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Article

Ethical leadership, what it means and how you can put it into action

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Please note this content was curated for SME businesses in the UK

Ethical leadership is like being a great captain of your ship; making good choices to steer you in the right direction and treating everyone onboard with fairness. It's like the heart of your business – when you do it right, it could make your business strong and trustworthy both internally and externally.

This guide breaks down what ethical leadership is, why it matters and how you could make it work in your business whether you're selling products or services, to other businesses or directly to customers.

Why ethical leadership matters

The benefits your business could gain through embracing ethical

leadership principles extend far beyond what you might expect.

Trust and credibility: ethical leadership builds trust with clients, employees, and anyone else you interact with. Trust enhances your reputation and encourages repeat business - those who demonstrate strong moral leadership are 5x more likely to report satisfied customers **(1)**.

Stakeholder loyalty: customers like to deal with businesses that are fair, and it often keeps them coming back. Employees are also more likely to stay in a job with a positive work environment, but are 12x more likely to leave if a direct manager does not exhibit moral leadership **(2)**.

Avoiding risks: making good choices could help you steer clear of legal and reputational risks that might harm your business.

Positive brand image: today's consumers are looking closer at how businesses operate more than ever. By exhibiting ethical leadership, it is more likely that your business will behave responsibly, which could help to boost your brand image **(3)**.

The key principles of ethical leadership

At the core of ethical leadership, there are 5 key principles that businesses may wish to focus on:

Integrity: uphold honesty and consistency in your actions, words, and decisions.

Fairness: treat all stakeholders fairly and without bias, regardless of differences.

Transparency: share information openly, especially when it impacts stakeholders.

Accountability: take responsibility for your decisions and their consequences.

Respect: value the opinions, rights, and dignity of all individuals.

How these principles are implemented will look different in each business depending on your size, industry and a myriad of other factors. Take time to consider what these principles mean for your business.

How you can start applying these principles in your business

Here are some simple ways you could start to embed and drive ethical leadership within your business.

This is not an exhaustive list of everything you might do, but by taking these steps you could start to see the benefits of ethical leadership within your business:

Set a clear example: as a leader, show others how to be ethical by demonstrating ethical behaviour in all your actions. This means not just

exhibiting ethical behaviour at work, but outside work as well **(4)**.

Create ethical guidelines: develop a code of ethics that outlines acceptable conduct for everyone in your business to follow. Learn more about how you might **develop and implement a code or policy for your small business.**

Training and education: educate employees and partners on what it means to be fair and ethical. There are many resources out there you could use, and these **discussion prompts** are one place you might start.

Ethics hotline or open door policy: create a way for employees to share and report ethical concerns anonymously.

Think before deciding: consider ethical implications in every business decision. Before making a choice, ask yourself if it's the right and fair thing to do.

Regular reviews and improvements: continuously assess and update ethical practices and keep an eye out for any new information on the topic that you could use in your business.

Ask people what they think: seek feedback from clients, employees, and partners to understand what they think about your business and improve your ethical practices. There are many ways to go about this, with some being highly formalised and others more casual; find the way that works best for your business.

If you are interested in learning more about this topic, use the links below to explore thought leadership and frameworks from experts that could help you embed ethical leadership in your organisation:

- **“A new model for ethical leadership” - Harvard business Review**
- **“How to be an Ethical Leader: 10 tips for success” - Business News Daily**

By embracing ethical leadership and decision-making, your business could have a larger opportunity to create a positive and sustainable impact while fostering trust among employees, customers and anyone else you interact with.

Ethical practices could not only contribute to your business's success but also to the betterment of your community and society as a whole.

Back to the resource centre

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1 The State of Moral Leadership in Business 2020: https://thehowinstitute.org/wp-content/uploads/2020/06/HOW-Institute-Moral-Leadership-Report-June-2020.pdf
2 What is Ethical Leadership? Attributes, Traits, & Examples: https://www.thomas.co/resources/type/hr-blog/what-ethical-leadership-attributes-traits-examples
3 How to Be an Ethical Leader: 10 Tips for Success: https://www.businessnewsdaily.com/5537-how-to-be-ethical-leader.html
4 Business Ethics for SMEs: https://www.greenbiz.com/sites/default/files/document/BusinessEthicsforSMEs.pdf
5 Communication – discussion prompts for workforce training: https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/guides/2023-pdfs/2023-ethics-discussion-prompts-7919.pdf
6 A New Model for Ethical Leadership: https://hbr.org/2020/09/a-new-model-for-ethical-leadership

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