New Insights into Ethical Leadership: A Qualitative Investigation of the Experiences of Executive Ethical Leaders

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Abstract Ethical leadership has become a thriving research field. However, on reviewing previous research, we argue that several fundamental questions remain unclear and need further investigation. (1) Ethical leaders are defined as behaving 'normatively appropriate[ly]' (Brown et al., Organ Behav Hum Decis Process 97(2):117–134, 2005), but it remains unclear what this entails. What specific behaviours does an ethical leader show? (2) To date, ethical leadership has focused primarily on leader behaviour towards employees. Which stakeholders apart from employees are important to the ethical leader, and what kind of ethical behaviour does the ethical leader show towards them? (3) What are further antecedents and consequences of ethical leadership? We addressed these questions by qualitatively analysing interviews with 17, mostly Swiss, executive ethical leaders. The results indicate that executive ethical leaders care not only about employees but also about other stakeholders, such as customers, suppliers, owners of companies, the natural environment and society. Additionally, this study identified a broad range of executive ethical leaders' behaviours towards these stakeholders, and, therefore, may function as a useful resource for future quantitative studies. Furthermore, we identified several antecedents of executive ethical leadership, for example ethical role models, business strategy and owner's values, and consequences such as effects on other stakeholders than employees. Finally, our results shed more light on the processes of ethical guidance of employees. Managerial implications and avenues for further research are discussed.

Abbreviations
ELS   Ethical Leadership Scale
ELBS   Ethical Leadership Behavior Scale
ELW   Ethical Leadership at Work Questionnaire

Introduction

Over recent decades, several business frauds and examples of scandalous management behaviour have generated much attention. With the increasing number of widely discussed scandals, the question has arisen how they could have been prevented. Politicians, jurists, economists, philosophers, theologians and psychologists have searched for strategies that could promote ethical, and prevent unethical, behaviour in enterprises. As a consequence, regulations (e.g. the Sarbanes–Oxley Act of 2002), voluntary commitments of different kinds (e.g. through codes of ethics), ethics programs and corporate ethics officers have been introduced. However, the effect of these measures has often been insufficient. Webley and Werner (2008), for instance, found that a code of ethics alone does not guarantee ethical behaviour on the part of an organisation, that instead there is frequently a considerable discrepancy between the code of ethics of an organisation and its members' actual ethical behaviour.

Over the last couple of years, the search for reasons for the poor effectiveness of such measures has increasingly focused on leaders and supervisors. Webley and Werner

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(2008) found the lack of commitment in the top management to be a cause, and several studies have shown that managers substantially influence the ethical or unethical behaviour of their subordinates (Brown and Treviño 2006; Brown et al. 2005; Mayer et al. 2009; Walumbwa et al. 2007). Likewise, research on leadership has increasingly paid attention to ethical aspects (Bass and Steidlmeier 1999; Brown and Treviño 2006; Brown et al. 2005; Burns 1978; Kanungo and Mendonca 1996), and ethical leadership has emerged as a thriving research field.

Even though substantial and promising effort has been made to conceptualise and measure ethical leadership (Brown et al. 2005; Kalshoven et al. 2011; Tanner et al. 2010), we are still just at beginning to understand this complex phenomenon, and several fundamental questions remain unclear. (1) Ethical leaders are said to behave normatively appropriately, to 'do the right thing' (Brown et al. 2005). But what does this mean? Giessner and Quaquebeke (2011) and Eisenbeiss (2012) argued that it remains rather vague and called for a precise definition of what 'normatively appropriate' entails. Other scholars have pointed out the need for further operationalisation of ethical leadership behaviour: What are the concrete, visible actions of ethical leaders? (Kalshoven et al. 2011; Tanner et al. 2010). (2) To date, the ethical leadership concept has principally focused on leadership behaviour towards subordinates. However, stakeholder theory (Donaldson and Preston 1995; Freeman 1994; Freeman et al. 2010) has emphasised that leaders should be attentive not only to the interests of their employees but also to those of other stakeholder groups (e.g. clients, shareholders and suppliers). In order to complement our knowledge about ethical leadership, we need to find out which stakeholders ethical leaders consider to be important and what kind of ethical behaviour they show towards them. (3) We still know little about antecedents of ethical leadership: What enables and enhances ethical leadership? What are the challenges to be overcome? And even though there has already been substantial research on consequences of ethical leadership, several areas remain to be explored further: For example, how does ethical leadership affect other stakeholders than employees, such as customers or suppliers?

As these are fundamental, complex questions with little empirical research to draw answers from, we feel that an explorative, qualitative empirical approach is appropriate. As far as we are aware, the qualitative method has been applied only very rarely to ethical leadership (Lee and Cheng 2010; Treviño et al. 2003), even though its usefulness for studying leadership has been emphasised: Conger (1998, p. 108) describes qualitative research as the 'cornerstone methodology for understanding leadership', though greatly underutilised,

and continues: '[…] qualitative research must play an important role no matter what stage we are in the investigation of leadership topics' as it is particularly suitable for dealing with complex phenomena such as leadership. The main goal of this research, therefore, is to qualitatively investigate ethical leadership in order to deepen our understanding of this complex phenomenon and to build a resource for further conceptualisation and quantitative research.

Executive ethical leadership is considered to play a leading role in enhancing ethical behaviour in organisations (Treviño et al. 2003; Webley and Werner 2008), as executive leaders usually have more power to genuinely influence organisations. Mayer et al. (2009), for instance, suggest a trickle-down model and find that ethical leadership flows down from executives to employees via the supervisory level. We therefore focused on executive ethical leadership and chose top management leaders with an outstanding ethical reputation as interview partners. Contrary to Treviño et al. (2003), who focused on their interview partners' perceptions of *other* people being ethical leaders and, therefore, explored ethical leadership from an external perspective, we spoke to ethical leaders themselves, aiming to understand ethical leadership from an internal perspective. We consider our approach to be an important addition to the ethical leadership research, as certain aspects may be only visible from an internal perspective. For example, employees or colleagues may be well aware of a leader's behaviour towards themselves, but not necessarily of the leader's behaviour towards other stakeholders.

In the following, we will (a) give an overview of existing ethical leadership conceptualisation, measurement and research and illustrate the importance of the three research questions mentioned above, (b) present a qualitative, interview-based study with 17 executive ethical leaders and (c) suggest several additions to the ethical leadership concept and indicate directions for future research.

Theoretical Foundation and Open Questions

Ethical Leadership Conceptualisation and Measurement

Even though ethical leadership has been discussed in philosophy for more than 2000 years (Ciulla 2003), empirical research on ethics in leadership and management has only been conducted over the past few decades (Bass and Bass 2008). Several leadership theories have embraced ethics as an integral part of their conceptualisation, for example transformational leadership theory (Burns 1978), authentic

transformational leadership (Bass and Steidlmeier 1999), socialised charismatic leadership (Howell 1988; Howell and Avolio 1992), authentic leadership (Avolio and Gardner 2005), spiritual leadership (Fry 2003) and servant leadership (Greenleaf 1977). Brown et al. (2005) introduced the concept of ethical leadership and defined it as '(…) the demonstration of normatively appropriate conduct through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision-making' (Brown et al. 2005, p. 120). The definition implies two dimensions: Ethical leaders are both a 'moral person' and a 'moral manager' (Brown and Treviño 2006, p. 597). Being a moral person means that an ethical leader behaves and relates normatively appropriately, that is, fairly, trustworthily, honestly and caringly. Here, ethical leadership clearly overlaps with the other leadership concepts mentioned. But it also goes beyond them, since it adds a transactional component, the dimension of the moral manager: An ethical leader purposively promotes ethical conduct to his or her employees by communicating with them about ethics and decision behaviour, and by reward and punishment (Treviño and Brown 2007).

Brown et al. (2005, p. 126) have developed a tool for measuring Ethical Leadership, the Ethical Leadership Scale (ELS), through which the employees evaluate their leader. It contains ten items, such as 'Disciplines employees who violate ethical standards', 'Sets an example of how to do things the right way in terms of ethics', 'When making decisions, asks 'what is the right thing to do?''. However, while the ELS has proven to be a valuable instrument, the items remain rather open and could be more precise. For instance, what does it mean 'to do things the right way in terms of ethics', and what are the ethical standards for whose violation employees should be disciplined? Tanner et al. (2010) criticised the ELS for being rather abstract and not sufficiently specifying ethical behaviour. Furthermore, they pointed out that the ELS implicitly expects the employees, who rate their leader, to be competent in ethical conduct and standards; this however, is not self-evident. As a consequence, they developed a new measure—the Ethical Leadership Behavior Scale (ELBS). The ELBS focuses on visible ethical behaviour of varying difficulty (costliness) across different situations. Example items are: 'takes time to instruct new staff members', 'sticks to agreements' and 'helps to resolve team conflicts' (p. 229). Despite giving a much clearer idea of visible ethical behaviour than the ELS, none of the items represent the dimension of the 'moral manager'. The ELBS does not measure any behaviour in terms of ethical guidance of the employees (e.g. discussion about ethics, setting ethical standards and promoting ethical conduct).

Another instrument, the Ethical Leadership at Work Questionnaire (ELW) was recently developed by Kalshoven et al. (2011). Similarly to Tanner et al. (2010), they focused on various forms of ethical leader behaviour. They argued that a leader's ethical behaviour is a combination of rather different behaviours with possibly distinct antecedents and outcomes, and they therefore proposed a multidimensional measure. The ELW contains seven scales: people orientation, fairness, power sharing, concern for sustainability, ethical guidance, role clarification and integrity.

The authors of both instruments, the ELBS and the ELW, argued that further operationalisations of ethical leadership behaviour should be developed. Tanner et al. (2010) stated that more difficult (costly) ethical behaviour needs to be identified, and Kalshoven et al. (2011, p. 65) observed: 'Given that ethical leadership is in its early development and growing strongly, we should remain open to the possibility of developing more detailed models of ethical leadership'. They added that their scales 'concern for sustainability' and 'concern for society' should in particular be further developed. The latter had to be excluded, as the items did not cluster together satisfyingly. Given these calls for further operationalisation, we conclude:

Proposition 1 *Further types of ethical leader behaviour need to be identified and operationalised.*

The Stakeholder Approach

Since Freeman's seminal book, *Strategic Management—A Stakeholder Approach* (1984), stakeholder theory has attracted a great deal of attention. As early as 1995, Donaldson and Preston (1995, p. 65) wrote: 'The idea that corporations have stakeholders has now become commonplace in the management literature, both academic and professional", and the theory's prominence has risen ever since (Laplume et al. 2008). Freeman defined a stakeholder as 'any group or individual who can affect or is affected by the achievement of the organisation's objectives' (1984, p. 46). Hence, stakeholders can be owners, employees, customers, suppliers, governments, environmentalists, competitors and the media. He suggested that managers should take account of and have duties towards all stakeholders and not just towards shareholders. His definition, however, was criticised for being 'unable to distinguish those individuals and groups that are stakeholders from those that are not' (Phillips and Reichart 2000, p. 185) and caused a continuing debate about whose interests should be considered and on what grounds (for an overview see e.g. Laplume et al. 2008).

Despite this debate, business leaders clearly care about stakeholders (Brenner and Molander 1977; Posner and

Schmidt 1984, 1996), and normative stakeholder theory argues that it is appropriate for leaders to do so (Donaldson and Preston 1995). Further empirical results are that ethical role models in organisations take a multi-stakeholder perspective (Weaver et al. 2005) and that ethical leaders care about stakeholders such as society, suppliers and customers (Treviño et al. 2003). However, the concept of ethical leadership has so far neglected the stakeholder approach. Although Brown et al.'s (2005) definition of ethical leadership—broad as it is—can easily embrace stakeholder theory, operationalisations of ethical leadership have almost solely focused on leader behaviour towards employees and not explicitly mentioned any other stakeholders (Brown et al. 2005; Tanner et al. 2010). Only the Ethical Leadership at Work Questionnaire (ELW) (Kalshoven et al. 2011), while also focusing primarily on the leader–follower interaction, mentions environment and sustainability issues, which allude to other stakeholders such as society. Given the theoretical and empirical evidence discussed above that it is normatively appropriate for leaders to respect the interests of various stakeholders, we suggest that the stakeholder approach should not be missing from the ethical leader concept. For instance, one could imagine leaders who, though behaving fairly, kindly and honestly towards their employees, severely harm customers, suppliers and society. You would hardly call them ethical leaders, yet, according to the existing measures focusing on behaviour towards employees, they are likely to be identified as such. We argue, therefore, that stakeholder theory is an excellent candidate for advancing the concept of ethical leadership, as it prompts the investigation of the behaviour of ethical leaders not only towards employees, but also towards customers, shareholders, suppliers, society and others. We conclude:

Proposition 2 *The stakeholder approach is missing from the ethical leadership concept. As a result, we need to find out which stakeholders apart from employees are important for ethical leaders and what behaviour they show towards each of those stakeholder groups.*

Antecedents and Consequences

In the last couple of years, scholars have begun to investigate the antecedents and consequences of ethical leadership. However, empirical research on antecedents is still very rare and has primarily focused on the individual characteristics of the leader: ethical leadership has been related to the leader's conscientiousness, agreeableness (Kalshoven et al. 2010; Walumbwa and Schaubroeck 2009) and emotional stability (Kalshoven et al. 2010). More recently, the leader's moral identity has been examined as an antecedent of ethical leadership. Mayer et al. (2012)

have shown a positive relationship between ethical leadership and the leaders' moral identity symbolisation and, although less consistently, a positive relationship between ethical leadership and the leaders' moral identity internalisation. Apart from research focusing on the person of the leader as an antecedent, Mayer et al. (2009) found that top management ethical leadership was positively related to supervisory ethical leadership.

While empirically tested antecedents of ethical leadership are still rare, a few scholars have theoretically explored and proposed several additional antecedents of ethical leadership. In terms of the individual characteristics of the leader, Brown and Treviño (2006) mentioned agreeableness, conscientiousness, neuroticism, Machiavellianism, moral reasoning and locus of control to be likely antecedents of ethical leadership. Likewise, the leaders' moral emotions (Brown and Mitchell 2010) and cognitive moral reasoning (Eisenbeiss 2012) have been suggested. Furthermore, Brown and Treviño (2006) proposed situational or contextual influences, such as role modelling and ethical context. Eisenbeiss and Giessner (2012) identified societal, industry and intra-organisational characteristics as possible contextual antecedents of ethical leadership. While societal characteristics included the 'implementation and spirit of human rights' and 'cultural values of responsibility, justice, humanity and transparency', proposed industry characteristics were 'ethical content of organization', 'ethical interests of stakeholders' and 'complexity of environment', the latter being negatively related to ethical leadership. Intra-organisational characteristics included 'ethical informal systems of organizational infrastructure', 'congruency between highly ethical formal and informal elements of organizational infrastructure' and, finally, 'peer group's ethical leadership behavior' (Eisenbeiss and Giessner 2012, p. 11).

More often, empirical research has dealt with the consequences of ethical leadership and documented its desirable effects on subordinates: ethical leadership behaviour has been related to commitment (Rowold et al. 2009), affective commitment (Den Hartog and De Hoogh 2009; Neubert et al. 2009), normative commitment (Den Hartog and De Hoogh 2009), organisational and team commitment (Kalshoven et al. 2011) and affective organisational commitment (Tanner et al. 2010). Ethical leadership has also been associated with the followers' trust (Den Hartog and De Hoogh 2009; Kalshoven et al. 2011), satisfaction with the leader (Brown et al. 2005; Kalshoven et al. 2011; Toor and Ofori 2009), satisfaction with the job (Avey et al. 2012; Kalshoven et al. 2011; Neubert et al. 2009; Rowold et al. 2009; Tanner et al. 2010), psychological well-being (Avey et al. 2012), perception of the ethical climate of the firm (Shin 2012) and 'subordinates' optimism about the future of the organisation and their own place within it' (De Hoogh and Den Hartog

2008, p. 297). Furthermore, ethical leadership has been shown to add to an organisation's attractiveness as an employer for potential job candidates (Strobel et al. 2010). Other positive effects on followers include organisational citizenship behaviour (Avey et al. 2010; Den Hartog and Belschak 2012; Kalshoven et al. 2011; Mayer et al. 2009), extra effort (Brown et al. 2005; Toor and Ofori 2009), work engagement (Tanner et al. 2010), group in-role performance (Walumbwa et al. 2012) and effectiveness (Kalshoven et al. 2011). Not only the followers but also the leaders or management teams have been perceived to be more effective (Brown et al. 2005; De Hoogh and Den Hartogss 2008; Kalshoven et al. 2011; Toor and Ofori 2009). In addition, ethical leadership has been shown to have a reducing influence on unwanted phenomena such as followers' health complaints, emotional exhaustion, absenteeism (Tanner et al. 2010) and cynicism (Kalshoven et al. 2011). Lastly, a few studies have dealt with followers' ethical behaviour: ethically led subordinates showed less deviant and more voice behaviour (Avey et al. 2010; Mayer et al. 2009, 2012; Walumbwa and Schaubroeck 2009) and were more willing to report problems (Brown et al. 2005). Furthermore, ethical leadership was negatively related to unit unethical behaviour and relationship conflict (Mayer et al. 2012). On the other hand, Detert et al. (2007) found that ethical leadership did not have an influence on counterproductivity. Overall, the results indicate that ethical leadership leads to several desirable outcomes.

Although promising effort has been made to better understand the antecedents and consequences of ethical leadership, further research is important. Several areas need special attention. Most importantly, further antecedents need to be identified. Given the importance of understanding what enables and enhances ethical leadership, a growing number of scholars have called for more empirical research on the antecedents of ethical leadership (Brown and Mitchell 2010; De Hoogh and Den Hartog 2008; Eisenbeiss and Giessner 2012; Tanner et al. 2010). Secondly, remarkably little research has addressed the ethical conduct of employees, even though this is one of the main goals of ethical leadership as it has been conceptualised. A problem may be that followers' ethical behaviour has not been identified yet: What kind of followers' ethical behaviour does the ethical leader inspire and manage, and what kind of followers' unethical behaviour is prevented by ethical leadership? Moreover, the studies mentioned above about ethical leadership and followers' deviance or unethical behaviour (Avey et al. 2010; Mayer et al. 2009, 2012) have used deviance or unethical behaviour measures that focus mainly on the followers' ethical behaviour towards the company, supervisors and work colleagues (Akaah 1996; Bennett and Robinson 2000; Fox and Spector 1999). But what about

employees' ethical conduct towards other stakeholders, such as customers or suppliers? Thirdly, we still know very little about the effects of ethical leadership on stakeholders other than employees. For instance, does ethical leadership relate to customer satisfaction? And finally, a very interesting, though yet to be explored, research area is the relationship, if any, between ethical leadership and business performance (Peus et al. 2010). We conclude:

Proposition 3 *Further antecedents of ethical leadership need to be identified.*

Proposition 4 *The consequences of ethical leadership related to external stakeholders (e.g. customers, suppliers) need to be explored, such as employees' ethical conduct towards external stakeholders and effects on external stakeholders.*

Method

Participants and Recruiting Process

We addressed 18 executive leaders by telephone or email and asked for their participation in the study. The leaders addressed had an outstanding ethical reputation and belonged to the top executives of their companies. To ensure they had ethical reputations, we sought winners of awards for business ethics, those mentioned in literature and media as outstanding ethical business leaders and recommendations from experts in the field of business ethics. Seventeen leaders (3 women and 14 men, $M_{age} = 53.25$, $Mdn_{age} = 53.5$, age range 40–66) agreed to participate, of whom 16 were based in Switzerland and one in Germany. Sixteen interviewees were the most senior leader of their company (CEO, director general, chairman of the board) and one was the CFO of his company. The companies exhibited wide ranges of size, age and business sector: The interviewees had between 10 and 36,000 ($M = 2786.75$; $Mdn = 132.5$) subordinates, whilst a total of between 10 and 44,000 ($M = 5409.31$, $Mdn = 145$) employees worked for each company. The companies' ages ranged between 4 and 170 years ($M = 68.25$, $Mdn = 77.5$). Nine companies produced goods, two each were in the trade, financial services, and spatial planning and construction industries and one in the hotel and restaurant industry.

Setting and Procedure

Following an interview protocol, we conducted semi-structured face-to-face interviews, in which the participants were invited to share their experiences and opinions. Apart from personal, biographical and company-related information, we followed our research questions in asking about relevant stakeholders, about related behaviour towards

each of the stakeholder groups, and about antecedents and consequences of ethical leadership. In order to gain further insights, we also inquired what kind of ethical behaviour they expect from their employees, how they manage the ethical behaviour of their employees, what conflicts they encounter and how they deal with them. The interviews lasted between 1 h and 1 h 30 min and were conducted mostly in the offices of the participants. One of the authors conducted all of the interviews and asked for feedback about the interview protocol and style after every interview, which was generally positive and resulted in only minor changes of the protocol after the first two interviews. The interviews were audio taped and transcribed verbatim with the participants' permissions and after we had thoroughly informed them about the study and assured that we would never reveal personal or company identities without prior permission.

Analysis of Interview Content

We chose qualitative content analysis (Mayring 1983) as a method for analysing the transcripts, because it offers a systematic, rule-guided approach that is intersubjectively comprehensible. Content analysis is considered as a classical method for analysing texts, its main features being categorisation and reduction of the material (Flick 1994). Utilising Mayring's (1983) techniques of structuring and summarising, we first defined main categories (e.g. behaviour towards employees) according to our research questions. After we had searched the transcripts for relevant quotes and had assigned them to the main categories, every distinctive statement was paraphrased and coded (examples of codes: 'provides a fair compensation system' or 'treats all employees equally'). Statements with different wording but the same meaning received the same code. In a second step, we grouped the codes into deductively generated subcategories (e.g. the codes 'provides a fair compensation system' and 'treats all employees equally' were grouped into the subcategory 'fairness towards employees'). In cases where very few codes were assigned to a main category, we skipped this second step. To support the process of analysis, we used Atlas.ti, a computer program for the qualitative analysis of large bodies of textual data. Concerning the sample size, we followed the well-known approach of Glaser and Strauss (1967) by terminating the sampling process once 'theoretical saturation' was reached. As our last two interviews only added two new codes each to the total amount of 163 codes (less than 2.5 %), we decided that the theoretical saturation justified ending the sampling process. In order to test the reliability of the categorisation, we randomly picked 40 codes (approx. 1/4) out of the total and asked a researcher competent in qualitative methods but not familiar with this study to sort the

codes into the sub- and main categories with the help of the descriptions of the category system. For example, the researcher was given the code 'treats all employees equally'. She then had to pick a corresponding main category ('behaviour towards employees') and a subcategory ('fairness towards employees') from a list of all main categories and subcategories. The interrater agreement was .92 (Cohen's kappa).

Results

The analysis resulted in a total of 163 codes, 40 subcategories and 20 main categories. The results are summarised in the Tables 1, 2, 3, 4, 5, 6 and 7, which each contain one or more main categories and each represent a distinctive topic: general information about the interview partners and the companies (Table 1), stakeholders who were identified as important (Table 2), the ethical leader's behaviour towards these stakeholders (Table 3), ethical guidance of employees (Table 4), conflicts and difficult decisions (Table 5), antecedents (Table 6) and consequences of ethical leadership (Table 7). The first column of the tables contains the subcategories, and the second column shows the correlating codes, several of which are again displayed in groups in order to ease understanding. The numbers in brackets after the codes refer to the frequency of occurrence. The number before the slash indicates how many times the code appeared in the overall data. The number after the slash represents the total number of interviews that contained this code at least once. For example '(5/3)' means that the code appeared five times in three different interviews. We excluded codes that were mentioned by only one interview partner (with the exception of objective information about the interview partner and the company), in order to enhance reader-friendliness and to reduce the subjectivity of the results. To illustrate our findings, we included several original quotes from the interviews. The quotes were translated from German into English and shortened where appropriate. In the following they are displayed in italic.

General Information About the Interview Partners and the Companies

Most of the interview partners had an economic, technical or scientific educational background, and only one had had legal training. All of the interview partners had undergone advanced training (e.g. leadership training). In addition, many had worked abroad and developed greenfield projects, such as founding a company. Interestingly, several interview partners described incidents in their past career

Table 1 General information about the interview partner and the company (main category)

Subcategories	Codes
Education	Economic training (11/11)
	Technical or scientific training (7/7)
	Legal training (1/1)
	Advanced training (16/16)
Professional experience	International experience (8/8)
	Development of greenfield projects (10/5)
	Had observed unethical behaviour at work (7/3)
Connections to the company	Owns at least part of the company (11/11)
	Has been working for the company for a long time (12/9)
	Entered the company due to family ties (7/7)
	Founder or co-founder of the company (4/4)
Legal form and ownership	Family enterprise (11/10)
	Joint stock company (*Aktiengesellschaft*) not listed on the stock exchange
	Owned exclusively by the family (5/5)
	Owned by family and partners (2/2)
	Owned by family and employees (1/1)
	Owned by private partners and/or small shareholders (4/4)
	Owned by a foundation (principal shareholder) (2/2)
	Joint stock company (*Aktiengesellschaft*) listed on the stock exchange
	Family is principal shareholder (1/1)
	Private limited liability company (*GmbH*) and limited partnership (*Kommanditgesellschaft*)
	Owned by two partners (1/1)

Table 2 Important stakeholders (main category)

Subcategories	Codes
Stakeholders	Employees (22/16)
	Customers (17/16)
	Society (14/13)
	Suppliers (11/11)
	Owners, shareholders (10/9)
	Natural environment (10/8)
	Government, administration (8/6)
	Local community (8/6)
	Neighbours (4/3)
	Banks, insurance companies (3/3)
	Federations, associations, networks (2/2)
Importance of stakeholders	Employees and customers are the most important stakeholders (8/8)

where they had endured or witnessed unethical behaviour in business.

The interview partners felt highly responsible for their company and were mostly tightly connected and committed to their company. The majority were not only the leader but also partly the owner of the company, had worked there for many years, and had either founded or co-founded it themselves or entered it due to family ties.

Every day, when I came home from school as a boy, my brothers, sisters and I walked through the company. We helped with the packing of the products, met Father's business partners, and at Christmas we children played the flute or read poems at the company's Christmas reception. So we identified ourselves with the company at a very early stage.

Almost all the companies were legally organised as Swiss joint-stock companies (*Aktiengesellschaft*). However, they were all but one not listed on the stock exchange. About two-thirds of the companies were family enterprises owned either exclusively by the family, by the family and partners or by the family and employees. The other companies were either owned by private partners and/or small stockholders or by a foundation.

Important Stakeholders and the Ethical Leader's Behaviour Towards Them

As we expected, the interview partners stated that several stakeholders were relevant (see Table 2). Employees and customers were clearly seen as the most important stakeholders, but the interview partners also felt responsibility towards society in general, the suppliers, the owner or co-owners of the company, the natural environment, the

Table 3 The ethical leader's behaviour towards the stakeholders

Subcategories	Codes
Behaviour towards employees (main category)	
Relationship with employee	Social events and activities (10/7)
	Is approachable by employees in case of job-related or private problems (10/7)
	Pays serious attention to employees' concerns and wishes (7/6)
	Trusts his/her employees (7/5)
	Shows respect (5/5)
	Shows interest in employees and is attentive (4/4)
	Expresses appreciation (5/3)
	Treats employees as human beings and not only as a human resource (3/3)
	Wins employees' confidence (3/3)
	Approaches unhappy employees to talk about their issues (3/2)
	Communicates politely and friendly (2/2)
	Enables informal communication (2/2)
Fairness	Provides a fair compensation system (11/9)
	Communicates fairly and honestly (10/8)
	Provides security of employment (8/6)
	Treats all employees equally (4/4)
	Makes sure gender ratio is balanced (2/2)
	Sets fair work goals (2/2)
	Revokes wrong decisions openly (2/2)
	Is reliable (2/2)
Participation of employees	Shares power and responsibility with employees (13/6)
	Encourages employees to provide critical feedback (3/3)
Developing employees	Provides staff training (12/8)
	Fosters the employees' personality development (7/5)
	Provides staff training in ethics, environmental protection and social responsibility issues (4/4)
	Lets employees engage in volunteer work (2/2)
Employees' health and work-life balance	Protects and enhances employees' health (exceeding the legal requirements) (12/9)
	Allows employees to work part-time (8/7)
	Supports employees in their role as parents (2/2)
	Offers not only maternity but also paternity leave (2/2)
Work assignment	Assigns satisfying and meaningful work tasks to employees (2/2)
Behaviour towards customers (main category)	
Products and prices	Ensures high quality of products (15/12)
	Informs customer properly about the product and its manufacturing conditions (7/4)
	Does not offer unethical or needless products (9/3)
	Offers fair prices (4/3)
	Is transparent about the formation of prices (2/2)
Relationship with customers	Fosters a good relationship with the client (12/9)
	Is reliable (6/5)
	Answers for his/her mistakes (3/3)
Behaviour towards society (main category)	
	Engages in charitable work (11/8)
	Offers professional training for graduates (7/6)
	Offers jobs to socially disadvantaged people (7/4)

Table 3 continued

Subcategories	Codes
Behaviour towards local community (main category)	
	Supports regional charitable projects and sports clubs (5/3)
Behaviour towards neighbours (main category)	
	Fosters a good relationship with neighbours (2/2)
Behaviour towards suppliers (main category)	
	Is loyal (5/5)
	Fosters a good relationship with the supplier (5/4)
	Pays on time (3/3)
Behaviour towards owners/co-owners (main category)	
	Informs honestly and transparently (3/3)
	Ensures the long-term success of the company (2/2)
Behaviour towards natural environment (main category)	
	Introduces eco-friendly infrastructure and production processes (10/8)
	Trains employees in eco-friendly behaviour and life-style (3/3)

Table 4 Ethical guidance of the employees

Subcategories	Codes
Leader's strategy to evoke follower's ethical behaviour (main category)	
	Is an ethical role model (24/16)
	Communicates ethical standards (11/9)
	Lets employees participate in the ethical development of the company (9/6)
	Offers workshops and trainings about ethics (8/7)
	Tries to hire only ethical people (7/6)
	Has introduced a code of conduct (4/4)
	Does not pressure or encourage employees to act unethically in order to maximise profits (3/3)
	Disciplines unethical behaviour (3/3)
	Calls in ethical experts for training of employees' ethical competences (3/3)
Leader's role model behaviour (main category)	
Work performance	Demonstrates excellent work performance (7/6)
Interaction with people	Is polite and friendly (4/4)
	Keeps close contact to employees (3/3)
	Is modest (2/2)
Work-life balance	Demonstrates a good work-life balance and safety behaviour (3/3)
Environment-friendly behaviour	Demonstrates environment-friendly behaviour (5/2)
Behaviour that the leader explicitly demands of his employees (main category)	
Integrity and compliance to laws	Must be honest (4/3)
	Must not engage in unfair commercial practice (3/3)
	Must not discriminate against others (3/3)
	Must not break any laws (3/2)
Conflict behaviour	Must behave constructively and cooperatively in the event of conflicts and problems (3/3)
Punctuality and absenteeism	Must be punctual, must not be absent from work without good reason (3/3)
Safety	Must respect all safety instructions (3/2)
Leader's tools to communicate explicitly demanded behaviour (main category)	
	Training and workshops about ethics (7/6)
	Handouts (4/3)

Table 4 continued

Subcategories	Codes
Employee's unethical behaviour that the leader disciplines (main category)	
Attacking and abusing other people	Discrimination (5/5)
	Ill-treatment of other stakeholders (5/5)
	Physical violence (5/4)
	Mobbing (3/3)
	Sexual harassment (3/3)
Violation of integrity and illegal activities	Theft (6/6)
	Lying (5/4)
	Fraud, embezzlement (3/3)
	Corruption (3/2)
	Personal enrichment (3/2)
Lack of safety	Violation of safety instructions (2/2)

Table 5 Conflicts

Subcategories	Codes
Reasons for conflicts (main category)	
	Dismissal of an employee due to inadequate work performance (5/5)
	Interpersonal relationship problems (5/5)
	Tension between economic and ethical goals (4/4)
	Change processes in the company (3/3)
	Lying employee (2/2)
Handling of conflicts (main category)	
Guiding principles	Golden rule (2/2)
	Follow the code of conduct (2/2)
	Every situation needs to be evaluated individually (2/2)
Communication	Discusses the conflict with the persons involved (11/9)
	Gathers further information (5/5)
	Does not evade the issue, but addresses it promptly (5/5)
	Lets employees participate in taking decisions (2/2)
Training and expert advice	Consults (internal or external) experts (4/4)
	Arranges for training of the persons involved (4/4)

government and administration, the local community, the funders such as banks and insurance companies and towards federations, associations and networks that they were part of.

Table 3 gives an overview of the numerous behaviours that the interview partners said were typical for their ethical leadership style towards the individual stakeholder groups. First of all, the interview partners described their behaviour towards their employees. For example, they fostered good relationships; they organised social events and activities to provide opportunities for informal get-togethers and strived to behave respectfully, politely and in a friendly way towards the employees. Employees were supposed to always be able to find an 'open door'; they were encouraged by their leaders to approach them in case of job-related and also private problems, and the leaders earnestly endeavoured to pay attention to the employees' concerns and wishes. The leaders demonstrated trust in their employees and showed appreciation.

> *Every year, at the Christmas reception, my father and myself personally shake the hand of every single employee and give him a little gift. You can imagine with a total number of over 1,000 employees this takes some time. But it is very, very important, because we want every employee to know that he has made a significant contribution during the past year and that we really appreciate it.*

Fairness was another important aspect of the interview partners' ethical leadership of their employees. It was considered crucial to provide a fair compensation system, which included, for instance, a narrow wage range (two companies actually made sure that the highest wage would not exceed four times the lowest wage in the company), standard salaries that enabled a decent lifestyle for those in blue-collar jobs too and a fair and transparent bonus system. Another important aspect of fairness was that the interview partners strived to provide security of employment: Employees should not have to fear losing their jobs due to an economic crisis (however, occasionally employees had to be fired for other reasons, such as long-term inadequate work performance). This security of employment was possible because the interview partners

Table 6 Antecedents of ethical leadership (main category)

Subcategories	Codes
Role models and upbringing	Ethical leaders and entrepreneurs as role models (14/9)
	Has been taught by parents to respect ethical values (6/6)
	Political and humanitarian role models (6/2)
Religion	Christian values (3/2)
	Religious role models (3/3)
Financial profit	The company must make profit (9/7)
	Accepts an only moderate profit in favour of ethical investments and long-term success (13/7)
Extra effort	Makes the extra effort required (7/6)
Owners and leaders	Leaders who are also owners of the company feel more responsible for the company and its stakeholders (4/4)
	Owners/stockholders must respect ethical values (5/3)
	His/her leader/supervisor has to be ethical as well (6/3)
Government, employees and customers	Government must give incentives for ethical entrepreneurship (5/2)
	Customers' demand for ethical products (3/2)
	Employees must share ethical values (2/2)

Table 7 Consequences of ethical leadership

Subcategories	Codes
Enhances well-being (main category)	
Well-being of others	Enhances well-being of society, individuals and nature (21/11)
Well-being of the ethical leader	Is happy, because he/she enjoys work (6/3)
	Is happy, because he/she experiences positive relationships at work (4/3)
	Is happy, because he/she experiences sense and fulfilment in his/her work (3/3)
Enhances business success (main category)	
Positive image and feedback	Awards (6/5)
	Good image (3/2)
	Praise and positive feedback (3/2)
	Extensive favourable media coverage (2/2)
Financial success	Long-term financial success (15/9)
Employees	Competent, motivated, committed and high performing employees (9/6)
	Satisfied employees (7/4)
	Minimal staff turnover (6/5)
	Effort in health management reduces absenteeism (6/4)
	Good working atmosphere (4/2)
	Company is attractive for job candidates (3/2)
	Critical employees help to detect problems and failures (2/2)
Customers and business partners	Satisfied and loyal customers (8/7)
	Successful business partnerships (5/4)

followed a sustainable corporate strategy, which focused on slow but steady growth and on long-term success, rather than a short-term profit maximisation and 'hire and fire' mentality. Furthermore, some of our interview partners had adopted very creative strategies to save their employees in times of crisis, as the following example shows:

In 2001, we lost 30 % of our turnover practically overnight, because of 9/11. We managed only because of our long-term strategy, and then our head of human resources had this really creative idea: he asked around in other local companies, whether they happened to have any major order for which they temporarily needed some more employees. In the end, we were able to 'rent out' 15 % of our staff to other companies for several months until we had overcome the crisis. Our employees really appreciated it,

because they didn't lose their jobs and didn't have their salaries cut.

The use of power and employees' possibilities of participation were also frequently mentioned issues. Our interview partners considered it important to share power and responsibility with their employees. However, the extent of employees' power and responsibility varied: While some trained their supervisors in a democratic leadership style, strived to take the employee's wishes into account and encouraged employees to give critical feedback, others had implemented solid structures to ensure the employee's influence. For example, the employees were encouraged to organise themselves in a workers' council or they were entitled to elect board members. These participatory attempts were seen as an advantage not only for the employees but also for the company, because the interview partners felt that as a result their employees were very motivated and committed and identified strongly with the company.

Another feature of ethical leadership was that our interview partners strived to advance their employees. They not only provided job-related training, but also training concerning ethical, environmental and social sustainability issues and opportunities to engage in volunteer work. Some even went a step further and aspired to foster employees' personality development.

Apart from professional and personal development, our interview partners also focused on the employees' health and work-life balance. For instance, workplaces were checked for health risks. Further offers included training of a healthy life-style, medical check-ups, vaccinations, healthy food programmes, and fitness and wellness activities. Additionally, our interview partners were keen to enhance the employees' work-life balance through the opportunity to work part-time and both maternity and paternity leaves.

Concerning behaviour towards customers, the interview partners mentioned, on one hand, issues related to products and prices and, on the other hand, the relationship with the customers. For example, they thought it crucial to ensure the quality, the ethical correctness, and the fair pricing of the product, and to honestly inform the customer about the product.

In financial business it is common to create extra-complex products, in order to conceal how much profit the seller actually makes. The customer doesn't understand it. That's why we explain in detail to our customers what they're getting in their portfolio and how much they pay for it.

Apart from information about the product itself and its pricing, several interview partners also provided information about the ethical correctness of the manufacturing process of their products:

Every product of ours is marked with a respect-code. 17 million pieces have got this respect-code, which allows customers to go to the internet and check the background information of the piece: where it has been manufactured, working condition of the labourers, water-recycling, and whatever. We really want to be transparent.

Behaviour towards employees and customers were mentioned most frequently, however, a number of other stakeholder groups also received a good deal of attention, such as society, the local community, neighbours, suppliers and owners and co-owners. The natural environment was also seen as a stakeholder that deserves care for its own sake. Concerning society in general, the interview partners engaged in charitable work, and offered professional training for school graduates and jobs to socially disadvantaged people.

I can't just live on earth like I was on my own. I feel a responsibility towards my fellow men, especially towards those who have to fight with lots of difficulties like a handicap or who are facing difficult conditions. I give them a job, which is better than giving them just money, because a job gives them self-confidence and a sense of belonging.

Apart from society in general, they also focused on the local community, where they sponsored regional charitable projects and sports clubs, and they sought to remain on friendly terms with their direct neighbours. Furthermore, our interview partners fostered a good relationship with their suppliers. They paid on time and wanted their suppliers to be strong and innovative business partners. Often, our interview partners had been loyal to their suppliers for many years. They would not change to another supplier just to save some money. Instead, they esteemed the grown, trustful partnership. Trust was also relevant for the owners and co-owners of the company; our interview partners considered it crucial to inform them honestly and transparently, and they felt responsible for the financial success of the company. However, they focused on the long-term success rather than on a short-term profit maximisation. Last but not least, our interview partners expressed substantial care for the natural environment, which is why they had invested in eco-friendly infrastructure production processes, and some offered training in eco-friendly life-styles to their employees, too.

Ethical Guidance of the Employees

An important aspect of ethical leadership was the ethical guidance of the employees. Table 4 shows how our

interview partners endeavoured to ensure their employees' ethical behaviour, using several strategies. First of all, an ethical leader has to be an ethical role model. This was stated to be absolutely essential by every single one of our interview partners. Role model behaviour included not only the demonstration of excellent work performance but also of a good work-life balance, safety behaviour, environment-friendly behaviour such as using public transport, and a polite and friendly interaction style.

> I think being a role model is one of the most important aspects of our leadership. You can't demand something of your employees while not doing it yourself. When we introduced the daily gymnastics for everybody, it worked only because we stood up in front of everybody and did the gymnastics ourselves. Our employees thought: 'If our bosses dedicate their time to it, it can't be too bad after all'.

A second important feature of ethical guidance was to clearly communicate ethical standards and expected behaviour to the employees. The interview partners demanded integrity, compliance to the laws, and punctuality of their employees. Additionally, they expected their employees to behave constructively and cooperatively in the event of conflicts and problems. These ethical standards were communicated through handouts and code of conducts, but often our interview partners considered this to be insufficient and additionally offered workshops and training to learn and discuss the company's ethical behaviour standards, sometimes with the help of external consultants. The identification of ethical standards and the ethical development of the company were seen as an ongoing process rather than a one-time task. Therefore, many of our interview partners wanted their employees to participate in the ethical development of the company and to jointly discuss and set and revise the ethical standards.

Another strategy was to focus on the integrity of job candidates in recruiting procedures. Our interview partners tried to hire only those people whose values were congruent with the company's values. Additionally, the interview partners considered it important to set the right goals; they were careful not to encourage employees to act unethically in order to maximise profits, and they disciplined unethical behaviour on the part of employees, such as lying, stealing, fraud, and attacking and abusing other people.

Conflicts

The most frequently mentioned reasons for conflicts were interpersonal relationship problems, for instance quarrels and personal antipathies between employees, and the dismissal of employees who had shown insufficient work performance. The latter was described as being particularly difficult, and, usually, several other measures had been unsuccessfully tried before the dismissal. Tension between ethical and economic goals was also a reason for conflicts. At times, our interview partners had felt that they were not able to achieve all their ethical goals because it would have been too costly.

Our interview partners mentioned several guiding principles and strategies for handling conflicts and difficult decisions, such as following the 'golden rule' (one should treat others as one would like others to treat oneself) or consulting a code of conduct. However, some of our interview partners thought that there is no overall valid principle, but that each situation has to be evaluated individually. Communication was considered to be absolutely crucial for solving conflicts. Conflicts should not be evaded but addressed promptly by discussing the issue with the people involved and gathering further information. Other strategies mentioned were to consult internal or external experts and to arrange for training for the persons involved to develop competencies they currently lacked.

Antecedents of Ethical Leadership

Table 6 summarises the antecedents of ethical leadership that our interview partners mentioned. Ethical leaders do not appear out of the blue. Education and ethical role models seem to play an important role in developing ethical leaders. Some of our interview partners had already been taught by their parents to respect ethical values, and most of our interview partners had been influenced by ethical role models, such as other ethical leaders and entrepreneurs, and political and humanitarian figures. They mentioned, amongst others, Ernest Bader, Gottlieb Duttweiler, Winston Churchill, Mahatma Gandhi and Nelson Mandela. Some of our interview partners also felt inspired by their Christian values or religious figures, such as Jesus or Buddha.

However sincere our interview partners were about their ethical values, one absolutely essential prerequisite for ethical leadership was mentioned frequently: The company must make financial profit.

> If you're not financially successful, you can forget about all the ethical niceties. It's not enough to have a big heart. You need to offer the right product with the right price to the right group of customers, otherwise you've got no money to pay the salaries, and you can't remain on the market.

But, of course, this profit must not be made in an unethical way. Our interview partners didn't believe that it would be appropriate to engage in unethical business until profit was made and then as a second step become ethical leaders.

Neither did they think that unprofitability is an excuse for not behaving ethically. They simply stated that without any profit at all a company—ethical or not—cannot exist. But at the same time, our interview partners emphasised that they accepted a merely moderate profit in favour of investments in the ethical performance of the company rather than trying to maximise their own income or the other owner's short-term profit.

> *Sometimes, other entrepreneurs and managers tell me: 'You can do all this ethical stuff because you make a lot of profit!' But then I tell them: 'I've cut my own salary. My salary is only four times higher than the lowest salary in the company. I use the spare money to finance sustainable energy and other ethical projects. Everybody can do this!'*

Accordingly, our interview partners preferred to opt for a long-term rather than short-term success business strategy. Instead of maximising their income, they reinvested in existing staff, quality of products, eco-friendly infrastructures and charity projects. Also, rather than pursuing fast growth in times of economic prosperity—which usually entails downsizing measures in times of economic crisis— they cared for slow but stable growth, allowing them to ensure security of employment for their employees. Additionally, an ethical leader needs to make an extra effort. According to our interview partners, ethical leadership is more time-consuming than other leadership styles because, apart from economic and technical aspects, ethical leaders also have to focus on social and ecological issues.

The ownership of the company was also said to influence ethical leadership. Leaders who are at the same time the owners of their company were believed to feel more responsible for the company and its stakeholders than hired managers. According to our interview partners, these leaders, consequently, rather opt for an ethical, sustainable and long-term business strategy than managers whose only responsibility is to maximise shareholder value and who tend to be fired after one bad quarterly result.

> *That's the difference between an entrepreneur and a manager: If I, as an entrepreneur, make a mistake, I lose my fortune. If a manager makes a mistake, he gets a golden handshake.*

> *The owning family is the public face of the company. If their company produces an ethical scandal, all the fingers will point at them. They will be the bad guys and the media will ruin their family name forever.*

Furthermore, our interview partners stated that, if the CEO is not the owner of the company, the owners or representatives of the owners, such as a board, must also respect ethical values; otherwise it is difficult for a CEO to be an ethical leader, because the owners or the board have a substantial influence on the business strategy.

And last but not least, the other stakeholders' influence on ethical leadership was mentioned. For example, the government could give incentives for ethical entrepreneurship, such as giving tax reductions, or customers can select ethical and sustainable products. Some of our interview partners mentioned that their company prospered because a fair amount of customers accept a higher product price if the products are manufactured in an ethical way. Therefore, customers can add to the motivation of an ethical leader by means of their purchase behaviour, which fosters the success of companies with ethically manufactured products.

Consequences of Ethical Leadership

Our interview partners felt that ethical leadership leads to a number of desirable consequences (see Table 7), which greatly added to their motivation to be an ethical leader. Ethical leadership was thought to enhance both well-being and business success. While most of the interview partners were motivated to be an ethical leader because they wanted to foster the wellbeing of society, nature, and other people, some also pointed out that they were additionally enhancing their own well-being. They felt satisfied and happy because, as a result of ethical leadership, they enjoyed their work and good relationships at work and experienced sense and fulfilment.

On the other hand, ethical leadership was said to enhance business success. Our interview partners and their companies benefited from their excellent reputation. They had won awards for business ethics and frequently received praise and favourable media coverage. Other consequences mentioned were that employees were satisfied, competent, motivated, committed and performed well. Ethically led companies seem to be very attractive for job candidates and employees; as a result they benefit from huge pools of candidates and minimal staff turnover. Several interview partners also mentioned that their efforts in health management had considerably reduced the employee's absenteeism. Furthermore, customers as well as employees were satisfied and loyal, and business partnerships tended to be successful and long-lasting, according to our interview partners.

However great the investment was to reach all these positive consequences, many of our interview partners stated that in the end ethical leadership also leads to financial success, but rather in the long term than the short term.

> *Yes, ethical leadership costs time and money. But this investment is worthwhile. We have to spend less on*

marketing and our customers are even willing to pay a little bit more, because they know that they can trust us.

We respect our employees, and we also care for them in difficult times. This is why they are willing to do their best. We had difficult times where they did everything to save our neck. We really trust each other.

Discussion

After a decade of ethical, financial and ecological disasters, such as Enron, the financial crisis, and the Gulf of Mexico oil spill, scandalous management behaviour is still far too common, and ethical leadership has lost none of its importance. This study aimed to contribute to at least four so far understudied areas of executive ethical leadership. First of all, our data clearly indicates that executive ethical leaders care about various stakeholders. Not only employees but also customers, suppliers, shareholders, the society, the natural environment and others are important to ethical leaders. This corresponds with normative stakeholder theory (Donaldson and Preston 1995) and other corporate social responsibility theories (Garriga and Melé 2004). To date, however, ethical leadership theory and measurement instruments have primarily focused on ethical leadership behaviour towards employees (Brown et al. 2005; Kalshoven et al. 2011; Tanner et al. 2010) and neglected behaviour towards other stakeholders, even though early research on ethical leadership hinted at the ethical leaders' multiple stakeholder perspective (Treviño et al. 2003). We therefore argue that ethical leadership theory should broaden its perspective on stakeholders, and, consequently, we propose to specify Brown et al.'s (2005) most commonly used definition of ethical leadership by adding the stakeholder perspective (our additions in italic): '(…) the demonstration of normatively appropriate conduct *towards all stakeholders* through personal action and interpersonal relationships, and the promotion of such conduct to followers through two-way communication and decision-making' (Brown et al. 2005, p. 120). We argue that this specified definition describes the perception of ethical leadership more appropriately than the previous definition, because it draws attention to the important fact that ethical leadership involves normatively appropriate conduct towards several stakeholders and not just towards employees. This is especially relevant for executive ethical leadership, as executive ethical leaders' behaviour usually affects a broader range of stakeholders than the behaviour of supervising managers. However, supervising managers also often deal not only with employees but other stakeholders as well, such as customers or suppliers.

Secondly, this study answers the call for specifying further ethical leader behaviour (Kalshoven et al. 2011; Tanner et al. 2010). As far as we know, this study is the first to identify a range of ethical leaders' behaviours towards other stakeholders than employees. Our results include specific behaviour towards customers, suppliers, owners of the company, society, the local community and the natural environment, and therefore add to a better understanding of the phenomenon of ethical leadership. As existing measures of ethical leadership (Brown et al. 2005; Kalshoven et al. 2011; Tanner et al. 2010) include little or no specific behaviour towards other stakeholders than employees, we would like to indicate several important behaviours that could complement existing measures. For example, an ethical leader behaves ethically towards customers by ensuring the quality of products, fair pricing and by informing the customer honestly about the product and its manufacturing conditions. Furthermore, an ethical leader will foster eco-friendly infrastructure and production processes and strives to serve society, which, however, can be done in different ways, e.g. by engaging in charitable work, offering professional training for graduates, or offering jobs to socially disadvantaged people. Last, but not least, an executive ethical leader honestly and transparently informs owners and their representatives, such as a board, about the company.

Several scholars have argued for the normative appropriateness of these behaviours. For instance, Crane and Matten (2010) name the customers' rights to safe and efficacious products, fair prices and honest and fair communications. Similarly, Holley (1998, p. 631) states that there is 'a general obligation to disclose what a buyer would need to make a reasonable judgment about whether to purchase the product' . DesJardins (2011, p. 228) concludes 'that business has wider environmental responsibilities than those under a narrow free market approach' , and also the duty of companies to serve society or the community has been widely discussed (Bowie and Werhane 2005; Crane and Matten 2010). Finally, Crane and Matten (2010) also name the right of the shareowners to a certain amount of information about the company.

Apart from identifying the leaders' behaviours towards other stakeholders, we were able to replicate various findings of ethical leaders' behaviours towards employees, and, more importantly, we found several additional behaviours. Replicated findings of ethical leaders' behaviours towards employees were, for instance, that the ethical leader shows interest in his employees, pays attention to their concerns, is approachable about both job-related and private problems, and shares power and responsibility with his employees (Kalshoven et al. 2011; Tanner et al. 2010; Treviño et al. 2003). In addition to previous studies, we found that executive ethical leaders provide a fair

compensation system and security of employment. Furthermore, they care about and for their employees' health and work-life balance and offer opportunities for informal get-togethers.

Some of these behaviours, for example providing security of employment, may seem to be very difficult even for an ethical leader and, therefore, their normative appropriateness might be questionable. However, Tanner et al. (2010) stated about their Ethical Leadership Behavior Scale that 'the behavioural items involved in the instrument tend to be too easy' and called for more difficult behaviours. According to Tanner et al. (2010, p. 226) ethical leadership involves 'moral courage', acting in accordance with moral values 'despite the risk of unpleasant consequences'. Accordingly, difficult, in the sense of costly, behaviours are important for assessing the 'leader's willingness to overcome barriers and resistance' (Tanner et al. 2010, p. 227). Thus, our findings answer the need to identify more difficult behaviours of ethical leaders.

While our study answers the call for further specifying ethical leadership behaviour (Kalshoven and Boon 2012; Tanner et al. 2010) and, therefore, helps to draw a clearer picture, of what 'normatively appropriate behaviour' contains, it also reveals overlaps of ethical leadership with other leadership concepts. For example, ethical leaders' behaviours such as forming a good relationship with employees and caring for employees' work-life balance and personal development are core aspects of servant leadership (Ehrhart 2004). This is not surprising, given that earlier research has shown that ethical leadership overlaps with various concepts, such as idealised influence, interactional fairness (Brown et al. 2005), transformational and transactional leadership (Kalshoven et al. 2011), authentic leadership (Walumbwa et al. 2007), responsible leadership (Voegtlin 2011) and servant leadership (van Dierendonck and Nuijten 2011). However, ethical leadership goes beyond these competing concepts, as it adds the dimension of the moral manager (promotion of employees' ethical conduct) (Treviño and Brown 2007), and several studies have confirmed the distinctiveness of ethical leadership compared to competing concepts (Brown et al. 2005; Mayer et al. 2012; Walumbwa et al. 2007). We argue that both aspects of ethical leadership, the moral person (which overlaps with other concepts), and the moral manager (which is distinctive for the ethical leadership concept) have to be studied in order to fully understand the phenomenon of ethical leadership.

Thirdly, this study contributes to so far understudied areas of executive ethical leadership by identifying several antecedents that have not yet been empirically associated with ethical leadership as far as we know. While previous studies have focused on the individual characteristics of a leader as an antecedent of ethical leadership (Kalshoven

et al. 2010; Walumbwa and Schaubroeck 2009), our results add several different perspectives. For example, ethical role models seem to be important for developing ethical leadership behaviour. We found different kinds of ethical role models, differing from each other by whether they were personally known or not and whether the role models were ethical role models in general or ethical business leaders. On one hand, our interview partners mentioned role models that had interacted very closely with the interview partners, such as parents or leaders that our interview partners had worked for in their past. Similar to this, Weaver et al. (2005, p. 323) found that 'frequent personal interaction seems crucial for someone to be viewed as an ethical role model by another' . On the other hand, our interviewees also mentioned role models whom they never had met personally. But these were well-known figures such as Gandhi, Mother Teresa, Jesus, or Buddha. As there is a lot of information available about these figures through biographies or religious texts, people might feel as if they knew these figures and, therefore, choose them as role models. Furthermore, our interview partners mentioned other ethical business leaders (both personally known and not personally known public figures). This makes sense, given that it is easier to learn from someone who has faced similar tasks and problems. However, our interview partners had also chosen role models not specifically involved in business but known for their ethicality in general, such as religious figures. Brown et al. (2005, p. 125) found that an ethical leader 'conducts his/her personal life in an ethical manner' . Therefore, it makes sense that our interview partners also chose role models for leading an ethical life in general. In conclusion, it seems that the ethical role models of executive ethical leaders are either ethical leaders themselves or extraordinary ethical persons in general. Furthermore, the ethical role model seems to be well-known to the ethical leader through personal interaction or detailed biographical information.

The company's business strategy and ownership seem to be important antecedents of ethical leadership. Rather than aiming for a maximisation of short-term profits, the companies accepted moderate profits in favour of ethical reinvestments into the company and its long-term success and stability. These principles, as our interview partner said, had to be embraced also by the owners of the companies. It is not astonishing, therefore, that the majority of the companies in which the interviewees worked were privately owned (by families, partners, employees and foundations) and not listed on the stock exchange, where short-term results tend to be more important. Owners, or representatives of owners such as the board, usually have the power to influence the business strategy as they monitor the management, hire and dismiss the CEO, and provide access to resources (Boyd et al. 2011; de Villiers et al. 2011;

Haleblian and Rajagopalan 2006). Therefore, it seems likely that if a board pursues goals related only to short-term profit, an ethical leader as CEO, who focuses rather on long-term success than short-term profit maximisation, presumably doesn't remain CEO for long. On the other hand, if a board embraces sustainability, they are more likely to choose and support an ethical leader as CEO and, therefore, foster a sustainable company strategy. For example, de Villiers et al. (2011) have shown that the environmental performance of firms is higher in companies who have more legal experts in the board. The authors argue that legal experts are more sensitive to the stakeholder impacts and public effects of corporate behaviour.

Fourthly, our study contributes to less explored areas of consequences of ethical leadership. While previous studies have mostly focused on consequences concerning employees, our study reveals several consequences concerning other stakeholders. First of all, ethical leadership seems to have several notable effects on other stakeholders than employees. Ethical leadership was said to enhance the wellbeing and satisfaction of several stakeholders, such as customers, society or the natural environment. Additionally, the practice of ethical leadership was reported to enhance the well-being of the ethical leader himself. It is unclear, though, whether this is a result of ethical leadership itself or rather due to the fit between the leaders' personal values and their leadership style. Furthermore, ethical leadership seems to evoke positive feedback from media and society, such as awards and favourable media coverage.

Additionally, our study adds to the topic of employees' ethical behaviour towards external stakeholders (e.g. customers and suppliers) as a consequence of ethical leadership. Similar to other studies, our interview partners mentioned a range of employees' ethical behaviours towards their colleagues, supervisors and company. These were behaviours that our interview partners explicitly expected from their employees, such as not discriminating against others. However, our results may also shed some light on employees' ethical behaviour towards other stakeholders which has not been addressed by any of the previous studies we are aware of. Even though our interview partners rather talked of their own behaviour towards other stakeholders, such as ensuring the high quality of their products, fair pricing, and reliability for customers and suppliers, it is not unlikely that their employees carried out at least part of these tasks. Accordingly, these behaviours may prove to be a resource for identifying employees' ethical behaviours towards external stakeholders, such as customers, suppliers and society.

Last, but not least, many of our interview partners felt that the various positive effects of ethical leadership on employees and other stakeholders, as well as the

sustainable, long-term business strategy, lead to long-term financial success of the company. However, because of its many costly investments, our interview partners said that ethical leadership tends not to result in short-term maximisation of profit.

Managerial Implications

We would like to point out several important managerial implications. First of all, as we have said before, ethical leadership involves the consideration of more stakeholders than just employees. Therefore, it is crucial for an executive ethical leader to identify all stakeholders and engage in ethical behaviour towards them. Amongst the most important stakeholders, apart from employees, are customers, owners and the board, society and the natural environment. When making decisions, an executive ethical leader needs to consider all these stakeholders.

Secondly, our study contributes to the question of how to develop ethical leadership in companies, by drawing a clearer picture of what normatively appropriate behaviour towards different kinds of stakeholders includes. This is important, as managers might not have a clear understanding of which specific behaviours towards these stakeholders are normatively appropriate. Our findings, therefore, could be included in training for the development of ethical leaders. Our findings also show that the difference between ethical and less ethical leadership is not dichotomous but gradual. None of our interview partners engaged in all of the behaviours reported, and they emphasised different aspects of ethical leadership. It seems that as an ethical leader one could always do more, but one could also do significantly less. The pertinent question, therefore, for many executive leaders is probably not 'am I an ethical leader?' but rather 'how much am I an ethical leader?' Accordingly, ethical leadership requires an ongoing process of identifying and weighing various stakeholders' and one's own interests. Training, therefore, needs to equip managers with competencies of ethical decision-making and stakeholder dialogue.

However, training is not the only way of enhancing ethical leadership in a company. We, thirdly, found antecedents of executive ethical leadership, which can foster our understanding of how to enhance ethical leadership in a company. Our findings imply that the whole business strategy has to be guided by an ethical business approach which allows leaders to focus not exclusively on short-term maximisation of financial profit but to seriously care for the wellbeing of other stakeholders. Therefore, a business strategy focusing more on sustainability, stability and long-term profit will foster ethical leadership in a company. Of course, this is only possible if the principal owners of the company or their representatives, the board, support this

kind of strategy. Otherwise, they might not choose an ethical leader as CEO in the first place and not pressure a less ethical CEO to refrain from unethical business practises.

Fourthly, the ethical guidance of employees is another important aspect of ethical leadership. How do ethical leaders ensure that their employees engage in ethical behaviour? Similar to Brown et al. (2005), we found that it is extremely important for ethical leaders to be an ethical role model—to walk the talk—and to communicate ethical standards to the employees. However, unlike much previous research on ethical leadership, our study draws attention to the manner or methods of communicating ethical standards. Codes of conduct have become very common, but most of our interview partners felt that codes of conduct are not of much use unless they are combined with accompanying measures such as training of the employees' ethical competence or giving them the opportunity to actively participate in the company's ethical development. Furthermore, it is important to establish business goals and organisational structures that are compatible with the code of conduct. For example, it is not of much use to preach ethical conduct towards customers, on one hand, and, on the other hand, to pressure employees to sell overpriced products in order to maximise profits. However, despite the leaders' possibility to influence their employees' behaviour, employees may be prone to unethical or ethical behaviour due to their personality. Hence, as several of our interview partners pointed out, it may be advisable that the recruiting process also focuses on the applicant's integrity and moral development.

Strengths and Weaknesses

Executive ethical leadership is complex. An important strength of this study, therefore, is its qualitative, explorative approach, which is appropriate for complex and dynamic phenomena such as leadership (Conger 1998). The qualitative approach enabled us to find not only what we had suspected beforehand, but to reveal several new aspects of ethical leadership which we had not been aware of before. Additionally, an important contribution of this study is that its sample consisted of executive ethical leaders, whilst Treviño et al. (2003) had focused on executive leaders and ethics officers who spoke about how they perceived ethical leaders. In contrast to this external perspective, our study aims to add the internal perspective, which is important, as not all aspects of ethical leadership may be visible from an external perspective.

It is also important to recognise the limitations of this study. First of all, like all qualitative studies, this study cannot be generalised, as the sample was not representative. However, the objective of this study was to explore so far neglected areas of ethical leadership, and it may serve as resource of inspiration for future quantitative research. Secondly, we did not observe the behaviour itself but asked the interview partners to describe their behaviour. Accordingly, our results could be affected by social desirability, in the sense that our interview partners may have been tempted to talk about their strengths only and omit their weaknesses or less ethical behaviours. Keeping in mind, though, that our aim was to study ethical leadership and not to rate our interview partners' degree of ethical leadership, we do not consider this to be a major problem. As we have mentioned before, the difference between ethical and unethical leadership seems to be gradual rather than dichotomous, and the sum of our results presumably pictures the high end of ethical leadership, whilst in reality the majority of executive leaders probably engage in some but not in all these aspects of ethical leadership. Thirdly, our findings of consequences of ethical leadership concerning effects on other stakeholders may also be biased, given that these findings were reported by our interview partners and not by the stakeholders themselves. Therefore, the findings might be rather our interview partners' intentions or motivations for ethical leadership behaviour than actual consequences. Finally, some of our results may be specific to the Swiss or German culture. However, several of the companies operated internationally, and about half of our interview partners mentioned work experience abroad.

Suggestions for Future Research and Conclusion

The results of this study open new avenues for future research and may serve as source of hypotheses for further quantitative research on ethical leadership. Even though substantial effort has been made in the past to measure ethical leadership (Brown et al. 2005; Kalshoven et al. 2011; Tanner et al. 2010), our study implies several additional ethical leaders' behaviours that could complement and enhance the existing measures. Examples for such behaviours include providing security of employment and offering fair compensation and a health management system, as well as various behaviours towards other stakeholders than employees, such as ensuring good quality of products for customers. Further quantitative research is necessary to integrate these behaviours into the existing measures. Additionally, quantitative research is needed to test the antecedents found, such as ownership and business model, and consequences, for example satisfaction of external stakeholders, employees' ethical behaviour towards external stakeholders, and long-term financial success of the company. Another type of antecedent that would be worth studying is governmental incentives or regulations. Furthermore, we would like to encourage the

development of recruiting and assessment tools and training programmes for ethical leadership. Finally, as our sample consisted only of privately or closely held companies, it would be interesting to explore ethical leadership in publically held companies.

In conclusion, this study investigated several important aspects of executive ethical leadership that have been neglected so far, such as important stakeholders of the ethical leader, his or her behaviours towards them, antecedents of ethical leadership, and consequences concerning other stakeholders than employees. Our results suggest that the existing conceptualisations and instruments for measuring ethical leadership (Brown et al. 2005; Kalshoven et al. 2011; Tanner et al. 2010) should be specified and complemented by a multiple stakeholder perspective instead of primarily focusing on the ethical leader's behaviour towards employees. Furthermore, this study contributes to the growing research field of ethical leadership by identifying specific behaviours of executive ethical leaders towards various stakeholders and by enhancing our understanding of what enables ethical leadership and what variety of consequences are to be expected from it.

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