Business Ethics 2.0: Beyond Damage Control

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Do we have an "ethics problem" in business today? I think so. Most people I hear think so. Businesses and their leaders are doing the wrong thing, not the right thing, too often.

Something is "wrong" when it brings harm (physical, financial, relational, environmental, and so on) in an irresponsible way. In business, something is right if it protects people from harm and empowers them by goods and services to create and live the lives they and God choose.

So when people are harmed by banking practices or insurance policies or pharmaceutical products or defective automobiles or unhealthy food—even if these things are legal, even if everybody else in the industry is doing it—these things are unethical. Whether these bad things happen because of greed and malice or because of irresponsibility and willful ignorance, they are wrong.

Reports of this kind of unethical business activity are a daily occurrence. We've got a serious problem.

Ironically, business ethics courses, publications, organisations, and company training programs have proliferated over the past thirty or so years. I wouldn't be surprised if a graph of the growth of such ethics resources and emphases didn't correlate pretty closely with a graph of the rise in number of business ethics scandals and crises.

Correlation is certainly not causation, but one lesson is clear: the way we are confronting and implementing business ethics is not getting rid of the problem.

Business Ethics 1.0: Damage Control

The basic problem is that business ethics is largely practiced as damage control. What sets the ethics agenda, what draws our energy and attention, are specific crises, dilemmas, or problem cases. The Exxon Valdez oil tanker runs aground. The Union Carbide chemical plant explodes in Bhopal, India. Google accepts government censorship as a condition of doing business in China. V-P Joe sexually harasses direct report Jane.

What are the facts in each case? What are the ethical values and principles at stake? How can Kant or Mill or Rawls help us reason our way to a conclusion about who is at fault and what to do with that culprit? It is not so much that we actually care about Alaskan shore birds or Indian peasants or Chinese students or Jane—what counts is that litigation, fines, or a big brand-tarnishing scandal is about to occur. Can we stop it and contain the damages?

This approach is too reactive, negative, and narrow to do much good. It does little to stop those problems from occurring in the first place—it only mops up the blood after the crash. And yet, how many business ethics courses endlessly focus on case discussions and analyses pointing toward a "decision" at the end? How many training programs focus on cases and multiple-choice options?

Health care provides an analogy to this practice. For many people, health care is little more than "disease control" or "injury control." Until I get badly injured or deathly ill, I don't care or think about health care. But this is a terribly shortsighted and ultimately self-defeating approach to health.

A much better approach to our health is to ask, "What is my ideal health—my health vision and goal?" I'd like to be able to dance with my wife, tramp around old cities and museums, eat and drink a range of good food, hike up moderate hills, play golf with my grandchildren, and have my clothes fit well when I'm in my eighties. And now that I'm clear on the vision, the question is, "What do I need to do to get there?" Or perhaps better stated: "What do I need to do to optimize my chances of getting there?"

The strategy then will lead us to identify the systems and processes that affect a person's health: nutrition, resistance training, cardio training, stretching, rest, and stress management. Let's be sure to think rigorously and holistically about what it takes to achieve that vision. Proactive, positive, and holistic.

Business Ethics 2.0: Mission, Vision, and Culture Control

Of course, companies (and MBA programs) must have effective, best practice problem troubleshooting, crisis management, and dilemma resolution processes in place. Damage happens even in the best of companies. We need to do this part of ethics better than ever.

But if that's all we do, we are doomed to face an unending stream of problems. Business Ethics 2.0, however, will take proactive steps to clarify the mission and vision: Why have we formed this company? Why don't we all just stay home and work on our own interests? What is the product or service that we work together to deliver at such an extraordinary level of excellence that our customers can't wait to pay us for more? What is the positive change we make in the lives of our customers?

Then, having sharpened up the mission and vision, making sure that it self-consciously taps into the basic human drives to innovate and to help others, the next question becomes, "What kind of culture and corporate character do we need to create and nurture to best empower our company toward the achievement of its mission and vision?" And then, "What kind of action-guidelines shall we articulate so that we all do our work in the most effective, excellent way?"

To get its employees to own and espouse its ethical guidelines and core values, a company must mobilize its entire workforce, from top to bottom, to figure out those ethics and values which are in alignment with the mission and vision. Business Ethics 2.0 also involves ensuring that communication is constant, clear, and compelling, and that training is collaborative and practical.

Of course, even a super-fit physical specimen can get hit by a runaway bus or virus coming out of nowhere. There are no guarantees! And so too, a company could do everything 2.0 and still be brought down by a greedy rogue leader or a crash in the market. Ethically healthy 2.0 companies are not guaranteed business success or ethical immunity. It still takes a brilliant product, a timely market, and other factors to succeed. Great ethics and values will not save inept management.

But sound 2.0 ethics do increase and optimize a company's chance of quickly recovering from (if not altogether avoiding) serious ethics problems, which allows it to focus on business process execution and excellence.

Mission- and culture-controlled ethics is the classical way to manage a company. It is Aristotle; it is the Decalogue; it is traditional communities and organizations everywhere, through all time. Companies must move past the abstraction and dry impracticality of modernity's approach to ethics, as well as postmodernity's chaotic and disconnected focus on dealing with first this problem, then that one. We need Business Ethics 2.0.