In the current globalized economy, a firm’s ability to react quickly to changing consumer demands and provide innovative products serves as a key driver for business success (Moon, Miller, & Kim, 2013). To achieve this, leaders must focus on inspiring innovation to achieve competitive advantages while also balancing pressures from shareholders to meet profitability goals. However, organizational leaders may face moral choices that can sometimes conflict with necessary business decisions as well as put them at ethical risk (Bagdasarov, Harkrider, Johnson, Mumford, & Thiel, 2012). For example, some people might claim that moral leadership conflicts with organizational innovation because these leaders may tend to focus more on taking the ethical path rather than focusing on the achievement of innovation to enhance the company’s bottom line. In contrast, leaders lacking a moral compass may demonstrate a greater willingness to bend the rules to achieve company goals (Bruhn, 2009). Given today’s business realities, the question arises as to whether moral leadership poses a conflict with organizational innovation.

In the past, many people regarded ethics and organizational performance as exclusive aspects where leaders prioritized profit before ethical considerations (Eisenbeiss, van Knippenberg, & Fahrbach, 2015). In these situations, some leaders appeared to demonstrate greater popularity and perceptions as effective leaders who could contribute to the company’s bottom line; yet, they did not serve as moral leaders. Instead, these leaders chose to act in an unethical manner to achieve organizational goals without concern for the long-term consequences of unethical decisions to organizational performance. However, the emergence of ethics scandals in recent years appeared to show a reversal of the trend regarding how ethical leadership affects organizational change and stakeholders within the company.

For example, scholars noted an important linkage between ethical leadership and organizational change (Burnes & By, 2012). Business strategies began to focus on value creation and innovation combined with ethical leadership because such an approach presented the best solution against competitive threats (Theiri, 2013). Scholars also noted how ethical leadership positively enhanced performance (Shin, Sung, Choi, & Kim, 2015). Instead of compromising standards, ethical
leaders not only focused on customer welfare but also used ethics as a performance measure within the organization (Sims & Brinkmann, 2002). Therefore, observers began to recognize how moral leadership aligns with indicators of organizational success.

Lessons learned from the recent ethics scandals also revealed the importance of ethical leadership not only to the public but also to organizational stakeholders, especially concerning the need for innovation in today’s economy. For example, Eisenbeiss and Giessner (2012) noted the effectiveness of moral leadership on organizational stakeholders. Organizations realized that they cannot achieve innovation without employee support. Employee support appeared to need the guidance of ethical leadership within the organization (Sharif & Scandura, 2014). Furthermore, Yidong and Xinxin (2013) showed that moral leadership demonstrated a positive effect on employee innovation in the workplace. When employees trust ethical leaders, the employees and other stakeholders feel greater levels of trust; therefore, these organizational stakeholders demonstrate greater motivation, loyalty, and commitment to achieving company innovation. Also, ethical leadership provides employees with a greater sense of freedom to focus on innovation because of increased levels of motivation (Pucic, 2015). Thus, moral leadership serves to motivate employees to achieve higher levels of innovation within the organization.

As the research above reveals, moral leadership does not appear to conflict with organizational innovation. Rather, moral leadership serves to enhance and inspire the innovation process at all levels of the organization. With the dynamics of the globalized economy, organizations and stakeholders recognize that ethical leadership not only serves as the moral compass for the firm but also as a steady and trusted force for positive change. Because innovation thrives, the organization can achieve greater levels of success and compete more effectively in the market. Therefore, many people now believe “good ethics equals good business” (Banerjea, 2010, p. 375).

Given the competitive market faced by today’s organizations, the key for all organizations remains to identify strong moral leaders who can provide the ethical leadership needed to help inspire creativity and innovation to move the company forward. Moreover, organizational stakeholders must recognize the importance of remaining flexible in a constantly changing market while also ensuring that ethical standards continue to remain a key priority. By doing so, the organization not only demonstrates its dedication to moral leadership but also will continue to excel in its innovative processes to ensure competitive advantage in the global market.

References


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