



Leadership and ethical behaviour

Guidance material

This guidance material highlights how ethical leadership influences honesty and integrity in the workplace. Ethical leadership can help turn integrity breaches into opportunities for improvement and innovation. It explains that ignoring or downplaying these issues can let problems persist, and that supervisors can have a big impact on staff behaviour, like employees not reporting unethical actions for fear of retaliation. This guidance material also explains how a focus on culture is essential, as scapegoating a few problematic individuals can miss the broader influence of organisational context. It suggests using crises as opportunities for meaningful change and lasting improvements.

Definitions, background and context

An integrity crisis can include instances of corruption or ethical breaches that significantly threaten the trust that the public or employees have with that organisation. An integrity crisis is often counter to the values of an organisation and can lead to a loss of credibility.

- Leaders often react to instances of corruption or misconduct when they escalate, but they may fail to recognise the gradual issues that lead to these behaviours.
- An organisation is at risk of corruption when it fails to establish effective processes and practices or does not cultivate a culture that prioritises ethical behaviour.
- Most leaders do not have bad intentions; they may aim to prevent corruption but lack the necessary experience or awareness to identify and address it.
- Employees look to leaders to set the standard and values for acceptable behaviour, which in turn shapes an organisation's culture.

Leaders must focus on whole of organisation factors

An organisation or people leader might become complacent about potential integrity issues if their business performance is strong, creating the illusion that there are no ethical risks. This false sense of security can allow leaders to be caught off guard by serious integrity lapses.

Often, organisations downplay integrity crises, treating them as isolated incidents rather than systemic problems. Instead of addressing these issues, organisations may blame a few 'bad apples' and ignore the underlying factors, such as weak governance, unclear ethical guidelines or a culture that values results over ethics.

Rather than viewing corruption solely as a result of individual moral failures, leaders must understand that organisational culture plays a crucial role in promoting ethical behaviour and helping to prevent misconduct. Ignoring the social and cultural factors that contribute to unethical actions allows deeper issues to persist and can hinder meaningful reform.

In contrast, focusing on continuous cultural improvement is like having a growth mindset. It shows how an organisation's environment and processes can encourage ethical behaviour. This approach aims to build a culture where integrity is the norm, rather than just dealing with problems as they arise or treating ethics as a mere formality.

Leaders shape environments and model good behaviours

Role modelling is crucial for effective leadership. Leaders shape staff behaviour by setting and showing high ethical standards. Employees learn from these standards both directly and indirectly, as leaders' actions and decisions are visible throughout the organisation. Leaders who consistently model ethical behaviour become trusted examples of ethical conduct.

Ethical leaders also proactively promote accountability within and outside their organisation. They understand the importance of transparency, especially during times of high corruption risk and they welcome external reviews when needed. By encouraging staff to speak up about concerns, even when it challenges their own views, leaders set a strong example.

A code of conduct alone is not enough to ensure ethical behaviour; ethical leaders must turn codes into actions. When executives lead ethically, it influences managers, supervisors and staff, creating an environment of trust where employees are motivated to behave positively. Further, leaders should seek input from reputable peers who face similar challenges. By collaborating with other organisations, they can share advice on navigating ethically complex situations, promoting a culture of openness and continuous improvement.

Using a crisis as an opportunity for reform

An integrity crisis can be a turning point for reform by revealing underlying problems and creating a chance for change and innovation. An effective leader will seize this opportunity to push for significant reforms, demonstrating how an organisation's current culture and processes contributed to the integrity crisis and showing the need for improvements to enhance integrity.

An effective and ethical leader will view an integrity breach as a chance for positive change. By responding appropriately, a leader can build trust with staff and implement lasting changes. Even if the results are not immediately visible, an effective leader will focus on making choices that bring long-term benefits, understanding that the impact might be felt even after they have left the organisation.

Ethical leaders exhibit consistent traits

Ethical leaders consistently demonstrate key traits that guide their behaviour and decision-making, including those listed below. These characteristics establish a strong moral foundation and promote a culture of integrity within the organisation.



Characteristics of an ethical leader

- Consistently communicates ethics, standards and values to all levels of the organisation.
- Holds managers and employees accountable for their actions and decisions.
- Values honesty in all situations.
- Promotes and rewards ethical conduct to encourage positive behaviour among staff.
- Puts collective interest ahead of self-interest to benefit the whole team.
- Demonstrates principled behaviour and makes decisions that align with organisational values.
- Engages in transparent and open communication to build trust and clarity.
- Treats employees with dignity and respect regardless of their positions.
- Actively listens and values input and feedback from others.
- Demonstrates self-awareness and understands their own strengths and weaknesses.
- Takes responsibility for their actions and mistakes.
- Considers both short-term outcomes and long-term implications when making decisions.

This product was prepared based on findings from desktop research and stakeholder consultations from IBAC's 2024 Public Sector Strategic Assessment. All information contained in this document should not be considered as evidence for, or accusations of, corruption.

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