Ethical Leadership and Organizational Assessment

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Abstract

Ethical leaders have a distinct obligation to manage the conduct in which the organizational mission is executed. In the assessment of TOMS, Blake Mycoskie developed a business with a philanthropic goal in mind. The product sold seems nearly an afterthought as the company donates over half their profit to shoe underprivileged children. The ethics driving the company fosters quality relationships, an altruistic culture, and a significant social impact. There is evidence of a direct correlation between TOMS focus and its success. British Petroleum has recently seen a vastly different corporate culture. Responsible for the largest oil spill in U.S. history, the company went under full investigation for safety issues, financials, and mishandling of materials. Despite faulty equipment causing the spill, the lack of safety precautions taken prior to the catastrophe was deemed a likely contributing factor. The deterioration of corporate citizenship that followed gave the corporation a reputation for unethical leadership and poor moral character. Ultimately, the relative results for goal attainment of both companies are indicative of a direct correlation between ethics and success.

Ethical Leadership and Organizational Assessment

 Ethical leadership in the global economy not only requires a commitment to goal attainment but an obligation to assess the impact the execution has on stakeholders, the social economy, and the environment. The conduct of organizational stakeholders is the responsibility of the ethical leader as is the impact of their actions. The evaluation of the following two companies, TOMS and British Petroleum, demonstrate the vast differences in ethical leadership, corporate citizenship, and character-based leadership. It also presents two extreme outcomes deriving from these differences which further show the outcome of prioritizing ethical obligations.

**TOMS: Shoes for Tomorrow**

 When Blake Mycoskie traveled to Argentina in 2006, he had an idea to “start something that matters” (Chu, 2013, p. 2). After noting that nearly none of the children had shoes, he had a business plan with a worldly impact. And thus, TOMS Shoes was born with a motto and commitment of “one for one.” For every pair of shoes purchased, the organization provides footwear to a child of an under-developed country essentially giving away half the profits. To date, TOMS Shoes has delivered over 10 million shoes to children and is now focusing on additionally philanthropic initiatives. The company recently started selling sunglasses that, one for one, provide eye care to those without accessibility. Mycoskie has not always been so successful. He had a string of failed businesses that left him desiring a company with a greater social impact and altruistic nature (Chu, 2013). In addition to providing shoes and eye care to those in need, Mycoskie initiated a campaign, “One Day Without Shoes,” to bring awareness to the company’s mission and participation in a ‘giving trip’ where consumers can get involved and interact with the communities they serve. He feels as though this is not just a company that merely has ethical values, but a mission for the greater good (Amos, 2012).

 Very few for-profit companies begin with philanthropy as a primary target. They are, after all, “for profit.” Blake Mycoskie managed to establish a profitable business that begins with an ethical purpose in mind. The CEO claims to focus on developing and nurturing the relationships with partners and remembering the company’s mission. Additionally, TOMS is generating new ways to demonstrate the social impact their contribution is making to consumers (Carroll, 2012). The ethical initiatives that Mycoskie has verbally demonstrated are indicative of character-based ethical leadership. If the constant reminder of the company purpose is simply put in its “one for one” motto was not enough, the CEO’s actions are consistent with ethical leadership and corporate citizenship. He fosters relationships, ethics, and a growing consumer base of generous customers. And the entire organization follows suit. Furthermore, the most interesting aspect of TOMS is that all stakeholders, intentionally or not, are participants in the TOMS movement. The internal stakeholders are naturally the driving force of the TOMS’ mission. However, consumers, suppliers, and recipients of shoes are all involved despite their acknowledgement. Blake Mycoskie is not just part of a global marketplace, he has created one.

**British Petroleum**

 British Petroleum, founded in 1909, is recognized in recent years as the company responsible for the largest oil spill in U.S. history. Deepwater Horizon was initially diagnosed as a disastrous and fatal accident but the idea of a simple malfunction was quickly rebutted. Questionable similarities to the 2005 tragic Texas City, Texas explosion earned the company a reputation for consistently neglecting safety. While faulty equipment and technical issues ultimately caused the oil spill, it was the company’s operational leadership inadequacies that were further investigated. Safety recommendations from the Texas City report were ignored which some analysts believe could have been the same catalyst to the eleven lives lost in the Gulf (Institute of Chemical Engineers, 2012). Other experts evaluate the decade prior to Deepwater, noting a significant change in leadership. CEO John Browne (later Lord Browne) had spent his career at BP focused on generating profits, which he did very successfully. Despite promises to focus on safety, Browne, nor his successor, Tony Hayward, made safety of employees or contractors a priority (Elkind & Whitford, 2011). Furthermore, in the aftermath of Deepwater, British Petroleum immediately released many statements pointing fingers at drilling contractors and faulty contractor equipment (Barrett, 2011).

 British Petroleum has spent billions cleaning the Gulf and producing television ads complete with transparent philanthropic messages to display such efforts. Residents, viewers, and other corporations knew BP had an obligation to decontaminate the waters and beaches. This, coupled with prior negligence, establishes BP’s forced ethical actions rather than imbedded in the corporation’s character. Proactive safety implementation, rather than reactive responses, could have prevented lost lives, damaged businesses, polluted waters, and sick sea life. Employees testified that BP’s performance evaluations related to how inexpensive and long employees took to perform a task rather than the safety and quality of the work completed (Smith, 2011). Additionally, leadership had an obligation to publically take responsibility for contracted mishaps, despite ownership of equipment. BP’s denial of wrongdoing not only damaged their reputation but deteriorated their corporate citizenship and partnerships with contractors. Finally, Thomas and Walker suggest in their article, *Life at the Sharp End*, that when situations go poorly, it can be credited to poor leadership, or lack-thereof (Thomas & Walker, 2011). In the case of British Petroleum, experts suggest that while leadership was very operationally involved, there was little focus on safety initiatives (Barrett, 2011). Unfortunately, poor safety precautions can lead to overwhelming and unethical catastrophe that affected more than stakeholders: homeowners, businesses, and tourists alike were devastated.

**Lessons Learned**

 On an ethical scale (or any scale), TOMS and British Petroleum are at opposite ends of the spectrum. With conflicting missions, it is difficult to begin a comparison of corporations. However, ethical leadership could run congruently. Nurturing positive and generous global relationships fosters an altruistic company that consumers desire worldwide. And while TOMS initiatives are direct and specific, the organization is the epitome of corporate citizenship.

 British Petroleum will probably never have philanthropy as a primary objective, however, leadership should consider the greater impact those products, stakeholders, and mishaps have on society, the economy, and the environment. Safety is often considered an operational issue and that, if handled properly, will not affect ethics. Though, when mishaps (or in this case, catastrophes) occur, leader incompetence will be thoroughly analyzed as will levels of corporate citizenship. Thus, ethical leadership and corporate citizenship should be made a priority. The global impact Deepwater Horizon had was devastating and deteriorated BP’s reputation worldwide. Adhering to a code-of-conduct and providing additional training may have had a great impact on safety oversight and ultimately the death of eleven employees. Contractors may have more easily identified faulty and over-stressed equipment or the mishandling of materials. Instead, reactive accusations and identified unethical leadership doubled the crisis for BP. Lager (2011) suggests in his article, *Beyond Compliance*, that if British Petroleum merely complies with regulations and ethics, the company may never lead an ethical organization.

**Conclusion**

 The unfortunate events of British Petroleum are an extreme example. Unethical organizations will not always result in massive devastation or fatalities. However, a common theme with ethical organizations, such as TOMS, is the prioritization of obligation. With obligation comes the ethical nature in which they are executed. TOMS’ mission is to ultimately shoe the un-shoed. The way in which the organization is conducted is ethically consistent with this mission. Unfortunately, this was untrue for British Petroleum. While their mission was to generate profits (of which they were typically successful) their execution was not consistent with ethics, safety, or the environment. Internal stakeholders, including contractors, were untrained, misevaluated, and unsafe. BP’s leaders failed in their responsibility of performance and, most importantly, ethics.

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