

The social capital benefits of ethical leadership

A survey of Spanish, French and Portuguese workers finds that when managers behave ethically, employees generally respond in kind.

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Ethics has gained prominence in debates around social capital creation. According to social learning theory, employees learn standards of appropriate behavior by observing the behavior of role models.

To explore these behavioral links, IESE's [Miguel A. Ariño](#) and David Pastoriza of HEC Montreal [surveyed](#) 408 Spanish, French and Portuguese MBA students who were working while studying part-time. They were asked to rate their supervisors on ethical leadership and their firms on internal social capital.

Using structural equation modeling, the authors found that the ethical leadership of supervisors does indeed exert a significant influence on the creation of social capital in the organization, particularly in three areas.

- *Ethical leadership means higher willingness of employees to share.* This extends not only to employees' one-on-one relationships with their supervisors but also to their relationships with the rest of the organization. Employees are more likely to share information and resources when supervisors show ethical leadership, partly because they are not afraid that their supervisors will misappropriate the information or use it opportunistically.
- *Ethical leadership increases employee trust.* Faith is increased not only in the supervisor but also in the moral authority of the organization, because they perceive the organization respects their rights.
- *Concern for the well-being of employees increases their identification with the firm.* This

is because the employees perceive that the organization values and respects them. When supervisors display integrity and demonstrate concern, they are in a better position to provide a meaningful interpretation of the firm's goals, increasing the chances that employees will identify with and accept these goals.

Does ethical behavior start at the top?

While the results indicate that the influence of ethical leadership on internal social capital is significant, the authors note that it is uneven, making its influence felt among organizational members in a generalized way.

What remains to be explored is whether those people at different hierarchical levels, such as the top managers, are better able to influence the ethical context through the reward systems and decision-making processes that they set in place.

It would also be worth replicating this study with more cultures to see how different cultural frameworks perceived ethical leadership. Especially in cultures where managers are expected to behave in a more authoritarian manner, demonstrating concern for employees' well-being could be perceived as weakness, and the effects on social capital could look quite different.

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