# Ethics and Values Based Management

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## Knowing your values

Ethical questions are ones for which being a "good person" rarely gives you adequate guidance.  These questions require looking beyond the immediate dynamics and issues to ensure that actions and decisions are not triggering less obvious negative impacts.

Ethics are often discussed as a simple issue by advocates who are attempting to shift some specific aspect of the ethical, moral, and legal dynamics of decisions, but real-life managers must manage the impact of their decisions in many complex and conflicting domains.

While the term is often used for all right vs. wrong discussions, we will limit its use to the ethics of professions, industries, and organizations, using the term "moral" for the cultural and religious  dimensions of right vs. wrong.

Some of the problems managers handle involve a great deal of conflict, with law, morality, and professional ethics giving conflicting guidance.  The conflict increases for decisions affected by multiple legal jurisdictions. Morality is strongly related to cultural and sub-cultural beliefs, so actions affecting people of multiple cultures can have conflicting moralities.  Decisions involving multiple professions can be subject to conflicting ethical demands.

In the midst of this complexity, managers must make decisions and take economic but ethical actions, often with little time to research and analyze all the issues.  Only managers who understand how to perceive and analyze the different types of issues and who have a firm grasp of their own values are prepared to handle these decisions.

## Complexity: complicated and conflicted

Ethical problems can be very complex, so it is helpful to distinguish between the complicated and conflicted aspects of complexity.  Complicatedness has to do with the number of different possibilities and interactions.  Chess is more complicated than checkers because there are more possible moves, more possible games.    As complicatedness increases fewer and fewer people can track the dynamics and flow.  The IQ measure of intelligence tends to track the ability to handle more complicated processes, although knowledge and experience certainly affect this ability.

Management theorists have long distinguished structured problems that we have methods and rules to solve from unstructured problems, which may not only lack a method, but even and this distinction makes it clear that the structured parts of problems can vary greatly in their complicatedness.  Unstructured problems tend to include those for which we simply are ignorant of available algorithms as well as those for which we do not yet know all of the elements and criteria.  With effort, many aspects of unstructured problems can become more structured and easier to solve, but unstructured problems often have a dimension of conflictedness, the degree to which those involved in the solution or acceptance of solution have conflicting goals and values.  Problems high in this conflict are often referred to as "wicked" problems.  Creativity and analysis generally can reduce the conflictedness somewhat, but managers must often seek new ideas in order to provide a better combination of satisfactions to the various stakeholders.

Obviously, the conflicting constraints and values of ethical, moral, and legal dimensions can increase the "wickedness" of a problem situation.

## Professional Ethics: A Strategic Necessity

Professional ethics cover issues that are generally not obvious to morality, and may even oppose it.  For example, because the field of professional accounting exists to provide investors with trustworthy information about companies, the field has an ethic that if a public auditor discovers problems in the company records, they must make those problems public.  If an auditor takes out a gun and shoots a client, it is generally immoral and illegal, but not really an ethical issue.  If the auditor assists the firm and its accountants in covering up problems, that is an ethical violation.  Its wrongness is in the fact that the value is essential to the success of the field.  If the field does not strongly inculcate, support, and enforce that ethic, there is no reason to hire any public auditor.

Lawyer ethics are similar to priest confessional ethics.  While the Catholic Church has certainly had plenty of morality and ethics issues, the very existence of the privacy of the confessional makes it possible to turn to a priest for guidance.  If you heard that the local priest was

playing poker on Wednesday nights and telling everyone at the table what you were up to, you would never be willing to use the process. In a similar way, your lawyer is constrained from turning you in, because the legal process is not going to work if you have to worry about accidentally revealing some action that is illegal. So if a CPA who is also a lawyer is looking over your company's books, you had better be sure which role they are in. If they are representing you as a lawyer, they cannot report you. Is they are there as a public auditor, they must.

Most professions have ethics which are essential to their performance, often enacted in some legal or legalistic code. Of course, the politics of power can include provisions that are simply about maintaining the existing power hierarchy - probably an unethical use of ethics codes. Getting around the code while violating the underlying ethic is not just a game, it is a threat to the whole profession. This is not to say that the strategically necessary ethics in every profession are practiced, legally encoded, or morally enforced. Journalism is probably right about needing the ethic of protecting confidential sources, but there is no legal support for that ethic.

## Morality: Differing by Culture

Morality seems so simple for those who always interact with people from the same culture or sub-culture, but there are often surprising differences in moral judgments from one culture to another. Geert Hofstede, the culture expert who analyzes dimension of thinking difference between cultures, tells of a Dutch missionary preaching in Indonesia, using the biblical story of a father who had two sons and asked them to work that day in their vineyard. One son said "Yes, Father", then went into town all day with his friends, never working a bit. Most Westerners prefer the second son who rudely told his father no, went to town, but then decided to go work most of the day in the vineyard. The missionary was astonished that most Indonesians felt that the insult of the second son's refusal was far worse morally than the son who did nothing.

Similarly, many Western firms have decided that if you are filling a position and hire a relative, no matter how qualified, there is at least the appearance of impropriety. However, in many of the world's cultures, a person who does not hire a relative, no matter how bad his or her qualifications, has something morally wrong with him.

Since many managerial decisions impact people of differing moral codes, it is often difficult to fit actions to all conflicting constraints and expectations.

## Law: Multiple Jurisdictions

Modern companies operate in multiple legal jurisdictions. In some areas, such as food quality, it is possible to simply comply with the most strict requirements, and thereby with all requirements, but often it is necessary to be more creative. For example, most American communities have laws that require any salesman going door to door to first register with the town and get a permit. This is in direct opposition to the United States Constitution and the case law regarding freedom of speech, yet communities keep these laws on their books and use them to keep away a form of free speech which many folks find irritating. Some sales companies used to routinely violate the law and simply take to court any arrest that is made. In a similar, but more morally relevant example, when apartheid was the law of the land in South Africa and many countries were penalizing companies from doing business there, some global companies set up operations there and deliberately violated the local law by having people of all colors working, eating, and living together.

## Personal Values and Character

To navigate this conflicting and complicated chaos of constraints and goals, managers not only need to be able to map out the various threads and issues, but must have a clear sense of their own values as well as the character to act appropriately as needed. There will be times when a manager has to choose to offend some stakeholders or violate some standards in order to achieve a goal or value they hold to be higher. In fact, society seems to value character in proportion to the personal sacrifice made.

Character seems to be the ability to act as one thinks is correct even when social disapproval and other negative consequences result, although we tend to reserve the label for people who take actions that fit our preferences.

We can all fantasize about a world in which the right action and decision is obvious and many positive rewards result. But managers must make tough choices and deal with the consequences. This seems to take practice.

It also takes a clear view of one's own priorities and values, because beliefs we will not sacrifice for are just wishes. If you value a respectful workplace but are not willing to risk negative consequences for confronting those who violate that respect, it is not really a value. If you value your family, but never risk taking the time away from work to support and build your family, that is only a wish.