**The importance of being an ethical leader and how to become one**

**By**[**Giulia Villirilli**](https://www.betterup.com/blog/author/giulia-villirilli)

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**What is ethical leadership?**

Ethical leadership means that individuals behave according to a set of principles and values that are recognized by the majority as a sound basis for the common good. These include integrity, respect, trust, fairness, transparency, and honesty.

Ethical leadership must be a conscious decision. As Fred Kofman writes in his book Conscious Business, “To be conscious means to be awake, mindful. To live consciously means to be open to perceiving the world around and within us, to understand our circumstances, and to decide how to respond to them in ways that honor our needs, values, and goals.”

He continues, “To be unconscious is to be asleep, mindless… Consciousness enables us to face our circumstances and pursue our goals in alignment with our values. When we lose consciousness, we are swept away by instincts and habits that may not serve us. We pursue goals that are not conducive to our health and happiness, we act in ways that we later regret, and we produce results that hurt us and those we care about.”

**Why is it essential to be an ethical leader?**

There are many good reasons to be an ethical leader.

From a collective perspective, leaders can inspire those around them to behave ethically. By setting an example and giving the direction for ethical behavior, others will observe and act similarly. In this way, ethical leaders can positively influence many others, presenting them with a set of actions that they can adopt for the greater good.

On a personal level, being an ethical leader is essential for credibility and reputation. If one aims to be a leader, it is a long game. Behaving unethically can automatically take a leader out of the A-league and may heavily damage their personal or company brand. Moreover, unethical behaviors often deteriorate one's self-esteem, leading to a suboptimal outcome and a missed opportunity to express one’s full potential.

**6 elements that define ethical leadership**

Ethical leadership encompasses many things but ultimately boils down to these six main elements.

1. **Honesty.** Honesty makes ethical leaders worthy of the trust others place in them. It means leaders commit to presenting facts as they are, playing fair with competitors, and communicating honestly with others.
2. **Justice.** To be fair means to treat everyone equally, offer opportunities with no favoritism, and condemn improper behaviors and manipulations, as well as any other actions that could harm someone.
3. **Respect.** Ethical leaders respect others around them, regardless of their position or identifying characteristics. This means they listen to each stakeholder, foster inclusion, and value diversity.
4. **Integrity.** Integrity is shown when values, words, and actions are aligned and consistent. It is not enough to talk the talk, one has to walk the walk to demonstrate integrity.
5. **Responsibility.**Responsibility means accepting to be in charge, embracing the power and duties that come with it, and always responding and being present in challenging situations.
6. **Transparency.** Transparency concerns mainly the communication with all stakeholders. It means keeping an open dialogue, accepting feedback, and disclosing the information others need to deliver their work.

**Which are the traits of an ethical leader?**

“The best way to do is to be.” – Lao Tzu

Leaders play a crucial role in corporations, as they have been chosen to guide others. What do great ethical leaders do, and what ethical traits do they have in common?

1. **They know their internal compass and values**. Knowing oneself is the first trait an ethical leader has to possess. By knowing their own values and principles, they can make them visible to others, take positions, and solidly enter negotiations.
2. **They have consistent ethical behavior.** Reputation is built on repetition, and ethical leaders know that. Leaders are vulnerable, as the trust that people place in them can quickly fade if they misbehave—no matter how well they have behaved in the past. Leaders have to send continuous signals to show that people can continue trusting them.
3. **They do not tolerate deviations from the ethical code.**If someone acts against the Code of Conduct and the leader does not take action, this may signal that the Code of Conduct is not important. Ethical leaders do not make exceptions in this area, and they immediately signal which behaviors are not tolerated. In doing so, they build consistency and credibility, and avoid confusion and doubts about accepted behaviors.
4. **They raise their concerns, even if unpopular.** Ethical leaders know that overlooking important details may cause significant damages. They carefully observe situations to identify potential issues. When facing a doubt or a dilemma, ethical leaders raise their concerns—even if this means slowing things down or generating more work.
5. **They admit mistakes and share a recovery plan if needed.** If things go wrong, ethical leaders do not hide or minimize what happened. Instead, they own their mistake, apologize, find ways to solve the issue, and share all possible recovery plans with stakeholders. This shows they care, and they are doing what is in their power to improve an unfortunate situation.
6. **They are willing to assume full responsibility.**As Napoleon Hill states, “The successful leader must be willing to assume responsibility for the mistakes and the shortcomings of his followers. If he tries to shift this responsibility, he will not remain the leader. If one of his followers makes a mistake and shows himself incompetent, the leader must consider that it is he who failed.“ Lack of responsibility in organizations leads to ineffectiveness, confusion, inaction, and a waste of time and resources. Ethical leaders hold themselves accountable, take charge, and shape the present and future through their words and deeds.
7. **They always show up and speak for their teams.** Ethical leaders are present in good and bad times, develop their teams, and defend others when needed. They are at the front when the storm hits, giving direction and helping get their teams through their challenges. They know they are there to serve the interests of their teams and organizations above their own interests.
8. **They act with fairness.**Leaders have to face many decisions and negotiations. Their behavior clearly favors long-term wins over short-term gains. It also supports meritocracy and fair treatment of every individual, regardless of status, ethnicity, age, or any other potential factor of discrimination.
9. **They walk the talk.** Last but not least, ethical leaders act with integrity. They practice what they preach, and their values, words, and deeds are aligned and visible to everyone. If they would not hold themselves to the same standards they present to others, their credibility and reputation would suffer. Leading by example is a choice of consciousness and requires daily focus, but pays off like nothing else.

**7 ways ethical leadership can affect an organization**

Ethical leadership provides enormous benefits to organizations, in many ways.

1. **Increased sense of belonging.** When company values and individual values are aligned and ethical principles are adopted, everyone’s general well-being will increase. This leads to a positive atmosphere, which reinforces and fosters ethical behaviors, creating a virtuous loop where everyone will feel at home and in the right condition to give their best.
2. **Improved relationships with customers.** Customers will feel they’ve made a good decision to work with your company when they perceive and witness ethical leadership and cultural values. This will encourage them to continue doing business with you, while also boosting your reputation as one of the fair players in the market.
3. **Respect from society and communities.** Organizations that are led by ethical leaders set a good example for others, and are respected and valued as a result. These are the types of companies people want to work for, do business with, and emulate in their own companies.
4. **Support in times of crises.** The world changes rapidly and companies may face many challenges. But people want to see ethical leaders, and the companies they work for, thrive. Having leaders who behave ethically and act with kindness and respect can be the ticket to getting through tough times.
5. **Loyal employees.** When leaders are fair and just, team members have one less incentive to move elsewhere. Ethical leaders provide the optimal setting for employees by inspiring, developing, and establishing a culture of trust and respect. This leads to significant benefits like lower turnover, higher productivity, and loyalty.
6. **Better morale.** A strong emphasis on values and ethics creates a positive work environment that fosters an overall better mood and a higher understanding among individuals. When the roots are solid, the stress and tensions of daily business are like the wind on a stable tree. People usually feel the roots and know if they can rely on them and feel confident, or if they will have to keep their guard up.
7. **Higher stability on the market.** Organizations with ethical leaders are at lower risk of sudden crises due to internal factors. This usually is acknowledged and appreciated by investors.
8. **Higher motivation.** When each team member knows that the company is operating ethically and for the benefit of the greater, they will want to do their part to further the company’s mission.

**How to improve your ethical leadership skills?**

Great leaders know there is always room for improvement. Here are some ways you can become a better ethical leader.

1. **Choose ethical business partners.** The people you choose as employees, partners, consultants, attorneys, suppliers, and customers will signal to everybody else what you stand for. Choose wisely.
2. **Make your values visible.**Once you identify the values you stand for, state them clearly. By doing so, you will avoid misunderstandings, and it will be easy for people to decide to partner with you—or not.
3. **Set desired behaviors and put a control mechanism in place.**Your values should be reflected in your behaviors, which are visible manifestations that can be periodically assessed. Take the time to consider whether you are exhibiting your desired behaviors. If any deviation is found, it should be examined and resolved before it becomes problematic.
4. **Never ask an employee to act against the agreed rules.**Rules are in place for a reason, and an ethical leader should never ask a team member for a derogation—or allow one from themselves. For example, if the rule is that team members are given a long break after an 8-hour shift, a leader should never ask them to stay late. This will support consistency and will set an ethical example for everyone who is watching.
5. **Don’t lie about the future.**If you know that something isn’t going to happen, don’t say it will. This may concern a promotion, exceptional financial results, or anything else that is not supported by data. Imperfect is better than fake, and it will pay off in the long-term.
6. **Don’t hinder the development of your team members.**Help your team members be the best version of themselves, even if it means you might lose them to another opportunity. You can’t keep every employee forever, but you can develop them into stronger professionals while they’re under your guidance.
7. **Identify potential “worst case scenarios.”**A leader should always be prepared for potential risks and worst-case scenarios. Identify them early so you can consider all ethical impacts and potential solutions well before you go into crisis mode.
8. **Acknowledge others.**Don’t take credit for someone else’s work, even if it’s someone that works under you. Instead, acknowledge your team members’ successes. This will foster loyalty, increase motivation, and boost performance.

**Examples of good ethical leadership**

Want to see what ethical leadership looks like in action? These ethical leadership examples will demonstrate some real-world scenarios.

* **Walking the talk on safety-related topics.** Safety is a critical focus at every manufacturing company. Every meeting in a plant will begin with a safety briefing and attendees will be notified of the emergency exit. But it’s not enough to simply discuss safety protocols, leaders must demonstrate them as well. For instance, holding onto the handrail when using the stairs, wearing safety glasses and helmets, and not using their mobile phones in the plants. This shows that safety is truly a priority.
* **Deliver what has been promised.** When creating marketing materials or speaking to customers on sales calls, be honest and transparent about what is being offered.  For example, if you advertise that a given product has certain characteristics, customers should be able to confirm those characteristics are accurate representations of the product. Delivering on promises clearly demonstrates consistency and builds trust with customers.
* **Preparing sound contracts.** Ethical leaders pay attention to details. When working with external consultants, for example, ensure contracts have all necessary terms and conditions, such as the time frame, payment terms, and scope of the service provided.
* **Only recommend something if it’s worth it.** Ethical leaders only recommend a product or service if they think it will provide value. For example, a law firm might recommend that a client conduct an equal pay audit to assess and mitigate potential risk. These suggestions are for the good of the company, not the law firm, and help generate satisfaction, improve relationships, and retain customers.

**An ethical leadership example in action**

Imagine you’re on a call with your biggest customer, alongside your boss, and the customer is extremely dissatisfied. Your product had an outage that severely impacted their business and they want to make sure it doesn’t happen again.

Your boss assures them this is a one-time occurrence, and that it won’t be a problem in the future. When you hang up, you remind your boss that this issue has been occurring among customers with increasing frequency and that a fix is still in the works. Your boss nods and says, “Yes, but they don’t need to know that just before their contract renewal.”

Fast forward a couple of months, and your customer calls to cancel their contract following another outage. Your boss again gets on the line to say how sorry they are and that this is a rare occurrence, but that they can’t cancel their contract without ample notice.

Is that the kind of person you want to work for? Or do business with? They knowingly put their customer in a bad position, so they could get credit for a contract renewal.

This not only creates a strained relationship with your customer, but it also demonstrates to everyone on your team that this sort of behavior is expected. As others emulate this behavior, your company begins to get a bad reputation, lose customers, and struggle to find new customers.

Now imagine if your boss had owned up to the outages, promised to keep the customer in the loop about fixes, and sincerely asked the customer to stay onboard. The customer may or may not renew, but they wouldn’t be leaving with bad blood. They may even come back at a later date or refer other potential customers.

*That’s* the difference ethical leadership can make. It may literally be the difference between survival and failure.

**Final thoughts on ethical leadership**

Ethics and leadership go hand-in-hand. While some tend to think there is a choice to make between being profitable and successful, or behaving ethically, That’s simply not the case. Ethical people and leaders are necessary drivers for success.

What if we give ethical leadership a chance?