Emotional Intelligence and Business Ethics
The Necessary Factor for Transformational Leaders to Lead with Moral Principles
Lea Brovedani

Introduction: Does emotional intelligence and good corporate governance determine the success or failure of leadership ethics? I draw on the accepted definition of emotional intelligence and using this as a guideline, show how a leader’s EI (Emotional Intelligence) is related to ethical outcomes. Research supports the contention that a leader’s high emotional intelligence creates an emotional contagion that positively influences others and affects the ethical outcomes within an organization. I also explore how low emotional intelligence can sabotage a company’s ethics. Transformational leadership cannot effectively operate without ethics and this requires emotional intelligence. The paper closes with guidelines for incorporating emotional intelligence practices into a business culture to ensure ethical leadership.

When Jeffrey Skilling former CEO of Enron was asked during his Harvard entrance interview whether he was smart he purportedly answered “I’m f*%#&* smart”. Enron had a detailed and well written ethics policy in place when he became CEO. Neither Skillings high intelligence nor the corporate policies of Enron prevented the worst ethics scandal in recent history from happening. A missing ingredient was emotional intelligence.

Emotional intelligence is not the triumph of emotions over intelligence but rather it brings emotions and intelligence together. In 1997 Dr. Peter Salovey of Yale University and Dr. Jack Mayer of the University of New Hampshire were having a discussion about a political candidate whose lack of moral ethics had cost him his bid to run for President of the United States. “If there is an IQ there must be an EQ “they decided. They established a four branch model of emotional intelligence. (Salovey & Mayer, 1997) Based on an abilities model, the Mayer/Salovey model is the ability to:

- Perceive emotions in yourself and others
- Use emotions to facilitate thought
- Understand emotions and emotional knowledge
- Manage emotions in yourself and others

Value-based leaders earn high levels of trust amongst their followers. Trust is the willingness to accept vulnerability based upon positive expectations of another’s behavior. (Dunn and Schweitzer, 2005, pp. 737) In the research that Dunn and Schweitzer did on emotions and trust, happiness and other positive emotions were positively correlated to trust and anger, sadness, disgust and other negative emotions were negatively correlated to trust. Charismatic and transformational leaders instill trust, admiration and respect amongst their followers by the promotion of positive behaviors.
An Ethical Transformational leadership instills trust. They use their emotional intelligence to share a vision of a desired future and followers are willing to accept their vision on faith and be open to risk (vulnerability) because of the trust. (Grundstein-Amado, R. 1999).

If this is true, and I believe it is, then did Jeffrey Skilling really manage to gain the trust of investors and the people who worked for him or were they simply willing to overlook his failings because of greed? The skills associated with emotional intelligence can be applied in an antisocial way (Salovey & Grewal, 2005) however genuine emotional intelligence shows in the adherence to truly ethical and transformational leadership.

Transformational and charismatic leaders are positively associated with trust. They combine the two virtues of being a moral person and a moral manager. In other words they are authentic and their ethics are consistent in their personal and in the business life. (Brown & Mitchell 2010) When employees come to them they know they will be listened to and will be treated fairly. These behaviors require the emotional abilities of perceiving emotions and using emotions to facilitate thinking. Transformational leaders recognize the importance of trust building as a key component in getting a commitment from staff to follow their vision.

In order for an organization and its leaders to be seen as ethical they must be considered trustworthy and trusted. Leaders should ask themselves two questions:

1. Would this action be seen as trustworthy?
2. Would I want to read about this in the paper?

Unethical behavior thrives in secrecy. Ethically Transformational Leaders know this and strive for transparency.

How does a leader’s emotional intelligence influence a whole company? Followers learn accepted ethical behavior by watching and following their leader. Ralph Waldo Emerson said “What you do speaks so loud that I cannot hear what you say.” Transformational Leaders can harness the emotional contagion of the group by showing positive emotions whenever possible and by using negative emotions effectively. Negative emotions are remembered much more readily than positive emotions so leaders must be aware of the emotions they project.

Imagine the manager who has to announce layoffs to his staff. Should he display anger or sadness? The emotionally intelligent manager will recognize that empathy, which shows an understanding of the feelings and emotions of another, is more closely associated with sadness than with anger. Leaders who display anger as opposed to sadness during a crisis were seen as less effective. (Brown and Mitchell, 2010, pg. 592)

Emotions are neither good nor bad. They are sources of information that can be effectively utilized in leadership. A transformational leader seeks to change the status quo and has to do this by engaging the emotions of the followers. There must be an awareness of their own emotions and how they will be
perceived by others. By setting high standards in their own behavior they model the acceptable behavior for others.

John Caparella, President of the Venetian resort and an award winning manager spoke in an interview with Charles Wolfe on PRX radio on how to build trust. John has embraced emotional intelligence in his leadership and is considered a Transformational Leader. When he was opening a new hotel he challenged his HR team to use one abiding rule in every decision they made which was “Do the right thing”. He modeled the behavior he wanted from others by willingly admitting his own mistakes and let staff know that they were better served to self disclose than not. Most organizations punish a person for making mistakes which encourages deception. By creating an environment where it was safe to learn from mistakes Caparella built a team where open communication, honesty, integrity and courage were internalized values. He is both a moral manager and a moral person and creates a climate in which ethical conduct is fostered.

Google has also followed a simplified code of conduct that has become part of their ethic guidelines. “Don’t be Evil”. Like Caparella’s one abiding rule of “Do the right thing”, it reminds the employees to set the highest possible standard of ethical conduct.

Emotional intelligence in the leader is insufficient. Plato posed the question “Which extreme would you rather be: an unethical person with a good reputation or an ethical person with a reputation for injustice?”

A Transformational leader must not only have good ethics, he must be seen by others to be an ethical person. The reputation rests on two pillars, the moral person and the moral manager. Unless leaders communicate their ethics they can be perceived as being ethically neutral. (Trevino, Hartman & Brown, 2000)

In the case of John Caparella, he was able to show and demonstrate his abilities as a moral person and a moral manager by modeling the behavior (admitting his own mistakes) and rewarding self-disclosure in his staff.

90% of the Fortune 500 companies have a code of ethics and yet transgressions still happen. Most times the policies are not known or followed by the employees.

When James Burke took over as President of Johnson and Johnson he asked his managers to review their corporate credo. After much discussion they updated the document and committed their people and their organization to stand by what they wrote. When they were hit by the Tylenol poisoning three years later they stood by the values they had written in the new document. The way Johnson and Johnson conducted themselves during the crisis is still considered one of the best examples of corporate and business ethics in action. Although Burke didn’t take credit for the success in handling the crisis people below him said it was his leadership and the belief that he was serious and committed to following the new credo that allowed them to make the decisions they did. (Trevino, Hartman & Brown 2000)
Since that time, Johnson and Johnson has expanded and made ‘Credo Values’ first and foremost on the agenda at their succession planning meetings. The credo is based on emotional as well as business values. Violations of Credo policy are handled swiftly and clearly.

Compare the shining example of Johnson and Johnson with what occurred at Enron. Profit at any cost was the prevalent credo and a person’s value was in direct correlation to how much money they could make for the company. Ruthlessness and lying were ok as long as there was profit.

As Gandhi said “There have been tyrants and murderers and for a time they seem invincible but in the end, they always fall — think of it, always.” In the end, Enron failed spectacularly and a strong message was sent to the business world that good ethics makes good business sense.

Conclusion:

An ethical leader requires a high degree of emotional intelligence to face potential derailers in ethical dilemmas. Legislation is not enough to ensure ethical behavior. Ethics and trust are linked and a high understanding of emotions in thought and action can show others he/she is trustworthy. Leaders must be able to perceive and manage their own emotions and those of others to be able to navigate and make the best decisions for an ethical outcome. They must model the behavior they expect from others. Communication is effective because they are able to tap into the hearts, feelings and minds of others and use feeling language and the emotion that people positively respond to. Behaving ethically involves more than following written policies. An emotionally intelligent leader shows his character through his trustworthiness and his ability to hold to his core values and respond to ethically grey areas by using his/her emotional intelligence. He/she uses emotions with intelligence to lead and manage and to make good decisions, solve problems and cope with change in an ethical way.


