Ethical Decision-making as an Indicator of Leadership Styles in Hospitality Management – An Empirical Investigation

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Submitted in fulfilment of requirements for the degree of
Master of Business (Research)

February 2006

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DECLARATION OF AUTHENTICITY

I, Dean Minett, declare that the Master of Business by Research thesis entitled

'*Ethical Decision-making as an Indicator of Leadership Styles in Hospitality*

Management – An Empirical Investigation' is no more than 60,000 words in length,

exclusive of tables, figures, appendices, references and footnotes. This thesis contains

no material that has been submitted previously, in whole or in part, for the award of

any other academic degree or diploma. Except where otherwise indicated, this thesis

is my own work.

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ACKNOWLEDGMENTS

ABSTRACT

The issue of corporate social responsibility and its benefits has been discussed at length in both industry and academia. Much of the discussion has focused on what actually constitutes social responsibility and, given the nature of directors' responsibilities, whether or not corporations should be held accountable for the implementation of social policies that may or may not benefit direct shareholders.

What is often missed in these discussions is that, irrespective of the company direction, decisions are made by individuals within that organisation and therefore the issue of individual ethics is brought into play.

Replicating a study by Girodo (1998) with police managers, this thesis examines the ways in which hospitality leaders in Australia seek to influence others in the workplace. One hundred and thirty three managers of hotels rated as three, four or five stars according to the Australian Automobile Association participated in this study, of which 91 provided answers to all questions. Factor analysis, MANOVA of factor scores across groups and *t* tests were used to identify differences across and amongst the groups to derive the results.

The results indicate that the prevailing leadership styles in Australia are a blend of Machiavellian (manipulative) and Bureaucratic styles and that variance in this choice correlates with the age of the respondent. That is, the older the manager, the less Machiavellian or Bureaucratic they become.

Based on the relationships explored by Hitt (1990), these leadership styles indicate that older managers are less inclined to use a utilitarian or rule-based ethical decision-making style, and more inclined to embrace a social contract or personalistic ethic

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approach. This is in line with general moral development theories that suggest we embrace more enlightened morals as we age.

The difference in the use of various decision-making styles appears to correspond closely to generational differences; there is evidence that different styles are used by Baby Boomers, Generation X and Generation Y leaders. This finding warrants a closer review as it indicates that Generation Y leaders, in particular, are quite different in their expectations of their roles in work and, in fact, will make quicker decisions to move jobs if they feel they are not recognised or rewarded appropriately. Their application of ethics is also quite different to Baby Boomers in that they apply far greater weight to the here and now, and to the majority, than to the future or the individual needs of others.

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CHAPTER 1

INTRODUCTION

> Desires, emotions, passions (you can choose whichever word you
> will) are the only possible causes of action. Reason is not a cause of
> action but only a regulator. (Russell 1963, p. 8)

Recent events in the world of commerce—including the collapse of multinational companies, shareholder anger at large executive payouts, and general unhappiness with corporate performance—have suggested that there may be room for a change in attitudes towards corporate governance and social responsibility across most industries, including hospitality. Haywood (1992) states that ethical issues and manager morality are linked to, and shaped by, the values of executives and the organisation. If the definition of professionalism is to be changed therefore, it can only be achieved through the adoption of a value system that focuses on more than just financial performance as a corporate objective. As used by Haywood, for the purpose of this study, the terms 'moral' and 'ethical' will be used interchangeably.

At both an undergraduate and postgraduate level, educators such as Jaszay (2002), Jaszay and Dunk (2006), Purcell (1977), and Yaman (2003) have identified ethical issues and social responsibility as worthy of further discussion. Yet Margolis, Walsh and Weber (2003) are quoted in Salls (2004) as finding that the amount of research on the non-economic impact of organisations on human welfare had declined up to 2001. In the broader business community, the issue of corporate social responsibility has also become an important part of business education. This has encouraged extensive discourse throughout the business community on both management and investment practices, with authors/researchers [see for example Klein (2002), Post, Frederick, Lawrence and Weber (1996); Wainwright (2002)] generating texts on the subject.

These discussions have not been performed independently of each other however, with several studies such as those by Fritzsche and Becker (1984) and Premeaux and Mondy (1993) considering the link between management behaviour and ethical philosophy. Although research considering the relationship between hospitality ethics and leadership per se is scant, earlier studies, including those of Freedman (1990) and Stevens (2001) have largely focused on attitudes towards ethical scenarios, rather than analysing their use and impact within a leadership situation.

Whitney (1989, 1990, 1992), Premeaux, et al. (1993), and Damitio and Schmidgall (1993) are amongst the few researchers to look at ethical responses of hotel managers to selected scenarios and how these might affect decision-making, although their work has largely been ignored. Whilst Hall (1992) added to this area with his book of readings, later researchers have largely overlooked this work, possibly due to the lack of academic rigour used.

Haywood (1992) suggests that a coercion and control problem might arise when some external force (such as head office or a major customer) attempts to compel a manager to make a specific decision using threats, extortion, or other sources of power. The subsequent impact on managers ranges from indifference to internal conflict and stress, all of which may have an important effect on the ongoing performance of both the manager and the business.

Having worked within the hospitality industry as a Hotel General Manager since 1983, the author is aware that corporate policies, which overly emphasise organisational efficiency factors such as profits, competitiveness, and cost saving, often force managers into ethically questionable positions. Some management authorities, such as Porter (1990), suggest that economic success is incontrovertibly

linked to particular management approaches, yet Wright and Hart (1998) challenge the primacy of 'managerialism' (the belief that the supreme moral obligation of the individual is to conform himself or herself to the demands of the leadership of the organisation) and suggest some answers regarding what the most appropriate management value system for commerce may be in the increasingly complex global marketplace.

One of the difficulties facing the hospitality industry was noted by Whitney (1990) who identified that 'no-one has yet identified categories or provided a model to measure and describe the philosophical bases for managerial decision-making in practical terms' (p. 61). Fort (1996) suggests that this type of investigation has no value until one examines why a person would want to be ethical in the first place. Whilst Fort acknowledges that there are some arguments for economic benefits flowing from ethical management, he argues that the reasons why a person will be ethical will ultimately depend on what motivates them personally.

As a starting point therefore, this study will identify the prevailing leadership styles and concomitant ethical decision-making styles of hotel managers in Australia, as well as attempt to draw parallels between these styles and the environments in which they are applied.

Topics to be Covered

In order to answer the question of which ethical decision-making and leadership styles are prevalent in the Australian hotel industry and why this should be reviewed, the following issues will be explored in the literature review:

- The characteristics of the hospitality industry and managers within it. This area will examine why the hospitality industry is unique from an

historical and managerial perspective, and include: a definition of hospitality that establishes parameters for focus; a review of hospitality in an historical context that establishes a pattern of behaviour and expectations of the host (manager); and a further evaluation of the relationship between hosts and guests to examine ethical obligations.

This section will also consider the importance of leadership in a managerial role, especially as it relates to influence; it will look at education and training as an important factor in defining how managers behave; and finally, this section will review the characteristic of responsibility, including an examination of several key social/economic responsibility theories, including: *The Invisible Hand*; *The Hand of Government*, and *The Hand of Management*.

- Ethical orientation of managers. This section will explore how to define ethics, what systems are most appropriate for management, and how managerial decisions are affected by environmental, individual and corporate influences.
- An encompassing approach to ethics and management. This section will examine the relationship between identified leadership styles, moral development and ethical decision-making.

Contribution to Knowledge

Given a greater emphasis on corporate governance, accountability and transparency in the broader business community, this study will seek to discover whether or not the identified ethical decision-making styles are unique to particular groups of management and if so, what those groupings are. The findings may be used by decision makers in the hospitality industry to predict how managers may apply ethical guidelines in particular situations. Within larger groups, the findings provide a benchmark against which they may plot changes to existing human resource policies, management directives and strategic directions, as they deem appropriate.

It is also hoped that further discussion and study into the situational influences that affect decision-making in the industry may occur as a result of this study.

CHAPTER 2

LITERATURE REVIEW

Defining Hospitality

> The human person needs to live in society. Society is not for him an extraneous addition but a requirement of his nature. Through the exchange with others, mutual service and a dialogue with his brethren, man develops his potential; he thus responds to his vocation. (Catechism of the Catholic Church, as cited in Bernardin, 1996, p. 145)

In an effort to clearly define the relationship between ethics and leadership in the hospitality industry, it is important to consider a definition of hospitality and the hospitality industry to provide a framework in which discussion can take place, as well as to discuss aspects of the industry that make it unique. This framework will also benefit from an exploration of the relationships, responsibilities and managerial characteristics inherent in a hotel environment. This chapter will therefore explore some philosophical definitions of hospitality, as well as review the antecedents of the host and by extension, hospitality.

Considering the purely philosophical approach first, Raffoul (1998) quotes Derrida and Dufourmantelle (1997) in suggesting that hospitality is intimately related to ethics, in that it defines welcoming and receiving as part of the notion of looking after each other, well beyond any commercial aspect. While Derrida has focused on hospitality in a much deeper sense than that considered in this study, as discussed for example by Noys (1997) and Raffoul (1998), his work nonetheless hints that the hospitality industry has a unique bond with an ethic broader than mere commercialism. Perhaps we can read this as suggesting that hospitality requires a broader consideration in addition to profit alone.

To add force to this consideration, Ciborra (1999) puts forward a number of arguments to suggest that, in a modern world of 'mobile, nomadic "hordes" ' (p. 4), hospitality is even more important to bridge gaps between travellers and settlers of cities. He goes on to propose that effective hospitality can, in fact, facilitate changes in relationships from a short-lived contact into a stronger affiliation.

On a more pragmatic note, Whitney (1992) suggests that hospitality connotes welcome, friendship, comfort and gracious service, while others such as Brotherton (1999) and Morrison (2002) have challenged this as the sole definition. In keeping with the earlier quote from Bernardin (1996), the concept of hospitality has been latterly defined by Brotherton and Wood (2000) as comprising 'commercial organisations that specialise in providing accommodation and/or food and/or drink through a voluntary human exchange, which is contemporaneous in nature and undertaken to enhance the mutual well-being of the parties concerned' (p. 143). Whilst this approach has been criticised by others for not including a broader array of activities (such as bingo halls, casinos, retail outlets, etc.) that can be associated with the industry, Brotherton and Wood's definition is appropriate for the majority of hotels in Australia and for the purposes of this study.

In assessing the ethical approach demonstrated by hospitality managers, it is worth considering a further codicil to the definition of voluntary exchange. In her exploration of the impact of rewards on ethical decision-making, Kurland (1995) observes that there are three conditions to voluntary exchange:

1. Both buyer and seller have sufficient knowledge about costs and benefits associated with the transaction;

2. Neither the buyer nor seller are compelled to make the transaction; and

3. Both parties are capable of making rational judgments about the costs and benefits.

To the extent that these conditions do not exist, voluntary exchange does not actually occur. Hospitality then can only be considered a 'bridge to the world' if both sides see the benefit in its construction and implementation.

Hospitality in an Historical Context

As noted by Cicero (1971), if people had not gathered together in the first place, there would be no cities or people to live in them. There would also be no need to create laws and customs or an impartial social system. Indeed, these developments 'gave rise to a spirit of humanity and mutual consideration' and 'by mutual giving and receiving, by placing our resources at one another's disposal, we succeeded in ensuring that all our needs were met' (p. 127).

Given that hospitality revolves to a great degree around accommodation, it is interesting to note the writing of Levinas (1969 as cited in De Visscher 2001), where he suggests that a house 'remains an *imago mundi,* an inexhaustible image of the human world, that cannot be separated from…hospitality, domesticity, comfort and receptivity' (p. 125). As the hospitality industry has been traditionally linked with the provision of a range of facilities and services for travellers while away from home— such as accommodation, food, beverages, and entertainment—none of these services can be provided without an understanding of the roles necessary to facilitate their provision. The following section explores those involved in this provision.

Ciborra (1999) provides several historical definitions of hospitality, with a variety of interpretations incorporating host, guest, friend, enemy, power, owner, lord, stranger, and the rights of foreigners. Etymologically speaking, he defines hospitality as having

to do with identity and the roles played as lord–subject and the foreign visitor; in application, it revolves around commitments to reciprocity and fair exchange. Cavallar (2002) uses Kant's account of international hospitality in suggesting that individuals, and no longer states, are the central normative unit of the global community and therefore his definition of hospitality suggests that a special pact is required between visitors and those being visited which, in a sense, contributes to the evolution of a global commonwealth. In a different vein, it could be suggested that hospitality is dependent on the application of goodwill on behalf of a host, to their guests. Lashley (2000) supports this when he suggests hospitality can be conceived as a set of behaviours that originate with the foundation of society and that 'while later developments may have been concerned with fear and the need to constrain strangers, hospitality primarily involves mutuality and exchange and thereby feelings of altruism and beneficence' (p. 4). To encapsulate this idea, Selwyn (2000) cites Beerbohm (1919), who suggests that mankind has only two classes: hosts and guests.

To underscore the importance of the relationship between host and guest, Selwyn (2000) cites Heal (1990) in noting five underlying principles that governed English hospitality during the seventeenth century, and which may be equally applied today:

- the relationship is grounded in the nature of social life;
- an integral part of being a host is recognising the sacred nature of a guest (for example, acknowledging the status and honour brought to the host by the guest);
- that hospitality is noble;
- that altruistic giving is part of (English) social life; and;
- that the social relationships engendered by hospitality are as important as those formed in general.

Relationship Between Manager/Host and Guest

Raffoul (1998) again summarises Derrida et al. (1997) in suggesting the historical line between host and guest may be indistinguishable. This is further elucidated by Selwyn (2000) when he states that the act of hospitality involves making strangers happy and entertaining them, noting the spiritual benefits to be derived from the provision of hospitality. He goes on to suggest that hospitality serves 'as one means of articulating social structures' (p. 26), whereby societal roles are clearly defined (for example, that of host and guest). Telfer (2000) places a greater responsibility on (commercial) hosts when she states '…in choosing that kind of job they have in fact chosen hospitableness as one way in which they will try to show generosity, kindness and so on, since so much of their life is spent in contexts where hospitableness is called for' (p. 55).

Freedman (1990) suggests that as business activities are conducted amongst people in society, they can be evaluated from a moral or ethical point of view. Whilst Slattery (2002) argues that the commercial aspects of hospitality are the most important, the comments noted earlier would suggest that the success of the hospitality industry is nonetheless dependant upon the expression of kindness, care, respect and concern by all parties to a transaction. It could be further deduced that each party benefits from hospitable behaviour that is socially responsible and therefore managers, in particular, need to display this type of behaviour.

Characteristics of Managers in a Hospitality Context
Leadership

According to Cicero (1971) '…no leader, either in war or in peace, could ever have performed important or beneficial actions unless he had gained the cooperation of his

fellow men' (p. 127). The importance of this relationship is underscored by Mant

(1997) who notes that, when we contemplate leadership,

> …we are dealing with two quite separate aspects: the process that
> goes on between leader and follower (which is mainly emotional,
> although there is an intellectual aspect as well); and the context of
> the leadership (this concerns the destination towards which the
> leader points, which is usually rational, it may contain highly
> emotional elements too). (p. 22)

Chathoth and Olsen (2002) note that organisational leadership is an essential

ingredient in the success of firms, even more so for industries that are complex, global

and dynamic—such as the hospitality industry. In addition to the generic

characteristics of management, hospitality managers have different demands and

expectations on them, whereby, unlike perhaps a manufacturing environment, they are

concurrently managing both staff performance and guest expectations. Further

differences in management characteristics may be driven by the fact that hotel

managers, in general, are reasonably autonomous and have a higher profile in their

local business community (Worsfold 1989a) as well as having a greater requirement

for assertiveness, independence, mental stamina and low levels of anxiety (Worsfold

1989b).

In noting that the hospitality industry is characterised by low job morale and high

employee turnover, which in turn can lead to higher costs and inconsistent quality,

Subramaniam, McManus and Mia (2002) highlight the importance of organisational

commitment in improving these figures. A successful outcome might be demonstrated

by the willingness of employees to accept, and work towards, the achievement of

organisational goals. O'Neill (2002) states that a great organisation can, without

reservations or excuses, be based on clearly communicated human values. Chathoth

and Olsen 2002) stress, however, that commitment to these values will not be gained

unless these goals permeate throughout the whole operational and cultural structure of the organisation, and are reflected in the behaviours of the leaders themselves.

Historically, Nebel and Stearns (1977 as cited by Worsfold, 1989a), used Fiedler's (1967) contingency approach to suggest that average leader–subordinate relations, average levels of structure and strong leader-position power are typical characteristics of management in the hospitality industry. Kay and Russette (2000) cite Dalton (1997), however, in suggesting that management and leadership skills are common to effective people across function and/or organisation. This is further supported by Chathoth and Olsen (2002) who suggest that, in order for leaders at both the organisational and micro level to succeed, they must be focused on issues that go beyond mere functional boundaries. This suggests that the characteristics of successful managers in one industry, may be replicated in another.

Kay and Russette (2000) found that interpersonal and leadership competencies are rated by the hospitality industry itself as the most important management skills and are crucial for managerial success. As noted earlier by Worsfold (1989a), hotel managers see leadership as both salient to their roles and the most time consuming. When we consider that some commentators such as Stutts (1999) rate a lack of service leadership as the most important factor affecting service levels, it becomes apparent that the success of the hospitality industry is greatly shaped by leadership issues.

Based on the principle of reciprocity, Mant (1997) suggests that an important aspect of that leadership is the relationship between leader and follower: leadership as a phenomenon, is defined by 'followership'. Mant goes on to suggest that, whilst most of the literature on leadership has been based on trait theory, whereby good leaders can be defined and analysed according to the particular traits demonstrated at

particular times, many successful leaders do not display these traits and in fact they are exceptions to these theories. Part of the reason for this is that trait theories ignore the chemistry required between leader and follower to allow a particular course to be pursued. He goes on to suggest that, whilst '…mastering the Machiavellian tricks of political power' was once the best way to maintain power, this is no longer the case and that '…the only reliable pathway to influence and satisfaction will be via the pursuit of interesting and valuable ends' (p. 30), presumably that interest the follower.

Eden (1984) builds upon earlier works by describing how subordinates would deliver higher results when their supervisors expected more (the 'Pygmalion Effect'). This was restated as 'conveying high expectations by a credible, authoritative source . . . motivates subordinates to mobilize more of their own resources to perform well' (p. 66). Eden also notes how several earlier writers had stressed that communication of high expectations is a key component of leadership and, in particular, charismatic leadership. It follows then, that the individual style of the leader becomes an exceedingly important component in the ability of an organisation to achieve their objectives.

Education and Training

Unlike many other 'professions', hospitality managers are not legally required to undertake formal training and, as noted by Brotherton (1999), there are varying styles of management—whether considered 'professional' or not. The term 'professional' is used here in the same vein as proficient or qualified.

There is an argument explored by Baxter and Rarick (1987) and Schneider (2002) that ethical standards of leaders only reflect their training or education, or worse, that training to leadership competencies may only reinforce the status quo (Dalton 1997).

McCann (2000) observes that some hotel groups, such as Ramada, try and overcome these shortcomings through insisting in their franchise that General Managers complete a four-module certification course that includes leadership, marketing, room management and financial management—with the greatest emphasis on leadership and human resource management. Opinions differ, however, as to where the greatest focus of education should be; in contrast to Ramada, the leadership program for hotel general managers at Promus Hotels (shortly before the takeover by Hilton Hotels) focused predominantly on sales and revenue generation without reference to the others issues covered at Ramada (Hotels 1999, Calabro 2001).

Surprisingly, Kay and Russette (2000) found that managers with higher education levels actually gained most of their leadership skills outside of formal learning, which suggests these skills are mostly learned 'on-the-job'. Given that another of their key findings was that '…maintaining professional and ethical standards in the work environment' was considered a 'core essential competency' (p. 57) for hotel managers, this issue of identifying where skills are learned might have a profound impact on the issue of ethical decision-making discussed in this paper.

Corporate Social Responsibility

> Ethics, though primarily individual even when it deals with duty to others, is faced with its most difficult problems when it comes to consider social groups. (Russell 1963, p. 18)

It was suggested earlier that each party in a hospitality transaction benefits from hospitable behaviour that is socially responsible and therefore managers, in particular, need to display this behaviour. It was also noted earlier that characteristics of successful managers may transcend industry. It is therefore worth discussing some broader management constructs from outside the context of hospitality management that have shaped, and continue to influence, discussion on management responsibility.

According to the World Business Council on Sustainable Development, no universally accepted definition yet exists of CSR, however for the purpose of this study, it will be taken to mean '…the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life'(2002, p. 2).

There have been many arguments over where the responsibility for socially responsible behaviour should lie and, whilst not hospitality-specific, Goodpaster and Matthews (1982) provide three alternative perspectives on the nature of this responsibility and leadership that equally relate to the hospitality industry:

- *(1) The Invisible Hand* as initially outlined by Adam Smith in 1776, has been interpreted to mean that state and personal efforts to promote social good are ineffectual compared to unbridled market forces. This suggests that the extent of an organisation's social responsibility should be limited to obeying the law and making profits, guided by the unseen forces of the free market, and allowing the market to provide whatever it saw fit. To take this step further, the economist Milton Friedman is quoted by Bartol, Matthews, Martin and Tein (2003) as arguing that charitable donations by corporations are not socially responsible because that prevents the stockholders making their own decisions about fund use. Buffini (2003) has reported that this attitude is gaining greater currency in Australia in light of recent corporate mismanagement, one of which included millions of dollars being given away to charities favoured by the chief executive shortly before the company collapsed. This view is also shared by Lantos (2002) who is quite strong in his conclusion that altruistic Corporate Social Responsibility (CSR) is actually immoral for public corporations because it takes wealth away from shareholders, for whom it should have the strongest regard, and redistributes it to the general community. He notes that *strategic* CSR (i.e., where CSR can produce tangible benefits to the company) is acceptable as it can enhance the value of the company, however *altruistic*

CSR can only be acceptable if it is practised by privately owned companies or an individual, where their decisions do not impact others outside them. Pre-empting this argument, von Weizsäcker (1996) notes that whilst the market in a democratic society satisfies needs better than any other economic system, '…a democratic constitution lives by presuppositions which it cannot create itself' and as '…constitutions cannot provide basic ethical rules for society which are generally respected and desired' (p. 31), a paradigm for a fair and just social life to ensure human dignity is still required.

- *(2) The Hand of Government* approach as noted by Bartol et al. (2003) suggests that if corporations exist to make profit within the law, then it is the regulatory hands of the law and political process, rather than the invisible hand, that best looks after society's interests. This approach, championed by the American economist Kenneth Galbraith, clearly absolves corporations from taking social responsibility and suggests that social responsibility is best implemented from a government perspective. This view is not supported in its entirety by others, with some commentators suggesting that this responsibility is best shared *between* government and business. Gordon (2003) suggests that '…corporate responsibility goes hand-in-hand with government responsibility'(p. 1) and that the best way governments can help the business sector fulfil their mission is through ensuring that the services that support business activity (such as protection of property rights, appropriate regulation, financing of government activities through a rigorous tax system etc), are efficient and effective. Gordon further notes that whilst companies operating in countries without well-developed governmental structure face a number of larger challenges due to deficient governmental practices (such as corruption), they actually can play a pivotal role in assisting to improve public governance in those countries.

Both of the approaches noted above seem to be two sides of the same coin; as observed by Micklethwait and Wooldridge (2005),

> …both government and companies have generally prospered most
> when the line between them has been fairly thick. The foremost
> contribution of the company to society has been through economic
> progress. It has an obligation to obey the law. But it is designed to
> make money. (p. 183)

Although Micklethwait and Wooldridge (2005) comment that companies contribute to

society through their economic benefits, Bartol et al. (2003) in particular note that

neither the invisible hand nor the hand-of-government approach gives corporate

leaders latitude in social issues. By contrast,

- *(3) The Hand of Management* as summarised by Bartol et al. (2003), suggests
  that corporations and their managers have an obligation to protect and improve
  society's welfare, as well as advance the economic interests of the organisation.
  Quoting extensively from Post et al. (1996), and Tuleja (1985), the *Hand of
  Management* approach is supported by a number of propositions: businesses
  benefit from a better society and thus they should assist in creating this society
  ('the anti-freeloader argument'); the private sector should make up for cuts in
  social programs through its substantial economic and human resources ('the
  capacity argument'); and 'the enlightened self-interest argument' suggests that
  because companies exist at society's pleasure they should meet public
  expectations of social responsibility in order to ensure their own survival. This
  approach is further supported from a naturalistic ethics perspective by Yaman
  (2003) whereby the definition of good is, in part, determined by what is best
  for survival of the species (individual, group or culture).

Interestingly, Margolis and Walsh (2001) observe that, whether through altruistic

reasons or not, corporations already engage in social initiatives; the argument should

therefore not be about whether corporations should engage in socially responsible

activities (because they already do), but more about whether or not these should be

the ultimate policy objectives.

It seems clear that there is no one management approach that will guarantee a socially

responsible society, yet in comparing the three approaches, the overall *Hand of*

Management perspective appears to be more closely aligned to the concept of hospitality as outlined earlier, especially as it acknowledges the strong influence of managers on socially responsible decisions.

Whilst Bartol et al. (2003) note that society's expectation of socially responsible action by corporations in general is increasing, the hospitality industry already require a large number of interactions between customers and hosts that involve extensive measures of trust and responsibility. Foreign currency exchange, goods left in safe deposit, cleaning of rooms containing guest valuables, and many other interactions are based on a measure of trust between hosts (and staff on their behalf) and guests. Most states in Australia have legislation (generically called an '*Innkeepers' Act*' or similar) that enshrines the responsibility or liability of the host towards their guests, or the property of their guests, whilst the guest is accommodated in their property. (For example '*Carriers and Innkeepers Act 1958*' (1997). The responsibility of the host towards the guest is therefore quite clear.

Individual Accountability

Even the most strident capitalists would agree that the purpose of business is, at a minimum, to make a profit but obey the law. Whilst some managers may claim that economic circumstances forced them to act unethically, to act unethically does not necessarily mean that managers are acting unlawfully. Samuel (2003) notes that corporate governance issues can easily be met by ticking boxes, whereas the hardest part is to remind company directors that they are also representatives of a broader society and do not operate in isolation from that society. To take this further, he suggests that whilst corporate social responsibility can be met from a legal standpoint, 'prescriptive rules will (still) not prevent deliberate fraud, misleading and deceptive

conduct, and material non-disclosure by management' (p. 3). The responsibility therefore still remains with the individual.

Novak (2002) observes that the whole economic system is, in fact, based on '…trust, honesty and clarity about the facts' (p. 3)—without the destructive agents of lies, illusions and duplicity. He underlines the implied moral obligation of the business corporation by stating that the corporation is the '…strategically central institution of social justice. If the business corporation fails to meet its moral responsibilities, the odds against the rest of society doing so shrink to next to zero' (p. 1).

In addition to responsibilities prescribed under the various Innkeepers' Acts noted previously, Nusbaum (1992) underpins this responsibility by observing that hospitality managers have both a moral and statutory obligation to their guests, as well as their staff. Bartol et al. (2003) go further in drawing upon a number of sources to suggest there are six overlapping groups to whom corporations have social responsibilities—employees, stockholders, customers, local community, general society and the international community. This goes far beyond the initial relationships outlined by Lashley (2000), and others mentioned earlier, in recognising the impact on each of these groups by managerial decision-making.

Nusbaum (1992) comments that the hallmark of both ancient and modern civilisations is the recognition of individual rights, which has attendant responsibilities; if this is accepted then it is reasonable to extend this responsibility to all six groups previously noted. The question as to the degree of influence each manager may exert on each of these groups and whether or not this is totally discretionary or contingent upon the circumstances facing them, is one that creates a number of challenges for leaders in the hospitality industry.

Ethics

> For it is usually only with increasing experience, maturity and above all with the ever-increasing network of ties and responsibilities that life as a member of a family, a profession and a community brings to a man, that the real difficulties of moral decision are felt and understood, and that there comes, if it ever comes, the realisation that most people most of the time do not live in a world of chivalric selfless endeavour – but they have their problem of 'what to do' which merit consideration. (AE Douglas as cited in Cicero 1971, p. 44)

> All action is for the sake of some end, and rules of action, it seems natural to suppose, must take their whole character and colour from the end to which they are subservient. (Mill 1969, p. 252)

Whilst the earlier sections have sought to clarify the purpose and benefit of socially responsible behaviour and how the hospitality manager has a natural role to play in its use, what is meant when speaking of 'ethical' behaviour, or even ethics, has not yet been defined. In attempting to outline this meaning, the author is aware that there is no definitive explication but rather, like Cicero (1971), accepts that '…man's reason is too imperfect to grasp altogether, but may nevertheless approach' (p. 31).

This section will therefore seek to approach the meaning in such a way as to place the remainder of the thesis in context and add depth to the value attributed when speaking of 'ethical' behaviour or an 'ethical' manager.

Defining Ethics

Hitt (1990) uses a dictionary definition of ethics as '…a set of moral principles or values' (p6), whereas other sources (www.dictionary.com 2005) combines a variety of dictionaries in defining ethics as '…a set of principles of right conduct' or a '…theory or a system of moral values'. A further definition there suggests ethics is 'motivation based on ideas of right and wrong'. Hitt suggests that '…a set of values is what guides a person's life and any description of a person's ethics would have to revolve around their values' (p. 6).

Hitt draws upon the work of Rokeach (1973) to define a value as a long-term belief that one particular course of conduct, or objective of existence, is preferable to the opposite course of conduct or existence. Hitt highlights, in particular, that a value is a belief, not a fact; and that the belief or value, is long-term, not ephemeral. This is not to say that values are permanent, as they may change over time, but rather that values are fundamentally strongly held. If they were not held strongly they would be passing fancies and not intrinsic values.

Hitt (1990) again cites Rokeach (1973) in outlining the difference between 'terminal (or end-state) values', and 'instrumental values' (or modes of conduct). He defines 'terminal values' as those that define the ends towards which we are striving. These may include a comfortable life, a sense of accomplishment, family security, world peace, or wisdom. 'Instrumental values' are those that provide the means to achieve those ends. These may include ambition, cheerfulness, courage, honesty, imagination, love, obedience and responsibility.

In a corporate world based on management by objectives (ends), it seems logical that the most effective managers should have congruity between their own 'instrumental' values and the 'terminal values' (objectives) set by their organisation; as Hitt puts it: 'managers need a set of values to guide them in the selection of their objectives' (p. 11).

Ethical Systems

There are a number of systems of applied ethics used throughout the world, and throughout history, however, for the purpose of this thesis, the four systems used by Hitt (1990) will be the focus. Hitt selected these systems in particular because they are each closely aligned to a particular leadership style.

In determining if each ethical system is appropriate to use, Hitt (1990, p. 100) cites

the five attributes of a 'workable and liveable system' as described by Thiroux

(1986):

- It should be rationally based and yet not devoid of emotion.
- It should be as logically consistent as possible but not rigid and inflexible.
- It must have universality or general in a practical way to particular application to all humanity and yet be applicable to particular individuals and institutions.
- It should be taught and promulgated.
- It must have an ability to resolve conflicts among human beings, duties and obligations.

Each of the systems outlined below meet this criteria.

Utilitarianism

As noted in Cicero (1971), this doctrine has its foundations in the writings of Plato,

who suggested that as all our intentions are directed at our happiness, we will always

be looking for happy things. This was expounded in the 19th century by Bentham

(1969) and later supported and expanded by John Stuart Mill. According to Bentham

(1969) in *Principles of Morals and Legislation,* the principle of utility recognises that

mankind is subject to 'the governance of two sovereign masters, pain and pleasure'

(p. 33). This principle assumes that, as a community is made up of individuals, then

the happiness of that community depends on the happiness of the individuals within it.

Mill (1969) defines utilitarianism as a theory based on the principle that '…actions

are right in proportion as they tend to promote happiness, wrong as they tend to

produce the reverse of happiness' (p. 257). Happiness is defined as the absence of

pain, a view also held by Epicurus (as cited in Cicero 1971). Mill suggests that

pleasure can differ in quality and quantity, and that pleasures that are rooted in one's

higher faculties should be weighted more heavily than baser pleasures. The achievement of goals and ends, such as virtuous living, should be counted as part of people's happiness. Bentham (1969) further states that as governments are intended to provide the greatest benefit to their constituents, their decisions should also be made on this basis of the greatest good for the greatest number.

Hitt (1990) lists ten principles of end-result ethics (utilitarianism) that summarise the system.

- To determine if an action is right or wrong, one must consider the consequences.
- Rules of action must take their character from the end to which they are subservient.
- Actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness.
- Happiness may be defined as the presence of pleasure and the absence of pain.
- Since each person desires his or her own happiness, this is sufficient reason to posit happiness as an ultimate end.
- Because happiness is the sole end of human action, the promotion of it is the criterion of morality.
- The happiness that determines what is right in conduct is not the agent's own happiness, but that of all concerned.
- An action has utility to the extent that it can produce happiness or prevent unhappiness.
- An action is right from an ethical point of view if, and only if, the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other action the agent could have produced in its place.
- Utility serves as the common umpire in choosing between incompatible moral obligations. (p. 102–104)

Rule Ethics

Rule ethics posits that moral principles must be based entirely on reason, or rational grounds, and can be considered the same as scientific principles, subject to criticism and defence. It proposes that there are a set of rules that should be known and followed without reference to situation or inclination (because if due to inclination then this would be situational, not inherent), and as such are immutable.

As proposed by Immanuel Kant in Stratton-Lake (1999), rule ethics suggest that actions cannot have moral worth if they are performed due to love or sympathy—they can only be moral if done from duty. Whilst Stratton-Lake refers to a variety of criticisms of Kant to do with the non-allowance of supererogation (motivation to act above and beyond the call of duty), there appears to be sufficient interpretation to allow that the question of motivation to act morally does not necessarily preclude the efficacy of this system. This is further supported by Kant (quoted in Cicero 1971) in declaring '…it is necessary to treat humanity, whether in your own person or in that of any other, in every case as an end, never as a means only' (p. 10).

Drawing heavily on *Groundwork of the Metaphysic of Morals,* and *Lectures on Ethics* by Immanuel Kant (1963, 1964), Hitt (1990, p. 108–110) summarises rule ethics with the following ten principles:

- All moral concepts have their seat and origin in reason completely *a priori,* and therefore cannot be abstracted from any empirical knowledge.
- We may act from grounds of compulsion (jurisprudence) or from those of the intrinsic goodness of an action (ethics).
- Individuals should take their stand on principles and restrain themselves by rules.
- To practice virtue is to act on principles.
- The ultimate good is a life of virtue rather than a life of pleasure.

- Virtue is an idea; we should all strive to attain as near as possible to the idea.
- Individuals should evaluate themselves by comparing themselves with the idea of perfection, not by comparing themselves with others.
- We should be aware of adjusting the moral law to fit our own actions; rather we should adjust our actions to fit the moral law.
- Act as if the principles underlying your action were to become the general law for all humankind.
- Always treat others as ends in themselves, never merely as a means.

Social Contract Ethics

According to Kramnick (1997), Social Contract Ethics is based largely on the writings of Jean Jacques Rousseau and has at its heart the concept that '…each individual who is by himself a complete and solitary whole, will recognise themself as part of a greater whole from which they receive life and being' (p. 42). Drawing on the works of Cranston (1983, 1991, 1997), Kramnick suggests that Rousseau is the 'theorist' of democratic community whereby individuals participate actively in the governing of their community and, in fact, draw all authority from it.

Rousseau's proposition, cited in Lee (1998), was that the social contract to create a general will, does, through association, 'defend and protect with all common forces the person and goods of each associate, and by means of which, each one, although part of the whole, nevertheless obeys only themself and remains as free as before' (p. 376). Hitt (1990) clarifies this further by highlighting that within social contract ethics, each member of a community can only act under the authority of the general will and that those individuals give up a certain amount of freedom by being part of a collective body. In spite of these concessions to the general will however, each member gains greater freedom because they now have the support and protection of the general community.

Hitt (1990, p. 116–119) summarises Rousseau's *The Social Contract* with the following ten principles:

- People living in a primitive state of nature would perish; therefore they must be guided by conventions of the general community.
- The passing from the state of nature to the civil state substitutes justice for instinct and gives to actions a moral character that they lacked before.
- The act of association in the general community produces a collective and moral body.
- Duty and interest equally oblige the general community and the individual members to lend aid to each other.
- The general will should serve as the ultimate standard for determining what we should do.
- The social contract gives the general community–or body politic—absolute command over the members of which it is formed.
- The manners and morals of the general community should serve as the keystone to the arch, while the particular laws serve only as the arch of the curve.
- The people submit themselves to the laws and ought to enjoy the right of making them.
- The individual members of the community must consent to all the laws, and even those that are passed in spite of their opposition.
- Should there be any individuals who oppose the social contract, their opposition will not invalidate it, but only hinder their being included.

Personalistic Ethics

This is considered the most instinctive of the four systems examined in this thesis, in that actions taken result from our own conscience without reference to an external system.

Branson (1975), cites Buber (1955, p. 202), in noting that

> ...the fact of human existence is neither the individual as such, nor the aggregate as such. Each considered by itself is a mighty abstraction. The individual is a fact of existence only in so far as he steps into a living relation with other individuals. The aggregate is a fact of existence only in so far as it is built up to living units of relation.

This approach would suggest that individuals find their greatest meaning in their relationship to others rather than to an organisation or themselves alone. To bridge the divide between organisation and individual, Branson (1975) observes that whilst the corporate environment may be a soulless place and cannot really be considered a community, '…dialogue and relation can infiltrate it' (p. 85) and thus bring humanity to it.

Using the writings of Buber (1952, 1955, 1958, 1963) as illustrations of this approach, Hitt (1990, p. 123–126) suggests the following ten principles summarise personalistic ethics:

- The locus of truth is not to be found as the content of knowledge, but only as human existence.
- Conscience is the voice that calls you to fulfil the personal intention of your being—of what you are intended to be—and thereby distinguishes and decides between right and wrong.
- Your personal convictions should serve as the ultimate standard for determining what you should do.
- You must confront each situation and do that which is in keeping with it—and all that you are and know.
- If you take the road that, in its nature, does not already represent the nature of your goal you will miss that goal. The goal that you reach will resemble the road that you have reached it by.
- There are no absolute formulas for living—no preconceived code can see ahead to everything that can happen in your life.
- You must be able to be an active member of your group, but you must not let this prevent you from standing up for what is right.

- As we 'become free', this leaning on something is more and more denied to us, and our responsibility must become personal and solitary.
- You can perfect yourself only in your own way—not in that of any other.
- As we live, we must grow, and our beliefs change. They must change.

Ethical Considerations in Leadership

Hitt (1990) observes that '…leaders are the persons who are able to influence others; this influence helps to establish the organisational climate for ethical conduct; the ethical conduct generates trust; and trust contributes substantially to the long-term success of the organisation' (p. 3). This proposition is supported by Husted (2000) who draws on work by Stajkovic and Luthans (1997), when he notes that the ethical approach taken by individuals in any organisation will be a product of a variety of influences, including leadership, culture and environment. He further finds that '…people rarely make ethical decisions that are directly implemented by organisations' and in fact 'individuals perceive problems and make judgments that affect collective behaviour' (p. 4). This clearly emphasises the importance of understanding the ethical orientation of leaders.

Individual Ethics

Freedman (1990) notes that because it is people in a society that conduct business activities, these activities can be evaluated from a moral or ethical point of view. There is some concern, however, as to the best means of measuring this, and Freedman cites Tuleja (1985) in noting that as there are numerous moral and ethical theories to consider, the question arises as to which approach to employ.

The various theories of moral development would seem a logical starting point, whereby it has been proposed that human morality evolves over a period of time, ranging from childhood to adolescence (Kohlberg 1985; Kohlberg, Levine & Hewer

1983; Piaget 1950, 1978) or beyond (for example, Jaspers 1955). Whether moral development theory stops at, or continues beyond adolescence, Freedman (1990) observes that there is a large body of work supporting the view that moral development takes place over time and that it is an evolving and non-reverting process. If this is accepted, the further question then arises as to which system of ethics the individual embraces, and whether it depends on the circumstances facing the person.

Environmental Influence

There are numerous studies exploring the link between ethics and leadership, which have suggested that the ethical values of leaders are affected by varying degrees of external stimuli. Researchers such as Fiedler (1967, 1996) have conducted extensive research on the situational components of leadership and suggest that the area under discussion is immensely complex and subject to a wide variety of influences. Several researchers have explored the detail: Longnecker (1985) suggested that the management process might subjugate ethical behaviour; Carroll (1978) proposed that superior–subordinate relationships have an impact—an aspect that was explored further by Girodo (1998). Others from Cushman (1976) to Samuel (2003) have highlighted the importance of corporate communities taking responsibility for changing the meaning of acceptable behaviour within and by organisations and individuals, well beyond mere adherence to rules.

Dorian, Dunbar, Frayn and Garfinkel (2000) maintain that one of the key elements of leadership is '…the ability to understand what is happening systematically, to reflect on it, and to incorporate this reality into the contingencies of the environment' (p. 217). The contingency model of leadership effectiveness as outlined by Fiedler (1967)

and supported to a reasonable degree by Mant (1997) postulates that the effectiveness of a group is contingent upon the relationship between the leadership style and the degree to which the group situation enables the leader to exert influence. This model has had its criticisms, as noted by Ivancevich, Olekalns and Matteson (1997), but they also add that Fiedler has at least called direct attention to the situational nature of leadership, which has not always been acknowledged. As discussed earlier, Mant (1997) notes that leadership is dependent on followership and, in particular, underscores the importance of the nature of the interaction between leader and the follower. This would further support the notion that effective leadership is subject to a wide variety of influences, both internal and external.

Fiedler's interactionist view referred to by Girodo (1998), whilst not specifically addressing ethics, would suggest the choice of how this influence will be used may depend on the circumstances, but it may also depend on the ethical position taken by the leader. This suggestion is of vital importance to senior managers when considering change within their organisation as the success of any such change will depend not only on their own personal view but also on that of their subordinate managers.

Whilst charismatic leaders have abounded since time began, this leadership style has had a greater impact in the modern corporation because of the charismatic leader's ability to attract followers and convert them to the truth of their vision (Gattler 2005). The importance of this influence cannot be underestimated as the interrelationship between the leader's inner world and its outcomes affect the organisational culture and even the strategic choices made in the company. This inner world includes '…fantasies, intuition, visions and other mental activities' (p. 147) which may have

both positive and negative impacts (Aaltio-Marjosola & Takala 2000). As cautioned further by Dorian et al. (2000), one of the duties of the leader is to safeguard the standards within the group, and if the leader themselves breaches these standards, then this cannot help but have an impact on adherence to these standards by the rest of the group.

Understanding the influence than of the individual's preferred leadership style can only assist in predicting the success of that manager in a particular environment.

Corporate Ethics

According to Micklethwait and Wooldridge (2005), the modern company needs society to endorse its existence ' . . . and the terms of that franchise still matter enormously. From the company's point of view two clouds have gathered on the horizon: the cloud of corporate scandals and the cloud of social responsibility' (p. 178).

Hitt (1990) cites Maslow (1968) in suggesting that '. . . the human needs a framework of values, or a philosophy of life, a religion or religion-surrogate to live by, in about the same sense he needs sunlight, calcium or love' (p. 28). This would suggest that societies in general, and corporations that exist within that society in particular, also require a formal structure of moral behaviour in order to operate effectively and fulfil their obligations to other stakeholders in that organisation. To keep their 'franchise' therefore, corporations require a moral structure. Having said that, corporations are always going to be greater entities than the sum of the people involved in them, which creates questions as to where responsibilities begin and end. Wijnberg (2000) notes it is often hard to distinguish between individual responsibilities of those within the organisation, and those of the organisation itself from both a legal and moral point of

view. Wijnberg explores Aristotle's belief that a 'good' man is one who is able to express many different values without devaluing or negating any individual value, even if seemingly in conflict. He suggests that a person demonstrates 'good' by way of virtuous choices made in a human, therefore political, environment. He then extrapolates this belief to the corporate environment, noting that '. . . the corporation should be considered as existing to allow the decision maker, who normally is a manager, to live a complete and good life and to make decisions that involve the interests of different stakeholders' (p. 329). This view places considerable pressure on the organisation to allow individuals to make decisions consistent with their view of 'good'.

Whilst existing research can be used to both support and deny a direct financial benefit between corporate social initiatives and profit, Margolis et al. (2001) note that of the 80 academic studies conducted into the relationship between social enterprise activities and financial performance, over 50% point to a positive impact and only 5% suggest a negative impact to the bottom line. These researchers do caution against hasty conclusions from these results, although there is no doubt that some companies have demonstrated a clear benefit from engaging in socially responsible or ethical behaviour. One accidental example of this is cited by Lawson (2003a) who records the experience of the chemical manufacturer Dupont which, after being named as a prominent polluter in the United States, found that that there were cost savings and a boost in profits once they had committed to more environmentally sustainable practices.

This newfound zeal may be, in some part, related to a greater expectation of corporations to report on the 'triple bottom line' of social and environmental results as

well as economic. However, the revelation as to the benefits of social responsibility was not restricted to Dupont, with Lawson (2003b) citing a PriceWaterhouseCoopers study which found that 71% of CEOs surveyed indicated that they were '. . . prepared to sacrifice short-term profitability to implement a sustainability program and preserve long-term shareholder value' (p. 20). It is worth noting that the definition of sustainability was broader than purely environmental issues, with 87% of respondents rating 'values, ethics and codes of conduct' the highest for implementation (p. 20).

Before making any conclusions as to the benefits of CSR, Margolis et al. (2003) suggest that it might be helpful to consider the actual intent of the corporation as it has had different historical and cultural purposes throughout history and different countries. In an interview with Salls (2004), Margolis notes that the corporate form itself does not have a single purpose; rather its objectives are determined by members of that society in which it operates. This would seem to negate the earlier suggestion that corporations only exist to provide a return to shareholders. It is, in fact, perhaps only *some* corporations that exist in this manner and they can be changed.

To further suggest that corporations should not take responsibility for social improvement is also questioned by Margolis in Salls (2004) when he comments that whilst 'it may be true that companies are not the ideal institution for addressing societal ills' it is nonetheless worth considering '. . . what other institutions, such as companies might do' (p. 2) especially as companies are often more responsive to community needs than governments. This is further underlined by Wijnberg (2000) who suggests that '. . . the law usually asks for more responsibility where there is more power' (p. 332).

Samuel (2003) notes that the corporation

> . . . was originally, and remains, a legal fiction primarily designed to
> enable a group of investors to collect together for a common
> business pursuit through a legal entity which provided the benefits
> of limited liability, continuity of existence and simplicity in
> contractual dealings. (p. 7)

Whilst there is a board of directors and a legal entity, a corporation is nonetheless formed to benefit individuals in the community. Those individuals have a social sensibility that is part of a caring community therefore, in recognising this interrelationship between corporation and individual, Samuel suggests that the concept of CSR might be better replaced by a concept of Corporate Social Sensibility (CSS), whereby corporations take responsibility for those actions that have a pervasive impact on their community, before they actually enact them.

Samuels highlights some concerns with using the term CSR because of its possible conflict with an interpretation of a director's legal responsibilities under the various corporations acts and laws. This, he believes, directs attention away from the important issue of sensitivity to community needs. An example given relates to bank closures in small towns where it may make good business sense, but ignores or underestimates the level of community sensitivity to such issues. Margolis et al. (2001) note that this concern has already been addressed in some states of the United States, where they have adopted statutes that allow directors to consider factors other than just increasing shareholder wealth when fulfilling their fiduciary duties. This is exemplified in the example cited from Johnson and Millon (1990) where the US state of Delaware even allowed the directors of Time Incorporated to reject a more lucrative takeover offer in consideration of interests other than just shareholders.

In the meantime, Samuel's idea of CSS allows for both business imperatives and altruistic niceties, whereby directors can balance out both economic obligations to provide returns as well as community expectations. Unavoidably though, this balance between shareholder and stakeholder will be decided by individuals, and hence, irrespective of cultural and environmental influences, the question of individual ethics inexorably plays a part.

An Encompassing Approach to Ethics and Management

> Life must be lived on a higher plane. We must go up to a higher platform, to which we are always invited to ascend; there the whole aspect of things changes. (Ralph Waldo Emerson as cited in Hitt 1990, p. 73).

Recognising the considerable influence that leader-managers have on the ethical conduct of their staff, Hitt (1990) connects management and ethical theory with the work of Jaspers (1955) who presents an encompassing model of the stages of human existence. Hitt describes this model as capturing '. . . human beings in their totality, including both their inner selves and their outer selves' (p. 70). Hitt acknowledges that there are several well-documented and empirically-based theories of moral development such as that of Kohlberg (1985), however observes that these have focused on the moral development stages in children and may not be applicable to adults. Hitt therefore suggests that Jaspers' model of the '*Encompassing'* may be the only framework that can accommodate all ethical systems, across all life stages, and which allows these to be elucidated and integrated in practical decision-making strategy. Furthermore, this framework assists in defining integrity which '. . . lies at the heart of ethics' (p. 94). In trying to define 'integrity', Hitt (1990) acknowledges that the meaning may change from person to person, therefore it is important to describe its intent when used.

The definition eventually embraced by Hitt relates to both the consistency between values and actions, which may be in one space and at one time, and also the openness to accept that this position may move with a greater understanding. He summarises this definition as '. . . a synthesising form of thought that acts to preserve the whole by accepting polarities, appreciating differences, and finding connections that transcend and encompass all points of view' (p. 95).

Linkage Between Ethical Systems and the Stages of Moral Development

Moral Development

According to Hitt (1990), Jaspers' (1955) work integrates the thoughts of great philosophers over the centuries into a comprehensive framework of moral development–the '*Encompassing'.* The four modes of being outlined in this framework may be described in terms of the internal 'maps' each of us construct to reflect our view of reality and truth. They are:

- *Empirical existence*—where the individual lives in the everyday world in a state of nature (empirical existence) and at the bottom of the ladder that represents the fully functioning person. They seek pleasure and avoid pain.
- *Consciousness at large*—where the person has acquired a great deal of objective or universally valid knowledge and is at a higher state than the person in a state of nature.
- *Spirit*—the person has adopted a coherent set of ideas to provide direction for his/her life and is at a higher level than the person who has merely acquired knowledge. They will identify with the leading ideas of movements, parties, institutions, or organisations; and,
- *Existenz*—where the human being has achieved authentic self-hood though freedom of thought and is a higher level of existence than the person who has simply adopted the beliefs and ideas of other institutions or other organised bodies.

Jaspers' work suggests that the person of integrity has risen to the highest level of being, however is comfortable in the other three tiers, guided by reason.

Ethical Systems

Hitt draws further parallels between Jaspers' four levels of existence and the four ethical systems outlined earlier:

- *End-results ethics*—known also as 'utilitarianism' where the moral rightness of an action is determined by the benefits of its expected results.
- *Rule ethics*—where the moral rightness of an action is determined by existing laws or the legality of the matter. This was championed in the 18th century by Immanuel Kant who suggested that moral principles must be established on rational grounds as scientific principles. They are not subject to change by man as the moral law must be pure.
- *Social contract ethics*—the moral rightness of an action is determined by the values of an organisation or the conventions and norms of a particular community. Championed in the 18th century by Jean Jacques Rousseau, this system suggests that each person in a society or culture negotiates with that society to provide certain liberties on the basis that he/she agrees to conform to the rules of that society. Each member of society contributes to that society and the community contributes to the well-being of the individual. Also known as '*quid pro quo*'.
- *Personalistic ethics*—the moral rightness of an action is determined by one's personal convictions. Not so much a system as an approach, this relies on the conscience of the individual to tell them what is right. Championed by Martin Buber in the 19th and 20th centuries.

Leadership Styles

Hitt takes this linkage further to draw parallels between these levels of being and ethics, and four leadership styles:

- *Manipulative leadership*—as exemplified by Machiavelli (1998) in *The Prince* this leadership style is summarised by the phrase 'the end justifies the means'. This type of leader does whatever they need to do to be successful (for them) as long as it is successful. The leader uses manipulation to obtain and retain power over staff and resources and although Machiavelli had also said that the leader should use his success for 'noble' means, manipulation is required to become successful in the first place.

- Bureaucratic *administration*—standing as an opposite of manipulative leadership, this style suggests that management should be guided by a set of rules that are stable, exhaustive and can be learned. Outlined by Weber (1947) this leadership style provides a system where power cannot be used to manipulate others, but rather provides established ground rules to make operations and operational responsibility clearly understood and followed.

- Professional *management*—elucidated most clearly by Drucker (1967, 1973), this style of management focuses on effectiveness, not just efficiency (as with Bureaucratic management). It is evidenced by the manager being able to implement the policies and procedures of the organisation in an effective manner.

- *Transforming Leadership*—the leader seeks to satisfy higher motives of employees and engages the full person in order to elevate them. This style of management makes clear the difference between transactional management— where a leader exchanges one thing for another (e.g. bonus for work, promotion for satisfactory completion of assignment)—and transformational management, where the leader engages with the whole person of the follower to encourage to them to achieve more for them as much, as for the organisation. The transforming leader assists followers to become better people.

Figure 1 illustrates the link proposed by Hitt whereby the leader that demonstrates manipulative leadership (i.e. Machiavellian) is expected to utilise an 'end-result' or utilitarian ethical decision-making style; a bureaucratic leader will use 'rule ethics' to determine their ethical approach; a professional manager will reflect a social contract

approach to ethics; and finally a transformational leader will demonstrate a personalistic approach to ethics and be a person of integrity.

Hitt's aligned model of being, ethical systems and leadership styles.
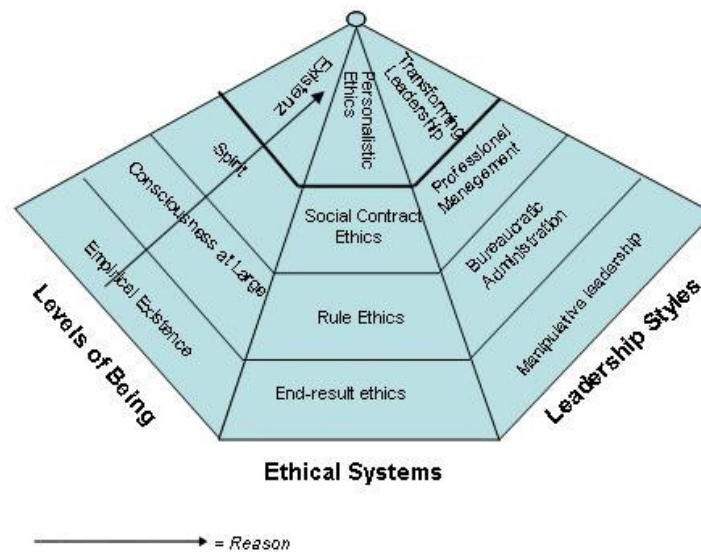
Figure 1: Hitt's aligned model of being, ethical systems and leadership styles.

(Adapted from Hitt, 1990, p.168)

In calling attention to these parallels, Hitt proposes that the ethical position taken by a manager is directly related to their identified leadership style. As a result, by assessing the leadership styles of managers we can draw conclusions as to their identified ethical position.

Chapter III will now examine how best to assess the leadership styles of managers in the hospitality industry.

CHAPTER III

THEORETICAL FRAMEWORK

This section will initially summarise the research from which this study evolved and then outline the hypotheses posed in this environment. It will then provide details of the research design and instrumentation for the survey, the methodology for the data collection and analyses of the questionnaires, as well as confirming the validity of both the instrument and data collected.

Theoretical Framework of this Thesis

As found through the literature review, the question of why, and how, managers make decisions in the workplace is complex, with historical, environmental and cultural influences all affecting individual managers. The question of which ethical decision-making styles to examine is also a contentious point; however, for the purposes of this study, the four styles outlined by Hitt (1990), whose work, as explained by Girodo (1998), prompted this study, will be utilised.

The means by which the relationship between leadership and ethical decision-making style will be identified is based on the work of Girodo (1998) who considers the way police managers respond to statements about ethical ways of influencing people on the job. Girodo's study uses the work of Hitt (1990) as its base and explores how the developmental trends underlying Hitt's work relate to ways of influencing people on the job. Hitt, in turn, draws upon the work of Jaspers (1955), who, in describing an encompassing model of the stages of human existence, suggests that the level of 'being' experienced by an individual would be positively associated with the age of the individual. That is, the older one becomes, the higher the level of integrity is

demonstrated. This proposal is supported by Freedman (1990) whose work confirms that moral development does not stop at adolescence but extends well beyond.

Hitt's work identifies that there is a clear relationship between ethical decision-making styles, leadership styles, and the stage of moral development as proposed by Jaspers (1955). It therefore seems apposite to use Hitt's work to identify leadership styles evident in a sample of Australian hotel managers.

The instrument used to assess this aspect has been previously replicated by Girodo (1998), whose study of international police managers uses Hitt's work to assess their ethical decision-making and leadership styles. Girodo predicts that 'the order of ethical systems outlined by Hitt would be positively associated with the age of the manager' (p. 421). That is, younger managers would be more likely to support a Machiavellian leadership style (earlier stage of moral development and therefore more immature ethical system), while older managers would be more likely to reflect a more Transformational leadership style (more advanced moral development and hence more encompassing ethical style).

Hypotheses

In addition to the work of Hitt, Freedman (1990) finds a continuum of values beginning with male students under 26 years of age, reaching up to female managers of an older age. His research therefore supports a hypothesis that moral development continues well into adulthood and that this development may be further influenced by age, experience and gender.

Therefore:

Hypothesis 1:
- The older the managers in the hospitality industry, the higher usage of transformational leadership that will be utilised.

Girodo's study analyses managers' responses to a questionnaire that provides statements as to ethical beliefs about ways of influencing workers. A Likert scale is used to assess the degree to which respondents agree with these statements and subsequent analysis provides an indication of the likely leadership and ethical orientation for each of these managers.

In order to explore whether or not other variables influence the answers, supplementary questions were asked of each respondent in relation to education, age, gender, size of organisation etcetera. These factors have also been replicated in this study.

Girodo finds that police managers' leadership styles focus mainly on three styles, *Bureaucratic, Transformational* and *Machiavellian*. In line with Fiedler's model of contingent leadership, Transformational managers are found more in roles that provide opportunities for their use (such as training or community policing), however the prediction that a bureaucratic style would be found within those performing administrative duties is not borne out.

Surprisingly perhaps, Girodo finds that the evidence for Machiavellian leadership is stronger within administrative roles but spread across all age groups, whereas the tendency to use Transformational and Bureaucratic leadership increases with age. He finds that the use of Transformational leadership is dependent on an opportunity to use it—such as in areas of training and community-oriented work which reinforce a

contingency model of leadership. In fact, Girodo's finding support a discriminant approach to construct validation: the choice of leadership styles is affected by both the opportunity to use each style, and the belief as to how effective they would be.

As a complementary view, results are compared with the work of Freedman (1990) who reviews the impact of age, experience and gender on personal integrity and honesty. Freedman's work specifically assesses age, experience and gender as factors in moral development, using updated scenarios used by Clark and Clark (1966).

Comparing the Personal Business Ethics Score (PBES) and the Social Responsibility Score (SRS) of students and alumni now in management of a particular hospitality college in New York City, Freedman finds that, in relation to the PBES (measuring personal commitment to integrity), managers' scores are significantly higher than students' scores, and males student's scores are significantly lower than female students' scores. Interestingly, there are no significant differences found between male and female managers. When assessing the SRS (assessing the commitment to the welfare of others rather than individual or corporate benefit), male students demonstrate a lower commitment to others than female students and male managers score significantly lower than female managers. Therefore:

Hypothesis 2:
- Female managers in the hospitality industry will demonstrate a higher usage of transformational leadership styles than males.

In related studies, researchers such as Premeaux et al. (1993) find that the greatest factor impacting ethical decision-making is the individual's time from age-driven retirement. They suggest that this could be due to the individual recognising the value of embracing a more rule-based ethical approach after a long career, or it could have

been that they have no wish to 'rock the boat' so close to their retirement and hence act in a more conservative manner. Freedman (1990) notes that there is a continuum of values beginning with male students under 26 years of age, reaching up to female managers of an older age. This research, therefore, supports the view that moral development continues well into adulthood and that this development may be further influenced by age, experience and gender.

These relationships have also been explored by others such as Fiedler (1967) and Kohlberg (1969) as discussed by Trevino (1986). Trevino summarises Kohlberg's *Six Stages of Moral Development* and notes his observation that most people sit at stage three or four of moral development—where they live up to the expectations of those close to them, or uphold all laws except those that conflict with fixed social duties. This level is more influenced by society or their social grouping. Therefore:

Hypothesis 3:
- Managers will demonstrate different leadership styles according to organisational demographics such as structure and size.

It seems prudent to analyse this relationship further in relation to both independent and contingent variables through the use of an ancillary questionnaire detailing various demographic variables, as well as situational variables applicable in the corporate environment. Some of these considered are size of organisation, time with the organisation, annual turnover, number of staff, age of the organisation, as well as participant's age, gender and level of education.

CHAPTER IV

METHODOLOGY EMPLOYED IN THIS STUDY

Girodo (1998) conducted his study in relation to police managers and, in order to test whether his findings are consistent in the hospitality industry, his Leadership and Influence questionnaire was replicated for use with hotel managers. This study was pre-tested with three academics as well as three industry managers to ensure that the study was equally applicable to the situations found in a hospitality environment. This empirical approach was preferred in order to most closely replicate Girodo.

Instrument and Procedure

Principal Questionnaire

Girodo's (1998) *Leadership and Influence* questionnaire measuring ethical beliefs about ways of influencing others is based on the four leadership systems described by Hitt (1990) and is used here to identify the relevant leadership styles present in the Australian hotel industry. This questionnaire is listed in Appendix 1.

The questionnaire utilises 26 statements which presents an ethical belief about how workers could be influenced on the job by the person in charge. Girodo derived these statements from Hitt's four systems of leadership. As an example of *Machiavellian Leadership,* the statement: 'It is important to cultivate certain relationships and to align yourself with those who have influence if you want to succeed' is used. An example of *Transformational Leadership* is the statement: 'I want my effectiveness to be judged in terms of the well-being of the lives of the people I have touched'. *Bureaucratic Leadership* is demonstrated by the statement: 'In my job, I insist my subordinates have a clear job description, functions and responsibilities'. Finally *Professional Management* is thought to be reflected in the statement: 'For getting

things done, in my job I emphasise planning, developing, communicating and motivating'.

Construct Validity
The construct validity of this questionnaire was tested by Girodo (1998) through the comparison of predictions and outcomes of relationships; the integrity of the questionnaire was tested by calculating Cronbach's alpha, and was subsequently retested with a further sample on another occasion; a three-week test–retest reliability estimation produced a Pearson correlation coefficient of .88 (Girodo, 1998). Cronbach's Alpha was also used in this Australian study, and this produced a Pearson correlation coefficient of .81.

After revising for cultural and industry differences, the resulting instrument was pre-tested with three individual industry contacts and three academic contacts within the hospitality field before implementation.

Ancillary Questionnaire

Fiedler (1967) and Trevino (1986) suggest that there are a range of variables that impact leadership in general, and ethical decision-making in particular. Husted (2000) looks at Trevino's model in greater detail and suggests that this model may be affected by individualist/collectivist influences. It is important, therefore, to identify not only the link between ethical approaches and leadership style, but also to explore the inter-relationship between each of the variables noted in the ancillary *General and Demographic* questionnaire and the findings of the main instrument.

This ancillary questionnaire sought further information on various demographic and corporate aspects which were thought to influence leadership and ethical decision-making. (See for example Arnaldo, 1981; Freedman, 1990, Kohut & Corriher, 1994;

Malinowski & Berger, 1996; Sarros & Butchatsky, 1996; Schneider, 2002; Yeung, Wong & Chan, 2002, Upchurch, 1993.) These included:

- Age
- Gender
- Years of experience in industry
- Years experience as a manager
- Level of education attained
- Organisational structure and size.

A sample of this *General and Demographic* questionnaire is provided in Appendix 1.

Participants

Approximately 200 managers across all levels of management, from Supervisory level to Managing Director were approached; in particular members of the Australian Hotels Association Residential Divisions in each state, or the Hotel, Motel and Accommodation Association of Australia, being the two major representatives of accommodation providers in Australia. Of the 133 responses received, 91 provided answers to all questions. Hotels included were those rated three stars or above by the Australian Automobile Association, which is a nationally recognised body for grading accommodation in Australia.

Data collection

Data were collected via direct mail to selected General Managers with whom the researcher has a relationship and who agreed to allow their staff to participate, and from direct contact. Samples of both the Principal and Ancillary Questionnaires and accompanying statements were distributed to those staff, and they subsequently mailed responses to the Principal Supervisor, whilst some participants completed the questionnaires online.

Analysis

General analysis of the results in this study occurred through the following methods, some of which were utilised by Girodo (1998):

- Factor analysis of responses to each questionnaire was used to identify patterns of correlation within the set of observed variables.
- MANOVA of factor scores across groups was conducted to assess the existence of the factors amongst those identified in the ancillary questionnaire
- T tests were used to identify differences across and amongst the groups in terms of the other variables.

The results of these analyses are presented in the following chapter.

CHAPTER V

FINDINGS

The data presented here were collated and analysed using SPSS 11.0 for Windows, with charts and diagrams translated from the data using Green and Salkind (2005).

The Principal questionnaire was based on an instrument used by Girodo (1998) when examining ethical ways of influencing people on the job within the police force. This instrument was used to test the existence of four leadership styles identified by Hitt (1990) who had proposed that these leadership styles were aligned to four systems of ethics and the four 'levels of being' proposed by Jaspers (1955). Using Hitt's model of alignment (see Figure 1) Girodo links the identified leadership styles with the corresponding ethical decision-making styles. This approach is replicated in this study.

Demographic and General

After analysis of the data via the various methods outlined below, it was found that only five of the variables provided either sufficient responses or meaningful results to explain the four factors found. There were, of course, a number of participants who did not answer all questions and hence analysis focused on those responses that provided the most useful data.

Managerial Level of Participants

There were originally six levels of management noted in the Ancillary questionnaire, namely:

Owner/operator; Managing Director/CEO; General Manager; Senior Manager; Supervisor; Other (Please list). These were reduced to three manageable results, Senior Manager, Middle Manager and Supervisor.

Age

The age of respondents ranged from 19 years to 58 years old. To create homogeneous divisions, these were reclassified into three age brackets. Interestingly, these three age groupings are almost identical to age groupings attributed to three marketing demographics, namely 'Generation Y', 'Generation X' and 'Baby Boomers'. This aspect will be discussed more in the next section.

Gender

There was a reasonably even spread between genders with 45% male and 55% female.

Years With Their Employer

Time with the respective employers ranged from one to thirteen years, which were summarised into three divisions: less than two years; between two and six years; and six years plus.

Education Level Achieved

There were originally six different choices for level of education achieved by the participants. The results were reduced to four: up to year 12; TAFE/Trade School; undergraduate degree; and postgraduate.

Construct Validity

As noted earlier, Cronbach's Alpha was calculated to determine the validity of the Principal questionnaire used in this study, and this delivered a reliability score of .81.

This is in line with the reliability score of .88 achieved in Girodo's (1998) study, and thus supports the validity of the Principal questionnaire for use in this situation.

Table 1: Summary of demographic data

	Position held	Frequency	%	Valid %	Cumulative %
	Senior Manager	21	15.79	23.08	23.08
	Middle Manager	40	30.08	43.96	67.03
	Supervisor	30	22.56	32.97	100
	Total	91	68.42	100	
Missing	*System*	*42*	*31.58*		
Total		*133*	*100*		
	Age (Years)	Frequency	%	Valid %	Cumulative %
	≤25	22	16.54	20.37	20.37
	26–40	65	48.87	60.19	80.56
	≥ 41	21	15.79	19.44	100
	Total	108	81.20	100	
Missing	*System*	*25*	*18.80*		
Total		*133*	*100*		
	Gender	Frequency	%	Valid %	Cumulative %
	Male	56	42.11	44.80	44.80
	Female	69	51.88	55.20	100.00
	Total	125	93.98	100	
Missing	*System*	*8*	*6.02*		
Total		*133*	*100.00*		
	Years with employer	Frequency	%	Valid %	Cumulative %
	≤2 years	*43*	*32.33*	*43*	*43*
	3–5 years	*31*	*23.31*	*31*	*74*
	≥ 6 years	*26*	*19.55*	*26*	*100*
	Total	*100*	*75.19*	*100*	
Missing	*System*	*33*	*24.81*		
Total		*133*	*100*		
	Education	Frequency	%	Valid %	Cumulative %
Valid	*≤ Year 12 (High School)*	*42*	*31.6*	*34.1*	*34.15*
	TAFE/ Trade School Qual	*29*	*21.80*	*23.58*	*57.72*
	Undergrad degree	*33*	*24.81*	*26.83*	*84.55*
	Postgraduate	*19*	*14.29*	*15.45*	*100*
	Total	*123*	*92.48*	*100*	
Missing	*System*	*10*	*7.52*		
Total		*133*	*100*		

Leadership and Influence Questionnaire

In order to create significant groupings, the following tests were performed on the response data from the questionnaire:

Factor Analysis

A principal component analysis with varimax rotation was conducted on the intercorrelation matrix derived from the survey; this reported the factor loadings for each variable on the components or factors after rotation.

The analysis produced nine factors, although when comparing against the leadership style associated with each question, the analysis still produced internally homogenous groupings in line with the stated theories on leadership style. For example, there were factors exclusively with Machiavellian elements just as there were factors exclusively with Bureaucratic elements.

Because of this confounding result, it was decided to force the factor analysis to create four dimensions, as suggested by Girodo. The results are as follows, with the various leadership styles highlighted to allow for easier identification.

Table 2: Principal Component Analysis

Rotated Component Matrix		Component			
	Scale	1	2	3	4
In my job I never reveal too much about myself but try to learn as much as I can about the other person	Machiavellian	0.738	-0.115	0.028	0.081
As a manager, I never reveal too much about myself, but try to learn as much as I can about the other person	Machiavellian	0.668	-0.073	0.127	0.223
In terms of dealing with subordinates in my job, the best tool is the operations manual which details how rules are to be followed	Bureaucratic	0.586	-0.02	0.058	0.129
If I could promote people their seniority and achievement would be the most important elements to consider	Bureaucratic	0.568	0.009	0.142	-0.29
A good manager is serious about seeing to it that deviations from the rules are dealt with immediately, firmly and consistently	Bureaucratic	0.543	0.305	-0.003	-0.013
In my job, having a hierarchical organisation of offices with clearly defined lines of authority is essential for being effective	Bureaucratic	0.542	0.222	0.142	0.109
In my job, I have found it important to always appear confident and self-assured, even when at first I have little idea about something	Machiavellian	0.533	0.202	0.115	-0.062
In making a decision affecting other people I always make sure I have some room to manoeuvre just so that I don't back myself into a corner	Machiavellian	0.473	0.327	-0.072	0.033
Being able to influence salaries, promotion and rewards and disciplinary measures is an important way to keep subordinates on their toes	Machiavellian	0.448	-0.143	-0.113	0.368
It is important that I make my unit function efficiently and run like clockwork, never mind the personalities involved	Bureaucratic	0.441	0.225	-0.092	0.12
In my job, I insist on my subordinates have a clear job description, functions and responsibilities	Bureaucratic	0.367	0.354	0.173	0.113
In my job I have learned that managing other people is a profession and ought not to be left up to just anybody who thinks they merit a promotion	Professional	0.045	0.734	-0.096	-0.171
Managing other people is a profession and ought not to be left up to just anybody who thinks they merit a promotion	Professional	0.09	0.644	-0.11	-0.305

Table 2: Principal Component Analysis (cont'd)

Rotated Component Matrix	Scale	Component 1	2	3	4
It is important to me to take pleasure in the growth and self development of people under me	Transformational	-0.106	0.533	0.531	0.076
In my job, to be really effective I have to look at people in terms of their potential	Transformational	-0.059	0.507	0.178	0.215
I am most effective in my job when I apply sound management principles	Professional	0.259	0.492	0.09	0.097
I want to be remembered for my ability to have accomplished objectives and to have produced specific results	Bureaucratic	0.299	0.475	0.144	0.186
In the long run, I could be most effective as a manager if I acted more like a coach	Transformational	0.168	-0.105	0.733	-0.036
I want my effectiveness to be judged in terms of the well-being of the lives of the people I have touched	Transformational	0.001	0.001	0.674	-0.139
One of the best ways I can do my job is to appeal to the values and motives of the people who are below me	Transformational	0.122	0.06	0.608	0.02
In my job, I actually motivate people by purposely giving them more responsibility and authority to get things done	Transformational	-0.05	0.286	0.468	0.327
For getting things done, in my job I emphasise planning, developing, communicating and motivating	Professional	0.106	0.403	0.427	0.054
I see part of my effectiveness to be dependent upon the personal relationships I develop with those who have power	Machiavellian	-0.137	-0.075	-0.044	0.778
It is important to cultivate certain relationships and to align yourself with those who have influence if you want to succeed	Machiavellian	0.224	0.045	0.091	0.679
An important requirement for success in my job is to gain the kind of power needed to control things and shape events	Machiavellian	0.325	0.084	-0.173	0.474
I see my job principally in terms of setting objectives and seeing to it that they are met in an organised and orderly way	Bureaucratic	0.358	0.181	0.122	0.41

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. (Rotation converged in nine iterations.)

Interestingly, the resultant component factor matrix was not consistent with the findings by Girodo (1998) for police managers. In particular, the first dimension is an almost equal split of Machiavellian and Bureaucratic Leadership Styles, the second is an amalgam of Professional/Transformational Styles; the third style is a predominantly Transformational Style, with the fourth dimension reverting to a Machiavellian style with a touch of Bureaucratic. This blended perception of Machiavellian and Bureaucratic styles factors 1 and 4 may be due to the highly automated and Bureaucratic nature of the hotel industry whereby employees and managers are generally expected to conform to stated policies and procedures manuals. As a result, a Machiavellian style leader may see the enforcement of these as a means to wield power of others. This will be explored further in the 'Discussion' section.

MANOVA

To test for the existence of this four-factor model, multi-variate analysis was conducted against the sample, which was grouped from a variety of perspectives measured in the Demographic and General questionnaire including:

- Position
- Years in organisation
- Years in current position
- Level of education
- Age
- Gender.

Using < .05 as the level of significance, the results of the MANOVA (using Pillai's trace) indicate that only age is related to the existence of the four-factor model.

The summary of this analysis is as follows:

Table 3: MANOVA of variables

Variable	*F* statistic	*df*	*sig*
Position	1.346	8	0.224
Years in organisation	0.787	16	0.701
Years in current position	0.902	8	0.516
Level of education	0.920	16	0.546
Age	2.970	8	0.004
Gender	0.643	4	0.643

ANOVA

Subsequent ANOVA of the four factors across the age groups indicate that only the two Machiavellian/Bureaucratic factors contribute to the model. That is, whilst there is a difference across the four factors across the three age groups, the bulk of the difference lay exclusively with the two Machiavellian/ Bureaucratic factors.

Table 4: ANOVA results

Leadership style	*F* statistic	*df*	*sig*
Machiavellian/Bureaucratic1 (MB1)	3.295	2	0.041
Professional Manager/ Transformational	1.439	2	0.242
Transformational/Professional	2.398	2	0.096
Machiavellian/Bureaucratic2 (MB2)	3.106	2	0.049

T Tests

From this point in the data analysis, *t* tests were used to assess the differences between the three age groups in terms of the observed and derived variables. The results indicate that there is a linear and significant decline in factor 1 (MB1) as age increases, particularly between age groups 1 and 2, and 1 and 3.

Table 5: *T*-test results

Leadership style	Age Group 1 (<25 years)	Age Group 2 (26–40 years)	Age Group 3 (41+ years)
Machiavellian/Bureaucratic1 (MB1)	0.5339	-0.0527	-0.1935
Machiavellian/Bureaucratic2 (MB2)	-0.068	0.15786	-0.462

In terms of MB2, there is a significant difference only between Age Group 2 and Age Group 3, with group 2 scoring significantly higher than group 3. These results suggest that, in the first instance, the youngest of respondents place considerably more store on the MB1 leadership behaviours than Age Group 2 and certainly Age Group 3. In contrast, Age Group 2 place considerably greater store on the use of MB2 than Age Group 3.

Tests of the Hypotheses

Hypothesis 1:
- The older the managers in the hospitality industry, the higher usage of transformational leadership that will be utilised

Using < .05 as the level of significance, MANOVA (using Pillai's Trace) indicates that, of the respondent's position, years in organisation, years in current position, level of education, age and gender, only age is related to the existence of the four factor model.

ANOVA of four factors across the age groups indicates that only two factors (MB1 and MB2) are significant in explaining variance.

Subsequent *t* tests indicate that use of both the MB1 and MB2 leadership style does decline with age, with those aged under 25 years of age more likely to use MB1 than those over 25 years of age and far more likely to use it than those over 41 years of age.

Whilst there are those between the ages of 25 and 40 years who do prefer this style, the users of MB2 are far more likely to use it than those over 41 years of age.

Given the earlier proposition that Machiavellian leaders are less ethical than other leaders, these findings support the hypothesis.

Hypothesis 2:
- Female managers in the hospitality industry will demonstrate a higher usage of transformational leadership styles than males.

As noted previously, multivariate analysis found that the only significant variation in leadership style related to the age of the respondent. The findings therefore do not support this hypothesis, as there has been no variation found in leadership style preference according to gender. As such the hypothesis is rejected.

Hypothesis 3:
- Managers will demonstrate different leadership styles according to organisational demographics such as structure and size.

The findings do not support this hypothesis, as there has been no variation found in leadership style preference according to work environment, position held, or organisational turnover. This hypothesis is thus also rejected.

CHAPTER VI

DISCUSSION OF RESULTS

Chapter V presented the results of this research therefore this section will discuss the findings and their implications for the hotel industry, compare them to the findings of Girodo (1998), as well as consider them in light of the suggested positions of Hitt (1990) and the findings of Freedman (1990).

Summary

The results noted in Chapter V considered the leadership styles of managers in the Australian hotel industry in terms of four leadership styles identified by Hitt (1990)— Machiavellian*,* Bureaucratic*,* Professional and Transformational. Each of these styles reflected a particular approach to leadership with Machiavellian leaders displaying manipulative characteristics, Bureaucratic leaders taking a rules-based approach, Professional managers considering leadership in terms of social contracts, and Transformational leaders considering their conscience as well as the well-being of their staff in their management style.

In one study of police managers, Girodo (1998) found that three leadership styles were predominantly used, being Machiavellian*,* Bureaucratic and Transformational. Girodo found that the use of the Machiavellian style remained constant across all age groups, whilst the Bureaucratic and Transformational leadership styles increased in use across age and years of job experience. When completing a multiple regression analysis of the results, Girodo found that age was significant only in the use of the Transformational style, where its use was positively associated with the increase in age of the manager. The duties of the manager were found to be influential on the style of management used, with Machiavellian style most used and the

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Transformational style least used by those in an administrative role. This emphasis was reversed in those involved in training and community policing. Girodo's findings, in general, followed a development view about interpersonal ethics but it was also found that the styles used by managers were dependant on the opportunities to use those styles in their particular role.

Girodo considered the use of these styles in relation to age, years of experience, position held, educational level, and size of organisation; however Freedman (1990) examined age, experience and gender as major factors in moral development. In particular, Freedman notes that hospitality and restaurant management students under the age of 26 years with little experience had a significantly lower commitment to personal integrity and honesty than hospitality managers with over five years' experience. He also finds that gender is a factor only in students, not managers. In contrast, Freedman identifies that gender is a factor in concerns for the welfare of others or of business to the community, where females are found to have greater concern than males in both students and managers. One would have expected to have seen similar results in this study and to see that gender would play a part in the ethical orientation of managers; however, gender was not identified as a major contributor to differences in leadership style or ethical orientation.

The research conducted in this thesis confirmed the moral development theories of Jaspers (1955) as noted in Hitt (1990), as well as those noted by Freedman (1990), which suggest that moral development continues well into adulthood, however the research does not support Freedman's suggestion that this development may be further influenced by experience and gender.

Although this study also partially confirmed some of the findings of Girodo (1998) in that the use of a Transformational leadership style (and therefore according to Hitt, the use of a personalistic ethical decision-making style) increased in use with the age of the manager, it did not support the idea that further differences would arise due to education, role held, or size of organisation. In fact, the only variation in response arose due to the age of the participant. These age groupings appear to relate closely to three demographic categories widely used in consumer and marketing analysis and therefore it seems appropriate to review these segments in closer detail to better understand their motivations and attributes.

Generational Demographics

On first reading of research relating to each segment it may appear that as each segment uses different strengths, managing all of them effectively in the same workplace may be too difficult. To counter this, Arsenault (2004) cites Lancaster and Stillman (2002) in noting that, 'leveraging generational strengths can boost morale, control costs, reduce turnover and increase sales and profits' (p. 125). Furthermore, Arsenault continues noting that as the old style bureaucracies are disappearing and being replaced by flatter structures supported by new technology, there is far more employment interaction between the generations than previous periods. It would therefore seem judicious to examine these differences and strengths in greater detail.

Baby Boomers

Born of parents that lived through the Great Depression, World War II and the Cold War, the Baby Boomers had a birth time spanning the mid-to-late 1940s to the early 1960s. Whereas their parents (classified by Pekala [2001] as 'the Matures', by Arsenault [2004] as 'Veterans' and by Grose [2005] as the 'silent generation') had to

deal with war, large scale deprivation and the potential end of the world whilst the US and the USSR played out the 'Cold War', the Boomers grew up during a new age of social unrest and awareness of civil rights. Surprisingly, whilst Pekala (2001) notes that this generation were responsible for more casual work places, flexible schedules and more flexible work environments, they are also responsible for epitomising the word 'workaholic', and demonstrate great commitment to their employers.

Baby Boomers demonstrate good leadership and motivate their teams through maintaining good relationships. They sacrifice a lot for their job because that is how they define themselves; they also enjoy recognition in large ways. This generation is currently the largest market segment in a consumer society, as well as holding most of the managerial jobs in the commercial world. They are threatened by Generation X, but would like to return to simpler times.

Generation X

Generally accepted to be relating to people born between the mid to late-1960s and the late 1970s, Generation Xers are often recognised by their desire for flexible work times to enable them to enjoy a balanced lifestyle. They have seen their Baby Boomer parents work extremely hard with little recognition from their employers and as a result are more likely to keep to a strict working structure, with a much lower commitment to 'the company' than their parents.

Pekala (2001) notes that whilst Generation X have been 'constantly criticised for their work ethic, attitude, attention span, and sense of corporate loyalty' (p. 36) they are nonetheless very technically minded and technically capable, and can be relied upon to complete tasks effectively and efficiently. Having decided that it was better to work for themselves than for others, Gen Xers are generally more entrepreneurial, and are

prepared to leave a job without a replacement just because they do not like it. They see skills as the stepping-stone to success, with success valued more in time than money. Looking to achieve as much as possible while they still can, this generation is loyal to people not corporations, and therefore if they leave, it is more about the boss than the company.

Understanding this motivation is critical as this generation moves into the phase of potentially taking over the reigns from the aging boomers, and the managerial implications will be discussed later.

Generation Y

Martin (2005) identified Generation Y as possibly the most difficult of the three age demographics to categorise, due to the changing nature of their preferences. Known also as 'Millenials', 'Nexters', 'Generation WWW', 'the digital generation', 'Generation E', and 'N-Gens', Martin (2005), Taylor (2005) and von Freymann (2001) note that, whilst they may have many similar characteristics to Gen Xers— such as seeking congruity between personal and professional life, and being at ease with technology—they are also the most culturally and racially diverse generation and support individuals who expect newer, better, different. This emphasis on change is continually reinforced in other articles on this generation, for instance Pekala (2001), Sheahan (2005), Arsenault (2004) and Martin (2005). As noted in the article 'Move Over Gen X, Gen Y Arrives With $100 Billion' (Gilroy 2000), Gen Y has more financial power and as a result are maturing faster. In spite of this maturity, they are choosing not to leave home (Grose, 2005), and therefore are accumulating even more wealth. This greater financial freedom and accelerated maturity must impact the role

of leaders and followers as they exhibit additional characteristics not seen in previous generations at the same age.

Sheahan (2005, quoted in Taylor 2005), makes the point that Generation Y workers are the 'least racist, most tolerant group' (p. 12) in history and are capable of delivering creative and resourceful results to employers that create a Gen Y-friendly workplace. This clearly flies in the face of tradition that suggests what was good enough for the older worker should be good enough for new staff. Sheahan identifies that the mindset of this generation is very much in the fast lane, where they expect to achieve results in a shorter time span than previous generations. In particular, they are unforgiving of organisations that take too long to either respond to an employment application or, once employed, to pass on performance feedback. They have been bred to expect reinforcement of their capabilities and will go elsewhere if this does not occur.

In spite of their demanding nature, Pekala (2001) observes that Generation Y generally appear more optimistic and enthusiastic than the previous generation, based on working hard with the support of new technology. They also appear to have more respect for the pre-baby-boomers ('The Matures'), recognising the value in mentoring and the earned authority. They see value in large corporations as they indicate stability, and place higher value on 'strength and cooperation, energy and conformity, as well as virtue and duty' (p. 37).

These attributes would indicate a high energy, highly principled and cooperative workforce, *providing* they are recognised and rewarded on a timely basis, and not just when the structure allows it (e.g., at performance review time.) This has implications

for older managers who may feel that all staff should be assessed under the same conditions, and will be discussed in a later section.

Discussion and Conclusions

This research was intended to assess the leadership styles of managers in the hospitality industry and, by doing so, to also deduce their likely ethical decision-making style. This study assessed managers of a supervisory level and above to determine the ethical decision-making style of managers in the hospitality industry. Respondents came from a variety of organisations with varying levels of responsibility and experience, and were an even mix of ages and genders.

The results indicate that the leadership style, and hence ethical decision-making style, of managers varies only according to age of the respondent. There is no significant variation according to gender, years of experience, position held in the organisation or level of education achieved.

The fact that a Machiavellian/Bureaucratic leadership style (and hence a Utilitarian decision-making style) is found more in younger managers may be due to younger managers being less prepared to wait for promotion and hence see manipulation as an acceptable tool by which to progress their career. The fact that the style is used less by older managers may be attributed to advanced moral development, however it may also be attributed to the desire of the manager to create less waves as they get closer to the socially expected date of retirement. The findings suggest that the difference is more likely to be the advance in moral development, as evidenced by those under 25 years of age being more likely to use the MB1 style than those between 26 and 40 years of age and much more likely than those over 41 years of age. Similarly, that those between 26 and 40 years of age are much more likely to use the MB2 style than

those over 41 years of age. This shows a clearly declining use of a Machiavellian/ Bureaucratic style with age.

When comparing these findings with the initial definition and history of the hospitality industry, it appears as though the historical obligations of 'bridging gaps between nomadic hordes', or even providing services that are based on 'voluntary human exchange' and undertaken to enhance the well-being of the parties concerned, are in danger of being bypassed by younger managers in favour of a purely economic, or self-interested imperative.

Whilst this may be an acceptable outcome for those employees driving this change, current managers and other stakeholders interested in the long-term viability of their respective businesses will do well to consider the impact of these changes now.

CHAPTER VII

MANAGERIAL IMPLICATIONS

As noted in the last chapter, whilst those driving change in the hospitality industry may not be concerned with that change, it is possible that senior management may not actually understand how these changes will affect the long-term viability of their respective businesses. Senior managers therefore need to identify the implications of these changes in their workforce and determine how they will respond. Without sounding too alarmist, if they do not do so now, it is likely their influence will diminish quickly once the Y generation permeates the management ranks.

This chapter will explore some of the implications of the findings of this study, in particular how they will affect the management of younger staff members and managers.

Understanding Employee Motivators

From their review of organisational research from 1958 to 2001, Margolis et al. (2003) note there has been an overall increase in research focus on economic performance whilst research on how organisations affect other elements of the human condition has actually declined.

This apparent reduction in interest in the way in which organisations affect society may be at the organisation's peril, as this paper by Margolis et al. and others referenced in it, clearly show that it is individuals that shape both the organisation and the society in which it operates. By focusing too much on economic output therefore, organisations may be creating a new group of individuals who now view their own progress, and not that of the organisation, as their main motivator. The findings by

Margolis et al. (2003) would support this claim, especially with workers classified as Generation Y.

As noted by Daboval (1998), Baby Boomer workers came through World War II believing that commitment to the organisation would be rewarded. Generation X workers saw that, irrespective of that commitment, their Baby Boomer predecessors were not necessarily looked after and actually saw them made redundant even after working long hours and sacrificing family time. This created a new culture which saw Gen Xers believing more in the value of their own skills than in the commitment to the organisation and, whilst Gen X sees movement from job to job in a negative light, von Freymann (2001) observes that now Gen Y sees job change as a positive where they can continue to learn as they move.

There is now a situation where a focus on economic objectives to the exclusion of others may actually produce conditions where the achievement of these objectives spawns an inbuilt threat. By cultivating this culture of financial singularity, organisations have inadvertently created a worker who now does not expect to stay in one industry, let alone one company, for their entire career. The ability to predict the success of the company then becomes a little more problematic as the workforce becomes far less stable. Given that this situation is unlikely to change in the near future, or for at least the life of this current generation, managers need to be much more aware of how to manage a workforce with such diverse objectives and motivations.

As they age, Baby Boomers will be withdrawing from their working life in the next 15 years or so, however Gen X has at least another 30–35 years, and Gen Y another 35–50 years to work through to the average age for retirement. For those responsible

for corporate planning, how to manage and motivate these later generations should now be taking up a much larger part of their research if they are to ensure ongoing success in their organisations.

Reviewing Reward Systems

Another threat to the success of organisations appears to be hidden in the operational culture where employees are actually encouraged to only manage upwards, because that is from where the rewards come. In fact, it is unusual to see employees encouraged to give good service for any reason other than it will provide economic benefit to the organisation. Rarely do we see staff encouraged to do the 'right thing' for reasons other than because it will enhance the corporate reputation. In fact, whilst doing something 'good' purely for the sake of doing so may not necessarily be discouraged, it may well be looked at as being unusual, unnecessary, or unnatural. This approach is reinforced by rewards systems that recognise the efforts of staff only in achieving the needs of the employer—not necessarily those of the clients—even though satisfying clients should theoretically also benefit the organisation.

As noted in Chapter 1 of this thesis, Kurland (1995) is quoted by Holley (1993) in observing that voluntary exchange is the crucial feature for ensuring that people's needs are efficiently met in relation to goods and services. Therefore, without necessarily denigrating economics as a viable means to motivate sales staff, one would question why 'good behaviour' that benefits all parties would not also be encouraged.

CHAPTER VIII

LIMITATIONS

This study, whilst meeting the requirements for statistical analysis, is by no means exhaustive and hence must be seen as a sample result that points the way to other research. Some of the limitations affecting this study are highlighted as follows:

Statistical Significance

Given that there are hundreds of members within the accommodation divisions of the various state branches of the Australian Hotels Association, and over 2000 members of the Hotel, Motel and Accommodation Association of Australia, this study has only considered a small percentage of all hotels. The study may therefore be seen as representative rather than extensive.

Cultural Differences

Respondents to this research were exclusively from Australian hotels, and cross-cultural issues, which have not been examined here, may have impacted upon responses. As noted by Davis, Johnson and Ohmer (1998), 'the universality of any particular theory cannot be assumed because cultural systems inevitably shape models of ethical decision-making just as they influence general organisational theories' (p.373).

The results therefore should be seen as more indicative of hospitality managers working in an Australian context. In particular, the findings relating to generational differences may only apply to managers in a western environment, as most studies on generational attitudes appear to have been conducted in a western environment.

Given these limitations, there may well be scope for further studies to consider these issues in cultures with stronger familial obligations (such as those in Asia) or those with stronger religious obligations such as parts of the Middle East.

Other research may also consider the impact of Generation Y workers on older managers, and the likely success of power transfer from one generation to another.

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SURVEY INSTRUMENTS

General and Demographic
Introduction

Thank you for participating in this research, which will assist in understanding the relationship between leadership and ethical decision-making in the hospitality industry.

The first part of the survey deals with general information about your organization and you that assists us in classifying the information and gives some background to the second part of the survey that deals with leadership styles

Please note, this not a test, and therefore there are no correct or incorrect answers as such. To complete the questionnaire, you will need to read each question carefully and then circle the most appropriate answer on the survey itself.

For example, on Question 6, if your organization's gross revenue for the last financial year is less than one million dollars, please circle '1'.

Question		Code
1. Which of the following best describes your current position at work?		
Owner/operator		1
Managing Director/Chief Executive Officer		2
General Manager		3
Senior Manager		4
Supervisor		5
Other (Please list)		6
2. If you are working, how long in whole years, have you worked in your current organisation?		
Less than 1 year		1
1-3		2
3 – 5		3
5 – 10		4
10 – 20		5
20 or more		6
3. Which of the following best describes your highest level of formal education?		
Secondary School		1
TAFE Certificate / Associate Diploma / Diploma (or equivalent)		2
Bachelor's Degree		3

Post Graduate Certificate / Diploma		4
Master's Degree		5
Doctoral Degree		6
4. Which of the following disciplines was your main area of specialisation?		
Business (hospitality and tourism).		1
Business (other than hospitality and tourism)		2
Arts/Humanities		3
Science		4
Education		5
Law		6
Other (Please specify)		7
5. What is your gender?		
Male		1
Female		2
6. In what year were you born?		
7. Please circle the code number representing your organisation's total gross revenue for the last financial year. If the organisation is non-profit, please use total revenue including external funding, membership fees etc.)		
a. Under $1 million		1
b. $1 to $4.9 million		2
c. $5 to $24.9 million		3
d. $25 million+		4
8. When was your organisation founded? (Please circle one code number.)		
1970 or before		1
1971 – 1980		2
1981 - 1990		3
1991 or later		4
9. Please circle the code number representing the total number of staff employed in your organisation.		
Fewer than 10		1
Oct-19		2
20 - 49		3
50 or more		4
10. Please circle the code number representing the total number of staff reporting to you		
Fewer than 10		1
10-19		2
20 - 49		3
50 - 99		4
100 or more		5

Leadership and Influence Questionnaire

Managerial Ethics looks at how you relate to others in your organization. This assessment will take about 5 minutes. All you have to do is record your answers to reflect your response to each of the following 26 short statements.

For example, with regard to the first question 1 'An important requirement for success in my job is to gain the kind of power needed to control things and shape events', your answer may be '9' Strongly Agree. To record your answer, place a tick (v) in the box next to Question 1 on the answer sheet, in column 7.

	1	2	3	4	5	6	7
	Strongly Disagree			*Neither Agree nor Disagree*			*Strongly Agree*
1. An important requirement for success in my job is to gain the kind of power needed to control things and shape events.							
2. I see part of my effectiveness to be dependent upon the personal relationships I develop with those who have power.							
3. It is important to cultivate certain relationships and to align yourself with those who have influence if you want to succeed.							
4. Being able to influence salaries, promotion and rewards and disciplinary measures is an important way to keep subordinates 'on their toes'.							
5. As a manager, I never reveal too much about myself, but try to learn as much as I can about the other person.							
6. I see my job principally in terms of setting objectives and seeing to it that they are met in an organised and orderly way.							
7. In terms of dealing with subordinates in my job, the best tool is the operations manual which details how rules are to be followed.							
8. I want to be remembered for my ability to have accomplished objectives and to have produced specific results.							
9. In my job, I insist on my subordinates have a clear job description, functions and responsibilities.							
10. It is important that I make my unit function efficiently and run like clockwork, never mind the personalities involved.							
11. In my job, having a hierarchical organisation of offices with clearly defined lines of authority is essential for being effective.							
12. In my job, I actually motivate people by purposely giving them more responsibility and authority to get things done.							

	1	2	3	4	5	6	7
	Strongly Disagree			*Neither Agree nor Disagree*			*Strongly Agree*
13. It is important to me to take pleasure in the growth and self development of people under me.							
14. I want my effectiveness to be judged in terms of the well-being of the lives of the people I have touched.							
15. In the long run, I could be most effective as a manager if I acted more like a coach.							
16. For getting things done, in my job I emphasise planning, developing, communicating and motivating.							
17. Managing other people is a profession and ought not to be left up to just anybody who thinks they merit a promotion.							
18. In my job, to be really effective I have to look at people in terms of their potential.							
19. I am most effective in my job when I apply sound management principles.							
20. In making a decision affecting other people I always make sure I have some room to manoeuvre just so that I don't back myself into a corner.							
21. A good manager is serious about seeing to it that deviations from the rules are dealt with immediately, firmly and consistently.							
22. In my job I have learned that managing other people is a profession and ought not to be left up to just anybody who thinks they merit a promotion.							
23. If I could promote people their seniority and achievement would be the most important elements to consider.							
24. In my job, I have found it important to always appear confident and self-assured, even when at first I have little idea about something.							
25. One of the best ways I can do my job is to appeal to the values and motives of the people who are below me.							
26. In my job I never reveal too much about myself but try to learn as much as I can about the other person.							