

Leadership Lab (R)

Improvise, Adapt, and Overcome.



Relativity applies to physics, not ethics.

Albert Einstein

It is curious - curious that physical courage should be so common in the world, and moral courage so rare.

Mark Twain

Ethics must begin at the top of an organization. It is a leadership issue and the chief executive must set the example.

Edward Hennessy

Idea in Brief

It is interesting that even as the number of Codes of Conduct, regulations, and integrity investigations is increasing, the number of violations is seemingly increasing as well. We have more examples of moral and ethical failings than ever before, and we continue to add to that number as violations also continue to increase. Why then is it occurring? Why do ethical violations seem to grow and not get better? Maybe a closer examination of the leadership lessons may provide some insight and answers.

For more information go to:
www.leadershiplab.ca

www.facebook.com/BLJanke/

www.instagram.com/bljanke/

twitter.com/Leadershiplabca

Ethical Relativism

By B.L. Janke

Many companies and leaders talk about having a strong moral compass or how ethics are the "north star" by which they and their company are guided. Some go so far as to embed these ideals into the firm's mission statement, corporate values and code of conduct using words like "do the right thing" or "guided by our strong moral compass." Even further, most people would consider themselves moral and ethical people who go to bed at night believing themselves to be so. Conversely, very few people (if any) go to bed at night thinking or believing that they are bad people who lack moral character and an ethical compass. So why, then, does there seem to be such a preponderance of moral and ethical lapses within companies, by companies and by the leaders within those companies? Why, if nearly everyone thinks that they are ethical, do we need these top-level value statements in firms to say that we are when the reality may suggest otherwise?

A Gallup poll reported in 2019 highlights that 68% of adults believe that corruption is widespread in business. And so, this may provide some insight as to why firms believe that they need to include moral and ethical statements in their corporate branding to help differentiate themselves to their customers from those "others" who are

actually corrupt or unethical. However, nearly all firms are doing this type of branding and marketing while still being caught, fined and convicted for ethical violations (e.g. Volkswagen, SNC Lavalin, Siemens, ABB, McKinsey, Vale). And so, one needs to explore why there is such a dichotomy between what is included in a company's code of conduct and their actual actions to understand why corruption still exists and is seemingly growing.

The first reason why there is such a difference between what companies (and their leaders) say they are going to do and what they actually do is that the definition of ethics and morals is rather vague and ill-defined. Said another way is that the ethical standard for one person is not the same for another. There is often no concrete definition and characterization of what ethics means as it is heavily influenced by how someone was raised, the environment, and their life experiences. Some companies try to help by providing more words to define what is expected, but they even muddy the waters even further. For example, "do the right thing" is meant to shape and guide an individual's actions but doesn't provide guidance on what the right thing is and for whom the individual is serving in their actions (e.g. themselves, others,

Excellence is often characterized by the struggle endured in order to achieve; for achievement without struggle is not excellence.



LEADERSHIP LAB

Leadership Lab is a forum for the exploration and discovery of personal and leadership excellence. Excellence is a core value of who I am as a person, an educator, and a leader. It is what drives me to perform and to grow; testing the limits of my capability both personally and professionally and pushing them farther.

Excellence is an attitude that one must cultivate and support its growth. To do so, one must study excellence and be committed to life-long learning.

Improvise, Adapt, and Overcome.

For more information go to www.leadershiplab.ca

the company). There is no homogeneous nature in the definition of the ethical standard, and it does not account for the variability of what ethics may mean for one person or another. This difference gets amplified even further when you expand your business and reach beyond the local and into international locations. There may be only small differences between people in a smaller setting or community when defining ethics as people who were raised similarly and have similar experiences often have similar morals and ethics. However, as you expand your network, reach, and interactions to broadly different groups and communities with vastly different life experiences, different role models and world views, the differences in the ethical definition grows. This ethical relativism is real and is often left unaddressed by leaders and companies. It is similar to in the safety world, where a leader tells his team to

"be safe" when they are executing their work without further clarification of what "being safe" means. Without defining the standard must be met, each worker is left to their own devices and interpretation to determine and define what being "safe" means to them on that given day.

In fact, it could be argued that firms that fail to adequately define what their ethical standard is (i.e. only stopping at the vague statement of "do the right thing" or similar) is also failing to create a fully inclusive environment as they inherently and implicitly assume that everyone's value system is the same as their own; almost the antithesis of recognizing and leveraging the value of a diverse workforce. Instead, being much more clear on what the standard is and how it is to be met is the role of the senior leadership of the company or organization. More definition is required, as is more

communication and discussion from case examples to learn a common code of ethics and moral guidance.

A second aspect of ethical relativism in companies is that not only do people have a different definition and understanding of the ethical standard, but depending upon your hierarchical standing, the application of a common definition is different as well. People at the top of an organization are not punished for the same transgression as someone lower in the organization. This second-order relativism is seemingly rampant in organizations as well. And outsiders apply the standard differently depending upon whether the person (or organization) violating the ethical standard is aligned with their personal beliefs or not. We tend to venerate those aligned with our world views or personal standing even in the face of an ethical

violation and excoriate those who do not for the same offence or error.

The Fraud Triangle may provide some useful insights into why this ethical relativism exists at higher levels in an organization and by organizations in the commercial marketplace. The Fraud Triangle highlights three things that must exist for a fraud to exist:

Opportunity, Perceived Pressure and Rationalization. When people and companies commit fraud (like those noted above), all three components are present. While the executives and organizations may even consider themselves honest, they rationalize their actions through the market pressures they may be under. Since others are doing the same thing, I/we have to do the same thing to compete. Leaders can often display a personal entitlement attitude or arrogance that supports their actions in committing fraud or engaging in unethical behaviours. Some executives have even commented that the rules that apply to the staff lower in the organization are not meant to apply to the senior leaders themselves. This rationalization and double standard are, in part, why there appears to be an increase in personal and corporate misdealing and unethical behaviours.

Even with an increasing number of standards, regulations, and codes of conduct being written to address an increasing number of ethical violations occurring by leaders, staff, and organizations, the problem seems to be getting worse and not better. Nevertheless, this is fundamentally a leadership issue. And part of the leadership crisis that currently exists is this apparent absence of foundational ethical behaviour, and it must be

addressed. Leaders must become more vigorous advocates and better role models of ethical and moral standards, and it starts with better defining what those standards are. While it may be convenient and seemingly empowering to simply say "do the right thing," we can plainly see that this is not well defined and left to individuals to interpret and apply as they see fit. It also provides too much leeway for more senior leaders to do as they will when others, from the outside, would question their ethical decision-making.

Here are some case scenarios that you can reflect upon and assess if there is a potential ethical or moral concern or question associated with the scenario. Reflect upon the case and what your assessment of the ethical quandary may be.

- Using the company-provided vehicle to stop at the gym on the way home (or on the way to work) when you do not incur a taxable benefit for that vehicle's personal use.
- Receiving tickets to a local sporting event for you and your family from a vendor/supplier that works with you. Does it matter if the vendor attends with you or not?
- Being taken on a weekend trip to a resort by a consultant.
- Awarding a contract to a friend's company/organization without a critical assessment or review and not recusing yourself from the assessment process.
- Purposely withholding, altering, or hiding critical information about your products from consumers, shareholders, or decision-makers.
- Paying facilitation payments to receive a favourable decision on a contract award.

- Reporting that a minor maintenance procedure was completed when, in fact, it was not.
- Repeatedly enjoying the drinks on Thursday nights at the pub that your friend pays for, who happens to work for a company that does business with your company.

Organizations and the leaders of organizations need to do a much better job of defining the ethical standard for themselves and their companies and then sharing it, communicating it, and disseminating it widely. And then, more importantly, live up to the standard. Writing more codes of conduct is clearly not the answer, but writing better ones and then living them is. Creating an environment in which a common ethical standard is observed is not hard to do. Still, it does mean that some people (i.e. leaders) will need to forgo the privileges they have seemingly enjoyed without scrutiny and oversight.

