

# Importance of Ethical Leadership in Public and Private Enterprises of Sri Lanka in Developing and Global Contexts

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A truth that's told with bad intent beats all the lies you can invent.  
William Blake (1757–1827)

**Abstract**—This conference paper will attempt to address key aspects of a resurgent and a contemporary business issue – importance of ethical leadership in private and public enterprises of Sri Lanka in developing and global contexts. It drew primary survey data as empirical evidence from a developing economy (Sri Lanka), where 17 leaders and managers of Sri Lankan organisations consisting of private and public enterprises were interviewed face-to-face and researched recently, as well as survey data drawn from secondary research contrasted to compare with those of a developed economy (Australia) carried out in a recent identical doctoral research (2011/12) in order to compound the importance when compared with a developed economy and to establish the difference if at all. Organisations and their leaders often underestimate how closely they are being watched by not only by their employees, but by the general public at large – both within the country and globally. The leaders actually do versus what they ought to do (Brown, 2007) should not be two things. The importance of this research is the impact of ethical leadership on organisations and their outcomes both in development and global contexts. It affects on management in economic development from a micro (organizational) perspective to a more macro economical perspective posing the central question how important leading ethically is. Leading can be defined as inspiring, motivating and directing. The paper argues, significantly how both economies (Sri Lanka and Australia) behave similarly in leading ethically, but mechanisms that are in place to make organizations accountable for ethical violations which result in acts of misconduct and mismanagement in Sri Lanka are either absent, lacking or ineffective or all of the three; providing motivation and scope for greater mobilization of ethics in Sri Lanka. Ethical leadership is bound to

escalate stakeholders and the public to place the country's image with an improved and positive perception globally and reap benefits of development, according to a conceptual model developed by the author.

**Keywords**— Ethical leadership, developing, global

## I. INTRODUCTION

Ciulla (1998) proposed that ethics is at the 'heart of leadership'. With public sector and corporate mismanagement and corruption in concerning proportions globally (Global Corruption Barometer 2013 – <http://www.slideshare.net/linkedin/influencer-interviews-sir-martin-sorrell-founder-ceo-of-wpp>), the greed to making profits at any cost will continue to reinforce the need for ethical leadership as an antecedent, in a profound and a pronounced manner.

Ethics from a management perspective is defined as 'The code of moral principles and values that governs the behaviour of a person or a group with respect to what is right or wrong' (Samson and Daft, 2009). As such, organisations or persons conducting themselves ethically and are in positions of power with followers looking up to them will be considered 'leading ethically'. When the leader is unethical, followers who are controlled by the position power of the leader and don't support such unethical behaviour, but are forced to follow due to fears of losing their jobs or potentially having their entire career debilitated is known to have experienced an 'ethical dilemma' (alternative choices of behaviours have potentially negative ethical consequences – Samson and Daft, 2009). For example if an employee is required to pay a bribe to get something done on behalf of his

employer/organisation very much against his/her personal wish, that person is considered to be going through an ethical dilemma.

The impact of ethics as a variable on economic development in the Sri Lankan context has not been adequately researched, with the earliest recorded research dating to as late as 1997 (Batten, Hettihewa and Mellor, 1997).

Other than firm-specific factors, socio-cultural factors too influence management's perceptions of unethical practice (Macdonald and Zepp, 1988; Rashid, 1988).

The purpose of this paper is to examine the importance of ethical leadership in private and public enterprises of Sri Lanka in developing and global contexts, the latter (global contexts) compared with that of a developed economy (Australia) through a recent doctoral research carried out, to understand the cross-cultural differences if any.

Both Sri Lanka and Australia have open economies and similar populations (21 and 22 million respectively) with vastly different socio-cultural environments and economic development indicators.

Questions concerning the following eight aspects which impacted the two key variables - ethical leadership and organisational excellence/country standing were asked from the seventeen participants who were interviewed face-to-face. The following eight open ended questions were drafted considering a fair representation of data collection where all participants responded to same questions. This approach made the research data more reliable and valid.

1. What are individual's personal values and who/what influenced them the most?
2. What are the values of the organisation they work for?
3. How the individual describes an ethical leader?
4. How the individual describes an unethical leader?
5. Describe an ethical dilemma experienced by the individual
6. If the organisation the individual is working for has a written code of ethics

7. How important is ethical leadership for the development of their organisation?
8. Participant's views on the greatest challenges impeding development facing Sri Lanka in a global environment/context

The introduction of the paper will be followed by research questions, a literature review, a conceptual framework, research methodology, results, discussion and the conclusion.

## II. RESEARCH QUESTIONS

Answers as findings to the following research questions were sought through data gathered via responses to above questions.

- A. Is there a correlation between ethical and unethical leadership outcomes on organisations?
- B. Is there a positive correlation between ethical leadership on organisational economic development/performance?
- C. Is ethical leadership influencing country's image in the global environment?
- D. Is ethical leadership affecting a country's development?

## III. FROM THE LITERATURE

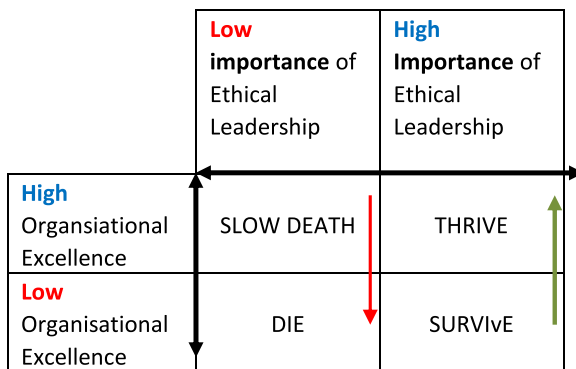
According to Batten et al (1997) there are significant variations in the factors affecting ethical management practice between the two countries (Sri Lanka and Australia), such as a code of ethics and a forum to discuss ethics, whereby Australian firms were ahead of Sri Lanka ones. However, the results suggested that both countries had more scope for the development of better ethical management practice. The challenge here was the very limited number of research and scholarly articles available concerning ethics in Sri Lanka.

In a recent doctoral research by Crews (2011) on 'What is ethical leadership? A study to define the characteristics of ethical leadership: perspectives from Australian public and private sectors' where 78 senior executives from diverse industries across Australia were interviewed on ethical leadership, the following principal findings emerged: "Participants' recollections of ethical leadership centred on three themes: value alignment, governance and relationship-centredness. Ethical leaders are perceived to be individuals who behave

with *integrity, courage* and *trustworthiness*. They are relationship-centred, and *fairness* and *altruism* are the defining features of their relationships with others. In matters of governance, ethical leaders demonstrate adherence to *accountability* measures and *discernment* in their decision-making responsibilities. These findings were opposed to recollections relating to less than ethical leaders, who are defined by deception and self-centredness. In matters of governance, the decision-making of less than ethical leaders reflected *culpability* and *expediency*. Their self-centredness was evident in their *abuse of power* and their *self-serving behaviour*”.

Ethical management practices between Australia and Sri Lanka are likely to vary due to differences in socio-economic and cultural factors (Batten et al, 1997). This is an area of interest for further research.

#### IV. CONCEPTUAL FRAMEWORK



**Figure 1. Organisational Excellence and Ethical Leadership Grid**

Perera, Deepanie, 2011

According to Figure I developed by the author, organisations with a higher degree of ethical leadership excel, thriving on outcomes they are required to produce, whilst the opposite is true for those who assign a low degree of importance for ethical leadership; as deception, corruption and mismanagement may eventually lead their organisations from a slow death to die completely. It may only be a matter of time. As such, the grid shows the importance of ethical leadership towards organisational excellence. The same will apply to a country that may be considered an organisation for all intents and purpose, where people have a great

preference to associate those organisations and individuals who lead ethically.

#### V. RESEARCH METHODOLOGY

A simple random sample of 23 Sri Lankan organisations representing three public sector and twenty private sector organisations were selected. The private sector organisations were both from manufacturing and service industries comprising of medium and large sized organisations in diverse business operations. Among them some were public quoted companies. A diverse sample was used to ensure a high generalisability as a representation. A total of 17 participants provided face-to-face in-depth structured interviews upon having received their written consent for same and having ensured their anonymity. Each participant was identified through a code number assigned and all interviews were audio recorded, again on receiving participants’ consent. The number responded is considered good as a 74% from the selected sample participated. Prior to their interviews, all participants were given a written letter requesting for their permission in writing where conformity with ethical research practices were articulated. The interviews were recorded during the latter part of 2012, as a collaborative research initiative between the writer and an Australian research partner. The author undertook to provide a copy of the findings in the form of an abstract to interested participants. As a strategy to gain more acceptance of the respondents the interviewer opened the discussion with a question on their personal values where all respondents passionately responded to proving their high level of motivation towards the subject. This approach was adopted to avert any hesitation by participants to openly discuss on ethics and ethical dilemmas which may not be socially desirable topics in a country like Sri Lanka with a conservative culture.

#### VI. RESULTS

The hypothesis was formed in the research questions stated in II above. The null hypothesis for the testing was if ethical leadership was more important for Sri Lanka than Australia in developing and global contexts. The first two interview questions were posed as an ice-breaking entry to the interview. A majority of respondents in response to question three stated that an ethical leader to them was a leader who ‘walked the talk’

(does what he says), which in turn gave an entry and a response of sorts to the next question too, which was about an unethical leader. In describing an unethical leader, respondents used words and phrases like: deception, duplicity, hypocrisy, corruption, misrepresentation, self-centeredness, self-serving interests, leader with compromised values, violation of organisational processes, misuse of power, disrespectfulness, dishonesty and the abuse of institutional resources for personal gratification. In responding to question five, almost all respondents took the most time and spoke with much passion about their own experiences. Most organisations did not have a written code of ethics; the few (two) who had, complained that the code was not enforced or a divide-and-rule practice towards it prevailed in their organisations making the process dysfunctional and ineffective. They also claimed the code of ethics was a mere attempt to impress upon regulators and compliance requirements of clients, resulting in it not being an instrument that was born through conviction.

All respondents said ethical leadership was highly important for the development of their organisations. Some went on to justify their responses in detail, stating development and sustainability will only stay if the leadership was ethical, followed by ethical practices across the organisation (complied by followers). As the last question was broad in nature, diverse responses were received. This was an intentional strategy deployed to avoid any biases that the respondents may have in slanting the responses more towards ethics. Among a number of various responses such as the lack of a strong nationalistic identity, lack of visionary political leadership, support from the developed world, lack of transparency as a nation, corruption at all levels, skills gaps and skills building challenges, a 37% responded that ethical leadership both at political and institutional/organisational levels were the greatest challenges impeding development mostly economical, facing Sri Lanka in a global environment/context.

When compared with the results of the doctoral thesis through research carried out across 78 Australian organisations threw up similar results to the one carried out in Sri Lanka; with the key difference being the mechanisms available to address unethical leadership issues were present in a much higher degree in Australia than in Sri Lanka. A number of general qualitative remarks and

comments (as already mentioned above) provided by participants too were considered in analysing results from the two researches.

## VII. DISCUSSION

In responding to the four research questions above, and on having analysed the same, it was clear there was a positive correlation between ethical and unethical leadership outcomes on organisations. This finding also compounded the conceptual framework (Figure 1) presented whereby when an organisation has assigned a low importance to ethical leadership, it had produced a low organisational excellence, meaning the richness of its' outcomes were low. This is easy to comprehend as customers, suppliers and other stakeholders including employees won't favour associating organisations who don't lead ethically. Further, there is a positive correlation between ethical leadership and organisational economic development/performance. An unethically led organisation may seemingly do well, but only until the duplicity is exposed. Golden Key scandal is a good example from Sri Lanka whilst the recent withdrawal of GE motor vehicles sold globally since 2004 which were faulty and known by management to be faulty is a good global example for unethical behaviour of a global entity. Both Sri Lanka's political establishment and organisations that are public and private will project a positive image of the country in the global environment when they are ethically led, suggesting a strong correlation among the variables. In addressing the last question whether ethical leadership is affecting a country's development, facts and points may be drawn from the responses given to question 'B' above – as for one foreign investment, aid and grants will arrive under an environment of ethics and to sustain macro socio-economic development ethics must prevail demonstrating ethical leadership among public and private enterprises. Some qualitative responses to 'C' and 'D' above were image and recognition, results oriented culture, independence of the judiciary, socio-political and economic stability, personal values, competitive business environment, brain-gain, investment in developing human capital, etc.

## VIII. DIRECTIONS FOR FUTURE RESEARCH

A close scrutiny of all socio-economic development parameters could be researched and mapped

directly to ethical leadership. Firm specific parameters such as the size, turnover, industry, even taking different professions (finance, marketing, human resource management, etc.) and industries, etc. as empirical studies may be surveyed to examine ethics in specific professions, industries, markets and even demographically; which certainly would be useful for not only a developing country like Sri Lanka but to all who wish to attain and sustain good results through ethical leadership. As Peter Drucker (1954) said what gets measured, gets managed.

#### IX. CONCLUSION

The purpose of this study was to research the importance of ethical leadership in private and public enterprises of Sri Lanka in developing and global contexts. The findings through a research among 17 leaders and managers of public and private sector enterprises interviewed were compared against a doctoral research from a developed country - Australia, carried out in 2011 using a much larger sample. The two variables measured were importance of ethical leadership and organisational excellence. The findings were based on a conceptual model (Figure 1) developed by the author where organisations assigning a high importance to ethical leadership thrived on the organisational excellence variable, where the opposite (slow death to die) was true for those with a low importance given to ethical leadership. Though the findings were rather similar whereby both countries assigning a high degree of importance to ethical leadership, the difference was by and large in the mechanisms available, such as a written code of conduct, a forum for ethical issues were essentially what Sri Lankan organisations lacked; likely to be assigned due to being a developing country as mentioned by a number of respondents. This position also reinforced the importance of ethical leadership in a developing and in a global context for Sri Lanka due to a reasons mentioned such as image and recognition, results oriented culture, independent judiciary, socio-political and economic stability, personal values, competitive business environment, brain-gain, investment in developing human capital, etc. that must be realised, suggesting to confirm the research subject of this paper – the importance of ethical leadership in public and private enterprises of Sri Lanka in developing and global contexts. The findings also provided answers to the

four research questions raised, and discussed under VII above. In conclusion, this paper suggests that ethical leadership is highly important for Sri Lanka in both contexts – developing and global, and it was proved there is a positive correlation between the two variables tested i.e.: ethical leadership and organisational excellence.

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