

Leadership cracks

CYNTHIA SCHOEMAN ARGUES THAT DESTRUCTIVE
FAULT LINES CAN TAINT A LEADER'S REPUTATION...
AND IT IS LEADERS TO WHOM WE TURN FOR SOUND
ETHICAL GUIDANCE

That much is expected – arguably demanded – of leaders today is not new. Much has always been expected of leadership. What is new is the degree of publicity accorded to leadership failure. While success is recognized, failure to meet demands and expectations is often highlighted far more.

The areas of potential failure represent fault lines – and, like geographic fault lines, the damage and cost once they have been activated and exposed can be very high. This is particularly pertinent with regards to ethical failures: this is the new, very dangerous fault line of leadership.

Achieving positive corporate results and sound stakeholder relationships for corporate leaders, or delivering on election promises for public sector leaders are well recognized expectations. Failure to realise these gives rise to fault lines. But, when a leader or his/her organization has been found to be unethical, it exposes a fault line of far greater magnitude, from which it is often difficult to recover.

If a company has been accused of collusion or one of the executives has been arrested for fraud, the damage can't be corrected by simply cutting

costs before the next set of results. Instead, the leader faces the much more difficult tasks of rebuilding corporate reputation, trying to regain lost clients and addressing declines in their share price and brand equity – assuming the disaster has not led to the closure of the business.

Similarly, if a public sector leader has been found guilty of misappropriating public funds, the damage can't be corrected by fast tracking service delivery in that constituency before the next election. In the NGO sector, unethical behaviour risks donors terminating their financial support.

A factor that exacerbates the magnitude of the ethical fault line is that the cost of unethical behaviour is not limited to the perpetrators. It is often "shared" with others. The examples of shared costs are as many as the costs are high: the NGO's aid recipients who did not get the food parcels because of theft and corruption, the rural community where the school was not built because of tender fraud, the employees who lost their jobs when the company closed down because of unethical practices, the pension fund members who lost their savings, and



to investigate and expose wrongdoing. The leadership challenge is therefore how to avoid ethical fault lines.

To do so, leaders need to ensure that ethics is managed proactively and regularly, rather than reactively and on an ad hoc basis. This requires that leaders know their organization's current ethical status – their ethical strengths, weaknesses and potential weaknesses. Using an ethics survey (such as the Ethics Monitor) to assess the views and experiences of the company's stakeholders (especially employees) can provide leaders with a clear understanding of their organization's actual, current ethical reality. This avoids a view of the ethical status which is coloured by what is desired, or which is limited to the views of a small group of executives.

Leaders should also focus on building and maintaining high levels of ethical awareness, especially among employees. Ethical awareness is a powerful factor in the pursuit of improved workplace ethics.

This is well illustrated by visible policing. Even though the security vehicles patrolling a neighbourhood may not actually apprehend many (or any) criminals, their regular presence acts as a deterrent to crime being committed in that area. In the same way, raising the level of ethical awareness in a workplace has the effect of reducing misconduct.

Ethical awareness also promotes ethical behaviour by providing a constant reminder of what constitutes acceptable behaviour in an organization, thereby reinforcing the company's ethical standards. Its effects are all the stronger when the behaviour of the organization's leaders provides the visible examples for all to follow.

The litmus test for leaders is whether ethics will be a destructive fault line which taints their leadership reputation, or the success and strength that define their leadership legacy. As leadership is one of the most influential factors shaping ethics, this choice should not be taken lightly. *

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the investors who lost their money. The negative impact on innocent people adds enormously to the public outrage, the publicity and the damage, and illustrates, each time, how much ethics matters.

Ethical fault lines are not only exposed when something illegal has occurred.

Whether an organisation pursues a single or triple bottom line is also a relevant factor. Today, producing good financial results is not enough, and leaders who allow their organisations to only pursue economic results will increasingly be seen to be unethical, to be shirking their responsibility as corporate citizens.

Therefore, while the financial cost of dealing with an oil spill may be huge, the company is unlikely to get any public credit for that expense. Rather, they will be judged by how they managed the environmental and social costs. The mine that manages its costs and produces good results risks compromising that success if its operation negatively affects the local community – or even if it doesn't benefit them.

Intending or hoping to hide unethical behaviour is often unsuccessful in the face of technology and a press eager

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