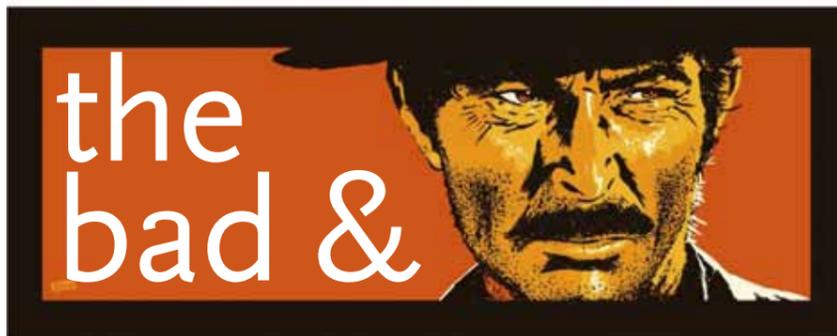


# ETHICS:

CYNTHIA SCHOEMAN  
LOOKS AT THE BEST  
AND WORST OF ETHICAL  
BEHAVIOUR IN BUSINESS



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"The good, the bad and the ugly" may remind some readers of the 1966 Western starring Clint Eastwood in which, despite the title, arguably all three gunslingers were bad. This is also often the impression created when the term is applied to ethics. There is a great deal of evidence of bad and ugly unethical behaviour and there seems to be so little good, which warrants exploring who and what constitute the good, the bad and ugly.

## THE UGLY

"The ugly" can be viewed as the worst category of ethical offences, eclipsing mere bad deeds. The main criterion that would define it as really ugly is the extent of the impact of the misconduct. Unethical conduct by governments or large multinational corporations falls within this category because, unlike the average company with a few 100 em-

ployees, they impact many more people. When there is, for example, widespread national corruption it affects the country's citizens, its businesses and institutions, its neighbours, its trading partners, its visitors, and all who deal with it.

A consequence of extensive fraud, bribery and corruption is that it adds to the cost of living for citizens or to the cost of doing business – but, crucially, without adding corresponding value. Citizens often pay additional fees to public officials for services to which they are entitled. In business, instead of the full contract amount going towards the delivery of the product or service, only a portion is productively employed. KPMG's Africa Fraud Barometer quantifies the cost of fraud in Africa in 2011 as amounting to a staggering R88 billion.

## THE BAD

The cases of misconduct which fall within "the bad" category are arguably no less bad than those above – they only tend to negatively impact fewer people. This typically includes unethical practices and conduct in the private sector, and there are many examples locally and internationally which illustrate a wide range of misdeeds.

The repercussions are significant: job losses when companies are shut down, and damaged individual and corporate reputations, among others. Within specific industries, such as insurance and medical aid, fraud leads to higher premiums for all members. When the organization's leaders are guilty of breaches of ethics, because of their influence as role models, this has the particularly destructive outcome of fuelling "lowest common denominator" behaviour.

Guilty individuals sometimes attempt to use in their defence the claim that the incident was a "mistake". Mistakes and errors imply that the behaviour or incident was accidental in nature – which, crucially, means that it was not intentional. However, when the misconduct has happened over a period of time it cannot be considered an error. Similarly, when the conduct was in clear breach of the law and good business governance practices, it cannot be reframed as a mistake when uncovered. On the contrary, it implies an intention to delude or defraud.

## THE GOOD

Finding "the good" in the field of ethics may appear to require one to be a "Pollyanna", the character in the best-selling 1913 novel who always found something to be "glad" about no matter what the circumstances. The apparent lack of ethical organizations or institutions is evidenced by a question I have often posed to audiences, which is to name just three companies operating in South Africa that are widely viewed as ethical. That audiences are rarely able to identify even one company presents little to be glad about.

There are, of course, companies that are ethical. The US based Ethisphere Institute produces an annual list of the world's most ethical companies. The current list includes 145 companies in countries including the United States, Great Britain, Japan, Portugal and India. Companies that are recognised as ethical include American Express, General Electric and Starbucks, all of

which have made the list for six years running. But which local companies should be recognised as being ethical?

This clearly includes companies set up on a moral foundation such as fair trade companies. Other local companies that come to mind are those working in the field of ethics to make a difference, such as *Ethical Living*. The Institute of Directors of Southern Africa is credited with advancing corporate governance enormously via the King Reports, and they run excellent training for directors. The Institute for Accountability in Southern Africa makes an important contribution to upholding constitutionalism through the promotion of accountability and responsiveness. Lead SA is a noteworthy project by Primedia Broadcasting to encourage citizens to make a positive difference. And Ethics Monitoring & Management Services is exclusively focused on promoting and supporting the improvement of workplace ethics. Together these companies and initiatives act against 'lowest common denominator' tendencies to help other organizations to improve ethical behaviour.

Although there should be other local companies that are ethical, they have rarely achieved widespread recognition for their positive ethical status. This is a real waste of ethical capital which is an important and valuable asset. Being recognised as being ethical brings with it many advantages, such as increased customer and supplier loyalty, enhanced brand equity, and, ultimately, a unique source of competitive advantage. In order to reap the benefits from their ethical culture and conduct, companies should measure and report on their ethics and project it as a distinguishing feature of their organization.

From the perspective of "the good, the bad and the ugly", how does workplace ethics score?

The bad and ugly will probably continue to dominate our headlines, echoing the tendency of the press to focus on bad news. But while bad news may sell newspapers, it ruins countries and businesses. The choice to make ethics a national or corporate goal should not rest on what others are or aren't doing. You may not be able to change them and their behaviour, but you can change your behaviour and strive to positively influence those around you. It all adds up to strengthen "the good" category and to make a difference which is worth having. ✓

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*Cynthia Schoeman is managing director of Ethics Monitoring & Management Services which has developed The Ethics Monitor, a web-based survey that enables leaders to measure, monitor and proactively manage their organization's ethical status*