

Business ethics - Is there really such a thing?



The concept of ethics, particularly in business, is always a grey area. Cynthia Schoeman of Ethics Monitoring & Management Services seeks to shed some light on the subject.

Unethical business practices are a very visible feature of the corporate landscape, with ethical scandals regularly making news headlines. These ethical failures illustrate a range of costs and adverse consequences - among others, financial losses, fines, executives losing their positions, eroded reputations and, in extreme cases, business closure. An example of the latter which still looms large after 10 years is the accounting scandal which saw the demise of Enron and Arthur Andersen.

Yet a discussion of business ethics tends to elicit a range of perceptions and opinions beyond it just being considered 'the right thing to do'. A common response is that business ethics is an oxymoron, reflecting not only that business and ethics are contradictory, but also that business is generally not ethical. Another view is that ethics differs for different people.

These points of view warrant being addressed because they can be harmful. Instead of leading to meaningful debate and a deeper understanding of business ethics, they can undermine the pursuit of an ethical culture and deflect the effective implementation of workplace ethics initiatives.

Does Ethics Make Good Business Sense?

The view that business and ethics are a contradiction in terms is apparently supported by the many examples of unethical conduct. Exacerbating this perspective is the tendency to infer these behaviours to all businesses. Countering this view, there are a number of reasons why ethics makes good business sense.

A primary rationale is that it promotes ethical behaviour and creates a more trustworthy workplace. The many advantages of this include faster and more consistent decision making, greater confidence in top management action, and more individual accountability with less need for policing.

Ethics and a strong ethical culture help to reduce unethical behaviour and support compliance with applicable laws, rules and regulations. This minimises the probability of ethical failure and decreases the risk of consequent loss and damage.

Stakeholder management is another reason why ethics makes good business sense. This is because all the company's stakeholders - employees, customers, investors, unions, etc. - constantly assess the ethical status of the organisation based on factors such as how stakeholders are treated, whether values and rules apply differently for different stakeholders and press reports. Their conclusions about the ethical status of the organisation may rest on perception - but those perceptions represent the reality that will be acted upon. A positive view lends itself to many benefits, while a negative view can be very



damaging. Benefits associated with stakeholder management are the ability to attract and retain top staff and board members, improved investor and market confidence, reduced cost of capital and enhanced corporate reputation.

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Competitive advantage is a further reason why workplace ethics makes good business sense. Although competitive advantage is critical for almost all companies, it is frequently limited because of the ease and speed with which many sources of competitive advantage can be copied. A unique source of competitive advantage, which cannot be easily copied, therefore has far greater value.

Workplace ethics offers just such a source: Ethics is not easy to copy, it cannot be bought or sold, it cannot be owned, but must be lived every day. It is one of the company's most valuable intangible assets.

For these reasons, amongst others, the view that ethics makes great business sense continues to gain ground.

Are Ethics and Values Different for Different People?

People and groups can hold divergent views on ethics, and personal values can differ widely as they are affected by a variety of factors including upbringing and education. This can fragment an organisation's focus on ethics and values, compromising the ideal of aligned personal and organisational values.

However, although there may be differences, it is not only appropriate but essential that in the workplace the organisation espouses a set of values that reflects what is acceptable in that environment. An employee may have grown up in circumstances that condoned dishonesty, or in which it was acceptable to be rude to others. However, such a background does not make this sort of behaviour acceptable at work. The values in the workplace are not a means for accommodating

the full spectrum of values - from impeccable to appalling - amongst employees and stakeholders. They serve, instead, to define the criteria and standards by which an organisation strives to operate.

What can differ is the way the values manifest themselves in practice, a good example being the value of respect. While respect would undoubtedly enjoy overwhelming support from most organisations and individuals, people differ in the way they express it. For instance, is it respectful to look at one's superior directly when being addressed or should one lower one's eyes? The answer depends on factors that include the prevailing culture. The key issue is to expose and explore the differences as a route to achieving agreement on what is appropriate within the context, goals, and environment of the organisation.

The alignment of personal and organisational values raises another consideration, namely the influence of divergent personal ethics on the organisation. In theory everyone enjoys the right to their personal values and to respect for their privacy. But, consider a couple of examples. Tiger Woods' extra-marital affairs were, theoretically, his own business, but his conduct resulted in the loss of numerous sponsors, including Accenture, who chose no longer to associate with him. After the allegations that Dominique Strauss-Kahn sexually assaulted a hotel maid in New York, did he have an option to stay on as Managing Director of the IMF? Could the IMF afford to be linked to such behaviour?

In practice, the behaviour of high-profile business figures (as well as politicians, celebrities and sports stars) is often very visible, and misconduct can (and does) impact on their organisations unfavourably. Their seniority makes them role models who are often held to a higher standard - and, in reality, that standard is not limited to office hours. Responsible leadership thus warrants that they conduct themselves ethically at all times.

The answer to the question of whether there really is such a thing as business ethics is, therefore, 'yes'. The benefits above should be viewed as the returns that can be gained from an investment in ethics and an ethical culture. But reaping these rewards is not automatic. It will rest on leadership commitment and the proactive, effective management of workplace ethics.

Cynthia Schoeman is managing director of Ethics Monitoring & Management Services, which provides support for the proactive management of workplace ethics. This includes the Ethics Monitor, a web-based ethics survey, which enables organisations to measure, monitor and report on their ethical status.