

# Ethicality of Business Leadership

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**Abstract:** Ethical leadership plays an essential role in the success of an organization. Against this background, this study aims to investigate whether leadership is ethical through the case of Volkswagen and the concept of ethical leadership. The studies I have performed showed that leaders can follow both ethical and unethical styles of leadership. Therefore, at the end of the essay, it can be said that leadership can be both ethical and unethical.

## 1. Introduction

The essay aims to know better about whether leadership can be ethical or not. In the case study, Volkswagen is a German multinational automobile brand that manufactures and sells cars and other vehicles like motorcycles, commercial autos, passenger vehicles, etc. In 2012, Volkswagen became the second-largest automaker in the biosphere, behind Japanese Toyota and ahead of General Motors [12]. In 2013, Volkswagen was considered the ninth-largest company globally, producing nearly 10 million vehicles. The organization was affected by its unethical leader in 2015 when the US Environmental Protection Agency found many secret devices fitted with all the cars that the organization sold in the US market [8]. This unethical activity by the leader of the organization led the organization to a share price drop and replaced the previous leader, Matthias Mueller.

The essay will talk about how Volkswagen can be led by Matthias Muller with his ethical leadership and the impacts that the organization faced from the previous chairman's unethical activities. At the end of the essay, it will be identified whether the leadership can be ethical or unethical in Volkswagen's case.

## 2. The Concept of Ethical Leadership

Ethical leadership can be referred to as leadership in which the leader tries to follow normatively appropriate conduct in his actions, communication, and collaboration. Mitonga-Monga et al. [10] clarify that by following ethical leadership, the leaders become someone who will be an example of appreciation, motivation, and ethical conduct. Kim and Vandenberghe [8] explain that ethics is a concept that is being promoted in today's business. The idea of ethical leadership is also becoming popular day by day as it has so many right sides. Business leadership ethics is a crucial matter to understand, develop, and apply in professional life.



**Figure 1.** Characteristics of Ethical Leadership that the Leader of Volkswagen Can Follow

Source: Van et al. [13]

According to Figure 1, some specific characteristics are there in ethical leadership the current leader of Volkswagen can follow to build ethical leadership in the organization. All these characteristics are also interconnected [10]. The first characteristic of ethical leadership is to respect others, and the new chairman of Volkswagen, Matthias Mueller, respects all the employees, customers, and suppliers of the organization. He also appreciates others' laws and values, which is why he initiated to remove the secret that showed false emissions of the cars. It is a great virtue to respect others in this way. De and Farooq [6] argue that justice is the perfect measurement of behavior and treatment. By following this thing, one person can make everyone happy. It is a part of ethical leadership that Matthias follows to be a moral leader, whereas the previous leader did not follow this thing [13]. The chairman of Volkswagen has no favorites and treats everyone in the same way to maintain justice. Benevene et al. [2] elucidate that no worker has any aim to fear discriminatory action based on masculinity, ethnicity, population, or other factors under this leader. With justice in mind, this person quickly understands that

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he needs to win the customers of the United States of America.

It is called that honesty is the best policy and being an honest leader creates considerable value to the followers. In this leadership, employees are satisfied with coming up with innovative thoughts and fortified to recover how they do belongings as they know the leader will be honest and value them [6]. Employees are commended for taking the primary step in place of waiting for someone else. The antecedent chairman of Volkswagen did not follow the honest path to produce cars for the US market. That is why he was forced to resign when he got caught. The new chairman is honest, and he confessed to the scandal and was committed to remaking the wrong that the previous chairman did. Blome et al. [3] illustrate that building community is another aspect of ethical leadership. To be a moral leader, one should try to build a strong community. Matthias Mueller is determined to deliberate the high standards and expectations they place on themselves to make a strong community with the organization and its employees. He is also determined to make the community of the customers and the organization very strong.

### 3. Can business leadership Be ethical?

Yes, leadership can be ethical, but it can be unethical, too. Following ethical leadership can easily attract the minds of the followers. On the other hand, unethical leadership may push down the admirable relationship with the followers. Being an ethical leader can have many values, even if it can be stronger than values [2]. On the other hand, unethical leadership can significantly impact the followers' activities, but it does not have good deals. For example, it can be said from Volkswagen that the leader. Volkswagen's new leader encourages their employees to act ethically by enforcing appropriate actions and policies that allow employees to adhere to high standards and be held accountable for their actions. In the USA, 482,000 VW and Audi vehicles were equipped with a defeat device [13]. However, when the investigation went global, Volkswagen had to admit that around 11 million cars worldwide were equipped with such equipment. Under pressure from the world's media and various regulatory agencies, Volkswagen launched an internal investigation to clarify the situation and find the culprits. This case study clearly shows that the organization's previous leader forced its employees to do unethical activities [10]. With the help of that, he became a successful chairman until the scandal came true. It also shows that the next chairman is an ethical leader who tried to win back the customers' trust and took good initiatives to remove those devices at a considerable cost.

## 4. Importance of Ethical Leadership in the Perspective of Volkswagen



**Figure 2.** Five Major Importance of Ethical Leadership for which the Leader of VW follows Ethical Leadership

Source: De and Farooq [6]

A lot of importance of ethical leadership is found from a different perspective. It is seen from Figure 2 that there are five significant important ethical leadership that motivated Matthias Mueller to be an ethical leader. Van et al. [13] say that the first importance is that ethical leadership increases the potential investors' confidence to invest in the organization. Benevene et al. [2] elucidate that the antecedent chairman's unethical activities led the organization to a share price drop. It also resulted in a low level of confidence among potential investors. The ethical actions of Matthias Mueller can evoke the spirit of the investors to invest in Volkswagen.

Customer loyalty is essential to survive in today's competitive global market. The unethical activity of the antecedent chairman of Volkswagen resulted in the loss of many loyal customers. Then, it is the foremost duty of Matthias Mueller to retain them by taking the necessary steps. That is why he confessed to the previous chairman's unethical practice and took the initiative to remove those secret devices that showed false emissions of the cars of the organization [6]. Then, the new chairman also has to make cars that adjust to the laws of the US. Ethical leadership practices also help him to keep morale high and boost performance. It is evident because when the employees notice that their leader is righteous, they become more entrusted to work for this ethical leader. Blome et al. [3] illustrate that ethical leadership motivates leaders and other related persons not to undertake those activities that go against a country's laws. Undertaking activities against the laws of a country makes a leader unethical [2]. That is why it can be said that the former leader was unethical. Matthias Mueller, the new chairman of Volkswagen, is ethical as he makes sure the organization is not doing anything that is not legal. And all these things make a good organizational practice culture that positively impacts a long time.

## 5. Demerits of Unethical Leadership That the Antecedent Chairman Faced

### Disadvantages of Unethical Leadership

1. It requires comprehensive support to be effective
2. It is a costly leadership style to implement
3. It may have multiple definitions
4. It requires consistency without fail
5. It is dependent upon a leader's ability to influence others
6. It requires clarity at all times

**Figure 3.** Disadvantages of Unethical Leadership That the Antecedent Chairman of Volkswagen Suffered  
Source: Neubert et al. [11]

Several disadvantages are shown in Figure 3 that impacted the previous chairman of Volkswagen. All these things can be avoided if a leader tries to avoid unethical practices in his leadership. The first disadvantage of unethical leadership is that it needs support from others to be established [3]. In Volkswagen's case, the previous chairman did not get help when his unethical practice got caught. But before that, he took support from the employees and other related people with his power. But this did not last so long; he had to resign from his position for his unethical activities, and the organization, along with him, suffered hugely. Avey et al. [1] simplify that unethical leadership is costly as it requires different incentives for different kinds of people to get support for unethical activities. For example, when the antecedent chairman installed the secret device in Volkswagen's vehicles, the person who knew about this fact wanted more money from the chairman. He had to pay for that as it was required to keep it secret.

Ethical and unethical leadership differs from person to person and from situation to situation [11]. For example, installing a secret device in the US market perspective is unethical, but it may be ethical if any security or investigation department wants something like that. Another disadvantage of unethical leadership is that it seems successful until it gets failed. For example, Volkswagen's unethical leader was a successful one until his unethical activities were published in 2015. According to Hassan [7], To be successful in undertaking unethical leadership activities, he needed not to get caught by the US Environmental Protection Agency (EPA). It will also be a costly way for the new chairman to turn the situation right and need considerable time.

Unethical leadership is also dependent on the ability of the leader to influence others. It is a general ability required to succeed even if he follows ethical leadership [1]. The power of the previous chairman of the organization made him successful until 2015. According to Copeland [5], unethical leadership also seeks clarity every time. The leader needs to make sure he can make the other people understand through false words, fear, treaty, or something like that. These are the disadvantages of unethical leadership in the perspective of the case of Volkswagen.

## 6. Things to Be Considered in Ethical Leadership

Leaders give their people challenging and exciting work and trust them to do it. They inspire others and set an example by respecting their work ethic, integrity, and both employees and customers [7]. The performance of Volkswagen employees is the key to the achievement or disappointment of the business. Mihelic et al. [9] illustrate that being an ethical leader is not such an easy task in the competitive global market. The chairman of the Volkswagen Board of Directors was forced to resign for his unethical activity and was replaced by Matthias Mueller, Porsche's former head [5]. The company has recovered millions of vehicles and is earmarking nearly \$ 5 billion minimum to cover restoration costs. It was to be done by the new chairman as he got what the organization needed to get the trust back from the customers. Otherwise, the organization may suffer massive damage in the future. So, there are a lot of things that are to be considered in ethical leadership, and a few of them are clarified here.

Brown et al. [4] say that ethical leaders are to be responsible for all the things under their control, like the organization, the employees, the relation with the customers, suppliers, and all the organization's stakeholders. Matthias Mueller's activities make it clear that he is very much responsible for the organization's goodwill, customers, employees, and so on. Ethical leadership is defined as leadership that respects moral principles and standards and others' self-respect and rights [9]. It is mainly about ethical expansion and virtuous behavior. Even if it damages, doing the true thing is the mantra of a moral leader [4]. The new leader of Volkswagen influences its employees and other related parties positively through ethical leadership.

Emotional stability or low-level neuroticism is related to moral leaders because they expect the leaders to be safe and secure. Shapiro et al. [12] say that an ethical leader must be emotional with his followers to ensure an adequate flow of activities throughout the organization. Agreeableness is another to be considered in ethical leadership. Ethical leadership needs to be more agreeable to all of his fellows [4]. For example, if Matthias Mueller does not become friendly with his followers in the organization, the organization will not succeed in the future. Tolerance is such kind of thing that must be followed to be an ethical leader. An ethical leader will get a lot of lousy offers, fear, opportunities, and so on not to follow the ethics in his leadership. But the ethical leader needs to tolerate all these things to be a successful leader [9]. For example, as an unethical leader, the previous chairman of Volkswagen installed a secret device in the vehicles so that these cars could be sold in the market of the United States. But the next chairman did not do this kind of thing again. After replacing the previous chairman, Matthias Muller wanted to get the trust and support of the customers back in favor of Volkswagen. he removed the secret device from 482,000 vehicles that were sold in the

US market at a very high cost as an ethical leader.

## 7. Conclusion

The essay shows that leadership style can be both ethical and unethical. It is the choice of the leader whether he will follow ethical or unethical leadership. The essay aimed to identify the things how leadership can be ethical. Volkswagen is a sizeable global car manufacturing organization that has its business activities all over the world. The essay is done by having examples of the case study of Volkswagen. It is shown in the essay that leaders can follow both ethical and unethical styles of leadership. The previous leader of Volkswagen followed an unethical means of leadership and was successful before 2015. But he did not hold this success for a long time. On the other hand, Matthias Mueller, the new chairman of Volkswagen, follows ethical leadership and is trying to get the organization's position back as soon as possible. However, due to the destructive activities of the antecedent chairman, he needs a long time to get things right. Therefore, at the end of the essay, it can be said that leadership can be both ethical and unethical.

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