso14000

Orsato, R. J. (2006). Competitive Environmental Strategies: When Does It Pay To Be Green? *California Management Review*, 48(2): 127-143.

Schoenherr, T. (2012). The Role of Environental Management In Sustainable Business Development: A Multi – Country Investigation. *International Journal of Production Economics*, 140(1): 116-128

UNEP (2011). Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication. Accessed at: < www.unep.org/greeneconomy>

General questions

1. What green (environmental) tendencies can you call dominating ones?
2. What are the reasons for the low popularity of EMAS in Europe? How many companies in your country have implemented EMAS? Which sectors do these companies represent?
3. In your opinion, does a textile company need environmental standards? Why? What are other industry sectors which could benefit from environmental standards?
4. What are the arguments for implementing EMAS if the society is familiar only with ISO 14001?
5. Does a textile company need environmental standards? What are your arguments?

Case-specific questions

1. Based on the theories of institutionalism and the resource-based approach, provide arguments about how an SME can benefit from implementing an EMS that is unacknowledged by society.
2. Design a strategy to your Ministry of Environment (or its adequate) how voluntary agreements could be promoted in your country.

Corporate volunteering: Tuning the organizational environment to sustainability

Lina Danienė
Sustainability manager
AB Swedbank, Lithuania

Raminta Pučėtaitė
Vilnius University
Kaunas Faculty of Humanities
Kaunas, Lithuania

Gabrielė Vilutytė
Vilnius University
Kaunas Faculty of Humanities
Kaunas, Lithuania

Learning outcomes

On successful completion of the case exercise, you will be able to:

- understand the concept of corporate volunteering,
- describe and evaluate the advantages and disadvantages of corporate volunteering practices to a company's stakeholders,
- provide arguments for corporate volunteering from instrumental and ethical viewpoints,
- identify barriers to corporate volunteering and offer solutions to overcome them,
- create a company-specific corporate volunteering programme and calculate its budget.

Introduction

Volunteering, an activity in which time is given freely to benefit another person or a group (Wilson, 2000), is a phenomenon that many people have experience with. A Eurobarometer/European Parliament 75.2 survey on voluntary work in 2011[4] revealed that, on average, 24% of European citizens volunteer on a regular or occasional basis (with the Netherlands scoring up to 57% and Poland to 9%). The most frequent type of volunteering is informal—such as cleaning a common area with the neighbours, repairing some playground items, or visiting an orphanage or an elderly people's care home privately—rather than the formal volunteering carried out in civic organizations, e.g., training disadvantaged groups, providing assistance in cultural festivals or, in more demanding instances, after natural disasters, etc. In brief, both informal and formal volunteering are aimed to relieve some problem and/or create some public good.

Volunteering rests on commitment, which differentiates it from spontaneous assistance to someone in need. It involves care which is rather narrow in scope, compared to the care we show to our family and friends. Volunteering is also characterized by high internal

---

[4]Directorate-General for Communication (2011). European Parliament Special Eurobarometer 75.2 Voluntary work. June 27, 2011. Accessed at:
<http://www.europarl.europa.eu/pdf/eurobarometre/2011/juillet/04_07/SA_en.pdf>

motivation, which is prompted by the presence of free will in the phenomenon. Volunteer work cannot exist, either in practice or in theory, without free will. The entire concept is captured in the Latin word *voluntas*, meaning "will." Volunteer activities are most often carried out without material rewards, although benefits in other forms—such as understanding and developing oneself, and promoting the civic value of solidarity—may be received. Voluntary work provides an individual with an environment in which to exercise her or his individuality, at the same time creating nourishing bonds with other people—a community to satisfy Maslow's human needs of belonging, esteem and self-actualisation. Hence, volunteering suggests a balance of altruism and egoism in human nature. People acting for the benefit of someone other than themselves feel fulfilled and satisfied through the act of selflessness.

Box 1. Some socio-demographic characteristics of volunteers.

National surveys in different continents provide similar results about the backgrounds of people who volunteer. For example, a national survey of voluntary work carried out by the Australian Bureau of Statistics (2006) contains the following key findings: women are more likely to volunteer than men, and the volunteering rate increases with the level of education attained as well as higher managerial or clerical/service positions.

In a review of the predictors of volunteering, Wilson (2000) points out that education is the most consistent predictor, as it deepens one's awareness of problems and boosts self-confidence. Also, educated people are more likely to be invited to volunteer. However, a study by Okun and Eisenberg (1992) found that education only predicted higher volunteering rates if the work required literacy rather than social skills. Educated people do have a wider social network, however, which explains why less educated people volunteer less often (Gesthuizen and Scheepers, 2012).

Other research demonstrates that the stereotype that employed people or people with families and children are too busy to volunteer is not grounded in reality. Part-time employees volunteer more than full-timers as they have more free time. Yet unemployed people tend to have the lowest rate of volunteering, most probably because of the positive socialization effects produced by paid work as well as the increased self-confidence and learnt organizational skills (see Wilson, 2000, p. 220). Also, women with families are more willing to volunteer, particularly in fields that involve child or other dependent care.

From an individual perspective, volunteering is an admirable civic quality—one which, realised at its best, enables society to receive the benefits of democracy in the merits of trust, cooperation and economic development. Yet, while individual volunteering may stem from altruistic motives and may even involve self-sacrifice with internal satisfaction as an outcome, volunteering at an organizational level is limited in this respect. Although altruistic motives may drive organizations to get involved in voluntary and socially useful activities, their actions must produce some tangible and business-related results to remain competitive and keep their stakeholders satisfied. Few employees would want to continue working for a company with a poor performance record but extensive corporate volunteering programmes. The same applies to shareholders, who usually support volunteering programmes as long as they are in line with the company's development. We are intentionally avoiding the word "profit," as we believe that a mature business understands that its development depends on the sustainability strategy. Sustainability requires a long-term perspective, the acknowledgement of the tacit benefits provided by voluntary and socially useful activities,

and the attitude that not only the shareholders' interests are important. We believe that companies which pursue sustainability have more committed employees and educated consumers who make purchasing decisions based on the quality of the products and services, thus helping to create environmentally and socially healthy communities.

Hence, in this chapter we shall examine the phenomenon of corporate volunteering—its forms, benefits and barriers—together with some exercises that may help a company to answer the question of which corporate volunteering programme to start. With this chapter we also raise a question: besides the benefits that volunteering provides, what are the costs of corporate volunteering? How can one argue for corporate volunteering as a business case and a phenomenon promoting human development and social welfare? How can actions aimed at increasing the public good be maximized?

Corporate volunteering forms

Corporate volunteering (CV), also known as workplace or employee volunteering, corporate volunteerism, or employee community involvement (Muthuri et al., 2009; Runte et al., 2010) is the form by which business expresses its social responsibility to the community and acts as a corporate citizen.

CV can be considered a sub-component of the corporate social responsibility (CSR) phenomenon (see Figure 1), which is a broad term; for the purpose of simplicity, we here follow the definition of CSR formulated by the European Commission (2011) as "the responsibility of enterprises for their impacts on society." In practice, it takes the form of a process that integrates social, environmental, ethical, consumer, and human rights concerns into business operations and core strategy, in close collaboration with stakeholders.
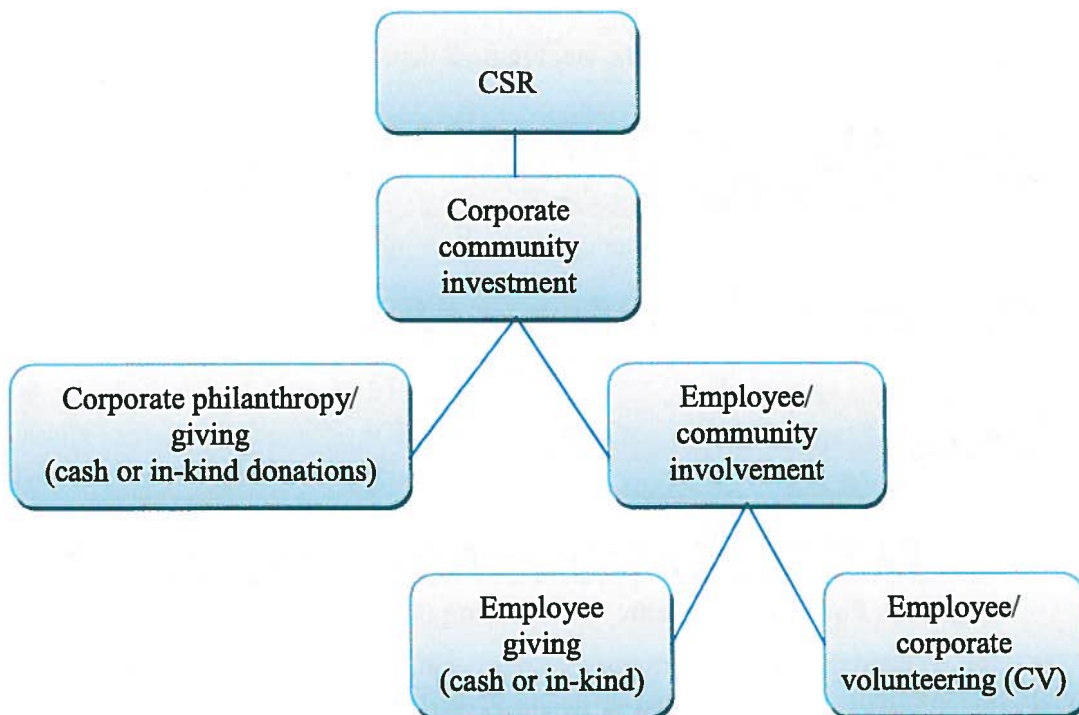

Figure 1. Corporate volunteering in the context of CSR (Community Business, 2005)

Corporate community investment includes all financial and in-kind contributions by the company together with employee community involvement, where the latter is divided into two groups: (1) employee (or corporate) volunteering—the contribution of employees' time and skills in the community with their company's encouragement and support, and (2) financial and/or in-kind contributions by employees.

CV goes beyond corporate philanthropy and giving, attempting to improve a given society's or community's social and/or environmental conditions by making the best use of employees' skills and knowledge while meeting business objectives.

Different forms of CV may be found in practice, and each of them not only poses different opportunities for developing employee skills, but requires different levels of involvement, competence and support from the company. According to Bussell and Forbes (2008), CV can be divided into two major types: *released* and *own-time* volunteering. As the titles suggest, released volunteering means that a company pays an employee for working hours spent in the voluntary or community sector, while own-time volunteering describes a business practice wherein the company encourages its staff to engage in volunteering outside their paid work.

Another type of categorisation of CV is by the content of volunteering. The most popular form by content is the *team challenge* or one-day project, when employees are given the day off to accomplish a particular task (e.g., to clean the environment in a social initiative). Other examples of CV activities include: *mentoring* and *coaching* (one-on-one relationships are set up between a company's employees and individuals in the community), *individual volunteering, pro bono* (staff donate free or discounted professional services and skills to non-profit, non-governmental or otherwise voluntary organisations), *secondments* (employees work at a community organisation for an agreed-upon period of time), etc. Employees may also volunteer to act as *trustees* or *board members* of charitable organizations, financial funds or non-profit organizations, contributing to the professionalization of their management and ensuring better accountability to donors, etc. Figure 2 depicts the most common forms of CV.

Forms of corporate volunteering

Individual volunteering	Team challenges/ one-day events	Twinning
Developmental assignments	Pro Bono	Secondments
Mentoring, coaching	Company charity	Trustees, board members

Figure 2. Forms of corporate volunteering (Community Business, 2005)

CV is often realized through the formation of partnerships with non-profits—these are called social collaborations, social alliances or social partnerships in the related literature (Eweje and Palakshappa, 2009). They may prompt social innovations which benefit both the business and the community it operates in.

Benefits of CV

CV, if properly structured, can have significant benefits for all parties involved—the business, its employees, and the community (Allen Consulting Groups, 2007). Based on the design, CV can be strategically oriented or employee-led. The former often reflects organizational concern for the community based on instrumental needs (e.g., reputation building, cause-related marketing, or social investments for market development), while the latter focuses on enabling and empowering employees by promoting their individual values, giving them a sense of meaningful work and life in general. In this way, business can contribute to human development, considering present and future generations as well as increasing the public good.

Consequently, the benefits of volunteering for companies involve *human resources benefits* (complementing existing recruitment, training and development), *bottom-line benefits* (including enhanced corporate image, reputation and consumer loyalty), and *indirect community benefits* (complementing existing corporate community investment initiatives) (Peterson, 2004).

CV initiatives are one of the most effective forms of corporate community involvement, one which creates multiple *benefits for the community*; this can have several meanings in terms of corporate volunteering: the individual beneficiary, the non-profit organisation hosting the volunteers, or the community and the society at large. Although personal motivation to volunteer is extremely important and is the driving force of corporate volunteering, benefits derived directly from this activity reinforce the willingness of individuals to continue volunteering and participate on a regular basis by providing a continuous source of satisfaction and fulfilment (see Table 3 for benefits).

Theoretically, business gains from CV could be examined from the viewpoint of theories that can be categorized under an instrumental approach, e.g., the resource-based theory of the firm and of competitive advantages, while employee and community gains could be explicated by ethical theories (e.g., normative stakeholder theory, utilitarianism or deontology) or the political theory of corporate citizenship—see a discussion of CSR-related theories in Garriga and Mele (2004), and cf. Matten and Crane (2005). However, the boundaries of business and humanistic values as outcomes of CV or CSR are not always clear. For example, the increased social and human capital—as well as trust between the community and the company—caused by CV practices may contribute to a convergence between universal human rights (as promoted by Immanuel Kant's Categorical Imperative) and business benefits, as postulated by the resource-based theory of the firm (an instrumental approach), thus opening theoretical horizons.

In practical terms, it is crucial to understand both the motivation and the positive and negative drivers behind CV activities in order to properly manage them to ensure the best results.

Barriers to CV

Despite the business advantages and benefits that stem from CV activities, barriers should also be explored, in order to draw conclusions on how to remove them beforehand and organise corporate volunteering activities more effectively.

Some of the most common barriers to the involved stakeholders are provided below:
- *To the employees*: A lack of information on where and how to volunteer, a lack of time or willingness to volunteer on one's own or on one's own time, ignorance of the opportunities or a perceived lack of suitable opportunities and forms, a feeling that one cannot make a difference, an unwillingness to get involved unless asked, a lack of support and recognition from the employer, emotional discomfort, job demands that interfere with one's commitment to volunteer, a perceived lack of leadership in the non-profit, a lack of managerial support, etc.
- *To the company*: The high perceived cost of running corporate volunteering programs, a lack of understanding of the benefits, a lack of recognition and mistrust in society, a lack of strong partners and infrastructure, the perception that CV is only for large corporations and not for small companies, a lack of understanding of how to incorporate CV into the company's strategy, the perception that cash donations are enough, etc.
- *To the community:* a lack of skills or human or financial resources in non-profit organisations, weak outside infrastructure (volunteer centres, agencies and partners that might facilitate CV), the (mis)use of volunteers for unfulfilling everyday tasks, etc.

The clash of organisational cultures between the corporate and non-profit "worlds" might hinder the dialogue between the partners on both sides, preventing them from cooperating. Similarly, their different understandings of the objectives of a particular programme or project, differences in skills and experience, motivation and dedicated time may also play a role.

There are also some problems associated with the forms chosen for corporate volunteering programs. The common requirement that corporate volunteering be done in teams to encourage team-building can diminish involvement in a program, e.g., when a non-profit is unable to accommodate large groups of volunteers. One-day volunteering opportunities may help to boost employee morale; however, some non-profits report that they would prefer longer-term commitments or the transfer of expertise by a smaller number of highly skilled employees.

However, companies can raise participation in volunteering activities if they take an active role in encouraging their employees and choose effective ways to do so. Some of the ways to overcome the discussed barriers to CV are given in Table 3.

Table 3.

Benefits and barriers of corporate volunteering to employees, community and company

	EMPLOYEES	THE COMMUNITY	THE COMPANY
BENEFITS	• Acquire new and transferable skills while enhancing existing skills. • Are able to make a difference to something they care about. • Enhance how they feel about themselves and their employer. • Add variety and new dimensions to their work and lives. • Meet and work with people from different departments. • Deepen their understanding of community issues. • Gain fresh perspectives. • Find satisfaction and fulfilment. • Experience benefits to their physical, psychological, emotional and/or mental health.	• Taps into corporate resources. • Harnesses new skills, knowledge and energy. • Gains fresh perspectives. • Improves its understanding of and links to the business sector. • Raises its profile.	• Improves employee loyalty, morale and/or work–life balance. • Deepens employee commitment and team spirit. • Develops skills. • Changes employee attitudes. • Improves recruitment and retention. • Enhances creativity and innovation. • Improves its public image. • Enhances business opportunities. • Adds credit to the "trust bank." • Enhances the communication of values.
BARRIERS	• Lack information on where and how to volunteer. • Lack the time or preference to volunteer on their own or on their own time. • Are ignorant of opportunities or perceive a lack of suitable opportunities and forms. • Feel that they cannot make a difference. • Are unwilling to get involved unless asked. • Lack employer support and recognition. • Feel emotional discomfort. • Have job demands that interfere with their commitments to volunteer. • Perceive a lack of leadership in the non-profit. • Lack managerial support.	• Lacks skills and human or financial resources in the non-profit organisations. • Has weak outside infrastructure (volunteer centres, agencies and partners that could facilitate CV). • Misuses volunteers for ordinary, unfulfilling tasks.	• Perceives corporate volunteering programs as costly to run. • Lacks understanding of the benefits. • Lacks recognition and mistrusts the society. • Lacks strong partners and infrastructure. • Perceives corporate volunteering as more suitable for large corporations than small companies. • Lacks understanding of how to incorporate corporate volunteering into the company's strategy. • Perceives cash donations as enough of a contribution.
WAYS TO ENCOURAGE CV: THE COMPANY'S	*• Provide clear and constant communication.* *• Show top management commitment.* *• Incentivize and recognize participation.* *• Assign responsible people.* *• Create volunteer opportunities and provide maximum support.* *• Offer skills-based volunteering.* *• Run a campaign.* *• Systematize requests for volunteers.* *• Prepare employees for volunteering and provide on-going support.* *• Engage employees and community members in designing CV programs.* *• Foster strong relationships between the volunteers and the hosting organisation.* *• Measure and report input and impact.* *• Provide paid time and cash donations.*		

References

1. Allen Consulting Group (2007). *Global Trends In Skill-Based Volunteering*. Canberra. Accessed at: <http://www.nab.com.au/wps/wcm/connect/0d4ff9804b9d3c098310c3f1eeeae8e9/Global_trends_in_skill-based_volunteering.pdf?MOD=AJPERES&CACHEID=0d4ff9804b9d3c098310c3f1eeeae8e9>

2. Australian Bureau of Statistics (2006). *Voluntary Work, Australia*. Canberra. Accessed at: <http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/C52862862C082577CA25731000198615/$File/44410_2006.pdf>

3. Bussell, H. and Forbes, D. (2008). How UK Universities Engage with their Local Communities: A Study of Employer Supported Volunteering. *International Journal of Nonprofit and Voluntary Sector Marketing*, 13 (4): 363-378.

4. Community Business (2005). *Employee Volunteering: The Guide*. Accessed at: <http://www.communitybusiness.org/images/cb/publications/2005/EVguideEn.pdf>

5. European Commission (2011). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Renewed EU Strategy 2011-14 for Corporate Social Responsibility*. Brussels, 25.10.2011 No. COM(2011) 681 final.

6. Eweje, G. and Palakshappa, N. (2009). Business Partnerships with Nonprofits: Working to Solve Mutual Problems in New Zealand. *Corporate Social Responsibility and Environmental Management*, 16: 337–351.

7. Gesthuizen, M. and Scheepers, P. (2012). Educational Differences in Volunteering in Cross-National Perspective: Individual and Contextual Explanations. *Nonprofit and Voluntary Sector Quarterly*, 41(1): 58–81.

8. Matten, D. and Crane, A. (2005). Corporate Citizenship: Toward an Extended Theoretical Conceptualisation. *Academy of Management Review*, 30 (1): 166-179.

9. Okun, M. and Eisenberg, N. (1992). A Comparison of Office and Adult Day-Care Center Older Volunteers. *International Journal of Aging and Human Development*, 35: 219-233.

10. Peterson D. K. (2004). Recruitment Strategies for Encouraging Participation in Corporate Volunteer Programs. *Journal of Business Ethics*, 49(4): 371–386.

11. Runte, M., Basil, D. Z. and Runte, R. (2010). Corporate Support for Employee Volunteerism within Canada: A Cross-Cultural Perspective. *Journal of Nonprofit & Public Sector Marketing*, 22 (4): 247-263.

12. Wilson, J. (2000). Volunteering. *Annual Review of Sociology*, 26: 215-40.

CASE 5. Developing a corporate volunteering programme in Swedbank in Lithuania

Background of the case study

Swedbank was chosen as the organisation for the case study due to several reasons. First, the bank meets the criteria for a frontrunner in terms of corporate social responsibility: it is a large company in terms of Lithuania, a signatory of the UN Global Compact initiative, a subsidiary of an international bank group with an existing CSR policy, international reporting and dedicated workforce twice acknowledged by the Socially Responsible Company Award. The first author of this chapter and the case has been an employee of the bank for over 10 years and her interest in corporate volunteering as a corporate sustainability manager contributed to creation of this case.

Some facts about the bank

With almost 2,000 employees and the widest branch networks in Lithuania, Swedbank is one of the largest banks in the country. It plays a significant role in the financial, economic and social development of the country. The Lithuanian subsidiary is a part of the Swedbank Group, a financial institution with approximately 20,000 employees operating in Sweden, the Baltic countries, Ukraine, and many other countries worldwide.

Source: http://www.swedbank.ru/en/swedbank/about_swedbank_group1/

The Swedbank Group has declared that it seeks to achieve sustainable growth without compromising its rigorous social and environmental standards. The sustainability of the group's operations is assessed on an on-going basis and reported annually.

Swedbank's mission statement envisions the bank acting as a positive force in society. It is therefore natural that the Group is involved in various community projects, both local and across borders. While the projects differ in purpose, extent and geography, the goal remains the same—to be a good corporate citizen, strengthening society and its individual members.

However, there are no structured international or local corporate volunteering programmes available to the employees of Swedbank in Lithuania, nor do they appear to be present in Sweden or any other countries. There have been no attempts so far to study the subject of corporate volunteering or to distinguish its possible benefits for either the organisation, its employees or the local communities.

Corporate volunteering programmes in the bank

The only volunteering opportunities offered to the bank's employees so far have been one-day teambuilding events, such as "Green City"—an annual project begun in 2005 that aims to plant as many trees as there are employees in Swedbank in Lithuania each year—or offers to get involved in projects organised by the bank's social partners or other community organisations (universities, charities, etc.). There also exist some employee-led initiatives, i.e., to visit and provide in-kind donations to orphanages during the Christmas season. Employees are encouraged to become blood donors, to collect and donate food to the Food Bank, etc. Some ad-hoc initiatives have been organised during the bank's corporate employee events (such as building nest boxes for birds).

There were, however, some new developments in 2009, when the bank embarked on several business projects of a new quality: the bank's employees were invited to teach senior citizens to use the Internet in regional libraries or to give educational lectures to future students explaining the pros and cons of student loans. These projects revealed that the bank's employees were eager to participate and the projects were evaluated as very successful. Expecting to gain 50% of the student loan market, the bank eventually increased its market share to 70%, as the marketing campaign was extremely well received by young people. Its socially responsible educational orientation and avoidance of pressure to "buy" appealed to young people, who are particularly sensitive to social issues and will most probably transform customer loyalty and employee recruitment and retention trends in the years to come.

It is very important to notice a new trend emerging in the bank—a proactive approach to preventing possible future problems with clients by taking immediate actions with long-term effects. The student loan business case is a good illustration of this approach. The decision to embark on the educational campaign was made only after a thorough analysis of data from Sweden, where several decades ago many people with bad credit histories due to student loans had trouble borrowing money from banks.

Yet another business project might provide the strongest platform for skills-based volunteering opportunities. It is a financial literacy educational programme for all residents of Swedbank Group home markets. Led by the Institute of Private Finances established by Swedbank Group in all Baltic countries, this project has already taken several forms in Lithuania: an Internet site about managing personal finances (www.manofinansai.lt), a dedicated private finance spokesperson at the bank, and a consultant to a TV show on managing personal finances sponsored by the bank. Plans have been made to develop this project further, and the bank expects its employees to benefit from the opportunities to give public speeches, consult with communities on managing personal finances, and so forth.

A poll carried out in January 2009 revealed that the following areas would be the most popular among Swedbank employees for volunteering activities: anti-bullying in schools, healthcare, the environment, youth education, and financial literacy. Out of 900 respondents who participated in the poll (30% of all employees), only 4% expressed unwillingness to participate in any voluntary activities. The bank has therefore taken the strategic decision to narrow its focus and enhance its social initiatives towards youth, financial education and entrepreneurship.

In 2011, encouraged by prior projects and its employees' enthusiasm, Swedbank initiated the "Who needs it?!" project together with the telecommunications company Omnitel (a member of the TeliaSonera group). This project focuses on matchmaking between high schools (both pupils and teachers) and businesses, to motivate young people to think about and plan for their future occupations or professions. Teachers can request guest teachers for various class topics from a wide range of professions, occupations, and jobs; these guests may then suggest classroom activities to the teacher. Business people can also propose projects which they would be able to carry out with schools. Finally, the pupils themselves can announce in which kind of workplace they would like to "shadow" an employee (i.e., follow a professional throughout one working day, receiving some coaching or advice), and business people can offer this possibility. The project is meant to become a platform for corporate volunteering in the future, completing the attempts to establish a system of CV.

Concluding remarks

It is apparent that Swedbank is providing a powerful and positive environment in terms of the further development of corporate volunteering; however, the bank executives and employees should be more aware of the possible benefits of structured CV activities aligned with the corporate strategy, employee competences and interests, and community needs. This would help to encourage CV in the bank.

Understanding the multiple benefits of CV (as well as its possible pitfalls) and equipped with efficient tools for encouraging corporate volunteering among its employees, the bank would be able to tap into unlimited resources for building a solid brand, strengthening its reputation, raising consumer loyalty, fostering employee satisfaction, loyalty and morale, and developing training and skills. Ample examples abroad show that corporate volunteering can serve as a valuable tool in reaching such goals.

Required reading

Garriga, E. and Mele, D. (2004). Corporate Social Responsibility Theories: Mapping the Territory. *Journal of Business Ethics*, 53: 51–71.

Muthuri, J., Matten, D. and Moon, J. (2009). Employee Volunteering and Social Capital: Contributions to Corporate Social Responsibility. *British Journal of Management*, 20: 75-89.

Jarvis, C. and Parker, A. (2011). The Business Benefits of Corporate Volunteering. Briefing July 2011 by *Realized Worth*. Toronto. Accessed at: <http://www.cvctc.org/docs/Awards_HO/HR%20Briefing-Employee%20Volunteering.pdf>

Recommended reading

Community Business (2005). *Employee Volunteering: The Guide.* Accessed at:
<http://www.communitybusiness.org/images/cb/publications/2005/EVguideEn.pdf>

General questions

1. What is your country's score in the volunteering survey? How can it be explained? How can volunteering contribute to sustainable development? What are the usual motives for volunteering in your society? Are they altruistic or egotistic, internally or externally-driven?
2. In groups, draft a concept map of CV from the perspective of the four conceptual approaches to CSR (instrumental, political, integrative and ethical) as explicated by Garriga and Mele (2004). How do the business benefits described by Jarvis and Parker (2011) fall into these four categories?
3. Draft a conceptual roadmap that organizations should follow to increase their social capital through corporate volunteering programmes, based on the ideas in Muthuri et al. (2009). Explain the role of trust in this roadmap.

Case-specific questions

1. Based on the available CV activities and considering the bank's stakeholders, develop a structured and strategically aligned CV activity plan for the bank. List the ways that corporate volunteering among the bank's employees could be encouraged, considering particular stakeholders.
2. Considering the bank's context, provide ethical and business arguments for developing a systematic CV programme.
3. List the direct and indirect costs associated with your proposed CV programme. How can the programme create added value to the bank?