

**Gerhard Zapke-Schauer:**

### **Is unethical behaviour normal for executives?**

*If you are considering a management career, there's no need to struggle with your conscience: being an executive does not necessarily mean exploiting in one way or another the people subordinate to you. A close examination of the term 'ethics' reveals two aspects in the business context: 1. Customer benefits and 2. Staff participation. You can understand ethics as being the location where you feel at home, i.e. where you belong – in short, conforming to your own ethos or philosophy of life and to the standards you set yourself. You behave ethically when you help others to conform to their own ethos – unethical behaviour has the opposite effect. Consequently greed, balance sheet manipulation, corruption and obsession with personal advancement are unethical – as is also the practice of dictating corporate goals without integrating your staff in a plan they can all back.*

### **A poor, honest man of principle or a rich, successful swine?**

When young men or women are about to climb up the next rung of the career ladder they sometimes hesitate due to the following question cropping up in discussions with family or friends, 'won't a management position affect your character for the worst?' Executives are often seen to be inhuman, callous, obsessed with profits or without any feelings. Recently, many issues like greed, balance sheet manipulation and neglecting societal aspects in favour of the shareholder have been the subject of discussion. Is there any truth in this image of an executive? Are executives really 'swine' who would walk over dead bodies if it helped them to further their career or to improve company profits?

There is a widespread opinion that you have to choose between being poor and honest or rich and anti-social (in all respects). In this way, wealth and success are equated with anti-social or unethical behaviour – just as it is assumed that 'honesty gets you nowhere!' Anybody whose parents never

had an executive position but at the same time have no financial problems finds himself unexpectedly in a crisis of identity when a new opportunity at work arises. Even the decision to study business administration at the undergraduate or master's level can lead to comments from one's friends of the type, 'aha, let's see how long it takes you to forget all your ideals...!'

For over a 100 years there has been a divide between the world of business and the humanities, in particular the world of letters. This can be illustrated by the opposed extremes of intellectualism without practical application and 'Taylorism'<sup>87</sup>. It is hence hardly surprisingly that some able young people refuse to take the first step up the management ladder due to their associating executive positions with unattractive and undesirable characteristics of the people in these positions. Is the reason for this that people for whom ethics is of no importance are more likely to strive after executive positions, or is it that money and power really do spoil the character? When choosing a profession and a university degree course, is it necessary to take account of these simplifications and prejudices?

### **The determination to reach your goal**

Successful executives can be recognised by their ability to pursue goals. The determination to define a goal, to formulate it clearly and to look for methods and ways to reach it, is the main part of an executive's job. If we are to believe authors like Barbara and Alan Pease<sup>88</sup>, the male brain has been programmed in the course of evolution to concentrate on distant targets, whereas women function more in the immediate vicinity of their home and family. Many authors believe this to be the reason why you find more men than women in executive positions.

Pursuing goals is not in itself unethical: it seems on the one hand to be a matter of resolving conflicts between various goals and on the other hand, about methods for achieving these goals. The ends certainly do not justify all of the means.

When promoted to your first management position you should think very closely about business ethics and how you can avoid a potential crisis of identity.

## **Aristotle's definition of ethics**

Aristotle was the first person to define the term 'ethics' exactly. He referred to Nicomachean ethics<sup>89</sup> and used the term 'ethos' for the location where you feel at home, i.e. where you really belong. It can be derived from this definition that any form of behaviour which helps others to reach *their* location (ethos) is ethical, whereas any action which hinders them in this, is 'unethical'<sup>90</sup>.

On the basis of these definitions we can see the reason for possible crises of identity of new executives. They get tied up in wondering what patterns of behaviour are required of an executive and whether these help or hinder other people on the way to their own ethos.<sup>90</sup>

We could start at this point an extended discussion on what the ethos of the individual should be. There is certainly extensive literature on the subject for anybody interested in it. But let's restrict ourselves in this article to the question of whether management decisions do tend to affect adversely the ethos of other people.

Every worthwhile corporate model emphasises the importance of customer benefit. If the word 'benefit' is correctly used, the products which do not promote customer benefit cannot be products which help the customer in achieving his ethos. Consequently the definition of benefit leads to considerations of ethics. Above all, you must not make the mistake of confusing benefit with what the customer thinks he needs. The result of this would be that selling somebody narcotics would be satisfying his immediate wishes but, because he is mistaken in believing that drug consumption will bring him nearer to his individual ethos, dealing in drugs is unethical by definition. The utilitarianism debate is also relevant to this issue.

The same is true for supplying technological products. If you as a supplier, e.g. as a large technological group, can see in which direction the telecommunications market is going, you can supply products to a telecoms customer he wouldn't have been able to order unaided as he does not yet know the future possibilities of the technology. By supplying your customer with such products you promote his corporate goals.

In this way, several favourable results are obtained simultaneously:

1. The customer, in the example a player in the telecoms market, obtains better economic chances in this market.
2. The company's workers have greater job security.
3. Their families will have the corresponding economic security.
4. The customers of this telecoms player will be in possession of mobile telephones giving them improve possibilities of communication with their families and friends, helping them to achieve their ethos, etc.

Executives should make innovation their first priority. Understood correctly, innovation is a form of ethical behaviour. Anybody in the position of considering entering a profession in which becoming an executive one day is a strong possibility, should think about this very carefully.

Management positions are created because a company requires that the members of its workforce co-operate with each other. This co-operation cannot take place without direction and guidance and hence cannot be left to chance, i.e. power structures evolving naturally within the workforce. Consequently, assigning responsibilities and jobs to company workers and providing direction and guidance to them is considered to be the role of management. This can happen in different ways. In the 20<sup>th</sup> century we saw a major transformation from Taylorism to the principle of participation. Nevertheless, participation must be introduced very carefully, for companies are not managed by referenda, i.e. decisions based on majorities of the votes cast: they are not microcosms of democratic societies. This doesn't mean that democratic principles do not apply at all within a company. Basic human rights and rights of employment apply of course for everybody in the company, but these do not affect the executive prerogative, i.e. setting goals, directing staff and designing business processes.

## **Does leadership lead to a form of bondage?**

This doesn't mean that leadership processes generate a form of 'bondage' on the part of the staff. Indeed, it shows that executives who cope well with the emotional susceptibilities of the people working for them achieve the best financial results for the company.<sup>91</sup> And why is that so? Well, one of the major differences between human beings and other forms of animal life is the ability to make predictions and to plan ahead. This form of anticipation can be seen when playing chess, football, any other sports or game and, of course, in planning future events like holidays. Any plans we make for ourselves can bring a lot of pleasure especially when the planning methods we use lead to the goals we envisage. Many people even think that getting there is as important as the goal itself.

Executives who include their staff in planning 'how' goals should be achieved, certainly have the right to say 'why' beforehand, i.e. to set the goals. This motivates and commits the executive's staff to co-operate intensively in reaching the goals. But executives who not only set the goals but also the methods of achieving them encroach upon the human needs of their staff. If on the other hand, a goal is not even stated but only the method of achieving it, then we have returned to the pure application of F. W. Taylor's principles, in its worst cases a form of sadism.

Leadership without inclusion hinders company workers in making use of significant skills so radically that it is justified to say that this form of leadership is unethical.<sup>92</sup>

## **Directors' salary levels**

Lying and misrepresentation are unethical, which means that balance sheet manipulation and corruption are also unethical<sup>93</sup>. As Aristoteles said, setting one's own benefit above that of others always has to be justified. Only when those with the lower benefit accept this justification is the difference – or asymmetry – permissible. This is the reason why high salaries for directors are not *a priori* unethical. A company's chief executive who leads it with a high degree of innovation and to the benefit of the customers and by doing so makes the company profitable is behaving in

an ethical manner. Receiving an annual salary of millions for this is certainly asymmetrical, i.e. is a much greater benefit than the company worker at the operating level has, but it can be justified. But on the other hand the outcry is certainly understandable when, although a company is threatened by bankruptcy and many of the workers lose their jobs, directors continue to receive high salaries or are given high severance payments.

As the majority of companies is profitable (Cf. total taxation by country) and profitability is a result of market proximity, it can be generally assumed that company executives behave ethically.

We see therefore no real reason for not aiming to be an executive. Nevertheless it is essential to think closely about the methods of leadership you will be using as an executive. Explaining these methods is an important role for all institutions which are concerned in training young executives. Fortunately, the most successful methods from the financial point of view happen also to be ethical<sup>94</sup>. If you doubt this, you are probably thinking about the short term profitability which can arise when using unethical methods. But as success based on such methods rarely lasts longer than three years, we can see that ethical patterns of behaviour provide a genuine advantage for the total length of an executive career of around 30 years.