

Ethics For Managers In Corporate Governance

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INTRODUCTION

It may be appropriate to begin by saying something about the nature and meaning of ethics. Quite a few people will automatically think of ethics as providing a system of guidance based on a set of principles or rules. These rules will help us to determine what is good, bad, right or wrong. There is a good deal of truth in this perception. However, it needs to be viewed in a much broader context.

Have we often noticed that a lot of people seem uncomfortable when the discussion turns to ethics? Sometimes, the reason for this is that they think that the whole subject is too theoretical or that ethics are the same as morality - and, therefore, are a private matter. While understandable, both positions need to be reassessed.

Ethics is about as practical a subject as you can get! History tells us that the first question to be asked in ethics was put by a Greek philosopher, called Socrates. Socrates lived in Athens at around 500 BC. His question was a deceptively simple one. He asked: "What ought one to do?" As you can see, it's not a question of theory. Instead, we are asked to think about how we should live our lives (in every aspect) and about what kind of people that we want to be.

This leads to a second point. Ethics are not the same as morality. To be talking about ethics is to be involved in a conversation about what we ought to do. Morality provide alternative answers - different moralities are like different voices in that conversation. So, there is a Christian voice, a Jewish voice, an Islamic voice, and so on... Then there are the voices of secular philosophers and all the others who think that they have something to say on the matter.

The tricky part, for all of us, is to pick out those voices that seem to be speaking to us with the most sense and inherent truthfulness. We are also faced with the challenge of joining in the conversation. If we are going to do that, then we will need to feel comfortable about using the language of ethics. How many of us feel comfortable about speaking of these issues at all? Many feel that they will be looked down as being a little 'weak' or pious if they institute a discussion about ethics. Others think that it is all irrelevant; just a waste of time. This can be the context in which people find themselves unable to ask even the simplest of questions, "Is it right?"

However, part of the power of Socrates' question is that it shows that we cannot avoid ethics - even if we want to! We might pretend that we aren't involved in the conversation. However, every time we make a choice, and every time we take a decision, then we unconsciously reflect our values and commitments. That is, we send a signal about what we think one ought to do in such-and-such a situation and at such-and-such time.

It's not difficult to demonstrate the way in which ethics underpins everything that we say and do. Just imagine asking each person to explain why they pursued one course of action over another. People will give all sorts of reasons. Some of them will sound like ethical reasons, others will not.

For example, a person might reply by saying, "I did it because it seemed like a good idea at the time" or, "I did it because we've always done it that way". Both answers tell us something about the person's ethics. We learn something by noting their assumptions and the values that seem to underpin their approach to the matter in hand. We can go on to ask, "But why do things just because you think them a good idea at the time?" and "what's the fact that 'you always do it' have to do with the correctness of your decision?"

To repeat: you can't escape ethics. Ultimately, everything comes back to that primary question: "What ought one to do?" The way we live our life tells people something about what we believe a "good life" to be. Even if you never utter a word - the way you live your life tells people a considerable amount about your ethics. The pity is that some people never really think about this and instead operate on auto-pilot. They follow patterns and instructions designed by others.

This is not to suggest that it's always going to be easy to tackle issues in ethics. One frequently encounters an ethical dilemma. Such dilemmas can arise in various ways - most commonly when two or more principles call for contradictory responses to the same set of circumstances. As the word 'dilemma' indicates, if not left totally in the dark, we certainly experience the 'grey' region of judgments. In many situations, our choice is restricted to the lesser of

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the two evils. There is little that can be done about this. All the wisdom of the ages is powerless to rescue people from this particular aspect of the human condition.

Much of this suggests that the business of ethics is a very public matter. There might be personal moralities that relate to an individual's deepest convictions and beliefs. It may be that such private feelings ought not to be exposed to public debate. However, although we might agree that this principle is fair, the fact of the matter is that even private people exist in a social environment to which they contribute.

This suggests one really important insight about ethics; namely, that it is all about individuals and how they choose to live in a community. Ethics is about relationships and, in particular, whether or not we recognize the way in which other people are affected by our actions, and that they may have a claim on us.

This is especially the case in the world of work where each of us is constantly engaged in making choices and decisions. It is at this point that we move into the realm of ethical management.

ETHICAL MANAGEMENT

Ethical Management is a form of management that is concerned not only with the technical, financial and legal aspects of a business, but also recognizes and manages the values that operate at the heart of any enterprise. These values affect everyone in the organization and all of those with which it has some association. In point of fact, there is no such thing as a value-free organization. The values adopted by an organization can be for good or for ill. That is, they can contribute to the organization's ability to achieve its objectives or they can act as a hindrance.

Given that values shape an organization's 'climate' or 'culture', it is important that they be identified and managed in the best interests of the organization and the people that it is there to serve. One of the key objectives of ethical management is to create the conditions and competencies through which an organization's values can be harmonized in a way that best serves the organization's mission.

Much current management theory implicitly (and sometimes explicitly) recognizes the importance of the ethical dimension. For example, the principles of Total Quality Management contain the seeds for sound ethical management. The TQM approach is based on a recognition of the need for continual review of the processes of production and provides diagnostic tools of measurement to determine performance and measure progress.

The tenets of TQM are readily applied by management to the technical areas associated with the systematic control of goods and services that are produced for internal and external customers. However, this same approach can deliver impressive results when applied to the task of examining the prevailing culture of an organization and its constituent parts. In this respect, it can be seen that the principles of TQM can be extended beyond the technical aspects of the business to the values that are operating there.

TQM's emphasis on a management style that is consultative and participatory, together with its emphasis on collaboration through the two-way flow of information and the use of teams, holds potential for effective ethical management. They are what shape the corporate climate within which all the other productive processes are operating. When we speak of ethical management, we are discussing an integrated approach that recognizes the utility of examining the values that influence "the way things are done around here". The utility of such an approach can be found in the fact that an organization's dominant values have a significant effect on, among other things, morale and productivity.

But there is another reason for examining such matters. Leaving aside questions of increased productivity, higher retention rates, improved compliance and so on; there is also the issue of simple decency in the way in which we organize our social institutions. We sometimes act as if businesses can exist as totally independent entities.

This dangerous fiction obscures the fact that businesses, governments, indeed all of our institutions are created by and for people. To take a serious look at the values and ethics is to make a statement along the lines that we recognize the importance of the human dimension in what we do. It says that whilst notions of efficiency are important, they are not the whole of the story. It recognizes that people are not cogs in a machine. It says that we are concerned about the kind of community that we want our organization to be. It says that people matter.

The Code of Conduct, spells out many of the behavioral implications of the values or ethics on which it is based. As such, it is a potentially powerful tool for organizational change.

It might seem to some that the very idea of ethical management creates problems for those who would conduct a successful business. This seems to be doubly so when considering, the not unreasonable view, that a successful

business will be run in a cost-effective and profitable fashion. Where, in all of this, is there room for ethics? Indeed, one could be forgiven for thinking that business and ethics are like oil and water - they don't mix. This is certainly the view of many members of the community. The evidence for this can be found in an intriguing piece of research conducted by Hugh Mackay.

Mackay discovered the not-too-surprising fact that members of the community consider that ethics are likely to be incidental to business. He reports that:

Australians find it difficult to make judgments' about corporate morality, and part of the difficulty is that they see major differences between the behavior of a corporation (where 'profit' is taken to be the driving force) and the behavior of individuals (where motivations are far more varied and diffused). This line of thinking often leads people to such assertions as "business is there to make money", and to question whether ethics really "come into it".

Many people would *like* the situation to be different, but there is an overwhelming sense that the very essence of business means that ethics will often function as an 'optional extra' rather than being fundamental to the character of business corporations.

This view of business is frequently shared by those who are in the public sector and who either face commercialization or privatization. At one level, there is fear about the ability to compete, at another is a sense of anticipation that corporatization means that notions of public service can be ditched and that the 'gloves can come off'.

The problem with this is that the view of private enterprise held by the public is largely a caricature. However, before exposing the error, it may be useful to look at how the public views the ethics of the public sector! It will be recalled that the community is suspicious of the ethics of those who are driven by the profit motive. On this basis, one might expect that the public service would be regarded with trust and esteem. Unfortunately not. Popular logic sees things quite differently. In fact, it has been found out that government institutions attract more criticism than private enterprises.

Paradoxically, the very absence of profit motive is sometimes thought to make government departments and instrumentalities more insensitive, more cavalier, and more bureaucratic in their behavior: if "how they treat people" is regarded as one of the key symptoms of the ethical climate of an organization, then the government institutions generally fare worse, in the public mind, than the private enterprise.

In such cases, where profit is not regarded as a distraction from ethics, people are inclined to assume that a certain "slackness" takes over. It begins as inefficiency and may sometimes end as immorality. Because of the impression that government organizations are largely 'bureaucratic', the suggestion is also made that they lack clear and decisive leadership from the top, and that, in fact, the example set by bureaucratic managers probably encourages the very slackness which lies at the core of the problem.

This finding should tell us something *not* because the popular perception is accurate, but because it is so distorted. There is some recent, and rather compelling, evidence for concluding that the public has got it wrong. At a recent luncheon, held by the Australian Society of Certified Practicing Accountants, the former Premier, Nick Greiner, was called upon to launch two new Centers of Excellence. Mr. Greiner began his remarks by confessing that his recent experience of the private sector had led to what (for him) was a most unexpected conclusion. He then revealed that he now recognized that many public sector managers were as good as (and in some cases better than) their private sector counterparts.

Now, the significance of this goes beyond the simple point that common perceptions about the public service are somewhat partial. For, if one concludes that the public may have got it wrong about government enterprises, then it is just as likely that they have a similarly distorted picture of the private sector. And this is, of course, pretty much the case.

Most people are satisfied with a false dichotomy about the relative strengths and merits of public and private enterprise. These misconceptions are carried over into the prejudices of those who are employed in the respective sectors. Thus, those in the private sector frequently think that public servants are lazy and/or bound by bureaucratic inertia. And those in the public sector think that the private sector is driven by greed and that its policies are pursued without any regard for the common good. The truth is that the best practice requires much the same of both sectors. For example, the private sector has a long tradition of succeeding where it has been able to focus on the broader interests and needs of the community in which businesses have been based.

Many successful industries and businesses have been run with an explicit aim of serving the public and making a

better world (eg. Cadbury's). Others have been aware of their dependence on a healthy social infrastructure as the ultimate foundation for their profitability. In current times, there is a perceptible return to management philosophies which recognize that, in the long term, good ethics is good business. So it would be a mistake to think that the best practice in the private sector can be emulated by adopting a 'gloves off' stance.

In the same vein, the public sector has been leading the way by embracing new management philosophies designed to recognize that businesses are integrated units in which responsibility is best delegated along lines of accountability.

Reforms in the public sector are seeing the implementation of policies and practices that are at one with the best. Good management is about choosing the right means to achieve justifiable ends. In the case of individuals or an organization, these ends will need to be viewed in the context of how they affect the community's pursuit of wider 'goods' (be they economic or social goods). For example, in achieving the goal of designing faster, more economical trains, is it proper to allow for a sacrifice in the margin of safety? The same question applies when considering the design of toasters, cots, life insurance and so on. There are no black or white answers to such problems. That is why the community trusts (or perhaps hopes) that managers will recognize that business is ultimately about people in society and their common good or welfare.

It is in this context that the Code of Conduct needs to be situated. It would be far too easy to see the code as just another set of pious sentiments imposed from above. It would also be very easy to see the code as irrelevant or worse, as impractical. The truth is that the code should be seen as playing a fundamental role in helping to define and realize the notion of best practice.

One of the key components of successful management is a capacity to respond to change. Response time is retarded by inefficient or entrenched structures. Thus, the process of keeping a manual inventory of stocks and stores may be fondly thought of as possessing a certain kind of quaint charm. However, this should not be allowed to obscure the fact that the cost of maintaining an outdated work practice is to be borne by the whole enterprise. In some cases, where the tail wags the dog, such a system may even work to frustrate change at a more general level.

Many management experts have stressed that an ability to manage change is going to be the defining characteristic of the successful business of the future. If this is so, then it will mean building in a capacity to take a constructively critical look at all of our policies and practices.

Whilst it is important to reserve a place for healthy traditions, it is equally important that businesses release themselves from the shackles of habit. It is easy to see the significance of this when it comes to manufacturing processes, management procedures and all the other 'surface' characteristics of an enterprise. However, there is an even more fundamental level that, being taken for granted, is frequently overlooked.

This is the level of the organization's culture or character (ethos). Custom and practice can be just as stultifying at this level. An uncritical environment can lead to a situation in which custom and practice are used to justify the indefensible. People become prisoners of values that might have made sense at another time, but clearly fail in the clear light of present scrutiny. This then is the context in which the SRA Code of Conduct ought to be examined. It will then be seen to be an indispensable element in the overall architecture of the organization.

At first glance, the Code of Conduct seems to be all about behavior. But its real foundation is in the values that it promotes.

BEHAVING ETHICALLY

Before analyzing the Code of Conduct, let us first explore the values on which it is based as these provide the key to ethical management. The key value not explicitly mentioned, but underlining the Code, is a recognition of the dignity of the human person. To recognize the dignity of each person is to see people as ends in themselves and not just means to be put at the service of others. It is to recognize that people cannot be used for the service of things, but things are to be used to serve people. Consequently, there is a right way to treat people and a wrong way. The Code is about the right way to treat people and the principles enshrine a number of core values that also make sense in the context of running a successful modern business.

✿HONESTY

Honesty is the first value to be specifically mentioned in the Code. At one level, this involves a commitment to truthful

and accurate communication. It also implies avoidance of deception; be it in financial reporting, marketing strategies or communication with one's colleagues, workers and other groups, in so far as is compatible with the obligation of confidentiality and with other responsibilities. To take a simple example, making promises that cannot be kept, such as unrealistic delivery dates, would be dishonest.

✿COURTESY

Courtesy involves the active expression of respect for other people. It involves listening without impatience, dealing with people fairly and honestly. It also involves respect for peoples' privacy. However, there may be important reasons why the organization may require employees to provide it with highly personal information. Such records must be kept with care and discretion and only for legitimate reasons.

This means the organization and individual are concerned about the impact of their behavior on others. Many groups of people are affected by how the organization conducts its business. These are known as stakeholders. They include employees, customers, suppliers, competitors, owners (which in this case is the Government) and the wider community. Being ethical means conducting business in a way that respects the various rights and interests of stakeholders as well as their needs and concerns. Identifying and weighing these concerns is what much of the Code of Conduct is about.

✿INTEGRITY

Behaving ethically also implies that one will act with integrity. This would mean avoiding improper influences or conflicts of interests that would undermine ones independent and unbiased judgement. Integrity implies self-control and self respect. It requires managers to act with the courage of their convictions even when there is a price to be paid for doing so. Any use of drugs or substances that would interfere with the quality of ones work or judgement must be avoided. Fairness is another virtue in behaving ethically. Individuals should not be disadvantaged for irrelevant reasons such as race, gender, religion or sexual orientation. Taking advantage of the vulnerable or ignoring the claims of those who have been wronged are other examples of unfairness. Unfair dealings destroy the morale of an organization and contribute to a climate of cynicism.

✿EFFICIENCY

Efficiency implies the careful use of resources which is part of any responsible stewardship of the limited resources available. Inefficiency adds to costs, which ultimately reduces the services available to the public.

✿RESPECT FOR PROPERTY

Finally, respect for property is an ethical virtue that underpins parts of the Code. Property may be considered to include: goods, information or real estate. Here, the issue is not simply to avoid theft, but extends to proper care of the goods and property for which one is responsible.

MANAGING VALUES

Commitment to these values benefits both the organization and the wider community. Because shared values form the basis of trust and co-operation, this commitment simplifies the task of the management, helps avoid any legal trouble and reduces the need for managerial oversight. It improves productivity because people are more productive in a climate where they feel valued and respected. It brings pride into the workplace and people find strength and reassurance when they know ethical judgement is expected of them and is highly valued. It is on these foundations that business goals of profitability, market leadership and innovation rest.

However, ethical management is not always easy to exercise. There are times when different values come into conflict and one may have to choose the lesser of two evils. For example, a conflict could arise between an individual's right to privacy and the need for workers responsible for public safety, and who operate dangerous equipment, to ensure that they are not under the influence of chemical substances that could affect their performance. When managers need to give preference to one ethical value over another, they should explain their decision to the affected parties and seek ways to minimize any damage to the competing value.

The climate of social trust that comes from a common commitment to ethical values is a public good. We cannot assume that everyone shares these values. For example, pressure for unethical behavior will often come from outside influences such as: suppliers, contractors, or even customers. To have a significant impact on behavior, values will need to be actively built into the organization. Managers need to be clear on the standards that need to be adhered to and spell out their behavioral implications.

The ethical climate that is brought into existence is the net effect of all the transactions that take place within an organization. In developing this climate, the role of leadership is critical. But it is important to realize that, within the context of ethical management, the successful leader will work to ensure that there is a *shared* interpretation of the meaning of values at work within the business. In practical terms, it is necessary for ethical standards to be taken into account in performance evaluations and promotions.

In summary, an organization's values tell the community (as a whole) what it can expect. This message is conveyed to all stakeholders. In the case of SRA's Code of Conduct, the message is that the community will be served by a public service that is fair, honest, reliable and efficient to do business with.

THE SUBSTANCE OF THE CODE

Having analyzed the key values that form the framework of the code, let us recall the four principles of conduct. Employees are required to:

1. Behave honestly, courteously and ethically.
2. Work in a safe, healthy and efficient manner.
3. Observe legislation, awards, policies and job requirements.
4. Act in the best interests of the organization and its customers.

These primary statements are essential as a source of direction when having to make judgements and decisions between competing priorities with limited knowledge, conflicting personal values and so on. For example, reference to these principles may help you to decide whether it is ethical to inflate budget estimates artificially and in order to achieve what you think you really need. Or, under pressure to get the job done, would you allow your staff to work in an unsafe manner, eg. lifting a 25kg box.

In each case, judgement is likely to be reliable if it is informed by sound ethical values. If in doubt, (as you will often be), you should consult with a colleague so that the combined experience can recommend the appropriate action.

IMPROPER ADVANTAGE

The Code establishes a framework for personal and professional behavior. This framework includes a fundamental provision that members of the public and colleagues be treated with honesty, courtesy and respect. It is worth noting that this has been, in other contexts, the subject of many ICAC(Independent Commission Against Corruption) investigations. Improper advantage might include:

- ✱ Seeking a benefit for doing your job eg. a trip overseas.
- ✱ Giving work to your own company or to that of a relative.
- ✱ Preferential treatment for friends and ex-employees.
- ✱ Obtaining benefit for friends or family in letting out contracts.
- ✱ Secret commissions.
- ✱ Obtaining benefit by deception.

The following is an example of how an ICAC enquiry shed light on this matter.

A case, dealt with by the ICAC, involved a manager from the Commercial Services Group who was found to have acted in a corrupt manner when engaged in a particular tendering procedure. Complaints were made by the unsuccessful tenderers. They alleged improprieties in the way the contract was let. It was alleged (and subsequently found) that one of the department's principal officers, who was involved in letting out the contract, had accepted an overseas trip for himself and his wife. The trip, at the expense of the successful tenderer was arranged during the course of the tender. The package on offer to the officer was further sweetened with a job offer from the subsequently successful tenderer.

At a formal level, the proper procedures for the letting of the tender were observed. However, the checking and preparation of submissions for approval was deficient. There was a total reliance on the propriety and judgement of

one key individual who had a long employment history and was respected for his expertise. There were no checking of procedures to ensure that the best deal and product were obtained. Such a situation is fraught with danger, exposing the individual to corrupt inducements and threatening the integrity of the system.

To accept overseas trips, or any other commercial benefits at the supplier's expense is clearly open to question. Such offers are only intended to serve the supplier's commercial purpose.

The further issue of accepting a job with the supplier raises a number of other issues. Dealing with former colleagues could easily create the conditions for real or supposed favouritism. This will obviously leave an organization vulnerable to censure (whether deserved or not). The solution to this problem is complex and must be considered in relation to the particular circumstances of each case.

DILIGENCE

There is a requirement to use time, skills and attention to the maximum of your ability. Clearly, sub-standard behavior leads to additional costs and/or possible unsafe and illegal outcomes.

In the area of resources and information, there is an obligation to take care of the organization and customers' property. Failure to do so could lead to unnecessary repair costs and may even involve the Authority in having to defend itself against a suit for negligence.

The resources of the organization are not to be used for private purposes such as using an expense account to entertain friends or getting a subordinate staff to help paint the family home.

OFFICIAL INFORMATION

Official information or documents are not to be disclosed except as required by law. To do so would be a breach of trust. Information gained in a official capacity should not be misused. Misuse would include:

- ✳ Financial speculation on the basis of confidential information.
- ✳ Seeking to take advantage of another person on the basis of information held in official records.
- ✳ Seeking information of behaviors in the department of police/defence.

This issue was the behavior of a number of police officers who used information from their confidential files in order to harass a particular citizen. The only grounds for this lay in their ill feeling towards the person concerned. When the officers were called to account for their actions, they attempted a cover-up based on the presentation of false and misleading information. The case was proven against them and civil charges are to be laid against the officers involved.

CONFLICTS OF INFORMATION

A key area of concern is that relating to Conflicts of Interest. One needs to ensure that there is no real or apparent conflict between one's personal interests and professional duties. It is important to stress that one must not only conduct oneself with integrity but be seen to be doing so.

This means, for example, that business cannot be contracted to a family company, a personal friend or your own company *without* taking the necessary steps to distance oneself from the decision and subsequent transactions.

Some types of conflict can lead to arrangements that are illegal. Criminal proceeding can result from obtaining a benefit by deception and fraud. There is also the risk that an aggrieved party will institute civil proceedings in order to obtain restitution, and it is as well to remember that these proceedings can target family assets.

Where there is the possibility of a conflict of interest, full disclosure is the best policy. Disclosure should be made in writing to the appropriate person - usually your manager. Remember, without secrecy or deception, there is no problem. Having said this, there are six options for those who would resolve or avoid conflicts of interests. They are:

1. Prohibition - legal or management direction forbidding such situations.
2. Declaration - tell your supervisor about the conflict so that he or she can take appropriate action.
3. Registration - ensure that you have registered your interest with an authorized officer. Board members are required to do this.
4. Authorization - obtain an authorized clearance of your interests.
5. Divestment - this would involve disposing of your interest.
6. Disqualification - you disqualify yourself from any decision where you have a conflict of interest.

Once again, the ICAC investigations are of relevance.

In examining the affairs of a municipal council, the ICAC found a case of corrupt conduct which resulted in the misuse of public monies. In a clear case of a conflict of interest, a council officer used his position to influence the decision regarding a contract for the hire of earthmoving equipment. The contract was given after having ignored the requirement that tenders be called. In this case, the council officer was the brother of the successful contractor and he did not disclose this important and relevant fact.

GIFTS AND BENEFITS

Gifts and benefits are another area for care and disclosure. Any gift, reward or benefit offered or suggested in connection with one's duties must be disclosed to your manager. For definitional purposes, 'benefits' would include free travel, hospitality, accommodation or entertainment for employees or their families.

OUTSIDE EMPLOYMENT

Outside employment is another area of *possible* conflict of interest. Whilst not inherently improper, one needs to guard against situations in which the primary employer is 'short-changed' because of a person's commitment to another job. For example, a second job would be open to question if it led a person to devote part of their time at work to matters that were really part of the second job.

GENERAL OBSERVATIONS

Managers have additional responsibilities for communicating standards of conduct in the workplace. This requires leadership. Failure to communicate the desired standards of behavior effectively condones the undesirable behavior of subordinates. As such, this could contribute to the development of a negative culture which would, amongst other things, inhibit performance.

For example, consider what might be the result of a situation in which a manager ignores the fact that, despite a well publicized policy of moderation, his staff regularly take extended lunch hours at the local pub. What are some of the implications of his failure to let them know that this is unacceptable behaviour? At one level, it is easy to see that the manager is in a poor position to do something about repeated occurrences of this or any other abuse of privilege.

In fact, the employees involved have a reasonable defence if they claim that past practices and precedent demonstrate that such behavior is allowed. This is not to say that managers should be inflexible and unyielding. However, it is to point to a serious deficiency that can emerge when consistency is sacrificed for some other real or perceived good (such as popularity).

At the heart of the problem is the risk of creating what has been called a 'values gap'. This is not just a matter of consistency, it also touches on the larger question of whether or not the organization is keeping values-questions before it, and under review. A 'values gap' can occur at the level of the individual manager or it can affect the whole organization. Andrall E. Pearson (1977) gives an account of the danger:

Managers need to ask the tough question: Do we have the right values for right now? And the place to begin is by honestly confronting the 'values gap' that has developed in most large companies, the pervasive difference between what the company says it stands for and what it actually delivers. The values gap is the largest source of cynicism and scepticism in the workplace today. The maintenance of credibility is an essential prerequisite for effective leadership. A good leader will be consistent and will lead by example.

ESTABLISHING 'PROTOCOLS'

SRA's process of restructuring has led to a situation in which managers are fully accountable. Each of you has a share of responsibility. One implication to flow from this is that incidences of unethical or corrupt behavior are now considered to be every managers' responsibility and not, as was previously the case, the purview of 'specialists'. Given this increase in personal accountability and responsibility, it is clearly in the interest of managers to implement measures that encourage sound practices. These measures will include the adoption of effective management systems and controls.

To talk of 'systems' and 'controls' may be a little misleading in that it gives the impression that people are like cogs in a machine. Perhaps, a better word to be introduced into the manager's lexicon is 'protocol'. Effective protocols will

ensure, for example, that proper procedures for handling money are developed, reviewed and, of course, implemented. Reviews of the operation of each department by staff delegated to do so, or by Internal audit personnel, may uncover opportunities for improvement in the protocols.

It is advisable to keep a running check that will pick up variations in planned outcomes. For example, even small deviations from budget may indicate that a problem is just around the corner. It may seem, at the time, that a minor variation is of little importance. However, given that a small sign may be a portent of larger change, it cannot hurt to enquire as to the reason for the departure from agreed expectations. This holds good as a general rule of ethical management. But is this to buy greater control at the cost of increasing surveillance? Surely, this will be inimical to the task of building an organization based on trust.

Such misgivings are understandable. However, they are based on a misconception about the status of enquiry and review; especially when these protocols are set in the context of a framework of open communications. Instead of such a process being seen as invasive, insensitive or accusing, the aim is to develop a culture in which the decision-making process is transparent, credible and 'user-friendly'. That is, the aim is to develop open communications in which the flow of constructive criticism and enquiry is able to surge in both directions.

ATTENDING TO 'CUSTOM & PRACTICE'

A policy of being prepared to ask questions of those responsible for sudden and unexpected departures from plans can be augmented by the practice of staff rotation. Such a practice assists in staff development and is of particular use when trying to develop a workforce that is multi-skilled and flexible in its approach to change.

It is also extremely valuable as a critical management tool, in that it ensures that a fresh perspective is constantly being brought to established problems (which may then be converted into opportunities).

As is well known, custom and practice can become rooted in organizations and their several parts. If left undisturbed for long enough, then the culture is likely to develop in such a way as to allow for its reproduction through the 'induction' of new people into the informal standards of "how things are done around here".

Whilst it will not always be practical to advance a general policy of multi-skilling, it is none-the-less worth recognising that business units can flourish in unexpected ways when new personnel focus on policies which should have (and would have) been questioned if only they had been exposed to scrutiny. If one adds the force of peer pressure, it is possible to explain the dynamics of a system that can allow bad practices to continue unabated.

This sub-cultural phenomenon can exist because some managers are blithely unaware of its impact. Others are co-opted into its service. Still others may attempt to institute change. If this is made without explanation and without involving all participants, then the natural forces of conservatism are likely to resist and may prevail. If the manager is particularly resolute then he/she may achieve change, but risks doing so at the cost of creating considerable bitterness, resentment and a potential loss of morale. That is one of the reasons for considering the principles of ethical management.

THE CONSEQUENCES OF CHANGE

Recognizing the inherent value and dignity of each person engaged in the enterprise can result in management that is both sensitive and, above all, effective.

Managers who wish to rely on the old bulwarks of hierarchy are unlikely to enjoy the experience of applying the principles of ethical management. In fact, this observation corresponds with evidence gained from observing the effects of applying the principles of TQM. In both cases, it seems that some managers find that the new role that they are expected to fill is an uncomfortable one.

That is because both approaches require qualities of leadership that must be developed in order to compensate for the fact that less power is available from sources such as the established hierarchy of position, specialization and trade. It is, therefore, equally important that new approaches to managing an enterprise be accompanied by a realization that some of the people concerned are going to find the change profoundly disturbing.

Indeed, in some cases, it will seem as if the long-standing roles of established managers simply disappear. Helping people to understand new sets of relationships, such as those that obtain between leaders and their teams, will be of great assistance. It may also be necessary to let managers know that they are valued for themselves and not just for what they can do on behalf of the organization. Such a morale boosting approach will help restore confidence to those

who are unsure of their qualifications for leadership.

It should also be observed that employees can be made equally uncomfortable by the experience of being more closely involved in the decision-making processes of an enterprise. They too have enjoyed the relative luxury of either following decisions made by others or of simply opposing them. Either way, many people have found it easier to distance themselves from responsibility for the general well-being of the enterprise.

Ethical management suggests that every person in an organization matters and, therefore, that every person in an organization has a corresponding responsibility to contribute their skills, intelligence and imagination in the service of the organization's objectives. Once again, it should be realized that these obligations are not restricted to technical matters of job performance.

Ethical management recognizes that each person contributes to, and is therefore responsible for, the ethos (character) of an organization. Such a responsibility has a practical impact on issues such as those discussed above; namely, the extent to which the organization has open communications and is willing to engage in constructive criticism.

This notion of constructive criticism goes beyond being a call for constant vigilance. There is also a need for effective and responsible action. Put in stark but simple terms, it would be negligent not to take corrective action when unacceptable practices are identified. For example, audit reports cannot be ignored by Line Management but should be acted on by them in collaboration with their General Manager.

WATCHING THE 'BOTTOM LINE'

The principles of ethical management are not exhausted in notions of openness and critical reflection. It is also important to have a proper regard for the aim of the enterprise and for the fact that the business is being funded by the money of other people - principally, investors (the people of the State) and consumers.

Thus, there is a responsibility to optimize resources and minimize costs. That is, to ensure that the business produces goods and services of real and increasing value. This imperative is not only a creature of responsibility to others outside the organization. Satisfying customer demand is the key to maintaining levels of employment - especially in times of great labour-saving technical innovation. The imperative has a further, more natural source. It flows from the fact that people prefer to progress as the authors of things of quality and renown. People enjoy being associated with examples of excellence. Running a business creates its own challenges and demands. The human dimension of work can be impoverished when expectations are too low and when a natural tendency to want to do well is stifled by bureaucratic indifference. It is in such circumstances that the ideal of noble labour can be transmuted into a reality of ignoble toil.

What a manager can actually achieve depends on the resources given, the performance level required and, of course, the degree of risk involved. Yet, one should realize that even risk management provides one with an opportunity to reflect on best practice. At a practical level, one can immediately see that it would not be cost effective to install a system costing \$3m when it is likely to save you only \$1m.

All managers are required to manage risk. They are required to identify risk, examine alternatives and determine the appropriate action. They are also required to ensure that their decisions are regularly reviewed. Recognizing the important place of risk management is part of a process of acknowledging the integrated nature of the manager's role.

Managers are not only responsible for a range of functions across their spans of responsibility or along their lines of accountability. Integration means that each manager has an impact on every other person in the organization. The principles of ethical management help us to see that risk for one is risk for all.

As has been noted above, each enterprise or organization is part of a larger whole constituted by society. The community provides the infrastructure for all enterprise, and in our particular circumstances, it has adopted the principles of the market as the basis for conducting its economic life.

One of the advantages of the market system is that it is thought to be imbued with its own internal ethical standards. For example, it has been argued that the successful operation of 'invisible hand' (of the market) presupposes a basic morality which is based on elements such as: full disclosure leading to perfect information, voluntary fair trading, the abolition of anti-competitive processes and so on). As Professor Jeremy Davis (1989) has observed:

"... in some sense we are contrasting a world in which the notion of "my word is my bond", a world of high trust, with a world which is purely caveat emptor, which implies very low trustworthy organizations. And the thing that I think economists teach us which bears on our morality is that the first is likely to be a much more productive society in any

economic sense, because the entire deadweight loss of inspection, of protection, of insurance and of contracting is held to a minimum".

The principles of ethical management draw attention to the fact that businesses may have a responsibility to harmonize their approach to that of the dominant economic system. So, for example, in tendering and procurement procedures, the best outcome is to be obtained through the application of market forces (always considering time, cost and quality). Although there may be a case for developing relationships with 'strategic suppliers', continued patronage of a traditional supplier may not be sound practice if competition is eliminated.

With an increase in awareness of the importance of fostering an appropriate corporate ethos, HRD professionals may find themselves being asked to develop programmes designed to promote 'company values'. Part of this process might include a process of socialization designed to undermine those customs and practices that lead to inefficient or unethical behaviour. Whilst it is certainly possible to proceed in such a fashion, it may be open to serious reservation on the two grounds of ethics and efficacy.

As would be fairly obvious, such a programme would appear (at the very least) to take little account of the interests and concerns of those subjected to its measures. Individuals are being treated as means to securing an end -only the end in this case is that of promoting sound ethical behaviour. Even if such a process falls short of indoctrination, it does little to promote or even recognize the autonomy and dignity of the people concerned. In this first respect, the programme would be self-defeating. Unless the ethical sense is founded on a set of authentic commitments, it is unlikely to take root.

People are more likely to come to see the true value of one another if they are treated in a manner that is consistent with a recognition of their intrinsic worth. It then becomes possible to reconcile some of the tensions that have emerged in the preceding discussion. For example, a recognition of employees as ends in themselves (and not as mere means to the ends of other people) will foster a climate of opinion in which the importance of human relations is maintained in terms of the long-term advantage for all. This is to reinforce the type of strategy built on the principle that profits follow relationships.

If relationships are taken seriously, then training and education will be designed to take account of the practice and experiences of employees. Some organizations choose to have an individual or department draw up a code of ethics for each employee to sign. The alternative is to build 'from the ground up' so that each person affected has a sense of 'ownership' of the code. Not only will people 'own' the code, it will also reflect the realities of their practice. There is little point in having formal provisions that are irrelevant or impossible to apply.

HRD professionals will need to do more than look at the nature of codes, training etc. There is a need to examine the structure of work organizations and practices. What is the aim of this organisation? How can this best be achieved using the resources and people at hand? Does the organisation require forms of behaviour or the application of techniques that frustrate the achievement of all aims (explicit and implicit)? Do patterns of remuneration and evaluation reflect the organisation's stated objectives? For example, does the board spout pious sentiments about ethics but reward the unscrupulous but successful?

A critical perspective is not inimical to the efficient and effective functioning of an organization. To the extent that authentic commitments form part of the motivation of employees so they will be more likely to strive to support the activities of the unit to which they belong. People will even develop attachments sufficient to encourage them to be proactive in support of an organization that treats them with the dignity reserved for ultimate ends.

Whilst much of the above has been concerned with issues to do with the way employees might be treated, it is as well to note that the list of stakeholders includes: management, shareholders, customers, suppliers, professional advisers, the wider public and so on. In contributing to the development and maintenance of an organization's ethos, the HRD professional will need to be aware of the interests of each; not least because they intersect with the interests of parties more immediately affected.

THE 'ETHICS ENVIRONMENT'

Much of the analysis of 'what went wrong in the '80s' has, up until now, been fairly simplistic. The debate has been characterized by a culture of blaming and there has been a tendency to deny inherent complexity by reducing explanations to an exploration of single 'causes'. In short, insufficient attention has been given to the broad context in which critical trends and events evolved.

Hugh Mackay has done much to mature the debate. For example, he has drawn attention to the fact that the progression from the excesses of the '80s to the uncertainties of the 'nervous '90s' has been part of a continuing process of change in Australian society that has been accelerating since 1945.

Mackay argues that periods of uncertainty are marked by a renewed interest in basic values. But he also warns that the search for stability and certainty may lead people to call for much greater government intervention and regulation that, paradoxically, may further erode the individual's sense of personal responsibility to the community.

In a complementary argument, once Professor Cliff Hooker of the University of Newcastle had suggested that an increase of interest in ethics is the latest response to the problem of managing a complex society. Hooker illustrates his point by asking us to imagine the damage that can be done by a person wielding a pair of bolt cutters in 1993 as compared to 1793. In earlier centuries, the individual vandal could cause only local damage. Today, it is possible for one person to wreak havoc by breaking into and damaging a society's technological infrastructure. Vast numbers of people can be adversely affected. Mass communication makes whole societies susceptible to the enervating effects of reported misdeeds and avoidable tragedy.

Given the cost of applying external 'controls' to every element of a complex system, Hooker argues that a resurgence of public interest in ethics is a reflection of a desire to provide a renewed framework for the exercise of self-discipline. This crucially depends on the development of an environment in which support is given to the idea that people should accept responsibility for what they do as individuals in a community.

The observations and arguments of Hooker and Mackay are especially pertinent to the work of the management community. The Ethics Centre's experience has been that ethical issues and dilemmas rarely present themselves in specifically 'ethical' terms.

Given the practical orientation of ethical reflection, this should not be at all surprising. Yet many people in business and the professions have difficulty in recognizing that there is an underlying ethical dimension to most problems arising in daily practice.

An understanding of the dynamics of complexity and change provides a framework for understanding the significance of ethical reflection and the management of values.

With an increase in awareness of the importance of fostering an appropriate corporate ethos, HRD professionals may find themselves being asked to develop programmes designed to promote 'company values'. Part of this process might include a process of socialization designed to undermine those customs and practices that lead to inefficient or unethical behaviour. Whilst it is certainly possible to proceed in such a fashion, it may be open to serious reservation on the two grounds of ethics and efficacy.

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Ethical Management leads to a number of desirable outcomes essential to managing an enterprise. It provides an environment in which people feel valued and respected and this enhances productivity. The key to this is to grasp the central values of the dignity of each person: honesty, courtesy, fairness, efficiency and respect for property. In short, a number of values that underpin ethical behaviour.

The Code simply spells out some of the implications of these in areas where the course of action is not clear. It provides minimal standards in certain areas so that individuals and the authority are not exposed to risk. But it is no substitute for judgement, shared practices and understanding.

CONCLUSION

It is particularly important that Codes be presented in a way that acknowledges that their validity is derived from the

endorsement of those who apply the principles. That is, a Code of Ethics or Conduct should not be a substitute for personal responsibility. Rather, the Code should be understood as an authentic expression of what people hold to be right and proper.

Some directors are tempted to believe that the introduction of a Code of Conduct will absolve them of the responsibility to manage the values of an organization. Nothing could be further from the truth.

As is the case in the general community, 'Black Letter Law' solutions are rendered relatively ineffective if applied in a culture where those affected have little understanding of the underlying principles that inform the Code and/or where there is no disposition to ensure that the Code is applied consistently. This lack of effectiveness can result even where there is a regime of strict enforcement.

It is unfortunate, but true, that there is no 'quick fix' when it comes to building corporate resolve to act ethically. Rather, there is a need to develop a range of values and dispositions that provide a foundation for responsible behavior. Where these values have been developed, then they need to be expressed in the logical relationship between *both* a Code of Ethics *and* a Code of Conduct.

Each code will fulfill a different function. A Code of Ethics expresses fundamental principles that provide guidance in cases where no specific rule is in place or where matters are genuinely unclear. On the other hand, a Code of Conduct ought to be consistent with the primary Code of Ethics.

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