

with Anthony Hilton



Anthony Hilton is the Financial Editor of the *London Evening Standard*

Doing the right thing



Red-blooded capitalism and doing the right thing can co-exist.

Three years ago some students were asked whether ethics are important in the medical world, all hands were raised. When asked if they are important in the business world, there was not a hand to be seen. It seems that the importance of ethics to different areas in society varies dramatically. Unlike medicine, business is a competitive activity, a business has to make money for its shareholders, deal with different organisational structures (often spanning diverse cultures and legal systems), grow sales through marketing and more.

Our moral compass can be clouded as we try to decide what the best thing to do is, especially under pressure. But why should ethics be divorced from what some people do at work, but not from what others do? Does context matter? Do we need to consider the difference, for example, between areas such as medicine, business and the media? Is it the case that defining the purpose of business as 'to maximise shareholder value' means that ethics get set aside in the clear, simple and incentivised pursuit of financial return? These points were raised by Chris Megone, Professor of Interdisciplinary Applied Ethics at the University

of Leeds, who was speaking at a debate on business ethics organised for clients and friends of Charlie Dawson's, The Foundation, a dynamic young management consultancy. The fact that he is an academic is significant because in academia, challenge is a basic tenet, whereas in business this is not the case. Chief executives may say they encourage debate but the reality too often is the opposite. Junior executives who make a point of arguing too often get resented or accused of not being team players. Before long only the 'yes men', or, to put the point more fairly, only the like-minded, survive.

As former headhunter Douglas Board pointed out, when views and policies are merely handed down unchallenged, without time to explore other perspectives or to test against the business' weaknesses, the results lower down the organisation will be superficial. What's missing is the rigorous debate that is needed to really understand the trade-offs being made every day by people across an organisation. If an ethics policy is ever to be anything deeper and more meaningful than good intentions, it needs this constant re-enforcement and grounding in reality. The organisation has to believe that top management thinks ethics matter more

than short-term results and that management's commitment to ethics is constant. Without such commitment, businesses are often a lot less ethical in their day-to-day behaviours than they claim to be or, indeed, top management thinks they are.

So, how did businesses get into such morally ambiguous territory? Simon Caulkin, one of the country's best management writers, is convinced that the unthinking embrace of shareholder value lies at the heart of the problem. There are still businesses that put ethics at the heart of their offer: the John Lewis Partnership, the Co-operative and Whole Foods are all examples of organisations which don't just see themselves as vehicles for making money. But they are rarer than they should be because the 1980s saw a crude ideological hijack after which free market fundamentalism emerged with an absolute focus on the primacy of shareholder value. In its crudest form this led to the view that if it is legal and it adds value, then it must be pursued.

The results can be both startling and depressing when the prevailing orthodoxy turns business into a moral-free zone. In 2007, an article in the *Journal of Business Ethics* conducted a survey where an overwhelming majority of senior managers stated they would set aside ethical concerns, such as cutting down a forest or releasing legal but toxic chemicals, for the sake of increasing shareholder value. Perhaps the financial crisis will lead to a rethink of this attitude because, ironically, so far it has led to the destruction of shareholder value on an epic scale. The banking crisis was due in no small part to greed-motivated decisions being made by the humans who ran the institutions. The *Harvard Business Review* recently concluded that shareholders had done worse since businesses had focused on maximising their value than they had in the decades before, when it was more common for managers to feel a wider moral obligation to society and employees.

On balance, this makes Caulkin optimistic, he believes red-blooded capitalism and doing the right thing can co-exist. Often, successful companies owe their performance to the passion in the business, and this comes from people's belief in a higher purpose.

» About the author

Anthony Hilton is the Financial Editor of the *London Evening Standard*.