Exploring the links between Ethical Leadership and Organizational Unlearning: A Case Study of a European Multinational Company

Muhammad Usman¹, Ahmed Abdul Hameed², Shahid Manzoor³

Abstract

Organizational learning is viewed as a source of gaining a sustained competitive advantage for organizations. However, past research suggests that organizations do not necessarily learn constructive and ethical practices and behaviors; instead, organizational members can indulge in unethical and destructive behaviors such as bribery, nepotism and the manipulation of organizational resources for personal gains that impede organizational learning. Although literature has highlighted the importance of unlearning for enhancing organizational learning and gaining sustained competitive advantage, there is a paucity of work on how organizations unlearn destructive behaviors and practices. To fill this research void, this study building mainly on social learning theory, using a single case study as research methodology and collecting data using 40 semi-structured interviews, brought to the fore how two key aspects of ethical leadership – accountability and honesty – facilitate the unlearning of destructive and inappropriate behaviors and practices. The study carries important implications for the policymakers and managers concerned with the unlearning of destructive behaviors and obsolete practices.

Keywords: Organizational unlearning, ethical leadership, accountability, honesty

1. Introduction

Organizational learning is a source of gaining sustained competitive advantage for organizations (Mason, Oshri, & Leek, 2012; Nonaka & Takeuchi, 1995). However, organizations and organizational members do not necessarily learn constructive, ethical and legitimate practices and behaviors (Hamel & Prahalad, 1994; Hedberg, 1981; Usman & Ahmad, 2018). Rather, employees and managers can indulge in unethical,
illegitimate and destructive behaviors such as unfair decisions, corruption, bribery, theft, nepotism and the manipulation of organizational resources for personal gains that impede organizational learning and performance (Aguilera & Vadera, 2008; Argyris & Schön, 1996; Coopey & Burgoyne, 2000). Leaders’ unethical behaviors can have detrimental effects on organizations, investors and other stakeholders. There are several examples of high-profile disasters such as WorldCom, Enron and Tyco that are often linked with leaders’ unethical behavior (MacLean & Behnam, 2010). Artificial sugar and wheat crises in Pakistan and ecological disaster in Ecuador by Chevron are other such examples that are associated with leadership’s unethical behaviors (Campbell, 2012; Haq, Nazil, & Meilke, 2008; Coman & Cmeciu, 2014). Employees’ unethical behaviors also damage organizations and its stakeholders in numerous ways. JP Morgan Chase & Co, the United States based leading global financial services firm, suffered a loss of over $6.2 billion due to the deceptive behavior of an employee. The other losses include a loss of legitimacy among investors, lenders and customers, increased turnover and the loss of employee morale (MacLean & Behnam, 2010).

Similarly, organizations can develop cultures and structures that do not facilitate knowledge sharing and the co-creation of knowledge and hamper organizational learning (Hedberg, 1981; Usman & Ahmad, 2017). For examples, hierarchical structures obstruct open dialogue, discussion and knowledge sharing among organizational members working at different levels of an organization. The use of obsolete technology, equipment and organizational practices also constrain the achievement of organizational objectives. Therefore, literature (e.g., Argyris & Schön, 1996; Hedberg, 1981; Hislop, Bosley, Coombs, & Holland, 2014) suggests that to enhance organizational learning, organizations first need to unlearn destructive, obsolete and unethical behaviors, practices and technologies. Hamel and Prahalad (1994) portray the importance of unlearning by stating that without unlearning – forgetting and eliminating – the obsolete practices of the past, it is unlikely that organizations learn, innovate and achieve their objectives.

Indeed, literature has increasingly highlighted the role of leadership in enhancing individual and organizational learning (Gong, Huang, & Farh, 2009; Leithwood, Leonard & Sharratt, 1998; Vera & Crossan, 2004; Usman & Hameed, 2017). However, there is a paucity of work on how leadership can help organizations unlearn unethical and destructive behaviors and practices. Although the literature has increasingly documented important role of transactional and transformational leadership styles in organizational learning, we argue that transactional leadership and transformational leadership may not be effective in the unlearning of unethical and destructive behaviors. Our argument is consistent with Brown, Treviño, and Harrison (2005) and

4 https://www.bloomberg.com/quicktake/thelondon-whale
Sendjaya and Cooper (2011) who suggest that transactional and transformational leaders have tendency to demonstrate unethical behavior because of their obsession with the achievement of organizational objectives. Therefore, such leaders can enhance learning but may not offer a sustainable solution to the failure of businesses associated with the unethical behavior of the leadership. In this study, building mainly on social learning theory (Bandura, 1977; 1986), we propose that ethical leadership can help organizations unlearn destructive behaviors and practices such as corruption, bribery, nepotism and the misuse and manipulation of organizational resources for personal gains.

Thus, the aim of the present study is to explore how ethical leadership help organization unlearn old, destructive and unethical practices and behaviors using a single case study as a research methodology. We contextualize our theoretical perspectives on ethical leadership and unlearning in a European multinational company engaged in the marketing and sales of petroleum products. We collected data through 40 semi-structured interviews and analyzed data using open, axial and selective coding.

Our study contributes to the literature by studying an important but ignored research area – the role of ethical leadership in unlearning. Importantly, we explore and foreground how two key aspects of ethical leadership – accountability and honesty – facilitate unlearning of destructive and inappropriate behaviors and practices. In doing so, we integrate two key knowledge areas – ethical leadership and organizational unlearning. The study carries important implications for the policymakers and managers concerned with the unlearning of destructive behaviors and obsolete practices. We portray ethical leadership as a solution to unlearn unethical and destructive behaviors and practices and importantly a solution to the failure of businesses associated with the unethical behavior of the leadership. The findings suggest that ethical leaders play important role in unlearning destructive practices and behaviors by establishing accountability mechanisms and demonstrating honesty through their behaviors and practices.

This paper is organized in five sections. In section 2, literature on ethical leadership and organizational unlearning will be reviewed. In section 3, we will explain research method used in this study. In section 4, we will present empirical results. In section 5 and 6, discussion and conclusion will be presented, respectively.

2. Theoretical Background

2.1. Unlearning inappropriate and destructive behaviors and practices

Organizational unlearning is defined as the dynamic process through which
an organization recognizes and eliminate inappropriate and destructive routines, knowledge, behaviors and practices from organizations (Navarro & Moya, 2005). The literature on organizational learning suggests that organizations might learn practices and behaviors that are destructive for organizational learning and performance (Hamilton & Sanders, 1999). That is, organizational learning is not always constructive and beneficial for organizations (Hamilton & Sanders, 1999). Therefore, Argyris and Schön (1996) state that organizational learning can be both constructive and destructive and that organizational learning should not be taken for granted as a constructive concept, suggesting that organizations need to unlearn destructive and inappropriate practices.

Nystrom and Starbuck (1984) argue that unlearning is a prerequisite for organizational learning. Unlearning inappropriate and obsolete behaviors and practices helps employees and organizations learn and new knowledge, which is compatible with the rapidly changing market dynamics (Akgün, Byrne, Lynn, & Keskin, 2007). Unlearning helps employees be more flexible in their behaviors and actions under turbulent circumstances (Akgün, Lynn, & Byrne, 2006). Unlearning obsolete knowledge provides organizations with spaces and flexibility to embrace new beliefs and ideas (Leal-Rodríguez, Eldridge, Roldán, Leal-Millán, & Ortega-Gutiérrez, 2015) and create new knowledge and innovate (Zahra, Abdelgawad, & Tsang, 2011). De Holan and Phillips (2004) stress that organizations need to unlearn the knowledge and behaviors that impede the attainment of organizational goals. In this way, organizational unlearning provides the basis for organizational learning and helps the organizations explore novel opportunities and gain sustainable competitive advantage (Leal-Rodríguez et al., 2015; Tsang & Zahra, 2008). The literature (e.g., Easterby-Smith, Antonacopoulou, Simm, & Lyles, 2004; Gabriel Cegarra-Navarro, Sánchez-Vidal, & Cegarra-Leiva, 2011) suggests that the identification and elimination of inappropriate and destructive behaviors, practices and technologies are necessary to gain new expertise and competencies.

However, unlearning destructive and inappropriate behaviors and practices is not straightforward; rather, organizations face stern resistance from employees, as the change can contradict existing practices, behaviors, routines and norms (Wong, Cheung, Yiu, & Hardie, 2012). Moreover, the unlearning endeavors may create a sense of job insecurity and instigate the feelings of the increased level of job demands including learning new skills. The key issue regarding unlearning is a lack of knowledge about how to unlearn destructive behaviors and practices (Tsang & Zahra, 2008; Zahra et al., 2011) due to the scarcity of empirical studies on organizational unlearning (Brook, Pedler, Abbott, & Burgoyne, 2016). Thus, keeping in view the importance of unlearning for organizational learning and success, the scarce empirical
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2.2. Ethical leadership and unlearning

While literature has increasingly documented the important role of leadership in individual and organizational learning (Demirtas & Akdogan, 2015; Edmondson, 2003; Gong et al., 2009; Hassan, Wright, & Yukl, 2014; Kim & Brymer, 2011; Walumbwa, Cropanzano, & Hartnell, 2009; Usman & Hameed, 2017), the focus has been mainly on transactional and transformational leadership styles. However, the high-profile corporate failure scandals such as Enron and WorldCom have shifted the focus of the policy makers, researchers and practitioners on business ethics and ethical leadership (Brown et al., 2005). As transformational and transactional leaders have propensity to engage in dishonest behaviors, they may not be effective in unlearning the destructive and unethical practices and behaviors (Brown et al., 2005; Sendjaya & Cooper, 2011). Transformational leaders are preoccupied with the achievement of organizational growth, transformation and learning objectives and may involve in unethical behaviors to achieve their obsession (Graham, 1991; Sendjaya & Cooper, 2011; Stone, Russell, & Patterson, 2004). Likewise, transactional leaders have tendency to involve in unethical behaviors and practices because of their focus on the achievement of performance objectives through heavy reliance on punishment and rewards mechanisms. Such compliance-based leadership styles have been criticized for being offensive and unethical to employees (Brown et al., 2005). Similarly, the followers of transactional leaders can engage in unethical practices and behaviors to avoid punishment and gain incentives in return for their improved performance. Therefore, decisions made by transformational and transactional leaders about what to unlearn may not necessarily be ethical. Thus, we argue that transformational and transactional and other such leadership styles may not be effective in unlearning of unethical and destructive behaviors and practices. As ethical leadership include both transformation and transactional components, and importantly, these components stem from ethics, we propose that ethical leadership can help organizations unlearn unethical behaviors and practices and provide a solution to the post-Enron challenges.

Thus, in this study, we propose that ethical leadership can help organizations unlearn destructive and inappropriate behaviors and practices. Our proposition is mainly based on the following two arguments. First, employees’ involvement in unethical and destructive behaviors and practices is associated with their leaders’ unethical behavior (Resick et al., 2011; Usman & Hameed 2017; Xu, Loi, & Ngo, 2016). Likewise, several high-profile failure scandals such as Parmalat, WorldCom, Enron and
Allied Irish Bank are also linked with leadership’s unethical behavior and a lack of ethics in the organizations (Brown & Treviño, 2006; Eisenbeiß & Brodbeck, 2014; Knights & O’Leary, 2005; Resick et al., 2011; Xu et al., 2016). Several researchers have argued that a lack of ethics and ethical leadership have contributed to such failure scandals (Brown & Treviño, 2006; Eisenbeiß & Brodbeck, 2014; Knights & O’Leary, 2005; Resick et al., 2011; Xu et al., 2016). Different stakeholder groups including shareholders, communities and governments have demanded organizational leaders to demonstrate ethical behavior and eliminate unethical behaviors and practices from organizations (Eisenbeiß & Brodbeck, 2014; Treviño, Weaver, & Reynolds, 2006). Past research has increasingly highlighted the importance of leaders’ ethical behavior for shaping employees’ ethical behavior in different organizations ranging from business to sports teams and religious organizations (Brown & Treviño, 2006; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Treviño et al., 2006). Therefore, we expect the leaders’ demonstration of ethical behavior can play important role in unlearning destructive and obsolete behaviors and practices.

Second, we build on social learning theory (Bandura, 1977; 1986) to suggest that ethical leadership can facilitate the unlearning of destructive behaviors and practices in organizations. Social learning theory (Bandura, 1977; 1986) has been repeatedly used in ethical leadership research to examine the effects of ethical leadership on several work-related behaviors and practices of employees and organizations (Brown, Treviño, & Harrison, 2005; Usman & Hameed, 2017). Social learning theory proposes that followers learn by observing, learning and imitating from their role models. Drawing on social learning theory, Brown et al. (2005, p. 120) conceptualize ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers.” Brown et al. (2005) propose two key roles of ethical leadership – normative and role modeling roles. The ethical leader uses these roles to influence and shape employees’ behavior, suggesting that ethical leader can force and drive organizations unlearn old and destructive practices and behaviors. Brown et al. (2005) portray several aspects of ethical leadership such as accountability, honesty, integrity, fairness and concern for others, including employees and society. Ethical leaders show concern for the personal and professional life of the employees working under their supervision (Veiga, 2004). Ethical leaders demonstrate ethical conduct in through their behaviors, actions and decisions (Ofori, 2009). Importantly, ethical leaders communicate the importance of ethical behaviors and practices including honesty, integrity, concern for others and fairness for employees’ professional and personal lives and the society as a whole (Eisenbeiß & Brodbeck, 2014). Following social learning theory (Bandura, 1977; 1986), we expect that the followers will learn these traits and unlearn destructive behaviors.
We particularly focus on two aspects of ethical leadership – accountability and honesty – to show the links between ethical leadership and unlearning. Our focus on accountability and honesty is inspired by the importance of these ethical leadership dimensions not only for unlearning unethical behaviors and practices in organizations but also for organizational learning and performance (Brown & Treviño, 2006; Eisenbeiß & Brodbeck, 2014; Usman & Hameed, 2017). The importance of accountability for countering employees’ unethical behaviors and ensuring effective management of businesses has been acknowledged by researchers, media and practitioners (Ettore, 1992; Brown et al., 2005). A lack of formal accountability mechanisms can make organizational structure and culture dysfunctional that can result in organizational failures and setbacks for investors, lenders and other stakeholders (De Cremer & Van Dijk, 2009; De Cremer & Sedikides, 2008). The high-profile business failures such as Enron and WorldCom have been linked with ineffective accountability systems (Brown et al., 2005; Eisenbeiß & Brodbeck, 2014). Accountability, a fundamental construct of organization theory, has been portrayed by Frink and Klimoski (1998, p. 3) as the “adhesive that binds social systems together”. Accountability discourages employees’ involvement in unethical behaviors and practices (De Cremer & Van Dijk, 2009). According to Treviño and Weaver (2003), 90 percent of the organizations in the United States have in place some form of formal accountability system. The ubiquity of accountability mechanisms highlights its importance to deter unethical behaviors and maintain legitimacy in organizations (Weaver, Trevino, & Cochran, 1999).

Our interest in honesty is inspired by two important factors. First, honesty is, arguably, the most desired leadership trait (Batten, Batten, & Howard, 1997; Posner & Kouzes, 1993). Indeed, several scholars have compared honesty with other leadership’s traits such as credibility, integrity, competence, trustworthiness and forward-looking nature and portrayed honesty as the most admired leadership trait (Batten et al., 1997; Posner & Kouzes, 1993; Nix, 1997; Posner & Schmidt, 1992; Winston, 1999). Posner and Schmidt (1992) suggest that the most admired quality of good leaders is honesty, which is followed by forward-looking nature and competence. Batten et al. (1997) and Winston (1999) suggest that although integrity and honesty are good leadership’s central characteristics, honesty is the fundamental feature that shapes other key leadership’ traits such as integrity and credibility.

Second, honesty can play important role in unlearning of destructive behaviors and practices. The effective implementation of formal compliance system requires honest leaders (Fox & Spector, 1999). Those leaders who are engaged in dishonest and destructive behaviors may not enforce the effective implementation of accountability system and force their followers to avoid from being involved in unethical and destructive behaviors (Fox & Spector, 1999; Robinson & Bennett, 1995). Thus, we
understand that honesty and accountability have close relational ties, which can play vital role in unlearning destructive and unethical behaviors. However, how leadership uses accountability and honesty for unlearning unethical and destructive behaviors and practices has been largely ignored. Thus, the close links between accountability and honesty, their propensity to facilitate unlearning destructive behaviors and the scarcity of researchers’ attention on their links with unlearning have warranted our interest to study these constructs in relation with unlearning. As both honesty and accountability are amongst ethical leadership’s core components (Resick et al., 2011), we aim to explore how ethical leaders make effective use of accountability and honesty through their normative and role modeling roles to force and inspire their followers to unlearn destructive behaviors and practices.

### 2.3. Accountability and unlearning of destructive behaviors and practices

Accountability includes taking personal accountability, following laws, rules and regulations and making others responsible (Resick et al., 2011). Given their position in the organizational hierarchy, ethical leaders use their normative power to establish norms and standards to make employees accountable for their actions. Ethical leaders establish and use an accountability system to punish and reward their followers to force them to follow the established behavioral standards (Brown & Treviño, 2006; Treviño, Brown, & Hartman, 2003). Ethical leaders create an organizational structure that strengthens and supports ethical behavior and imposes penalties if they violate ethical standards (Treviño et al., 2003). Therefore, we expect that by establishing ethical standards and a fair accountability system, ethical leadership can force employees to unlearn practices and behaviors such as corruption, bribery, favoritism and nepotism that are destructive for organizational learning and performance. Similarly, ethical leadership can force their followers to unlearn obsolete technology and routines that are not compatible with the market dynamics and impede organizational productivity and performance. Thus, we propose that by establishing and implementing strict ethical standards, ethical leadership can facilitate the unlearning of destructive and obsolete behaviors and practices and offer a solution to the organizational impediments and failures resulting from such destructive and obsolete behaviors and practices.

### 2.4. Honesty and unlearning of destructive behaviors and practices

Honesty is considered as an important characteristic of ethical leadership (Resick et al., 2011). Literature on ethical leadership (Eisenbeiß & Brodbeck, 2014; Kirkpatrick & Locke, 1991) suggests that honesty is the fundamental trait of ethical leadership that provides the leadership with the basis to win the trust of followers and improve the quality of relationship with the followers (Brown & Treviño, 2006; Resick et al., 2011; Treviño et al., 2003). We suggest that the role modeling role of ethical leadership is
imperative in the unlearning of destructive and inappropriate practices and behaviors. Ethical leadership can instill honesty among employees through their role modeling role. Ethical leadership demonstrates honesty through their behaviors. Following social learning theory (Bandura, 1977; 1986), we propose that followers observe, learn and imitate the honest behaviors and actions of their leaders as role models and unlearn destructive behaviors and practices. In other words, by demonstrating honesty through their behaviors and practices, ethical leaders inspire employees unlearn destructive and unethical behaviors and practices. Our proposition gets support from the literature (e.g., Brown & Treviño, 2006; Resick et al., 2011; Treviño et al., 2003) that suggests that the ethical leadership discourages unethical practices and inspires the organizational members to behave, communicate and act ethically. Therefore, we propose that ethical leaders can inspire their followers to unlearn undesired and destructive practices and behaviors such as cheating, stealing, the misuse of company time and the manipulation of company resources. Figure (1) presents a theoretical framework that summarizes our propositions about the links between ethical leadership’s dimensions – accountability and honesty – and unlearning. The framework will serve as a guide to explore how accountability and honesty are linked with unlearning.

![Figure 1: Theoretical Framework: Links between Ethical Leadership and Unlearning](image)

3. Research Method

3.1. Case study as a research methodology

We used a qualitative case study as research methodology to explore and foreground how two key aspects of ethical leadership – accountability and honesty – facilitate the unlearning of destructive and unethical behaviors and practices. According to Creswell (2013), the nature and purpose of the research should guide the choice of research methodology. Miles and Huberman (1994) suggest that qualitative research
is used when the purpose of the study is to develop new theories by generating deep insights about the understudy social phenomena. An empirical inquiry, case study enables researchers to explore a phenomenon in its real-life context and develop theories by allowing numerous sources of evidence and emphasizing on what, where, who, why and how questions (Eisenhardt, 1989; Yin, 1994). The case study provides an opportunity to understand social reality from various perspectives and dimensions and generates in-depth information about the phenomenon understudy (Yin, 1994; Eisenhardt, 1989; Dyer & Wilkins, 1991; Dubois & Araujo, 2004; Dubois & Gadde, 2002). The use of a single case study has been advocated by Langley (1999) and Siggelkow (2007) for its power to generate deep insights and develop new theories. The use of a single case becomes a natural choice when the aim is to develop theory (Dubois & Gadde, 2002). Thus, keeping in view the purpose and nature of the study, we used a qualitative case study as a research methodology. We contextualized our theoretical perspectives on ethical leadership and organizational unlearning in a single case of EU (the pseudo name of a European multinational company engaged in the marketing and sales of petroleum products in more than 80 countries around the world including Pakistan).

3.2. Data collection

Qualitative data can be collected through different data collection tools such as observations, semi-structured interviews, in-depth interviews, and the analysis of archival records, documents, and other physical artefacts (Yin, 1994). We used semi-structured interviews to collect data, as they provide flexibility required to generate rich data (Yin, 1994). Semi-structured interviews were conducted from managers and employees of EU working in different offices in Pakistan. Access to data collection was managed through personal references. A combination of purposive and convenience sampling techniques was used.

The decision to collect data from managers and employees represents the purposive sampling (Bryman, 2007), as it was done purposefully to understand the employees’ and managers’ perspectives on ethical leadership and organizational unlearning. For the interviewees selection from employees and managers, convenience sampling was used. A total of 40 interviews – 20 from managers and 20 from employees – were conducted. Respondents from employees were coded as E1, E2, E3 and so on. Respondents from the leadership were coded as M1, M2, M3, and so on. On average, the duration of each interview was 90 minutes. Written consent was taken from the interviewees and confidentiality was promised. Moreover, the interviewees were asked to leave the interview anytime and skip any question if they wished to do so. Interviews were conducted between June and August 2017.
An interview guide was prepared that consisted of an initial set of questions that were asked from the interviewees. The questions are presented in Table (1). The interview questions were taken from Brown et al. (2005), Kalshoven, Den Hartog and De Hoogh (2011), Tummers and Knies (2016) and Cegarra-Navarro and Sanchez-Polo (2008). The interview guide was loosely structured around the key themes of the study and in the course of interviews, the interview guide was not strictly followed. By adopting the active interviewer notion (Holstein & Gubrium, 1995), questions were often improvised and interviewees were offered flexibility to significantly depart from the interview guide. This allowed the emergence and sharing of salient and alternative aspects of ethical leadership and destructive behaviors and practices.

All the interviews were recorded with the permission the interviewees and detailed notes were also made. Notes on each interview were studied and recorded interviews were listened for planning the next interview and determining the issues and questions which needed further explanations and clarifications. The important issues raised during the previous interviews were noted and followed up in subsequent interviews. All the interviews were transcribed verbatim.

Table 1: Interview Questions

<table>
<thead>
<tr>
<th>Construct</th>
<th>Questions</th>
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<tr>
<td><strong>Honesty</strong> From employees about managers</td>
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<tr>
<td>1.</td>
<td>Does your manager keep his/her promises?</td>
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<tr>
<td>2.</td>
<td>Can your manager be trusted to do the things he/she says?</td>
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<td>3.</td>
<td>Can your manager be relied on to honor his/her commitments?</td>
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<td>4.</td>
<td>Does your manager always keep his/her words?</td>
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<tr>
<td>From managers</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Do you think employees keep their promises?</td>
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<tr>
<td>2.</td>
<td>Do you think that your subordinates can be trusted?</td>
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<tr>
<td>3.</td>
<td>Can your subordinates and employees in general in your company can be relied?</td>
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<tr>
<td>4.</td>
<td>Do employees keep their words?</td>
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<tr>
<td>5.</td>
<td>Do you keep your promises?</td>
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<td>6.</td>
<td>Do you think employees trust you?</td>
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<tr>
<td><strong>Accountability</strong> From employees about managers</td>
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<tr>
<td>1.</td>
<td>Does your manager encourage you and your colleagues to explain your actions to various stakeholders?</td>
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<td>2.</td>
<td>Does your manager stimulate you to inform stakeholders of your way of working?</td>
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<td>3.</td>
<td>Does your manager stimulate you to explain to stakeholders why certain decisions were taken?</td>
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<td>4.</td>
<td>Are people punished for their involvement in corruption and other such unethical behaviors?</td>
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<tr>
<td>5.</td>
<td>Can anyone avoid punishment if he/she is involved in unethical/illegal practices?</td>
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<tr>
<td>From managers</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Are you satisfied with the accountability system?</td>
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<td>2.</td>
<td>Do you think the accountability standards are same for everyone?</td>
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<tr>
<td>3.</td>
<td>Can employees or managers avoid punishment for their wrongdoings?</td>
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<tr>
<td>4.</td>
<td>Do you stimulate your employees to explain to stakeholders why certain decisions were taken?</td>
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<tr>
<td>5.</td>
<td>Do you explain stakeholders why certain decisions were taken?</td>
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<tr>
<td>Unlearning</td>
<td>Both from managers and employees</td>
</tr>
<tr>
<td>1.</td>
<td>Do you think you visualize my own mistakes?</td>
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<tr>
<td>2.</td>
<td>Do you think that your organization has overcome corruption, bribery, fuel stealing and other such issues?</td>
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<tr>
<td>3.</td>
<td>Are you able to question your own behaviors?</td>
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<tr>
<td>4.</td>
<td>Can you provide any example of unethical practices that existed before, but have been overcome?</td>
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</tbody>
</table>

### 3.3. Data analysis

Data was analyzed using open, axial and selective coding (Strauss & Corbin, 1990). First ‘open coding’ was used with a specific goal to recognize the key themes regarding ethical leadership and unlearning. ‘Axial coding’ was used to link main themes and sub-themes. In the final stage, we used ‘selective coding’ to refine and integrate the theory. We used NVivo to perform this coding process. In the first step, to perform the open coding, each theme that emerged from the interview data was colored and codes were labelled by using a suitable term. A list of codes was prepared along with the definitions for what each code captured. As the coding process continued for each of the interviews, codes were redefined and new codes were created. Some of the codes were merged if they represented the similar theme. Some of the codes were split to allow new themes to emerge. To accomplish axial coding, themes and sub-themes were linked. Finally, selective coding was used to link the themes with the literature. Themes are presented in table (2). In order to avoid researchers’ bias, data was coded by all the authors separately and the themes and subthemes were compared to examine the similarities, differences and ambiguities (Creswell, 2013). The findings were constantly reviewed with the key interviewees (Creswell, 2013).


Table 2: Key Themes

<table>
<thead>
<tr>
<th>Themes</th>
<th>Quotes: evidence</th>
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| Honesty     | Our managers are honest. They always keep their promise and always fulfill their commitments. They are honest in their dealings with our clients too. That’s what that make them exemplary (E2)  
I always try to lead by example. I think that works, as I can preach honesty then. My subordinates are honest too. I have great trust in them. I know they won’t cheat or fraud with anyone (M12)  
Yes, my manager is honest. He is really a good person to learn from (E12) |
| Accountability | No one is spared if they violate. Its for everyone actually. You won’t doubt them that they will discriminate between employees and managers if you are found involved in stealing fuel or selling to some of your friends (E5)  
Oh yes, very strict standards. I can’t think of avoiding punishment if I am caught in any wrong doing (E8).  
If any staff member violates ethical standards, we warn or transfer them. A few were terminated from their jobs for such reasons, you know. People are demoted as well for their engagement in corrupt practices. So corruption or any substandard practice is not choice here (M18) |
| Unlearning  | We have got rid of bad practices such as stealing of oil, mixing of oil and we have improved a lot if we compare it when we started our business here (M3)  
I believe they [employees] work with honesty and go extra-yard to fulfil their responsibilities. This has created a culture of doing everything with honesty and optimal effort. So no issue of involving in corruption or anything like that. (M13)  
There were many cases initially, but you won’t hear much about stealing or even using unfair means to earn (E10) |

4. Results

4.1. Accountability and unlearning of destructive practices and behaviors

When EU started its operations in Pakistan in the early 1990s, there were several issues regarding sub-standard practices such as mixing cheap solvents in the fuel, awarding contracts based on favoritism rather than on merit and selling fuel to dealers/petrol stations that offered bribes.

“8,186 kiloliter MOGAS and 44,777 kiloliters High Speed Diesel were issued to 27 different outlets on December 30 and 31, 1993, just a day or two before the new tariff notification of these products. They did it because they earn commissions on it” (M3).
There were many instances in which employees and managers were involved in sub-standard, corrupt practices. Despite the availability of rules and regulations and criteria, such fraudulent practices were rampant in the company.

“There were countless cases of corruption in which EU officers granted contracts to pre-selected bidders or ignored the compulsory requirement of providing detailed criteria of pre-qualification. The criteria, indeed, are supposed to provide with transparency and self-evaluation to the bidders” (M7).

“If you had any experience of fueling your car from our petrol station, you would have known that quality was a big disappointment at the pumps. It looked that we had lost control over the quality. You could have easily concluded that there was no check and balance that what is coming out of the nozzle of the pipe and entering in your car’s tanks” (E11).

The reason for this type of corruption has been related to a lack of fair accountability system. Managers and employees involved in destructive behaviors and practices were not punished fairly.

“Only a few them would get punished or scapegoated. Others enjoyed the illegal perks. In fact, corruption was done in groups and they had a strong affiliation with each other and would try to save each other. There was no whistleblowing system and accountability was weak” (E15).

However, to counter these behaviors, EU’s leadership established strict and fair accountability at all levels of the organization. First, the leadership assigns a task to their employees usually keeping in view the skills and experience of the employees and gives them choice in the selection of assignments.

“We are four members in our department. We always have a choice in the selection of different assignments. We can select task according to our knowledge skills and abilities. After the completion of the task, we have to take responsibilities of results” (E4).

Then leaders provide employees with a list of duties, role clarity and responsibilities and the protocols to perform the tasks. If employees violate these protocols and roles including ethical standards, the leadership takes necessary action to ensure accountability.

“Drums containing contaminated patrol were standing in the backyard of the facility. Two of the drums were found badly damaged and fuel was spilling. These spilling contents are causing grave health and environmental hazards. These drums are unsheltered. An immediate maintenance of the drums and the construction of shelter were recommended and the people responsible for the sub-standard practice were transferred to a far from the area as a part of the punishment. Moreover, their promotion was banned for three years” (E16).
“Yes, accountability is everywhere. It is for everyone, including managers. No one is spared. You know there is little chance that people are involved in any practice that is harmful and illegal” (E1).

Interviewees from the management group also had similar views about accountability.

“It is my duty to ensure that my subordinates are forwarding necessary details. These include traditional performance standards and ethical values. All the employees and managers are treated equally if they violate any standard. We never compromise on accountability” (M11).

“If any staff member or a manager who violates ethical standards, management punish him/her depending on the violation they were involved. They can a warning or some serious actions including demotions, transfer and contract termination” (M18).

These warnings and demotions are very helpful to unlearn unethical behaviors and practices. EU leadership punish and reward to hold employees accountable for their actions.

“After every year our management has to submit a detailed report of our conduct to the head office. And we receive certificates of being ethical if we are not violating any ethical standards” (E2).

“Our accountability system is very strict now. Nobody can avoid punishment for violating ethical standard and nobody can hold you responsible for the things that you have not faulted with” (E6).

EU leadership gives clear messages to employees about what is expected from them.

“Our communication system is very good. We receive emails from our management what to do and how to do. If there is any mistake that can be found easily from our internal communication system and after proper investigation, one can be held accountable for his mistake. That’s it. Everyone avoids any involvement in illegal activity” (E17).

EU has a very strict system to check the quality of oil products. EU has established a proper mechanism to check the quality of the product. Therefore, mixing in fuel is not possible.

“We have to maintain quality and standard of our supply. We have our own laboratory in our depot. Laboratory checks the quality of petrol before filling it in the oil tankers. Surprise visits also ensure that the quality of oil products is up to the standards. People won’t get any chance to engage in bribery or corruption” (M19).

In sum, the strict standards and a fair accountability system have been very helpful
in unlearning the destructive practices and behaviors that existed in the company when they started business in Pakistan. A fair accountability system has been the key in this regard, as every employee and manager have a clear message that no one will be spared if they violate established standards. The accountability has contributed to overcoming explicit bad learning practices such as corruption in financial matters, stealing of fuel and the illegal mixing of impurities in the fuel.

4.2 Honesty and unlearning of destructive practices and behaviors

Honesty is amongst the main components of ethical leadership. EU manager tries to be honest in their communication and actions.

“Our management is honest with the subordinates. We are working as a team and it is very important to us that we should have trust and respect for each other” (E5).

“Honesty is in our culture. We know that if leaders of any organization are dishonest, they cannot be trusted” (M1).

EU leadership keep their promises with their subordinates

“If they[management] promise us something, they honor it. If they refuse to do anything, they do it so” (E7).

EU leadership demonstrate honesty in every matter. For instance, promotion system is very transparent and based on a transparent system.

“They [management] are clear that in promotions they have made it clear people will be promoted only on the basis of their performance. This is something we are very clear about” (E12)

Honesty is an important feature of the EU leaders.

“I always try to lead by example. It is very important for me to stop stealing of petrol from the depot. Therefore, neither I used any illegal mean to receive any benefit for myself and never will let anyone to do the stealing. It is very important for me to lead from the front and do what I expect from others. I am sure they my subordinates follow my example. I am sure we have overcome corruption of any form here” (M16).

Employees follow their leaders and work with dedication and honesty.

“I believe they [employees] work with honesty and go extra-yard to fulfil their responsibilities. This has created a culture of doing everything with honesty and optimal effort. So no issue of involving in corruption or anything like that” (M13).

In EU, employees trust each other, as they believe that everyone works with
honesty.

“While filling an oil tanker, we have to take care of different aspects such as temperature, quality of petrol and pressure that is used to fill the oil tanker. All these things are maintained by different team members, so we have to trust each other so the job can be done efficiently and effectively. Yes, I believe most of us are honest rather than dishonest” (E10).

We have got rid of bad practices such as stealing of oil, mixing of oil and we have improved a lot if we compare it when we started our business here (M3).

In essence, EU leadership is honest with employees and lead by example. The followers observe and imitate the honest behaviors and actions of their leaders as role models. This has created a culture of honesty and mutual trust. By the virtue of leadership’s honesty, employees behave honestly and go beyond the minimum standards of performance. To sum up, we conclude that the leaders’ demonstration of ethical behaviors and practices inspire employees to be honest and discourage unethical behaviors and practices. Key findings are summarized in figure (1).

![Figure 2: Ethical Leadership and Organizational Unlearning Framework](image)

The figure (2) summarizes our findings about how ethical leadership – accountability and honesty – and the unlearning of destructive behaviors and practices are linked. Leadership in EU has developed strict accountability system that includes
strict operating procedures, strict ethical standards, a transparent and fair punishment and reward system and role clarity. The presence of accountability enhances (figure 2, positive sign) the unlearning of destructive practices such as bribery, the misuse of organizational resources, favoritism and the unfair awarding of contract to vendors and the mixing of impurities in fuel. Moreover, the EU leadership demonstrates honesty through their actions and behaviors that also enhances (figure 2, positive sign) unlearning of destructive and unethical practices and behaviors.

5. Discussion

This study suggests that ethical leadership through accountability and honesty can help organizations unlearn destructive behaviors and practices. The case of EU shows that ethical leadership can make a huge difference, as far as unlearning of destructive behaviors and practices is concerned. Initially, when the company started its operations in Pakistan, accountability system was weak. Destructive practices such as fuel stealing, the mixing of impurities in the fuel were common. Contracts to vendors were awarded on personal preferences rather than on merit.

However, now EU leadership has developed strict protocols and a fair accountability system that has contributed to unlearning destructive practices such as bribery and fuel stealing. A fair system of accountability has played a very important part to unlearn destructive and inappropriate behaviors and practices. The finding concords with Brown and Treviño (2006) and Brown et al. (2005) who suggest that accountability is a key aspect of ethical leadership through which leadership can force employees to unlearn of destructive behaviors and practices. Moreover, our findings suggest that ethical leadership’ clear communication of what is expected from employees in terms of ethical standards is important in unlearning destructive behaviors and practices. The finding agrees with the literature that suggests that if leaders communicate and promote ethical behavior in organizations by setting up ethical guidelines and direction, openly communicating ethical principles and expectations and holding their followers accountable for unethical conduct, followers’ involvement in unethical behaviors and practices can be discouraged (Brown & Treviño, 2006; Hassan et al., 2014; Treviño et al., 2003).

EU leadership tries to demonstrate ethical behavior. They work within the prescribed standard operating procedures. It has contributed to creating an organizational culture based on strict ethical standards. The finding agrees with Ofori (2009), who suggests that ethics starts from the top and trickles down to various levels in the organization; therefore, it is very important that the senior leadership of organizations behave ethically to create a culture in which ethical values flourish and enrich. If leaders demonstrate ethical behaviors and follow strict ethical standards, ethical values
get promoted in the organization (Resick et al., 2011).

Honest behaviors and actions of the EU leadership have also played a vital role in unlearning of destructive practices from the organization. Honesty is another key aspect of ethical leadership (Kalshoven et al., 2011). Our findings are in line with Hassan et al. (2014), who suggest that honesty demonstrated by leaders is observed and imitated by their subordinates that help organizations unlearn destructive, dishonest and inappropriate behaviors and practices. The followers imitate the honest behavior and practices of their leaders and avoid the dishonest use of organizational resources and work hard to go beyond the minimum standards of ethical principles and performance standards (Ofori, 2009).

Our study advances the ethical leadership literature (Brown et al., 2005; Ofori, 2009; Resick et al., 2011; Hassan et al. 2014) by presenting a framework that links ethical leadership – accountability and honesty – with organizational unlearning. The findings suggest that strict accountability system, which incorporates strict operating procedures, strict ethical standards, a transparent and fair punishment and reward system and role clarity can help organizations unlearn destructive practices such as bribery, the misuse of organizational resources, favoritism and the unfair awarding of contract to vendors. Moreover, by demonstrating honesty through their actions and behaviors, leaders can enhance the unlearning of destructive and unethical practices and behaviors.

6. Conclusions and Managerial Implications

Unlearning destructive behaviors and practices enhances organizational learning and performance (Hamel & Prahalad, 1994; Hedberg, 1981; Hislop et al., 2014). However, how organizations unlearn destructive behaviors and practices of the past is rarely explored in the literature. Building on social learning theory (Bandura, 1977; 1986) and collecting data through 40 semi-structured interviews from a European Multinational EU, we empirically showed that ethical leadership helps organizations unlearn destructive behaviors and practices including bribery and the misuse and manipulation of organizational resources for personal gains.

As a contribution to the literature, we focused on two aspects of ethical leadership – accountability and honesty – and showed that ethical leadership through the establishment of a fair accountability system and the demonstration of honesty through their behaviors and actions play a vital role in unlearning destructive and inappropriate behaviors and practices. The findings reveal that if leaders set up ethical guidelines, communicate ethical standard and expectations and hold their followers accountable for unethical conduct, followers’ involvement in unethical behaviors and
practices can be discouraged. Similarly, the followers observe and imitate their leader’s honest behaviors and unlearn dishonest and destructive behaviors and practices. In this way, our study contributes to the literature by exploring and bringing to the fore an important but ignored research area – the role of ethical leadership in unlearning. To the best of our knowledge, the current research is the first attempt to study the concept of ethical leadership and its links with organizational unlearning.

The study carries important implications for the policy makers and managers concerned with the unlearning of destructive behaviors and obsolete practices. The findings suggest that organizational leadership can force and inspire employees to unlearn destructive behaviors and practices by establishing accountability mechanisms and demonstrating honesty through their behaviors and action. The study provides lessons to local companies from Pakistan and elsewhere faced with the challenges of corruption and other destructive practices and behaviors to adopt ethical leadership to force and inspire the unlearning of such destructive behaviors and practices.

6.1. Limitations and future research

This study is not without limitations. First, this research was the first effort to analyze the relationship between ethical leadership and organizational unlearning. Therefore, there is a need to reproduce these findings to enhance the validity and generalizability of the findings. Second, this study used a single organization, which is a multinational company and can have resources to force and inspire unlearning of destructive practices; future research should study the relationship in different local companies to enhance our understanding of the relationship. Third, this research was narrow in scope by using certain features of ethical leadership with organizational unlearning. Future research should analyze the other features of ethical leadership such as integrity, fairness and concern for others in relation to organizational unlearning. Furthermore, as indicated earlier that the study was conducted in EU that operates in the petroleum industry. Studying other sectors’ companies can offer valuables insights into the relationship.

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