Ethics without borders

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

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For organizations that strive to be ethical, there are two criteria for earning and maintaining an ethical status: the continual, consistent application of their values and principles to their stakeholders, and then engaging in adherence to laws and regulations. If a company is committed to its values, it can comply with regulations and its ethical standing will be viewed in its optimal form as a follow-up of ethics without borders.

Borderless ethics necessitates that the organization 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 organization’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 prioritizes its own goals and needs should be given equal priority to all its stakeholders — such as communities who are impacted by the company’s operations. Added to that, organizations are riddled with — for example, by law — to include all stakeholders

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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 organization enforces 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 respect to abiding — among employees and stakeholders. They serve, instead, to define the criteria and standards by which an organization strives to operate and act as a guide for ethical behaviour.

The argument that interpretations of an organization’s values can differ without consequence is flawed. Core moral values — such as honesty, integrity, and fairness — which are enshrined in an ethical framework (meaning they are applied equally to stakeholders and without variation), do not lend themselves to a range of behaviour. As an added precaution against this view, companies should ensure that approximate definitions are included in their code of ethics as well as understood and acknowledged.

Employees and stakeholders. They serve, indeed, to define the criteria and standards by which an organization strives to operate and act as a guide for ethical behaviour.

Companies should ensure that approximate definitions are included in their code of ethics to promote a common understanding of their values and desired behaviours.

Promoting open communication and feedback among stakeholders fosters an understanding of each other’s views. The answer depends on factors that include the individual’s culture and the prevailing company culture. The key is to recognize that the value is shared, and to explore and express any differences in the expression of the value so that achieving agreement on what is appropriate within the context, goals and environment of the organization.

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 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 conversations that share one’s values and being open at the outset of business dealings on potential areas of difference to avoid the perception of ethical misalignment. It is best to actively avoid doing business with companies that rely on bribes or commissions — the cost of complacency is more likely would 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, which enables ethical and ethical brand-building and facilitate such advantages as easier access to capital or a lower cost of capital.

Ethical delivery achieves a further virtuous cycle — it serves as a source of competitive advantage. Unlike many sources of competitive advantage, ethical advantage is a limited window of opportunity that can be vulnerable to the ease and speed with which they can be copied. Companies that can transform their competitive advantage into something unique, something special, can take advantage of such a source of competitive advantage, which can be sustained and complemented. 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, coveted or seized, but instead must be lived every day.

Leaders, therefore, need to equip themselves with an understanding of the flaws and arguments against borderless ethics to effect them effectively. And, those leaders who make the decision to follow an approach of ethics without borders need to recognize that the reasonableness for living by that approach, to maintain accountability, will be demanding and will warrant their ongoing support and commitment — and that it will remain, as always, a work in progress.