

Ethical Leadership: The Need for a New Approach in Retail

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Abstract

The belief that the only goal of organisations now a days is to make profits for its shareholders holds no truth in 21st Century. There are other and more important considerations to be taken into account. Human Resource management is one of those. Managing employees in the present situation is becoming difficult because of a number of reasons. An employee today is more careerist than his yesteryears counterparts and the resultant intrapersonal conflict leads to ethical dilemmas affecting his performance. This in the present century will involve a different approach and therefore different attributes, knowledge and skills of retail managers. A new leadership style will be required. However, no particular leadership theories and models have been specifically adopted by the retail firms. Scant literature has prompted us to carry out a fundamental study on how leadership styles can be beneficial in addressing ethical concerns at workplace. Accordingly, the focus of this paper is on the characteristics of ethical leadership and how this new leadership style may fit in the needs of successful retail leaders in the 21st century. A secondary research was carried out to understand the concept of Ethical Leadership and how its implementation has significantly affected different organisations in a positive ways.

Characteristics identified by this study relate closely to those of ethical leadership. This paper presents a model in which we have tried to explain how an ethical leader can help sales people deal with situations that are ethically troublesome, consequently, leading to retention.

Introduction

India is receiving considerable attention from foreign retailers looking to globalize their operations. This trend is likely to continue as experts are predicting strong growth in the Indian economy, including growth among retailers (Cushman and Wakefield, 2013).

India is one of the largest retail destinations globally with a size of US\$450 billion and is growing at 7% per annum, contributing 14% to the national GDP. Global Retail Development Index, 2013 (GRDI) has ranked India as the 14th (as compared to 4th in 2011) most attractive nation for retail investment among 30 emerging markets. The factors contributing to this major slip in ranking are increased real state cost, wrap government policies, insufficient skilled labour, huge economic and political risk, corruption etc. The sector employs 7% of the total workforce and is the second largest employer after agriculture increasingly providing employment opportunities within the country. The retail market in India is highly unorganized with only 15% contribution of organized retail.

Human resource practice in retailing is a widely discussed topic and has become a strategic part in retailing. The concept of HRM in retailing is similar to those of normal HR practices like training and development, recruitment and selection, compensation etc. Employees are the assets of retail organisations as they directly interact with the customers and thus are the face of an organisation.

Being a major contributor to the employment sector, the retail industry on the other hand is facing challenges in retaining key employees. The Deloitte report (2013) states that the retail attrition is as high as 15%. Reasons attributing to this are, retail job is not seen as one which provides future career options, the job is physically exacting and emotionally draining, one which does not offer attractive compensation, paucity of skilled manpower, etc. Apart from the rough and tumble nature of the job the ethical dilemma at work place further aggravates the problem of employee retention. Since the cost associated with turnover is relatively high, companies can't afford to lose their skilled employees continuously.

To keep employees motivated to perform at their best levels of productivity and excellence is a critical challenge for retail industry managers. The practical tools can help retail leaders manage the motivation level of employees and keep them highly engaged in contributing to the success of the organization. Amartya Sen, has remarked that employees contribution play a major role in proper functioning of the economy, therefore a company's first priority should be employee's well being. Amartya Sen (1991) has further remarked that, what happens in an economy depends on what people in that economy choose to do, and what they choose to do is naturally influenced by their moral values and ethical believes.

We have developed a model by taking ethical leadership as a new approach to address the ethical dilemmas and have explained its role in employee retention. The model is in support of salesperson dilemma as they often encounter situations which are ethically troublesome (Levy and Dubinsky, 1983)

Purpose of the study

The purpose of this paper is to study the relevance of ethical leadership in retail and to determine its importance in addressing ethical dilemmas at work place which in turn would support employee retention. An attempt has been made to establish a relationship between these three by developing a model in order to meet the following objective:

- To understand how integrating the concept of ethical leadership can be helpful in ethical decision making and addressing HRM issues (talent retention) in Indian Retail Industry.

Selected review of ethical leadership and ethics in retail

Different leadership styles and theories have been integrated with management science. Its relevance in this field has been implemented by scholars, academicians, or organisations etc. Whereas, of late ethical leadership has been explored sporadically as part of modern management science, but found its highest levels of acceptance since Bill George's 2003 book, *Authentic Leadership*. Gradually, the concept of AL became a much discussed topic in research.

Ethical leadership right from its inception has been associated with ethical decision making and its positive effect on followers. Ethicality in leadership could be described as being true to yourself; of being the person that you are rather than developing an image or persona of a leader (George, 2003). Ethical leadership is to tackle the ethical crises in corporations. It is to be able to judge what is right and wrong (Gardner et al., 2005; Peterson et al., 2012), it does not allow employees to compromise on ethical standard and help battle corporate scandals and management malfeasance (Cooper et al., 2005) encourage ethical environment (Gardner et al., 2005) and aid to conduct business in an ethical and socially responsible manner (May et al., 2003). Ethical leadership also plays a major role in an individual ethical decision-making. And specifically, ethical leadership significantly inhibited individuals' from making unethical decisions (George, 2003; Hannah et al., 2011) and is an approach to leadership that emphasizes building the leader's legitimacy through honest relationships with followers which value their input and are built on an ethical foundation. Shamir and Eilam (2005) highlighted that ethical leadership need not include moral component which was contradicted by Gardner et al. (2005) who in their study supported that a leader can truly exhibit the other components of the construct – self-awareness, relational transparency, and balanced processing – without the moral maturity associated with a positive personal value system. Brown and Mitchell (2010) proposed that because of its “strong emphasis on the ethical dimension of leaders, future research linking ethical leadership to important ethics-related outcomes is promising”.

Some research, though limited have supported ethical leadership and its positive association with psychological capital (Luthans and Avolio, 2003; Rego et al., 2014). Some have shown ethical leadership's positive association with job satisfaction and positive organizational behaviour (Yammarino et al., 2008). Brown and Mitchell (2010) proposed that because of its “strong emphasis on the ethical dimension of leaders, future research linking ethical leadership to important ethics-related outcomes is promising”. Ethics play a vital role in ethical leadership, from literature it is evident that an ethical leader's attitude defines how ethics is closely related to his beliefs and values. The negative social pressure cropping up in organisations can be tackled once encountered with the moral foundation of an ethical leader (Bass and Steidlmeier, 1999).

Therefore, we define ethical leader as one who is self-aware, genuine, mission driven, and who focuses on long term results, has a leadership style which encourages ethical conduct, moral values in followers by building a strong foundation of creativity, innovation and positive behaviour.

Ethics in retail work place

Many companies now routinely engage in corporate social responsibility and have started investing in employee well being as retention has become one of the major challenge.

Retail ethics has not gained momentum in research especially when it comes of dealing with ethical dilemmas at workplace. Earlier studies have focused on unethical issues in pricing, promotion, immoral conduct of suppliers but have often ignored the ethically troublesome situations which employees frequently encounter. However, Sarma (2007) has discussed salesperson perception of moral behaviour towards customers and Pettijohn et al. (2007) did a significant study on salesperson perception of ethical behaviour and relationships existing between these perceptions and the sale force's job satisfaction and turnover intentions.

While reviewing articles and papers on ethical dilemmas at workplace, it was found that employee discrimination (Trevino and Nelson, 1995), role of immediate supervisors (Dubinsky and Levy, 1985), gender discrimination (Abrams, 1989; Wiley, 1998), sexual harassment (Wiley 1998; Baugh, 1997; Stanko and Schneider, 1999), employee receiving unfair workload, pressure to meet impractical business objectives (American Management Association, 2006) and code of ethics (Adams et al., 2001) not properly formulated, are some of the factors which compel employees to compromise on ethical standards. McLaren (2000) stated that Individual factors such as- gender, age, education and training, personal values and ethical perspective leads to unethical behaviour. (Fritzsche, 1987; Abratt and Penman, 2002) on the other hand argued that organizational factors such as, selling role and organizational offering, job tenure and professional

background, income and competition, supervision discipline, reward and punishment leads to immoral conduct.

Ethics in retailing pose certain significant issues that are difficult to tackle. Lack of formal code of conduct drives retailers to use certain ethical standards that guide decision making when confronting ethically troublesome situations that may not be covered by law (Sarma, 2007)

Ethical leadership, ethics and employee retention

Leadership by all standards is one of the most familiar topics or skills for mankind, its importance in retail is significant as practically leadership is a frequently encountered (i.e. in shop floors, in managing a work a project or in normal work) phenomenon in retailing but due to constant failure in its execution, a 'responsible leader' is what this industry needs (Doh and Stumpf, 2005). Since retail work environment is characterised by, long working hours, pressure to meet sales objectives, handling different tasks at a time therefore, leadership matters and it is very important to the fulfilment of goals or for reaching a desirable state of affairs.

The relationship between ethical leadership, ethics and employee retention in context of retail is critical as the concept of Ethical Leadership has never been associated with retail. Ethical leadership is strongly associated with ethical leadership and that is why its concept was chosen for this study.

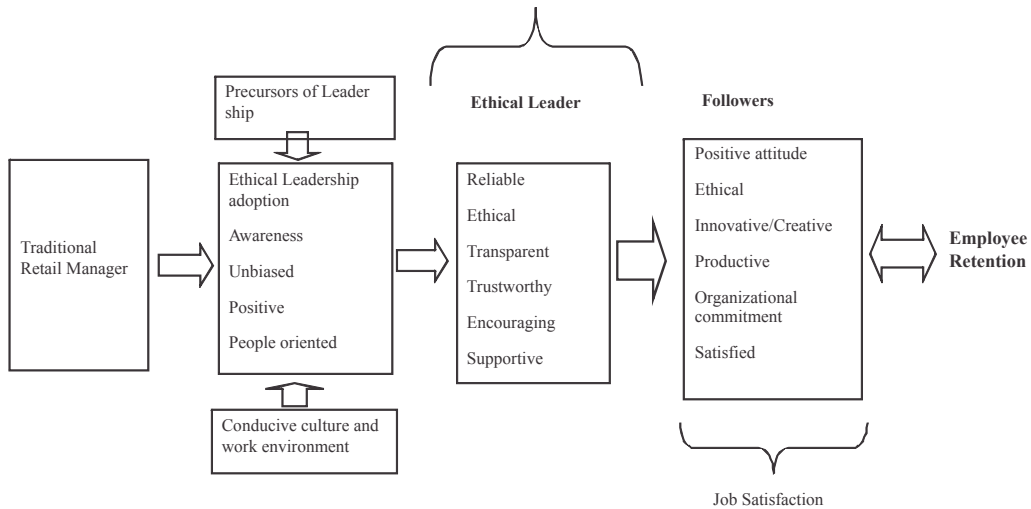
Ethical leadership and talent retention in retail

Talent retention is an essential element for achieving competitive success. As mentioned above talent retention is one of the major challenges of retail industry as a sudden undesired turnover is negatively impacting on an organization's profitability and survival (Cascio, 2000). Without Ethical leadership devoted to a business strategy which addresses the development of an ethical environment, talent and its retention, the long-term viability of a firm is questionable. While talent retention is viewed as a critical element of a firm's business strategy with employees being a key set of stakeholders, the specific practices that result in retaining the more effective employees, particularly young professionals and new managers, remain elusive for many retail companies. With Indian retail market being a prime example of employee attrition, this challenge is more acute than in emerging economies. As Indian based retail companies grow and foreign players continue to enter, expand in the market and hire professionals in India, often managing on outsourcing opportunities, lowering down the labor costs, and relatively hiring high skilled employees, at the same time controlling high levels of turnover impedes opportunities for further growth. It takes responsible leadership to build and sustain businesses that benefit multiple stakeholders, and foremost among these

stakeholders are employees. If employees do not perceive the company as exhibiting a true leadership, their pride, motivation and satisfaction with the organization are likely to reduce relative to the time at which they were hired.

Ethical leadership includes two critical components (i) ethical decision making, (ii) followers based leadership. Therefore, we have conceptualized ethical leadership in the context of talent retention to reflect the elements of ethical climate in an organisation.

The model explains the transformation of a traditional retail manager into an ethical leader. A traditional retail manager is expected to direct day to day activities to followers, train them, mentor them to meet their career goals, assist them to meet business objectives etc. However, current managerial activities don't seem to deliver expected results especially in retaining the key employees. As literature support's, that an ethical leader is one who is genuine, mission driven, ethical, always have a positive association with its followers, enables moral thinking in them and thus the antecedents of an ethical leader leads to a formation of a strong culture that felicitates a positive environment in an organisation consequently leading to job satisfaction (Azanza et al., 2013), creativity (Rego et al, 2014), innovation (Muceldilli et al., 2013), high productivity among the sales person finally contributes in reducing the turnover and increases retention.



(Source: Author's compilation)

Conclusion and scope for future research

This study offers importance of a leadership style and the significance of its structural components in retail industry through a model. A new approach of leadership is important in retail sector as its collective action is essential in gaining competitive advantage. There is a

considerable research opportunity relating to the implementation of ethical leadership in Indian retail industry to reduce the overall manpower imbalances like demand-supply mismatch (talent), labour cost, attrition rate, unethical practices. Furthermore, this study can be quantified by conducting an empirical test, the association between variables through a quantitative study can reveal a significant relationship, so that clear contours can be drawn and exact picture stands clearly revealed.

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Links

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<http://www.forbes.com/sites/kevinkruse/2013/05/12/what-is-ethical-leadership>