

Ethical leadership, decision-making, and organisations

Ethical decision-making and leadership are the basis of ethical organisations, corporate social responsibility, 'Fairtrade', sustainability, the 'triple bottom line', and other similar concepts

This article introduces the concept and reasoning behind ethical leadership and ethical organisations.

Ethical principles provide the foundations for various modern concepts for work, business and organisations, which broaden individual and corporate priorities far beyond traditional business aims of profit and shareholder enrichment. Ethical factors are also a significant influence on institutions, for whom the traditional priorities of service quality and cost management must now increasingly take account of these same ethical considerations affecting the commercial and corporate world.

The modern concept of ethical organisations encompasses many related issues including:

- Corporate social responsibility (CSR) - or simply social responsibility
- The 'triple bottom line'
- Ethical management and leadership
- 'Fairtrade'
- Globalisation (addressing its negative effects)
- Sustainability
- Corporate governance
- Social enterprise
- Mutuels, cooperatives, employee ownership
- Micro-finance, and
- Well-being at work and life balance, including the Psychological Contract.

Any other aspects of good modern leadership, management and organisations which relate to ethics, could be added to the list. Ethics is a very broad area. You will see very many different definitions and interpretations of the concept, and you should feel free to develop your own ideas about ethics in terms of meaning, composition, methods and implications.

There are no universally agreed rules of ethics, no absolute standards or controls, and no fixed and firm reference points. This is fascinating given how hugely important ethics have now become in modern life and society.

What is ethical?

This explanation attempts to go deeper than the usual descriptions of ethical organisations, because ethics in work and business are both a reflection of and influenced by ethical aspects of life and the wider world.

The aim of this article is not to tell you what's ethical and what's not. The aim is to help you to determine better for yourself what is ethical and what is unethical.

What is ethical anyway?

The short answer is that there isn't an answer. There is no absolute rule of what is ethical and what isn't.

Defining what ethical and unethical mean is only a little easier.

A simpler broad definition of the word ethical is 'fair' and 'fair' to fair-minded people, especially those affected by the situation. This is not a scientifically robust definition, but as you will see, when we peel back the layers of what is ethical, it's very difficult to be scientific and firm about what it all means.

The modern Oxford English Dictionary says:

"Ethical - Relating to moral principles or the branch of knowledge dealing with these..."

Interestingly the definition continues by way of example: "...Morally correct: Can a profitable business ever be ethical?"

N.B. This is merely an example of the word in use - it's not an opinion - nevertheless it's an example which reflects modern attitudes and the context in which ethical questions now arise which would not readily have done so a generation or two ago.

Morals and morality appear commonly in attempts to define what ethical means, although given the difficulties of defining the word morality without using quite subjective terms, this is not terribly helpful. Morality incidentally is defined in the OED as '...principles concerning the distinction between right and wrong or good and bad behaviour...' See what I mean? Not especially firm or scientific.

More helpfully the OED adds some extra explanation about ethics, summarised thus:

Western ethical philosophy can be divided roughly into three types:

1. Virtues such as justice, charity and generosity benefit the person and the person's society. (Largely based on Aristotle's ideas.)
2. Ethics are central to morality - a human duty - based on rational people's respect for other rational people. (Notably supported by Kant.)
3. The guiding principle is based on conduct which produces the greatest happiness or benefit to the greatest number of people. (Referred to as utilitarianism - this might also be considered the 'greater good' concept.)

A single precise definition of ethical is not easy to agree.

Moreover to show how ideas change over time, the 1933 Oxford English Dictionary says first of ethics (when seemingly the word 'ethic' was used as an adjective like today's use of the word ethical):

1. Relating to morals 1581.
2. Treating of moral questions or of moral science 1589.
3. Characterized by ethos 1848.

This significant definition of ethos is offered, since it suggests the relative component within ethics:

"The prevalent tone of sentiment of a people or community..."

Extending this theme, in a practical sense, aside from what is covered by law or other clear standards, whether something is considered to be ethical by people (markets, customers, media, etc.) is generally a matter of opinion. The same might be said of morality. Both concepts - ethics and morality - are subjective and a reflection of society and civilization, which of course implies that precise meanings will change. Both are relative in time and situation.

Certain ethical issues are represented in law, and in this respect are firm, to a point.

Ethics which are not covered clearly by law are usually a matter of subjective judgement, especially, but not exclusively, by the reasonable majority, whose view is significant in deciding whether something is ethical or not.

Such a vague way of judging whether something is ethical is not to diminish the importance of ethical factors. On the contrary.

In work and life, opinion - especially large scale opinion - can be more influential than rules and law, notably in relation to markets, publicity, and people's attitudes, which manifest especially in the behaviour of customers and employees.

The law can actually have a theoretical or marginal effect, whereas large scale opinion is an unavoidable powerful reality.

For example it is unlawful to drive a little faster than the speed limit. But the vast majority of people consider it to be acceptable, and so do it. The UK poll tax of the 1980s was lawful, yet public reaction (much of it unlawful) against it caused the law to be changed.

Ultimately people's attitudes are more powerful than law. Law is a reflection of public tolerance and views, not a cause of them (unless to produce a reaction against the law of course).

So do not for a moment underestimate the importance of ethical considerations on the basis that they could be subjectively judged and difficult to define in law. Popular public opinion is the sternest most unforgiving measurement of all.

Ethical business and ethical investment

As previously stated, the purpose of this article is not to define or describe ethical business in an absolute sense.

The explanation thus far should demonstrate why such a pronouncement is impossible.

Ethical business - as other ethical issues - are a matter of individual and collective judgement.

It is possible to go so far only in outlining ethical considerations, and to give some modern examples of interpretation which seem generally to be accepted.

Ethical investment is a useful aspect for considering ethical business, since large scale investment is ultimately subject to market forces, which largely reflect public opinion. As such ethical investment criteria and examples tend to be a good guide towards ethical attitudes of large sections of people and society, rather than the 'expert' views of leaders and gurus.

Ethical investment has been a growing aspect of business investment since the 1970s, although arguably the first types of ethical businesses can be traced back to the Quaker and Methodist movements of the 1800s.

Then as now ethical business and investments regard socially responsible activities and aims with far greater priority and emphasis than the traditional profit and free market business approach.

Traditional profit-based business models, which arose and came to dominate global commerce from the beginnings of industrialisation, inherently do not require a socially responsible element, other than compliance with the law, and a reflection of public reaction for pragmatic marketing (and ultimately profit) purposes.

Ethical business or investment is concerned with how profit is made and how much profit is made, whereas traditional profit-centred free-market based business is essentially only concerned with how much profit is made.

Traditional profit-centred business seeks to maximise profit and return on investment with no particular regard for how the profits are made and what the social effects of the business activities are.

The ethical approach to business and investment seeks to maximise profit and return on investment while minimising and avoiding where possible negative social effects.

In this context 'social' and 'socially responsible' include related factors such as:

- The environment
- Sustainability

- Globalisation effects - e.g., exploitation, child-labour, social and environmental damage anywhere in the world
- Corruption, armed conflict and political issues
- Staff and customers relations - for instance education and training, health and safety, duty of care, etc.
- Local community
- Other social impacts on people's health and well-being

This is not an exhaustive list and is subject to change - as the world changes.

As stated, this is not a pronouncement of what's unethical. It's a reflection of current attitudes, which you can use in your own way alongside the other information on this page to develop your own ideas as to what's ethical and what's not.

Also as stated, things change with time and situation. For example if technology is developed enabling nuclear power to be safer and less impactful on the future then obviously concerns in this area would reduce and the ethical implications would decrease or disappear.

Standards of what is considered ethical change over time, and generally these standards become more humane as humankind develops greater tolerance, awareness, and capacity for forgiveness and compassion.

Humankind's - or any society's - capacity for ethical behaviour increases with its own safety and confidence of survival and procreation.

Hence the human tendency to become less ethically flexible when under threat.

Thus ethical behaviour is a relative judgement, as well as a subjective one. We cannot impose one society's moral code onto another society with different needs and demands.

Interestingly what is considered unethical in present times, commonly becomes unlawful in the future. The leading ethical thinking of any time tends to pioneer social and civilisation change.

And so here lies substantial advantage for corporations and other groups and bodies which anticipate such changes. They adapt quicker, and are seen generally to lead rather than follow. They also manage change more successfully, since they have time to do it.

Organisations and institutions which fall behind public ethical expectations find catching up a lot more difficult.

Ethics and law

Many believe that the word ethical equates to lawful, and that by being lawful an organisation or activity is automatically ethical.

This is not so!

While many things that are unethical are also unlawful, ethics do not equate to law.

Many unethical things are entirely lawful (although some can only be tested when/if they get to court).

Moreover sometimes the law (of any land) can produce extremely unethical effects.

In fact while most unlawful actions will also tend to be unethical, certain situations can contain a strong ethical justification for breaking the law, or changing the law.

Notable examples are situations in which the law, or the way law is applied, is considered unethical ('wrong' is the typical description) by sufficient numbers of people to pressure the legal system to change. You can perhaps think of examples when this has happened, and such cases are examples of an ethical viewpoint being ultimately more powerful than the law.

Examples of this happening through (Western) history illustrate the tendency for ethical considerations to drive the law: women's suffrage (women's right to vote); the abolition of slavery; and modern human rights and equality legislation are examples of ethical pressures causing change in law.

The independence of nations and the break-up of colonial rule are further examples of ethical pressures overwhelming the force of law.

Unlawful acts are not always unethical. Ethical acts are not always lawful.

Lawful therefore does not equate to ethical, and unethical does not equate to unlawful.

Interestingly, the UK Consumer Protection Regulations effective on 26 May 2008 are a good example of unethical business practices becoming prohibited in law. For example it has always been unethical to mislead customers into buying products or services. Now it is illegal to do so (in respect of consumers - here are the implications of the regulations).

Ethics and religion

For many people, ethics and ethical judgements are based on a religious belief.

However religion is not a basis for arriving at consistent standards of ethics, any more than the law is.

To illustrate the point:

A particularly dangerous implication arising from mixing decision-making with religion is the one which provides the decision-maker with a sort of safety net if everything goes wrong.

"God will be my judge..."

For people who are not religious, or who have a different religious faith to the decision-maker, these words are a little disturbing in the context of ethical decision-making.

Whose god? Your god? My god? Their god? All gods? The good gods? The collective gods committee?

And when? When will (whatever chosen) god be judging this decision? While the decision is being made? Before the decision is implemented? Immediately after the decision's implementation (when on Earth some serious monitoring, checking and managing needs to be happening)? Far into the future when the decision-maker has expired and gone to whatever version of heaven his (it's generally a man) particular faith promises him?

The inference is the latter of course. A bit bloody late in other words.

And by what criteria will (whatever chosen) god be judging the decision? To whose and with precisely what standards are we being asked to agree here?

And what will be the results of (whatever chosen) god's decision, especially if it's a mighty god-like thumbs down? What are (whatever chosen) god's contingencies for putting it all straight again?

It's anyone's guess...

Do you see how religion is not a brilliant aid for decision-making?

Religion is a personal matter. It has no place in decision-making affecting other people.

Worse, using religion as a personal safety net for serious decision-making is a reckless desertion of leadership responsibility.

Right-minded people want leaders to take ultimate full absolute responsibility for decisions. They do not want a leader to seek refuge or personal salvation in (whatever chosen) god or heaven or a confession box.

This is an additional reason for not mixing religion with leadership and ethical decision-making: too many people simply do not accept the basic premise that a leader can delegate responsibility in such a very strange and unaccountable way.

Aside from anything else, if religion were useful in leadership and decision-making then all human organisations would be run by the clergy. Civilisation tried that a few thousand years ago and it doesn't work.

Please note: If you are religious and believe that religion has a place in leadership and decision-making then you might disagree with this section. If so please understand that I am not berating religion or religious people. I accept that through humankind's existence - especially in the last few hundred years - religion in various forms has often provided an essential code (of ethics arguably) for civilisations and societies to live positively, harmoniously, generously, peacefully, lovingly, etc. I am making a different point, namely: reference to religion, and especially a strong personal faith, is not generally very helpful towards achieving great objectivity, which is vital for ethical decision-making. Moreover religion of certain types can be extremely divisive, which is obviously not useful for decision-making entailing diverse groups of people, as commonly arises in today's increasingly diverse world.

Examples of unethical behaviours, activities, policies, etc.

Instead of trying to arrive at a standard or all-encompassing rule of what is ethical, it is helpful to illustrate the depth and variety of ethics through suitable examples.

This is an extension of the ethical business investment items listed above, and goes into far greater detail of different behaviours which might often be regarded as unethical.

The first category might seem obvious and clear-cut, and actually it's a reasonable starting point for the vast majority of ethical decisions, but this one point cannot be applied exclusively in assessing whether something is ethical or not:

- Anything unlawful in the territory or area covered by such law - is probably unethical. Not always - see ethics and law.

Conversely, and more importantly, very many legal activities and behaviours can be extremely unethical. For example, behaviours that are not necessarily unlawful but which are generally considered to be unethical to Western society would now typically include:

- Dishonesty, withholding information, distortion of facts
- Misleading or confusing communications or positioning or advertising
- Manipulation of people's feelings
- Deception, trickery, kidology, rule-bending, fooling people
- Exploitation of weakness and vulnerability
- Excessive profit
- Greed
- Anything liable to harm or endanger people
- Breach of the Psychological Contract - the Psychological Contract represents trust and expectations between people in a relationship - notably within employer/employee relationships, extending to other organisational relationships too - (aside from Psychological Contract theory, specialised theory within Transactional Analysis helps explain this aspect of trust and expectations in human relationships)
- Avoidance of blame or penalty or payment of compensation for wrong-doing
- Inertia-based 'approvals' and 'agreements' (in which action proceeds unless objected to)
- Failing to consult and notify people affected by change

- Secrecy and lack of transparency and resistance to reasonable investigation
- Coercion or inducement
- Harming the environment or planet
- Unnecessary waste or consumption
- Invasion of privacy or anything causing privacy to be compromised
- Recklessness or irresponsible use of authority, power, reputation
- Nepotism (the appointment or preference of family members)
- Favouritism or decision-making based on ulterior motives (e.g., secret affiliations, deals, memberships, etc)
- Alienation or marginalisation of people or groups
- Conflict of interests (having a foot in two or more competing camps)
- Neglect of duty of care
- Betrayal of trust
- Breaking confidentiality
- Causing suffering of animals
- 'by standing' - failing to intervene or report wrong-doing within area of responsibility (this does not give licence to interfere anywhere and everywhere, which is itself unethical for various reasons)
- Unfairness
- Unkindness
- Lack of compassion and humanity

You will perhaps think of other examples of behaviours or activities which are not necessarily unlawful, but which a reasonable majority of people (especially those directly affected by the activities) would consider to be unfair, unjust or simply wrong and therefore effectively unethical.

Most of the above are subject to extent or degree, whereby serious extensive examples are more likely to be unethical than minor transgressions and negligible effects.

Ethics and public opinion

Ethical considerations are not wholly determined by majority view, just as they are not wholly defined by law or religion.

Ethics are not a matter of a referendum or vote.

Popular opinion alone is an unreliable measurement of what is ethical for several reasons:

- A poorly informed majority of people - or anyone poorly informed - is not able to make an informed decision about the ethics of a particular decision. The extent to which people are helped to understand longer-term consequences of a situation is also a limiting factor in the value of majority opinion.
- Democratic decision-making is vulnerable to whim and 'herding' instincts - especially if the national press and other mainstream media have anything to do with it.
- Leadership - as a function within civilisations - features in the organisation of human systems and societies because people generally accept that many sorts of complex and large scale decision-making are best made by full-time experts working in the areas concerned, rather than such decisions being left to the vagaries of popular inexperienced view. This is not to say that people have no right to consultation or a vote on crucial issues

(in fact generally people need more involvement in decisions which affect them) - it is more to illustrate that majority view, especially when coloured with apathy or misinformation or prejudice for whatever reason, is not the only basis for deciding what's ethical or not.

Popular opinion is a significant factor in the consideration of what is ethical, but it is not the only factor, and the significance of popular opinion in determining ethical decisions will vary according to the situation.

'For the greater good' ethical considerations

A significant influence on ethical judgement is the 'flip-side' of whatever situation is under question: the effects of the 'ethical' decision.

Upholding an ethical principle might not be sensible if the effect of doing so causes a wider or greater disadvantage.

This sort of justification when used for unethical actions and policies, etc., is often referred to as being 'for the greater good'.

Such a viewpoint is associated with a 'utilitarianism' approach to ethics.

Looking at the flip-side and assessing the 'greater good' implications can be helpful, ideally leading to the facilitation of a compromise solution. Considering the flip-side (or sides) is actually necessary for relatively straight-forward uncontroversial decisions and actions, especially when opinions on all sides can be aired, debated, and understood.

However the 'greater good' approach can be a risky angle if used subjectively and proactively, not least because it tempts the decision-maker to play god, and to attempt a god-like appreciation of a wide and complex situation, instead of adopting a less personal and more detached approach.

The combination of the following factors in ethical decision-making is rarely effective:

- Risk
- Proactivity (decision-maker instigated)
- Borderline ethical/unethical
- Affecting lots of people.

'The greater good' argument is commonly used to support actions containing these elements, when usually a less risky and aggressive stance is best.

Remember a significant inescapable part of ethical actions are the views and needs of the rational majority, of the people affected by the action or decision.

If you don't know reliably what these (views and needs) are then you don't understand the flip-side enough to justify anything, let alone a risky borderline decision.

Beware of this 'greater good' dimension also when you see it used by others, because the defence of an unethical decision as being "...for the greater good..." is often used cynically and dishonestly.

The 'greater good' can be a big trap - especially for anyone prone to subjective high-minded thinking.

The 'greater good' angle also illustrates the dilemma aspect within many ethical decisions.

Ethics are not clear-cut, especially on a large scale.

Corporate governance in the face of big ethical decisions is characterised by wisdom and objectivity, not by subjective personal belief, worse still when it protected by control mechanisms and the recklessness which often accompanies emotional insecurity, or a strong personal 'faith' or power delusion.

Beware the leader for whom the personal victory of the decision appears to be more important than the decision's outcome, whatever the scale and situation - and recognise these tendencies in yourself if they arise.

Objectivity is the key to ethics, not personal belief or religion or personal power.

Leaders who make decisions subjectively and personally for reasons of building power, reputation and wealth, entirely miss the point about ethics, and their fundamental philosophy (or lack of) effectively prevents any real ethical objectivity.

If the motive is wrong, then everything else will be too.

Ethical objectivity

So, law alone is not a basis for ethical decision-making. Nor is religion. Nor is the 'greater good'. And even the rational views and needs of the affected majority are not a basis alone for ethical decision-making.

So what is the basis of ethical decision-making?

My best suggestion is:

Objectivity and fairness are the basis of ethical decision-making.

In simple terms this means you must be able to see the other people's points of view. This might seem a simple statement of the bleeding obvious, and it might be, but it is not often practised. True objectivity is quite difficult to achieve, especially for leaders under pressure. Similarly, fairness is difficult to define, let alone apply.

Detachment is a huge part of the process. Objectivity is impossible without personal detachment. Fairness cannot begin to be achieved without detachment, since it's about other people, not the leader, nor the leader's supporters and environment.

Being ethical is not a matter of evangelising or imposing your standards and views on other people.

Being ethical is being fair. Being fair means understanding implications from other people's perspectives - not your own. The more widely and well you appreciate other people's issues and implications, then the easier you will find it to be ethical.

Cybernetics is a really useful way to look at objectivity. Objectivity entails understanding how systems work and inter-relate. But systems here means merely the general sense of people and the way life is organised. Systems does not refer to complex mathematics or scientific formulae. Again, it requires you to step back - to detach yourself, resist personal bias and emotion - step back, be objective, adult, mature - fair.

Objectivity is a wonderfully potent and extremely flexible ability to pursue. Especially if you can combine it with the ability to facilitate rather than influence.

Objectivity is flexible because it can be approached and achieved in so many different ways - intuitively, logically, systematically, creatively - anyone can do it. In the same way that the truth - purity, probity - is available to anyone who cares to look for it.

What does ethical objectivity entail?

Here are some suggestions of the main angles.

The list is not exhaustive - you will see other significant perspectives for different situations. For small local decisions most of the list might not apply. But if your decision has potentially significant effects, consider these different perspectives in striving for as much objectivity as you can.

Ethical considerations comprise several variables in one combination or another, if you are striving for real objectivity:

- The society and/or situation.
- Short-term and long-term effects.
- 'The greater good' - the flip-side of the issue; i.e., what are the other options and their consequences - the costs or implications of the choices?

- Cultural issues.
- Issues of personal conscience - of those affected - beware of relying on your own ideas of 'faith' or 'belief' or 'what is right', because this will not be the view held by many people affected by your decision. You are not a god, nor an agent of a god.
- Religious influence and personal beliefs - of those affected, rather than the decision-makers, really, I cannot emphasise this enough. Religion is a subjective belief system. Your own religion is therefore not a basis for objective ethical decision-making.
- Informed enlightened educated and truly objective views.
- Majority views.
- Significant minority views.
- Unrepresented very small minority views.

Some principles for ethical decision-making

1. Step back from every decision before you make it and look at it objectively. Use the above list of examples of unethical behaviours as a check-list to see if you might possibly be falling into one of these traps. It's easily done: to get swept along by excitement and urgency; or by apparently demanding expectations, whether self-imposed or otherwise. Aim for objectivity and fairness - not for personal power, 'winning', strategic plotting, high drama, etc.
2. Strive for fairness rather than polarised 'winner takes all' outcomes. Try to facilitate solutions rather than actually deciding and imposing decisions, unless all parties are happy for you to do so.
3. Understand the Psychological Contract and how it applies to your situation. Concepts such as Empathy and the Johari Window are useful in gaining appreciation of other people's situations and feelings, which is central to managing the Psychological Contract.
4. Learn from history and previous situations. Reviewing how previous situations were handled reduces the risks of making daft mistakes: not many things are fundamentally new in this world, despite how unique you believe your situation to be. Also history is a superb store of already invented wheels, which can often save you the time and agonies of trying unsuccessfully to invent a new one.
5. Get the facts from all possible perspectives. Often a challenging issue offers three main options: (a) your instinctive or personal view; (b) a main alternative option; and (c) the commonly under-estimated ever-available third main option of doing nothing. Doing nothing in times of real emergency can be disastrous, but for a very large number of situations doing nothing is the only truly wise way. Doing nothing is not a weakness or procrastination if it is done in the right way for the right reasons.
6. Understand the long-term consequences. Model or brainstorm the 'what if' scenarios. Again look at previous examples and history.
7. Check the law. In whatever territories are affected by the decision. But do not base your decision wholly on the law. See the ethics and law notes.
8. Consult widely - especially with critical people, and especially beyond your close circle of (normally) biased and friendly advisors, colleagues, friends, etc. You have not properly consulted if you merely seek and obtain confirmation from a tame advisor. After the event such 'consultation' can very easily be interpreted as a conspiracy, in which your 'advisor' is deemed not to have been an advisor but a co-conspirator. Consult especially the people affected by the situation and potential actions, and if using a survey of any sort then ensure the positioning and questions used are balanced and objective, because to be otherwise is unethical

in itself. You should even consult about how to frame the survey and wording of the questions if the issue is anything but a minor one.

9. Consider cause and effect in the deepest possible sense. Life and all that surrounds it is one huge interconnected system. If you are making big decisions - or even apparently little fleeting decisions within a potentially big and sensitive environment - these decisions will affect many people and aspects of life, now and especially into the future.
10. Resist the delusion and arrogance that power and authority tends to foster. This is especially important to guard against if you live and work in a protected, insulated or isolated situation, as many large scale leaders and decision-makers tend to do. Being a leader for a long time, or for any duration in a culture of arrogance, privilege and advantage, provides great nourishment for personal delusion. Many unethical decisions are borne of arrogance and delusion. Guard against becoming so dangerous.
11. Beware of justifying decisions according to religious faith. There is nothing wrong with having a religious faith, but there are various risks in leaning too heavily on a god or faith when making serious decisions. See the ethics and religion notes.
12. Aim for solutions and harmony, objectivity and detachment. Facilitate rather than influence. Help, don't sell. Diffuse situations - find common ground - don't polarise or inflame. Whenever you see a big swell of expectation looming (among your immediate team, not those affected by your decision) which is borderline ethical/unethical, remember the ever-available third option to decide clearly and firmly to do nothing, in the right way for the right reason. The best ethical decisions are usually decided by people who are most affected by them, rather than by leaders who don't trust the people.

Different personalities see ethical organisations in different ways

Different people relate to ideas about how to run organisations in different ways.

Not everyone readily relates strongly to the principles of corporate integrity, sustainability, the 'Triple Bottom Line', etc.

These are essentially idealistic views and as such will mostly appeal to idealistic people.

If you are an idealist, remember that not everyone is idealistic.

For example, many entrepreneurial personalities are actually more likely to prefer and utilise logical and critical thinking, and relatively dispassionate decision-making, than idealistic principles. These qualities enable entrepreneurs to do what they do well, and most organisations need a good sprinkling of these types of people. These personalities need firm reasons as to why the triple bottom line and ethics and CSR are important to achieving solid performance outcomes.

Process-oriented people; routine-centred, reliable, dependable types, will also not automatically buy in to idealistic principles, because these people are strongly focused on facts and real data, rather than ideas and feelings. These people will often need systemic evidence and predictable processes to assimilate and support idealistic concepts and philosophies.

People won't simply buy in to the ethical zeitgeist because they are told to.

Therefore when explaining the importance and aims of corporate ethics, consider the audience. People have different strengths and styles, and some need their own reasons for buying into idealistic aims, outside of idealism itself.

Idealists and humanitarians usually have difficulty accepting that processes and financials should be the primary drivers of organisations. By the same token, people who are driven and motivated by concrete thinking and performance outcomes will not naturally accept that organisations should place significant emphasis on idealistic humanitarian philosophies and aims.

Aside from explanation and understanding, we must also be careful to manage the mix of organisational obligations. Without efficiency, competitiveness and profit, there'll be no organisation to look after the people and planet. It's a question of balance.

As ever we need different people's strengths to be able to achieve this. (And while this is an over-simplification), some people are better taking care of the profit, some the people, and some the planet - but everyone needs to be aware of all three, and the fact that the future great organisations will be the ones whose people can best manage the mix.

Good corporate governance gives good organisational benefits

Significant organisational benefits arise from adopting and applying good corporate governance and ethical leadership.

Businesses and other services organisations derive substantial advantage, and avoid serious risks, by acting correctly, with humanity, compassion, and with proper consideration. Corporate governance is a crucial foundation in achieving these aims because it provides a framework for the organisation's leadership.

Competitive advantage - customers are increasingly favouring providers and suppliers who demonstrate responsibility and ethical practices. Failure to do so means lost market share, and shrinking popularity, which reduces revenues, profits, or whatever other results the organisation seeks to achieve.

Better staff attraction and retention - the best staff want to work for truly responsible and ethical employers. Failing to be a good employer means good staff leave, and reduces the likelihood of attracting good new-starters. This pushes up costs and undermines performance and efficiency. Aside from this, good organisations simply can't function without good people.

Investment - few and fewer investors want to invest in organisations which lack integrity and responsibility, because they don't want the association, and because they know that for all the other reasons here, performance will eventually decline, and who wants to invest in a lost cause?

Morale and culture - staff who work in a high-integrity, socially responsible, globally considerate organisation are far less prone to stress, attrition and dissatisfaction. Therefore they are happier and more productive. Happy productive people are a common feature in highly successful organisations. Stressed unhappy staff are less productive, take more time off, need more managing, and also take no interest in sorting out the organisation's failings when the whole thing implodes.

Reputation - it takes years, decades, to build organisational reputation - but only one scandal to destroy it. Ethical responsible organisations are far less prone to scandals and disasters. And if one does occur, an ethical responsible organisation will automatically know how to deal with it quickly and openly and honestly. People tend to forgive organisations who are genuinely trying to do the right thing. People do not forgive, and are actually deeply insulted by, organisations who fail and then fail again by not addressing the problem and the root cause. Arrogant leaders share this weird delusion that no-one can see what they're up to. Years ago maybe they could hide, but now there's absolutely no hiding place.

Legal and regulatory reasons - soon there'll be no choice anyway - all organisations will have to comply with proper ethical and socially responsible standards. And these standards and compliance mechanisms will be global. Welcome to the age of transparency and accountability. So it makes sense to change before you are forced to.

Legacy - even the most deluded leaders will admit in the cold light of day that they'd prefer to be remembered for doing something good, rather than making a pile of money or building a great big empire. It's human nature to be good. Humankind would not have survived were this not so. The greedy and the deluded have traditionally been able to persist with unethical irresponsible behaviour because there's been nothing much stopping them, or reminding them that maybe there is another way. But no longer. Part of the re-shaping of attitudes and expectations is that making a pile of money, and building a great big empire, are becoming stigmatised. What's so great about leaving behind a pile of money or a great big empire if it's been at the cost of others' well-being, or the health of the planet? The ethics and responsibility zeitgeist is fundamentally changing the view of what a lifetime legacy should be and can

be. And this will change the deeper aspirations of leaders, present and future, who can now see more clearly what a real legacy is.

Other ethical decision-making ideas

The UK Institute of Business Ethics suggests a simple 'test' for ethical decision-making in business.

Adapted below it is applicable to all decisions in all types of organisations and in life as a whole. It's a remarkably easy test to apply.

Try it next time you have to make a decision:

1. Transparency - am I happy to make my decision public - especially to the people affected by it?
2. Effect - have I fully considered the harmful effects of my decision and how to avoid them?
3. Fairness - would my decision be considered fair by everyone affected by it (consider all stakeholders - the effects of decisions can be far-reaching)

If you can honestly answer **Yes** to each of the above questions then you are likely to be making an ethical decision.

If you have any doubt about saying **Yes** to any of the questions then you should think about things more carefully. Maybe there is an entirely different and better solution - there often is.

If you can't decide how to answer these questions, seek input from someone who has strong ethical principles, and who owes you nothing. Especially do not ask anyone to advise you about difficult decisions if they owe you some sort of allegiance.

Leaders can sometimes be blinded by their own feelings of self-importance, and more dangerously can believe that the leader's job requires them to shoulder the burden of decisions which cause anguish and suffering, or worse. Believing that leadership carries some sort of right to take risks with other people's well-being is nothing more than arrogant delusion. A strong feature of good leadership is knowing when, and having the strength, to find another way - the ethical way.

Stakeholders and ethical organisations

If we consider fully what a modern ethical organisation is, we must inevitably take a far wider view in defining modern stakeholders.

A modern definition of 'stakeholder' is broader than the conventional ideas about shareholders, investors and partners, etc.

A modern definition of a stakeholder is any group which has an interest in, involvement with, dependence on, contribution to, or is affected by, the organisation.

Individuals are stakeholders too of course, but for practical reasons most organisations will necessarily view stakeholders as groups, and for the purposes of this explanation the term 'stakeholder' here also means a stakeholder group.

A stakeholder is any group of people who could lose or gain something because of the actions of the organisation.

This is especially relevant in the context of ethics, corporate responsibility, sustainability, etc.

In fact every person on this earth is arguably a stakeholder in every organisation on this earth.

It's not acceptable to dismiss or deny a group as a stakeholder on the basis that the relationship is too difficult to measure. If the group is affected by the organisation then it's a stakeholder and the group's needs must be considered. Thus the organisation acknowledges its full responsibilities.

The question is then one of type and degree - in other words the needs of each stakeholder, and the extent of the effect of the organisation on each stakeholder.

So a good modern stakeholder model or analysis would be one which recognises all of the stakeholder and then identifies a relationship (needs and interests, etc), and also shows a degree of impact for each stakeholder. Such an analysis can be helpful in training and development, and is arguably also essential in strategic planning and decision-making.

Some impacts might seem small, but if the size of the stakeholder group is very large then the overall impact might be considerable.

By accepting that stakeholders are represented by a far wider range of people and groups than conventionally applied, we effectively expand and liberate the appreciation of what organisational (and leadership and management) responsibility really is, and how far it extends.

For example, a villager in deepest Africa is a stakeholder in all UK organisations given their (our) effect on the world's natural shared resources and the natural world as a whole. Children yet to be born on the other side of the world are stakeholders of any organisation given that its activities use, deplete, spoil, (or preferably instead) protect, enhance, and improve the resources and quality of life available to future generations.

Failure to recognise these more distant and less obvious groupings as 'stakeholders' is what has enabled organisations to ignore their wider responsibilities both to local communities and to the rest of the world beyond.

Stakeholders can be found in any or all of the following groups depending on the type of organisation. Below are examples of stakeholder groups, including conventional 'investor' stakeholders, and more modern stakeholder ideas. Remember, a stakeholder is any group that is affected in one way or another by the activities of an organisation.

- Shareholders
- Trustees
- Guarantors
- Investors
- funding bodies
- Distribution partners
- Marketing partners
- Licensors
- Licensees
- approving bodies
- Regulatory authorities
- Endorsers and 'recommenders'
- Advisors and consultants (yes, these people have something at stake too)
- Employees - staff, managers, directors, non-executive directors
- Customers
- Suppliers
- The local population (community)
- The regional general public
- National general public

- International communities
- Humankind

Many of these groups would not conventionally be considered to be stakeholders, but think about it: each of these groups could have an interest in and could be affected by the activities of an organisation. If a connection is not easy to see and understand it doesn't mean the connection doesn't exist.

Given that this sort of modern stakeholder perspective produces such a wide-ranging and extensive list of stakeholder groups, it's essential to apply (for any given situation) some method of evaluating and expressing relative stakeholder interests and needs, and also to measure and show the varying significance of the stakeholder relationships; the degree of impact or dependence.

Logically, this can be achieved via some sort of 'weighted analysis', designed to assess, analyse, compile and prioritise all stakeholder needs for any given organisation and operating scenario. This is not a precise science, but again, the difficulty in measuring the impact is no excuse for denying the existence of the relationship, the stake holding, and the organisational responsibility for the stakeholder group concerned.

Using a stakeholder analysis helps to identify an organisation's full responsibilities, not just the obvious conventional investor requirements to produce a profit and return on investment. In the modern world an organisation's obligations extend far beyond these traditional financial aims.

If you are in doubt as to stakeholder expectations and needs, ask them what they are. Fundamentally this is all about understanding and respecting the needs of others, and as far as possible incorporating them into the philosophy, the aims, the processes, and the activities of the organisation.

P4 management model and corporate governance

Below is a modern model for management and leadership in the 21st century. It's an interpretation of the 'personality' of good ethical modern management and leadership. As such it's not a process or technique - it's an attempt to characterise good modern ethical management and leadership.

P4 (PPPP)

Purpose, People, Planet, Probity (or Purity or Principles).

These are (according to the model) the four cornerstones of sustainable success in any modern organization or business, and a maxim for today's management and leadership philosophy.

Probity means honesty, uprightness - it's from the Latin word probus, meaning good.

'Purpose' is a replacement word for the usual 'Profit' and is appropriate when applying the model to not-for-profit organisations.

Profit-focused corporations may also be helped by using the word 'Purpose' instead of 'Profit', because 'Purpose' is a much broader term - it encompasses profit, and also encourages consideration of the various aims that all businesses must balance with the need to make a profit.

This model is not a process or technique - it's the character or personality of a good ethical organisation, or manager or leader.

It's a useful aid too for working with Corporate Governance, when developing a Corporate Governance code/statement, or for training people, or launching a Corporate Governance initiative.

The aim of all good modern organizations is to reconcile the organizational purpose (which is typically a series of aims, for example profit for shareholders, or cost-effective services delivery in the case of public services, together with supplementary aims such as market growth, geographical expansion, product development, brand development, knowledge development, technological pioneering, whatever) with the needs and feelings of people

(staff, customers, suppliers, local communities, stakeholders, etc.) with proper consideration for the planet - the world we live in (in terms of sustainability, environment, wildlife, natural resources, our heritage, 'fair trade', other cultures and societies, etc.) and at all times acting with probity - encompassing love, integrity, compassion, honesty, and truth.

Probity enables the other potentially conflicting aims to be harmonized so that the mix is sustainable, ethical and successful.

For this reason the model is a particularly useful aid in considering Corporate Governance and Leadership, which by their nature contain many potentially competing or conflicting obligations.

The model is also useful for considering the balance between risk and responsibility, which is a factor in all organizations, whether for profit or not.

Traditional inward-looking management and leadership skills (which historically considered only the purpose - typically profit - and the methods for achieving it) are no longer sufficient for sustainable organisational success. Organisations have a far wider agenda today. Moreover, performance, behaviour and standards are transparent globally - the whole world can see and judge how leaders and organizations behave - and the modern leader must now lead with this global accountability.

(This P4 model is not to be confused with the traditional Four P's of marketing which is a different thing. For attribution purposes this model was created by Alan Chapman.)