



BUSINESS ETHICS: An oxymoron?

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EXPLAINS HOW
UNDERMINING THE
PURSUIT OF AN ETHICAL
CULTURE COULD LEAD TO
MISSED OPPORTUNITIES

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.

Yet, a discussion of business ethics tends to elicit a range of perceptions and opinions beyond the adverse consequences of ethical failures. Instead of being accepted as “the right thing to do”, a common response is that business ethics is an oxymoron. This perspective reflects not only that business and ethics are contradictory but also that business is generally not ethical.

These responses and perspectives can be harmful because instead of lead-

ing to meaningful debate and a deeper understanding of business ethics, they undermine the pursuit of an ethical culture and deflect the effective implementation of workplace ethics initiatives.

The view that business and ethics are a contradiction in terms is supported by the many examples of unethical conduct, or what appears to be many because media coverage is only given to scandals and not to companies that do have an ethical culture. High-profile ethical failures, such as those in the financial services sector provide good examples: their role in the global financial crises has been followed by regular scandals, such as the Barclays scandal that saw the resignation of the chairman, CEO and COO. Further exacerbating this perspective is the tendency to infer these behaviours to all businesses.

However, there are also a number of reasons that support the view that business 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 minimizes 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 – 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 perception 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.
- 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.

Accepting the outlook that business is generally not ethical can lead either

to complacency – provided you're better than the worst, you're ok – or to "lowest common denominator" behaviour where the worst conduct is accepted as the norm. Within an organisation either view seriously impedes the pursuit of an ethical culture. The aforementioned reasons, amongst others, challenge the view that business ethics is an oxymoron and illustrate why organisations should be committed to proving the contrary.

Leadership exercises the most influential position to avoid such negative perceptions. Their behaviour – what they do, how they do it and what they do and don't act against – provides the clearest example of what is and is not acceptable. Leaders who are good role models can significantly promote the development and maintenance of an ethical culture.

However, their seniority and position as role models often leads to them being held to a higher standard of conduct. The consequent challenge that leaders need to be aware of and to manage, is the fact that those standards are not limited to office hours.

In theory, everyone enjoys the right to their personal values and to respect of their privacy. But, consider a couple of examples. Tiger Woods's extra-marital affairs were, theoretically, his own business, but his conduct resulted in the loss of numerous sponsors, including Accenture, that 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 practise, 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 their organisations unfavourably. 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 responsible leadership and their commitment to an ethical workplace. ✓

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