

The

'Useful, common-sense advice to help navigate the complicated world of ethical choice.' Stefan Stern

Right Thing



**An everyday guide
to ethics in business**

Sally Bibb

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“A useful roadmap for developing a more ethical culture, *The Right Thing* is a must-read for anyone from the business school to the board room.”

David Cox, SVP and CFO, Economist Group, Americas

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THE RIGHT THING

An everyday guide to ethics in business

SALLY BIBB



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You can read more about Sally and workplace ethics at www.sallybibb.com.

INTRODUCTION

Ethics and trust are fundamental to excellent leadership and great organizations but they are often overlooked. They are invariably only treated as a priority when something goes wrong. Unethical practices in the workplace can cause irreparable damage to individuals and to the organization. Reputation, morale, productivity, loyalty, quality of work, the ability to attract the right employees and customers and ultimately profitability are all at risk in an organization that does not operate to high ethical standards. Despite these clear risks there is still not enough urgency placed on the subject. Compared to, say, the attention that executives give to the performance metrics of their organization, ethics is definitely a poor relation.

But what do we mean by ethics? It is a term that is used without us necessarily being very precise about what we are talking about. The dictionary definition of ethics is 'the rules of moral conduct governing an individual or group'. I have also asked some managers for their definition of ethics. Here are some of the answers that I have been given:

- Moral ways of doing things.
- Decisions that are based on considering others' values and what is good for them.
- At a minimum, it's following the law.
- Doing the right thing for the maximum number of people.
- The right thing to do for the most people concerned.

It is difficult to come up with a practical and all-encompassing definition of ethics but for the purposes of this book I will use the following:

- **Social** - Ethics is following social and moral obligations to a broader group of people. This means more than following the law. It means not acting in certain ways, for example lying, cheating, damaging another's property. It also means acting in certain ways, for example being honest, compassionate, listening to others' viewpoints.
- **Personal** - In order to be ethical a person needs to be aware of his or her own moral code and standards. A definition of ethics therefore has to include understanding what, as an individual, you believe to be right or wrong.

Truly ethical organizations have the opportunity to be aspired to as an employer and provider of goods and services. Think of the Fairtrade organization. It appeals to people who care about fairness and doing good and has become an aspirational brand as well as a lifestyle choice. Because ethics is part of our values it goes to the heart of our own personal identities. If we care about ethics we buy particular products and services and are loyal to certain brands not just because we need them but because doing so supports our own sense of who we are and what we care about. Organizations that create such brand loyalty are at the 'gold standard' end of the ethical spectrum. At the other end are those who pay lip-service to regulations and do the bare minimum to comply with certain ethical standards. The latter position is a short-term approach. As people become more conscious of ethical matters such organizations will lose the battle for new customers, consumers and employees to those who are genuinely committed to ethical standards and doing the right thing.

Organizations like Fairtrade are about working towards an ideal, not to a minimum standard. They are not motivated by what might happen if they get something wrong, rather by what could happen if they get things right. Such

organizations are still in the minority. More organizations tend to address ethical considerations because they are motivated to prevent something bad happening. Of course it is important to acknowledge what can happen if you get it wrong. Consider the implications of ethical transgressions and you do not need to look very far to see evidence of the serious consequences of wrongdoing in the workplace. More than a handful of top executives have received prison sentences for fraudulent behaviour in organizations including Enron, Merrill Lynch, Rio Tinto, Tyco, Martha Stewart, KPMG, Credit Suisse First Boston and WorldCom. This is still relatively rare. However, what is not rare are organizational cultures that allow or encourage wrongdoing and unethical practices. Not challenging wrongdoing, allowing customers to make false assumptions, rationalizing unethical practices as well as legal infringements are to name but a few practices that over time can lead to a culture where very serious infringements are not only possible but condoned. Unethical practices, if they are not challenged, spread like viruses as they become the usual way of working. 'Everyone else does it' is a common rationalization for wrongdoing but is often a key indicator of a lack of awareness of and attention to ethical matters.

Whether you work in an organization that aspires to be ethical because it is the right thing to do or one that address ethics because of what might happen if they don't, it is increasingly important for you to get to grips with this subject and the implications for you and your business.

Irrespective of the sector you work in, ethical issues occur and they are among some of the most difficult you are likely to have to deal with.

As part of the research for this book I conducted a global survey of 315 respondents. The aim of the survey was to gain insight into respondents' attitudes to and experiences

of ethics in the workplace. It is clear that dealing with ethical issues is a common demand upon people - the majority of respondents said that they had had to deal with at least one ethical issue in the previous year. Respondents had dealt with a range of ethical situations, the most common being breaches of confidentiality, bullying, dishonesty, favouritism, gossiping, not telling the whole truth and deliberately leaving out information.

As you might expect dealing with ethical issues is not an easy thing for people. Twenty-five per cent of respondents reported that one of the challenges they faced was simply not knowing how to handle the situation. Ten per cent said they did not even recognize it as an ethical issue at first and 18% said that they were worried about tackling the situation.

Not only is it one of the most challenging aspects of a person's job but there is far less attention paid to it than probably any other management skill. Doing the right thing is not always as straightforward as it seems. There are many reasons why decent people sometimes don't do the right thing. Much of the time the reasons are to do with a lack of awareness, support or skills. If you compare the investment of time and money that organizations make on training managers on budgeting, presentation skills, project management, sales and a whole range of other issues with the amount they spend on ethics training it makes no sense. Ethical wrongdoing can cost an organization a lot of money as well as put its reputation at risk, damage workforce morale and lose valuable customers. And yet most employees in most organizations are left to their own devices when it comes to handling ethical issues. Or, at best, given a code of conduct to guide them.

You would expect top management to believe that it is important for organizations to be ethical. However, some

may not realize that ethics is something that they need to pay attention to and insist upon. They may think that all is well because people don't discuss ethical challenges with them. Those below top management level, however, probably have a very good feel for the nature, frequency and seriousness of ethical issues as they have to deal with them as part of their jobs. According to the survey results an overwhelming majority of survey respondents - 78% - believed that it is very important for organizations to be ethical. A number of different reasons were cited. More than 80% said that the reason for organizations to be ethical was because it is morally right. Forty-two per cent said it was important in order to avoid damaging scandals, 71% said it enhances reputation and 48% said that being ethical increases profitability. Other reasons given included complying with professional standards and obligations, ensuring a level playing field between competing businesses, maintaining employee morale, maintaining trust, providing an ethos which underpins the work of an organization, maintaining credibility with its employees, gaining the commitment of employees - because clients and customers are increasingly factoring ethical considerations into buying decisions - keeping high quality employees in your business, avoiding costly litigation, being seen as an 'employer of choice' and because unethical behaviour is infectious.

There appears to be a growing awareness of the importance of being ethical and of the consequences of getting it wrong. The media are so quick to report on ethical wrongdoing in business and politics that it would be difficult to underestimate the effect on personal and corporate reputation of being exposed as unethical.

Given the sometimes frenzied media reporting of corporate wrongdoing you may think that most people would believe that ethical standards have declined. In fact

37% thought that ethical standards had declined in the last five years while 35% of respondents thought that ethical standards in organizations had improved. It could be that the increase in regulation and scrutiny means that some believe that improvements must be taking place. Of course scrutiny and accountability are good things but there is a downside, which is that executives can lull themselves into a false sense of security by believing that if they have good regulations in place then nothing can go wrong. This is untrue of course. First, because if people are determined to get around the regulations they will, and second, because you cannot regulate everything and nor would it be advisable to try to do so. The best 'regulator' of behaviour in an organization is the culture. A culture is made up of the prevailing norms, values and practices. And these are much more powerful agents to ensure that people do the right thing than are regulations. One of the survey respondents said that in his company the following statement is sometimes heard: 'It may be unethical but it is not illegal'. If an organizational culture implicitly supports wrongdoing in day-to-day matters, regulations may prevent the big frauds but they will not stop other practices that could equally damage an organization's reputation.

If you are a manager you have a double responsibility. One is to ensure that you behave ethically yourself (bosses have more influence than they often realize in shaping others' behaviour as people tend to consciously or unconsciously copy the boss). The other is that managers are responsible for making sure that those they manage do the right thing too. A number of people surveyed said they had experience of going to their boss to discuss the particular ethical issue and their boss had advised them to leave it alone or not get involved. In a few cases people said that it was senior managers who had been guilty of unethical practice and that the justification was expedient

delivery of goals. There was an understandable reluctance to challenge senior managers due to a perceived risk to the challenger and their job security. Another interesting point made was that in organizations the incentive to take the unethical option was sometimes greater than the benefit of taking the ethical one. The former route is sometimes beneficial to the individual and, according to some, there can be few perceived negative consequences. This clearly says something of the culture of the organizations where this is the case and flags up the importance of ensuring that breaches of ethical conduct do have negative consequences for the individual.

Another problem that was raised by some respondents was that they had had situations where they knew something was wrong but others put forward rationalizations as to why it was fine to do whatever had been done. They found it difficult to challenge the rationalizations.

Even if you are extremely committed to ethical practice, and are supported in doing the right thing by your organization, tackling such issues can be fraught with difficulty. It can also be a stressful and lonely business.

The survey asked people what help they had been given in dealing with ethical situations they had had to handle. Some said it was difficult to know who to turn to in such a situation. Five per cent said that they felt there was no one to turn to. The most common source of help was speaking to a friend - more people did that (26%) than spoke to their manager (21%). A few said that they consulted HR or a lawyer.

It appears that there is a worrying shortage of professional guidance as to how to handle ethical situations in organizations. Only 11% talked to a mentor, and fewer than 10% of respondents had been on a training course on

ethics. Fifteen per cent said that they preferred to handle it themselves - this is clearly fine if they have the experience, knowledge and skill to do so, but organizations are leaving themselves open to a great deal of risk if this is not the case.

Given the challenges faced by people who have to deal with ethical issues coupled with the implications of getting it wrong it is surprising that organizations don't pay more attention to the subject. This can probably be explained in part by an inadequate understanding of the issues surrounding ethics in the workplace and the challenges that people face on a day-to-day basis when handling ethical situations. However, given that an organization's reputation is one of its greatest assets one would have thought that ethical practice would be as high on a chief executive's priorities as profitability. Profitability is the subject of daily attention and scrutiny in most businesses. Ethics tends only to be considered when something goes wrong.

From an individual manager's point of view, the research shows that they believe that it is important for organizations to be ethical for lots of reasons including that it is morally right. I imagine that most bosses would agree with that. However, there is still a gap between this recognition and the necessary actions being taken to make it a reality.

A solid understanding of the issues surrounding ethics, sound guidance and practical tools is needed. People need to learn how to recognize an ethical issue. They also need a good understanding of what they should do to be able to tackle ethical issues in a structured and thoughtful way, and ultimately to do the right thing.

There are a number of practical tools in this book that are intended for use in dealing with ethical issues and also in training people on the subject of ethics. They are as follows and are indicated by shading: