



Transforming businesses through empowered leadership teams.

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Ethics as a Business Process
By Dave Kinnear

It seems that everywhere we turn these days, the question of “Ethics” comes up in the discussion with our clients’ management team. The news is filled with headlines of one executive or another at well known firms being indicted or arrested and being carted off to confinement. The public, while never really in love with big business, has soured even more with the revelations of greed, impropriety, reckless financial deals and what seems like a total lack of fiduciary responsibility.

For much of their professional careers, the consultants at dbkAssociates, Inc.SM have had to continually address the issues surrounding the management of business culture, which, of course, includes the decision-making process around competing moral and/or economic values. In no part of the change management process is the challenge greater than in this area, and much work has been done to define the terms and procedures.

What is Ethics?

We can start with some definitions as found in a dictionary:

1. study of morality’s effect on conduct: the study of moral standards and how they affect conduct (takes a singular verb) Also called moral philosophy
2. code of morality: a system of moral principles governing the appropriate conduct for an individual or group (takes a plural verb)¹

This is a slippery issue, especially for business folks trying not to “harass” employees, or to force “moral” values upon them that might be contrary to their own culture. So this is a very difficult topic to discuss openly.

This is a timely subject based on the news headlines and the questions employees, customers, and investors are all asking our corporate leaders. And I propose it is time for a hard look at the definition of ethics, and come up with a way to discuss this in our business communities. Here is a proposed definition:

Ethics is the process whereby we choose between competing moral² and/or economic values.

I am proposing that we re-define ethics for the purposes of business. The reason is that we have a bit of a problem with the “moral” aspect of this definition and we need to tread very carefully around how we develop our business culture. If we look at the second dictionary definition above (2.), we see why this is a difficult topic in the business world. Some would say

Ethics Defined

New Definition

that the second definition fits their concept of religion. And this is where the problem lies. So, I am proposing a new definition in order to put in place a “code of conduct for individuals,” that achieves our business goals and at the same time avoids the Enron and WorldCom debacles.

There is no way that a company is going to avoid deciding between competing moral and/or economic values. The difficulty is getting our individuals, who all have different moral compasses, to comply with the culture of the company so that we do not have to micromanage every action every day. When we have other physical processes, we codify the individual’s response as much as we can. We do that with detailed policies, processes, and procedures. I am suggesting that we do the same with our Ethics Process. Training, communicating and consistent application apply to the ethics process just as they apply to any other process.

Ethics is a process because:

- The series of actions are the decisions we make between competing values
- Can be optimized by “codifying” the decision-making procedures - policies, vision statements, etc.
- Can be revised with new technology or information

Notice that our corporate hands are tied more than an individual’s hands in that the corporation cannot condone breaking the law. Yet one of the definitions of “moral” clearly says doing what someone’s conscience suggests is right regardless of the law. So, we may say someone is ethical when they decide to run a red light in order to rush a severely injured person to the hospital emergency room. Another definition of ethics comes from a phrase penned by Lord Moulton, a British jurist in the 19th century, who described ethics as simply “obedience to the unenforceable.” If we merely follow the enforceable, that is, the law of the land, then we are not necessarily going to act civilly or ethically in matters that are not enforceable.

So if we combine the previous definitions, we can identify ethics, as a process because there are a series of actions, they would be the decisions we make. And we can prescribe how we want the process to be carried out, even optimizing it as we put it into practice.

Further, if we make sure that the process is focused on corporate goal achieving activities then it is certainly a business process.

Ethics is a Business Process because:

- One can focus the “Ethical Process” on business needs
- Can be strategic and competitive advantage and
- It’s “good business” - especially now

Ethics is a Process

As a Business Process

Is this a viable model?

Why view ethics as a process or model?

- Processes can be revised, optimized, and simplified
- It minimizes or directs some of the unwanted individual “morality” beliefs on the business
- It is less judgmental as a process

But is this a compelling way to look at ethics? I submit that it is in several important ways:

First, we are all used to revising optimizing and simplifying our processes. By identifying our “ethics” as a process, we should be more willing to accept that actions from previous years may not be acceptable moving forward since we have new information saying that the consequences of our decisions have changed. There were no serious competing moral values to consider when using Freon in our air-conditioning units until we discovered a high probability that it hastened the destruction of the Ozone layer above us.

Second, if ethics is left to individuals, we may or may not get compliance with the unenforceable part of the business culture. There is a shorthand definition of ethics that states: Ethics is compliance with the unenforceable.

Third, all the MBAs tell us that we need to flatten our organizations and move decision-making as close to the customer as possible. “Organizing for innovation means flattening the organization hierarchy, giving more responsibility to the lower levels, and scuttling discipline-oriented departments in favor of ad hoc mission-team groups.” – MIT Productivity Study, *Made in America*. If we are to follow this advice, we must make sure that the decision-making process is in harmony with the corporate culture or ethical process.

Fourth, and perhaps most powerful for us in the business world, by looking at Ethics as a process whereby we choose between competing moral and/or economic values, we are not making any negative statement about those moral values. In fact, we are lifting them up as being worthy of consideration. This gives us a language for explaining our decisions that is respectful of many different views. We no longer have to say some one or some company is unethical or immoral. We may question their process but as long as they have one and follow it consistently, they are ethical in that sense.

The perception of the public seems to be that companies will do anything they can get away with. But companies comprise individuals. Companies cannot take action; they are only a legal entity. The public sees that companies (individuals) will even knowingly break the law. Polluters, for example, often knowingly violate the laws and ordinances because the fines are smaller than the cost of compliance. This is questionable business practice because it usually has only a short term gain.

By letting the law be the decision-making process, we turn control of the company over to the law makers and are more at their mercy than we are today. We will invite more laws and restrictions. Another, more conservative approach would be to make sure that the decision-making process holds employees to a higher standard - that the company will be seen as a good corporate citizen.

HBR Case Study: The Best of Intentions, July 2002, Page 31, John Humphreys

Cynthia Mitchell just stared at her boss, Peter Jones. She admired him a great deal, but she couldn't believe what she had just heard.

"Let me get this straight," she said. "I shouldn't give Steve Ripley this assignment, even though he's the most qualified candidate, because the clients won't let him succeed?"

"It's your decision—and Steve's, if you decide to offer him the job. But I think it would be a big mistake," Peter replied.

"Because he's black," Cynthia prompted. "And because we're automatically assuming that the mostly white farmers in this district won't trust their books to a black professional?"

Peter flushed. "We don't assume it. We know it. Just ask Betty Inez and Hugh Conley. They were every bit as good as Ripley. But we — okay, I was blind to the unpleasant reality that plenty of discrimination still exists out there, like it or not. Because of my ignorance, they both failed miserably in districts that looked a lot like this one. It wasn't their fault, but their careers with AgFunds got derailed anyway. I want to give Steve a fighting chance, and I want AgFunds to have a better record developing minority managers."

Cynthia sighed. "This feels all wrong to me, Peter, but I know you wouldn't raise the issue if it didn't have any substance. Let me think about it."

If you are familiar with HBR case studies, you know that what followed from this was a discussion by several executives. There was no "right" answer. These are the tough issues — choosing between two or more "rights." Choosing between something that is obviously wrong and something else that is obviously right is pretty easy and clear for most people.

So the question here is simple: faced with a similar predicament, would your managers understand the "corporate" culture? Would they understand the Ethics Process? Would they, because you as the leader cannot make all the decisions, carry out their duties and choose the right competing moral values based on that ethical process?

A short Case Study Excerpt

“There is no such thing as business ethics, there is only ethics.”

Despite all this discussion, there really is no such thing as **Business Ethics**. That is why I chose my words carefully; that Ethics is a process, and it can be a business process, but it isn't a business process alone, segregated from the rest of our existence. **There is, finally, only ethics** as a process whereby we choose between competing moral values. We cannot separate this process from our personal and business lives. I offer as a thesis that we cannot be ethical in one and unethical in the other and say that we are ethical - that is, have thought about, understand, and consistently apply our decision-making process.

¹Encarta World English Dictionary © & (P) 1999,2000 Microsoft Corporation. All rights reserved. Developed for Microsoft by Bloomsbury Publishing Plc.

²Involving right and wrong: relating to issues of right and wrong and to how individuals should behave or derived from personal conscience: based on what somebody's conscience suggests is right or wrong, rather than on what the law says should be done.



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