

Business Ethics in Practice

Case Examples from German Organisations

Edited by

**Marion Kahrens, Sarah C. Weyers, Philipa O.W.
Biritwum**

Business Ethics in Practice: Case Examples from German Organisations

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Notes on Contributors

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Richard Bills has been Director (Principal) of the German-British Chamber of Industry and Commerce (AHK) Business School, the European College of Business and Management, based in London, from 2004 to 2024. Having studied at the London School of Economics, the University of Kent at Canterbury and Leicester University, he has also taught on Postgraduate programmes for Liverpool John Moores University and the University of South Wales, specialising in Human Resource Management and the European Business Environment. He has taught on Undergraduate and Postgraduate programmes in the UK, Germany and across Europe, and has also served as a practitioner member of the Economic and Social Research Council's (ESRC) Peer Review College.

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Juliane Rakers studied languages and management in Germany before embarking on an international career in Brussels in 2011, working as an Accredited Parliamentary Assistant to a Delegation Chairman in the European Parliament. While working full-time, she earned her Bachelor of Arts, laying the foundation for her academic pursuits. Promoted to Chief of Staff, she later completed a Master of Science in International Business and Management, focusing on gender and leadership, particularly the barriers women face. In 2019, she relocated to Berlin to further advance her career, where she is working as an Executive Assistant for senior leadership in the tech sector, specializing in strategic management. Simultaneously, she is pursuing a doctorate at Liverpool John Moores University, continuing her research on gender and leadership.

Jeannine Schell is a regional manager aftersales in the German automotive industry with broad experience covering the areas of marketing, distribution, sales, dealer network development and the aftermarket. She has an MBA from Liverpool John Moores University. In her master's

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Laura Schellen is a passionate account manager for staff travel solutions for airlines and airline-related businesses located around the world. Before that, she worked as a project manager for digital solutions. In her working environment, she has realised that colleagues often struggle with technological advancements. Thus, it was important for her to find out how leadership can increase employee resilience to tackle the challenges of digital transformation that are more and more emerging. This is also her main focus in academic research.

Celine Schopp is a Multilingual Assistant at a German State University. Her main responsibilities are the correspondence with colleagues and business partners and is the contact person for students regarding all administrative issues. Moreover, she initiates the employment process of national and foreign employees and doctoral students. She has an M.Sc. in International Business and Management from Liverpool John Moores University, and a BA in Business Studies from the University of South Wales. Prior to this, she obtained a degree as Multilingual Management Assistant which underlines her passion for foreign languages and cultures. Her main research topic is gender management with a special focus on higher education.

Jagoda K. Schulze is the Assistant to the Chief Digital Officer in the Employee Experience field with over 20 years of professional experience. She holds a bachelor's degree in Business Management from the University of South Wales in the United Kingdom. Throughout her career, she has held various positions, always striving to improve and excel in her work. Her main responsibilities include supporting the Chief Digital Officer through research, strategic planning, and administrative support. She is deeply committed to lifelong learning, continuously seeking opportunities to enhance her skills and knowledge. Her primary areas of interest include Transformation and Change Management, Business Ethics, and Sustainability.

Ornella Sonderegger, a graduate of the European College of Business and Management in London, is a strategic leader in the field of advertising. She has earned an M.Sc. from Liverpool John Moores University and a BA in Fashion Management and Communication from the University of South Wales. With another BA in Translation Studies, Ornella underlined her passion for foreign cultures and has proven to be a language aficionado. Outside of academia, she is an expert in creative social media strategies, leading, as a department head, a team of creatives who, together excel in crafting advertising strategies for renowned clients of different industries and scales. Her interest in employee well-being derives from her experience working in a start-up where she positively impacted the work climate through her thorough research.

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Katharina Vinson is an accomplished professional with extensive expertise in European parliamentary procedures, international trade, and public relations. Her impressive career is marked by her proven project management abilities, strategic communication skills, and exceptional research proficiency. Her passion for research drives her to delve deeply into content-focused topics within European Institutions and beyond, with a particular interest in the dynamics of women in business and their career trajectories, particularly the glass cliff phenomenon. Known for her ambition and capacity to learn swiftly, she continually seeks to enhance her knowledge and skills, aiming to contribute meaningfully to the field.

Sarah C. Weyers is a lecturer and researcher at the European College of Business and Management in London, and Liverpool John Moores University. Her main research focus is ethics and sustainability and

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Preface

Richard Bills

De George (2012) splits the notion of business ethics into three distinct strands: the concept of applying ethical norms to business, the development of an academic field and lastly the adoption of ethics in businesses. That's a good place to start. It is this second strand, the development of an academic field, that is most pertinent here. Academic research is fundamentally important. Research helps us explore, critique and develop nuanced responses to matters that affect us all in the real world, and makes a contribution to the debates that can lead to change.

Business ethics, as a discipline, has to be academically critical, especially in a world where criticality is at a premium, where mega-corporations profess that their mission is '*Don't do Evil*' and almost every major business has a corporate ethics statement on their website. In a world where business is otherwise left to define itself to its customers, the critical light that the academic study of business ethics can shine on the reality of practice is of immense importance.

This is also a dynamic theme of study and is very much about the study of the evolution of human values, behaviour and the consequences of that behaviour. In the 1970s and 80s, the focus was on the scandals, corruption and the identity crisis of modern capitalism. Then came the debate on climate change and the environmental impact of business, the globalised world of the new millennium and the consequences of mega-industries that respond to ever increasing consumer demand with practices that can be detrimental to those very consumers.

However, in academia and business, this was a relatively ignored field until the mid-1970s (see Bok (1976) '*Can Ethics Be Taught*'). Business ethics has gained more than a foothold within the modern academic curriculum since that time, but it still does not attract the attention it deserves as a centrally

important theme of business studies, despite a wealth of literature on both the philosophical and social-scientific elements of the subject.

At the European College of Business and Management (ECBM), when we began developing our own Higher Education programmes in the early 2000s, we immediately made this subject area part of our Postgraduate and Undergraduate programmes in conjunction with our university partners. We believed that this was a centrally relevant focus in the study of business, and we remain convinced of this fact.

ECBM has charitable and not-for-profit aims. You could describe it as a mission. There is no imperative for growth, simply to serve our beneficiaries and provide as good a service as we possibly can. In doing so, ECBM has provided a route to Higher Education and employability for over 30,000 students up to the present day, giving young (and not so young) people opportunities that they would not otherwise be able to afford or access through normal means. Studying business ethics fits very well with our mission, and we would like to think that it is central to what we do and what we are. *'Walking the walk'*, as they say, as well as *'talking the talk'*.

The authors and contributors of this book are all connected in some way to the European College of Business and Management. Dr Marion Kahrens is the principal editor and advisor/co-author of ten of the fifteen themes addressed in this publication, and she has been the driving force behind the project. Marion has been a tremendously dedicated teacher and mentor to innumerable Postgraduate students at ECBM and at other Universities in Germany, and her guidance and expertise is clearly demonstrated in this work.

She has been ably supported in her efforts by Sarah Weyers and Philipa Biritwum, as section editors. As you can read in her own profile further on in this edition, Sarah has a strong background not only as an academic teacher but also as an entrepreneur in her own right, with experience of working across the media, charity and for-profit sectors. Philipa also has a wide professional background stretching across a variety of business sectors, and she specialises in advising and mentoring both experienced

and aspiring leaders. It is this combination of academic talent and real-world experience which makes the authors of this book stand out and their insight even more valuable and noteworthy.

I would also like to take this opportunity to thank and praise the contributions of the contributors of the chapters in this book. They are all experienced and dynamic individuals who have studied with us whilst following varied and highly successful careers across a wide range of business fields. From graphic design and content creation, to engineering, retail distribution and logistics, our authors bring different perspectives as well as academic knowledge. We start with chapters by Philipa Biritwum and Laura Schellen, Ornella Sonderegger, Titi Oguns and Claire Berry, along with guest contributor and doctoral researcher Xu Kang, who cover the important aspects of business ethics from the perspective of *Human Resources and employee well-being*.

The consequences of meeting consumer demand across a range of industries, from fashion to Bitcoin to food processing to absolutely anything in the supply chain that serves the immediate satisfaction of consumer demand, are fruitful areas of critical research. So, the second section of this publication looks at *Consumer facing sustainability* in chapters by Sarah Weyers, Marie Teuber, Mirela Eraslan, Kay Bindel and Jagoda Schulze. These are all experienced practitioners and researchers, and amongst this group are teachers, strategists, consultants and an owner-manager.

The third part of the book focuses on *Gender Management and parity in German organisations*, a specific and highly interesting aspect of business ethics that has sparked the interest of a number of our Postgraduates. Anke Esser, writing on female leadership competencies, is a published author in the international journal *Gender in Management* and has a long-standing interest in this field. Juliane Rakers, drawing on research for her doctoral studies, contributes a chapter on the barriers to female leadership, and is joined by Jeannine Schell, Katharina Vinson and Celine Schopp, whose employment experience stretches from the car manufacturing sector to working for the European Parliament.

This is a very talented group of individuals who have made purposeful and thought-provoking contributions to this important publication.

The breadth of experience of our authors shows that the field of business ethics has something to say to every branch of business, from the Accountant, the HR professional, the Operations Manager, the Lawyer and the Marketing expert and beyond. Studying any of the fundamental core topics of business cannot avoid interfacing with the ideas discussed in business ethics. It is a centrally, possibly uniquely, important academic theme that crosses academic boundaries.

The academic study of business ethics offers a light that can illuminate the path to change, and contributes to the trends in public opinion that influence powerful actors. This publication contributes to the conversation, provides practical relevance and should be read by anyone who wishes to make that change a reality.

Richard Bills

Director of the European College of Business and Management (2004-2024)

Part I

Ethical leadership and employee well-being

Philipa O.W. Biritwum

Introductory remarks

Ethical leadership is recognised worldwide as a key component of employee well-being and nurturing a healthy organisational culture. Ethical leaders are characterised by their commitment to transparency, integrity, and fairness, which are essential in creating a positive work environment. Research shows that ethical leadership behaviour not only increases employee satisfaction and engagement, but also helps to minimise organisational misconduct and improve overall organisational performance (Brown and Treviño, 2006). By following the example of ethical leaders, employees are more likely to feel motivated to act in line with organisational values, which stimulates the team's collective well-being and adherence to ethical standards (Kalshoven et al., 2011).

In Germany, ethical leadership is increasingly recognised as a crucial factor for employee well-being. Scholars show that ethical leaders can directly influence the work climate and mental health of their teams through their behaviour and decisions (Eisenbeiß and Brodbeck, 2014). Especially in a cultural context where consensus and quality are valued, the leader's role model function plays a crucial role. Leaders who uphold integrity, transparency and fairness help to gain the trust of their employees and create a culture of support, which is essential for employee well-being (Schyns and Schilling, 2013). In addition, research has found that there is a strong correlation between ethical leadership and lower burnout rates in German companies, underscoring the importance of ethical practices and their influence on employee resilience and satisfaction (Steinmann et al., 2016).

Chapter 1, **Ethical leadership and employee resilience**, examines, in line with Brown and Treviño (2006) the impact of ethical leadership on employee resilience, particularly in the context of German organisations experiencing complex challenges. Similar to the findings of Luthans (2002), it is argued that by promoting transparency, integrity, and trust, ethical leaders not only improve employee performance but also strengthen their ability to adapt to change and develop resilience.

Chapter 2, **Sustainable leadership to support well-being and burnout prevention in German start-ups**, focuses on the challenges faced by leaders in start-ups, particularly in economically and socially uncertain times, following Segal (2022) and Nicol-Schwarz (2022). It examines the role of sustainable leadership in promoting employee well-being and preventing burnout. Following Moriano et al. (2021), the chapter analyses the relationship between leadership styles, employee satisfaction, and organisational effectiveness using the Job Demands-Resources model.

Chapter 3, **Mobbing in the German Workplace**¹, addresses workplace bullying in Germany and its impact on employees and organisations. Drawing on research by Branch et al. (2013) and Awang et al. (2014), the chapter examines strategies to combat bullying, particularly in multicultural work environments, and the role of ethical leadership in creating an inclusive and respectful work culture.

The penultimate chapter 4, Chapter 4, **Psychological contracts in ameliorating retention within precarious working conditions**, analyses the role of psychological contracts in improving employee retention in precarious working conditions in the education sector. Similar to the findings of Gunn et al. (2021), and Allan, Autin, and Wilkins-Yel (2021), the chapter examines how freelance language teachers in Germany can be motivated and retained by their language schools by building trust and fair treatment practices, despite the challenges posed by flexible and often insecure employment relationships.

¹ In Germany, bullying in the workplace is referred to as ‘*mobbing*.’ The term is derived from the English verb ‘*to mob*’ or ‘*to attack*’ (Fischinger, 2011).

The last chapter, **Managing labour relations ethically in a German multinational corporation in China's authoritarian context**, is devoted to the ethical management of industrial relations in a German multinational corporation in the authoritarian context of China. In line with Bartram et al. (2015), and Walter (2021), the chapter examines the specific challenges that German companies face due to China's political system and how these companies can act ethically to meet both local and international standards.

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Chapter 1

Ethical leadership as a catalyst for employee resilience

Laura Schellen and Philipa O.W. Biritwum

Introduction

In today's dynamic business world, ethical leadership is seen as morally crucial, and a compelling component that influences the business (Brown and Treviño, 2006). Ethical leadership is becoming increasingly important as it impacts organisational culture and employee performance. Ethical leaders should promote transparency in the organisation, maintain integrity, and create an environment of trust and respect in the workplace (Mostafa, Farley, and Zaharie, 2020).

Luthans (2002) already implied that employee resilience, defined as the ability to endure and adapt to challenges and changes, is critical for leaders and organisations in today's fast-paced business world. In Germany, companies face a unique blend of traditional business practices intertwined with modern challenges that do not leave the economy unaffected. Current challenges include mental health issues, rapid technological advancement, evolving global markets, changing legal frameworks and political divergence (Munyati and Mutsau, 2020). These complex interrelationships require leaders who, in addition to strategic decision-making skills, demonstrate ethically impeccable behaviour. Practical experiences show that ethical leadership can have an impact on employees' resilience in an organisation, if leaders are well trained, so that the application of the leadership style is cultivated (Brown and Treviño, 2006).

This book chapter examines the profound impact of ethical leadership on employee resilience, especially in the context of German organisations that have been facing complex changes for years. Therefore, various leadership

theories are reviewed, focusing on ethical and transformational leadership styles and the integration of leadership training programmes with the aim of creating a solid ethical framework in the work environment to foster resilience.

To explore how leadership can strengthen the resilience of employees' to be prepared for the future, a case study of '*AviationInnovators*', a medium-sized company providing ICT solutions for airlines, is used. In addition to analysing how the needs of employees can be better met, the chapter also aims to derive best practices for leadership training programmes using the example of '*Amalead-Training*', a training and services consultancy.

Theoretical background

Ethical leadership in German organisations

Theories of leadership

According to Kets de Vries (1994), leadership consists of interactions between the leader and the followers corresponding to events. This contrasts with Northouse (2007), who describes leadership as a process by which a person influences a group to realise a shared goal. Despite that, the most recent studies summarise leadership as an underlying process that arises from interactions between leaders and followers (Gosling, Jones, and Sutherland, 2012). Scientists have shifted their focus from analysing personal traits to a behavioural approach and emphasise the mutually beneficial relationship between the leader and followers (Bolden, 2011). Specifically, the leader-member exchange theory underlines the individual exchange relationship between the supervisor and employee.

The leader-member exchange theory is based on a non-finite exchange of transactions the leader and the member contribute to and benefit from (Kamar and Van Dyne, 2007). Furthermore, a relationship between both is unique, because leaders treat everyone differently (Kang and Stewart, 2007).

In the context of leader-member exchange, various authors define five variables to assess the quality:

- **Affect:** The mutual attitude of affection describes the interpersonal relationship. High-quality exchange relationships with long-term transformational exchanges lead to trust, respectful behaviour, endorsement, sympathy, and fellowship (Kuntz, Mailmen, and Näswall, 2017).
- **Loyalty:** One aspect of loyalty is the support. Leaders in a high-quality leader-member exchange relationship target goals that promote the employee's positive evaluation of situations which impacts the employee and their resilience (Zhu, Zhang, and Shen, 2019).
- **Contribution:** Leaders can assess employee performance based on delegated responsibilities, which contribute to common goals.
- **Professional respect:** Liden and Maslin (1998) define the perception of expert power and the reputation built as professional respect. Thus, the consideration of an individual's input in the decision-making process can develop a positive relationship.
- **Openness and honesty:** Members with a good relationship with leaders get better access to job-relevant information, and open and honest communication. The availability of appropriate information includes clarity about the company's objectives, and leader's measures and directions (Kakkar, 2019).

In summary, in high leader-member exchange relationships, leaders support, trust, and provide clarity to their employees, which makes situations appear in a more positive light.

In addition to this, theories of ethical leadership emphasise equality, responsibility, and respect for individuals and teams in an organisation highlighting the moral obligations of leaders to their stakeholders. According to Northouse (2018), ethical leadership theories aim to cultivate an organisational culture where ethical behaviour is not only valued and rewarded, but seamlessly integrated into daily organisational practices. The causal interaction of ethical theories in leadership requires a general understanding of the various leadership styles that exist.

Leadership styles

In recent decades, researchers have examined the leader-member exchange relationship with focus on leadership styles such as authentic, participative, transactional, or transformational, empowering, and ethical leadership, just to name a few.

(1) Transformational leadership style

The transformational leadership style was developed by Burns (1978) and the concept is based on inspiring leaders of followers by boosting their motivation and engagement. Bass (1999) underlines that the transformational leadership style significantly enhances the effectiveness of leadership. Four major facets define transformational leadership (Bass and Riggio, 2008; Bass and Avolio, 1990):

- **Idealised influence:** Leaders act as role models with values, genuine concern, support for their employees and demonstrate a compelling future, by setting high performance standards and achievement objectives.
- **Inspirational motivation:** The employees' motivation is affected by an inspiring visionary transformational leader and clear communication of expectations motivate them to commit to the company's objectives.
- **Intellectual stimulation:** Transformational leaders encourage their employees to critically thinking and to find new and creative solutions. It enables innovation and productivity.
- **Individualised consideration:** Transformational leaders underline the individual consideration of every follower to foster personal development.

Even though the transformational leadership style has many positive aspects, Bass and Avolio (1990) also conceptualised *pseudo-transformational leadership*. Those leaders do not seek to elevate their employees, rather, they display selfish, manipulative, and self-promoting motives through their actions (Bass and Riggio, 2008).

(2) Ethical leadership style

Ethical leadership is characterised by a high standard of leadership behaviour that promotes a culture of integrity, leads to fair and equitable business practices and strengthens the sense of responsibility of all members of an organisation.

Brown, Treviño and Harrison (2005), highlight several key components of ethical leadership including:

- **Role modelling through visible action:** Leaders exemplify the behaviour they expect from their team members. With that behaviour, they actively participate and contribute to the organisation's ethical culture.
- **Normative behaviour:** The standards of appropriate behaviour, that align with the organisation's ethical values are established and demonstrated by leaders.
- **Ethical communication:** Leaders promote an open and transparent environment, in which ethical issues can be discussed freely and without fear of consequences.
- **Reinforcement of ethical practices:** Leaders recognise and reward ethical behaviour and punish unethical actions to reinforce the importance of ethics in the organisation.

The impact of such an ethical leader extends beyond mere adherence to ethical standards; it fosters an environment where employees feel valued and respected, which is essential for building resilience.

As previously mentioned, Bass (1999) defines a transformational leader as someone who idealises, inspires, intellectually stimulates, and thinks individually to encourage followers to set their own interests aside for the good of the organisation. There is considerable overlap with ethical leadership, particularly in the way leaders inspire and motivate their employees (Brown and Treviño, 2006).

Both leadership styles emphasise the importance of values and idealising influence, but ethical leadership focuses particularly on moral management. Transformational leaders can be ethical when they

incorporate ethics into their leadership vision, promote awareness of ethical issues and enforce ethical behaviour, leading to higher levels of employee engagement and resilience (Zhu et al., 2015).

Cultural and business context in Germany

In Germany, the cultural and economic landscape forms the basis, that emphasises the crucial importance of ethical leadership (Kulich and Lorenzi-Cold, 2015). German corporate culture has traditionally emphasised structure, confidentiality and precision, however, with rapid global change and technological advancement, there is an urgent need for leaders who can manage these changes in an ethical manner. These changes and advancements impact on the traditional structures creating an urgent need for ethical adaption (Birkinshaw and Gibson, 2004).

Ethical leadership is seen in Germany as a mean of fostering a work environment in which employees are not only resilient, but also deeply aligned with the core values and goals of their organisation. Consistent with Weiss and Steiner (2018), such alignment is critical in a rapidly changing business environment and ensures that all members of the organisation work cohesively toward common goals under the guidance of ethical principles.

Employee resilience

Definition of resilience

Bonanno (2004) explains that resilience is the cognitive answer to significant adversity that calls for a positive adaption without losing focus on normal functioning. Luthans et al. (2005) state that resilience is not only positive reinforcement of adversity, but also about coping of difficult events, while Fletcher and Sarkar (2013) assume that resilience affects how a situation is evaluated, while coping is about the strategies applied after the evaluation of a stressful event.

In the following, the underlying definition of employee resilience is the capability of employees to actively react, adjust and evolve to challenges,