

# Leadership

## Personal Governance – 3 Principle II – Ethical Behavior

By  
Fredy  
HAUSAMMANN

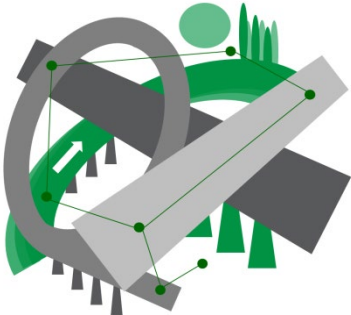


**Amrop**

Leaders For What's Next

# Personal Governance - 3

## Principle 2 – Ethical Behavior



### Contents

Executive Summary.....	3
Introduction.....	6
Ethical GPS.....	7
Ethical Eyesight.....	8
The Business of Ethics.....	10
Driving Deeper.....	11
Taking Our Ethical Bearings.....	13

“Managers with good personal governance have a highly-developed awareness of their own value systems and ethically responsible behavioral principles.”



## Executive Summary

With trust in business leadership becoming ever more important, it's unsurprising that ethics has become such a common word. But what do 'ethics' actually mean for you, as a leader? In Chapter 3 of our series, we take a journey into the Second Principle of Personal Governance. In this tour of the often- confusing ethical landscape, we provide signposts for leaders who are seeking to do – and be – 'the right thing'. Personal Governance links ethics with the way we fundamentally and habitually behave.

### 3 Inner Voices Help Us Decide

When making a decision, our "inner observer" is always present. A personal comparison with the moral customs of our entourage will also be a decisive factor. So will be our sense of what is right - *felt ethics*. As an extension, *perceived felt ethics* – our awareness, perception and opinion of someone else's ethical 'aura' and behavior will influence our judgement of him or her.

### 2 Core Ethical Approaches Dominate

The first is *responsibility-driven ethics*: thinking about the collective implications of our actions, in the light of a situation. Secondly, *conviction-driven ethics*: following our ethical principles in a strict way, irrespective of that situation. Business life means walking a tightrope between the two. However, responsibility-driven ethics, because of the room for maneuver it allows, fits well with Personal Governance (but must never lead to 'whatever-ism').

### Ethical Norms Must Prove Their Worth

For any economic ethical system to gain acceptance and respect, it must be based on norms that can be reconciled with commercial interests. Ethical behavior must be seen to bring sustainability and value to the table. Any business behavior that conforms to a set of ethically-accepted norms and customs must also act as a badge of quality.

### An Ethical Formula:

#### **Innate Conviction + Personal Value System**

How can we navigate these winding roads? Based on many meetings with leaders, Personal Governance proposes a combination of *reasonable behavior*, and *ethical integrity*, supported by a *fundamental ethical position*. Yet establishing this takes effort. Because ethical behavior can only be effective when it stems from an *intrinsic conviction*. And intrinsic conviction demands *personal value concepts*. Only with reflection and work on the ethical theme, taking a long, hard look at our personal value orientation, can our personal value concepts be crystallized and installed.

### Vulnerability Can be Transformed Into Ethical Leadership

However solid our Personal Governance may be, we need to be prepared for pressure from social collectives, special interest, or otherwise influential groups. On the other hand, as a strong ethical practitioner, we can turn the situation around. Far from being vulnerable to pressure, we can start to exercise quite some influence in an industry, economic sector or geographical area. We can proactively and powerfully put this '*ethical construction zone*' to use in ways that may even satisfy many of the demands made by moral skeptics.

## Ethics Are Also About Ego

Deep in the bedrock of our ethical construction zones, and linked to our innate conviction, lie *intrinsic motivational factors*. The desire for social recognition and harmony, for example, or in some cases, the fear of falling victim to other people's immoral behavior. In fact, our intrinsic motivation to behave ethically is influenced by a subtle interplay of ego tensions and ideals, reputational factors and power. Of course, ego should never be allowed to tear the ethical fabric. But when we realistically factor ego into the equation, moral behavior can spread to a broader spectrum of economic players – including rational egotists.

Even with these conditions in place, the work is never done. If ethical norms can be captured in codices and communicated in oral and written form, they can become paper tigers without constant feeding. Norms only come alive when they are captured in the way people walk the talk. So ethical standards must be endlessly communicated, tabled, checked, revised and re-internalized – especially given relentless competition with goals, circumstances and priorities. It all begins with ourselves.



## Taking Our Ethical Bearings is Essential to Build a Robust Platform

The nucleus of Personal Governance is an awareness of our own values and ethical behavioral principles. In the full article you will find steps to examine yours in a concrete and personal way. Deceptively simple, these steps demand a serious, personal examination of a theme you may never have tackled before.

The first and most fundamental question: *“when was the last time I had to deal with my own ethical standards? What course of action did I choose?”*

Next: *“with whom did I discuss the knowledge, insights, grey areas and fields for development, and what kind of ethical principles did that lead to?”*

You can find the Question Catalog in the full article.

Taking your bearings is best done with a trusted advisor: a personal coach or assessor, for example. And it is a regular, or situational review (for example, connected to the *Annual Life Plan Review seen in Principle I*), conducted to secure transfer into practice.

# Personal Governance – 3

## Principle 2 - Ethical Behavior



Ethics has become a common word in business language, and for good reason. But what do ‘ethics’ actually mean for you, as a leader? In this third part of our Personal Governance series, we take a journey into the Second Principle: Ethical Behavior. In our tour of the often-confusing ethical landscape, we provide clear signposts for Leaders who are seeking to do – and be – ‘the right thing’.

We begin with some questions. How healthy is *your* Personal Governance? If it’s in good shape, you’ll have developed a high level of awareness of your personal value system. You will have established a corresponding set of ethically-responsible, behavioral principles.

Yet, how robust are your principles, when put to the acid test? When did you last face an ethical dilemma? How did you set about resolving it?

## Introduction

Law is what we *have* to do, morals are what we *should* do, ethics are what we *want* to do

Before we begin our navigation, let's take a look at the map. The relationship between morals, ethics<sup>1</sup> and Personal Governance is a critical one and deserves a visit. There are several ways of looking at this relationship. Perhaps the most catchy interpretation (which best fits Personal Governance), links *ethics* with our fundamental *behavior and habits*, irrespective of regulations or instructions, or what is morally or socially desirable or demanded of us.

Rainer Zech put it nicely: "Law is what we *have* to do, morals are what we *should* do, ethics are what we *want* to do."

*Ethics* are often applied as a general concept to *moral* norms and behaviors. Ethics (and 'ethos') are a longstanding part of practical philosophy. Amongst other things, they concern our understanding of good and evil, justice and injustice, the social rules that apply within our cultural circle at any given time.

Scientific circles talk about "morally flawless" or "morally questionable" behavior, "ethical" or "unethical" behavior. In practice, the terms 'morals' and 'ethics' are frequently used interchangeably.

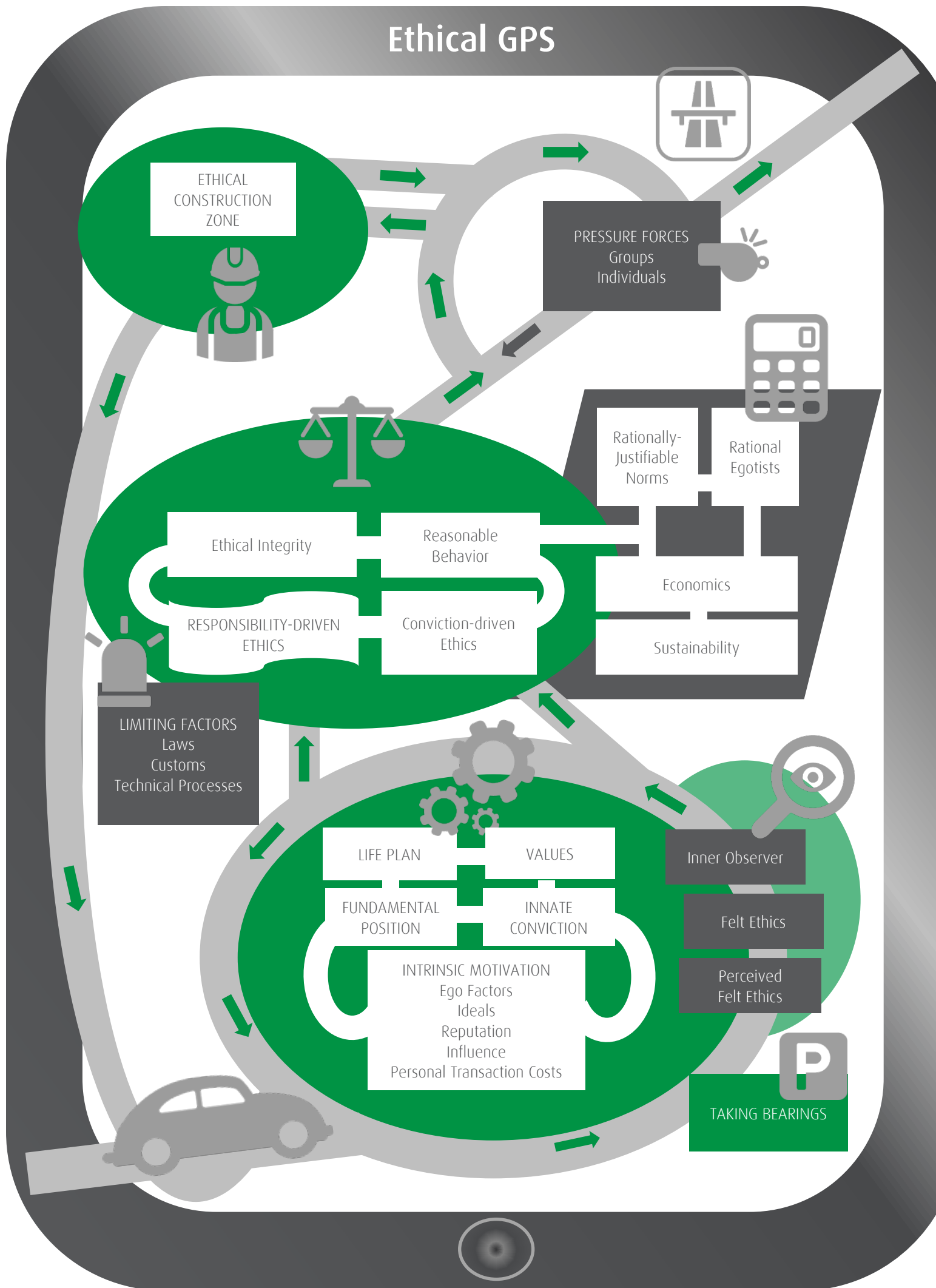


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<sup>1</sup> The two concepts of *morals* and *ethics* are often used in combination and it isn't always easy to draw a line between the two. *Morals* stem from the Latin *moralis*: "customs, customary" and *mos*: "customs, usage, habit, character. *Ethics* stem from the Greek *ethos* "customary behaviour, the ensemble of moral life principles," which in Greek means: "habit, provenance, custom, character."



# Ethical GPS



## Ethical Eyesight

### Envisaging implications can help see through dilemmas

German economist and sociologist Max Weber offers a simple guideline to solving dilemmas. At the moment of acting, he proposes, a person who practices *responsibility-driven ethics* evaluates the potential implications of his or her behavior. He or she uses that evaluation as a yardstick on which to base his or her decision.

### Culture is a powerful and individualized lens

If it's based upon our value system, ethical, responsibility-driven behavior is also branded by our culture and life story. Culture and values are of course fluid, used and interpreted in different ways. Gareth Morgan is a British/Canadian organizational theorist with a background in management consulting. He brings another helpful angle to the debate: *culture is the process whereby we construct reality*. It enables us to recognize and make sense of events, behaviors, things, statements or situations in a distinctive way.

### An ethical operating system improves our vision

Let's unpack these aspects to get a better understanding of the framework within which we construct our reality, examining our behavior in light of our conscious and personal value framework. Not just in the sense of reflection at the moment of acting, but as a fundamental operation, an "ethical operating system, running in the background." This acts in a feedback loop with the core values of our Life Plan (see Principle I) and sets the basic parameters for our behavior. More than a mechanical process, it's about acting on the basis of our strongly-rooted, authentic, value system.

### Our inner observer is always watching

This takes us to the topic of awareness (from the Latin *conscientia*: "joint knowledge, consciousness, conscience," and the Greek *syneidesis*: "inner consciousness"). *Syneidesis* tell us that immoral behavior can never take place unobserved. There is *always* a witness, an "inner observer." Depending on our value system and culture, we can have a guilty (or clear) conscience about something we have done. Making a personal comparison with the moral customs of our circle will be a decisive factor.



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*Responsibility-driven ethics* involve considering the collective implications of an action. But it is not the only approach.

*Conviction-driven ethics* basically determine (not in any relative, or contextual way) whether an act is moral or immoral.

*Felt ethics* also have a role to play - what we *sense* to be ethical or unethical, (again, irrespective of norms and customs). This takes us to *perceived felt ethics* – our awareness of *someone else's* ethical feelings. Our perception, concept and opinion of the ethical 'aura' and behavior of others are all extremely important. These factors influence the chemistry between people: what we fundamentally think about another person, how we judge – or pre-judge - him or her.

**In view of the situation: responsibility- and mindset-driven ethics.**

We have looked at Weber's idea of *responsibility-driven ethics*. Let's briefly take another look at this practical form of ethics. As we have seen, responsibility-driven ethics involve considering the collective implications of an action. But it is not the only approach. *Conviction-driven ethics* basically determine (not in any relative, or contextual way) whether an act is moral or immoral.

Depending on our situation, responsibility-driven ethics give us greater room for maneuver when deciding how ethically-representative an action is, as we "keep an eye on the right outcome." On the other hand, *Conviction-driven ethics* mean that we will to a large extent follow our ethical principles in a strict way - whatever the situation.

Here comes the tightrope. Business life calls for a blend of *conviction-driven* and *responsibility-driven* ethics. In some situations, we have to be able to react accordingly. In others, we must be able to adopt the stricter principle- and conviction-driven approach.

Ultimately, *responsibility-driven ethics* are less demanding and more practical day-to-day – and this fits well with Corporate Governance.

Practical and flexible though they may be, responsibility-driven ethics need a word of caution. They should in no way breed a general 'free for all' Any value has to serve credibility. No value should ever be an instrument for manipulation, masking a, hidden value or goal. Furthermore, ethics should never turn into et(h)iquette.

## The Business of Ethics

### Ethical norms must prove their worth

At the micro-level of leadership ethics, which moral value concepts will we ultimately have to make do with?

For any economic ethical system to win acceptance and respect, it must be based on norms that can be reconciled with commercial interests. Ethical behavior must clearly bring sustainability and value to the table. Any business behavior that conforms to a set of ethically-accepted norms and customs must also serve as a badge of quality.

Psychologist Ulf Dettmann goes one step further. We should gear ourselves towards a set of *rationaly-justifiable* moral norms, he recommends. Following these is “rational for everyone, irrespective of their former inclinations or ideas, equally so for the *rational egotist* who is a common feature of economic trading.” If ethical norms are not rationally-justifiable, he claims, moral sceptics will never be galvanized to conform to them.

Yet this is only one perspective when it comes to building economic ethics. And the need for norms to be rational for each and every player seems like a big ask. What may seem rational to me may well not seem rational to you, or at least, not to the same extent. So these so-called “rationally-justifiable moral norms” can in turn become victims of what Dettmann describes as “quasi-morals.” For Dettmann, a quasi-moral is created by a single interest group, community or society. However, a quasi moral is not rationally-justifiable. It, too, will have a hard time securing common buy-in.



For any economic ethical system to win acceptance and respect, it must be based on norms that can be reconciled with commercial interests. Ethical behaviour must clearly bring sustainability and value to the table.

Ethical behavior can only really be effective when it stems from an innate conviction.

## Driving Deeper

An ethical formula: innate conviction + personal values

To what extent do this supposed *rationality* or *reason* lead to moral behavior, then? It's a fundamental question. Dettman has doubts. For him, the dominant drivers are aims and means. C.D. Eck, on the other hand, argues that the way we behave has less to do with ethics than with what passes as sensible and rational when viewed through the lens of situations and customs. He talks about *limiting behavioral factors*: the *conditio humana* (our physical state and psyche), *law*, (regulation, norms, contracts), *customs* (what is normal or habitual) and *technicity* (tangible quality, procedural or professional logic).

Given all this, a combination of perspectives suits Personal Governance nicely. *Practical reason* is something you can often ascertain – but sadly, not often enough. An orientation towards *aims and means* is dominant, but not totally.



In my view, economic players are now seeking *combination of reasonable behavior and ethical integrity*. This is not an empirically proven fact, it's based on my encounters with many leaders – my *perceived felt ethics*. However, Amrop's research into wise leadership goes one step further. Smart leaders become wise when they address the dilemmas of modern business in a holistic way. One that is not just reasonable, but ethical and responsible.

A further factor is our biographically-branded inclination - our *fundamental ethical position*. Michael Schramm blends an economic with a theological approach. His description literally sounds better: "people are morally more or less *musical*." When a person is morally musical, he or she has a sense of what is moral, and an interest in it. Thanks to this kind of moral stimulus, he or she sets ethical frameworks voluntarily. As such, morally musical people don't consider ethics as a constraint, but more as an "attractive aspiration."

If our biographically-branded inclination, or our fundamental ethical position, is an ethical driver, ethical behavior can only really be effective when it stems from an *innate conviction*. And this innate conviction can only be attained when *personal value concepts* are in place. Their presence is born out of reflection and sheer hard work on the ethical theme. Let's face it, if I've never taken a good look at my personal value orientation, I'm going to struggle with innate conviction.

### Vulnerability can be transformed into ethical leadership

Once we get to grips with our personal value orientation, however, something else may creep into the frame. We may start to internalize socially-desirable ethical thinking and behavior. We may begin to reject anything that our social collective tells us is ethically incorrect. Then, if we're so inclined, we'll consider any of our behavior that contradicts those ethical norms as a form of personal denial.

Another crucial external stimulus for ethical behavior is pressure from special interest, or otherwise influential, groups. When influential bodies of managers consider certain ethical norms to be a duty, and behave according to them, the yardstick is set. Non-compliance is punishable by a drop in esteem, and the rule-breaker may even become an outsider. His or reputation will suffer, and subsequent transactional costs rise.

On the other hand, a single manager - or group - can resolutely turn the situation around, exercising considerable ethical influence within an industry, economic sector, or wider geographical area. Proactively and compelling putting this ethical construction to use can even satisfy rational egotists in many ways.

Deep in the bedrock of ethical construction zones, lie a series of drivers. Let's now take a look at these.

### Ethics is also about ego

As a rule, behaving in a moral way is associated with social recognition. It also makes us less vulnerable. We could surmise that people who seek harmony, (and who are rightly or wrongly assumed to be weak and low in confidence), might tend to seek protection in socially-desirable, morally-impeccable behavior. Perhaps they are afraid of falling victim to other peoples' immoral behavior themselves...

We can also find *ego tensions* in drivers for ethical behavior. Idealistic and ego-based drivers can be part of our intrinsic motivation. Reputation, and associated factors such as power (the ethical rules of the game, sanctions) are also involved.

Assuming that every living being cannot help but display behaviors geared towards preserving ego-based traits, assuming, too, that the voice of our 'inner merchant' is ever-present, we cannot discount egotistical motives as co-determining factors for moral behavior.

Ego should not dominate other, idealistic factors or rip the fabric of ethics. However, when we realistically factor ego into the equation, the chances of moral behavior spreading to a broader spectrum of economic players actually rise. In this way we even start to get close to what Dettmann is asking for: rationally-justifiable moral norms, with compliance to them being "rational for every individual, independent of any former inclinations or ideals, and just as much for the rational egotist."

People who seek harmony, (and who are assumed to be weak and low in confidence), might tend to seek protection in socially-desirable, morally-impeccable behaviour. Perhaps they are afraid of falling victim to other peoples' immoral behaviour themselves...



## Taking Our Ethical Bearings

### If communication be the food of ethics, play on

Ethical norms can be captured in codices. They can be communicated in oral and written form. But they can only be brought to life when they are captured in the way people actually speak and behave. “Morals are susceptible to communication,” and ethical standards have to be tabled, checked, revised, and re-internalized on an ongoing basis. In daily business life, ethics face relentless competition with goals, circumstances and priorities. Communicating ethical standards sensitizes both sender and receiver, and constantly refreshes his or her awareness. It creates expectations, spurs observers into action - and has to be integrated in the workplace. Raising ethical sensitivity must lead to active reflection on the theme. It’s time to take our bearings.

### Building a robust personal platform – and keeping it strong

The nucleus for Personal Governance is an awareness of our own values and ethical behavioral principles. The following steps involve taking a hard look at the theme in a concrete and personal way. Even if the methodology may seem banal at first glance, the steps are demanding in terms of content. Taking them means taking our ethical bearings, and for many of us, conducting a serious, personal examination of the theme - perhaps for the first time in our lives.

Returning to the outset of this article, every professional, and especially a top manager, needs to ask the fundamental question: “when was the last time I had to deal with my own ethical standards? What course of action did I choose?” Another important factor: “with whom did I discuss the knowledge, insights, grey areas and fields for development, and what kind of ethical principles did that lead to?”

It’s recommended that you take your bearings with someone you trust, a personal coach or assessor, for example. You will need to make regular, or situational reviews (for examples, connected to the annual Life Plan Review seen in Principle I) to secure the transfer into practice.

### The Question Catalogue

- 1 How do I describe my personal standpoint towards the ethical theme – how close to me (or distant) is it?
- 2 Morally, do I belong to the more or less “musical” people? (Score yourself on a scale of 1-10, where 1 = ‘unmusical’, and 10 = ‘very musical’)
- 3 What are my ethical principles and what ethical demands do I make upon myself?
- 4 Taking a recent example, how does my current behavior compare with these principles?
- 5 Again, taking recent examples as a guide, in which situations, and how often, do I behave in a way that contradicts my ethical convictions?
- 6 What does point 5 trigger in me? What coping strategies have I developed?
- 7 How do my ‘felt ethics’ compare with the norms and rules that apply to me?

**In conclusion:** taking our ethical bearings, being aware of our personal and fundamental, ethical position, having the resulting room for maneuver, form the nucleus of Personal Governance.





## About Amrop

With over 70 offices worldwide, Amrop is a trusted advisor in Executive Search, Board and Leadership Services.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

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