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#### **GROUPE DE RECHERCHE**

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# EXPLORING THE RELATIONSHIP BETWEEN ETHICAL LEADERSHIP AND ETHICAL CLIMATE IN THE ENTREPRENEURIAL CONTEXT

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#### Abstract

In this paper, we focus on two subjects that have been an important topic of research in organizational development in recent times. The purpose of this theorical research is to identify and examine the relationship between leadership and organizational climate while integrating an ethical dimension to both these notions.

The study starts with an overview of the concept of organizational climate that we present as a level of organizational culture based on the theory of Schein (2004, 2010). This theory presents three levels of organizational culture which are: artifacts, espoused beliefs and values and underlying assumptions. The organizational climate may be refered as an artifact, it is the visible organizational structures and processes such as the visible behavior of the organization's employees. By defining organizational climate as the behavior of the organization's employees, and by integrating an ethical dimension to it, we try to examine the relationship between employees behaviors and leadership styles and how the latter can influence ethical behaviors.

In the second part of this study, we introduce leadership, its theories, principles and styles; we try to identify different styles of leadership that may have an impact on organizational climate in general, and on ethical climate in particular. We examine two styles of leadership which are transactional and transformational leadership, by adding an ethical dimension to both notions, we identify an ethical leadership that we present as 'Hybrid leadership'.

Finally and in the last part of this study, we try to demonstrate that 'Hybrid leadership' may influence not only employee's behavior which can refer to organizational climate, the first level of organizational culture, but also employee's beliefs and values which represents the second level of organizational culture.

**Keywords:** Organizational climate, organizational culture, ethical climate, artifacts, leadership, ethical leadership, transactional leadership, transformational leadership.

#### Introduction

Today, in an entrepreneurial context, organizations pay particular attention to ethics, because of the financial and political scandals that occur within these organizations and that can damage their image and their reputation. The relationship of trust that exists between the organization and its various stakeholders (customers, investors, suppliers, shareholders, etc.). In order to avoid or remedy the break in this relationship of trust that is essential to the survival and continuity of the organization, companies rely primarily on ethics in their management practices and consequently the ethics of their leaders. Thus, when we talk about management practices, we also talk about the leaders who are at the source of these practices. Leadership is therefore an important element because it probably has the ability to influence the behavior of individuals within the organization and specifically, ethical behavior. Moreover, this is what we will try to confirm or deny throughout this paper. Also, another important factor in the adoption or not of ethical behavior is 'Ethical organizational climate'. It can be seen as the values that individuals adhere to and the behaviors they adopt in an organizational setting, hence the importance of the concept in an ethical context (ie, in an organizational environment that promotes ethical behavior).

In this paper, we will focus on the influence of leadership on the organizational climate, based essentially on the theory of Schein (2004) which stipulates that the organizational climate is directly related to the leadership of leaders and their management philosophy. By introducing the ethical dimension to these two notions, we will try to shed light on the influence of ethical leadership, in particular, on the ethical climate. Throughout this paper, we will try to answer the following questions: Does leadership influence organizational climate? If so, is there a leadership style that is better able to influence and / or foster the organizational climate? And finally, does ethical leadership influence ethical climate?

#### I. Organizational climate

Definition according to Schein (2004) theory

➤ Artifacts (1st level of organizational culture)

Artifacts are observable and according to Schein (2004), they include everything that an individual can see, hear and feel within a group. The author argues that: « Artifacts include the visible products of the group, such as the architecture of its physical environment; its language; its technology and products; its artistic creations; its style, as embodied in clothing, manners of address, emotional displays, and myths and stories told about the organization; its published lists of values; its observable rituals and ceremonies; and so on. » (p. 25)

In this context, Van Stuyvesant (2007) looked into the definitions of some authors in relation to certain terms such as: language, symbols, stories and rituals and ceremonies. Thus, we first find the <u>language</u> that was defined by Hellriegel and al. (2004) and according to these authors,

the language refers to the vocal sounds, the written signs and the gestures that are used by the members of an organization and this set has a particular meaning. Language is a way of communicating that represents the culture of an organization. Then we find the <u>symbols</u> that, according to Hellriegel and al. (2004), are observable and these allow to express and represent the culture of the organization. According to the authors, these symbols can take many different forms, for example: a logo or gesture. There are also <u>stories</u> that, according to Brown (1995), relate a particular event that occurred in the past, this event is part of the history of the organization and allows a better understanding of the functioning of this organization. Finally, we can find other visible forms of Atifacts such as rites and ceremonies that refer to formal activities that impact the emotions of individuals, according to Hellriegel and al. (2004). The authors illustrated these rites and ceremonies with the official awards ceremony for employees within an organization.

In addition to the elements that Schein (2004) reported in his definition of Artifacts, the latter adds organizational and structural processes, the 1st refers to the processes that make habitual behavior, so they are processes that shape and guide the behaviors of people within the organization, and the second refers to charts and formal descriptions of how an organization operates.

According to Schein (2004), all these Artifacts represent the organizational climate because the latter refers to the observable behaviors of individuals within an organization. The Artifacts is therefore a level of organizational culture that is easily observable by cons, it is difficult to interpret. To better understand these words, the author gave the example of the Egyptians and Maya who built pyramids and whose meaning is different in each culture. For some, they are tombs while for others, they are temples. Thus and by this illustration, the author wanted to demonstrate that we can not determine the real meaning of these pyramids among the Egyptians or the Maya and that we must be part of the group for a better understanding.

To conclude this part and according to Schein (2004), we can't understand the meaning of the artifacts of a group if we do not live within this group for a long time. That being said, and for a similar understanding, it will be necessary to look at on the shared values and beliefs (which is the 2nd level of the organizational culture) as well as the dogmas or the principles of the group (which is the 3rd level of organizational culture) to understand the behaviors of members of this group.

#### 'Ethical' organizational climate

Definition according to Trevino and al. (1995)

Trevino and al. (1995) attempted to differentiate ethical culture from ethical climate; the latter thus defined the ethical climate as being: « a normative construct which measures organizational members perceptions of the extent to which the organization's normative systems are consistent with a number of normative ethical theories ». (p. 10) As for the ethical culture, according to the

authors, this one is: « a descriptively-based construct that represents the extent to which an organization actually attempts to influence members' behavior through a variety of cultural systems ... the ethical culture construct can be more appropriately used to predict individual behavior ». (p. 20) Trevino (2003) argues that the ethical climate can be associated with attitudes, which indirectly influences the decision-making and behavior of individuals, contrary to the ethical culture that directly influences the behavior of individuals within an organization. through its formal and informal control systems.

#### Definition according to Victor and Cullen (1987)

According to Victor and Cullen (1987), the ethical work climate represents: "shared perceptions of what is ethically correct behavior and how ethical issues should be handled". (p. 51-52)

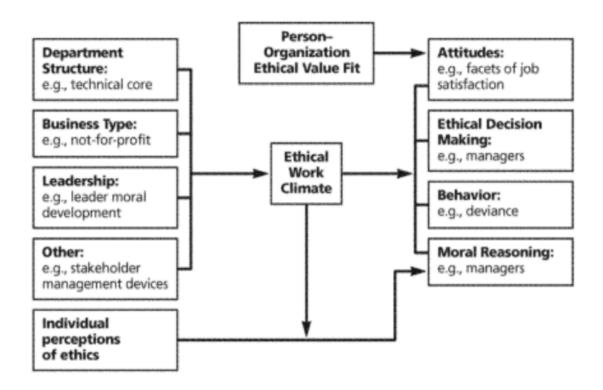
#### The antecedents of 'Ethical' organizational climate

We will therefore use the model of Arnaud and Schminke (2007), which presents the antecedents and impacts of the 'Ethical' organizational climate. We know that the organizational climate is at the level of Artifacts of organizational culture, and as we have seen, the organizational climate is part of the organizational culture, therefore the model of Arnaud and Schminke (2007) also reflects on the organizational culture.

Thus, among the elements that more specifically influence the 'Ethical' organizational climate, we find, first of all, the type of domain in which the organization works. VanSandt et al. (2006) studied seven different organizations and found themselves with seven different ethical climates. For example, not-for-profit organizations, banks, and engineering firms found themselves with two dominant organizational ethical climates, a climate of access to laws and codes, and other access to service. Then, the second influential element lies in the departmental structure. Thompson (1967) therefore identified three types of departments and each had its particularity, whether in terms of the different functions of these departments within the organization or at the level of the relations that each department maintained with the external environment. Finally, and as the third element that influences the 'Ethical' organizational climate, we find leadership. Thus and according to Arnaud and Schminke (2007), several authors claim that the ethical climate within an organization reflects the personal values and motivations of founders and organizational leaders.

In order to encompass what has been said before, We will present the model of Arnaud and Schminke (2007) who, in addition to presenting the antecedents of an 'Ethical' organizational climate, also presents its impacts.

## Antecedents and impacts of 'Ethical' organizational climate According to Arnaud and Schminke (2007)



We can therefore say, based on the model of Arnaud and Schminke (2007) that leadership can be considered as an antecedent of the 'Ethical' organizational climate, so we will look at this concept in the second part of this paper and this, in order to better understand the impact of leadership, and ethical leadership in particular, on the ethical organizational climate.

#### II. Leadership

#### Definition

In etymology, the term "leadership" is an Anglo-Saxon term that originates in the word "lead" which refers to the path or the road. The word "leader", meanwhile, was referring to 'travel' in the years 800 AD.

In order to better understand the meaning of the notion of "leadership", we will go back a little bit to the history of the concept. Thus and according to Bass B. and Bass R. (2008), the concept and principles of leadership have existed since the emergence of civilization. Moreover, in Egypt, there are writings on leadership dating back more than 2300 BC, for example, a writing such as "The instruction of Ptahhotep" identified three qualities attributed to Pharaoh. There are also Chinese classics that date back to six centuries BC and give advice to leaders about their obligations and duties to individuals (Bass B. & Bass R. 2008). The Greeks, for their part, had represented the leadership by the heroes of the Illiade of Homer. As heroes, there was Agamemnon who represented justice, Nestor who represented wisdom, Ulysses who represented cunning and finally, Achilles who represented courage (Sarachek, 1968). Subsequently, Greek philosophers have dealt with the notion of leadership, for example, Plato and in his book the Republic, looked at the characteristics and elements that define an ideal leader. Also in politics, Aristotle emphasized the lack of virtue of future leaders (Kellerman, 1987).

From the 19th century, leadership became a subject of analysis and academic research and several authors presented definitions of the concept, which were influenced by several factors such as politics for example, or other areas in which the concept has been studied (Northouse, 2013). Following a certain chronological order in the different definitions of leadership, according to Northouse (2013), we find first that of Moore in 1927 which defined leadership as being: « The ability to impress the will of the leader on those led and induce obedience, respect, loyalty and cooperation ». (p. 124). Thus and in the 1900s, domination by control characterized leadership (Northouse, 2013). In the 1930s, leadership was identified as an influence and interaction between individual and group (collective) characteristics and in 1940 the focus was on the 'group' element. In 1950, again according to Nothouse (2013), there are three dominant aspects of leadership including: « Continuance of group theory, leadership as a relationship that develops shared goals, effectiveness ». (p. 3). In the 1960s, leadership researchers considered leadership to be behavior that influences individuals by mobilizing them around a common mission or purpose (Northouse, 2013). In the 1970s and according to Northouse (2013), the focus was on the dimension of 'organizational behavior', so Burns (1978) defined leadership as: « the reciprocal process of mobilizing by persons with certain motives and values, various economic, political and other resources, in a context of competition and conflict, in order to realize goals independently or mutually held by both leaders and followers ». (p. 425). In the 1980s, there was a greater number of definitions of 'leadership', and this one involved several aspects; for example, leadership can refer to the leader's will, the influence of the leader, or the personal characteristics of the leader (Northouse, 2013). From the 1990s to the present day, leadership writing has steadily increased, as have the definitions of the concept. For example, Kodish (2006) argues that: « Leadership is more than a skill, more than the knowledge of theories, and more than analytical faculties. It is the ability to act purposively and ethically as the situation requires on the basis of the knowledge of universals, experience, perception, and intuition. It is about understanding the world in a richer and broader sense, neither with cold objectivity nor

solipsistic subjectivity » (p. 464). Weber (1997) states that: « Increasingly the notion of leadership is most commonly associated with the notion of vision ». (p. 364)

According to us, a definition of the concept that seems to us quite complete is that of Northouse (2004), the latter identified four identifiers or criteria of leadership, first leadership is (1) a process: « whereby an individual influences a group of individuals to achieve a common goal » (p. 3), thus, the term process refers to an interaction between the leader and his subordinates. That said, according to Northouse (2004): « It is the leader that initiates the relationship, creates the communication linkages, and carries the burden for maintaining the relationship » (p. 3). Then, leadership implies (2) an influence, the author supports the fact that leadership can not exist if there is no influence, it is its reason for being. Thus, a leader exists because he can influence a number of subordinates. This leads us to the third criterion, which refers to the (3) group context, so that for leadership to take shape, it must influence a certain number of individuals with the same objective within the organization. Finally, as the fourth and last criterion, leadership implies (4) the achievement of objectives, so leaders mobilize and support their subordinates, and with the ultimate goal of achieving something meaningful, the achievement of objectives is ultimate (Northouse, 2004).

The reason we opted for Northouse's (2004) conceptualization of leadership is because, first, it is very well detailed, by identifying the four criteria of leadership that allow us to better understand the concept. Secondly, having mentioned influence as the main reason of being of leadership is also a point that seems relevant to our topic of study because this influence is the reason that allows a leader to inspire, transmit values, mobilize ... etc. Thus, it can be said that the heart of leadership finds itself, first of all, in the influence that the leader has on the members of an organization by motivating them to act in a certain way and then, in the the common goal that is targeted and that must be achieved, hence the notion of vision that characterizes leadership (Palmer, 2009).

All in all, after all these years of research and study, leadership researchers have agreed that there is no single definition of leadership and that this notion can have different meanings for different people. (Northouse, 2013). For example, Bass (2007) supports the fact that: « the meaning of leadership may depend on the kind of institution in which it is found ». (p. 16). Today, we can say that leadership surrounds us in our everyday lives, whether in schools, in business, in social groups, in religious organizations or in public bodies ... etc. . (Bass B. & Bass R. 2008).

After defining leadership, we will focus on two leadership styles: transactional leadership, which refers to a process of exchange and transactions between the leader and subordinates, and transformational leadership that refers to the development of individuals. the latter tends to inspire and mobilize the members of an organization around a common vision (Bass & Avolio, 1990, Meyer & Botha, 2000). We will now see in more detail the characteristics of each style of leadership.

#### Leadership styles

#### > Transactional leadership

According to Bass (1990), transactional leadership is based on certain characteristics, thus, one finds the contingent rewards that can be in the form of rewards for good performance, contractual exchanges, or in the form of recognition of achievements. We also find a management by expectations that can be either active or passive. Active management refers to monitoring by the leader to find any lack of respect for rules and standards, whereas in passive management, the leader intervenes only when these standards are not respected. Another characteristic is that of let-go, the leader does not expose any trait or leadership behavior by avoiding decision-making and by renouncing responsibilities and any form of authority.

According to Yukl (1981), transactional leadership is based on a relationship of exchange between the leader and his subordinates, the latter thus influencing each other. Kellerman (1984) also argues that there is a dependency relationship between the transactional leader and his subordinates, for example, a leader may grant a half-day of vacation for an employee who has put a lot of effort into a project from which the dependency relationship. Transactional leadership therefore refers to an exchange, the latter can have two levels. For example, Kuhnert and Lewis (1987) reported a study by Graen, Liden and Hoel (1982) on the impact of 'high quality and low quality' exchange relationships on employee turnover rates. They found that the employees who remain in the organization are those who maintain relationships based on emotions (emotional exchange) hence the 1st level that refers to the 'high quality' exchange relationships. As for the employees who leave the organization, the latter maintain relations based on the contracts from where the 2nd level which refers to the exchanges of exchange of low quality. Kuhnert and Lewis (1987) therefore argue that this study has identified 'low quality' transactions that are based on contractual exchanges and 'high quality' transactions that rely on the relationship of leaders with their subordinates. That being said, "low quality" transactions depend on the leader's control over the resources that subordinates want to obtain; the power of the leader is therefore less if these resources are not controlled directly by him (Yukl, 1981). As for high-quality transactions, these depend on relational / emotional exchanges such as the support of subordinates, we can say that these rewards are not concrete hence, the control of the leader that remains more direct (Yukl,

The distinction between the different levels (low quality vs. high quality) of transactional leadership has also been addressed by Bass (1985) who has supported the fact that the most common transactions are those based on actions taken by subordinates to obtain a concrete reward (low quality), the author gave the example of overtime to get paid vacation. Also, Burns (1978) identified these two levels and he emphasized a less responsive transactional leadership based on modal values (exchangeable values) such as respect and trust that allow the leader and his subordinates to each meet the needs of the other.

For Conger and Kanungo (1998), transactional leadership is not 'leadership' but rather 'managership' which, through control strategies, can provide some stability in the different

practices and resources within the organization. According to the authors, in this style of leadership, leaders do not try to change the attitudes or values of their subordinates nor do they try to mobilize them around an organizational mission; also, they do not play the role of the coach and therefore, the individual development of the subordinates does not fall within the objectives of the transactional leaders. Burns (1978), therefore, argues that transactional leadership characterizes much of the leader-subordinate relationship and this style is far more common than transformational leadership.

#### > Transformational leadership

According to Bass (1990), there is a transformational leadership: « Occurs when leaders broaden and elevate the interests of their employees, when they generate awareness and acceptance of the purposesand mission of the group, and when they stir their employees to look beyond their own self-interest for the good of the group ». (p. 21). There are many ways for transformational leaders to achieve these results, hence the characteristics of a transformational leader. Thus and according to Bass (1990), they can be charismatic by presenting a common vision and mission and by gaining the respect and trust of employees. Moreover, and according to Bass (1990), charisma is essential for the success of transformational leadership; it provides power and influence and employees identify with their leaders. House (1977) describes charismatic leaders as those who: « by force of their personnal abilities are capable of having a profound and extraordinary effect on followers ... the term is usually reserved for leaders who by their influence are capable to cause followers to accomplish outstanding feats ». (p. 189). Transformational leaders also have the power to inspire their employees to accomplish great things. They communicate their expectations to employees, mobilize employee efforts and unify them around common goals (Bass, 1990). Another characteristic of a transformational leader is intellectual stimulation, the leader shows employees a new way of approaching or seeing problems, and emphasizes rational solutions, so he relies on intelligence and rationality, and problem solving so that employees are able to achieve high levels of performance (Bass, 1990). Finally, and as a last characteristic, we find an individualized consideration in a transformational leader, who acts as a coach to help and supervise the employees who need it, so he pays particular attention to the needs of his subordinates. so that they can develop their potential and become better (Bass, 1990).

Other characteristics specific to transformational leadership were mentioned by Bass (1985) and Avolio & Bass (1986) such as: self-confidence, dominance, and a strong belief in the moral righteousness of personal beliefs. Also, Kuhnert and Lewis (1987) shed light on some of the behaviors that characterize successful transformational leadership, such as communicating goals, building image, demonstrating trust and motivating employees.

According to Bass (1985) and Burns (1978), transformational leadership is rooted in deeply entrenched systems of personal values, values such as justice and integrity. Transformational leaders have the ability to mobilize and unite their subordinates in order to achieve a certain goal, and they have the ability to change their beliefs and values (Bass, 1985).

According to Conger (1999), there are several empirical studies that have focused on some common elements that have characterized transformational leadership (Bass & Avolio 1994, Conger & Kanungo 1998, Shamir House & Arthur 1993). Thus, and in order to encompass what has been said before, we can say that a transformational leader: influences his subordinates through his vision, he inspires his subordinates and he gives them the example of the model to follow, he stimulates them intellectually, he responds to their needs by playing the role of coach and he supports them continuously, he trusts the abilities of his subordinates to achieve high levels of performance and he demonstrates this to them and finally he focuses on a collective identity focusing on the group (Conger, 1999).

#### **Ethical leadership**

#### Definition

The word 'ethics' is rooted in the Greek word 'ethos' which refers to habits or character. Thus and according to Minkes, Small & Chatterjee (1999), ethics, which is a philosophical term, describes behaviors and moral requirements which, on the basis of philosophical principles, identify the ways of doing things that are acceptable to those who are not. When we talk about ethical behavior, we refer to what is morally accepted as 'good' and 'right' as opposed to 'bad' and 'wrong' (Sims, 1992). Thus, and according to Trevino (1986), ethics can be considered as the code of values and moral principles which, while distinguishing what is 'right' from what is 'wrong' and what is 'good' from what is 'bad', allows to hatch and shape individual or collective behaviors. Degeorge (1986) argues that, in an organizational context, the ethical norms and culture of the leaders of an organization often represent the ethical behavior within that organization.

The question here is: what is ethical leadership? Some authors have therefore looked at the definition of the notion of 'ethical leadership', and according to Brown, Trevino and Harrison (2005), ethical leadership is: « The demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making ». (p. 120) According to the authors, the first part of this definition argues that leaders who are perceived to be ethical are role models or examples to be followed by all, as they adopt appropriate normative behavior such as honesty, loyalty, fairness and attention to subordinates. The second part of the definition refers to the importance of the ethics for the leader in establishing good communication with subordinates, reinforcing ethics through ethical standards, rewarding ethical behaviors, or sanctions for those who do not meet these standards (Gini, 1998, Trevino et al., 2003). Finally, ethical leaders integrate the ethical dimension into the entire process of decision-making, they take into consideration the ethical consequences of their decisions and finally they try to opt for the right choice (Bass & Avolio, 2000 Burns, 1978, Howell & Avolio, 1992).

An ethical leader has principles of conduct that are important to him and grounded, and according to Thomas (2001), to be an ethical leader, one must adhere to a more universal norm of moral behavior. Also, Guy (1990) argues that an ethical leader must follow an investigation

process by asking questions about what is right and what is wrong which allows him to set an example for his subordinates to follow and to all members of the organization, identifying actions that are favored and those that are not. For Freeman and Stewart (2006): *«Ethical leaders speak to us about our identity, what we are and what we can become, how we live and how we could live better »*. Kanugo and Mendonca (1998) support the fact that a leader is ethical when he is motivated by the attention he pays to his subordinates and by his actions that tend to favor others even if the result may be disadvantageous for himself. Thus, all of these authors identify an ethical leader as a model for subordinates and he sets the example in terms of ethical behavior and good practices.

The personality traits or personal characteristics that are generally attributed to ethical leaders are honesty, integrity and loyalty and according to, Trevino et al. (2000), honesty is an essential element in building a relationship that is based on trust. Mihelic & al. (2010) argue that an honest leader or a dishonest leader can be identified by observing the leader's behaviors and the consistency of those behaviors in similar situations. The authors argue that: « If a leader constantly changes his behavior, followers perceive him as unpredictable, unreliable, and therefore unworthy of trusting. Another thing that undermines trust is if a leader espouses one set of values (the way he should behave) and actively promotes them, whereas personally practices another set ». (p. 36). Leaders therefore have a primary and important influence on ethical behavior within an organization, which shapes the behavior of employees (Hitt, 1990, Jansen & Vonglinow, 1985).

According to Thomas d'Aquin<sup>1</sup>, the ethical nature of an individual's behavior can be determined according to three factors: first, (1) the main reason of the individual who can be considered as the origin or source of the behavior as such. Then, (2) the behavior shown and finally (3) the social context in which the behavior took place (Kreeft, 1990). Kanungo (2001) argues that: « If we take these three factors into account, the leader, in order to be ethical, must engage in virtuous acts or behaviours that benefit others, and must refrain from evil acts or behaviours that harm other ». (p. 259). The author also adds that: « In order to get all three factors morally right in leadership acts, leaders must pay attention to their own motives, their behavioural strategies and tactics of influence, and their worldviews that form the basis of interpreting the social situations with which they interact and tha resulting outcomes ». (p. 259).

In short, a character trait such as integrity in addition to the values of the leader is at the heart of the ethical dimension of leadership. Moreover, in order to represent 'good leadership', leadership researchers have identified positive characteristics and attributes such as: integrity, honesty, character, loyalty, altruism, collective motivation and encouragement (Bass and Steidlmeier, 1999, Den Hartog and al., 1999, Palanski and Yammarino, 2007, Resick and al., 2006, Toor and Ogunlana, 2008). Brown and al. (2005) support that the pillar of ethical

<sup>&</sup>lt;sup>1</sup> From LAROUSSE: « Italian Theologian and Doctor of the Church (Roccasecca Castle, Aquino, Frosinone Province, 1225- abbaye de Fossanova 1274). "

leadership lies in a combination of integrity, ethical standards and fair treatment of employees. Also, according to Brown and al. (2005), ethical leaders are considered fair and principled decision-makers, they are caring and they act ethically continually (whether in their personal or professional lives) in addition to their honesty and loyalty. Trevino and al. (2000) have identified this way of being or doing, in ethical leadership, as the aspect of the <u>moral person</u>. The authors also identified another aspect of ethical leadership, which refers to a leader who communicates ethically, who is seen as a visible model of ethical behavior, and uses the reward system to reinforce ethical behavior in his subordinates hence the aspect of the <u>moral manager</u>.

'Moral manager' VS 'Moral person'

#### > 'Moral manager'

Trevino and al. (2000) found three elements of a moral manager: (1) to be a model through visible actions, (2) to communicate ethical values, and finally (3) to use the reward systems. Thus, the authors argue that these moral managers: « They serve as a role model for ethical conduct in a way that is visible to employees. They communicate regularly and persuasively with employees about ethical standards, principles, and values. Finally, they use the reward system consistently to hold all employees accountable to ethical standards ». (p. 134)

Being a role model is especially important because of the visible actions that an ethical leader undertakes. These actions are observed by the employees and they consider them as examples to follow. Trevino and al. (2000) argue that through their actions, ethical leaders can convey important messages to their subordinates and to all employees. Moreover, the authors support the fact that: « The effective moral manager understands which words and actions are noticed and how they will be interpreted by others ». (p. 134)

The communication of ethical values characterizes moral managers, who must explain the ethical values that guide important decisions and actions. Employees must see their leaders communicate these ethical values in order to realize the importance of these values within their organization and to adopt them later. Trevino and al. (2000) give the example of parents who want their children to adopt values such as love, respect and responsibility, to do so and to be effective, parents must convey these values through their actions and words, there must be a coherence between the two.

The reward system is the third and final element that characterizes the moral manager, it is a way to show that one behavior is more appreciated than another (Trevino and al., 2000). This reward system can also be considered as a disciplinary mean or way when certain norms or rules are broken (Trevino and al., 2000). According to Trevino and al. (2000): « The moral manager consistently rewards ethical conduct and disciplines unethical conduct at all levels in the organization, and these actions serve to uphold the standards and rules ». (p. 136)

In short, moral managers continually and strongly communicate ethical values to their subordinates and to all employees while using methods such as reward systems to reinforce those ethical values that guide decisions and actions.

#### > 'Moral person'

Trevino and al. (2000) identify three elements that characterize a moral person: (1) personality traits, character traits, (2) behaviors, and (3) decision-making. Thus and according to the authors: « Being viewed as an ethical person means that people think of you as having certain traits, engaging in certain kinds of behaviors, and making decisions based upon ethical principles ». p. 130

According to Trevino and al. (2000), character traits are personal characteristics that remain stable over time, so individuals' behaviors become predictable over time and in different situations. As we have already seen, the traits of character found in ethical leadership are honesty, loyalty and integrity. And Trevino and al. (2000) reaffirm this by emphasizing integrity, which supports the fact that: « Integrity is a holistic attribute that encompasses the other traits of honesty and trustworthiness ». (p. 130). Trust, which is the heart of loyalty, is also a very important element, which reflects consistency, credibility and predictability in relationships (Trevino and al., 2000).

Behaviors are as important as character traits or even more, according to Trevino and al. (2000). The authors state that: « Important behaviors include "doing the right thing," showing concern for people and treating people right, being open and communicative, and demonstrating morality in one's personal life ». (p. 131). Thus, an ethical leader does the right thing, he cares about others by treating them with respect, dignity and trust, hence the example given by the authors referring to the education of children, if we do not trust the children, they can do anything; while if they feel that they are trusted, they will think for a long time before breaking that trust. Also, the availability of the ethical leader accentuates the proximity which allows him to be continually listening to his subordinates and their problems. Finally, the morality in the personal life is an important element, the authors gave the example of the Bill Clinton scandal with Monica Lewinsky to demonstrate that the morality in the personal life is extremely connected with the ethical leadership. In questioning executives, the answer was that one could not be an ethical leader if personal morality was questioned as was the case in the Bill Clinton scandal with Monica Lewinsky (Trevino and al., 2000).

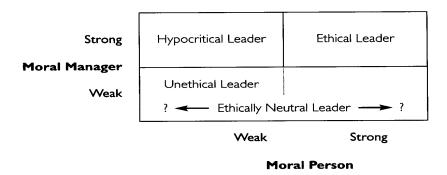
Decision-making is the third and last element named by the authors to characterize 'the moral person' (Trevino & al., 2000). Thus, an ethical leader is based on his own values and ethical principles in any decision he has to take while being fair and objective (Trevino & al., 2000). An interesting example presented by the authors is the New York Times Test, which refers to the sensitivity of ethical leaders to community norms, thus and according to this test: « when making a decision, ethical leaders should ask themselves whether they would like to see the action they are contemplating on tomorrow morning's front page ». (p. 133)

In short, we can say that moral persons are perceived as being people who make fair decisions, they have ethical principles and values and they care about other people (Trevino & al., 2000).

As we have just seen, ethical leadership has two dimensions: 'the moral manager' and 'the moral person'. Thus and according to Trevino and al. (2000), to develop an ethical leadership within an organization, the leader must be both a moral manager and a moral person. Both dimensions are therefore essential to build strong ethical leadership. Trevino and al. (2000) argue that: « The ethical leader has a reputation for being both a substantively ethical person and a leader who makes ethics and values a prominent part of the leadership agenda ». (p. 136).

In a representative figure of Trevino and al. (2000) (see below), the authors wanted to know the types of reputations that a leader / executive can develop. Thus, a combination of the two dimensions of ethical leadership, ie the dimension of a strong moral manager and that of a strong moral person, leads to a reputation as a strong ethical leader. That being said, the authors argue that if the dimension of the moral person is weak in addition to the dimension of the moral manager, the leader will be unethical. There is also a hypocritical leader when the dimension of the moral manager is strong while the dimension of the moral person is weak. Finally, the ethically neutral leader is a weak moral manager, but he is in a neutral zone as to the dimension of the moral person.

#### Moral manager VS Moral person According to Trevino and al. (2000)



Now that we have presented the dimensions of ethical leadership (Moral Manager VS Moral Person), we will focus on the ethical dimension of leadership styles (transactional style and transformational style) in order to better understand the link between every style of leadership and ethics.

Transactional leadership influences the behavior of subordinates through rewards and sanctions. According to Kanungo and Mendonca (1996), transactional leadership is incompatible with moral leadership (as opposed to transformational leadership) because it does not take into consideration the needs of subordinates and is not based on an inspiring vision of the future. Also, a transactional leader is motivated only by his own achievements as well as by power. Brown and Trevino (2006) argue that: « Ethical leaders attempt to influence followers' ethical conduct by explicitly setting ethical standards and holding followers' accountable to those standards by the use of rewards and discipline. Thus, ethical leadership as defined here includes a transactional influence process that distinguishes it from transformational leadership ». (p. 599)

As for transformational leadership and according to Burns (1978), it is a moral leadership because it mobilizes subordinates to work for the collective well-being and not individual well-being. Transformational leadership and ethical leadership come together at the level of the individual characteristics of an ethical leader as well and according to Brown and Trevino (2006): *«Ethical and transformational leaders care about others, act consistently with their moral principles (i.e. integrity), consider the ethical consequences of their decisions, and are ethical role models for others.* » (p. 599). Kanungo and Mendonca (1996) have argued that transformational leaders demonstrate ethical leadership when they have altruistic values, and therefore rely on empowerment to influence subordinates and not control (as opposed to transactional leaders). Several elements have been positively related to transformational leadership, including employee satisfaction with work and leadership, organizational commitment, citizenship behaviors and ultimately job performance (Fuller, Patterson, Hester, & Stringer, 1996, Lowe, Kroeck, & Sivasubramaniam, 1996, Yukl, 2002).

We can therefore see that each style of leadership (be it transactional leadership or transformational leadership) can have an ethical dimension. Each style tends to one dimension rather than another. We will deal with this in depth in the third part of this paper in order to establish links and parallels between the dimensions of ethical leadership (moral manager vs moral person) and management styles.

#### III. Analysis

In this third and last part of our paper, we will try to answer our research question which is to demonstrate the impact of ethical leadership on the ethical organizational climate, based on the set of theories we have just seen.

We will therefore first try to identify and explain the impact of different approaches (leadership styles and dimensions of ethical leadership) on the different levels of organizational culture, then we will demonstrate the importance of consistency between the

1st level of organizational culture that refers to artifacts and the 2nd level of organizational culture that refers to shared values and beliefs; third, we will identify an ethical leadership that influences both artifacts and shared values; fourth, we will look at the impact of ethical leadership on the organizational ethical climate and consequently the organizational culture (ethics); finally, we will emphasize the importance of the coherence between the two levels of the organizational culture and this, for an ethical organizational climate.

To do so, we will first present a table that brings together theories that we have already seen, whether in terms of organizational climate and therefore the organizational culture or in terms of ethical leadership, and that will allow us to make links and parallels between these different theories.

#### Links between the different theories

Levels of organizational culture according to: Schein (2004)	Leadership styles according to : Bass (1985, 1990) and Burns (1978)	Dimensions of ethical leadership according to: Trevino and al. (2000)	
Artifacts	Transactional leadership	Moral manager	
Espoused beliefs and values	Transformational leadership	Moral person	
Underlying assumptions			

Thus and based on this table, we will propose some observations that we will try to explain later and that will allow us to link the different levels of organizational culture (Schein, 2004), to both styles of leadership (Bass, 1990 and Burns, 1978) and ultimately to the dimensions of ethical leadership (Trevino and al., 2000).

OBSERVATION 1: 'Transactional leadership' and 'Moral Manager' fosters Artifacts (1st level of organizational culture).

In order to better understand this observation, we will take up a part of the table in which we made the links between the different theories.

The impact of 'Transactional leadership' and 'Moral manager' on ARTIFACTS

Levels of organizational culture according to: Schein (2004)	Leadership styles according to : Bass (1985, 1990) and Burns (1978)	Dimensions of ethical leadership according to: Trevino and al. (2000)
Artifacts	Transactional leadership	Moral manager

#### Leadership styles: Transactional leadership fosters Artifacts

As we have already seen in the literature review (Bass, 1985, 1990 and Burns, 1978), transactional leadership is characterized by its contingent rewards, its norms, its procedures and its rules to follow, its sanctions when there is a violation of the rules ... etc. Employees therefore have pre-established tasks, set goals and results to achieve. Transactional leaders tend to influence the behavior of subordinates by framing them with rules, standards, and performance systems; they do not try to change their values or to mobilize them around an organizational mission.

For example, a transactional leader who believes that acting ethically can lead to the success of the organization will put in place codes of conduct, ethical rules and programs, and any violation of these codes of conduct and rules will lead to sanctions. We can therefore see, by this example, that we try to change only the behavior of individuals and therefore the Artifacts (1st level) hence, the values (2nd level) remain unchanged. In sum, and in the transactional style, we guide the behavior of employees, we want them to act in this or that way. It can therefore be said that transactional leadership can influence and foster the 1st level of organizational culture that refers to Artifacts without, however, influencing the espoused beliefs and values of employees (2nd level of organizational culture).

#### Ethical dimensions: 'Moral manager' fosters Artifacts

Trevino and al. (2000) characterized the 'moral manager' by three elements: being a model through visible actions, communicating ethical values, and finally, using reward / sanction systems. We can see in this ethical dimension, the visible actions of the leader who targets employee behaviors. For example, a leader who encourages interaction with subordinates will often come to their office to share his ideas. In doing so, he encourages subordinates to come to see him and share their ideas, so he influences their behavior through visible actions. One can also see in this ethical dimension, the system of reward / sanction that can be considered as a disciplinary mean or way. Individuals will therefore no longer act ethically because they

are inspired by ethical values but because they simply want to obtain a reward or avoid a sanction, hence the 'controlled motivation' that can characterize a moral manager.

In our opinion, the 'moral manager' influences the behavior of individuals, therefore, it influences and fosters the 1st level of organizational culture that refers to Artifacts. Moreover, in our opinion, a transactional leader is a 'moral manager' because the two do not seek to inspire employees rather than convince them by communicating the rules and laws to be respected and by focusing on rewards and sanctions.

In sum, we can say that 'transactional leadership' and 'moral manager' fosters Artifacts and therefore act on the first level of the organizational culture that represents the organizational climate.

## OBSERVATION 2: 'Transformational leadership' and 'Moral person' fosters 'Espoused beliefs and values' (2<sup>nd</sup> level of organizational culture)

In order to better understand this observation, we will take up a part of the table in which we made the links between the different theories.

The impact of 'Transformational leadership' and 'Moral person' on ESPOUSED BELIEFS AND VALUES

Levels of organizational culture according to: Schein (2004)	Leadership styles according to : Bass (1985, 1990) and Burns (1978)	
Espoused beliefs and values	Transformational leadership	Moral person

#### Leadership styles: 'Transformational leadership' fosters Espoused beliefs and values

For employees to voluntarily subscribe to one value over another, leadership needs to inspire them and that's what transformational leadership does. Thus, as we have already seen in the literature review and according to Bass (1990), a transformational leader can be charismatic, he has the power to inspire and intellectually stimulate his subordinates, and he pays particular attention to them. So, when a leader has the power to mobilize his subordinates around a common vision and common goals, when he inspires them by setting an example to follow and by being a model, when he builds relationships based on trust and mutual respect, as he relies on the intellectual abilities of his subordinates and when he plays the role of coach by supervising his subordinates and supporting them so that they can develop themselves and

their methods; in this case, we can speak of a leader who has the capacity to act directly on the values of his subordinates and employees in general.

For example, a transformational leader can inspire to act ethically by maintaining a speech that aims to motivate employees to act ethically and to mobilize them around a common vision that implies that "acting ethically can probably lead to to the success of the organization". However, the leader's speech alone is not enough for employees to behave in one way or another.

In sum, it can be said that a transformational leader can influence the shared values and beliefs of employees by modifying or changing them, hence the impact of this style of leadership on the second level of organizational culture (espoused beliefs and values).

#### Ethical dimensions: 'Moral person' fosters Espoused beliefs and values

Based on what Trevino and al. (2000) said, a moral person stands out for its personal characteristics such as honesty and integrity, for its ethical behavior in both personal and professional life, and ultimately for its decision making, generally based, on its values and ethical principles. Thus, the moral person is more likely to act at the level of the espoused beliefs and values (2nd level) than at the level of the Artifacts (1st level) and this, because of its way of 'doing' and 'being' which makes it a role model in the eyes of employees, they are inspired by this moral person and they voluntarily adhere to its ethical values.

For example, a leader for whom 'respect' is an important value and who conveys it in his interactions with his subordinates, in his decision-making and in his personal life as well as in his professional life; will be able to see this value shared by all his subordinates as they have been inspired by this way of 'doing' and 'being' to such an extent that they have wanted, by themselves, to adhere to the value that is 'respect'.

In our opinion, the legal person influences the 2nd level of organizational culture that refers to espoused beliefs and values. Also, we strongly believe that a transformational leader is a moral person, because both promote values, and we find some personal characteristics that are similar such as: to inspire, to worry about others, honesty and integrity ... etc.

In sum, it can be said that 'transformational leadership' and the 'moral person' fosters values and therefore act on the 2nd level of organizational culture.

As we have just seen in these two observations, a transformational leader is a moral person who influences espoused beliefs and values (2nd level of organizational culture) and a transactional leader is a moral manager who influences the Artifacts (1st level of organizational culture). It can be seen that both styles of leadership influence two levels of organizational culture: Artifacts as well as espoused beliefs and values.

# OBSERVATION 3: Consistency and appropriateness between artifacts and espoused beliefs and values fosters ethical organizational behavior and, consequently, the ethical organizational climate.

An ethical organizational climate finds its strength in a consistency between the two levels of organizational culture: the artifacts and the espoused beliefs values. It is therefore important to have this consistency between these two levels in order to change behavior within an organization and to encourage ethical behavior. Also, this consistency avoids role conflicts among employees by giving a clear direction of what the organization expects of them. Thus, when there is consistency between the two levels of organizational culture, employees are mobilized, they know what to expect and what to do and they have common goals. On the other hand, when there is an inconsistency in one of these levels, we can find a certain division between the members of the organization, the latter do not know anymore what to do, their objectives, their mission ... etc.

In short, it is a fit and a consistency between the Artifacts (1st level of the organizational culture) and the espoused beliefs and values (2nd level of the organizational culture) that fosters the ethical behaviors within an organization and which can lead to a strong ethical organizational climate.

To have a consistency between the two levels of organizational culture, the leader must simultaneously adopt a transactional style and a transformational style. Therefore, we believe that a hybrid leadership style (a combination of transactional and transformational leadership) is an ethical leadership that can influence both Artifacts and espoused beliefs and values, hence our fourth observation.

### OBSERVATION 4: A hybrid leader is an ethical leader who influences both levels of organizational culture (artifacts and espoused beliefs and values)

As we have just seen, and based on the observations we presented above, transformational leadership influences espoused beliefs values (2nd level of organizational culture) and transactional leadership influences Artifacts (1st level of organizational culture). That being said, there needs to be consistency between the two levels of organizational culture to have a strong ethical organizational climate.

For example, if a transformational leader emphasizes speeches and values without paying close attention to artifacts, the values will be strengthened but not the artifacts hence the inconsistency in both levels. Employees will feel lost in an organization where values and artifacts do not go in the same direction. Also, take the example of a transactional leader who focuses on the procedures to be followed, the norms and rules to be respected and the sanctions in the case of violation of the rules, this one tries to frame the behaviors of the employees without trying to influence their values from where, again the inconsistency between the two levels. This inconsistency ultimately leads to a weak ethical climate.

In our opinion, transformational leadership (moral person) is incomplete without transactional leadership (moral manager). We will resume the example of Trevino and al. (2000) when it refers to parents who want their children to adopt values such as love, respect and responsibility. For a result and an optimal efficiency, the parents must transmit these values through their actions (the Artifacts) and their words (the values), it is important that it has a consistency between the two.

We therefore believe that it is important to have a hybrid approach that combines transformational and transactional leadership. First, and as we have seen, each style of leadership influences one level of organizational culture and it is necessary to influence the two levels (espoused beliefs and values) to have a strong and effective organizational ethical climate. In addition, Trevino and al. (2000) supported the fact that in order to develop ethical leadership within an organization, the leader must be both a moral person (transformational leader) and a moral manager (transactional leader) and a combination of these two styles or dimensions of ethical leadership leads to a 'strong ethical leader'.

In our opinion, hybrid leadership is an ethical leadership that promotes an ethical organizational climate. Moreover, Schein's theory (2004) justifies this hybrid approach by identifying the three levels of organizational culture and demonstrating the consistency and inconsistency that exists between the different levels of organizational culture. It is thus the consistency between the two levels of organizational culture (artifacts and espoused beliefs and values) that leads to an organizational ethical climate and it is the hybrid approach (ethical) that ensures this consistency.

#### OBSERVATION 5: Ethical leadership (Hybrid) fosters Ethical organizational climate

This last observation comes to answer our initial research question which refers to the impact of ethical leadership on the ethical organizational climate. Thus, ethical leadership (hybrid) combines both transactional and transformational leadership, and these two act simultaneously on artifacts and espoused beliefs and values. These two levels of organizational culture represent the organizational climate and ethical leadership fosters the ethical organizational climate.

In sum, it can be said that ethical leadership (Hybrid) influences two aspects of organizational culture (ethical) that are artifacts and espoused beliefs and values, these two components therefore represent the ethical organizational climate. That said, to have an ethical organizational culture, it will be necessary for the ethics to rise to the level of the 'underlying assumptions' and to do so, the artifacts (1st level of the organizational culture) and the espoused beliefs and values (2nd level of the organizational culture) should have a certain consistency and bring a success to the organization, this success remains however uncontrollable.

In our opinion, the ethical organizational climate brings together the artifacts and the espoused beliefs and values because these are observable and visible, unlike the third level of the organizational culture that refers the 'underlying assumptions' and which are in an invisible and unconscious level, the latter is therefore very difficult to control.

#### **CONCLUSION**

#### **Tout**

Throughout this paper, we have tried to answer three questions. The first question is: Does leadership influence the organizational climate? In response to this question and relying on the theories of different authors, including that of Schein (2004), we can say that leadership is an antecedent of the organizational climate and this one directly influences the organizational climate. As for the second question of this article, it is as follows: Is there a style of leadership that is better able to influence and / or foster the organizational climate? In response to this question and based on the theories of different authors, we have been able to identify ethical leadership in reference to hybrid leadership; it brings together a transactional style that acts directly on the Artifacts and therefore the behavior of individuals and a transformational style that acts directly on espoused beliefs and values. We wanted to identify an ethical leadership that influences both behaviors and values (the two levels of organizational culture) so that there is a greater impact on the ethical organizational climate.

Finally, the third and final research question is as follows: Does ethical leadership influence the ethical organizational climate? In response to this question, we can say that yes, ethical leadership influences the ethical organizational climate, but at two levels of organizational culture, at the level of Artifacts that can refer to the behavior of individuals within the organization and at the level Espoused beliefs and values that can refer to the leader's speech. In our point of view, these two aspects of organizational culture can be brought together into one organizational element that is the organizational climate. It is true that Schein (2004) has identified the level of Artifacts as the organizational climate without mentioning the espoused beliefs and values because, according to him, they are not observable and therefore they are not part of the organizational climate. However, in our opinion, behavior is as visible as speech. For example, some companies display their values in their websites, we can also see the leaders give speeches that reinforce certain values, in this case, these values become observable hence the organizational climate that gathers the Artefacts and the espoused beliefs and values. Also, it is important that there is a consistency between the Artifacts and the espoused beliefs and values because it will foster the organizational ethical behaviors and in the same way, the organizational ethical climate.

In conclusion, we can say that the ethical aspect in a workplace is important hence the attention that is currently assigned to it within organizations. In our opinion, the core of the company resides in its human resources, and ethics plays an important role both in terms of the work climate and therefore, organizational culture as we have already seen, or at the level of leadership that influences the behaviors and values of individuals within the organization.

In our opinion, acting ethically can be positive for the company, for example, a company that focuses on ethics forges its own reputation and image in relation to its customers or in relation to present and future employees.

That being said, there is no evidence that acting ethically leads to business success, and that is why organizations remain reluctant and not fully convinced of the success that ethics can bring in the workplace. However, even if more and more of them are adhering to this observation (Acting ethically fosters the success of the organization), it remains that arguing while trying to to be convincing is still a must.

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