CHAPTER 1

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1.0.0.0 Introduction

This study “Strategy To Launch Institute For Values-Based Leadership Development” focuses on the need for values based leadership in the pharmaceutical industry, and the need to counter the increasing trend of unethical business practices and the numerous indictments of pharmaceutical companies in recent years. The pharmaceutical industry which exists for the higher purpose of saving the lives of millions of patients, needs to focus on developing values based leadership across the organization and taking concrete initiatives to develop values based leaders. The study aims to develop a strategy to launch an institute focused on developing values based leadership in the pharmaceutical industry.

Leadership has the capacity to shape the future of a team, an organization, an industry, an economy, a country, the environment and the world. Leadership affects the quality of our lives. The decisions and actions of good or bad leadership, impact the livelihoods, health, security and freedom of people.

The business world has witnessed an increasing spate of prominent corporate scandals in the last few years, which have led to the collapse of several large firms including global companies like Enron, World-Com, Arthur Andersen, Lehman brothers and Satyam. These corporations were involved in scandals that rocked the financial markets while decimating the lives and fortunes of millions of employee’s, investors and innocent people and adversely affecting the global economy. The widespread scandals across industries, from banking to housing, from IT to pharmaceuticals have brought ethics and values to the forefront of the business world and global thought leaders have been emphasizing the need for principles and values in the manner in which corporations do business.
Strategy To Launch Institute For Values-Based Leadership Development

In the last few years, the pharmaceutical industry too has been making the headlines for unethical business practices affecting the lives of millions of innocent patients. Despite being a highly regulated industry because the potential risk to patients’ lives and humankind is very high, unethical business practices have been on the rise. International courts have convicted and fined drug giants to the extent of billions of dollars for illegal marketing practices, promoting prescription drugs for uses not approved by the Food and Drug Administration (FDA), paying financial inducements to doctors to increase sales, false drug quality reporting and engaging in practices that pose grave danger to patients’ health and lives.

In view of the vital role of the pharmaceutical industry in society, it is imperative that pharmaceutical industry leaders find solutions to meet the challenges of capitalizing business opportunities while balancing public health and corporate profits. Values and ethics will have to play an important role in these solutions. The industry will need to pursue and promote a corporate culture of integrity founded on values based leadership where values and ethics are woven into day to day decision making; where the interests not only of stock holders, but also of all the stakeholders of the industry are considered.

Values-based leadership is a framework to create an organizational environment that will help employees make decisions based on values and ethical principles thus creating a stronger, more ethical culture. There is a need for pharmaceutical companies to focus on training and developing leaders across the organization and at all levels of management to make decisions based on the principles of values based leadership, keeping in mind the interests of all stakeholders.

This chapter discusses the context of the ethics crisis in the business world and the need for values based leadership in business with particular reference to the pharmaceutical industry. The chapter also deliberates on the definitions of key terms associated with values based leadership and throws light on the concept of values based leadership. The need for values based leadership development for leaders in the pharmaceutical industry is highlighted in the context of the critical ethics challenges faced by the industry.
1.1.0.0 The Business World Needs Values Based Leadership

The financial crisis that hit the world in 2008 with the collapse of Lehman Brothers left in its wake what has been termed the Great Recession. The impact of the crisis has been devastating for many economies due to the increasing interdependence of countries arising out of globalization. World markets are now interconnected, ensuring that one action leads to a reaction either within or outside the same market.

The crisis which started in the USA led to the domino effect of stock markets plummeting around the world, wiping out 33% of the value of companies equalling $14.5 trillion. Some of the world’s largest financial institutions have collapsed. Others have been bought out by their competition at low prices and in other cases, the governments of the wealthiest nations in the world resorted to extensive bailout and rescue packages for the remaining large banks and financial institutions. Country after country faced debt default and had to be bailed out by other countries, thus creating a spiralling whirlpool of financial debacle, which slowly but surely sucked in the entire global economy. Poor risk controls, massive leverage, and the blind eye were the symptoms of a worse disease: the complete collapse of ethical behavior. In the final analysis, at the heart of the economic crisis was a crisis in values and business ethics.

In their book ‘Wall Street Values: Business Ethics and the Global Financial Crisis’, Santoro, M.A., & Strauss, R.J., (2012) examined a number of financial, ethical and policy issues which led to the global economic crisis. The authors described how Wall Street icon Goldman Sachs saved itself by misleading its clients and impeding the information flow needed for the efficient functioning of free markets, thereby prolonging the mortgage bubble and adding to the financial and human cost of the economic crisis. Although the authors made a compelling case for increasing governance, they also argued that government regulation is not enough; and that economic prosperity will be sustainable only if business professionals themselves begin an urgently needed conversation about their values and business ethics.

India too has witnessed a decreasing level of trust in the integrity and business behavior of industry. In recent years, the business world has experienced a disturbing decline in the expression of positive values by some of its leaders that, in turn, have led to difficulties and even the collapse of several significant companies. What began with the discovery of India’s biggest corporate scandal - the Satyam scandal - involving the inflating of profits of the IT global major, turned into a virtual tidal wave of exposés on corruption in various domains including government, business and sports to name a few. The list of scandals is growing and ranges from insider trading to responsible treatment of the environment.

Virtually institutions in all walks of life, be it business, political, religious, educational, philanthropic or sports organizations, have been exposed as having made ethical compromises. The increasing trust deficit in leadership has led to a growing sense of frustration at the lack of ethics in corporate and public life. The continuing debate on ethical issues suggests that ethics and values in business is a real problem which needs to be addressed. The many corporate scandals in which CEOs and other top leaders demonstrated a severe lack of ethical conduct in business have also demonstrated the enormous impact leaders have on their organizations, through their direct actions as well as indirectly by creating a climate that sanctioned ethically questionable practices (Grojean et al., 2004).

Thus, the economic crisis which is not just an economic one, but also a moral one, is forcing us to relook at the manner in which we do business. Morality is no longer an individual choice or purely personal in nature, but has now to be applied to the whole economic system. The full integration of ethical standards into business practice is now not optional but necessary for long-term organizational survival (Parry and Proctor-Thomson, 2002). Core values and business ethics have to play a greater role in market economics and enterprise behavior. The nicely worded set of core values that most enterprises espouse, now have to reflect in the business behavior and decision making of their leadership teams. Organizations need to seek leaders who can sustain profitability while embodying ethics and positive values within the organization (Reilly and Ehlinger, 2007).
1.2.0.0 The Need For Values Based Leadership In The Pharmaceutical Industry

The pharmaceutical industry plays a critical role in the global health care system and performs a valuable function of discovering important new drugs, developing them and bringing them to market – a function all the more important in the context of new diseases (like swine flu or SARS), environmentally influenced diseases (like dengue), new viruses and new diseases. Among all other corporates, perhaps pharmaceutical and healthcare companies exist for the highest purpose - to save lives and help humankind live longer and healthier. Yet, in the last few years pharmaceutical companies have been featuring in the news for their ethical violations which range from promoting prescription drugs for uses not approved by the FDA, paying financial inducements to increase sales and engaging in practices that pose grave danger to patients’ health and lives.

Between 2008 and 2012 alone, giant global pharmaceutical corporations like GlaxoSmithKline, Pfizer, Johnson & Johnson, Astra Zeneca, Merck, Abbott, Eli Lilly and Allergan have paid about $13 billion in fines to settle charges of misleading marketing, promising what drugs don't do, bribing doctors to get their drugs prescribed, sometimes causing fatal side-effects. Their target patients ranged from children to dementia afflicted senior citizens. However, their revenues from the sales of drugs for which they were proven to have engaged in violation far outweigh the penalties paid.

In India too, the problem has reached epic proportions with a vicious cycle of drug companies, doctors, chemists, clinical research organizations and sales forces being embroiled in unethical business practices. The Steering committee on Health - which was formed by the government of India in recognition of the problem of unethical business practices - headed by Dr. K. Srinath Reddy submitted its recommendations² stating that the pharmaceutical industry spent over 25% of their annual turnover on sales promotion alone as compared to a paltry 7% on research and development in 2008-09. It

² Report on Universal health coverage to the National Planning Commission submitted in November 2011 by The High Level Expert Group (HLEG) – appointed by the Prime Minister and headed by Dr. Srinath Reddy, President of the Public Health Foundation of India (PFHI).
also brought to light the widespread use of irrational drugs. India’s pharmaceutical market is flooded with about 90,000 formulation packs and brands, many of which are irrational, non-essential and hazardous drugs.

The pharmaceutical industry in India is characterized by intense competition wherein products of the original innovators compete with low priced generic copies. The drug discovery pipeline is dry with no new blockbuster drugs. These, together with the intense competition for share of the doctor’s prescription and the pressure to show short-term profits in quarterly results, have shifted the focus of pharma leadership to the goal of maximizing market share and bottom lines. Though responsible for ensuring public health, some pharmaceutical companies have betrayed the common good with unscrupulous practices such as false drug quality reporting and unsafe production practices in their pursuit of higher profits. As Dr. Chandra M. Gulhati, publisher of the Monthly Index of Medical Specialty (MIMS) India puts it “The commercial needs of countless, fiercely competing pharmaceutical companies has led them to depend on the tried and tested 3Cs: convince if possible, confuse if necessary, and corrupt if nothing else works.”

Numerous studies have highlighted the ethical issues in pharmaceutical marketing to physicians, including the provision of gifts and sponsorship of educational and recreational activities as well as the lack of transparency of drug information. Many authors have concluded that pharmaceutical marketing activities pose serious problems, and medical professional organizations have elaborated guidelines on appropriate relationships between the pharmaceutical industry and physicians. Nevertheless, both pharma companies and medical professionals continue to give and accept gifts and engage in a variety of activities sponsored by drug companies.

The pharmaceutical industry plays a vital role in contributing to the health of society and hence any decision to compromise values will impact society gravely, perhaps even

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3 Mukherjee R., Can India stop drug companies giving gifts to doctors? *BMJ* 2013; 346:f263
leading to consequences like death of innocent patients. In this context, the industry needs to review its working and reformulate its culture on the framework of values-based leadership where corporate integrity is vital and unethical behavior is neither condoned nor rewarded.

1.3.0.0 Values-Based Leadership

1.3.1.0 The Role Of Values In Leadership

Leadership theorists have described values as a key component of effective leadership. Most of them agree that leaders should possess a strong foundation of personal values, principles, or ethics. They also agree that the values of the leader should reflect the values of the organization, which are transmitted and accepted by the organization’s members. From a management perspective, values are seen as the underlying attitudes and beliefs that help determine individual behavior, of both personnel and leaders (Barnard, 1938, p. 279; Treviño and Brown, 2004, p. 75).

Values in leadership are thought to be uniquely important because of the impact leaders have on the conduct of others through their behavior and decisions and on organizational performance and effectiveness. Leaders have visible positions of authority, the responsibility for shaping formal organizational policies, the opportunity for on-going interactions with employees and control over rewards and punishments. Hence, they should play an important role in influencing employees’ ethical and unethical conduct. By being role models, leaders can influence followers by demonstrating high ethical standards in their own conduct and by using the reward system to teach employees about the outcomes of ethical and unethical behavior in the organization. The reverse is also true. Leaders can be poor role models as demonstrated by their choices, decisions and behaviors which are often embedded in their value system. The higher the rank of the leader in the organization, the greater is the authority and the ability to influence subordinates.
1.3.2.0 Values And The Pharmaceutical Industry

In the pharmaceutical industry, values in leadership are all the more critical, precisely because the industry is in the business of saving lives. Absence of values in the leadership behavior of this industry will impact the common man leaving him no access to medicines and affecting the quality of life of the most vulnerable – the poor. In a developing nation like India with its huge challenges on the healthcare front, the pharmaceutical business must fulfil the mandate of providing affordable healthcare for common diseases affecting large sections of the population. If business leaders focus merely on making profits or on marketing drugs that have been banned elsewhere in the world, this mandate is not being fulfilled thereby increasing the disease burden of the nation.

In the last few years, there have been countless articles and books accusing the pharmaceutical industry of focusing on profits rather than providing affordable health care, of being preoccupied with drugs that offer only short-term health benefits, of inappropriately marketing drugs to physicians and of a lack of transparency in reporting results from negative clinical trials. Business leaders are responsible for aligning their organizations behavior with stated corporate values and the industry’s ethical standards. Unless leaders demonstrate values-based behavior we cannot expect any change for the better.

1.4.0.0 Definitions Of Values, Ethics, Business Ethics And Values Based Leadership

1.4.1.0 Defining Values

Webster’s Dictionary defines a value as “something (as a principle or quality) intrinsically valuable or desirable” (Merriam-Webster Online Dictionary, 2005). Rokeach offered a frequently cited definition of a human value as being an "enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence" (Rokeach, 1973). According to Rokeach ‘one’s major values combine to form a value system, which is an enduring organization of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of importance’ (1973). Thus, each
individual will possess a plethora of values and these values will be given varying importance, albeit not necessarily consciously.

Values are relatively enduring beliefs and conceptions about what kinds of behaviors (instrumental values) or end-states (terminal values) are preferable to others (Rokeach, 1973). Terminal values are the goals that people work towards and view as most desirable, the goals that they would like to achieve during their lifetime. Instrumental values are ways of being that help individuals reach their terminal values. Terminal values define the overall goals people want to achieve during their existence and instrumental values determine how they plan to get there. One example of a terminal value is 'a comfortable life'. In order to reach the end goal of having a comfortable life, one might be ambitious, intellectual, and capable. Or one might use the instrumental values of being logical, honest, and intellectual in order to obtain the terminal value of 'wisdom'. Another terminal value is 'a world at peace'. In order to achieve this end state, one might possess the instrumental values of being forgiving, helpful, and polite.

Values are also defined as a common set of shared beliefs on goals, means, and ends which together create the organization and leadership (Buchko, 2007; Meglino and Ravlin, 1998). Values can provide coherence and a sense of purpose to an individual's behavior (Lord and Brown, 2001).

1.4.2.0 Defining Ethics The meaning of ethics is hard to pin down as evident from the work of the renowned sociologist Raymond Baumhart sj⁴, who conducted a research on business people to assess their understanding of ethics and obtained the following responses:

“Ethics has to do with what my feelings tell me is right or wrong.”

“Ethics has to do with my religious beliefs.”

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“Being ethical is doing what the law requires.”

“Ethics consists of the standards of behavior our society accepts.”

“I don’t know what the word means.”

Ethics is not just based on feelings or religious beliefs or legal requirements or merely conforming to the standards of society. Ethics refers to standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues. Ethics, for example, refers to those standards that impose the reasonable obligations to refrain from rape, stealing, murder, assault, slander, and fraud. Ethical standards also include those that enjoin virtues of honesty, compassion, and loyalty. And, ethical standards include standards relating to rights, such as the right to life, the right to freedom from injury, and the right to privacy.

Ethics also refers to the study and development of one’s ethical standards. Since feelings, laws, and social norms can deviate from what is ethical, it is necessary to constantly examine one’s standards to ensure that they are reasonable and well founded. Ethics also means the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the institutions we help to shape, live up to standards that are reasonable and solidly-based.

A few definitions of ethics are considered to be:

- Ethics is a set of moral principles or values which is concerned with the rightness or wrongness of human behavior and which guides one’s conduct in relation to others (for individuals and organizations).

- The activity of examining the moral standards of a society, and asking how these standards apply to our lives and whether these standards are reasonable or unreasonable, is ethics.

- Another way to look at ethics is to ask oneself the following questions in the context of the moral standards absorbed from family and friends: Do these...
Standards really make sense? What are the reasons for or against these standards? Why should I continue to believe in them?

1.4.3.0 Defining Business Ethics

The debate on business ethics was kicked off when Milton Friedman, Nobel Laureate published an essay wherein he stated that “Business’s only social responsibility is to maximize profits so long as it stays within the rules of the game; which is to say engages in open and free competition without deception or fraud”. Theodore Levitt echoed Friedman when he said that “In the end, business has only two responsibilities - to obey elementary canons of face to face civility (honesty, good health and so on) and to seek material gain”.

However, business does not operate in a vacuum. It operates within the social environment and has its externalities, victims, and stakeholders. The ethics of business has to be seen as the rights of its actual and potential stakeholders. The term business ethics is generally used to portray the relationship of civil society to the business sector and it involves the interaction of business entities with their main constituents: employees, customers, suppliers and shareholders also categorized as stakeholders.

From the mid-nineties, the discussion involving the question of ethics and social responsibility in business has been gaining prominence. In the face of worsening social and environmental problems (unemployment, social exclusion, deforestation, extinction of species, water, air, and soil pollution) in every part of the world, consumers, investors and society in general have begun to call on companies to assume their portion of social responsibility and to conduct their businesses in an ethical manner.

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Some definitions of business ethics are:

- Business ethics is defined as the study and examination of moral and social responsibility in relation to business practices and decision-making in business.
- Business Ethics is applied ethics: it studies the relationship of what is good and right for business.
- Business ethics is a complex issue, which covers the interactions between firms, individuals, industries and society. It can be defined as the critical, structured examination of how people and institutions should behave in the world of commerce. It involves examining appropriate constraints on the pursuit of self-interest, or (for firms) profits, when the actions of individuals or firms affect others.
- Another view is one in which business ethics is considered a non-mandatory system of certain standards of behavior.
- Business ethics is commercial behavior guided by a slowly accumulated set of guidelines, which have been found to be necessary for the continuous conduct of commercial relationships.

1.4.4.0 Defining Values Based Leadership

The concept of values based leadership has evoked the role and importance of ethics and values in leadership (Graber and Osborne Kilpatrick, 2008; Buchko, 2007; Mussig, 2003; Pruzan, 1998). Values based leadership applies thoughts of ethical leadership which lies at the intersection of two literatures – business ethics and leadership (Treviño et al., 2003, p. 6).

Values-based leadership is defined as a relationship between an individual (leader) and one or more followers based on shared strongly internalized ideological values espoused by the leader and strong followers’ identification with these values. Ideological values are values concerning what is morally right and wrong. Such values are expressed in terms of personal moral responsibility, altruism, making significant social contributions to others, concern for honesty, fairness, and meeting obligations to others such as followers, customers, or organizational stakeholders (Daft, 2005).
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Values based leadership refers broadly to leadership based on foundational moral principles or values such as integrity, empowerment, and social responsibility (Reilly and Ehlinger, 2007, p. 246). Values based leadership operates in several directions in intra-organizational relations. Mussig (2003, pp. 73) argues that “values-driven leadership sets the function of the relationship as putting values into practice” and “the function of the leader may be to bring values to the relationship.”

O’Toole (2008, pp. 84) suggests that the values-based leader’s “task, role, and responsibility is to help followers realize the most important ends that they hold dear but cannot obtain by themselves”. According to Sims (1991, pp. 495), the institutionalization of values takes place in: managing the psychological contract between its employees and the organization (reciprocal expectations), reinforcing employees’ organizational commitment, and encouraging and nurturing a value-oriented organizational culture. Additionally, values can be used to establish and communicate a unifying vision; make strategic decisions; establish structures, processes and control systems; develop and educate new leaders; create and manage the organization’s culture and climate; and establish the organization’s ethical code and value system (Grojean et al., 2004, p. 233).

Values-based leadership is defined as connecting organizational goals to employees’ personal values. In an article in Forbes magazine, Kellogg professor, Harry M. Jansen Kraemer Jr. described it simply as ‘doing the right thing’. The author stated, “Becoming the best kind of leader isn’t about emulating a role model or a historic figure. Rather, your leadership must be rooted in who you are and what matters most to you. When you truly know yourself and what you stand for, it is much easier to know what to do in any situation. It always comes down to doing the right thing and doing the best you can.”

Values-based leaders communicate organizational values that tell members how to behave in order to fulfil the organization’s mission. They communicate these values in a way that connects with employees’ personal values, so that employees come to identify strongly with both the organization and its mission. The focus is on core values - the enduring guiding principles that capture the organization’s strengths and character and are likely to remain steadfast in the face of changing market trends and fads. The
leadership team leads by example and communicates the values on an on-going basis to the entire workforce.

In the work ‘Principle Centered Leadership’, Covey, Stephen R. (1991) proposed that there are no “quick fixes” or short-term approaches to solving problems. The author stated that there are natural laws or governing principles that underlie human behavior. These can be summed up in the following four principles, which act like compasses; they point people in the right way and show them the direction they need in their everyday lives.

<table>
<thead>
<tr>
<th>Security</th>
<th>Guidance</th>
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<tbody>
<tr>
<td>(The sense of worth, identity, emotions, self-esteem, and personal strength)</td>
<td>(The direction people receive in life)</td>
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<table>
<thead>
<tr>
<th>Wisdom</th>
<th>Power</th>
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</thead>
<tbody>
<tr>
<td>(A sense of balance, judgment, discernment, comprehension)</td>
<td>(The capacity to act, the strength and courage to accomplish something)</td>
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The author proposes that principles are constant; they apply at all times and in all places. “Principle-centered leadership is based on the reality that we cannot violate these natural laws” (p. 19). By placing these four principles at the center of one’s life, at the core, one can be sure that it unifies and integrates the other aspects of one’s life. Covey also deliberates on eight characteristics of principle-centered leaders, which are:

i. They are continually learning.
ii. They are service-oriented.
iii. They radiate positive energy.
iv. They believe in other people.
v. They lead balanced lives.
vi. They see life as an adventure.
vii. They are synergistic.

viii. They exercise for self-renewal.

1.5.0.0 Challenges To Implementing Values-Based Leadership

1.5.1.0 Conflict Of Interest

Every organization has its own accountability towards its stakeholders – employees, capital investors, consumers, government, competitors, suppliers, and other community members. In most situations the organizations are able to balance its obligations towards these varied stakeholders. However, sometimes conflicts do arise between the interests of two or more stakeholders. In such situations the more influential and powerful group could gain precedence over others, to protect their own interests. For example, though maximizing financial returns is an organization’s obligation towards its shareholders, it could be at the cost of the ecological system or legal business practices. Managers under these situations face the dilemma of protecting long-term interests of the organizations as well as short-term profits. The current emphasis on short term results and their impact on stock prices often leads to compromises.

1.5.2.0 Ethical Dilemmas In Decision-Making

In today’s world, companies face more ethical dilemmas than ever before. The new economy is changing the world of work and the people who work in it, fundamentally. Technological change brings new debates, on issues ranging from genetically modified organisms to privacy on the Internet. Globalization brings companies into contact with other countries that do business by different rules. Competitive pressures force firms to treat their staff in ways that depart from past practice. Moreover, firms are increasingly subjected to scrutiny from outside, led by the media and non-governmental organizations (NGOs). Wider accountability involves wider ethical dimensions that businesses must grapple with, and with this comes a greater risk of ethical conflicts that can damage an organization.
An ethical dilemma is a complex situation that will often involve an apparent mental conflict between moral imperatives, in which to obey one would result in transgressing another. Messick and Bazerman (1996) underline that: “Executives today work in a moral minefield. At any moment, a seemingly innocuous decision can explode and harm not only the decision maker but also everyone in the neighborhood.” Thus, leaders and followers are often confronted with ethical dilemmas and moral mazes. They are unsure how to act and what to prefer. Recognizing a situation as an “ethical” one is the first, critical step in the process of ethical decision-making. (Wittmer, 2000, p.181). Modern ethical dilemmas include downsizing of staff, pollution control, disposal of toxic waste, depletion and allocation of scarce resources, cost containment, changes in law and technology, employee rights, discrimination against women and minorities, and product safety.

1.5.3.0 Business Challenges Of The Pharmaceutical Industry

The pharmaceutical industry is a highly competitive industry besides being highly regulated. In the Indian scenario, where pressure of competition is intense, the global pipeline of new molecules is running out, the pressure on profits is increasing and the need to comply with international quality standards is imperative, it is all the more challenging to operate. The 2013 Drug Price Control Order (DPCO)\(^7\) prescribes a ceiling price on essential drugs. More and more Indian companies are being challenged by giant global corporations on patent infringement issues. Big Pharma has been launching generic drugs in India thus increasing the fight for share of prescription in the marketplace. In this context, companies have compromised with their values in the pursuit of market share and profits as has been borne out by the indictments of pharmaceutical companies for ethical violations ranging from bribing doctors,

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\(^7\) Shukla Archana, Drug prices set to get cheaper, pharma cos worry  
misleading marketing communication, manipulating clinical trials, suppressing information of side effects and launching irrational drugs.

1.6.0.0 Developing Values Based Leaders

1.6.1.0 Role Of Organizational Culture

The former president of Enron, Jeffrey Skilling, was a top student at the Harvard Business School. On being questioned by his professor “what he would do if his company were producing a product that might cause harm, or even death, to customers that used it”, Jeffrey Skilling replied “I’d keep making and selling the product. My job as a businessman is to be a profit-center and to maximize return to shareholders. It is the government's job to step in if a product is dangerous”. The possible roots of the ensuing Enron crisis were already visible in this student.

Ethical behavior relies on more than good character. Although good upbringing may provide a kind of moral compass that can help the individual determine the right direction and then follow through on a decision to do the right thing, it’s certainly not the only factor determining conduct. People look outside themselves—to their environment—for cues about how to think and behave and the organizational culture transmits many cues about how one should think and act. This is particularly true when circumstances are ambiguous or unclear as they are in many ethical dilemma situations.

For instance, in the case of the Enron scandal, information to date suggests that both Enron and Arthur Andersen had cultures that encouraged unethical behavior. Enron allowed (and perhaps encouraged) unethical behavior throughout the organization and Arthur Andersen’s actions with a series of clients is still under scrutiny from law enforcement and regulatory agencies.
1.6.2.0 Leaders’ Responsibility For Ethical Conduct

Leaders have a responsibility for instituting standards of ethical conduct and moral/organizational values that guide followers, alongside the greater emphasis given to productivity and financial objectives (Grojean, Resick, Dickson & Smith, 2004), and these tasks require awareness of values-based dimensions.

Treviño, Brown & Hartman, (2003) argue that leaders demonstrate values awareness by having a concern for:

- The collective good of the group,
- The impact of both means and ends,
- The long-term and not just the short-term, and
- The perspectives and interests of multiple stakeholders

In the book, Ethics and Leadership, William Hitt (1990) lists three requirements of leaders that allow them to capitalize on their ability to influence ethical conduct. These three requirements are:

i. Achieve an understanding of ethics;
ii. Serve as a role model in making ethical decisions;
iii. Develop and implement a plan of action for promoting ethical conduct on the part of his or her staff” (Hitt, 1990, p. 4).

1.6.3.0 Need For Training To Put Values Into Practice

Kavathatzopoulos (2003) defines the ability to put values into practice or ‘values based leadership competence’ as a psychological skill, a leader’s ability to treat values conflicts in the best possible way for all parties concerned, knowing how to think, how to analyze actual cases, how to make decisions and how to solve problems on the basis of values. It also implies self-confidence and willingness to execute difficult decisions, and to support and sustain values-based positions.
In today’s highly complex organizations, individuals need awareness, updating and training to be sensitive to values, to be aware of values and to be competent to implement their values. They can be trained to recognize the ethical dilemmas that are likely to arise in their jobs; the rules, laws, and norms that apply in that context; reasoning strategies that can be used to arrive at the best ethical decision; and an understanding of the complexities of organizational life that can conflict with one’s desire to do the right thing.

The key areas for training include:

i. Training in moral awareness (recognizing the existence of an ethical dilemma),
ii. Training in Moral judgment (deciding what’s right), and
iii. Training in Ethical behavior (taking action to do the right thing).

Considering the need for values-based leadership especially in the pharmaceutical industry, in the light of the critical challenges and increasing pressure, organizations will have to train and reorient their teams to live by stated organizational values. Pharmaceutical organizations will have to orient their leadership teams and redesign the organizational culture to empower their teams to implement values-based leadership.

The outcomes of training interventions must be to enable values based leaders to:

- Discern and clarify for themselves the foundation on which their ethical decisions are based. One needs to decide what is negotiable and what is not negotiable; what is acceptable and what is not acceptable; and why?

- Appreciate that people make decisions based on the values they hold dear. Everybody speaks their “truth”. While it may not be THE truth, it is their truth, and their truth is based on what they value. This does not have to anything with what is right or wrong but with what is truth for an individual.

- Recognize that ethical principles are concerned with how things should operate and not with how they currently operate. The implicit implied moral obligation
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is to not merely understand ethical principles but to individually integrate them in order to guide their followers to the desired end.

- Accept that the most difficult decisions to make are those in which there is a conflict between two principles one deeply believes in. For example what is more important - trust or loyalty, justice or mercy? The next part is to facilitate the resolution of that conflict.

- Determine beforehand what are priorities realizing that a lot will depend on the situation. The goal is not to “water down” one’s priorities based on the situation, but rather determine how priorities will be applied and communicated based on the situation.

1.6.4.0 Conclusion

The heart of leadership is “ethics” and the need of the hour is values based leadership. Ethical behavior and effective leadership are intertwined and inseparable. If leadership has to be effective it is vital that leaders take the time to get the necessary knowledge and training to be more effective and develop strategies to anticipate their response to ethical choices. While individual values are a factor in determining values-based leadership behavior, special training is needed to prepare people for the special ethical dilemmas they’re likely to face in their jobs or professions. Such training can prepare them to anticipate problems, recognize ethical dilemmas when they see them, and provide them with frameworks for thinking about ethical issues in the context of their leadership situation.

In the context of the pharmaceutical industry today, there is a need to address the widespread ethical violations by advocating and promoting the need for values based leadership. Industry and organizations must equip their leadership teams and personnel to be aware of moral mazes and violation of values. It is also vital that leaders are empowered with the knowledge and skills needed to achieve business results while using the values based leadership framework for decision-making. This will overcome the troubles caused by the ‘ends justify the means’ philosophy and ensure a more stable, predictable and sustainable basis for business performance.