

ETHICS GUIDE



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INTRODUCTION

Purpose of Ethics Guide

This guide is intended as an easy reference, pocket sized guide for shareholders, directors, company officers, managers, employees and any other stakeholder who has an interest in workplace ethics.

The information contained herein is a summary of the key concepts and issues and primary business challenges related to workplace ethics. The guide therefore extends beyond a list of do's and don'ts to provide a more comprehensive understanding of workplace ethics.

The aim of the guide is to enable the more effective management of ethics in the workplace. An ideal associated outcome would be that the guide also prompts improved ethical behaviour.

1 DEFINING ETHICS AND WORKPLACE ETHICS

1.1 WHAT IS ETHICS?

Everyone seems to know, in principle, what ethics is, and what being ethical is or looks like, or what being unethical entails. In everyone's childhood or adolescence there were parents, teachers or elders who tried to provide guidance as to what was right and wrong, acceptable and unacceptable, good and bad.

Ethics: the primary features

- Ethics is concerned with what is "right" or "good", where right and good reflect actions and behaviour which are in accordance with the group's or community's values, laws, rules, and regulations, and which take into account the interests of those affected by their actions or behaviour. Many issues have no good or right dimension so they cannot be considered of ethical concern. For example, the colour of a tie or scarf is not an ethical issue as it does not have a right or wrong dimension.
- Ethics therefore involves moral choices – right, wrong, good, bad.
- Understanding what shapes or influences those choices is important in order to achieve an ethical outcome to a course of action.
 - ◆ Such choices are mostly determined
 - by values,
 - by relevant laws, rules or regulations,
 - by the norms or culture of the group (such as, for example, of the organisation or team)
 - and, crucially, by the leadership.
 - ◆ A further useful perspective on the factors influencing moral choice was put forward by Lord John Moulton¹, who identified three drivers of

1 Kidder, R. M. (1995): *How Good People Make Tough Choices: Resolving the Dilemmas of Ethical Living*, Fireside: New York

human actions, namely free choice, the law or ethics. Managing ethics in the workplace requires a focus on all three of these areas of choice.

- There are many areas of action where individuals have the freedom to choose how they act, mostly when those actions are considered not to carry adverse connotations for others. Examples include the freedoms common to many Western democracies, such as freedom of religion or the freedom to marry the person of choice.
 - Human action shaped by the law can be viewed as amounting to “obedience to the enforceable”. This recognises the fundamental enforceability of the law (or rules or policies), irrespective of the quality of enforcement.
 - Human action shaped by ethics can be viewed as amounting to “obedience to the unenforceable”. This recognises areas of action where the individual’s conscience or personal moral values will be their primary guide.
- Ethics does not apply only to oneself, but to others as well. In the workplace this means the individual employee as well as the stakeholders – not just the shareholders.
 - A further characteristic of ethics has to do with the way it is recognised and judged.
 - ◆ Mostly a person’s or an organisation’s ethics is assessed by their words and actions, for instance by their decisions or by their behaviour. Bribery and corruption are obvious examples of unethical behaviour. The factors which most influence words and actions are the underlying thoughts and feelings, which, in turn, are shaped by the values, belief and principles which the individual or the organisation holds.
 - ◆ Ethics is also often evaluated in terms of differences between proclaimed and actual values and behaviour – specifically between what is said and what is done.
 - ◆ The conclusions drawn about an individual’s or an organisation’s ethics amount to a judgement of their ethical status.

1.2 WHAT CONSTITUTES WORKPLACE ETHICS?

Workplace ethics can generally be equated with a code of values and a code of conduct, which can combine to form a code of ethics. Distinguishing between these two elements within a code of ethics is helpful, for it recognises that:

- a code of values sets out the values of the organisation, and
- a code of conduct translates those values into workplace behaviours and actions with supporting guidelines.

The values that drive workplace actions can be expressed and documented in various ways: in an organisation’s mission statement, code of ethics, credo or value statement or even in a code of conduct. The terms code of values and code of conduct are used in this guide because they are clear terms, and because values (as distinct from morals and moral principles, for example) are commonly used in the workplace. The appropriate workplace terminology, however, is whatever makes sense within a specific organisation – provided it is shared among all employees.

A code of values and a code of conduct

The chosen values expressed in the code of values should influence and shape the desired behaviours advocated in the code of conduct.

A code of conduct may be specific to an industry or the nature of the work done. For example, safety has a far greater focus in a code of conduct in the mining or construction industries than in an accountant's office or in a publishing house. Music may be welcome in a restaurant but discouraged in a library.

These examples show that the code of values and code of conduct are two very different instruments. While both can (and should) be used to shape behaviour, their nature and outcomes are different.

- A code of conduct generally follows a rule-based approach that strives for compliance: "You may not smoke in any part of the office, the basement, or the parking garage".
- A code of values, on the other hand, relies far more on achieving willing commitment: "We treat all our stakeholders with respect".

This difference echoes the fact that ethics is shaped by law (rules) and values, which amount to obedience to the enforceable and to the unenforceable, respectively.

Values and rules

Many organisations devote more time and effort to formulating and enforcing rules than to articulating and inculcating values. Although rules may be easier to monitor or enforce, the underlying question is which of the two offers the more sustainable result in terms of influencing behaviour?

If the goal is just short-term compliance, rules should be sufficient. But, if longer-term impact on behaviour is needed, then the focus will have to include both.

Ideally, therefore, organisations should focus attention and energy on both values and rules, rather than on one or the other.

Workplace values comprise moral values and business values

In most organisations, values such as honesty, integrity, fairness and respect are included in a code of values.

Many businesses also include criteria such as innovation, valuing their people, or customer service in a code of values. While such attributes are valid organisational goals or operational practices, they are business values rather than moral ones. Being the least innovative person in the company, for example, doesn't make one unethical.

Workplace ethics therefore often include both moral and business values, where the latter are specifically aimed at the optimising the organisation's operations, products and services.

1.3 DO WORKPLACE VALUES CHANGE?

This difference between moral and business values is particularly relevant from the perspective of change. While business values may change or need to be modified in response to an altered business environment, moral values should remain constantly applicable.

A business value, such as being innovative, for example, could over time become less of a priority than customer service.

Moral values are also subject to change if that change entails the improvement of the value. However, if the change suggests that the value is no longer applicable, this suggests, by definition, that the value can be viewed as temporary. Yet, which of the following values are changeable in the sense of being only temporarily applicable: Fairness? Honesty? Respect?

The answer, of course, is that moral values should be practiced all the time. The constancy of an organisation's values reflects one of the key roles that values can and should fulfil in a business, namely that of providing a foundation or touchstone that serves as a guide for behaviour and as an anchor in times of change.

1.4 ARE VALUES DIFFERENT FOR DIFFERENT PEOPLE?

- Ideally, personal and organisational values should be aligned. However, personal values can clearly differ widely as they are affected by a great variety of factors including upbringing and culture.

Despite individuals in the workplace holding different values, it is not only appropriate, but essential that the organisation espouses a set of values that reflects what is acceptable in that environment. An employee may have grown up in circumstances that nurtured dishonesty, or in which it was acceptable to be rude to others. Such a background does not make this sort of behaviour acceptable at work. The values in the workplace are not a means for accommodating the full spectrum of values – from impeccable to appalling – among employees and stakeholders. They serve, instead, to define the criteria and standards by which an organisation strives to operate.

- As personal values may differ, so too are there areas of commonality of values within a workforce. Dr Rushworth Kidder's² research identified a common set of five principal values, namely: truth or honesty, respect, responsibility, fairness, and care or compassion.

Kidder also brings clarity to the interaction of values, goals, plans and tactics within an organisation. He recognises that the relationship among them is likely to be sequential, and that it is far easier to achieve consensus at the level of values than at the level of tactics:

- ◆ values shape the organisation's goals,
- ◆ the organisation's goals in turn influence the plans and tactics,
- ◆ the plans and tactics condition the ways in which the organisation intends going about achieving those goals and, in so doing, how it intends living out the chosen values.

There is, therefore, a strong case for claiming that, at the level of core values, there is not as much difference between different people and different groups as may superficially appear. When these core values are considered in the even narrower context of the workplace in a global, networked environment, even greater commonality can be expected, because the values should be directly related to the organisation's stated goals and objectives.

- What can differ is the way the values manifest themselves in practice.

A good example in South Africa is the value of respect. While respect would undoubtedly enjoy overwhelming support from most organisations and

2 Kidder, R. M. (1995): *How Good People Make Tough Choices: Resolving the Dilemmas of Ethical Living*, Fireside: New York

individuals, individuals differ in the way they express it. Is it respectful to look at one's superior directly when being addressed or should one lower one's eyes? The answer depends on factors such as the prevailing culture.

The key issue is to expose and explore the differences as a route to achieving agreement on what is appropriate within the context, goals, and environment of the organisation. When determining what constitutes respectful behaviour towards customers, for example, it is important to ask what those customers consider respectful and then to define an appropriate code of conduct.

1.5 WORKPLACE VALUES SHOULD APPLY TO ALL STAKEHOLDERS

Workplace ethics expresses itself in its relationship to self and others. What constitutes "the others" is important because they reflect the breadth or narrowness of the scope of the organisation's ethics. Are they just the shareholders or do they include other stakeholder groups? If the latter, who are they – employees, trade unions, customers, suppliers, local communities, regional and central government departments, international organisations, competitors, industry bodies, analysts?

Although organisations are rarely obliged (for example, by law) to include all these stakeholder groups formally within their ethical boundaries, they are facing increasing pressure to do so.

WORKPLACE ETHICS: SUMMARY DEFINITION

Workplace ethics centres on what is good/right.

The good/bad and right/wrong choices are shaped by the values in the workplace, by applicable laws, rules or regulations, and by the organisation's leadership and culture. These choices are reflected in words, actions, decisions and behaviour relative to the organisation and its stakeholders.

Collectively, these choices and consequent actions define the organisation's ethical status.

Workplace ethics generally can be equated with a code of values and a code of conduct, and the values are likely to comprise both moral and business values. Crucially, the moral values should remain constant and, rather than trying to accommodate different sets of values that vary amongst individuals, the organisation should strive to build maximum buy-in to a set of common, shared values.

Improving workplace ethics should include a focus on both values and rules.

1.6 WORKPLACE ETHICS AND CORPORATE GOVERNANCE

Ethics and corporate governance are closely related. Good corporate governance is unlikely in the absence of workplace ethics, and vice versa. Good corporate governance is also neither a guarantee nor a predictor of good ethics – or vice versa – but it is certainly a reliable indicator.

Ethics is nonetheless distinct from corporate governance.

- Ethics encompasses the bigger picture of which corporate governance is an important element.
- Ethics should form the foundation upon which corporate governance rests.

- Workplace ethics focuses on the actions of all employees. Corporate governance focuses primarily on the actions of the organisation's directors, on their role in running the company and the variety of stakeholder interests that needs to be considered in their decision-making.

Corporate governance in South Africa is largely defined by the three King reports, which are inextricably associated with Mervyn King and the Institute of Directors of Southern Africa. All the King reports explicitly recognise ethics as being central to corporate governance.

Chapter 1 of King 111 (Code and Report on Good Governance in South Africa, March 2009) lists three principles that the board of a company should adhere to in regard to their ethical and corporate leadership as follows:

1. The board should provide effective leadership based on an ethical foundation
2. The board should ensure that the company is and is seen to be a responsible corporate citizen
3. The board should ensure that the company's ethics are managed effectively.

Directors and Ethics:

King 111 states that as a steward of the company, each director should also discharge the following five moral duties:

1. Conscience
2. Inclusivity of stakeholders
3. Competence
4. Commitment
5. Courage

1.7 WHAT CONSTITUTES BEING UNETHICAL?

As workplace ethics applies to self and others, so too does unethical behaviour. This can include three scenarios: unethical behaviour for the benefit of self, of others, and of self and others.

- **Unethical for self:** Being unethical for self is the most obvious example where an individual or an organisation acts in pursuit of some form of personal gain.
- **Unethical for others:** Being unethical when the benefit is for others, rather than self, is much more unusual. An example which illustrates this is the under-reporting and downgrading of crime in Atlanta, USA, when they were trying to secure the 1996 Olympic Games. The lying was for gain for others – the city and its businesses – rather than the police.
- **Unethical for self and others:** Being unethical for the benefit of self and others occurs in examples such as pollution. The company that pollutes the local river effectively “shares” the cost of being unethical with the local community. The company thereby reduces or avoids the full cost, for example, of treating emissions beforehand.

Obvious examples of unethical behaviour include bribery, corruption, theft, lying, cheating and sexual harassment. There are also many other examples of unethical behaviour, some of which are less obvious, such as:

- Falsifying records, for example, financial results or other figures
- Procurement fraud, for example, in the awarding of tenders

- Fraudulent travel and subsistence claims
- Creditor fraud, for example, by diverting payments
- Supplier fraud, for example, by raising invalid invoices
- Payroll fraud, for example, by rewarding ghost employees
- Abuse or excessive personal use of company resources, such as vehicles and telephones
- Abuse of workplace IT systems, such as downloading software protected by copyright
- Stealing time, for example, arriving late for work or departing early, falsifying timesheets, or conducting personal business in company time
- “Third shift” counterfeit goods when manufacture is outsourced to an authorised contractor who works two shifts in terms of the outsourcing contract, but also a third shift to produce additional goods which are distributed and sold for their private benefit
- Legal forgeries, for example, when officials in public sector departments issue (sell) legal documents such as passports, identity documents or drivers licences for personal gain.

A single to a triple bottom line: what constitutes being unethical?

The most noteworthy new area of unethical behaviour stems from the shift from a single bottom line to a triple bottom line.

The view that business need only focus on a single, economic bottom line has increasingly given way to a triple bottom line approach which encompasses economic, social and environmental dimensions.

The driving factors of this shift illustrate that it is not a passing trend.

The change stems largely from the growth of the power of business which globalisation has facilitated, evidenced most particularly by global corporations whose influence can eclipse that of national governments. Businesses’ increasingly dominant influence has brought a change in public attitudes to business and a corresponding shift in public expectations of the private sector. Whereas in the past, issues such as education and training, health care, protecting the environment and poverty alleviation were primarily the preserve of government, they are now becoming key areas of business responsibility.

The result has been to extend the role that business plays in society and its responsibilities to society beyond just its own profit to match the extent of its influence.

The effect of this change is that it calls for a review of the whole purpose of business. It challenges the classic one-liner, attributed to Milton Friedman, that “the business of business is business”, with the view that the business of business is sustainable business. The traditional approach of shareholder capitalism, which posits that companies should exclusively pursue the interests of their shareholders, is pitted against stakeholder capitalism, which acknowledges that companies are also responsible to their workers and local communities.

These two approaches illustrate the contrast between a purpose that is exclusive, serving a particular group, the shareholders, against one that is inclusive, serving the range of stakeholders. The exclusive approach is increasingly losing legitimacy as the inclusive approach gains wider support and approval.

The shift is clearly evidenced in the myriad of recent legislation promulgated in our country over the past two years – most significantly the Companies Act (No. 71 of 2008) which champions the rights of various stakeholders in the corporate environment, including employees, creditors, shareholders and trade union representatives.

The significance of this change is that business ethics has moved beyond a focus on values or a code of conduct to bring organisational purpose into the realm of workplace ethics. That many organisations still engage in the exclusive pursuit of maximising shareholder wealth is increasingly coming to be judged against a more ethical approach that views success in terms of outcomes for others as well as for themselves. Even if the pursuit of a single bottom line is not defined as unethical, the rewards of being considered ethical are increasingly being accorded to those who pursue an inclusive, triple bottom line purpose.

Behaviour that is unethical but not illegal (or vice versa)

An interesting debate concerns the link between being unethical and acting illegally. The two do not always coincide. The classic example in South Africa was the apartheid policy. Many actions under that banner may have been technically legal at the time, but they certainly were not ethical. Abortion is another emotive example. It is legal in many countries, including South Africa, but many people consider it unethical.

Prior to the promulgation of the Competition Act (No. 89 of 1998), collusion was more of an ethical issue than a legal one. However, further legislation – the Competition Act and the Competition Amendment Act (No. 1 of 2009) – has filled this gap and clearly defines what constitutes illegal collusive behaviour: and there are many convictions to emphasise the change.

In the workplace, bribery and corruption are both unethical and illegal, but what about actions that are less clearly defined – such as being disrespectful to a subordinate? Many organisations include ‘showing respect for others’ in their value statement. However, disrespectful behaviour – such as swearing, shouting or humiliating someone, particularly in front of others – may not necessarily constitute acting outside the law (unless, in South Africa, the disrespect takes the form of a racial slur).

Fairness is also a prized value in many organisations. Acting unfairly can be illegal when, for example, someone is appointed or promoted on the grounds of favouritism or because of a family or personal relationship, rather than because he/she is the best person for the job. But, it is also unfair to withhold credit due to others and rather claim it for yourself. But that’s not illegal.

2 WHY ETHICS MATTERS: THE COSTS AND BENEFITS

It is easy to assume that ethics matters to everyone, and even to accept that ethics is “the right thing to do”. But in the world of business, the standard questions asked are: Does ethics pay? Does it make good sense in the workplace? Is ethics profitable?

To answer these questions, the guide addresses why and when ethics matters, and how ethics can become the kind of asset that contributes to a company’s profitability.

2.1 WHY DOES A PERSON OR AN ORGANISATION BEHAVE ETHICALLY?

There are many reasons why people or organisations choose to behave ethically, and there are various incentives to do so: legal, economic, social or moral.

- The legal system provides a deterrent which can include economic consequences, such as fines, or imprisonment for guilty individuals. Social disapproval and public image can also be motivators: people and businesses want to be seen to be ethical, and want to avoid damaging their reputations. More positively, ethical behaviour has become a rationale for starting new businesses, such as those focused on fair trade. And many people behave ethically simply because they are ethical.
- The principle of doing good is widely acknowledged in the corporate world, and it manifests itself as corporate social responsibility or corporate social investment. Although these actions could simply be viewed as the “right thing to do”, there are many reasons why organisations spend money doing good. These range from merely trying to promote a good public image to genuine care and a commitment to making a difference.
- An added factor driving organisations to behave ethically is the pressure from global communication information technology and social media channels, which have given individuals and others (whether activists, lobby groups, consumer groups or community interest groups) the means to mobilise the general public against an organisation that is perceived to have behaved unethically. Public power is able to affect profits adversely, and has the effect of linking issues of ethics and ethical behaviour directly to an organisation’s (economic) bottom line.
- Another reason to behave ethically has to do with the value accorded to trust. The on-going incidents of unethical behaviour reported in the media and the adverse consequences of ethical breaches have seriously undermined the public’s trust in the various offending organisations, and the effects have extended far beyond just the individual culprits. In this setting, companies with a well-established ethical reputation will increasingly enjoy competitive advantage.

2.2 WHY DOES ETHICS MATTER?

The goal of increasing ethical behaviour and of eliminating or curbing unethical behaviour is shared by organisations, governments, societies and families. Ethics matters, therefore, because it can serve to promote ethical behaviour, reduce unethical activity, and foster a more trustworthy and decent society.

Social and Ethics Committee

A factor which will increase the focus on workplace ethics and dictate that ethics matters much more, stems from the recent provisions introduced in the Companies Act, No.71 of 2008.

The Act mandates that every state owned company, listed public company and any other company that scores more than 500 public interest points in any two of the previous five years (which is based on factors such as the number of employees, annual turnover and third party liability) establish a social and ethics committee by 1 May 2012. Subsidiary companies need not establish a social and ethics committee if the holding company’s committee performs this role on their behalf.

The company's board needs to appoint members to the social and ethics committee. The committee needs to comprise no less than three directors or prescribed officers (senior managers or executives), at least one of whom has served as a non-executive director for the previous three financial years.

The social and ethics committee has the following functions:

- To monitor the company's activities, having regard to relevant legislation, other legal requirements or codes of best practice in the areas of:
 - ◆ social and economic development;
 - ◆ good corporate citizenship;
 - ◆ the environment, health and public safety;
 - ◆ consumer relationships;
 - ◆ labour and employment.
- To draw matters within its mandate to the attention of the board as required
- To report to the shareholders at the company's annual general meeting on the matters within its mandate.

The focus on ethics in this Act is very prominent by virtue of the choice of the name of the committee. The requirement to monitor the company's ethics is included under good corporate citizenship, which requires that the company monitor efforts to reduce corruption and prevent unfair discrimination.

The cost of ethical failure

The cost of being unethical is arguably the clearest reason why ethics matters in the workplace, and numerous high profile ethical breaches reveal a wide range of costs.

- Guilty individuals have lost their positions and, sometimes, their freedom following jail sentences.
- Organisations have faced huge financial costs in the form of fines or legal settlements as a result of, for example, collusion and price-fixing.
- Costs to reputation can involve individuals, large corporations, and even governments. This can erode an individual's credibility, reduce confidence in an organisation and negatively impact its share price.
- In some instances, the cost can also extend to the closure of the business.
- All these costs contribute to a legacy cost, which can linger and cast a shadow over an organisation long after the financial or other cost has been settled. Reports on future news of success are likely to start with "The organisation that was found guilty of ... (insert the unethical behaviour) ... has appointed a new CEO/produced good results this year."

Considering whether the organisation can afford the cost, or conducting a cost-benefit analysis does not promote ethics. The cost would, for example, depend on whether a country has effective or ineffective law enforcement – but that line of reasoning only serves to promote unethical behaviour.

The shared cost of ethical failure

There are many ethical failures that reveal how often the cost extends beyond the perpetrators to innocent victims who effectively "share" the cost. This adds enormously to the public outrage, the publicity and the damage – and illustrates each time how much ethics matters.

For example, when the investment scheme collapses because of fraudulent activity, the people affected range from pensioners who lose their savings, to the pension scheme that loses their investment. When corruption occurs in an aid agency, the effect is felt by those who do not receive the intended aid. When hospital supplies are stolen, it impacts the patients. A business collapse not only impacts investors, but also the employees who lose their jobs.

This problem of shared costs also occurs relative to common resources, such as the atmosphere, oceans, rivers, fish stocks or national parks. When individuals or organisations act independently of other's interests in pursuit of their own self-interest, for example, by polluting the air or river, it has the potential to ultimately deplete or destroy the shared resource – even though it is clearly not in anyone's long-term interest for this to happen.

2.3 ETHICS MATTERS, BUT RELATIVE TO EVERYONE?

The situation which most erodes the extent to which ethics matters is when values or rules apply differently to different people. When it is the organisation's leadership who is seen to be above the law or whose actions flaunt applicable values, laws and rules, a negative ethical message is sent to all their followers and to all observers. Countering unethical leadership behaviour with a "do as I say not as I do" response does not address the problem at all.

There are also sometimes organisations or industries towards which it is apparently considered acceptable to behave unethically, for example, to competitors.

In South Africa the insurance and medical aid industries face this problem. While the companies deal with service provider and member fraud, customers grapple with perceptions of fairness, creating a vicious circle in which each party feels aggrieved by the other. As with all perceptions, the issue is not whether it is true or not, but rather that the perception exists.

To the extent this exists in any company, in order to reduce fraud they would be well advised not just to defend the fairness of their policies or actions, but also to identify the factors driving clients' unethical behaviour and focus on addressing the factors within their control.

2.4 DOES ETHICS MATTER MORE NOW?

In the wake of on-going ethical scandals in the public and private sector, few would argue that workplace ethics does not matter. But does it matter more now than previously?

It certainly matters more given the legal requirement to form a social and ethics committee. Beyond that, it also matters more because of the changes in the world of work.

Globalisation, combined with the spread of information and communication technology, have changed the workplace environment profoundly. This circumstance provides the opportunity, as never before, for knowledgeable individuals, acting unethically, to create mayhem. In the past, such large-scale harmful effects were exercised by only relatively few individuals in whom was vested great power, such as heads of state or warlords. Since the 1990s, however, a person with a cell phone, a computer, and internet access can also wreak havoc in spheres that encompass internet viruses, identity theft, financial fraud, and other forms of criminality.

The plague of internet viruses is especially pervasive. Through the global inter-connectedness and power of the web, an individual hacker can cripple innumerable computers in hours. The cost to business is calculated not only in technology downtime, impaired computer performance and eroded user confidence, but also in the expense of IT security measures.

Ethics, therefore, matters a great deal more now because so many more people can cause a major breach of ethics.

2.5 IS ETHICS PROFITABLE OR UNPROFITABLE?

Although organisations may accept that ethics matters, whether it makes good business sense and whether it is profitable or not, are quite different questions.

The answer to the question of whether ethics makes good business sense may be a prompt “yes” if the choice was:

- between working in an environment where everyone works with integrity and treats colleagues and stakeholders fairly and with respect,
- or working in a setting where the workforce don't work with integrity, shows little respect for colleagues and stakeholders, and treats them unfairly.

The first choice is clearly the ideal – assuming the goals are a better working environment for employees, better service delivery for customers, and better stakeholder relationships.

However, for many businesses, whether ethics make good business sense depends on whether or not it improves profitability.

There is certainly evidence of the reverse: that perceived ethical failure carries many costs which can undermine profitability. But, does the presence of ethics promote profitability?

There is a strong argument for the value of ethics as part of an organisation's asset base.

Ethics as a contributor to an organisation's asset base

An organisation's asset base views an enterprise's assets as comprising financial capital, tangible assets and intangible assets.

- **Tangible assets:** Tangible assets, such as plant and machinery, have previously been the primary factor affecting an organisation's financial capital.
- **Intangible assets:** However, the rise of the knowledge economy and the accompanying shift of the primary source of competitive advantage from financial capital to people and knowledge capital brought into effect, and gave priority to, a new class of organisational assets, namely intangible assets. Like tangible assets, intangible assets can also affect financial capital.

Intangible asset comprise:

- Employees' knowledge capital, which encompasses their knowledge, skill, experience, creativity and innovation
- Employees' relationship capital, which encompasses their relationships with team-mates, colleagues, associates, suppliers and customers
- Organisational capital, which is vested in the organisation's values, culture, leadership, structure and systems
- Customer capital and supplier capital, which represent the value of an organisation's on-going relationships with these stakeholders

- Community capital, which represents the value of an organisation's on-going relationships with external stakeholders on whom the organisation's operations have an impact.

Intangible assets, by their nature, are often not visible and can be difficult to measure, but that does not diminish their value or their impact. This impact can be positive or negative. For example, if there is an organisational system failure, such as the IT system going down, this can undermine customer capital. A rude or inefficient employee can undermine supplier or customer capital. Non-delivery on commitments to the local community can erode community capital. The reverse is also true. Organisations can become successful through having fair systems, helpful and respectful relationships, and committed employees who willingly share their knowledge and skills.

Ethics is itself an important intangible asset that adds overarching value to all the other sources of intangible assets: Sound organisational ethics contributes significantly to the value of employee capital, organisational capital, customer capital, supplier capital, and community capital. In contributing to the value of an organisation's intangible assets, ethics contributes, in turn, to its financial capital.

2.6 ETHICS: THE BENEFITS

There is evidence of substantial benefits arising out of a sound ethical environment and being recognised as an ethical organisation. These include:

- Attracting and retaining top staff and board members
- Improved employee engagement and commitment
- Enhanced loyalty and support from customers and other stakeholders
- Improved risk management
- Improved investor and market confidence
- Reduced cost of capital and increased ability to raise finance
- Enhanced corporate reputation and brand equity.

An ethical organisation is also likely to enjoy the following internal, operational benefits:

- greater trust
- better and faster decision making and consistency of responses
- greater confidence in top management action
- more individual accountability and less need for policing
- the avoidance of excessive regulation.

This list of benefits continues the compelling case for the worth of an ethical approach.

Ethics as a source of competitive advantage

While the above benefits should be argument enough to encourage companies to actively embrace business ethics, there is a further argument. This addresses the fact that ethics is a source of competitive advantage.

Globalisation of the business environment has brought with it greatly escalated levels of competition. Competitive advantage is thus increasingly critical.

However, many sources of competitive advantage offer only a limited window of competitive opportunity. Technology advantages, for example, are vulnerable

to the ease and speed with which they can be copied. A unique source of competitive advantage, which cannot be easily copied, would therefore have infinitely greater value.

Workplace ethics offers just such a source:

- It is not easy to copy
- It cannot be bought or sold
- It cannot be owned but must be lived every day
- It brings with it an array of benefits not easily achievable by other means.

Ironically, despite the fact that workplace ethics is becoming the focal point for scrutiny and caution, each fresh corporate scandal throws ethical organisations into relief and makes them ever more likely to be rewarded for their ethical stance. Ethical failures and their cost increasingly enhance the value of organisations seen to be living out their stated values, and aiming not only to make money but also, genuinely, to make the world a better place.

3 ETHICAL STATUS

3.1 THE ETHICAL STATUS OF AN ORGANISATION

The ethical status of an organisation is a term used for the state of ethics in an organisation. It is not limited to ethics policies, guides or a value statement. Rather, it is the combination of these elements of ethics together with organisational practices and behaviours as observed and experienced by the organisation's stakeholders.

Assessing the ethical status of the organisation is done informally by those who interact with the company – employees, customers, investors, potential employees, unions or lobby groups – who base their conclusion on a myriad of things, such as:

- press reports
- what the employees say about the company and its leaders
- how customers, suppliers and other stakeholder groups are treated
- whether there is a gap between what is said and done
- whether the values are lived or just framed on the wall.

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 (outlined in chapter 2), while a negative view can be very damaging on many fronts: for corporate reputations, for brand equity, for customer retention, or even for the on-going operation of the business. And, a negative ethical status will not be accorded any form of confidentiality. Quite the contrary: it may be very newsworthy and widely shared.

It is therefore important to know the ethical status of an organisation. Knowing and understanding an organisation's ethical status – not the way one would wish it to be, or the way it should be, but the actual current ethical reality – is a critical first step for the effective management of ethics in the workplace.

Assessing the ethical status of the organisation also meets the requirements of the social and ethics committee.

Key Ethical Concepts

The three ethical concepts which primarily define the organisation's ethical status are ethical maturity, unethical behaviour and ethical boundaries.

Ethical maturity

Ethical maturity reflects whether behaviour is shaped by rules or values. It ranges from low to high, where low ethical maturity achieves ethical behaviour as a function of compliance with laws, rules, regulations and policies, while high ethical maturity achieves ethical behaviour as a function of commitment to shared values.

High ethical maturity reflects a value-based approach to ethics, where values and a commitment to shared values form the primary drivers of ethical behaviour. As such, it represents a sustainable approach because behaviour derives from personal decisions.

The effectiveness of ethics as a function of values rests on the quality of the values, which ideally should be shared, lived, visible, understood, consistent and congruent.

Low ethical maturity reflects a rule-based approach to ethics, where ethical behaviour is a function of compliance with laws, rules, regulations and policies. The outcome – and the aim of rules – is compliance, which is achieved largely as the result of an external authority (that is, the rules and/or those who made and enforce them), rather than by personal choice. As such, this is a high maintenance approach to achieving ethical behaviour – literally in the sense that it requires time and effort. A crucial feature of low ethical maturity or a rule-based approach to ethics is that its effectiveness will largely rest on the quality of the enforcement of the rules.

Unethical behaviour

Unethical behaviour is mostly self-evident and what constitutes being unethical has been addressed in chapter 1.

Ethical boundaries

Ethical boundaries reflect one of the primary features of ethics, namely that ethics applies to self and others. Ethical boundaries indicate the extent to which the organisation follows an inclusive approach, where ethics is exercised for self and others, or an exclusive approach, where ethics is exercised only for self.

Ethical boundaries apply both to the organisation's stakeholders and the triple bottom line.

3.2 METHODS FOR MEASURING ETHICAL STATUS

The management theory dictum that if you can't measure something, you can't manage it applies to ethics as much as any other area of a business.

The aim of measuring ethical status is to identify how well or poorly the company is performing ethically, and to use that information to take focused action to improve workplace ethics. An assessment should therefore provide knowledge and understanding of:

- the ethical strengths
- the ethical weaknesses or areas of concern
- the potential ethical weaknesses or areas of concern

These results should, in turn, be used to identify:

- the most important ethical issues requiring attention
- what action to take to improve ethics in the organisation.

There are various ways of measuring an organisation's ethical status, some of which only address facets thereof.

Values gap analysis:

Conducting a gap analysis of the organisation's actual values versus the desired values provides good insight into this important ethical criterion. It entails the following:

- Scoring each of the organisation's values on a scale of 1, as lowest, to 10, as highest, in terms of the extent to which the value is practiced and supported
- Scoring each of the values on a scale of 1 to 10 in terms of the extent to which it would be desirable for the value to be practiced and supported.

The gap will reveal where action is required and to what extent. A discussion about why the gap exists and what caused the difference should provide valuable insights which should be taken into account when action is taken.

A gap analysis can also be conducted to assess the extent to which internal perceptions are shared by external stakeholders, for example, suppliers or customers, or to differentiate between management and employee views.

An ethical check list:

A check list of questions can be used to surface an organisation's ethics relative to specific issues or actions. It is simple to use and can be very effective if used as a regular part of the business review.

The issues which would need to be addressed include:

1. How did the situation occur in the first place and has the problem been properly defined?
2. How would the problem be defined or viewed from the opposite perspective – which entails the concept of reversibility and an assessment of the impact of the decision on others.
3. What is the intention in making this decision, and how does this intention align with profitable results and with the organisation's values?
4. Would the decision stand the test of time: would it be as valid over a longer period of time as currently?
5. Could the decision be shared easily with the board of directors, one's family, or society as a whole? If not, it suggests the decision is not sound.

Performance management system:

Understanding the extent of employees' commitment to the organisation's values provides valuable insight into an important facet of ethical status.

This can be done via a performance management system which includes the organisation's values as key performance criteria. It enables an organisation to assess employees' support of and commitment to the organisation's values, as well as their commitment to the advancement of the values.

This approach is based on the recognition that an employee's contribution to an organisation derives both from the output of his/her functional position and from his/her behaviour relative to the company values.

The inclusion of values in a performance management system also serves to promote ethical behaviour by balancing the work outputs against values, thereby providing a guideline which avoids pursuing the results (whether signing the deal, making the sale or achieving the turnover targets) at any cost. Elevating values to the extent that they are recognised and rewarded also helps to ensure that values are maintained.

Ethics survey:

A more comprehensive method to measure ethical status is to conduct an ethics survey.

The survey should surface the perceptions and experiences of the organisation's stakeholders to establish the organisation's ethical status and to identify the contributory factors (positive and negative).

The critical success factors for an ethics survey are:

- The survey is positioned as a listening exercise to identify the perceptions and experiences of the company's stakeholders.
- The responses need to be confidential. This is essential to encourage honest feedback. Hard copy questionnaires can be used without names, but a web based survey offers an optimal degree of anonymity.
- Ideally, the survey should be customised to identify the responses according to the following criteria:
 - ◆ Location, for example, for different branches or operating divisions
 - ◆ Department, division or project (vertical groups)
 - ◆ Work levels, hierarchical groupings or bands (horizontal groups)
 - ◆ Stakeholder groups, for example, for permanent employees, contractors, consultants, customers or suppliers.

This customisation should avoid infringing the confidentiality of the survey. Its intention is rather to produce more meaningful results. Therefore, these criteria – whether branch, department or work level – should only be used if there are a sufficient number of respondents to protect the anonymity of responses (at least ten people).

- The company shares the results with the survey respondents. This promotes transparency, which is an important building block for improved workplace trust. Any reluctance to share should be balanced against the fact that it only amounts to informing the respondents of their own views.
- The company acts on the results, whether to grow an ethical strength throughout the organisation, or to further investigate an ethical problem. Failure to take any action will undermine confidence in the survey as a meaningful exercise to improve ethics.
- The survey needs the support of the top management: without that support, the likelihood of corrective action is reduced.
- The survey is conducted regularly, ideally once a year, to build on-going ethical awareness and to maintain the focus on ethical improvement.
- If the company is in a low trust situation, the first survey may elicit exaggerated responses, especially from employees. It is therefore preferable to conduct the survey more regularly in the first year. This serves to demonstrate the confidentiality of the survey and reinforce the organisation's commitment to improving ethics. Acting on the survey results is critical as it confirms that the company is listening to the employees and serves to rebuild trust.

4 MANAGING ETHICS

Managing organisational ethics rests on three important focus areas:

- ethical awareness
- the measurement and monitoring of an organisation's ethical status, and
- taking appropriate action based on the measurement and monitoring results.

The process can start either with awareness or with measuring and monitoring, followed by action. Together, these three focus areas provide a practical approach to enable leaders, line managers and HR professionals to more effectively manage their organisational ethics.

4.1 ETHICAL AWARENESS

Ethics awareness is a powerful factor in the pursuit of improved workplace ethics, particular as regards reducing unethical behaviour.

The best example of awareness reducing, or even preventing, unethical behaviour is the effect of visible policing, for example, the bobby on the beat or the private security vehicle. Their presence, patrolling the neighbourhood, may not result in many (or any) criminals actually being apprehended, but it serves to raise ethical awareness and, in so doing, acts as a deterrent to crime being committed in that area.

The effectiveness rests particularly on a regular presence to maintain the necessary level of awareness. If the security patrol only happened infrequently or very sporadically, it would decrease their ability to reduce unethical behaviour.

So too can a high level of ethical awareness in the workplace realise the same outcome of reducing misconduct.

Ethical awareness can also promote ethical behaviour by providing a constant reminder of what is acceptable behaviour within the organisation. This is especially effective when the visible examples stem from the positive behaviour of the leaders of the organisation.

In addition to the awareness created via the measurement and monitoring of ethical status and consequent actions, other ethics initiatives can also raise the profile of ethics within the organisation and maintain the necessary level of ethical awareness. This can include staff talks, training, workshops or newsletter articles on ethics. Further positive actions are the inclusion of ethics as an agenda item for board meetings, executive committee meetings, departmental meetings and at strategy sessions, as well as a performance management criterion.

4.2 MEASURING AND MONITORING ETHICAL STATUS

Adding to ethics awareness, the measurement and monitoring of a company's ethical status is a crucial step in the management of ethics. The concept of ethical status has been discussed in chapter 3, which also includes different approaches or methodologies for the measurement of ethical status.

For the effective management of ethics, all three concepts which primarily define the organisation's ethical status – ethical maturity, unethical behaviour and ethical boundaries – should be measured and monitored.

Ethical maturity

The measurement and monitoring of ethical maturity should aim to identify the following:

- the respondents' commitment to the organisation's values and which values they are least and most committed to
- the respondents' perception of the extent to which the leaders live the organisation's values
- the factors that drive and improve ethical behaviour and the relative strength of those factors.

Unethical behaviour

The measurement and monitoring of unethical behaviour rests on the assumption that when there is a breach of ethics, it is very likely that someone else within the organisation will be aware of it. Measuring unethical behaviour should aim to identify the following:

- the incidence of unethical behaviour
- the factors that minimise such behaviour and the relative strength of those factors.

Ethical boundaries

Measuring and monitoring ethical boundaries should aim to identify the following:

- the extent to which the organisation values it people versus profit or personal gain
- the extent to which the organisation's values apply to the different stakeholder groups (for example, employees, customers, suppliers and shareholders)
- the extent to which the organisation pursues the social and environmental aspects of a triple bottom line approach.

4.3 TAKING ACTION

Taking action is the crucial third step in the process of managing organisational ethics.

Acting on the results of the ethics assessment tool or methodology used is imperative. It builds confidence in the tool or methodology, confirms that the company is listening to the employees and enhances trust among the stakeholders. Failure to act erodes the benefit achieved via ethics awareness and measurement and monitoring initiatives.

The goal of improving workplace ethics is optimally address by a dual approach which includes:

- actions to improve ethical behaviour
- actions to reduce unethical behaviour.

There are some actions which overlap, where an action could serve to both increase ethical behaviour and reduce unethical behaviour. However, it is nonetheless useful to distinguish between these approaches – much as increasing revenue and reducing costs are viewed separately – as most of the primary factors which shape ethical and unethical behaviour differ.

Using the results of an ethics assessment to identify the specific action areas which would improve ethics in the workplace is ideal. In the absence of this information, the following represents the areas where action can be taken to improve workplace ethics or reduce unethical behaviour.

4.4 INCREASING ETHICAL BEHAVIOUR

Increasing or improving ethical behaviour should aim to realise two outcomes:

- Shifting behaviour from low ethical maturity to higher ethical maturity, that is, from compliance based behaviour as a response to rules and regulations, to commitment based behaviour as a response to values. The change from “doing something because you have to” to an approach of “doing something because you want to” makes a profound difference in the workplace, especially as regard motivation.
- Shifting behaviour from less exclusive to more inclusive relative to the organisation’s stakeholders and a triple bottom line, thereby expanding the organisations’ ethical boundaries.

These two outcomes can largely be addressed via values, leadership, organisational culture, communication and training.

Values

Values are an important tool to increase ethical behaviour. The effectiveness of an organisation’s values to achieve this will depend on the following key issues:

- Whether values are lived, shared and understood
- How values are arrived at, implemented and maintained
- Whether the roles played by values are understood and leveraged.
- **Implementing values:** The way the code of values or value statement is created, developed and implemented is crucial to its initial success.

If the values are being formulated for the first time, a broad consultative process including as many staff as possible is ideal. This serves to maximise their involvement and buy-in as essential pre-requisites for their on-going commitment to the organisation’s values. This is optimally done face to face, such as via small focus group sessions.

- **Values need to be lived:** Values can amount to good intentions which are not lived. That they are often prominently displayed only serves to highlight the gap between what is said and done: What is espoused as being valued will be judged not in terms of the words, but in terms of the actions, behaviours, decisions, policies, procedures and systems which employees experience. This lack of congruency has a very destructive effect on an organisation: It erodes trust and respect and undermines leadership.

The effectiveness of an organisation’s values to increase ethical behaviour will depend on whether the values are lived internally (by leaders and employees) and whether the values are lived relative to other stakeholders, including competitors, labour organisations, public sector organisations, and the community in which the company operates.

- **Values need to be shared:** There should be a constant focus on enhancing the extent to which the organisation’s values are shared by employees. Organisations need to engage with their employees about their values as much as possible to keep the value alive. This can be done by, for example, making values part of the performance criteria, including values as a factor for the nomination of employee of the month, and reviewing the extent to which the organisation is living their values at all strategy sessions.

For organisations which do not have a formal set of values, value statement or code of values, this does not imply an absence of values. On the

contrary, values are present in every organisation, whether articulated or consciously acted upon or not. In an ethical workplace, they are likely to be the most common workplace values such as honesty, fairness, respect, responsibility and accountability.

- **Values need to be understood:** For values to be lived and shared, they must also be understood by all employees. Employees almost certainly understand moral values, like integrity and fairness, but it is also important that they understand what business values (such as innovation or customer focus) mean for them and their jobs. The time it takes to explain this is not wasted: Rather, it is an important investment in ensuring that the values realise as much as they can in the organisation.
- **The roles played by values need to be understood:** Values can, and should, fulfil numerous valuable roles in the organisation. Understanding these roles allows the organisation to realise the full benefits of their values.

There are two important roles which values can fulfil:

- ◇ To guide and shape decisions, behaviour/actions and results
- ◇ To provide a stable foundation in times of change

◆ **To guide and shape strategy, decisions, behaviour and results**

Values should shape and inform strategy and decisions. A value statement which clearly defines the organisation's values also allows accurate decisions to be made far more promptly than would otherwise be possible, and promotes the alignment of organisational strategy, goals, priorities, decisions and actions with the organisation's values.

Values also provide a guide as regards behaviour: to define what is acceptable and what is not. This is especially effective when organisational values are genuinely shared, as values effectively become a positive form of "control" – in that employees exercise "control" over themselves because they share those values. And, because the control is intrinsic, as are the values, it is a sustainable source of "control". This contrasts with the more direct forms of external control, such as supervision, which frequently are only effective while they are being directly applied. A value-based system of control thus goes beyond trying to improve "obedience to the enforceable". It focuses instead on the immense value of "obedience to the unenforceable", where people choose to obey self-imposed values.

To the extent that values positively influence strategy, decisions and behaviour, it follows that values will also influence the results which flow from those decisions and actions.

◆ **To provide a stable foundation in times of change**

Values can also play an important role in providing a foundation or touchstone which serves as an anchor in times of change.

The constancy of change, coupled to the rate, pace and scope of change, is a feature of virtually every workplace. Yet, while it is accepted that change is essential for organisational growth and development, it nonetheless is not always welcomed by those who need to change. Employees often cling to the familiar, avoiding change and the disruption which goes with it. Using the constancy of the organisation's values as a source of stability can promote a greater acceptable of change.

- **Maintaining values:** How the code of values is enforced and maintained is crucial to its long term success.

Maintaining a commitment to values rests on them being lived, being as visible as possible, and, crucially, on value being recognised as the cornerstone of the organisation, as the foundation which defines how business is done and how people within the organisation behave.

- **In support of a value-based approach:** As an approach to managing ethics within an organisation, the benefits of a value-based approach are significant. This raises a crucial question: Do organisations commit the same investment of time, energy and funds to building a value-based system to guide and shape behaviour as they do to other systems (such as rule-based approaches)? All too often, the answer is no.

Leadership

While values are important to increase and improve ethical behaviour, leadership is widely recognised as the most influential factor in shaping behaviour. That influence can be good or bad, shaping ethical or unethical behaviour.

Clearly the goal is good leadership, which implies that the leader acts to shape and improve ethical behaviour. This entails having a clear understanding – and acceptance – of the roles and responsibilities of the leadership position to the organisation, its employees and those affected by the organisation’s operations.

Conscious leadership: The significance of the roles and responsibilities warrants that leadership needs to a conscious concept to those who lead others.

The concept of conscious leadership is also relevant for workplace ethics in that ethics too needs to be a conscious issue. It cannot be a side-line issue for leaders, which they address reactively, after a problem has occurred, or on an ad hoc basis when an ethical problem arises. Leaders should be the custodians of ethics. They have a primary responsibility to enhance and uplift the ethics of their organisations.

Leadership role model: The leader’s ability to shape ethical behaviour is particularly impactful because leaders are such powerful role models. Leaders have the opportunity and the ability to impact the organisation more than many others, and they effectively teach others by what they say and do and, crucially, by the values they demonstrate.

The challenge for leaders is that they are viewed as role models by all the organisation’s stakeholders, and this is not limited to working hours. As many high profile leaders have found, their behaviour off-duty is as impactful as their workplace behaviour.

Organisational culture

Culture is widely recognised as “the way we do things around here”. Culture is therefore both a consequence of and the visible evidence of the organisation’s values, rules (including the code of conduct and policies), leadership style and organisational structure.

However, even though culture is a consequence of the organisation’s values and rules, it still exerts its own influence in the organisation. This is mostly in a reinforcing way, strengthening and imbedding behaviours based on preceding examples. Culture, therefore, amounts to non-verbal communication – which is made all the more powerful by being repeated non-verbal communication. As such, culture acts as a strong force in the organisation.

In order to promote ethical behaviour, the ideal culture would be one which creates and promotes an open and honest environment. This entails much more than just prescribed disclosure to shareholders, but that it also exists internally among all employees, and externally to external shareholders.

If culture needs to be changed to be more ethical, this will largely be accomplished by addressing the organisation's values and leadership. Corporate memory can be an obstacle to a change in culture. All too often the memory of 'how things have always been done around here' substitutes for 'doing things the right way around here'.

Building and maintaining a strong, ethical culture is an important element in the pursuit of a positive ethical status. And, because it cannot be easily copied (like the values it represents) it can serve as positive distinguishing feature of an organisation – even as a source of competitive advantage.

Communication

Values and leadership are very important to improve ethical behaviour, and the tool leaders and organisations have to accomplish that is communication.

Communication serves to inform, teach, and reinforce the company's ethics to their stakeholders, which includes the values, rules (including a code of conduct and policies), culture and style of leadership. In particular, values need to be communicated regularly to reinforce those values to employees. All too often the memory of "how things have always been done around here" substitutes for "doing things the right way around here".

Communication also helps to build on-going ethical awareness, which can serve to reduce unethical behaviour.

For communication to be effective, it needs to be clear, understandable, unambiguous, consistent and congruent. And, of course, communication needs to be honest.

Communication after an ethical failure is quite different from normal day-to-day communication. Inappropriate communication can exacerbate the damage of the ethical failure. A standardised or blanket approach to handling crisis communication is not ideal, as it can't take in account the many sources which could give rise to a scandal, or the many different perceptions about responsibility for wrongdoing which there may be, from accidental to negligent to intentional.

Training and teaching: workshops and courses

Training and teaching can also serve as valuable tools to improve ethical behaviour (which can add further impetus to ethics communication). Prompted in good measure by the many high profile ethical scandals, ethics training and teaching in education and business is a growing industry, serviced by business schools, ethics organisations and ethics consultants. Business schools have also increased the number of ethics courses for their students, many making the completion of an ethics course obligatory, while businesses have increased their focus on ethics training.

Running a course or a workshop is a good suggestion, since, for many topics, learning can make a big difference. However, while ability can be improved with increased knowledge and understanding in subjects such as finance or marketing, this does not apply to the same extent to ethics. This is because people mostly already know what is right and wrong within the content of the workplace. In reality, a lack of ethics rarely stems from a lack of knowledge or understanding of what is ethical or unethical – or, arguably, even from a lack of knowledge or understanding of the organisation's values and rules.

Workshop/course design: This is an important principle to take into account when designing an ethics course as it shapes the overall objective, structure and process. Instead of the course being aimed at just trying to add more knowledge, achieving more ethical behaviour becomes the overarching goal.

A further important design feature is that the course is based on the current ethical reality of the organisation, on the actual ethical status. A course on ethics all too often risks being an intellectual exercise in moral philosophy with too little practical focus. Conducting an assessment of the organisation's ethical status prior to the course will provide current results which can be used to customise the course to address the ethical strengths, vulnerabilities and weaknesses.

Workshop/course outcomes: To achieve the goal of more ethical behaviour, over and above the relevant knowledge, understanding, skills, and tools, an ethics course needs to realise two outcomes:

- better enable the participants to more positively influence others
- increase the participants' personal commitment to improved ethics in their workplace. Personal commitment is necessary as people shape the ethics of their environment – via their compliance or non-compliance with the relevant laws, rules and codes and via their commitment or lack of commitment to the values of their workplace. The aim is to build an active, positive predisposition towards ethics and ethical choices, and encourage the participants to make the right choices in ethical situations in the future.

Workshop/course structure: The structure of an ethics course can follow the following basic steps:

- Awareness and knowledge: Share the results of the ethics assessment (if done) and create awareness and knowledge of the key ethical concepts and the main ethical issues for the organisation.
- Understanding: Relate the knowledge to the participant's own work environment to build an understanding of, for example, what the values and rules mean to the individual employee and his/her department. (Note that this will reveal if there are any misaligned organisational goals and strategies, if values are not lived and shared, and if rules are not applied fairly.)
- Engagement: To ensure engagement, the teaching process should include a variety of exercises (such as role plays and case studies) to ensure that the participants work with the ethical concepts and issues. This encourages them to identify with the ethical concepts and issues, and allows them to consider how to apply their new learning in their workplace.
- Implementation: To encourage the implementation of the participants' understanding, knowledge and personal predisposition in their workplace, the participants should draft a development plan to reflect the personal changes they choose to or need to make, and an action plan focused on organisational changes, such as in their department. This can be strengthened by providing coaching (ideally an external coach) to support and encourage the changes needed.

The action plan should be announced at the start of the course so that it is a conscious focus of the participant's learning and insight. The following is a useful model to surface what can or should be done:

- ◆ What should you change to achieve your desired outcome?
- ◆ What should you continue?
- ◆ What should you stop?
- ◆ What should you start?

For the benefits of the workshop or course to be maintained, it is important that the focus on ethics is maintained within the organisation, whether via other interventions, such as staff talks and ethics assessments, and by the inclusion of ethics as a regular feature of business operations.

4.5 REDUCING UNETHICAL BEHAVIOUR

Addressing the need to increase ethical behaviour should be done in conjunction with a focus on actions aimed at reducing unethical behaviour.

Reducing unethical behaviour should aim to realise two outcomes:

- Shifting behaviour from high unethical behaviour, that is, from serious non-compliance, to low unethical behaviour or minor non-compliance, and optimally, to ethical behaviour.
- Shifting behaviour from less exclusive to more inclusive relative to the organisation's stakeholders and the triple bottom line, thereby expanding the organisations' ethical boundaries.

These two outcomes can largely be addressed via laws, rules and regulations; a code of conduct and policies; systems and procedures; and transparency and reporting.

Laws, rules and regulations

Laws:

South Africa has numerous laws which are focused on reducing unethical behaviour, the most pertinent being:

- The Constitution of SA, which is widely recognised as an excellent constitution;
- The Municipal Management Finance Act, 2003, which is focused on local government to lead municipalities to reform financial management practices;
- The Prevention of Organised Crime Act, 1998, which is primarily focused on combatting money laundering and racketeering;
- The Protected Disclosures Act, 2000, the so-called Whistle-blower Act, which aims to protect employees from occupational disadvantage;
- The Financial Intelligence Centre Act, 2001, which aims to identify the source of proceeds which are suspect and possibly derived from illegal activities;
- The Prevention & Combating of Corrupt Activities Act, 2004 extended the legal definition of what constitutes a corrupt practice. The Act criminalises corruption in the private sector and the failure to report corruption, includes an unexplained wealth clause for public officials, and criminalises corrupt practices by South Africans on foreign soil.
- The Companies Act, 2008, Section 159, provides protection for whistle-blowers who report a director, company or employees to the Companies Tribunal in regard to a suspected contravention of the Act, or who is likely to endanger the health and safety of any individual, or had harmed or is likely to harm the environment, or has unfairly discriminated against a person in contravention of the Constitution.

Despite having comprehensive laws, the crucial questions are:

- how effective is the law at reducing or preventing unethical behaviour?
- how effective is the law as a deterrent?

The answer is that good law does not necessarily equal good compliance, nor does it automatically entail good enforcement. Unfortunately in some cases, good law does not even mean consistent and fair implementation.

Therefore, while laws are necessary, they are not sufficient to reduce or prevent unethical behaviour.

Rules and regulations:

In addition to the country's laws, most organisations also have their own rules and regulations, and, for some, also industry or professional rules. Mostly the rules and regulations are collated in the organisation's policies or a code of conduct.

Primary aim: The primary aim of rules and regulations is to shape employees' behaviour to prevent or reduce unethical or undesirable behaviour by providing clarity about what is allowed and desired versus what is not permitted or accepted.

Effectiveness of rules: Rules are almost always externally imposed and are mainly directional inasmuch as they define what cannot or should not be done. The effectiveness of rules, therefore, rests a great deal on the quality of enforcement. However, this makes it a very high maintenance approach in that it requires time and attention on checks, balances, supervision or audits.

For rules to be effective, the following needs to apply:

- The rules need to be fair, applied equally to everyone and applied consistently. When rules are not equally applied, it erodes the level of compliance with that rule – and possibly with others too.
- The rules need to be accessible to everyone, transparent and understandable.
- The rules need to be relevant, for example, to the nature of the business or the industry.
- The rules need to be comprehensive. However, this does not mean that a rule is needed for every minor thing.
- Rules should not only follow a “should/shouldn't” approach, but should also use goals and consequences. Safety rules are a good example, where the goal is zero harm. The consequences of non-compliance need to be clearly spelt out and, like the rules, applied consistently.
- The rules need to be able to be enforced. If there are no mechanisms or totally inadequate mechanisms to monitor or enforce the rules, it will reduce the effectiveness of the rules.

Actions taken to improve the effectiveness of rules and regulations can take the form of either detection or prevention mechanisms. Granting security guards increased authority to search employees to reduce or prevent theft amounts to improved detection (although staff may resent the action). This can increase compliance, but mostly only while the mechanism remains in place. Once it is relaxed, its impact declines.

Another route to achieving compliance with rules is by focusing on the underlying value which the rule serves. The extent to which the value serves the employee's self-interest and those of their colleagues should be a motivator towards rule compliance.

A code of conduct and policies

A code of conduct and an organisation's policies can be documented in different ways. The code of conduct, rules and values can be contained in an

ethics policy, or the code of conduct can include the organisation's rules and values, and sometimes even the policies.

Purpose of a code of conduct and policies: Irrespective of how these documents are defined and how they relate to each other, there is almost certainly going to be commonality as regards the purpose of a code of conduct and policies – which is to provide a guide for behaviour.

Internal alignment: A code of conduct and policies should be aligned with the organisation's values and rules and regulations: The code of conduct and policies should serve as the formal documents which contain and articulate the organisation's rules and regulations, and which translate the organisation's values into desired behaviours. Therefore, for example, a policy on bribery, corruption and fraud will guide behaviour both as a reflection of the organisation's rules and of the values of honesty and integrity.

Code of conduct and policy topics: While there are many topics which are included in a code of conduct and in supporting policies, many of these do not relate to behaviour or provide a guide for behaviour from an ethical perspective. Rather, they reflect employment conditions or business practices – such as maternity benefits or leave. Issues which have ethical implications which should be included in a policy or the code of conduct include:

- Alcohol and narcotics
- Bribery, corruption and fraud
- Confidentiality and intellectual property rights
- Conflict of interest (which can also address external work)
- Electronic communications
- Entertainment
- Environmental responsibility
- Expenses
- Gifts
- Insider trading
- Safety (if applicable to the nature of the business)
- Sexual harassment
- Social responsibility
- Travel and travel expenses
- Use of company property and facilities
- Workplace violence

Issues such as broad-based Black economic empowerment, employment equity and HIV Aids should also be addressed, although these would be better placed in a code of values rather than a code of conduct.

The effectiveness of a code of conduct and policies: The effectiveness of a code of conduct and policies to reduce unethical behaviour rests on a number of factors – not surprisingly, echoing the factors which apply to the effectiveness of rules and regulations:

- They need to be comprehensive in the respect of articulating the rules and translating the values and rules into behaviours. However, the effectiveness is not increased by the number of policies or the length of the code of conduct. Most workplaces suffer from enough information overload that this should not add to it unnecessarily.
- They need to be fair to all and applied consistently

- The consequences for non-compliance need to be clearly articulated either in each policy or in a supporting disciplinary policy
- The consequences for non-compliance need to be applied consistently
- They need to be transparent and understandable
- They need to be accessible to all employees and those they affect
- They need to be relevant for the organisation, its industry and its business context.

Systems and procedures

In pursuit of reducing unethical behaviour, organisations can use a number of systems, such as:

- Recruitment checks
- Internal and external audits
- Training
- Goals and measurement
- Ethics hot line

● Recruitment checks

Recruitment checks include checking on the validity of references, qualifications, identity documents and work permits, and checking whether the prospective employee has a criminal record.

While these checks will not specifically reduce unethical behaviour, their aim is to avoid the recruitment of employees who, at the start of the employment process, act unethically by, for example, presenting forged qualifications.

● Internal and external audits

The need for internal and external audits is widely recognised as a facet of good corporate governance. Both can serve as an effective mechanism to investigate issues within the organisation with a view to reducing unethical behaviour.

Since auditors mostly use the organisation's documentation as a source for their review, audits are better suited to surfacing and preventing fraud rather than something like corruption which generally does not leave an audit trail. Restricting the opportunity for fraud is an important step to reduce fraud, and auditors can fulfil this role too.

External auditors should bring with them the added advantage that they are external to the organisation and thus impartial.

● Training

The use of training has been addressed as a means to increase ethical behaviour. It can also serve to reduce unethical behaviour by, for example, raising the organisation's ethical awareness and informing (reminding) employees about what behaviours are not desirable or acceptable.

Training is especially relevant for difficult ethical situations and ethical dilemmas, which do not present an easy "right" answer which require debate and greater understanding.

● Goals and measurement

Organisational goals and measurement can serve to monitor sensitive issues to reduce unethical behaviour. For example, in the mining industry, safety goals and measures are important indicators to drive a reduction in unsafe behaviour.

However, organisational goals can also have the effect of encouraging unethical behaviour. The focus on billable hours in many organisations – accounting, consulting and law firms – often includes financial targets. Delivering on those targets is clearly in the employees’ best interests as it is likely to positively impact their rewards, whether a salary increase, promotion or a bonus. This can easily lead to expanding the scope of work unnecessarily or, worse, to inflating the billable hours. Although unethical, it can foster an “ends justifies the means” view. Clearly therefore, leaders should always consider what behaviours the goals are likely to encourage and avoid ill-conceived goals in an effort to avoid unintended consequences.

- **Ethics hot line**

Tapping into employee’s knowledge represents another means to surface and uncover unethical behaviour. Although there are cases of unethical conduct when no one other than the perpetrator knows about it, mostly there are other people who know, or at least suspect that something is not right. Ethics hot lines have been a response to provide an anonymous channel to allow employees (or others) to report this knowledge. The principle of anonymity is intended to allow such reporting without the concern or threat of retribution. As such, these services are often run by external providers to further entrench the security of reporting.

This initiative is specifically supported by legislation in South Africa. The Protected Disclosures Act, 2000, the so-called Whistle-blower Act, and Section 159 of the Companies Act, 2008, specifically aim to protect employees from occupational disadvantage for reporting wrongdoing.

The effectiveness of an ethics hotline: The effectiveness of an ethics reporting system hinges on a number of factors, the primary one being that it is used: that employees, or those “in the know”, actually report misconduct.

However, many people are loath to report misconduct, especially if it is happening at senior management level or if the misconduct is systemic in the organisation. This is in spite of the fact that the law supports them and, often, the organisation will also have a policy to assure employees that they will not face any detrimental responses. They feel vulnerable to a range of negative consequences, whether dismissal, demotion, compromised promotion opportunities, reduced prospects for salary increases or bonuses, or more subtle form of victimisation, especially from their seniors who are empowered to make those sorts of decisions.

Another factor which erodes the effectiveness of this type of ethics reporting is that it is not always viewed positively: It is not always viewed as the loyal employee speaking out for the benefit of the organisation. Instead the “whistleblower” is seen and treated in the negative as an informer. It can amount to the classic situation of “shooting the messenger” because the message is unpalatable.

The effectiveness of an ethics reporting system also rests on the information being acted upon. Given that it takes real courage to speak out, if no action follows, employees are far less likely to report anything again.

Acting on misconduct reports: As to who takes the action will depend on where this has been assigned in the organisation, and what action is taken will depend on the nature of the issue.

If the company has a social and ethics committee, they would receive and manage ethics reports. If not, the reports should be dealt with by the senior management team (such as an executive committee). Charges against

management should be directed to the social and ethics committee or the board who may choose to have the issue investigated by a suitable external company.

The actions taken need to be appropriate for the charge – be that a forensic audit, an investigation by an external consultant, a revision of procedures, or an internal audit. And, the action needs to balance the importance of the charge with the legal principle of “innocent until proved guilty” relative to the accused.

The abuse of ethics reporting: As the effectiveness of this system is based on usage and action, so too is it based on accurate and honest reporting. The anonymity which aims to offer protection and security for the honest reporter also creates the opportunity for abuse in the form of dishonest or false reporting.

Whoever gets to review the ethics reports, whether the social and ethics committee or senior management, needs to maintain an awareness of the potential for abuse without allowing this suspicion to undermine or discredit the reports they receive.

Transparency and reporting

Transparency

Transparency can be viewed as a facet of communication or of organisational culture – or even as a feature of leadership style. It generally reflects the organisation’s and its leaders’ behaviour or approach relative to information, and the degree of transparency is evident in the extent to which there is a free flow of information within the organisation and with external stakeholders.

As transparency can also promote improved ethical behaviour (a high level of transparency is synonymous with an open and honest culture), so too can it serve as an approach to reducing unethical behaviour, not least because issues and incidents are not hidden.

Transparency legislation: Transparency is also promoted by the law: In South Africa the Prevention & Combating of Corrupt Activities Act No 12 of 2004 enforces transparency by obliging company executives and government officials to report crime to the authorities. However, this does not mean that all organisations are transparent or that all crimes are reported.

Low levels of transparency: Many organisations are selectively transparent and have ample scope to expand their level of transparency.

The lack of transparency is also an obstacle to reducing unethical behaviour when organisations choose not to publicise unethical behaviour (internally or externally) or refer it to the authorities, but rather handle the matter internally. This approach can be defended on the grounds that publicising an unethical incident can have a detrimental effect on the organisation’s reputation, on customer loyalty and even, in severe cases, on the share price for publically traded companies. If the scandal involves the organisation’s leaders, the damage can be worse.

However, the risk is far greater if the misconduct is exposed by another party, such as the press. In that event, the organisation will not only have to deal with the incident, but also their secretive handling of the matter – which is certain to exacerbate the consequences.

Added to this, if the organisation discriminates about which incidents of misconduct are publicised, for example between senior management and employees, it will not only erode the façade of transparency, but also lose the benefits which this openness and frankness brings.

The benefits of transparency: The benefits of a high level of transparency include:

- It promotes an ethical culture
- Given that transparency entails sharing all relevant information, it promotes clearer, quicker decision making.
- Transparency also builds and maintains trust – which is an ideal foundation for pursuing both increased ethical behaviour and reduced unethical behaviour.

Transparency and confidentiality: However, transparency does not require organisations to share crucial intellectual property. There needs to be a balance between transparency and confidentiality where the latter includes such issues as patents, strategic intellectual capital, market opportunities, or strategic advantages.

Reporting

Reporting can be viewed as a facet of communication which can also serve to reduce unethical behaviour by promoting openness.

Organisations generally have a number of reporting obligations, many of them in accordance with the law, such as those required of public companies to their shareholders.

Beyond the strictly legal requirements, the South Africa's JSE Securities Exchange (JSE) launched the JSE Socially Responsible Investment (SRI) Index in May 2004, which measures the triple bottom line performance of companies in an annual review. Adding to that, as of June 2010, companies listed on the JSE are required to comply with King III, which recommends that organisations produce an integrated report in place of an annual financial report and sustainability report on an “apply or explain” basis: that is, that those companies who do not produce an integrated report will need to explain why they are not applying that part of the King III code. King III also recommends that companies create sustainability reports according to the Global Reporting Initiative's Sustainability Reporting Guidelines.

Over and above this, most organisations use various reporting mechanisms as a means to monitor sensitive issues or as part of their regular checks and balances. An ethics hotline, addressed above as a system, also represents a type of reporting system.

However, the need for additional reporting as a mechanism to reduce unethical behaviour is reduced by the extent that an organisation has been successful in developing and maintaining an ethical culture.

5 ETHICAL DILEMMAS

5.1 RIGHT VERSUS RIGHT ETHICAL DILEMMAS

Despite ethics being “the right thing to do”, the practice of ethics is not always easy. This is particularly pertinent for ethical dilemmas which entail two rights, that is, when one needs to choose between two morally right options or solutions, each based on a basic core moral value.

The ethics of right versus right choices is often ignored in the face of more frequent right versus wrong issues (which do not constitute ethical dilemmas, but are rather better described as moral temptations). However, this warrants particular attention as right versus right issues are likely to be the toughest ethical decisions which need to be made.

Ethical dilemmas as “defining moments”

Ethical dilemma choices are also likely to exert a significant influence on an organisation and the individuals involved. Joseph Badaracco Jr.³ views right versus right choices as “defining moments” which have three basic characteristics:

- they reveal the individual’s or the organisation’s basic values
- they test the strength of the individual’s commitments or the commitments the organisation has made
- they shape the individual’s character or the organisation into the future.

Ethical dilemmas decisions present a further challenge, namely that the choice which the organisation makes may not be shared by other stakeholders, who may interpret the situation quite differently.

This necessitates that the organisation increases its communication about such choices. This may not persuade everyone to the organisation’s view, but, in the absence of the organisation’s interpretation, even fewer people may understand the choice. This can also serve as a check and balance to assess whether the reasoning and choice will hold up to scrutiny. If the organisation is uncomfortable about having the choice published, it suggests this may be a bad choice.

Source of ethical dilemmas

Ethical dilemmas can arise from various circumstances. Kidder (1995) recognises four ethical dilemmas, namely:

- Short-term versus long-term
- Individual versus community
- Truth versus loyalty
- Justice versus mercy

● Short-term versus long-term

The tension between short term and long term goals and priorities is a long standing organisational challenge. Organisations need to achieve both short term results and long term growth goals. It is one of the areas in business where an “either or” approach is not applicable. Instead, an “and” approach is necessary as both are “right” choices.

This requires that leaders need to balance the different short and long term goals and priorities.

This is often made more difficult by the pressure to serve short term goals. There are examples where leaders have focused on short term results for personal gain, for example to boost a performance bonus. However, the more common form of pressure is from analysts and investors whose views and actions can impact the organisation’s share price if the short term results are not satisfactory.

3 Badaracco, J. L. Jr. (1997): *Defining Moments*, Harvard Business School Press: Boston

- **Individual versus community**

The issue of individual versus group rights can take the form of special rights for one group above another, for bigger groups above minorities, or it can differentiate between the social, cultural or economic rights of different groups. In the workplace, different groups can have different, and often conflicting, demands arising from gender, cultural, religious or other differences, which need to be balanced against each other.

An example of the different rights of different groups in South Africa applies to citizens classified as previously disadvantaged. Employment Equity legislation, which applies to all workplaces, aims to address this historical imbalance.

- **Truth versus loyalty**

The circumstance of having to choose between truth or honesty versus loyalty can occur at a personal level to anyone within a workplace. It is not limited to being a leadership challenge.

Honesty versus loyalty might not appear to be a difficult ethical dilemma because, for many people, honesty is regarded as the strongest value.

However, it can present a very hard choice when the bonds of loyalty between people are very high: It pitches standing by a long standing friend or comrade who is guilty of misconduct in the name of loyalty, versus reporting them to the authorities in the name of honesty.

- **Justice versus mercy**

Justice versus mercy situations often stem from a wrongdoing, such as fraud or theft. The wrongdoing is not being ignored in viewing this as a right versus right issue. Instead, this ethical dilemma focuses on how to manage the consequence or punishment of the misconduct – which brings the justice versus mercy choice into play.

There are many scenarios in which this will be a very difficult choice, especially when the misconduct has been prompted by desperation.

Labour law can provide guidance on the justice side of the decision.

However, the choice to act mercifully will need to be balanced against whether the decision would set a precedent in the organisation or whether it sends the wrong message, for example that the organisation does not treat misconduct consistently. Providing an employee assistance programme can serve to proactively address situations of desperation and thereby avoid potential misconduct.

Triple bottom line ethical dilemmas

Right versus right dilemmas will also increasingly fall in the realm of the triple bottom line, between economic, social and environmental bottom lines versus each other.

Although achieving sound economic results is crucial for the on-going operation of a business, this will need to be balanced against the social and environmental impact.

For example, an ethical dilemma can arise between social and environmental priorities when business development impacts the environment but also creates employment and training opportunities for local communities. So too, can cheaper imports support serving customers with more affordable goods, but this is at the cost of the benefits of local production and buying local.

Resolving these conflicts successfully will be particularly important given the increasing emphasis on a triple bottom line approach.

5.2 RESOLVING ETHICAL DILEMMAS

The standard inspirational answer – deriving often from the corporate credo or mission statement – to “do the right thing” offers little help when faced with a really difficult right versus right management choice.

There are three approaches based on principles drawn from moral philosophy to resolve ethical dilemmas:

- Utilitarianism rests on the principle of doing whatever produces the greatest good for the greatest number. It therefore entails an assessment of consequences, and amounts to a form of cost – benefit analysis.
- Rule-based thinking (Kidder, 1995) and the categorical imperative principle draws on the work of the 18th century German philosopher, Immanuel Kant. It is an approach firmly based on duty, on what one ought to do. It rests on the principle that one act in such a way that your actions could become a universal standard that others ought to obey or, phrased differently, that one follow only the principle that you want everyone else to follow.
- The golden rule that “you do unto others as you would like them to do to you” is a third approach. This has the advantage that it is a well recognised approach, being a principle at the centre of most religions. It echoes the philosophical principle of reversibility inasmuch as it asks that actions are tested by putting oneself in the other person’s position and assessing it from that perspective.

However, these principles do not always provide a resolution for an ethical dilemma. In many right versus right dilemmas the approach of “sticking to your principles” contradicts the utilitarian approach: The former takes a rule-based approach where action is in accordance with fixed rights and duties versus the latter that assumes one can know and assess all the consequences of one’s actions. Badaracco (1997) acknowledges that “managers sense, quite correctly, that what philosophers have failed to resolve in theory, they must somehow resolve in practice.”

Badaracco (1997) explores the “sleep test” as a route to resolving ethical dilemmas, which he equates with the ethics of intuition. This uses physical and emotional distress as indicators of the wrong decision, and rests on the premise that you should follow your heart and trust yourself to make the right decision. This entails that managers use this approach thoughtfully and responsibly: that managers also follow the ancient advice “know thyself”.

6 MAINTAINING ETHICS

Building an ethical workplace and realising a positive ethical status is a significant achievement. However, the task of maintaining an ethical environment eclipses these achievements because maintenance is a never ending task.

Added to this, retaining an ethical culture will not necessarily enjoy the support of all stakeholders. Organisations and their leaders will face various arguments against an ethical approach.

One such view is that in the competitive world of business only the fittest survive and that ethics undermines competitiveness. This opinion that one can’t be both ethical and successful echoes the claim that business and ethics is an oxymoron.

So too will the view be raised that “when in Rome do as the Romans do”, which is offered as a justification to do the same as others. This is often supported by the stance that “if you can’t beat them, join them”.

These views ignore that ethics is increasingly becoming a prerequisite for success and represents a unique source of competitive advantage, focusing instead on what business is lost by, for example, not paying bribes. While sinking to such “lowest common denominator” behaviour will deliver short term gains, it will just as surely also build far bigger long term disadvantages.

Countering these views, the overall goal of pursuing an ethical path should be kept in constant focus, as should the role of the individual.

The behaviour of all the individuals makes up the ethical status of the organisation. Each individual’s every act – ethical or unethical, positive or negative – either builds or erodes the organisation’s ethical tipping point, that point crucial point at which, ideally, the majority of behaviour tips the balance towards ethical behaviour being the norm.

The most pertinent question is therefore:

- Who in the organisation strengthens the ethical tipping point, and who weakens it?

To ensure an ethical workplace, it is essential that the leadership fall into the group who strengthen the ethical culture, and that they actively work to increase a commitment to ethics.