

**S
C
H
O
O
L**

**O
F**

**M
A
N
A
G
E
M
E
N
T**

**VICTORIA
UNIVERSITY**

**O
F
T
E
C
H
N
O
L
O
G
Y**

Working Paper Series

A Strategic Approach to Implementing Ethics: The Missionary Position

Ronald D. Francis

1/2002

A STRATEGIC APPROACH TO IMPLEMENTING ETHICS:
THE MISSIONARY POSITION

Ronald D. Francis
Professorial Fellow
Faculty of Business & Law
Victoria University
Box 14428, Melbourne City
MC 8001 Australia
phone(03) 9688-5349. fax (03) 9688-4272
ronald.francis@vu.edu.au

A STRATEGIC APPROACH TO IMPLEMENTING ETHICS: THE MISSIONARY POSITION

ABSTRACT

This paper addresses the problems of implementing ethics into business organisations wherein there is indifference or resistance. A moral stance requiring ethics is unlikely to succeed as are preaching, linking business ethics to religion, hard sell, and even the constant reiteration of the word 'ethics'. To this end a non-moral approach to persuading of the merits of ethics is recommended. In approaching this problem six basic issues are addressed: the identification and removal of barriers; what does not seem to work; what does seem to work; whom do we need to convince; what principles should we use; and accommodating diversity of personal styles. The paper concludes with some practical recommendations. It is noted that this analysis is essentially based in a particular culture. There are other places wherein some of these principles may not apply – and thus the paper may be seen as an opening consideration of an issue of substantial importance for the globalisation of trade.

INTRODUCTION

This paper addresses the question of why ethics is not more universally valued and adopted. It is obvious that few speak explicitly against ethics but the degree of practical commitment that is given is less than seems desirable. The missionary zeal that ethicists bring to bear does not always find practical expression in business. Missionary zeal might be thought of as akin to preaching – a technique that has little appeal. It is the purpose of this paper to identify perceived barriers and to propose ways in which those barriers might be reduced. In this sense the paper is an exposition of the problem of making ethics more appealing by giving practical expression to the arguments and evidence that show its merits.

This paper is an account of what is likely to benefit business rather than the exposition of a point of view which is preached but is not seen as a sufficiently attractive practice. The approach is rather like that of Clausewitz on war or Machiavelli. Indeed, the value of master strategy to business has been canvassed directly by Anthony Jay in his *Machiavelli and Management* (1980), and by von Ghyschy et al (2001) in *Clausewitz on Strategy*. Jay took the principles from *The Prince* and gave them application to modern business management: Ghyschy took the Clausewitzian principles of military strategy and extended it to the econo-political realm. In modern language we might say that it is the models of strategy which are applied for competitive advantage. The two analysts just mentioned write in the indicative rather than the prescriptive mode; and are sometimes criticised for their non-moral stance. A non-moral analysis has the signal advantage of enhancing our understanding of how to bring about a desirable state of affairs without being overtly prescriptive.

It is this descriptive analysis that might be used to prescript others commitment to ethics. In other words we may use this analysis as a tool to foster the implementation of ethical policies and ethical behaviour. This is an offset to the observation that ethicists' enthusiasm for theory occasionally outruns the practical implications of the ideas that they espouse. Ethics is often considered as an entity to be considered as a single issue whereas it is inextricably linked to other things.

In addition to the direct links to business, such questions as 'Is ethics profitable?', there is the issue of the whole framework in which we work. No matter how good for the economy we do not agree that child labour is humane or just: no matter what the economic justifications we do not agree that unsafe work practices are acceptable. These sorts of issues are now part of the fabric of our thinking and are not questioned. So many such issues are part of our frame of reference that we no more notice them than a fish notices water.

Given the integral part that ethics plays in all of our decisions it is mildly surprising that it is not conceded as being worthy of detailed and direct consideration. When it is considered consciously it is often done so in a rational and empirical frame of reference.

It is to that purpose that this article addresses itself – the rational and empirical arguments that might most readily persuade the ethically uncommitted.

The article approaches this task by addressing six issues, and then draws conclusions and makes recommendations.

ISSUE ONE: IDENTIFYING AND REMOVING BARRIERS

This first issue involves being aware of the barriers, or at least the perceived barriers; and then providing responses that might overcome them. Among these issues are that ethics is difficult. That point has some validity for those who are uninstructed as to sources of help. One such source is that of using professional ethicists: another source is to use books that have plain language guides (eg. Francis, 2000).

Another perceived barrier is that ethics is not profitable. There are, however, numerous studies which show that ethical performance is related to financial performance (eg. Verschoor, 1997). Instituting ethical infrastructures and implementing ethical policies takes time, effort and money. That seeming detriment is more than offset by the consequences of noting the effects of not being ethical. It is rather like the argument that formal education systems are expensive – but not nearly so expensive as the alternative.

The seeming imprecision of ethics is readily countered. First, many aspects of ethics do not need quantification; as, for example, an ethical infrastructure consists of identifiable things. These include a Code, an ethics committee, ethics training, annual reporting on ethical matters and a policy for dealing with ethical dissent. Where precision is needed there is a host of scaling techniques that derived originally from psychology, and which are readily available in various texts (eg. Siegel & Castellan, 1988).

Inattention to ethics can have detrimental legal and commercial consequences. In this sense good ethics is also good risk management, as is clear from the article by Argandona (1999). One of the major aims of business is to make a profit with honour in one's own and other countries. Maximising profit is one of the many markers of commercial success: others include gross revenue, net return, return on capital and market share.

One might debate which of these financial markers is the most worthy. Notwithstanding, there are markers that span financial and ethical issues. Among these are customer relations, personnel matters, and responsibility for sustained development. These three instances bear heavily upon financial issues and on profitability: they also bear upon value systems that have an impact on financial matters. The treatment of customers as profit entities instead of human beings is most likely to result in loss of business; the manufacture of goods that do not properly serve customer needs is likely to result in loss of business; the harsh treatment of personnel does not promote productivity. The promotion of marketplace goodwill is an instance of treating consumers as dignified and sensible people; it not only promotes business and makes it easier to conduct but also results in that valuable abstraction 'Goodwill' which has a monetary value and is assessable in the sale of a business.

There is yet another argument in favour of ethics, and that is the introduction of guiding principles makes for stability. It is worth noting that stability is an essential part of conducting business. Sailing ships were very economical, having a fuel bill of zero; but how could it keep a schedule? Trade winds were so called because of their relative reliability for propelling ships yet fossil fuel powered ships were more reliable of schedule. Standard accounting procedures, corporate regulators, the Stock Exchange and banking processes are all instances of stability in commerce. Good reputations are valued partly because they espouse human values and also because you know where you are with them. Indeed, the present writer has heard the comment that (a businessman) would rather deal with a consistent rogue than an inconsistent angel. Commerce is complex enough without having to deal with further caprice. It is argued here that subscription to ethical principles provides a framework that stabilises decisions, provides a further degree of certitude, and does so within a framework that preserves essential human values.

Some may believe that instituting ethics policies and procedures sensitises employees to ethical matters and, thereby, fosters a climate of whistleblowing. However, we would need evidence before accepting this; indeed, commitment to ethical policies is more likely to prevent circumstances that engender occasions in which whistleblowing is necessary.

ISSUE TWO: WHAT DOES NOT SEEM TO WORK

Experience over decades has shown that some approaches do not work. In fact some are actually counterproductive. Certainly within Australia an approach to business ethics that relies on religion for support seems quite unacceptable. In that same context, any approach that uses a 'preaching' style is most unlikely to succeed, and that point about preaching is probably true in many other places. An approach that seems to parallel that one is occupying, or seeming to occupy the high moral ground. Claims to moral superiority are not only hard to sustain but also contain an implicit arrogance that is taken as denigratory of others (look how morally superior I am, wouldn't you like to be as good as that?).

The messenger is as important as the message and thus needs good advocates: the manner of doing is as important as what is done if what is done is to be effective. Those who occupy positions of influence in moral matters need to be well-intentioned and emotionally stable. In particular we need advocates who are reasonable, articulate, and knowledgeable: we also need them to be emotionally stable.

Hard-sell is an approach that has little prospect of success – and that may be true as well for issues other than ethical ones. By its nature ethics is a gentle process, and thereby may be seen as too gentle to be part of the hard world of competitive advantage. It has been observed that the word 'ethics' is, itself, a mild deterrent. If ethical issues are addressed under a different rubric they seem to be made more acceptable. Among the contenders for synonymous words and phrases are 'integrity', 'good governance', and 'stakeholder accountability'. It would be a pity if the word ethics were to disappear simply because it

was not liked in business. Perhaps one convincing way of making ethics commercially palatable is to link it in conversations and presentations with such concepts as integrity, corporate governance, and sustainable development.

ISSUE THREE: WHAT DOES SEEM TO WORK

Having suggested what does not work we now consider what does. The first prescription would have to be to avoid that which does not work. Having said that there are several positive approaches that we might use, the first of which is to appeal to reason. These rational arguments might be divided into three broad categories.

The first category are those in-house to the organisation. This will include addressing employee concerns, improving morale, avoiding debilitating internal criticism, and having the measurable qualities of decreasing absenteeism, and of improving productivity by that means as well as a better motivated workforce. It is also highly likely that it will both attract and retain better staff.

Within the market, good ethics sends a positive signal to financial markets. It helps protect share price, provides a defence in the face of accusations of impropriety, is shown to be responsive to all stakeholders, gains the organisation credibility with the financial press, gains and retains customers with reduced advertising expenses and generally enhances commercially valuable goodwill. It also provides a defence against regulatory authorities, a responsiveness to stakeholders, credibility with the financial press, attracts customers without advertising and builds commercially financial goodwill.

Within the wider community it sends appropriate signals to special interest groups, is a generally proactive strategy, reduces the problems inherent in AGMs and provides a good general reputation.

In addition to the rational and empirical arguments already given, there does seem to be appeal in referring to case studies. These are of two kinds. The first is the contemporary examples. There is a contrast between the poorly handled Bhopal and Exxon Valdez disasters on the one hand, compared to the appropriate recognition and restitutive responses to the criminal contamination of the Johnson & Johnson product 'Tylenol' on the other hand. A second kind of case study is that of the historical and dynastic kind. Prime here is the example of the Quaker families of Cadbury and Rowntree, the Robert Owen social/industrial organisation in New Lanark, and the Leverhulme companies. This latter kind of case study shows the commercial and moral power of organising in such a way as to ethically improve performance within both a social and commercial context. What is also persuasive about the latter kind of cases is the enduring nature of the improvement, and the iconic value that such an approach contains.

ISSUE FOUR: WHOM DO WE NEED TO CONVINCEN?

As well as considering the message we need to consider those to whom the message is addressed. This includes the boards of organizations, management, the stakeholders of organizations, and the wider investing public. Outside the ambit of those directly involved are the media, both electronic and print. To this we should add opinion leaders. Prestigious advocates have an enormous influence that may be used to powerful effect. It may be that selected prestigious figures need no persuasion in order to advocate the merits of ethics, but others may. It is to the question of what principles are effective that we now turn.

ISSUE FIVE: WHAT PRINCIPLES SHOULD WE USE?

There are numerous books on the principles of influencing people, many of them without a firm empirical basis. Perhaps one of the best known and best documented is that of Cialdini (1993). This book is based upon an analysis that derives both from psychological principles and from a wide and diverse array of experiences on the part of Cialdini. The principles that he enunciated might also be called the 'psychology of compliance', and derived from sources such as fund raisers, shop sales, second hand car sales, animal psychology and experiments in social psychology. From these analyses he derived a set of principles examples of which include: Reciprocation, Social Proof, Liking, Authority and Scarcity

Reciprocation produces a sense of balance: it is the basis of social transactions, the basis of law and makes for even-ness of obligations and benefits. Social proof is the validation of what we believe is correct by seeing it instanced in others: it refers to the way in which we conform because we see its efficacy given effect externally. With this goes the principle of Consistency wherein we use rationality to make coherent sense of the world. Cialdini notes that we may more readily persuade others of something if we give them good reason: even demanding a reason of a child may elicit '... because'. The principle of Cognitive Dissonance operates so strongly that when confronted with incongruence some form of incompatible ideas or beliefs, we act in such a manner, or produce 'reasons' which reduce that uncomfortable dissonance. What Cialdini calls the principle of 'Liking' he characterises as 'making friends and influencing people'. We might also characterise this as 'Goodwill'.

If we were to recast some of that analysis we would come up with several principles easy to apply: among them would be Goodwill. Any transactions based on liking and respect are bound to have an edge. With this goes the notion of equitability, in which transactions are balanced. Where one of the parties is always donor or always receiver not only is an obligation incurred but an engendered disparity of relationship which is a hindrance to harmony. One is reminded of Bernard Shaw's observation 'I don't know why he dislikes me – I have never done him a favour'. Disparity of relationships puts one of the parties into a supplicant position wherein deep conviction on agreement is unlikely.

The principle of Validation is where there is a prestige figure or a majority accepted view that social validation is a key concept in conviction about an idea. The more the view that ethics is important the more likely it is that those whose appreciation of the merits of ethics is marginal are likely to conform to the view espousing its value. This principle is also consistent with reason, and with reasonable authority.

There are a number of books which canvass similar principles, and which may form a basis of consideration for the use of guiding principles in persuasion. At least this brief mention should act as an alert to consider the principles of persuasion by which means we may influence others towards ethics.

ISSUE SIX: ACCOMMODATING DIVERSITY OF PERSONAL STYLES

In giving the above analysis we are basing it on the assumption of the average types. It is obvious that there is no mean type. Given variations of personality, intelligence, and values we need to be flexible in the application of any principles to any individual person. Those devoted to rational argument will respond better to such an approach (eg. may I invite you to consider how you can save staff time and debilitating argument by having an ethical infrastructure in place?).

Those who respond to respected authority figures will respect well-presented cases, particularly if they are court judgments. For example, in the Australian Trade Practices Commission versus CSR Ltd. case (of 1991), Mr. Justice French set out nine criteria to be used in judgments on non-compliance (ATPR vol 2 12304 / 18-365). It was not seen as necessary to use all of the criteria in every case seen by the courts, but it did provide a guide to mitigation of penalty, and thus is seen as a significant form of risk management.

Another point is that those who are hard pressed in present time will respond better to invitations to consider something or do something at a later date ('I know that you are busy now but may I talk to you about later next month concerning instituting a company ethics committee?').

The adaptive way that we run our ordinary social relations needs a parallel in our corporate life. The guiding principles that we use adaptively in dealing with different people have just as much validity in commercial as in social applications.

CONCLUSIONS AND RECOMMENDATIONS

Those of us committed to ethics have to accommodate to the idea that not all find the topic as attractive as do its proponents. In order to foster ethics it is necessary to take non-moral stance in order to effect a moral outcome. It is by perseverance in this task that ethical outcomes may be increased.

As part of the resistance to ethics resides in the term it is proposed that other terms be used as well in that context. These could include such terms as 'integrity' and 'good governance'. In attempting to persuade anyone about ethics it is essential to have

arguments and evidence at ready command, and to use those tools flexibly. This includes accommodating to different personality styles and different commercial needs.

The types of arguments mentioned above (rational argument, empirical evidence, case studies) are available for use, and should be utilised in a flexible fashion. It hardly needs emphasis that proponents of ethics need to be familiar with such arguments, evidence and information.

Ethics could also be fostered by having annual reporting under required headings. These headings would include mention of the Code, of the Ethics Committee, of cases resolved, of ethics training and how the Code is monitored and amended. It would also help to re-define accounting to stop its concentration on history, and to be extended so as to include expectations of service and satisfaction. It is plain that this rather overall plan would need to be introduced slowly and flexibly, and to be advanced with caution and sensitivity.

It is recognized here that the analysis may have elements which are culture specific, and thus the paper should be seen as opening rather than closing this issue. Whatever the culture it is held that this approach to enhancing ethical commercial behaviour needs to be applied in a careful, caring and nonjudgmental way. With that in mind it may well be possible that it could have both a significant beneficial commercial and moral impact.

REFERENCES

- Argandona, A. 1999, Ethics in finance and public policy: the Ibercorp case, *Journal of Business Ethics*. Vol. 22, no. 3, pp. 219-231.
- Australian Trade Practices Reporter*. (ATPR) 1991, vol 2, 12304 / 18365, Australian Trade Practices Commission versus CSR Ltd. (1991).
- Cialdini, R.B. 1993, *Influence: science and practice*, Harper Collins, New York.
- Francis, R. D. 2000, *Ethics and corporate governance: an Australian handbook*, : University of NSW Press, Sydney.
- Jay, A. 1980, *Machiavelli and management: an inquiry into the politics of corporate life*. Bantam Books, New York.
- Siegel, S. & Castellan, N. J. 1988, *Non-parametric statistics for the behavioural sciences*, McGraw Hill, New York.
- Verschoor, C. C. 1997, Principles build profits, *Management Accounting*, vol. 79, no. 4, pp. 42-46.
- von Ghyczy T, von Oetinger, B. & Bassford, C. (Eds). 2001, *Clausewitz on strategy: inspiration and insight from a master strategist*, Wiley, New York.