

## **The Art of Developing an Ethical Leader within You- A Critical Review on the Start-up Leaders**

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**Abstract:** Corporate ethics has been the talk of the hour in almost all organisations, be it a start-up or a well-established one. It deals with the purity of the intention of the organisation towards its stakeholders in rendering a fair and transparent business. Leaders are the key source of such ethical guidance for their employees to render not only quality service, but also to gain the confidence of its customers and hence the importance of business ethics was addressed right from the formal school of business. As it was strongly felt that the ethical leadership dimension of start-up leaders were largely unexplored, an attempt was made in this research paper to identify if the value based leadership exhibited by the emerging leaders have a positive impact to the overall growth and sustenance of the organisation. Questionnaire was mailed to suitable respondents and based on the inference, recommendations were suggested.

**Keywords:** Corporate Ethics, Start-ups, Value Based leadership.

### **Introduction**

Our country has been known for possessing its leaders with utmost moral values since time immemorial.

As an organisation formed to search for a repeatable and scalable business model, every start-up transitions into a successful business only upon delivering quality services even under conditions of extreme uncertainty. Yet, most of the start-ups miserably fail during the initial years as they move chasing money and not the vision. Statistics report that about 80% of the start-ups fail in the initial 12 month period of its inception while half of the start-ups manage to survive for 3.5 years and even the best of the incubators manage to survive not beyond 4.5 years.

So what could be the reason for the failure of start-ups? Besides prominent reasons like lack of clarity in vision, inefficient team coordination, wrong product decisions or incorrect market segment, it is more about the purity and transparency of the organisation in delivering business in return to earn the trust and confidence of its patrons.

The further discussion of this paper will concentrate on the moral and value based leadership demonstrated by emerging leaders.

### **Objectives of the Study**

The objective of the study is stated as below mentioned:

- To understand the need of ethical leadership traits amongst the emerging leaders of start-ups
- To test if such ethical behaviour has a favourable impact on the overall performance and sustenance of the organisation.
- To share the best practices followed by successful organisations for the benefit of emerging leaders

### **Scope of the Study**

The research attempts to collect relevant data from 30 start-up leaders from Chennai region across various disciplines to test their business ethics.

### **Literature Review**

Leading a start-up is no easy but then a road full of challenges as the founder needs to start alone all by himself with only very few people who are willing to support for the cause of the business. Such leaders face a myriad of challenges during their journey of business as they lack coaching and mentoring at the right moment by the experts in their chosen field of business. Reports suggest that about 60% of the job creation comes from start-ups which stand as a great boon for the overall economic progression and job creation of the country. Such precious ventures need to be preserved and safeguarded for the benefit of societal development.

**Francis T Hanaffey, in his paper of “Entrepreneurship and Ethics”,** states that thoughtful consideration has to be set to ethical anomalies confronted by first time leaders in areas of building coherent customer relationship, distribution dilemmas and overall ethics in business.

**Brenda E. Joyner & Dinah Payne author of “Evolution and Implementation: A Study of Values, Business Ethics and Corporate Social Responsibility”** interprets that there is a mounting acknowledgment of ethics for the running of the business. The research attempts to identify the connect between the two organisations, their values, ethics and corporate social responsibility.

The study also identified the presence and implementation of values, business ethics, and CSR actions within the two organizations studied.

**R. Edward Freeman, in his “The Politics of Stakeholder Theory: Some Future Directions”** stated that “instead of taking the concept of business separately, hold it to the light of ethical standards to win the heart of stakeholders”.

**Yves Fassin, “The Reasons behind Non-Ethical Behaviour in Business and Entrepreneurship”** analysed “that the motivation and the psychology of entrepreneurs and business people to their behaviour and compared to other professional groups and confronted with the decline in ethics in society was described. The conclusion drawn is that the recent positive evolutions do not provide sufficient ethical guidelines for the day-to-day activities of middle managers and entrepreneurs in the present competitive environment”.

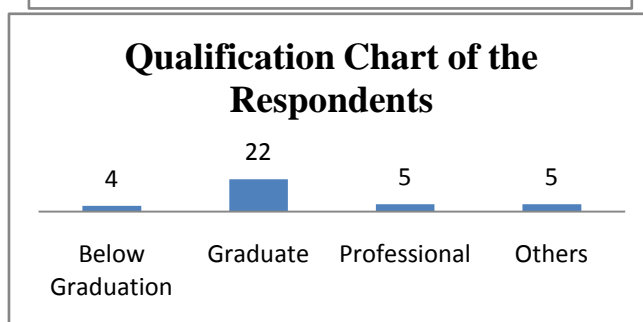
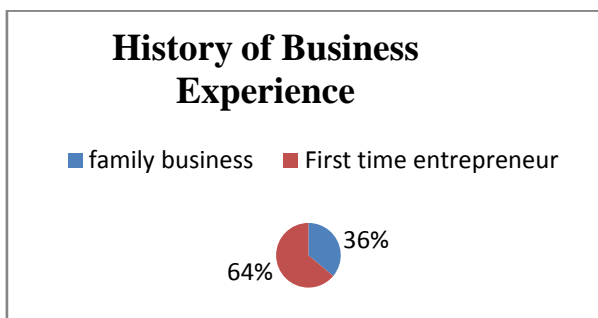
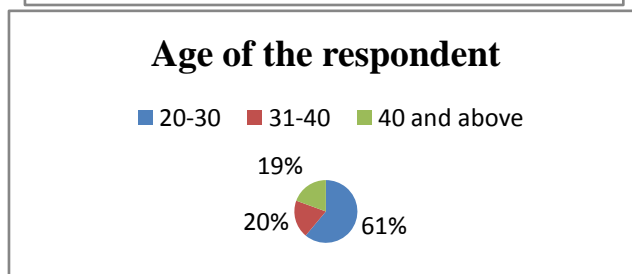
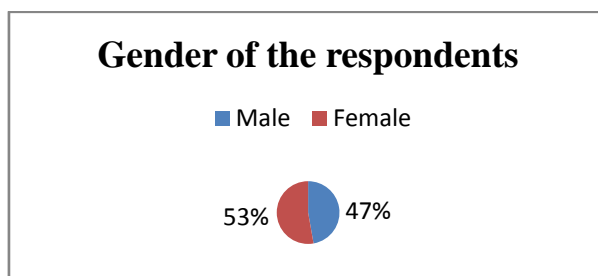
**Joshua S. Gans & David H. Hsu, Scott Stern, author of “When Does Start-Up Innovation Spur the Gale of Creative Destruction?”** motivated the substantial differences in start-up commercialization strategies observed across different high-technology sectors and evaluated the conditions under which start-up innovators earn their returns on innovation through product market competition with more established firms as opposed to cooperation with these incumbents (either through licensing, strategic alliances or outright acquisition as observed in the pharmaceutical industry). “

**Dinah Payne & Brenda E. Joyne, Successful U.S. Entrepreneurs: Identifying Ethical Decision-making and Social Responsibility Behaviors** expressed “a two part study emphasizing the ethical choices made by founding entrepreneurs during the creation and development of their ventures and identified the areas in which founding entrepreneurs make decisions related to ethics or social responsibility during venture creation and development. Content analysis was used to identify decisions with ethical components and/or implications from in-depth interviews with 10 successful business founders. The authors identified four distinct categories of decisions where ethical or social responsibility components exist: (1) individual entrepreneurial values-related decisions, (2) organizational culture/employee well-being decisions, (3) customer satisfaction and quality decisions, and (4) external accountability decisions. In the second part of the study, the decisions identified in part one was analysed using a framework derived from prior research in ethics. This framework was developed from the work of Kant (1964) who theorized about human morals and Rawls (1971) who developed theories about justice. Part two of the study was guided by the following research questions: Do entrepreneurs have values and ethics similar to those held by society in general? If they don't, how do their values and ethics differ? The comparison revealed that the ethics and/or values that the entrepreneurs either explicitly or implicitly acknowledged were in fact similar to those of society in general”.

**Will Drover, Matthew S.Wood & Yves Fassin ,” Take the Money or Run? Investor’s ethical reputation and entrepreneur’s willingness to partner“** states that ethics in venture capital stands as an important yet overlooked area of enquiry. The ethical reputation of a VC profoundly influences the entrepreneur’s willingness to partner. An investor’s ethical reputation also plays a key interaction role in the entrepreneur’s evaluation”.

### Research Methodology

Questionnaires were collected from 36 start-up leaders across disciplines through Google forms. The following results were found:



**Inference:**

- Out of the survey collected, it was found that almost equal representation was collected from both the gender, i.e., 53% from male respondents and 47% from female respondents.
- Almost 61% of the respondents fall under the age group between 20-30 age bracket, whereas 20 % and 19 % for the age group 31-40 and 40 and above respectively.
- It was also reported that a majority of around 64 % of the respondents did not have any prior experience in running their own business.
- The qualification chart of the respondents state that 61% of the respondent was holding a graduation degree.
- It was also found that first time entrepreneurs gave more importance to quality and utmost customer satisfaction with true business to sustain in the market.

Correlation	I clearly explain the integrity related code of conduct to my team before the start of the project	An ethical environment and sense of true business prevails in my organisation
I clearly explain the integrity related code of conduct to my team before the start of the project	1  36	.347* .038 36
An ethical environment and sense of true business prevails in my organisation	.347* .038 36	1  36

The results of the correlation test reveal that there is a positive relationship between the effort of the leader taken to clearly explain the values, integrity and code of conduct of the organisation right from the start of the project to the team members had a positive effect on bringing an ethical culture in the organisation.

**Conclusion**

Hence, a start-up leader needs to necessarily integrate ethics and values to the core of their operations to have a sustained business. As an emerging leader, one cannot compromise to settle down for short term gains at the cost of unethical climate. The general assumption that start-ups generally preach and not practice need to be broken and rather leaders of start-ups need to demonstrate and lead by example.

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