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ETHICS, CHARACTER, AND AUTHENTIC TRANSFORMATIONAL LEADERSHIP

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Abstract

The morality of transformational leadership has been sharply questioned, particularly by libertarians, "grass roots" theorists, and organizational development consultants. This paper argues that to be truly transformational leadership, it must be grounded in moral foundations. The four components of authentic transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) are contrasted with their counterfeits in the dissembling *pseudotransformational* leadership on the basis of 1) the moral character of the leaders and their concerns for self and others; 2) the ethical values embedded in the leaders' vision, articulation, and program, which followers can embrace or reject; and 3) the morality of the processes of social ethical choices and action in which the leaders and followers engage and collectively pursue.

The literature on transformational leadership is linked to the long-standing literature on virtue and moral character, as exemplified by Socratic and Confucian typologies. It is linked, as well, to the major themes of the modern Western ethical agenda: liberty, utility and distributive justice. Deception, sophistry, and pretense are examined alongside issues of transcendence, agency, trust, striving for the congruence of the values, cooperative action, power, persuasion, and corporate governance to establish the strategic and moral foundations of authentic transformational leadership.

ETHICS, CHARACTER AND AUTHENTIC TRANSFORMATIONAL LEADERSHIP

Are Bill Gates and Lou Gerstner transformational leaders? What about "chainsaw" Al Dunlap? For many moral analysts, leadership is a many-headed hydra that alternately shows the faces of Saddam Hussein and Pol Pot as well as the faces of Nelson Mandela and Mother Theresa. The stories that recount the accomplishments of such leaders raise moral questions concerning both the character of the leaders as well as the legitimacy of their programs.

Discussions of leadership are often hopelessly intertwined with issues of authority. And, if modern Western philosophy has had one central preoccupation, it has been with the emancipation of the individual from externally imposed forms of authority and control. Its core principle -- that all authority emanates from the consent of the governed -- remains a very revolutionary defense of individual liberty, self-determination and due process. Furthermore, the human rights tradition that has grown out of the defense of the dignity of the individual safeguards inalienable individual rights even in the face of majority social choices. Modern Western philosophy tacitly

assumes that there is no morally valid leadership without the consent of the led.

Eastern philosophies set other requirements for morally valid leadership, including fidelity to traditions of authority, the preservation of harmonious relationships, and loyalty to family. In both philosophical traditions, the leader often enjoys formal political and/or organizational authority -- a position of command with tools of enforcement. The discussion of the ethics of leadership incorporates this "command/enforcement" dimension and, in so doing raises the question of the legitimacy of authority, for from this "command/enforcement" perspective, proposed ethical standards may be imposed on followers as well as freely embraced; intellectual questioning may be stifled or welcomed; motivation may be externally manipulated or grounded in internal assent; and individuals may be treated as instruments or as ends in themselves. In agreement with Burns (1978), we argue here that *authentic* transformational leadership must be grounded in moral foundations.

The ethics of leadership rests upon three pillars: (1) the moral character of the leader, (2) the ethical values embedded in the leader's vision, articulation, and program which followers either embrace or reject, and (3) the morality of the processes of social ethical choice and action that leaders and followers engage in and collectively pursue. Such ethical dimensions of leadership have been widely acknowledged (Wren, 1996; Kouzes & Posner, 1993; Greenleaf, 1977). Transformational leaders set examples to be emulated by their followers. And as suggested by Burns (1978) and demonstrated by Dukerich, Nichols, et al (1990) when leaders are more morally mature, those they lead display higher moral reasoning.

In this article we link the literature on transformational leadership to 1) the long standing ethics literature on moral character and virtue as well as to 2) the major themes of the modern Western ethical agenda: liberty, utility and (distributive) justice.

An approach to ethics based upon moral character and virtue enjoys an extraordinarily broad cross-cultural base in terms of the "framing narratives" that guide ethical discourse in cultural settings as diverse as Western and Confucian traditions. From Plato's "philosopher king" to the virtuous Confucian minister of the State, the "moral sage" and the "superior person" are portrayed as both a font of wisdom and the embodiment of virtue, whose very presence and being brings about personal and social transformations. Modern Western ethics has been preoccupied with the relationship between the individual, collectivities, (including families, states, business enterprises, religions and other socio-cultural organizations) and society as a whole. Its major themes of liberty, utility and distributive justice attempt to specify what individuals owe each other, what individuals owe to the group and what groups owe to individuals. In assessing the ethical dimensions of leadership we assert that there are two principal criteria: 1) the character and virtue of leaders and 2) the legitimacy of social processes, "rules of the game" and interpersonal dynamics that govern social moral choices.

COMPONENTS OF LEADERSHIP AND RELATED MORAL ISSUES

There are clearly many styles of leadership that relate to the legitimacy of authority and informed consent by followers. Two distinct but interrelated ideal types are transformational and transactional leadership. In what follows we first clarify these concepts and then discuss ethical problems related with each. We conclude with an examination of Bass's proposition (1998) consistent with Burns (1978) that *authentic* transformational leadership must rest on a foundation of legitimate values. This holds above and beyond issues of cultural relativism

Transformational and Transactional Leadership

Transformational leadership contains four components: charisma or idealized influence (attributed or behavioral), inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1985, 1998, Bass & Avolio, 1993). Shamir, House and Arthur (1993) and Conger and Kanungo (1988) conceive of the same components as all falling under the category of charismatic leadership.

Followers identify with the charismatic leaders' aspirations and want to emulate the leaders. If the leadership is transformational, its charisma or *idealized influence* is envisioning, confident, and sets high standards for emulation. Its *inspirational motivation* provides followers with challenges and meaning for engaging in shared goals and undertakings. Its *intellectual stimulation* helps followers to question assumptions and to generate more creative solutions to problems. Its *individualized consideration* treats each follower as an individual and provides coaching, mentoring and growth opportunities (Bass, 1985). If such transformational leadership is *authentic*, it is characterized by high moral and ethical standards in each of the above dimensions.

Transactional leadership involves *contingent reinforcement*. Followers are motivated by the leaders' promises, praise, and reward. Or, they are corrected by negative feedback, reproof, threats, or disciplinary actions. The leaders react to whether the followers carry out what the leaders and followers have "transacted" to do. In *contingent rewarding* behavior leaders either make assignments or they may consult with followers about what is to be done in exchange for implicit or explicit rewards and the desired allocation of resources. When leaders engage in *active management-by-exception*, they monitor follower performance and correct followers' mistakes. When leaders engage in *passive management-by-exception*, they wait passively for followers' mistakes to be called to their attention before taking corrective action with negative feedback or reprimands. *Laissez-faire* leaders avoid leading.

For the purposes of discussion, we will speak of transformational and transactional leaders when, in fact, most leaders have a profile of the full range of leadership that includes both transformational and transactional factors. However, those whom we call transformational do much more of the transformational than the transactional. In their defining moments, they are transformational. Those whom we label as transactional leaders display much more transactional leadership behavior. They are more likely to have attitudes, beliefs, and values more consistent with transactional leadership but they still may be likely to be transformational at times.

The best of leadership is both transformational and transactional. Transformational leadership augments the effectiveness of transactional leadership; it does not replace transactional leadership. (Waldman, Bass, & Yammarino, 1990). Take the example of Abraham Lincoln. He made many transactional executive decisions based on his own sense of timing and political expediency such as delaying the Emancipation Proclamation until after the first Union victory at Antietam in 1862. Even then, to hold the slave states of Delaware, Maryland, Kentucky and Missouri in the Union, the Proclamation only prohibited slavery in those 11 states that had seceded. As an authentic transformational leader, his sense of duty and what he personally thought was right, good and proper, propelled him into executive decisions unapproved by Congress and unsupported by public opinion. He suspended Habeas Corpus in 1862 when Washington, D.C. was almost surrounded by rebel troops. Nevertheless, by his second inauguration in 1864, he was espousing a generous, forgiving peace settlement "with malice towards none."

Leadership Styles and Ethics

Both styles of leadership, transformational and transactional, have strong philosophical underpinnings and ethical components. In individualist philosophies, where leaders and followers each rationally pursue their own self-interests, it is generally thought that leaders should be transactional. A *free contract* is often assumed as a model of transacting between leaders and followers. A contract has to have moral legitimacy (Donaldson & Dunfee, 1994). The legitimacy of transactional leadership depends on granting the same liberty and opportunity to others that one claims for oneself, on telling the truth, keeping promises, distributing to each what is due, and employing valid incentives or sanctions. It recognizes pluralism of values and diversity of motivations (Rawls, 1971).

But the exclusive pursuit of self-interest is found wanting by most ethicists (Gini, 1995, 1996; Rosenthal & Buchholz, 1995). Authentic transformational leadership provides a more reasonable and realistic concept of self -- a self that is connected to friends, family, and community whose welfare may be more important to oneself than one's own. One's moral obligations to them are grounded in a broader conception of individuals within community and related social norms and cultural beliefs. Although there is plenty of transactional leadership in punishments for transgressions, authentic transformational leadership is more consistent than transactional leadership with Judaic-Christian philosophical traditions and discourses on the leadership of the moral sage that presuppose a trusting community as the central life context. Nonetheless, it is a matter of modern Western moral concern that ideals not be imposed, that behavior not be coerced, that the search for truth not be stifled. Ethical norms and behavioral ideals should not be imposed but freely embraced; motivation should not be reduced to coercion but grow out of authentic inner commitment, the search for truth should not be stifled but rather questioning and creativity should be encouraged. Followers should not be mere means to self-satisfying ends for the leader but should be treated as ends in themselves. We label as "pseudo", that kind of transformational leadership that tramples upon those concerns.

While transactional leadership manages outcomes and aims for behavioral compliance independent of the ideals a follower may happen to have, transformational leadership is predicated upon the inner dynamics of a freely embraced change of heart in the realm of core values and motivation, upon open-ended intellectual stimulation and a commitment to treating people as ends not mere means. To bring about change, authentic transformational leadership fosters the modal values of honesty, loyalty and fairness and the end values of justice, equality, and human rights. But pseudotransformational leadership endorses perverse modal values such as favoritism, victimization, and special interests and end values such as racial superiority, submission, and Social Darwinism (Carey, 1992; Solomon, 1996). It can invent fictitious obstacles, imaginary enemies and visions that are chimeras. Likewise, transactional

leadership is moral when the truth is told, promises are kept, negotiations are fair and choices are free (Hollander,1995). It is immoral when information harmful to them is deliberately concealed from associates, when bribes are proffered, when nepotism is practiced, and when authority is abused.

Ethical Criticisms of Transformational Leadership

The concepts of leadership we endorse represent ideal types where transactional leadership rests upon transformational foundations and transformational leadership is enlivened and guided by an inner ethical core. Nonetheless, its ethics have been questioned despite the fact that transformational leadership was conceived as leadership which involved moral maturity (Kuhnert & Lewis, 1987) and the moral uplifting of followers (Burns, 1978).

Meta-analytical evidence supports the generalizable findings that transformational leadership is more effective, productive, innovative, and satisfying to followers than is transactional leadership (Lowe, Kroeck & Sivasubrahmaniam, 1996). People's implicit theories of leadership are likely to be more transformational than transactional (Avolio & Bass, 1991) However, its ethics have been questioned. It has been suggested that transformational leadership: (1) lends itself to amoral puffery since it makes use of impression management (e.g., Snyder, 1987); (2) is antithetical to organizational learning and development involving shared leadership, equality, consensus and participative decision-making (e.g., McKendall, 1993); (3) encourages followers to go beyond their own self-interests for the good of the organization and even emotionally engages followers irrationally in pursuits of evil ends contrary to the followers' best interests (e.g. Stevens, D'Intino, & Victor, 1995); (4) manipulates followers along a primrose path on which they lose more than they gain (e.g. White & Wooten, 1986); and (5) lacks the checks and balances of countervailing interests, influences and power to avoid dictatorship and oppression of a minority by a majority (e.g., Keeley, 1995).

Authentic Versus Pseudotransformational Leadership

Many leaders walk a fine line of moral probity. In their efforts to accent the positive, to make inspiring appeals, to maintain the enthusiasm and morale of followers, they may be manipulative. They will withhold the release of information. Or they will time its release for when it will do the most good. They will give the appearance of confidence even when they are unsure about what they are doing and what they are telling followers to do. They will initiate projects which they personally oppose and delay implementing them so that the projects never are completed. They will publicly support but privately oppose proposals. They will openly compromise but privately divert the implementation of the compromise (Martin & Sims, 1956; Bass, 1968). They may have the public image of a saint but privately are deceptive devils. They may appear to their followers to behave as a transformational leader but the appearance is deceptive for inwardly they remain more interested in themselves than their followers. They knowingly focus their followers on fantasies instead of attainable visions. They engage in shams and pretense. And these masquerades are at the expense of their followers. They are *pseudotransformational*.

Burns (1978) discussed leadership as *transforming*, and on occasion, as *transformational*. Both the leader and the led are transformed - sharply changed in performance and outlook. But transforming others is just one of the *effects* of the leadership. We also need to examine the *behaviors* of authentic transformational leadership and the *attributions* given to transformational leadership on a moral basis. It is the presence or absence of such a moral foundation that grounds the distinction between *authentic* versus *pseudotransformational* leadership.

Burns (1978}, Bass (1985) and Howell and Avolio (1992), among others, examined the morality of transformational leadership. For Burns, to be transformational, the leader had to be morally uplifting. Transformational leaders could be virtuous or villainous depending on their values. Howell and Avolio felt that only socialized leaders concerned for the common good can be truly transformational leaders. Personalized leaders, primarily concerned with their own self-interests, cannot be truly transformational leaders.

Critics attribute manipulative, deceptive and other such devious behaviors to transformational leaders, authentic or pseudotransformational. Martin and Sims (1956) and Bailey (1988) hold that to succeed, *all* leaders must be manipulative. But, in fact, it is *pseudotransformational* leaders who are deceptive and manipulative. Authentic transformational leaders may have to be manipulative at times for what they judge to be the common good, but manipulation is a frequent practice of pseudotransformational leaders and an infrequent practice of authentic transformational leaders. We contrast authentic and pseudo transformational leadership

in terms of the four components of transformational leadership already mentioned : idealized influence (or charisma), inspirational motivation, intellectual stimulation and individualized consideration.

Idealized Influence and Inspirational Motivation. A first difference between authentic transformational leadership and pseudotransformational leadership lies in the values for which they are idealized. For instance, the authentic leader calls for universal brotherhood; the pseudotransformational leader highlights fictitious "we-they" differences in values and argues that "we" have inherently good values and "they" do not. Bass (1985, pp. 182-5) summed up the importance of the values held by a transformational leader in determining his or her actions. The observed behavior might seem the same, but according to Burns (1978), only if the underlying values were morally uplifting, could the leader be considered transforming. While Bass originally argued that transformational leaders could wear the black hats of villains or the white hats of heroes depending on their values; now only those who wear white hats are seen as truly transformational. Those in black hats are now seen as *pseudotransformational*. That is, while they may be transformational, they are inauthentic as transformational leaders. They are known in history as false messiahs.

In addition to what has already been said, Howell and Avolio (1992) point to the need of authentic transformational leaders to promote within their organizations ethical policies, procedures and processes. They need to be committed to a clearly stated, continually-enforced code of ethical conduct which helps establish acceptable standards. They need to foster an organizational culture with high ethical standards by appropriate recruitment, training and rewards to eventuate in the internalization in all the organization's members of shared moral standards.

The inspirational appeals of the authentic transformational leader tend to focus on the best in people-- on harmony, charity and good works; the inspirational appeals of the pseudotransformational leader tend to focus on the worst in people--on demonic plots, conspiracies, unreal dangers, excuses and insecurities.

Idealized, inspirational leaders who are pseudotransformational may mislead, deceive and prevaricate. They can be subtle and speak with a forked tongue, for instance, offering followers empowerment, yet continuing to treat them as dependent children (Sankowsky,1995). Previously, Bass (1985) mistakenly argued that, although the dynamics might be the same if the leaders had virtuous or evil ends, the moral differences were a matter of their aims and values, not the dynamics involved in their influence. But that the dynamics and means-to-ends as well as the ends are different for true and false transformational leaders. The true and authentic are inwardly and outwardly concerned about the good that can be achieved for the group, organization, or society for which they feel responsible. the false and pseudotransformational may publicly give the same impression and be idealized by their followers for it, but privately be concerned about the good they can achieve for themselves. They are captains who sail under false colors. They are spiritual leaders who are false prophets.

Intellectual Stimulation The intellectual stimulation of pseudotransformational leaders manifests a logic containing false assumptions to slay the dragons of uncertainty. Pseudotransformational leaders overweight authority and underweight reason. Pseudoleaders feed on the ignorance of their followers. Followers will accept more ambiguities and inconsistencies opening the opportunities for the self-enhancement of charlatans.

"People like Rush Limbaugh and Louis Farrakhan live well off

ignorance... They are smart, ambitious men with great charisma,

who look like giants to people of minor intellect. They are snake

oil salesmen. They are confidence men who exploit...ignorant, scared,

angry, frustrated people for personal gain in the name of doing good

for the entire nation or race." (Lockman, 1995, p9a)

Authentic transformational leaders persuade others on the merits of the issues. Pseudotransformational leaders set and control agenda to manipulate the values of importance to followers often at the expense of others or even harm to them. Authentic transformational leaders openly bring about changes in followers' values by the merit and relevancy of the leader's ideas and mission to their followers' ultimate benefit and satisfaction (Howell,1988). Pseudotransformational leaders may create the impression that they are doing the right things, but will secretly fail to do so when doing the right things conflict with their own narcissistic interests. They are less likely to listen to conflicting views and more likely to be intolerant of the differences of opinion between their followers and

themselves (Howell & Avolio, 1992). They substitute emotional argumentation for rational discourse.

Individualized Consideration While true transformational leaders are concerned about developing their followers into leaders, pseudotransformational leaders are more concerned about maintaining the dependence of their followers. Pseudotransformational leaders will welcome and expect blind obedience. They will attempt to enhance their personal status by maintaining the personal distance between themselves and their followers. They encourage fantasy and magic in their vision of the attractive future while true transformational leaders promote attainable shared goals. Narcissistic pseudotransformational leaders manipulate arguments about political choices with a "twist that achieves the desired responses" (Bass, 1989, p.45). Their style of individualized consideration foments favoritism and competition among followers in the guise of being helpful.

The difference between authentic and pseudotransformational leadership is also seen in that authentic transformational leaders, who may have just as much need for power as pseudotransformational leaders, channel the need in socially constructive ways into the service of others. Pseudotransformational leaders use power primarily for self-aggrandizement and are actually contemptuous privately of those they are supposed to be serving as leaders (Howell and Avolio, 1992). Although this may not be expressed publicly, privately pseudo-transformational leaders are concerned about their power and gaining more of it. Insiders who work closely with them know them to be deceptive, domineering, egotistical demagogues while their public image may be that of saviors. Pseudotransformational leaders are predisposed toward self-serving biases. They claim they are right and good; others are wrong and bad. They are the reason things go well; other persons are the reason for things going badly. They wear different masks for different occasions, believe themselves to be high in self-monitoring but are betrayed by their non-verbal contradictory behavior.

In short, while true and false transformational leaders may fail to exhibit any one of the four components: idealized influence, inspirational motivation, intellectual stimulation or individualized consideration, the component that ordinarily is missing in the personalized leadership of the pseudotransformational leader is individualized consideration. Thus, many intellectually stimulating, inspirational leaders such as Hyman Rickover, who transformed the U.S. Navy into the nuclear age, were known for their self-aggrandizing, inconsiderate, abusive and abrasive behavior (Polmar & Allen, 1982). Furthermore, instead of earning idealized influence from their followers, the pseudotransformational leaders seek to become the idols (rather than the ideals) of their followers (Howell & Avolio, 1992). The ethics of transformational leadership are subverted by the pseudotransformational leader's contempt for self and others, by learning to rationalize and justify their deceptions, and by their feelings of superiority. They see themselves as having an unconventional but higher morality (Goldberg, 1995). Nevertheless, they are mistaken. O'Connor, Mumford, et al. (1995) contrasted the biographies of 82 world class personalized and socialized charismatic leaders. The socialized charismatics were rated more highly in their morality than were the personalized, especially as they behaved during their rise to power.

"Leaders are authentically transformational when they increase awareness of what is right, good, important, and beautiful, when they help to elevate followers' needs for achievement and self-actualization, when they foster in followers higher moral maturity, and when they move followers to go beyond their self-interests for the good of their group, organization, or society. Pseudotransformational leaders may also motivate and transform their followers, but, in doing so, they arouse support for special interests at the expense of others rather than what's good for the collectivity. They will foster psychodynamic identification, projection, fantasy, and rationalization as substitutes for achievement and actualization. They will encourage "we-they" competitiveness and the pursuit of the leaders' own self-interests instead of the common good. They are more likely to foment envy, greed, hate, and conflict rather than altruism, harmony, and cooperation. In making this distinction between the authentic transformational and pseudotransformational leader, it should be clear that we are describing two ideal types. Most leaders are neither completely saints nor completely sinners. They are neither completely selfless nor completely selfish." (Bass, 1998A, p. 171).

Authentic Moral Leadership and Cultural Relativism

Evidence is accumulating that some of the variance in leadership theory and behavior is universal and some is contingent on culture of country and organization (Bass, 1997; House et al, 1998) The assertion that authentic transformational leadership has a moral core raises the dilemma of "what core values" guide both the leaders and followers? Are some universal? Are others relative to the culture or expressed differently in different cultures? It can be argued that whether or not transformational leadership is authentic depends on the culture of the followers and whether it is judged true or false depends on who does the judging (Schwartz & Sagiv, 1995). Hofstede (1980,1997) presents a simple framework for analyzing culture in terms of possibly universal values and practices (which he defines widely as including rituals, heroes, symbols). For instance, friendship, love, ownership, work, fairness in exchange are universal values found in diverse cultures throughout the world. At the same time the social customs and practices through which they are realized vary considerably (Clegg & Redding, 1990; Steidlmeier, 1995).

It was this combination of anthropological and socio-cultural diversity together with the notion of evolution that struck at the heart of natural law ethics and the notion that universal and eternal moral values undergird all cultures. In today's world it is really only religious ethical traditions that assert the validity of universal moral values as well as practices based on the divine will; even within the great religious traditions, however, there is hardly full agreement and each is splintered into schools of thought.

The point is this: for transformational leadership to be "authentic," it must incorporate a central core of moral values. Yet the "practices" (in Hofstede's terms) of such values are highly culturally relative. Further, even when a set of core values, such as friendship or honesty, may be found in all cultures their ordering and relative importance may also vary by culture.

To take an example, what we call "Western culture" is not even philosophically of one piece. Consider two leaders. The first holds as a core value Mill's (1967) principle of utilitarianism -- *to act in such a way (or to advocate social rules that) make for the greatest happiness of the greatest number*. The second adheres to Kant's second formulation of his categorical imperative -- *never to deal with another person simply as a means to an end but only as an end in him or her self*. (Paton, 1969, pp 70, 105). On the basis of core values, within western culture itself we end up with two very different types of transformational and transactional leaders, who would influence and motivate and deal with followers in radically different ways.

Add in global cultures and the possible numbers of *authentic* moral configurations are kaleidoscopic, even when one only deals with broad brush strokes contrasting "Western" with "Eastern" moral philosophies, or Islam with Buddhism or Christianity. Nonetheless, it is striking that out of global diversity Christian Martin Luther King found inspiration in Hindu Mahatma Gandhi's philosophy of non-violence, or that human rights could become the subject of a universal United Nations declaration.

Rather than simply leading to the affirmation of ethical relativism, such global diversity of values underscores the need of transformational leaders at all levels of human society. At the core of all leadership -- whether Mao's or Gandhi's, Mother Theresa's or James Jones' -- one finds a value core. Second, not all values are congruent with one another. We see this in modern western philosophy itself in weighing human rights against social utility and equity versus efficiency. The conclusion is that by its very nature ethics has been and always will be a "dangling conversation" and "unfinished symphony" as far as its specific content, norms and practices are concerned. Perhaps the greatest challenge of leadership is precisely to bridge ethical relativism by forging a platform of common values and stimulating alignment and congruence of interests.. What is required of the authentic transformational leader is not a blueprint for all to follow but a sort of Socratic commitment to the process of searching out moral excellence as "the unexamined life is not worth living." (Tredennick, 1969).

It is important to directly confront the moral objections to transformational leadership, since transformational leadership has demonstrated effectiveness and acceptance that generalizes across organizations and countries. Although the criticisms overlap, we will analyze them within three broad frameworks: 1) traditional ethics of moral character and virtue as found in Socratic and Confucian traditions (criticism 1 above); 2) the modern Western ethical agenda of individual liberty, utilitarian social choice and distributive justice (criticisms 2 through 4 above); and 3) providing for a balance of power and "due process" in anticipation of the breakdown in practice of ideal types of leadership and ethics (criticism 5 above).

MORAL CHARACTER, VIRTUE, AND TRANSFORMATIONAL LEADERSHIP

In leadership, character matters. This is not to deny that evil people can bring about good things or that good people can lead the way to moral ruin. Rather, leadership provides a moral compass and, over the long term, both personal development and the common good are best served by a moral compass that reads true. In this section we draw some lessons from the traditions of the *moral sage* and *social prophet* which have enjoyed prominence in a wide variety of cultures. Whether visionary or ascetic, the sage and prophet have also widely been perceived as agents of change as well as people to be emulated, as leaders of others, not followers. To be sure, moral leadership is not to be confused with occupying official positions of authority. In fact, the sage and prophet often held no official office and inveighed against the moral corruption of the "principalities and powers."

In what follows we recall the traditions of the ethics of virtue that undergird both Western and Confucian traditions. We confine ourselves to Plato's *Apology* (Tredennick, 1969) and the Confucian *Analects* (Xin, 1994). In doing so, we are well aware of the limitations of both Socratic and Confucian thought for the contemporary world in terms of worldview, social hierarchy and immobility, views of the human person, ideals of truth and so forth (Whitehead, 1933; deBary, 1991B). Yet, borrowing from Whitehead, that all Western philosophy is but a footnote to Plato, both Socrates and Confucius imparted *root metaphors* and *framing*

narratives of the moral person as a transforming person that have guided philosophical discourse ever since, both in the West and in East and much of Southeast Asia.

The Virtuous Person as Transformational

Although there are many diverse elements of Chinese moral tradition that are frequently at odds with each other, there does seem to be some general agreement that among other things, the moral life rests upon foundations of individual virtue and that the individually virtuous person transformed others as well as the social environment (Schwartz, 1985; Lin, Rosemont & Ames, 1995).

Both Socrates and Confucius have come to epitomize *idealized influence*. There is no doubt that over the centuries they have taken on heroic dimensions. Their framing narratives underscore a fundamental dynamic of leadership. Each proposed to his followers the highest ethical standards which they themselves implemented in their own lives. More important, in terms of authenticity, each was recognized as a sage and leader by others, not by self-proclamation.

Historically, the central focus of ethical concern in Chinese traditions manifests a right ordering of personal relationships. Epitomized in Confucius' "five relations," (Taylor & Arbuckle, 1995; Tu, 1985, ch. 3). Chinese ethics emphasizes personal virtue and specifies proper conduct in family, kinship, and friendship relations as well as among social equals and between superiors and subordinates in socio-political organizations and institutions. The social and political order has always been seen as a moral issue and it plays a critical role in realizing humanity's ethical destiny (Schwarz, 1985, p. 52; deBary, 1991a). The virtue of *ren* (human-heartedness, benevolence, love) and the virtue of *yi* (righteousness) are the grounding virtues of the moral life. They express the way (*dao*) that one existentially embraces. *Ren* is the lodestar that permeates every action of the superior person.

The moral person in each tradition would sacrifice anything for the sake of virtue. For example, the Confucian moral tradition is strikingly clear about the relation of profits to moral virtue. From the *Analects* (4.5) one reads:

- Confucius said, "Wealth and honor are what every person desires. But if they have been obtained in violation of moral principles, they must not be kept. Poverty and humble station are what every person dislikes. But if they can be avoided only in violation of moral principles, they must not be avoided. If a superior person departs from humanity (*ren*), how can s/he fulfill that name? A superior person never abandons *ren*, even for the lapse of a single meal. In moments of haste, one acts according to it. In times of difficulty or confusion, one acts according to it."

In Socratic terms, one finds a striking similarity: the moral person does not "put money or anything else before virtue" (*Apology*, 42A).

Both Socrates and Confucius base their approach upon *inspirational motivation*. Each proposes a transcendent vision of fulfillment, justice, and peace based upon the right ordering of relationships. Each is transcendent and grasps the "beyond in our midst," a better future. Each transforms by invitation, not by coercion. Each manifests consistency between word and deed.

The inspiration is simple: virtue is its own reward. The basic scenario of the moral sage in each tradition emphasizes virtue and moral character. In the days leading up to his condemnation to death, Socrates was taken up with a single question: *how to be excellent at being human?* He sharply criticized the sophists -- the purveyors of false wisdom -- because they did not know themselves; even worse, they abandoned fidelity to the way of truth. While pretending to be wise, they were foolish. The Socratic enterprise is grounded in a relentless pursuit of the truth, in the development of wisdom and the cultivation of virtue. Indeed, Socrates himself transformed others precisely because of his fearless commitment to virtue.

For Confucius, the moral sage (*shengren*) is the key person in bringing about personal righteousness and social justice. A superior person (*junzhu*) is a moral person, who walks the moral way and attempts to practice virtue through self-cultivation. Both the sage and the superior person live under the restraint of virtue and aim to transform society accordingly. A superior person is perforce a moral leader (*Analects* 17:3). The common, inferior or small person (*xiaoren*) either does not know or does not follow the way and is not a positive moral force.

Even though written texts idealize them, the commitment to the *intellectual stimulation* of their disciples is notable in each. Both

Confucius and Socrates are memorable for their "ways of proceeding" (methodologies) that were based upon relentless questioning. For each moral wisdom was the highest prize. It was for his spirit of inquiry and transformative vision that Socrates was put to death for according to his words in Plato's Apology :

- "... it is the greatest good for a man every day to discuss virtue and the other things

about which you hear me talking and examining myself and everybody else,

... *the unexamined life is not worth living for a man ...* " (Treddenick, 1969, 36c; emphasis added)

We do not find in either thinker a treatise on commerce and markets. In fact, they seem to take for granted the institutions of their day together with embedded social hierarchies. Yet for them every individual had dignity and moral standing and this formed the basis for *individualized consideration*. Each takes the interests of others seriously and is forgetful of self alone. Each facilitates a common good for all and a future for individuals that is worth sacrificing for. In both Socrates and Confucius we discover an almost tutorial or mentoring method that had as its focus "personal cultivation" as a "superior person" (Confucius) or a true "lover of wisdom" (Socrates). If individual interests are to be sacrificed, it is only to be done for the sake of attaining virtue and justice, not for wealth or for possessions or to serve the leader's interests.

In today's world, Socrates and Confucius seem almost hopelessly naive, offering a vision based on the premise that through personal cultivation guided by moral leaders people will develop strong moral character and embrace virtue above all other things and, in so doing, will transform themselves and society. Personal virtue and moral wisdom of the leader provide the checks and balances upon power and self-aggrandizement! From this simple framework of *truth-wisdom-virtue* a vision of the transforming power of the moral sage has flowed down through the ages. The heart of the moral enterprise is the development of good character, which is defined by commitment to virtue in all circumstances. This framework was integrated into Judaic-Christian traditions through personages such as Augustine, Aquinas, and Maimonides. In Judaic-Christian traditions, the *moral sage* (saint, holy person) exercises a transforming influence upon those all those whom s/he contacts. The moral sage is a leader.

These traditions of the moral sage serve as a root metaphor and framing narrative of each respective culture's value systems. In terms of cultural practices, however, the dynamics vary considerable. In China, for example, the morality of factionalism and personal networks (*guanxi*) are highly discussed (Pye, 1995), especially in light of recent economic reforms (Shanghai Investigative Group, 1995; Zhu and Ye, 1995). In all of this, based on Chinese sources themselves, it is the moral quality of leadership that is foremost in people's minds.

While the tradition of virtue ethics has been less prominent in philosophical traditions of modern Western rationalism, it remained very much alive in religious circles (MacIntire, 1981) and recently has found increasing applications to business ethics (Koehn, 1995; Maitland, 1997). With the renewed emphasis upon leadership in both strategic management and business ethics, the virtues and moral character of leaders have taken center stage.

From the literature on transformational leadership, it is clear that there are many points of congruence between the "authentic moral sage" and the "authentic transformational leader." Being a moral leader is more a creative art than science. Its hallmark is existential practice, where one engenders virtue in self, others and society through example and virtuous conduct. The "superior person" transforms relations between people in society to reflect the "way" of the "mandate of heaven". What emerges from the above is that a moral person is a superior person precisely by his or her embrace of the way of virtue. The process of growth in virtue is one of creative transformation of self (Tu, 1985; deBary, 1991A; 1991B). But this is no individualist project -- it occurs both within and for a fiduciary community. A person becomes virtuous within a community. A person becomes virtuous for the community -- to "give all people security and peace." (Xin, 1994, Analects, 14, 42) The true transformational leader is to be, in Confucian terms, a "superior person." We examine this further in light of how a leader deals with impression management.

Sophistry, Pretense, and Impression Management

Impression management is the regulation of information about a vision, the organization, and the Self. The authentic transformational leader may remain ethical in using impression management to provide followers with "identity images" of trustworthiness, credibility, moral worth, innovativeness, esteem and power (Gardner & Avolio, 1998, p.40). Conversely, impression management may be the sophistry and pretense of the pseudotransformational leader. The criticism of its immorality reads as if it were directly

taken from the *Analects* and from the *Apology*!

To foster their influence and esteem among their followers, "transformational" persons, particularly those leaders who want to bolster their charismatic and inspirational image, engage in impression management. (Gronn, 1994). Gardner and Avolio (1998) note that many charismatic leaders orchestrate their presentations to frame, script and stage their performance. Such leaders try to appear confident. They tend to exaggerate. They attempt to project an image of strength and decisiveness. They focus attention on their strengths rather than their weaknesses. They appeal to the fantasies of their followers. They adopt the values they feel fit the implicit theories that followers have about ideal leadership. They paint a vision of the future that is more fantasy than reality and exaggerate the meaningfulness of the followers' efforts. They are, in short, the "sophists" and "small persons" whom Socrates and Confucius condemned. The most telling difference between them and true moral leaders is that their puffery and self-aggrandizement emanates from them and their handlers, rather than from acclamation by the people who might choose to emulate them.

There are differences between absolute truth-telling, the shading of facts, and the big lies; between emotional and intellectual appeals, and between objectivity and advocacy. The basic moral issues are captured in the virtues of authenticity, integrity, truthfulness and credibility. Moral character and virtue are only adequately expressed in actions and behavior, not mere words. Moral philosophy in every culture and age has been riddled with falsity and pretense -- "false prophets," "angels of darkness" who clothe themselves in light, "sophists" --in short, pseudotransformational leaders whose specialty is rationalization of what they do. Nonetheless,

- "the credibility of the leaders suffers when the truth is stretched. Trust in the leaders is risked and ... trust is the single most important variable moderating the effects of transformational leadership on the performance, attitudes, and satisfaction of the followers (according to a large-scale survey by Podsakoff, Niehoff, Moorman & Fetter (1993). Although distant leaders may be able to play with the truth longer than can close, immediate leaders... the trust so necessary for authentic transformational leadership is lost when leader are caught in lies, when the fantasies fail to materialize, or when hypocrisies and inconsistencies are exposed." (Bass, 1998A, p.173)

When self-promotion and hype are excessive, they can create the impression of being manipulative, untrustworthy, overzealous and conceited (Gardner & Avolio, 1998). The relentless moral inquiry advocated by both Socrates and Confucius as well as much religious tradition easily puncture such balloons.

Impression management is the norm for advertising, publicity agents, and spin doctors seeking visibility and celebrity status. Morality may be a matter of what is customary. Hype may be acceptable and controllable by the availability of full information and the concern for maintaining credibility and trust. Rhetorical skills which enhance appeals work best for leaders who are at a distance from their followers rather than close to their followers (Shamir, 1995). Leaders close to their followers lose trust readily with loss of reputation for telling the truth.

- "Truly transformational leaders, who are seeking the greatest good for the greatest number without violating individual rights, and are concerned about doing what is right and honest are likely to avoid stretching the truth or going beyond the evidence for they want to set an example to followers about the value of valid and accurate communication in maintaining the mutual trust of the leaders and their followers" (Bass, 1998A, p.174).

Nonetheless, in a "lesser of two evils" type of argument, when no likely outcome in a particular situation is morally ideal, and the "second best" seems better than nothing, there may be instances when a moral leader may find it necessary to moderate the hard facts of a circumstance. The transformational leaders can be hopeful and optimistic without being deceitful and perfidious. Heifetz (1994) suggests that it is ethically acceptable to delay telling patients they have a terminal illness until the physician feels the patients are ready to hear the prognosis.

In trying to cope with the strong isolationist sentiments in 1940 in the United States and the emergency needs of Britain to keep open the North Atlantic supply routes being threatened by German successful submarine warfare, President Roosevelt initiated the "lending" of 50 U.S. Navy destroyers to the British rather than asking an isolationist Congress to give them the destroyers.

Impression management can also be used defensively to protect the leader's and the organization's image and vision. Ronald Reagan was labeled the "Teflon President" because of his skill in deflecting criticism. (Gardner & Avolio, 1998).

THE MODERN ETHICAL AGENDA OF INDIVIDUAL LIBERTY, UTILITY AND JUSTICE

To guide moral actions, modern Western ethics marks a change in Western tradition in its articulation of ethical criteria. It is inspired by science (as opposed to custom or religion) and it places emphasis upon rules or principles to be followed in concrete situations (rather than virtues or character). At one extreme, this new ethical agenda has assigned the highest value to individual liberty and the right of the individual both to determine his or her interests and to pursue them. When a leader appears to arbitrarily or surreptitiously influence the values of followers or to interfere with individual determination and pursuit of interests, it is judged morally objectionable. This issue goes to the heart of the dimensions that we ascribe to an authentic transformational leader. It questions whether it is possible to have "idealized influence" and "inspirational motivation" without controlling, dominating and otherwise diminishing the liberty of conscience, free choice and self-determination of followers. It questions whether leadership that asks for the dedicated commitment of followers can in the same breath, truly provide for individualized consideration of a follower's interests?

What Constitutes Ethical Leadership for Libertarians

Libertarians such as Robert Nozick (1974) and Ayn Rand (1964) view any form of leadership that dominates followers as antithetical to core values. They see the exercise of liberty and free choice by the individual as the heart of the moral enterprise and the thwarting of such liberty by others as the major moral evil. For Nozick and Rand, life is inherently social, in the sense that one pursues happiness while rubbing up against others doing the same. However, their view of society is atomistic: society is an aggregate of self-contracting individuals who go about life both determining what is their happiness as well as how to pursue it. Based upon such a dynamic of liberty, social moral obligations derive only from free valid contracts and the truthfulness and promises they entail. Transactional leadership is valid to the extent that is consistent with a morally legitimate contract between affected individuals. In this view, transformational leadership can only be viewed with suspicion as a covert exercise at control and domination. Everyone should be his or her own transforming leader.

Similar themes are sounded in areas of modern existentialist philosophy exemplified by Camus, Sartre and Marcel. The heart of the moral project is to "choose oneself" and claim responsibility for the "self" that one is and for the relationships one has. To blindly follow others, to embrace their life projects rather than one's own, to fail to exercise such freedom is a moral evil. Any form of leadership that entails abandoning the existential responsibility for one's self is a plague.

There is little moral role for leaders in such a context, except to enhance individual liberty, rights and self-determination. Unfortunately, a good deal of the leadership literature is predicated upon the "leader-single follower" model and neglects the dynamics of "leader-diverse stakeholders." There are certainly grounds for such a focus: a leader may be a catalytic agent of a follower's personal development. The leader may be inspirational, may set an example to emulate, may enhance liberty and choice, may facilitate the pursuits of one's interests. However, the moral analysis of leadership is severely deficient if it is limited to such considerations. The leader is more than an "enhancer" of individual self-determination and is also more than the most effective calculator of the "greatest happiness of the greatest number."

What Constitutes Ethical Leadership in the Human Relations Movement

The Human Relations Movement is at the other extreme of the modern ethical position. It espouses shared values, equality, power sharing, consensus and participative decision-making. It sometimes equates individual leadership with dominant behavior, the power of authority, the giving of directions, the arbitrary making of decisions, and neglect of followers' interests (Rost, 1991). We argue that such a notion of leadership is truncated and neglects the inspirational side of leadership and the legitimate needs for the power of position, authoritative initiatives, and leader and follower responsibilities. In community affairs, the Human Relations Movement takes the form of "grass roots" democracy. In organizations, it is seen in much of the theory and practices of Organizational Development (OD). It is also seen in sensitivity training which features the spontaneous emergence of the different roles of leadership in initially ambiguous situations. Learning how to give and receive feedback provides the means for the group to progress. For organizations to improve themselves, the seeds of reform reside in the values, interests and capabilities of their members. Organizations could improve if the members were empowered to try out their ideas and learn from feedback (Bass, 1968). The

follower-leader distinction should wither away (Burns, 1998; Rost, 1991).

Meeting the Moral Requirements of Libertarians and Human Relationists

Both libertarian and human relations theories are predicated upon the moral dignity of each person -- "everyone counts for one." The core values of modern Western philosophy affirm individual liberty, inviolability of conscience, self-determination and choice. Rawls (1971), echoing the tradition of Locke (1660), suggests that the liberty of individuals be maximized subject only to the condition that there be similar liberty for all others. Yet there is a notion of the common good that transcends a mere aggregate of individual goods. And, as all authority derives from the consent of the governed, the key problem is one of social choice, where the common good is provided for without infringing upon inalienable individual human rights. Individual and community exist in a delicate tension (Bellah et al., 1985). Ethically, this provides the grounds for discussions of civic virtue. We suggest that it also provides the grounds for the necessity of authentic transformational leadership.

Stakeholder Theory. It is helpful to place leadership in the context of contemporary stakeholder theory (Freeman, 1984), where a business firm or social organization is seen as composed of various constituencies (workers, customers, suppliers, managers, shareholders, local communities and so forth) all of whom have a legitimate strategic and moral stake in the organization. Yet they all may have different values and interests, different resource endowments, different sets of other stakeholder relationships deriving from other organizations. The core problem is to achieve the common good of the organization, while at the same time meeting the needs and safeguarding the rights of the various stakeholders. To achieve such an outcome, people must to some extent come together and cooperate on the basis of values, interests and social choice. In such a view, the common good is not a mere aggregate of individual interests or a "greatest happiness" of a majority (Steidlmeier, 1992; pp. 66-71, 97-99, 260-263). It is a truly common good, that is only possible through *civic virtue*, cooperative action by all participants. Examples are found in the common goods of language and culture, of social peace and order and economic welfare. These are all social as well as individual goods and only attainable through cooperative action and the exercise of civic virtue.

It is in such an arena that one finds the greatest need for authentic transformational leadership, for only such leadership can help people develop the transcendence of the aggregate interests of individuals to the common interests of a community. Authentic transformational leadership goes beyond the individual leader or follower, the aggregate of individual interests, or a calculus of greatest utility. Fundamentally, the authentic transformational leader must forge a path of congruence of values and interests among stakeholders, while avoiding the pseudotransformational land mines of deceit, manipulation, self-aggrandizement, and power abuse. It is clear that leadership can become exploitive and abusive; criticisms of transformational leadership in this regard stem from the human relations and organizational development literature in management and the individual/community dialectic in ethics (Bellah, et al., 1985).

Achieving Value Congruence. Many find moral fault with transformational leadership when it motivates followers to go beyond their self-interests for the good of the group or organization. For Stevens, D'Intino and Victor (1995) transformational leaders influence the values of the members an organization so they will adopt the leaders' values as their own. This "fundamentally violates the democratic and humanistic values " of Organizational Development (p.125). Under such influence, members are induced by the leadership to eschew their own best interests for the sake of the organization. For White and Wooten (1986) the democratic and humanistic values of OD conflict with the organizational values of productivity and efficiency. In dealing with such value conflicts, the transformational leader redirects the members into pursuing organizational efficiency instead of the members' personal needs for income, security, affiliation and career development (McKendall,1993). Transformational leadership is seen as immoral in the manner that it moves members to sacrifice their own life plans for the sake the organization's needs. There is no moral justification for the vision of the CEO becoming the future to be sought by the employees. Furthermore, democracy and humanism espoused by OD require that all such developments result from consensual participative leadership and the "fair settlement of values conflicts" (Stevens, D'Intino & Victor, 1995, p.135).

The achievement of value congruence between the leader and the led demands consensual decisions, individual rights and freedom of choice (Rost, 1991). Yet, free choice narrowly conceived can result in the tragedy of the commons. In the ethics of Nozick and Rand, the solution is found by negotiating interests in terms of a contract and then fulfilling that contract. And indeed, "win-win" mathematical optimal solutions can be calculated (Brams & Taylor, 1996). Nonetheless, free choice can produce the Abilene Paradox in which each member of a family group does not want to go to Abilene. With free choice and each member believing he or she is

going along with the wishes of the others, without the leadership to test for consensus, the family goes to Abilene although no one wanted to go (Harvey, 1996). Contracts can be skewed in favor of those with more resources, contacts and "bargaining power." People often appreciate leadership which points the way out of dilemmas whether it comes from others within their own collective or from external authority. Leaders as divergent in their politics as Mao Zedong and Shimon Peres agreed that the task of leadership is to sense the problems of their followers and to articulate solutions which satisfied their interests.

Rost, reminiscent of Nozick and Rand, asks for leader-follower distinctions be erased to reach true participative democracy. Burns (1998) partially agrees and would substitute for leaders and followers, initiators, supporters and opponents. But the counterarguments are that if everyone in a group is responsible for its leadership, no one is responsible. Furthermore, if a group is initially leaderless, the members compete with each other for leadership. One or more leaders emerge who initiate and propose more than the other members. Followers emerge who are responsive to the leaders, and non-responsive isolated persons remain who are passive (Bass, 1954).

If trying to align the values of members of an organization with the good of all stakeholders is unethical, then it is unethical to contingently reward prison inmates with time off for good behavior or for transformational teachers to move pupils to internalize the values of good citizenship for the benefit of society. "Libertarians would agree that one's life plans are paramount but they are close to espousing anarchy as are the OD extremists who charge immorality if the transformational leader intervenes in the individual follower's life plans"(Bass, 1998A, p. 179). With this line of thinking that it is immoral to align the values and behavior of organizational leaders and followers, it then is unethical to send a soldier into harm's way or to require an employee to avoid disclosing trade secrets of the former employer when the employee transfers to a competing firm. Authentic transformational leaders appreciate that decisions are likely to have costs as well as benefits to themselves and their followers. For the authentic transformational leader, the benefits must outweigh the costs. Pseudotransformational leaders are looking for benefits for themselves at the expense of others.

Thus, we argue that there is much moral justification for authentic transformational leaders trying to achieve value-congruence between themselves and those they lead. When such congruence is achieved, both the leaders and the led are more satisfied emotionally (Meglino, Ravlin & Adkins, 1989). The leaders are aided by acculturation processes, for as followers are socialized into an organization, the congruence increases between their values and the values of the organization (O'Reilly et al., 1991). And the congruence results in leaders being seen by followers as more considerate, competent, and successful (Weiss, 1978). Additionally, followers are more satisfied with their assignments (Engelbrecht & Murray, 1993).

Transformational leadership is value-centered. Leader and followers share vision and values, mutual trust and respect, and unity in diversity (Fairholm, 1991) But the moral question remains. Are the followers coerced or unknowingly seduced into adopting the values of the leadership or is the emerging congruence in the values of the leader and the led the result of their mutual influences? For human relationists, the coming together of the values of the leader and followers is morally acceptable only if it comes about from participative decision-making pursuing consensus between leaders and followers. But whether a leader is participative or directive is not a matter of morality. It is a matter of the naiveté or experience of the followers and many other contextual considerations (Hersey & Blanchard, 1969). In many cases, directive leadership is more appropriate and acceptable to all concerned (Bass, 1990). Ethically, values may be imparted directly to followers by authorities whom they respect, trust, and from whom they want guidance: priests, physicians, parents, and teachers.

Social Utility and the Achievement of the Congruence of Interests: Transcendence, Agency and Trust. In Western philosophy the notion of utility is often put forward as the proper ethical goal of social choice, provided that it does not transgress inalienable individual rights. For all that, it is not easy to specify what the term "utility" means. John Stuart Mill (1967, p. 900) identified it as the "greatest happiness principle" e.g. "...actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. By happiness is intended pleasure, and the absence of pain. By unhappiness, pain, and the privation of pleasure." Modern parlance is less precise and variously interprets utility to mean achieving the greatest good, the greatest satisfactions or just majority rule, either for a given act (to properly separate one's household trash) or for a given rule (such as affirmative action) over a short or long term. In simplest terms the rule of utility as popularly understood argues that the consequences of rules or actions are morally good if they benefit the majority without transgressing inalienable individual rights. This applies to both individual and social choices. Ideally, social utility is arrived at through the exercise of liberty: elections in politics, consumer sovereignty in the marketplace, participation in the workplace.

Problems remain when information is insufficient and outcomes are uncertain. What one thinks about the adequacy of utility as a moral measure gets back to what one thinks about human communities -- life in groups and organizations, and societies. In the libertarian view and in much of the business ethics (Gini, 1996; 1995) and leadership literature (Rosenthal & Buchholz, 1995), an atomistic view of collective life prevails. The collective life is constituted by freely contracting atomistic individuals, who, in order to survive, must pursue their self-interest rationally. Self-determination is the ideal; each is his or her own leader and, in the interest of autonomy, as self-sufficient as possible. The common good is seen as the aggregate of individual goods that yields the greatest utility.

If, however, one views community as constitutive of self rather than outside of oneself and sees life in community as affording a common good and level of personal development that is beyond what atomistic individuals can achieve on their own, then the terminal goals sought are beyond a calculus of utility and better expressed in terms of enlivening relationships based upon justice and peace and grounded in trust.

In either case, however, leadership is necessary to forge a common ground. While an atomistic view would favor transactional leadership, a communitarian view calls for transformational leadership. How is a common ground to be brought about? Influential interactions range from "making sense" out of the situation people face collectively to taking cooperative decisions. In such processes, an authentic transformational leader is one who can facilitate the process and move it along by articulating ideals and vision, providing inspirational motivation, stimulating intellectual creativity and ensuring individual consideration within cooperative actions by the group. Ethics is very much communicative action that evolves in a complex set of processes mediated through background institutions of families, schools, media, jurisprudence, religion and arts.

Is aligning values unethical? Shamir, House and Arthur (1993) explore and explain the role of the leader in the matching process between individual interests and social choice. They see nothing immoral in it. But as already noted, Stevens, D'Intino and Victor (1995) among others see transformational leaders as subversive, because transformational leaders encourage members of an organization to go beyond their own self-interests for the good of the organization. As a consequence, the members lose more than they gain. Conflicts between leaders and followers are settled to the benefit of the leader and the detriment of the followers. Followers sacrifice their own interests in order to conform to the leaders' vision of what will be best for the organization. Although Shamir, House, and Arthur (1993) argue that the essence of charismatic leadership is the matching of the hierarchy of values that are salient within the follower's self-concept to those of the leader, such is regarded as immoral by critics. Indeed, much of pseudotransformational leadership talk of empowerment can be bogus (Ciulla, 1996; 1995)

Jackall (1988) conceives of the corporation to be like a medieval fiefdom. The CEO is a feudal lord who offers his vassal managers and enserfed employees transactional material benefits and advancement in exchange for their service. In seeking loyalty and trust from their managers and employees, the CEO's may also practice pseudotransformational rather than authentic transformational leadership. After being asked to forgo personal, family and community interests, the managers and employees may find themselves out of a job due to the downsizing of the organization. The CEO may feel morally justified by underscoring that the downsizing was necessary for the organization's survival and for the benefit of the remaining employees and other stakeholders. But the supportive evidence is often missing. Although, immediate cost reduction is obtained by downsizing, often the expected long-term benefits to the organization are a chimera (McKinley, Sanchez & Schick, 1995). Additionally, the costs to employees, their families, and their communities outweigh the expected gains to the organization. The ethical test comes when calculating the benefits to senior management and shareholders compared to the costs to the employees of downsizing as well as the long-term effects on the health of the organization.

The significance of agency. When the process of convergence of values and interests is such a potential minefield of immorality, how can it be made to work? First, it is important to realize that modern organizations are characterized by agency (Eisenhardt, 1989) and that such agency only functions benevolently if there is a solid foundation of moral trust (Hosmer, 1995). In modern organizations the ideal of an individual actively managing all of his or her affairs is archaic. In both political, market and cultural institutions the individual, whom we call the principal, engages another (whether, a congress person, manager, lawyer or confidante), whom we call the agent, to act to secure his or her interests. The economics and business literature, especially that of finance, is full of the "agency problem," how to ensure that the agent does in fact keep the bargain (Jensen & Meckling, 1976). We argue, by way of extension, that a leader, in fact, very often functions as an agent of followers' interests. This argument is "by extension," because the principal/agent relationship" in this case is often tacit and informal rather than specified in a written contract. In either case, however, the principal/agent relationship cannot possibly succeed without trust (Solomon, 1996). As we present the issue here, transformational

leaders act as an agent for various followers in a wide number of capacities. The leaders do this as long as followers continue to treat them as leaders. If transformational leadership is to be authentic, it must possess the virtue of trustworthiness. Nowhere is this issue more to the fore than with the component of individualized consideration.

Distributive justice. Distributive justice is arguably the most contentious issue in modern ethics. Skewed opportunity sets and skewed distributions of benefits and costs are at the heart of conflicts about employee compensation, stockholder returns and executive compensation, options and bonuses reaped whether a company prospers or not. Even when an outcome is ostensibly "win/win" the proportionate shares often favor the powerful in a manner not justifiable on the basis of either work or merit or need. There is probably no greater or more pointed test of authentic transformational leaders than the shares they take for themselves. There is no doubt that there are many and grievous distributive injustices and that they are caused by those in authority who claim to exercise benevolent leadership. The organizational justice literature has focused more upon wrongdoings and perceived injustices done to individuals by the organization than on positive steps and facilitating mechanisms to ensure an ethical environment (Greenberg, 1987, 1990; Sheppard, Lewicki, & Minton, 1992). But it does underscore the "fairness issue" in terms of the distribution of benefits and costs, whether they be access and opportunities for career advancement or concrete goods, services and compensation

Even though it often appears that individual employee's interests are sacrificed in the transforming process for the good of the organization, they do not have to be. Nor will those interests have to depend on the democratic participation of followers in each and every detail, as described in the section on agency above. The truly transformational leader concerned with an ethical philosophy in managing an organization conceives of the organization's ultimate criterion of worth as the extent to which it satisfies all of its stakeholders. In the case of business firms, this means aligning and balancing the interests of the various stakeholders -- owners and shareholders, managers and employees, suppliers and customers, community and society. In the case of not-for-profit institutions and social movements, this means aligning and balancing the interests of the officers and directors, the rank-and file, and the public (Bass, 1952). Additionally, the leadership may need to take into account constituents' families, government regulations, technological advances and future needs.

Also ignored by the overemphasis on grassroots participation is what happens when individual interests outweigh the common good and transformational leadership is absent. Whenever the same limited resource is freely available to all individuals apart from the costs and efforts to obtain the resource, what results is the "tragedy of the commons" (Siebold, 1993). Thus, if the resource, the commons, is public grazing land, each nearby farmer can try to maximize its use in his self-interest. Soon the land becomes overgrazed and is able to feed fewer and fewer animals. Such is what happened to 17th Century Boston farmers. In the 1980's New England fishing boat owners invested heavily in new, high technology vessels and proceeded collectively to overfish the Grand Banks and nearby fishing grounds. Marine biologists had predicted ten years earlier what would happen. The reproductive capabilities of the fisheries were seriously depleted. Owners were bankrupted; the fishing had to come to a near-halt. Missing was transformational leadership from government executive or legislature directing the regulation of a more rational policy. Missing likewise was transformational leadership from within the fishing industry to voluntarily promote cooperative guidelines for conservation. Authentic transformational leadership could have stimulated agreements about priorities, shared values, perceived common goals, and meaningful purposes. The individual boat owners involved would have been moved to go beyond their self-interests for the good of the collective

The fishing tragedy of the commons could have been prevented by leadership that recognized the problem, envisioned a fair win-win solution to it, then, communicated and persuaded others about the problem and possible solutions. Also needed was leadership to develop the required cultural and organizational infrastructure. Unfortunately, the fishing commons is now all the oceans of the world. Voluntary conservation at the local level is no longer enough because of the international poaching by the large factory ships with a global reach. Statesman-like transformational leadership is needed at a world-wide level to save the declining stocks of fish in all the oceans for agreements among local traditional fisher-folk, international factory vessels, conservationists, scientists and governments (Parfit, 1995).

Governance, directive leadership and cooperative action. As noted earlier, authentic transformational leaders may be directive rather than participative as they attempt to align individual and organizational interests. If they grasp the sense of what is needed and can articulate what will align the interests of their followers and the organization.

There is no one best way to lead in all situations. Few leaders of organizations and movements give orders and direct without reasons. Many more give orders with reasons which are often persuasive reasons. Most often, leaders consult with followers before they, the leaders, decide. Less frequently, they empower followers through delegation of responsibilities or participate with followers in shared decisions. Ordinarily followers are more satisfied with consultative or participative decision-making but the effectiveness of the decisions will depend on how knowledge, wisdom and expertise are distributed between the leaders and followers (Bass, Valenzi, et al, 1975).

Hierarchical organization and assembly lines are being modified and replaced by more fluid teams of members to deal with the changing requirements of new technologies, markets and work forces. More participation is needed for agreements about objectives, methods and values. Nevertheless, direction from higher authority is also needed and it does not have to be arbitrary and without reason and explanation. But members of teams must go beyond their own their self-interests to seek the objectives of their fluid organizations. Along with its checks and balances, democratic governance likewise requires that its leaders also go beyond their own self-interests. Politics are to be guided into control of irrationality and promotion of the values of logic and rationality Although humans are naturally self-interested, they are capable of virtue (Locke, 1960). Self-interest instead of interest in the common good can be countered by transactional controls or by the appeals of transformational leadership. Either would be morally justified unless it was coerced, without the consent of the governed or due to blind trust (Adkinson,1987).

It is clear from the organizational psychology literature that organizational features (Badaracco & Webb, 1995; Darley, 1994), group processes (Gersick and Hackman, 1990), and individual cognitive functioning within the context of a job (Messick and Bazerman, 1996) can all impede business ethics and even make the individual become morally disengaged (Bandura et al, 1996). The authentic transformational leader strives to ameliorate such structural impediments to sound ethical practices. It is not a command function, but, rather, a creative and mediating function that aims to achieve a true consensus in aligning individual and organizational interests in addition to other legitimate stakeholder interests. However, the meaning of true consensus may be misunderstood. In true consensus, the interests of all are fully considered, but the final decision reached may fail to please everyone completely. The decision is accepted as the best under the circumstances even if it means some individual members' interests may have to be sacrificed. In moving members beyond their self-interests, rather than being in conflict with the purposes and philosophy of ethical human relations and organizational development (OD) we believe, to the contrary, that for the most part, the theory and practices of transformational leadership are compatible with them.

Organizational Development and Transformational Leadership: More Alike than Different.

Transformational leaders can play important roles in organizational development. They can make use of process observation and many of the techniques of OD and improved understanding of group dynamics. White and Wooten (1986) pointed out that sometimes data may be misused and misrepresentations occur in the OD process. This parallels inspirational leaders who oversimplify their messages or use emotional appeals. In both instances, individual interests may be sacrificed for organizational enhancement

In assessing the "ethics of authority" we need to recognize the reality of agency in democratic participative processes and to distinguish between the *authoritarian personality* and the *directive leader*. When it comes to the common good of an organization, the leader in many ways may be directive as a well-intentioned agent of the principals.

The authoritarian personality is anti-democratic, inflexible, submissive to higher authority, conventional in thinking, and prefers low risk and highly structured situations. Directive leaders tell what needs to be done, usually with explanation, give orders, and make decisions for self and others, but ordinarily give reasons for the orders and decisions. Conflicts in values are a continuing occurrence in utilitarian organizations. Which is more important? Productivity? Safety? Cost Reduction? Efficiency? Employee and manager well-being? Profitability? Survival? Growth? Some say stockholder interests are paramount. Others argue that morality requires maximizing the well-being of the employees. Transformational leaders find ways to align those seemingly conflicting interests. For Graham (1995), transactional leadership is at Kohlberg's (1981) "pre-conventional" level of moral development as it emphasizes job requirements and contracts. Transformational leadership is at Kohlberg's "post-conventional" level of moral development as it emphasizes universal principles of justice and the interests of all stakeholders in the organization (Turner & Barling, 1998).

POWER, PERSUASION, CHECKS AND BALANCES, AND THE MODERN ETHICAL AGENDA

We have presented authentic transformational leadership as an ideal type. Transformational leadership, particularly pseudotransformational leadership may lend itself to the unchecked abuses of power. It is power abuses that concern us here (Tsou, 1995). Keely (1995) faults transformational leadership for lacking the checks and balances of transactional leadership. Much of checks and balances argument refers to macro-social legislative, administrative and judicial checks and balances upon political power, rather than checks and balances upon power within organizations. The latter does exist, in theory at least, in terms of (ideally) independent Boards of Directors, stakeholder proxies, labor unions, the free choice of suppliers, and consumer sovereignty. Indeed,

competitive market theory presupposes that power is held in check and that oligopolistic or monopolistic forms of power should be regulated if not eliminated. Furthermore, in complex markets and enterprises where the managers lead the firm as agents of the principals' interests, checks and balances are a problem precisely when markets are dominated by power groups and agents feel they can ignore the principals' interests. They may be aided and abetted by the lack of appropriate auditing and disclosures of revenues and expenses. Exploitative and abusive bosses remain with us. How can they be controlled or dislodged particularly if they are also pseudotransformational? Boards of Directors, government regulators, union officials provide possible checks. Boards may force resignations; regulators may fine; unions may strike. All may sue.

The bigger question is about what protects minority opposition in organizations and communities when the majority succumbs to the appeals of the transformational leader? Keeley (1995) looked to James Madison's contention in the Federalists Papers that a constitutional government required contending interests to be heard so that after rational debate, among the contending factions, optimal decisions could be made. Otherwise, the many factions of society could be controlled by those in power and would abandon their own best interests if they were coerced into sharing the same interests. According to Keeley (1995) interpreting Madison, an unhealthy concentration of power, and dictatorship by the majority at the expense of the minority, results from transformational leadership which succeeds in convincing people with truly diverse interests that they share common goals even if they truly don't. For Keeley, the rules of governance must require the separation of powers of the executive, the assembly and the judiciary. Outcomes must depend on negotiation and the give-and-take of transactional leadership. If only the interests of the strongest faction dominate, more factional conflict will emerge with less tolerance for minority views. Rival and opposing interests are best controlled if purpose and power are separated and transactional negotiations, trade-offs and exchanges produce compromises acceptable to all concerned. This is in contrast to the emphasis of transformational leadership on the sharing in a common vision and a common purpose.

The all-or-none argument of Keeley misses the point. Madison, himself, embraced the overriding importance of the common good and espoused the need to sacrifice private opinion and private interests to the public good (Wren, 1998). In the politics of checks and balances, particularly when it comes to marginal moral standards, transactional negotiations are likely to see much bluffing, withholding information, manipulating facts, making political alliances and trade-offs, settling past obligations, delaying implementations, openly compromising but covertly diverting plans, and timing the release of news. Power is used to weaken opposition and strengthen support. When authentic transformational leaders see themselves in a win-lose negotiation, they try to convert it into a win-win joint problem-solving situation or, if this fails, they become effective transactional negotiators trying wherever possible to use persuasion rather than power.

For Thomas Jefferson, checks and balances would not be needed if the country shared common interests. His transformational vision was that of nation of small, independent farmers and mechanics with common interests who could reach the right decisions after rational debate. Public education to create an informed citizenry was required for this to happen. In this vein, J.S. Mill argued strongly for encouraging free speech to provide the marketplace for ideas in which the best arguments buttressed by the most compelling evidence and reasoning would prevail (Higgenbottom, 1996).

SUMMARY AND CONCLUSIONS

Critics argue that transformational leadership is unethical. They contend that its rhetoric may appeal to emotions rather than to reason. They contend that it lacks the checks and balances of democratic discourse and power distribution. They contend that it violates the principles of the Organization Development (OD) Movement and that it manipulates followers into ignoring the followers' own best interests.

The critics fail to consider the positive aspects of inspirational leadership. They ignore the shortcomings of democratic processes and OD. They fail to distinguish between transformational and pseudotransformational leadership. We agree with Gill Hickman (1996) that rather than being unethical, true transformational leaders identify the core values and unifying purposes of the organization and its members, liberate their human potential, and foster pluralistic leadership and effective, satisfied followers.

Rather than being immoral, transformational leadership has become a necessity in the post-industrial world of work. As Cascio (1995) has pointed out, the traditional manufacturing or service job, a fixed bundle of tasks performed by an individual worker, has been replaced by a manufacturing or service process, completed by a flexible team with diverse skills, interests and attitudes. As a consequence,

"...today's networked, interdependent, culturally diverse organizations require transformational leadership to bring out...in followers...their creativity, imagination, and best efforts." (Cascio, 1995,p.930).

Self-aggrandizing pseudotransformational leaders can be branded as immoral. But truly transformational leaders, who engage in the moral uplifting of their followers, who move them to share in the mutually rewarding visions of success, who enable and empower them to convert the visions into realities, should be applauded, not chastised.

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