The ethics of charismatic leadership: submission or liberation?

Jane M. Howell, The University of Western Ontario
Bruce J. Avolio, State University of New York at Binghamton

Executive Overview

Charismatic business leaders are often heralded as corporate heroes by orchestrating turnarounds, launching new enterprises, engaging in organizational renewal or change, and obtaining extraordinary performance from individuals. The effectiveness of these leaders may be interpreted by executives as an unqualified recommendation for such leadership in their organizations. However, the risks involved in charismatic leadership are at least as large as the promises. What is missing from current discussions about charisma is consideration of its darker side.

In this article we focus on a paradox that emerges whenever one discusses leaders such as Robert Campeau, Max DePree, Lee Iacocca, Ross Johnson, Ralph Larsen, and Michael Milken: why are some charismatic leaders destructive, while others are beneficial to followers, organizations, and even entire societies? Drawing on the results from an interview study as well as the popular management literature, we describe the qualities and values that differentiate ethical and unethical charismatic leaders. We also examine the impact ethical and unethical charismatic leaders have on followers and how organizations can develop ethical charismatic leaders.

Article

"Wanted: Corporate Leaders. Must have vision and ability to build corporate culture. Mere managers need not apply."1

Charismatic leaders are celebrated as the heroes of management. By turning around ailing corporations, revitalizing aging bureaucracies, or launching new enterprises, these leaders are viewed as the magic elixir to cure organizational woes and change the course of organizational events. Charismatic leaders achieve these heroic feats by powerfully communicating a compelling vision of the future, passionately believing in their vision, relentlessly promoting their beliefs with boundless energy, propounding creative ideas, and expressing confidence in followers' abilities to achieve high standards. Charismatic leaders are typically viewed as effective leaders: leaders who inspire extraordinary performance in followers as well as build their trust, faith, and belief in the leader.2 But is charisma a desirable force for leading an organization? While the virtues of charismatic leaders are extolled in the popular management press, and in a growing number of studies, the potential dark side of these leaders is often ignored.

Charismatics can be very effective leaders, yet they may vary in their ethical standards. The label charismatic has been applied to very diverse leaders in politics (Adolf Hitler, Benito Mussolini, Franklin Delano Roosevelt), in religious spheres (Jesus Christ, Jim Jones), in social movement organizations (Mahatma Gandhi, Martin Luther King, Jr., Malcolm X) and in business (Lee Iacocca, Mary Kay Ash, John DeLorean). This list underscores that the term "charisma" is value neutral: it does not distinguish between good or moral and evil or immoral charismatic leadership. This means the risks involved in charismatic leadership
Charisma can lead to blind fanaticism in the service of megalomaniacs and dangerous values, or to heroic self-sacrifice in the service of a beneficial cause. An awareness of this risk is missing from most of the current popular writings on charismatic leadership, which may be interpreted by executives and managers as an unqualified recommendation of such leadership. In this article, we argue that rather than dismiss charisma on the grounds of its associated risks, we need to understand the differences between ethical and unethical charismatic leaders so managers can make informed decisions about recruiting, selecting, and promoting their future organizational leaders who will pursue visions that benefit their organizations rather than simply building their own power base at the expense of the organization.

To understand the ethics of charismatic leadership, we interviewed and surveyed more than 150 managers in 25 large Canadian organizations. Based on these managers' descriptions of their bosses, we identified twenty-five charismatic leaders for in-depth study. Each leader was interviewed for two hours about his or her philosophy, values, and attitudes towards followers and completed a questionnaire measuring various personality characteristics and leadership behaviors. To determine whether a charismatic leader was ethical or unethical, interview transcripts were content analyzed for the presence of themes related to whether the leader attacked moral abuses, confronted and resolved dilemmas, encouraged pursuits of ideals, cultivated an ethically responsible culture, and fostered and rewarded those with moral integrity. We draw on these interviews and questionnaire responses, as well as popular accounts of well-known charismatic leaders, to highlight the key characteristics and behaviors of ethical and unethical charismatic leaders.

We first describe the key behaviors and moral standards that differentiate ethical from unethical charismatic leaders. The impact of ethical and unethical charismatic leaders on their followers' development is discussed next. Finally, we outline how managers can nurture ethical charismatic leadership in their organizations.

**Charismatic Leaders: Some Uncommon Denominators**

Many charismatic leaders incorporate their followers' hopes, dreams, and aspirations in their vision. These leaders develop creative, critical thinking in their followers, provide opportunities for them to develop, welcome positive and negative feedback, recognize the contributions of others, share information with followers, and have moral standards that emphasize collective interests of the group, organization, or society. We call these leaders "ethical charismatics." Other charismatic leaders are interested in pursuing their own personal vision. These charismatic leaders control and manipulate their followers, promote what is best for themselves rather than their organizations, and have moral standards that promote self-interests. We call these leaders "unethical charismatics."

We now examine the marks of ethical and unethical charismatic leaders to see how those who seek to be leaders might avoid the often attractive traps associated with unethical leadership, while cultivating the characteristics of genuinely ethical leadership. As illustrated in Exhibit 1 and described below, ethical and unethical charismatic leaders are distinguished by five key behaviors: exercising power, creating visions, communicating with followers, intellectually stimulating followers, developing followers, and moral standards.

**Exercising Power**

Exercising power or influence varies among ethical and unethical charismatic leaders. Ethical charismatic leaders use power in socially constructive ways to serve others. They are genuinely concerned about contributing to the welfare of followers. Leadership that stresses serving rather than dominance, status or
Howell and Avolio

Unethical Charismatic Leader

- uses power only for personal gain or impact
- promotes own personal vision
- censures critical or opposing views
- demands own decisions be accepted without question
- one-way communication
- insensitive to followers' needs
- relies on convenient external moral standards to satisfy self-interests

Ethical Charismatic Leader

- uses power to serve others
- aligns vision with followers' needs and aspirations
- considers and learns from criticism
- stimulates followers to think independently and to question the leader's view
- open, two-way communication
- coaches, develops, and supports followers; shares recognition with others
- relies on internal moral standards to satisfy organizational and societal interests

Exhibit 1. Individual Qualities of Ethical and Unethical Charismatic Leaders

prestige is reflected in the construction services company Townsend and Bottum, Inc.'s Plan for Continuity:

"It shall be an organization operating with the highest principles of integrity, service to society and clients, in an environment of trust which will nurture growth and development of employees so that they become stronger, more autonomous, and more serving of their fellow men and women."^6

In contrast, unethical charismatics exercise power in dominant and authoritarian ways to serve their self-interests, to manipulate others for their own purposes, and to win at all costs. Power is used for personal gain or impact. Exercising power in a dominant and controlling manner was captured in the words of an invited speaker at an American Management Association Conference for presidents: "I want men that are vicious, grasping, and lusting for power. He who has the gold makes the rules."^7

Creating the Vision

Ethical and unethical charismatic leaders differ in how they create and express their vision. Ethical charismatic leaders express goals that are follower driven; their visions are ultimately responsive to the interests and desires of their followers. Followers actively contribute to and develop the vision further so that it is shared. In the words of one of the charismatic leaders we interviewed:

"My job is to transfer some of the dream so others think it's as neat as I think it's neat. I use all of the emotional trigger words to get people to buy into the concept. You don't want manipulation because you really do want their best creative efforts on it. So it's really exciting them with the potential to get them to buy in. So you have to spend a lot of time talking and transferring the potential notions so that they own a piece of it."

President and CEO Bill O'Brien of The Hanover Insurance Companies strongly believes in the power of a shared vision:

"In my first year as president, I went across the country and I talked to every single employee in every branch of the company. I told them what my vision was for The Hanover Insurance Company. Now a vision is an intensely personal thing. Your vision gets you out of bed to go to work in the morning. My vision gets me working. My vision doesn't do a lot for you. So, we don't have a lot of meetings on what should be the vision of the company or what should be the vision of a
department. We encourage our people if they run an operation to have a vision for it. And then, when they are facing live, real situations, act in a visionary way. I have never seen a vision come out of a committee. I have heard people say, ‘Here is what I believe and here is what I think we can do. What do you think?’ That kind of process will build some visions. We encourage every single department to build its own vision of what it wants to become. We encourage every single department to build its own vision of what it wants to become. When we first did it, everybody thought we were going to have chaos. But there is remarkable harmony between what a branch or department envisions and what a company sees."^8

While ethical charismatic leaders develop their visions partly through interaction with followers, unethical charismatic leaders derive their visions solely from within themselves. Unethical charismatic leaders communicate goals that promote their own personal agenda often to the disadvantage of others. In the extreme, the leader’s goals are pursued without question. As one leader remarked to us: “The key thing is that it is my idea; and I am going to win with it at all costs.”

Communicating with Followers
To set agendas that represent the interests of their followers, ethical charismatic leaders continuously seek out their viewpoints on critical issues. Such leaders listen to the ideas, needs, aspirations, and wishes of followers and then, within the context of their own well-developed system of beliefs, respond to these in an appropriate way. They invite two-way communication with subordinates, while still promoting a sense of knowing what they are doing. This sense of mutual interaction is captured in one charismatic leader’s comment: “If you don’t walk the plant, you don’t know what’s going on. You have to work at it.”

Open communication with employees is a key principle at Wal-Mart Stores, the highly successful retailing giant.9To stay in touch with employees, or “associates” in Wal-Mart’s language, the charismatic founder Sam Walton relies on a highly elaborate communication system ranging from a six-channel satellite system to a private airforce of eleven planes. Says CEO David Glass, “We believe nothing constructive happens in Bentonville [the company’s headquarters]. Our grass-roots philosophy is that the best ideas come from people on the firing line.”

Similarly, Bill O’Brien of The Hanover Insurance Companies promotes the values of openness and localness. Within Hanover, information is widely disseminated. In Bill O’Brien’s words: “My reports to the board, for instance, go right down into the middle management of our branches. They are available to anyone.”10 Localness means that a decision is made or an action taken at the lowest level of the organization that is competent to do so. Interference by higher levels is inappropriate and demoralizing according to this Hanover value.

What do unethical charismatics do in contrast? They are one-way communicators, close-minded to input and suggestions from others. For a time, Ken Olsen at Digital Equipment Corporation created a culture that completely discouraged a reexamination of old strategies. Telling the founder of a successful organization that the nature of the game had changed and that his vision must be updated was very difficult. How do you tell the creator to reevaluate his creation, particularly when you have a very strong and outspoken leader? Many of his key advisors avoided discussions about changes that were necessary to Digital’s marketing strategy, because of the negative reaction they anticipated from him.11

Accepting Feedback
Ethical charismatic leaders are realistic in their appraisal of their own abilities and limitations. They learn from criticism, rather than being fearful of it. This requires them to be open to advice and willing to have their initial judgments challenged.
In his discussion of the art of leadership, Max DePree, CEO of Herman Miller, a highly profitable furniture design and manufacturing company, asserts that leaders who are clear about their own beliefs (assumptions about human nature, the role of the organization, and the measurement of performance, for example) have the self-confidence to encourage contrary opinions, and can enhance themselves through the strengths of others.

Unethical charismatic leaders have an inflated sense of self-importance, thriving on attention and admiration from others and shunning contrary opinions. Such leaders attract and gravitate towards loyal and uncritical followers. As one former disciple of Michael Milken, the junk bond king, said, “If he walked off the cliff, everyone in that group would have followed him.” Successful followers quickly learn to offer the leader information that he or she wants to hear, whether that information is correct or not.

Creating loyal supporters and eliminating dissenters were characteristic of Texas Instruments (TI) President J. Fred Bucy and CEO Mark Shepard, Jr.’s leadership style. Both men turned TI’s low-cost policy into a fanatical obsession by building in control mechanisms that completely squashed any opportunity for individual initiative, thought, or innovation. Both were unwilling to have their strategies questioned no matter how disastrous the results. Both were intolerant and intimidating bosses.

Over time, TI employees spent more time telling Shepard and Bucy what they wanted to hear, rather than what was important or even critical to operations. This destructive behavior was exemplified by TI employees who withheld critical information from Bucy and Shepard about the disastrous slump in the home computer division until inventory had piled up in the aisles.

Lee Avery at Montgomery Ward practiced a similar brand of leadership. If anyone was foolish enough to differ with Avery he vowed to throw them out the window. After a major purge of his corporate executives he remarked, “I have never lost anyone I wanted to keep.”

Stimulating Followers Intellectually
Another important characteristic that differentiates ethical and unethical charismatic leaders is the intellectual development of their followers. Unethical charismatic leaders expect and even demand that their decisions be accepted without question. Ethical charismatic leaders encourage their followers to view the world from different perspectives which they themselves may not have previously considered. They ask their followers to question the “tried and true” ways to solving problems by re-evaluating the assumptions they used to understand and analyze the problem. As one leader commented: “You want the best creativity, the best ideas to give you the biggest success.”

Developing Followers
Ethical and unethical charismatic leaders differ in the strategies they use to develop followers. Unethical charismatic leaders are insensitive and unresponsive to followers’ needs and aspirations, while ethical charismatic leaders focus on developing people with whom they interact to higher levels of ability, motivation, and morality. “I enjoy developing people from the standpoint of seeing more potential in them than they see in themselves. I try to bring that potential out in people,” said one leader in our study. They also express confidence in followers’ capabilities to achieve the vision. And when the vision is met, ethical charismatic leaders share recognition with others. “I’d rather transfer the recognition to my people and make them feel that it’s their project, it’s their contribution, and it’s
their result," stated one leader. According to another leader: "You certainly share the center of applause. You make sure you share as much of the success and excitement as you can."

Moral Standards
Charismatic leaders differ widely in their moral standards which influences their decisions of what's right or wrong. Ethical charismatic leaders follow self-guided principles which may go against the majority opinion. Such leaders are not swayed by popular opinion unless it is in line with their principles. They promote a vision that inspires followers to accomplish objectives that are constructive for both the organization and society. Their vision is driven by “doing what’s right” as opposed to “doing the right thing.” Through the personal values they espouse, ethical charismatic leaders develop the moral principles, standards, and conduct of their followers.¹⁵

Ethical charismatic leaders possess three primary virtues: courage, a sense of fairness or justice, and integrity. Courage enables leaders to assume reasonable risks. When they believe something is wrong they speak up. Considering and balancing stakeholder claims underlies the virtue of justice. Just leaders respect others' rights and interests and honor principles. Leaders with strong integrity are characterized by internal consistency, acting in concert with their values and beliefs.

Jeff Furnam, chief financial officer of Ben and Jerry's Ice Cream, described Ben and Jerry as leaders who were using their success in business to show other leaders that they could maximize profit, while still having a positive social impact on society. Their attempt to get other U.S. companies to donate pretax profits for social programs is just one example of their overall strategy to create a higher moral standard for other business leaders to follow.

Integrity is a key value at Herman Miller. While executives at other companies were preoccupied with “looking out for number one” by arranging golden parachutes for themselves, in 1986 Herman Miller introduced silver parachutes for all its employees with more than two years of service. In the event of a hostile takeover of Herman Miller that led to termination of employment, the silver parachute plan would offer a soft landing for employees whose welfare is often ignored in corporations.

Adherence to ethical principles is also accorded a high profile at Johnson & Johnson. CEO Ralph Larsen enjoys telling employees at Johnson & Johnson about his days as a trainee in one of the company’s baby shampoo factories. He recalls attending a management meeting where a great debate ensued about whether to ship a large batch of shampoo that was safe but did not meet Johnson & Johnson’s “no tears” standard. The ultimate decision was to absorb the loss. Similarly, in the tragic Tylenol case in which eight people died by swallowing poisoned capsules, the product was quickly recalled, mistakes were admitted, and the company lost $240 million in earnings. Says Larsen: "If we keep trying to do what’s right, at the end of the day we believe the marketplace will reward us.”

Behind these ethical decisions at Johnson & Johnson lies the Credo, a forty-four year old statement created by Robert Wood Johnson, son of the founder. The Credo emphasizes honesty, integrity, and respect for people—phrases common to most such statements. The difference is that senior executives at Johnson & Johnson devote considerable time and energy to ensuring that employees live by those words. Every few years, senior managers gather to debate the Credo’s contents, a process used to keep ideas current. On his tours Larsen always mentions the document. "I tell employees they have to be prepared to take the
short hit. In the end they'll prosper.” In symbol and deeds the ethical standards of the leader and company are clearly articulated.

Unethical charismatic leaders follow standards if they satisfy their immediate self-interests. They are adept at managing an impression that what they are doing conforms to what others consider “the right thing to do.” By applying their enormous skills of communication, they can manipulate others to support their personal agenda.

A striking example of the values espoused by unethical charismatic leaders is Ross Johnson, the former chief executive officer and president of RJR Nabisco. Over his career, Johnson gained the reputation as a glib, self-serving, “win at all costs” executive with “a patina of charisma.” He would fire executives with no remorse, especially those who fell from his favor. Responsible for scattering one of America’s largest, most venerable corporations to the winds through a massive leveraged buyout, Johnson was renown for his notoriously bloated expense accounts and lavish perks. He failed to investigate, and even protected, flagrant violations of spending by senior company executives. In one instance, he condoned payments from the company’s international operations to a dummy corporation, which appeared to be billing the company for thousands of dollars of a senior executive’s personal expenses. Johnson’s reaction was to fire the people who uncovered the unethical activities and to promote the executive to president, despite an internal investigation which revealed that the executive had exercised poor judgment.

In this section, we have examined how two very different leaders who have been labelled charismatic, can differ markedly in their use of power, creation of visions, communication style, tolerance of opposing views, sensitivity to the needs of others and moral standards. We now discuss how the distinctive qualities of ethical and unethical charismatic leaders impact on followers.

The Impact of Charismatic Leaders: Developing or Enslaving Followers?
The double-edged sword of charismatic leadership is readily seen in the impact on followers. Ethical charismatic leaders convert followers into leaders. By expressing confidence in followers’ abilities to accomplish collective goals, and by encouraging followers to think on their own and to question the established ways of doing things, they create followers who are more capable of leading themselves. According to Max DePree, this is the essence of leadership: “liberating people to do what is required of them in the most effective and humane way possible.” Followers feel independent, confident, powerful, and capable. They eventually take responsibility for their own actions, gain rewards through self-reinforcement, and like their leader, establish a set of internal standards to guide their actions and behavior.

The magnitude of impact that charismatic leaders can have on followers was shown many years after the death of Walt Disney. Almost two decades after his death, managers would continually quote Disney to justify their decisions. Disney’s strategy and policies were seen as unalterable and God help anyone who tried to change them.

Unethical charismatic leaders select or produce obedient, dependent, and compliant followers. They undermine followers’ motivation and ability to challenge existing views, to engage in self-development, and to develop independent perspectives. Ultimately, followers’ self-worth becomes inextricably linked to supporting the achievement of the leader’s vision. If the leader deviates into unethical means for achieving his or her vision, followers are unlikely to question
the leader's action. Since the leader is the moral standard bearer, followers can rationalize even the most destructive actions and behaviors. Michael Milken is a recent example of an unethical charismatic leader who abused power. Milken was terribly arrogant. He rarely had the patience to listen to other viewpoints. As one Drexel executive declared, "What he wanted was bodies—but loyal bodies. Disciples."^22

The impact of charismatic leaders on followers is often more extreme during periods of crisis. For the unethical charismatic leader, a crisis situation is often ripe for gaining or solidifying his or her power base. This power base can then be used to secure the leader's personal vision and to minimize dissent among followers. Followers easily become dependent on the leader who provides a clear action plan to pursue. "So strong is the belief in the leader's charismatic powers that the followers place their destinies in his or her hands. It is as if they have fallen under a magical spell; they become submissive, obedient, enraptured, and blind in their absolute loyalty."^23 The leader's authority over them seems boundless.

After the crisis subsides, followers increasingly rely on the leader for direction. Over time, they lose their self-confidence to question the leader's thinking and decisions, magnifying their dependence on the leader.

Followers of the ethical charismatic leader enter crises with a greater willingness to analyze the problem and offer solutions to the leader. The ethical charismatic leader works assiduously to develop followers' self-esteem, so that during a crisis followers are able to offer counsel to the leader to help resolve problems. They provide the needed checks and balances concerning the leader's decisions. Since followers have trust and faith in their leader, they will rally behind the leader's decision when there is no longer time to deliberate. Crises are not used by ethical charismatic leaders to blame followers for their inadequacies. Rather, crises are used to develop strength and a sense of purpose in the mission and vision. Crises often underscore the leader's intention to do what's right.

Ethical charismatic leaders use the crisis as a learning experience, once the crisis has passed. They point to the need for followers to develop their own capabilities so that future crises can be avoided, dealt with more effectively, or handled by followers themselves, when the leader is unavailable.

The Failure of Success
First suggested by Camille Cavour, then articulated by Lord Acton, absolute power corrupts absolutely. The trap that awaits charismatic leaders who have a successful track record partially lies in the accolades that accompany their accomplishments. If they readily believe the praises heaped upon them, they can be seduced by delusions of invincibility and greatness. Rather than focusing on the next challenge, they become preoccupied with maintaining an aura of greatness. Image management replaces active, meaningful contribution to the organization.

Ethical charismatic leaders have developed a value system that will help avoid the trappings of success. Moreover, the promotion of followers to higher stages of development provides the ethical charismatic leader with critical input that may keep them from straying down the wrong path.

Don Burr, founder, president, and CEO of the now defunct People Express Airline, exemplifies a recent example of the corruptive influence of success. During the airline's formative years, Burr was heralded as an invincible charismatic leader. His accomplishments were widely praised in boardrooms, in the airline industry, and the management press. Touted as an entrepreneurial legend, Burr brought
his company from a standing start in 1981 to $1 billion in revenues by 1984. The rapid growth was largely attributed to Burr's innovative management policies, hinging on employees being major stockholders in the company, opportunities for personal and professional growth through continuing education, cross-utilization and job rotation, promotion from within the company, security of lifetime employment, and compensation higher than other companies paid for similar skills and experience. However, after achieving their market niche, rather than nurturing the growth of People Express, Burr went on a spending spree, acquiring other airlines. As the airline's growth failed to keep up with Burr's rapid expansion of routes and schedules, he shifted his consultative leadership style to an executive who fired anyone who challenged his views. Burr became a masterful manipulator and dictator, unreceptive to criticism or challenges. Employees lost their sense of family and gained a sense of alienation. Key management people left the company and fear pervaded the organization, ultimately resulting in its demise.

It is unclear whether Don Burr had the seeds of unethical charismatic leadership, or if he changed as a consequence of the crisis confronting his organization. What is apparent from this example is that he failed to take advantage of followers' input and the input of others outside the organization during a critical stage in the company's life cycle, unfortunately resulting in its demise.

A charismatic leader from our interview study, who had established a highly successful track record, was also keenly aware of the corruption of multiple successes. He was determined to avoid it.

"Over the course of my career I've become more concerned with getting my people to buy-in and let them have a large piece of success than I might have done as a young Turk. You use less brute strength and more intelligence. But then that's just a function of living. You have to stay humble. If you think what you are doing today is important, all you have to do is put it in context of how it will be in 500 million years. I keep a 'humble-izer' in my pocket—an arcopod—a little sea urchin that lived in Arcona that's 500 million years old. It reminds me to stay humble."

Thomas J. Watson, Sr. was keenly aware of the trap of success as exemplified in a speech delivered to a group of IBM managers in Paris during the height of the Great Depression. "People often speak to me about our successful business. I always correct them. We have not made a success, but I do feel IBM is succeeding. We want you to also feel that you have not succeeded. We want you to feel that you are aiming for success but you are never going to catch up with it, for if you do, you are finished." Perhaps, the key distinction is to encourage all members of the organization to think more about what they can do to continuously improve the organization, always questioning the reasons for success. Leaders who fear changes might disrupt their strategies used to achieve success, are showing the early sign of leadership paralysis. Often such leaders abuse their power in the spirit of maintaining the status quo.

Creating and Maintaining Ethical Charismatic Leadership

"Beware charisma! . . . But to beware does not necessarily mean or entail 'Avoid!' . . . Be aware! Then choose."

"As a transforming force, charisma is charged with explosive, unpredictable potential that, like the genie when released from the bottle, is beyond our control." Executives and managers need to be aware of the risks of unleashing its darker side as well as the promises of cultivating its brighter side. Without awareness of the key behaviors, moral standards, and effects distinguishing ethical and unethical charismatic leaders, appointing a charismatic to a leadership position.
Academy of Management Executive

In fact, our ethical charismatic leaders reported that the most significant factor influencing their development of values and priorities was role models with whom they had very direct personal contact.

More generally, given the importance of ethical charismatic leaders for developing future leadership potential within organizations, how can ethical charismatic leaders themselves be created and sustained in organizations? What kinds of organizational policies, procedures, and processes can increase ethical charismatic leaders’ probability of emergence and ultimate success? To answer these questions we asked our ethical charismatic leaders what top management needs to do to support their behavior. Six key factors were identified.

- Top management commitment to a clearly stated code of ethical conduct that is continually enforced helps establish acceptable standards or boundaries for employee conduct.  
- Recruiting, selecting, and promoting managers with high moral standards are ways of creating a culture of ethical responsibility.  
- Developing performance standards and rewards that emphasize, for example, respect for people as individuals.  
- Providing leaders with education and training that teaches them how to integrate diverse points of view. Being able to see the interrelationships among new perspectives and old, lies at the source of moral development.  
- Training individuals with the necessary personality characteristics, social skills, and motivation to acquire ethical charismatic leader behaviors. Training in ethical leadership skills must be consistent with the philosophy of the top leadership in the company and the company culture.  
- Identifying heroes or heroines who exemplify high moral conduct. Such heroes or heroines need to be heralded by top management as essential to the long-term success of the organization.

In conclusion, building internal ethical standards in leaders is a challenging undertaking which requires formal codes of ethical conduct, top management who subscribe to and practice ethical behavior, systems that reinforce ethical behavior, and role models who exemplify high moral standards. In fact, our ethical charismatic leaders reported that the most significant factor influencing their development of values and priorities was role models with whom they had very direct personal contact.

A Look Towards the Future

Ethical charismatic leaders in the end deserve this label only if they create transformations in their organizations so that members are motivated to follow them and to seek organization objectives not simply because they are ordered to do so, and not merely because they calculate that such compliance is in their self-interest, but because they voluntarily identify with the organization, its standards of conduct and willingly seek to fulfill its purpose.

In the period of time that we currently operate, and with the values of employees entering our organizations today, the successful organization will be a place where individual needs are recognized and enhanced rather than brought into conformity with the old ways of doing things. Leaders will know that the best...
form of leadership builds followers into leaders who eventually take responsibility for their own ethical behavior, development, and performance.

The authors are indebted to Leanne Atwater, Bernard Bass, Joseph DiStefano, Jeffrey Gandy, two anonymous reviewers, and Associate Editor Kathryn Bartol for their helpful comments.


4 For more information about the method and findings of this study, see J.M. Howell and C.A. Higgins "Champions of Technological Innovation," *Administrative Science Quarterly*, 1980, 35, 517-341.


7 Quote from M. DePree, *Leadership is an Art* (New York: Dell, 1989), 68.


12 For more information on Milken's life, refer to *The Predator's Ball* by Connie Bruck.


18 The best selling book *Barbarians At The Gate* by W. G. Benna and J. Helyar (New York: Dell, 1989) documents the fight to control RJR Nabisco and the central role played by CEO Ross Johnson.

19 Quote from M. DePree, *Leadership is an Art*, 1.


22 *See The Predator's Ball* by Connie Bruck for further details about Michael Milken.


24 Accounts tracing the rise and fall of Donald Burr's People Express Airline include J.A. Byrne "Up, Up and Away?" *Business Week*, November 25, 1985, 80-94; J.R. Norman "People is Flunging, but Burr is Staying Cool," *Business Week*, July 28, 1985.

Endnotes

^26 Quote was taken from a speech delivered by Thomas J. Watson, Sr. on July 29, 1930 entitled, "Growing Man" in As a Man Thinks, by Thomas J. Watson, Sr.


^29 The value of an organizational ethics policy for reducing unethical decision behavior was reported by W.H. Hegarty and H.P. Sims, Jr. "Organizational Philosophy, Policies, and Objectives Related to Unethical Decision Behavior: A Laboratory Experiment," Journal of Applied Psychology, 1979, 64, 331-338.


About the Authors

Jane M. Howell, Ph.D., is assistant professor of organizational behavior at The University of Western Ontario. She has published many articles in the areas of transformational leadership, organizational champions, and technological innovation. She conducts leadership, organizational change, and management skill development programs in Canada and abroad.

Bruce J. Avolio, Ph.D., is a leading expert on the study of transformational leadership. He has published numerous articles on this topic and conducted training and organizational development programs worldwide. He is director of graduate programs in the School of Management at SUNY-Binghamton and associate professor in organizational behavior.