

ETHICS

Corporate Ethics Can't Be Reduced to Compliance

by Peter Rea, Alan Kolp, Wendy Ritz, and Michelle D. Steward

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At companies across the globe, the layers of compliance mechanisms are growing. At first blush this seems to make sense: Perhaps the most obviously straightforward method of preventing unethical or damaging behavior is increasing the number of rules designed to curtail it. However, one of the more unsettling and unintended consequences of a singular focus on ethics-as-compliance is a checkbox mentality

that gives the illusion of reducing risk without really doing so. Moreover, unless an organization is careful, a compliance-focused approach to eliminating unethical behavior can stunt a company's efforts to innovate and to take intelligent risks.

So what can a company do to excel ethically? Instead of focusing on the poor choices you want employees to avoid, focus on the positive virtues you want them to exhibit.

Plato emphasized a virtue-based system of ethics 2,400 years ago in his Academy. The philosopher believed that virtues were best encouraged through questions and discussions rather than through statements and proclamations. In other words, we learn ethics in conversation with others.

So rather than getting together with senior managers to craft a "values statement," corporate leaders should instead foster a series of structured conversations between leaders at all levels and their teams. The goal of these conversations should be to develop a common language to help frame examples of how people live out the organization's values or classical virtues. This is inherently a social process – virtue is learned, not inherited. Leaders are already teachers of their culture, whether they are aware of it or not, so they should ask themselves how they can teach it better.

Here are questions for each of the seven classical virtues that companies can use to shape these conversations and shift their focus from complying with the rules to excelling ethically.

Trust: confidence in one another.

- When has trust made us faster and more agile?
- How can we restore trust?
- At our best, how do we earn and deepen trust?

Compassion: an understanding of another's challenges.

- How does compassion support our business goals?
- How does compassion increase engagement?
- When have acts of compassion improved our business results?

Courage: strength in the face of adversity.

- When have you witnessed courage in our company?
- Who is effective at encouraging people to be courageous?
- How can we help people to be more courageous?

Justice: a concern for fairness.

- As a company, when did we go out of your way to help a coworker?
- How can we further empower our people so they are more engaged in setting their own performance criteria?
- When have we been our best in serving the needs of each of our stakeholders?

Wisdom: having good, sound judgment.

- What have been our wisest decisions?
- When faced with our most difficult decisions, when did we choose the best course and have strength to endure?
- How can we be more intentional about integrating wisdom into decision making?

Temperance: having self-restraint.

- How can we balance two competing rights, such as concern for the company and concern for the individual, or compassion and justice?

- How can we help people practice self-control?
- When have we been our best at encouraging life-work balance?

Hope: a positive, optimistic expectation of future events.

- What are the parts of working for our company for which you are grateful?
- What do we do well, and how could we do more of it?
- When was our culture at its best?

Leaders can assess how well they're modeling virtue-based ethics by asking employees five questions about how the company is exercising its moral muscle:

- How well are we teaching character in our company?
- How might character development benefit our company?
- What is being done to encourage or discourage character development in our company?
- How does character development reduce risk?
- How does character development promote growth?

The goal isn't perfection; organizations are neither completely virtuous nor completely free of virtue. The goal is for companies to be better than they have been and for leaders to teach virtuous behavior by example.

We suggest that it is strategically smart for an organization to make sure that stories about the practice of virtue are actively and intentionally shared throughout the organization. Character is the result of daily actions – planning meetings, quarterly reports, RFPs, customer interactions, and so on. As Aristotle famously said, “We are what we repeatedly do. Excellence, therefore, is not an act, but a habit.” Virtues in

turn permeate the broader organizational culture and define “the way things are done around here.” That’s a force that’s a lot stronger than a narrow focus on following the rules.

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