

## ETHICS: THE ONLY WIN-WIN STRATEGY

*Ethics in Business is Far More than 'Business Ethics'.*

### **The Message**

Ethics is not what most managers think it is.

Ethics permeates all activities and all choices.

The 1990s will be a decade of ethical and social concern.

Ethical reflection will become natural for successful chief executives.

SIGMA frameworks assist the introduction of an ethical perspective.

Box 1

### *Ethics is about Winning*

Talk to the typical manager about ethics and he or she is likely to become defensive or embarrassed. Ethics often seems to be a private matter or even an unmentionable. For many people, entering an ethical debate means becoming embroiled in acrimonious conflict or adopting a religious perspective. For others, ethics means no more than sticking to the law, or those few topics covered in 'business ethics'. Some themes corner the subject: but when ethics is restricted to just altruism or environmental concern, then its significance is weakened.

A partial approach to ethics is inherently unsatisfactory. The reality is that ethical choice is everywhere and in everything. Fortunately, ethics is not only necessary and inevitable, but also useful and practical. So ethical awareness is positively essential for success.

Ethics is not as complicated as some make out. In a nutshell: you make good/right choices and you (and others) thrive; you make bad/wrong choices and you (and others) suffer.

In a business, thriving means the ongoing production of socially valuable goods and services at a profit.

So ethics is about winning over the long term. Good business and good ethics are not a contradiction in terms – individualism, to the surprise of many, turns out to be the ethical cornerstone of a successful firm (see Box No. 3).

### *Ethical Awareness is Erupting in Society Now*

Surveys by RISC International\* in all European nations reveal that the 1990s will be characterized by social commitment, ethical concerns and environmental protection. The 'porsche-jacuzzi', 'anything goes', 'greed is good' mentality of the '80s has already passed. Evidence now exists that people are

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\* Ref: Journal of Royal Society of Arts. C. de Panafieu. Women the laggards of Europe &c &c.

searching for a better balance: to bring quality to their lives, and to integrate personal and social needs.

Firms may try to ignore these social developments or attempt to fight a rearguard battle against them – but this is not the road to success. For a start, recruitment of top managers for the future will become increasingly difficult.

In any case, public battles with consumer groups, campaigning organizations, governments, unions and other bodies create a lasting negative image of the firm irrespective of the final result. The UK follows the USA – so perhaps we too will get a Council which not only gives Corporate Conscience Awards, but also dishes out 'dishonourable mentions' – doing so by surprise at a dinner organised for 400 business leaders in a top hotel with full press coverage!

### *The Old Approaches Won't Do*

Even where ethics and business are seen to interact, ethics has been too often handled by splitting it off into a domain separated from the proper work of the firm.

For example, many companies have expressed their ethical concern externally by charitable giving and community support. They make ethics something external to the firm. Such worth-while activity epitomizes the thinking of the past.

Brought inside, ethics may be regarded as a matter for a particular department, say marketing or public relations. This may salve consciences but it does little for the firm as a whole. Worse still, the emphasis tends to drift towards appearing ethical rather than being ethical. The energies of executives often become oriented to coping with pressure groups: currently in relation to the environment or the treatment of women or minorities.

The recent promotion of 'business ethics' also reveals a tendency to compartmentalization. The academics involved (typically philosophers, often with a theological background) focus on a limited number of fashionable subjects like bribery, nepotism, manipulation of accounts, and conflicts of interest. There is an emphasis on keeping the law and adopting and keeping of various codes of good practice.

Of course many aspects of the old thinking are important. However, they all share the difficulty of being partial. Ethics requires a concern for the whole. A man who lives a virtuous life except for living by theft will never be fully trusted or respected, and so his main concern is that no-one should know what he does. Much the same mentality applies in many firms. Unaware of the power and benefits of ethical reflection and choice, they find themselves forced to be more concerned with looking ethical than with being ethical!

### *The Role of Religion*

The Christian religion which generally supports ethical functioning has found itself in a dilemma in recent times. The Church's influence on ethics has made it synonymous with self-sacrifice, and voluntarist and communalist values. The ethical significance of initiative, success and wealth is recognized – but

hardly trumpeted. And the central role of the self-aware person and firm each fulfilling their unique responsibilities is neglected.

A serious difficulty lies in the fact that the image of work in the bible is essentially that of the small farmer, fisherman and merchant. So there is little appreciation of what is involved in the management of a multinational manufacturing or service enterprise.

### *The Ethical Firm of the Future*

The new thinking recognizes ethics as permeating the firm; sees ethical functioning as a power rather than a sacrifice; and gives both the individual and the community their due.

What is being ethical? As noted above, it is choosing what is right and good, all things considered. In other words, it means bringing an ethical perspective to bear as part of decision-making just as routinely as one would bring an economic perspective to bear.

So being ethical will not mean being perfect, demanding the impossible of staff, catering only to high-brow consumers, sticking to the letter of the law, living in a bubble of self-righteousness, or becoming a servant of some religious doctrine. Being ethical will mean subjecting every decision and arrangement to the criteria of whether it is right and good overall.

The successful firm of the future will recognize that an ethical outlook must permeate its culture; that ethical virtues like wisdom, prudence, and integrity must govern its senior managers; and that ethical codes, charters, conventions, policies, and philosophies need positive development and implementation.

Just as firms are now speaking of an environmental audit, soon they will speak of an *ethical audit*. An ethical audit will examine the practices and culture of part or all of the organization, identify failings *in terms of the firm's own standards*, and develop plans for improvement. For example, it is unlikely that ethical firms would allow value conflicts to drag on endlessly or staff victimization to occur, because these things harm the firm as well as those involved.

The ultimate responsibility for a firm's culture lies with the governing body. So we need to see a far more effective working of governing bodies. Their main and unique responsibility is to grasp the value nettle in any issue and provide a direction for the firm which recognizes the range of stakeholders in any choice and the inevitability of controversy.

### *Implementing the Win-Win Strategy*

The approach to ethics developed by The SIGMA Centre is simple and not very original.

Choosing what is right and good (all things considered) depends on each individual recognizing their *responsibility* and acting in accord with the *basic nature* of people and society. This is the new win-win strategy. Why is responsibility emphasized? Because responsibility determines our social being and links the individual to the group – the firm and wider society. Why

is human nature emphasized? Because its violation indisputably inflicts harm. Our research suggests that while academics may dispute endlessly about human nature and social life, ordinary people know very well what constitutes violation and oppression. But in today's complex world and super-corporations, they are often less clear about what their responsibility is. Why do I call this strategy new? It is new because of the premium placed on self-awareness and ethical design.

### *Ethical Change Agents*

Ethical change can be facilitated by change agents. A variety exist. (Simply take p 8-9 from Ch. 1) or use something like box below.

**Moralists.** The first and most common are the moralists. Managers, like politicians, parents and priests, tend to moralize. The moralist exhorts people to do what the moralist believes to be right. Generally the higher the status of the moralist the more righteous the moralizing. The more troubled and poorer the recipient of the exhortations, the less the success of the moralist. Moralizing has a tendency to become infiltrated with hostility and to be discredited by hypocrisy.

**Institutionalists.** Institutionalists try to achieve ethical and other desired ends by the proper design of institutions which allow for the inescapable ethical imperfections of people who are expected to use or operate the institutions. Institutionalists are generally practical men, like lawyers, civil servants and cardinals, who compromise and adapt pragmatically to the pressures around them. This gives them power and prestige and a talent for being distrusted, even disliked, by the rest of us.

**Scientists.** Scientific discoveries change society directly. Nevertheless natural scientists see their work as ethically neutral, and leave others in society to use their findings as they see fit. Social scientists are more sanguine and recognize that any comprehension of society affects that society. But managers, politicians and civil servants find conventional discipline-based social research, if they bother with it at all, difficult and sometimes embarrassing to apply. The direct development of tools to aid social change seems to be a distinct type of science. This new science is inter- or trans-disciplinary and needs to be ethical. I call it 'ethical design'.

**Artists.** The most powerful ethical agents are the myth-makers: writers, poets, painters, sculptors, song-writers, musicians, dancers, film-makers and others. Art evokes emotion and allows reality to touch us. It is both personal and communal. It unifies the concrete and the abstract. With the help of artists, the everyday world can be seen and re-seen, and told and retold. Through metaphor a thousand possibilities are captured. Art lets us know who we are as individuals and as part of humanity. Art transcends mundane reality. Art engenders hope.

Label	Example	Characteristics
<b>Moralists</b>	Managers, politicians, priests, teachers.	Exhortation to do what the moralist believes is right. Tends to become infiltrated with hostility and discredited by hypocrisy.
<b>Institutionalists</b>	Lawyers, cardinals, civil servants.	Design institutions that allow for the inescapable ethical imperfections of people. Characterized by compromise and pragmatism.
<b>Scientists</b>	Natural and social scientists.	Natural scientists produce results with ethical implications. Social scientists produce knowledge about ethical matters with a concern to impact on society. Trans-disciplinary science enables ethical design.
<b>Artists</b>	Writers, dancers, painters, musicians, poets, film-makers.	Unifies the concrete and abstract, and evokes feelings. This enables reality to touch us.

Box 2

### *New Developments from SIGMA*

Our work with managers, politicians and professionals uses the tools and approach of *trans-disciplinary science or ethical design*. Ethical design does not attempt to control people or provide a blueprint for action or a straightjacket for the mind. What it does is provide a framework of ideas which channels or constrains any workable understanding of a problematic situation.

Ethical design consultancy as practised in the Centre uses frameworks whose *assumptions are intuitively appealing* and socially acceptable to clients. It emphasizes *clarity of role and responsibility* as the starting point and ongoing reference point for all work. Our consultancy depends on the development of a *long-term relationship* with the client. We work towards a *transformation of the organization* and its culture in accord with the vision of the Chief Executive and Governing Board.

The SIGMA Centre has been developing and designing ethical arrangements over the past decade in large and complex organizations. Ethical design has been applied to strengthen organizational structures, to speed up decision and policy-making, to facilitate change, to give staff work that fits and enhances their potential, to handle pressure groups and politicians, to develop standards and improve quality, and a myriad of other common management problems.

Validated frameworks have now emerged in a number of areas: in work and managing, in purpose and value, in experience and being, in decision and action, in constancy and change, in inquiry and knowledge, and in community and government which are applicable to these problems. See Box 4 for an extract from one of these.

Unlike usual academic theory, these ideas can be adopted and introduced by those in the firm's headquarters with minimum external support. They are practical because they were designed to help, they are guaranteed because they have been systematically tested and improved over many years, they are easy to use because they are intuitively appealing, they are memorable because they all have a similar form.

SIGMA frameworks are ethical primarily because they accord with the nature of people and differences between them, because they appropriately foster the link between the firm and wider society, and because they are rooted in the assignment of responsibility to individuals and social groups.

Acting in accord with the frameworks empowers people, generates synergism and reduces hostility, while violating the frameworks weakens the organization, demoralizes people and fosters divisiveness.

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### Some SIGMA Research: Choice & Virtue

A recent project explored the obligations that senior managers used when choosing. Their responses were compared to the literature and a framework for ethical choice was developed. The framework identifies seven approaches—and explains why there are just seven. Each approach carries a distinctive obligation, ethical aspiration and constraint. Balancing the aspiration and constraint realistically requires the exercise of virtue, while failure to resolve the tension is a vice.

<b>THE APPROACH SAYS:</b>	<b>ASPIRATION (&amp; CONSTRAINT)</b>	<b>VIRTUE (VICE)</b>
Be reasonable <i>(The Rationalist)</i>	Solving a problem (given the realities).	Wisdom (Folly)
Do what is acceptable <i>(The Conventionalist)</i>	Continuity (in the face of change).	Moderation (Extremism)
Choose appropriately <i>(The Experientialist)</i>	Ideals (and potentials).	Prudence (Recklessness)
Benefit yourself <i>(The Individualist)</i>	Strengths (and vulnerabilities).	Courage (Arrogance)
Benefit everyone <i>(The Systemicist)</i>	Altruism (and egoism)	Benevolence (Indifference)
Be fair <i>(The Legitimist)</i>	Common good (individual autonomy)	Justice (Injustice)
Be authentic <i>(The Transcendentalist)</i>	Spirituality (and temporality)	Integrity (Corruption)

**Box 3**