Ethics without borders

Borderless ethics in a company requires effort, but it has great rewards.

BY CYNTHIA SCHOEMAN

For organisations that strive to be ethical, there are two criteria for earning and maintaining an ethical status: the continual, consistent application of their values to all their stakeholders, and their ongoing adherence to laws and regulations. If a company's commitment to its values or its compliance with regulations is intermittent or applied selectively, it erodes its ethical standing. Rather, the required consistency of behaviour can be viewed in its optimal form as following approach of "ethics without borders".

Borderless ethics necessitates that the organisation has an inclusive ethical boundary, whereby ethics are exercised beyond self-interest and includes the interests of all stakeholders affected by the company's operations. By contrast, an exclusive ethical boundary, which implies that ethics are exercised only for the organisation's own benefit and relative to a select few stakeholders (typically shareholders), contradicts the practice of ethics without borders. While the exclusion of other stakeholders does not necessarily mean the company is behaving unethically, it does highlight the fact that it prioritises its own goals and needs or that it doesn't give equal priority to all its stakeholders – such as communities who are impacted by the company's operations. Added to that, organisations are rarely obliged – for example, by law – to include all stakeholder groups formally within their ethical boundary. But, although such companies may not be behaving unethically or illegally, the limitation of the application of their ethics means that they would rarely be viewed as ethical.

There is a further and more significant challenge to following an approach of ethics without borders. This emanates from the constant refrain about workplace ethics that ethics differs for different people, cultures, countries and situations. This view needs to be addressed – not only because it appears to invalidate the possibility for ethics without borders, but also because it undermines the pursuit of organisational ethics by deflecting recognition from what is common and shared, instead focusing on that which is different. And there is a multitude of differences in most workplaces, arising from the globalised nature of the world of work, where many organisations work and trade with others from around the world. Yet, ironically, globalisation makes the practice of ethics without borders immensely valuable, not least for the clarity it offers all affected parties and the fairness it embodies by operating in terms of the same ethics globally.

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To realise a situation of borderless ethics, organisations need to focus on the apparent differences in their workplace. This is best done by considering the two primary clusters of factors that shape ethics – namely the values, norms or culture and leadership of the group (for example, those of an organisation or community), and the relevant laws, rules and regulations – and to recognise that these issues are applicable at a personal and a work level.

In a given context, national laws and regulations would be common to the organisation and its employees. There are also increasing similarities in legislation between countries, such as the laws addressing bribery and corruption. In South Africa, there is the Prevention and Combating of Corrupt Activities Act and the Companies Act; the UK has the UK Bribery Act and the US has the Foreign Corrupt Practice Act and the Sarbanes-Oxley Act. However, there are many countries that do not have adequate legislation or satisfactory legal enforcement. This manifests itself, for example, in the area of counterfeiting, where outsourced manufacturers in foreign countries cannot easily be held to account for producing and selling fake goods. The best solution to this problem is a combination of an understanding of the country's legal system and the commitment to abide by the law in whatever country one operates.

However, personal values and norms can differ widely from those of the organisation as individuals' values are affected by a variety of factors, including upbringing, culture and the behaviour of leaders and role models. An employee might have, for example, grown up in circumstances that nurtured dishonesty, or lived in circumstances where it was acceptable to pay a bribe to speed up services. This represents a serious ethical divide that threatens to destroy the ideal of aligned personal and organisational values and norms.

But background does not make unethical behaviour acceptable at work. Though different individual values and norms may be held, it is not only appropriate but essential that, in the workplace, the organisation espouses a set of values that reflect what constitutes acceptable ethical conduct in that environment. The crucial point is that values in the workplace are not a means of accommodating the full spectrum of values – from impeccable to appalling – among employees and stakeholders. They serve, instead, to define the criteria and standards by which an organisation strives to operate and to act as a guide for ethical behaviour.

The argument that interpretations of an organisation's values can differ has no substance. Core moral values – such as honesty, integrity and fairness – which are exercised in an ethical manner (meaning they are applied equally to stakeholders and without variation), do not lend themselves to a range of behaviours. As an added precaution against this view, companies should ensure that appropriate definitions are included in their code of ethics to promote a common understanding of their values and desired behaviours.

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However, differences can occur in the way values manifest themselves in practice. A good example is 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 example, 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 individual's culture and the prevailing company culture. The key is to recognise that the value is shared, and to expose and explore the different expressions of the value as a route to achieving agreement on what is appropriate within the context, goals and environment of the organisation.

Cultural norms can also give rise to differences, such as the business practice of giving gifts in China. In many Western countries, gifts and perks (like tickets for sporting events or holiday trips) are classified as bribes and are subject to a zero-tolerance approach. While there is no one easy solution for this clash, a combination of transparency, discussion and respect can be effective. This includes, for example, focusing on customers that share one's values and being open at the outset of business dealings about potential areas of difference to avoid the intention to be ethical being misconstrued. It is best to actively avoid doing business with companies that insist on bribes or commissions – the cost of complicity in misconduct is likely to outweigh the potential benefits of the business.

Clearly, therefore, ethics without borders is not without its challenges. The benefits, however, exceed the challenges. A policy of borderless ethics can build and maintain excellent levels of trust with stakeholders – among others, shareholders, employees, customers, suppliers and investors. This, in turn, can enhance a company's reputation, enable it to attract and retain top talent and facilitate such advantages as easier access to capital or a lower cost of capital.

Being ethical delivers a further valuable benefit – it serves as a unique source of competitive advantage. Unlike many sources of competitive advantage that offer only a limited window of opportunity or that are vulnerable to the ease and speed with which they can be copied and to the rate at which they become outdated, a unique source of competitive advantage, which cannot be easily copied, is infinitely more valuable. And an ethical status or ethical culture offers just such a source. It is not easy to copy. It cannot be bought or sold. It cannot be owned, delegated or loaned, but instead must be lived every day.

Leaders, therefore, need to equip themselves with an understanding of the flaws in arguments against borderless ethics to deflect them effectively. And, those leaders who make the choice to follow an approach of ethics without borders need to recognise that the responsibility for living by that approach, and behaving accordingly, will be demanding and will warrant their ongoing support and commitment – and that it will be rewarding.

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