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The Review

INSIGHTS, IDEAS & INFORMATION

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- Government
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Business ethics: a contradiction in terms?

BY NATASHA MARTIN

Many organisations promote themselves as being "ethical". These claims to ethical behaviour are often being used to strengthen brands and to improve competitive and market positions. But what does being ethical really mean? This article explores ethical theory and its application in business. Steps are suggested for introducing an ethics programme and it concludes with a simple test that you can use to evaluate the ethics of your decisions and actions.

ETHICS: THEORY AND APPLICATION

In the Western tradition, ethics starts with Plato. Two and a half thousand years on, it is a very large and diverse body of theories about morality. Arguably one of the most exciting - and controversial - developments in modern ethics is the increasing application of ethical theory to real and difficult problems and dilemmas; problems like working out the moral implications of cloning, euthanasia or abortion in medical ethics, or the implications of global warming and deforestation in environmental ethics. The idea in these disciplines is to decide between courses of action by analysing an issue through a range of theories.

For example, the Utilitarian theorist may say what matters in judging an action is its consequences: how many people it affects and how it affects their well being. The Kantian theorist may say that to judge what is the right thing to do, you need to consider whether you would wish everyone to act as you do. Stealing is wrong on the Kantian view because you could not reasonably wish everyone should steal. The Utilitarian would agree that stealing is wrong but because it has bad consequences such as the erosion of trust and the spread of unhappiness.
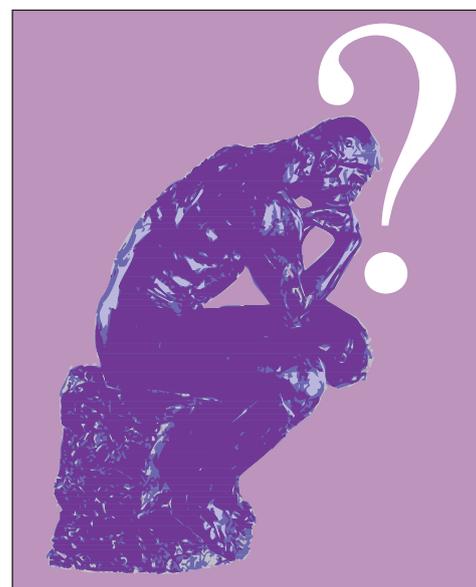
Stealing is a rather simple example. When complex cases arise, deciding right and wrong is not so easy and ethical theories may give contradicting results. Kantianism puts principle and duty before happiness; so although a "white lie" might be acceptable to a Utilitarian because it may have a good consequence, it would not be the right course of action for the Kantian. Conversely, Utilitarianism puts happiness before principle; so it may be considered right to use human embryonic stem cells to prolong or improve lives of sick people (because a greater number of people can conceivably be happier) but to use embryos in this way may be deemed by the Kantian as unethical on universal principles concerning preciousness of human beings. Sticking to one kind of theory can produce strange, anti-intuitive and unworkable results; this is exactly why applied ethics looks at problems through different ethical frameworks.

ETHICS IN BUSINESS

Business ethics is the application of ethical theory - theories about right and wrong - to the activities of business. But is business subject to ethical scrutiny? Some think not: Milton Friedman, for example, has argued that business is a sphere where ethical demands do not apply because the sole responsibility of business is to maximise profits for shareholders. Shareholders, however, are not the only group interested in and affected by the operations of a business; so such a narrow conception of business is unrealistic.

A more realistic conception is that offered by stakeholder theory. An important cornerstone of business ethics, stakeholder theory says business affects, and is responsible to, a range of internal and

external stakeholders. If responsibilities to stakeholders are not met by an organisation then it cannot be said to be operating ethically.

To understand and analyse issues, five main schools of thought are employed: Utilitarianism focuses on utility and consequences; Kantianism concentrates on duty and universality of principle; Aristotelianism is concerned with human flourishing; Social Contract Theory is concerned with the unwritten contract between organisations and the larger society; and Egoism says that right action is one done in the light of self-interest.

"…AN OBVIOUS TACTIC IS TO TREAT THEM AS EGOISTS…"

ETHICAL MOTIVATION

To motivate organisations to be ethical, an obvious tactic is to treat them as egoists, that is, assume that they act out of self-interest, then use evidence to persuade them that being ethical coincides with their self-interested aims. The problem with this tactic is that although a business may increase demand for its products or services because it has, say, a better social or environmental record, if the motivation behind its ethical behaviour is self-serving, then its conduct is, strictly speaking, prudent and not ethical. To be truly ethical, an organisation must have a genuine interest in the welfare of its stakeholders and the environment.

SOME PRACTICAL STEPS

One way of integrating responsibilities to stakeholders into business decisions is through drawing up a code of ethics. The aim is to articulate the organisation's values and responsibilities so that employees know how to behave and stakeholders know what to expect. The following steps for developing a corporate ethics programme are adapted from recommendations by the Institute of Business Ethics (IBE):

1. Find a champion

Unless a senior and influential person – usually the Chief Executive - is prepared to initiate and drive the introduction of a business ethics policy, the chances of it being a useful tool are not high.

2. Get endorsement from the Chairman and the Board

Corporate values and ethics are matters of governance. The Board must be enthusiastic not only about having such a policy but also about receiving regular reports on its operation.

3. Find out what bothers people

Merely endorsing a standard code, or copying that of another, will not suffice. It is important to find out on what topics your people require ethical guidance.

4. Pick a well-tested model

Use a framework which addresses issues as they affect different stakeholders of the business. The usual ones are: shareholders, employees, customers, suppliers and local/national community. Some should probably also include competitors.

5. Draft a company code of conduct

Existing policies, for example on giving and receiving gifts or the private use of company software, can be incorporated. Guidance on how the code works should also be included.

6. Try it out first

The code needs piloting - perhaps with a sample of employees drawn from all levels and different locations. An external party, such as the Institute of Business Ethics, may be invited to comment on drafts.

7. Issue the code and make it known

Publish and send the code to all employees, suppliers and others. State publicly that the company has a code and implementation programme that covers the whole company. Put it on your web site and send it to joint venture and other partners.

8. Make it work

Practical examples of the code in action should be introduced into all company internal training and induction programmes. Managers should sign off and review the code regularly.

Once you have an ethical code you can use it, for example, as a basis for auditing whether your organisation meets its social and environmental obligations and standards. CSR (Corporate Social Responsibility, which Janet Shepherd wrote about in Issue 4 of The Review) aims at finding practical ways to integrate social and environmental concerns into business decisions.

A TEST

When you make important business decisions, ask yourself four questions:

- Do I mind all my colleagues knowing what I have decided?
- Does my decision have a negative impact on anybody?
- Would my decision be considered unfair by those affected?
- Do I mind my decision or action being publicised by the media?

If the answer is yes to any of these questions, you may well be facing an ethical dilemma.

Business ethics may not be a contradiction in terms, but it can certainly produce some tricky dilemmas.

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Coaching:
learning to learn

BY MIKE RAE

Coaching has become so fashionable over the last few years that it sometimes seems as if "coaches" have become the latest "must have" accessory! But do we really understand what coaching is? How can an organisation test the water with this powerful intervention? How do you select a coach who is right for you and your organisation? This article outlines some answers to these important questions.
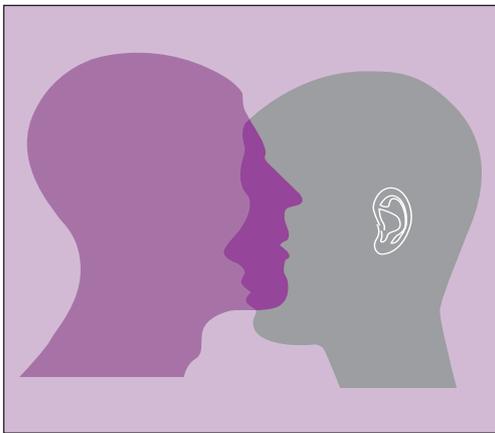
WHAT IS COACHING?

Tim Galway, author of "The Inner Game", defines it as "unlocking a person's potential to maximise their own performance. It is helping them to learn rather than teaching them." Another definition is "bringing out the best in people". Like most good ideas coaching is very simple: it helps people to improve their performance, and to keep improving it.

So coaching is about performance enhancement and about learning to learn. Specific methods vary from coach to coach. Many are based on motivation techniques discovered in sports coaching, but the underlying process is often similar. The core task of the coach is to clarify your goals and help you achieve them. Typical questions arising in the coaching process are:

- What is your goal: both for the session and longer term?

- What is your current situation vis-à-vis your objectives?

- What are the realistic options available for you to reach your objectives and what are their relative strengths and weaknesses?

- What action are you going to take and when? And do you have the resources and commitment to follow this through?

Coaching can be applied to improve performance in a wide variety of areas. A typical application is coaching of senior executives to develop their capability to improve the performance of the entire organisation or of a business unit or function. Coaching can also be used within teams to develop their performance. It may also be targeted to help individuals with specific development goals relating to, for example, leadership, presentation skills or time management.

Coaching can also be developed as a core competence and technique for managers and supervisors throughout an organisation. In this sense coaching can be seen as a management style as much as a tool or methodology. The prevailing management style in many organisations is still a traditional "do what I say" model. A coaching style is more facilitative and might typically ask "how would you do it?"

IMPLEMENTATION

There is probably a lot of good coaching in your organisation already but much of it will be unstructured, of varying quality and probably not consistently followed through to completion. Adopting coaching as a management technique may require a very significant shift in attitude and considerable investment in training and time if it is to pay off. Putting it bluntly, trying to implement coaching across a whole organisation without proper thought and research could be very costly.

Using coaching in targeted areas is a sensible first step. Two examples are:

- Trialing it with some staff performance / development ("appraisal") meetings between members of staff and their line managers. These meetings, and ongoing performance management, are very suitable for the coaching model and style of communication. However, it will be important to ensure that managers have the skills and attitudes required: an investment in training will be needed.

- Providing support for selected individuals with specific challenges (typically this is where senior people use an external coach). Using an external consultant to coach someone through an issue or problem can obviously be a very effective way to find and implement a solution. It can also allow you to dip your toe in the coaching stream without being swept away in a torrent of consultancy and training costs!

SELECTING A COACH

Some of the issues that you may want to explore when selecting a coach include:

- Skills: coaches require, in particular, good listening and questioning skills. Have they displayed these to you at your initial meeting?

- Technical expertise: if a particular skill area is to be developed, you will want to check what experience the candidates have.

- Sector knowledge: an understanding of the dynamics and language of your market could be an advantage.

- Approach: check on the approach they would adopt and any specific tools they may use (e.g. psychological inventories).

- Qualifications: determine if they have any relevant qualifications. A qualification in some aspect of psychology may be appropriate (although not essential).

- References: ask to speak to people with whom the coach has worked about the results of the relationship.

"...A SURE FIRE RECIPE FOR DISAPPOINTMENT..."

Perhaps the most important advice on choosing a coach is that it is vital that you get on with him or her on a personal basis. Working with a coach you don't like is a sure fire recipe for disappointment, even if they are fully qualified in every other respect.

[Coaching was also the subject of an article in Issue 1 of The Review: "Coaching: the power and the perils" by Karen Lee. You can find this on our web site in the resources section]

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WEB SITES

In this issue we suggest six sites about films. After all, there is more to life than work…

BBC Films
www.bbc.co.uk/films

Packed with information, this is an entertaining site with film news, reviews and charts, links to hot releases, local cinema search and film-making prizes.

OVERALL RATING

UK Hot Movies
www.ukhotmovies.com

Billed as "UK's leading movie portal" this is a popular webzine with film news and reviews, latest trailers, and discount video / DVD shopping. It also gives the latest TV listings.

OVERALL RATING

Film Site
www.filmsite.org

One for dedicated film buffs, this is an award-winning site with a large database of reference material on hundreds of classic Hollywood/ American and other English-language films in the last century.

OVERALL RATING

British Films
www.britfilms.com

A site produced and maintained by The British Council, this is another large database, this time dedicated to British films (since 1998) and film makers. Includes a guide to festivals and training. Also features short films by up and coming talent.

OVERALL RATING

Digital Films
www.digitalfilms.com

Fun site where you can make your own animated film free online. Choose a background scene, characters, animated actions, dialogue, introduction, and ending credits. Next stop, Hollywood!

OVERALL RATING

Planet Bollywood
www.planetbollywood.com

A site dedicated to Indian films and music. Includes listings of top films, film reviews, an archive, gossip and ratings. But a shame about all the pop up ads.

OVERALL RATING

Book Reviews

In our experience, organisations of all types (e.g. government, businesses, professional service firms and charities) are focusing attention on so-called key accounts. But key account management is rarely implemented effectively (i.e. in ways which also add value for the customer!): Cheverton's book is an essential guide. Dive (who submitted his book to us for review) has a unique perspective on organisation development which is grounded in over 30 years of experience at Unilever and his work in more than 50 countries.

Key Account Management
By Peter Cheverton

Key Account Management (KAM) is about investing in and developing long-term relationships with customers and about considering the "lifetime value" of these as opposed to short-term sales. To a challenge about use of the word "account", Cheverton would say that it "represents the customer as an investment made by the supplier in its own future."

A common misapprehension about KAM, Cheverton thinks, is that it is a selling tool or initiative, something that is done *to* the customer. Effective KAM is actually a business-wide effort, something that is done *with* customers in order to fulfil their expectations of suppliers and to thereby gain competitive advantage.

A 5-level key account relationship development model is described. This goes from "Pre-KAM", through to "Partnership KAM" (e.g. the relationship is based on trust and the supplier is focused on developing the supplier's capabilities rather than challenging them) and, ultimately, "Synergistic KAM" (e.g. joint R&D, shared training, and transparent costings and margins).

A key issue is selecting the most appropriate customers as "key accounts" (they are not necessarily just the big ones!). Cheverton offers a 10 step process, starting with knowing your objectives and then covering issues such as segmentation and identifying customer attractiveness factors.

There is much other practical advice on how to implement KAM. A bonus is the CD containing key account selection software and planning tools. Possibly a bible.

OVERALL RATING

Kogan Page, 2004 (3rd Edition). £19.25 (Amazon).

The Healthy Organization
By Brian Dive

Dive's book is about how to develop a healthy organisation. He suggests that the healthy organisation is "…one that meets its mission and simultaneously enables individuals to learn, grow and develop."

He argues that the common source of problems in organisations is a lack of true and transparent decision-making accountability (DMA). DMA, which he likens to DNA in the human body, "maps the path to health and effectiveness". He claims that excessive numbers of both decision-makers and channels for decision-making "clog the arteries of vitality" and slow down the organisation's ability to respond quickly and effectively to the market. Dive describes a process through which leaders can find answers to key questions such as:

- How many people should there be in this organisation?
- How many layers of hierarchy are necessary?
- What are the most effective professional development steps for employees?
- What career paths should individuals follow to reach fulfilment?

There is also a useful section on leadership in which he challenges that most competency models of leadership fail because "they are unable to define the context in which they are practised".

As Dive says, there are no quick fixes for creating the optimum organisation, but there is certainly much to be learnt from his thoughtful, logical approach (grounded in both theory and empirical evidence) and from his experiences at Unilever, Tesco and other leading organisations.

OVERALL RATING

Kogan Page, 2004 (2nd edition). £17.99

WHITE MAPLE NEWS

IN NUMBERS...

33 Clients with which White Maple has worked since foundation.

97 Percentage of clients coming to us by recommendation or as repeat business (because they had worked before with one of our consultants).

28 Months that the company has been trading.

1 Percentage of after tax profits donated to charities. (This year we have supported Macmillan Cancer Relief, The Alzheimer's Society and Save the Children. In addition we have worked pro bono for two charities.)

100 Percentage of employees with Masters degrees.

12,897 Average hits on our web site each month (first 8 months of 2004)

8 Articles available for free in the resources section of our web site.

7 Floor on which we are located at 3 Shortlands.

54 Trees planted by White Maple to offset CO_2 emissions.

BACK NUMBERS

Previous issues of The Review are available on request. You can also find electronic copies in pdf format on our web site (look in the resources section).