

Everybody knows that the good guys lost: Ethics in business

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The question of whether you should act ethically in business frequently attracts two types of responses: "Yes, of course, you should" and "Yes, but it's often not practical". This article discusses an experience I had over a period of time as the manager of an organisation, and the understanding I have come to subsequently about acting ethically. I wouldn't describe my position as idealistic; rather, it emphasises the practical importance of having integrity.

There's a song that Leonard Cohen wrote which sums up what many people think about ethics in business: "Everybody knows"ⁱ. It's an exercise in cynicism: "Everybody knows that the ship is sinking, everybody knows that the captain lied". Just so, everybody knows that we should be ethical – that's true almost by definition. But everybody knows that in practice you can't. Not if you want to survive, not if you want to succeed. Not even if you want to be accepted, if you want to belong.

A manager's experience with ethics

Many years ago I was the manager of an organisation that provided services for people with disabilities, and over a period of six years I took it from moribund circumstances to be an innovative and dynamic cluster of services. It was growing, it was financially sound, and it was encouraging to the human spirit for both clients and staff.

It seemed to be a good situation. We were essentially autonomous, although in legal terms we were part of a state body which had a head office. Things changed suddenly after I had been there about five years. The politics shifted. I was no fool, and I soon saw that my organisation was being set up to fail by the head office, which could control our finances.

It became apparent to me that the head office wanted us to fail because the innovations that to us were a success were to them a threat. They were invested in the traditional models of services and they didn't believe in the new alternatives we were offering. But their belief extended to setting out to prove that we were not viable financially.

Since they could intervene in our finances, as well as render them opaque to the local management committee, it was not difficult for them to take sufficient money out of our account (which I later discovered they called "management fees") so that we were operating at a loss. They would then declare that we were operating at a loss. It was a lie, but I was powerless to stop it, and I could not persuade my somewhat naive management committee that they were being conned.

The inevitable came to pass. First I was sacked, and then, shortly after, the management committee was sacked. Rumours went around that I had mismanaged the finances, and even that I might have misappropriated funds. Again I was powerless to defend myself. Enough mud stuck. I never got another job in that community.

"Everybody knows that the ship is sinking." I had been competent and ethical as a manager. Was there any point? While all the drama was going on I was pugnacious, even defiant. Mostly I felt that if I stuck to my guns and argued for the truth, eventually everyone would see it and the head office would leave us alone. That was not how it went. The head office closed down services, stripped out what cash and assets they could, and left a mess behind them.

Some of the players in this debacle were simply corporate thugs. They exist in community services too, not just in high finance. But many of them were simply naive folk who happened to be on a committee, and who were persuaded that the situation was dire, and that nasty things had to be done.

I met one of those people in the street twelve months later. He was the head of the district's community health team. He literally ran away from me. Up and around the corner. Disappearing, running. What was he running from? Not me. He was running from his own sense of guilt.

Ethics is not always a dilemma; sometimes it is just hard

Questions of ethics are often put to us as being complex. People talk about ethical dilemmas. And indeed there are ethical issues that raise deep questions about who we are and what is the right action to take. But there are many situations where the real question is not "What is the right thing to do?" but "What is doing the right thing likely to cost me?".

This is not an ethical dilemma but a prudential dilemma. Shall I choose ethics or (perceived) self-interest? I was at least clear about this at the time. My actions may not have always been the smartest or the wisest, but I did act with courage and integrity. For example, it may not have been wise to tell the CEO to mind her own business. (Although, even now I think that some purpose was served by this and I'm not sorry.)

On the other hand, I think there were situations during this period when I should have let loose the eloquence that was in my head rather than bite my tongue. There was as much point in being polite and conciliatory here as there was for Chamberlain to be nice to Hitler in the 1930s. The game plan had already been set and the deceit was endemic.

So it would seem that ethics does not pay. As Leonard Cohen puts it in the song: "Everybody knows that the dice are loaded". And yet – twelve months after my sacking, the entire body was dissolved (this was not long after the fall of the Berlin Wall, and the Soviet Union had been dismantled, so there was a sense of poetry about it all). All of the other organisations across the state mutinied, fearing that what was done to us could just as easily be done to them, and a general meeting voted for disaggregation. Each group incorporated separately and the head office was left without power or a role; it was subsequently defunded by the government.

The question: Does it pay to be ethical?

There is a perpetual debate among ethicists about whether ethics pays or whether you should do the right thing simply because it is the right thing to do. Immanuel Kant, representative for the latter position, talked about the "categorical imperative" – the demands of ethics are unconditional. The other school sees ethics as utilitarian – the ethical act is the one that produces the greatest good for the greatest numberⁱⁱ.

I would not have found the utilitarian perspective very helpful in the situation I found myself in as a manager besieged by a hostile head office. I was acting on values. I simply thought that what they were doing was wrong, and destructive. If things were to turn out well, that would be a bonus. And in lots of ways they did not turn out well. I lost my job, services were closed, and staff lost their jobs. Any sense of vindication was confined to the fact that the vicious and deceitful people who led the fray were later disenfranchised and prevented from doing any more harm.

I had another experience with an ex-committee member. He had been part of the madness. He had been the treasurer at the time and he had appeared on local television saying how dire the finances were. I had the financial information at that time to refute this, but no opportunity to air it in public. We met some time later at a funeral (and there was a certain irony in that), and although there was not much said

between us, he shook my hand warmly and there was a deference and an air of apology about him.

It seems pointless to me to try and prove that being ethical is worth it in any material sense. Every human action has unfathomable effects, and the story is never over. In Buddhism there is a conception of reality called dependent originationⁱⁱⁱ. This conception sees reality as an infinite and indefinite series of interrelated causes and conditions of which we are but part. Everything that exists is part of this web, and every action has this universal dimension.

I could say that my actions in fighting the head office were vindicated by their eventual demise. But the causes and effects did not stop there. There was an effect on all the people who had been involved, and on what they thought. Maybe my defiance actually provoked some of the players to behave worse than they might have otherwise. Perhaps I infuriated the CEO and she decided then to destroy me. But maybe the virtue of my obstinacy and integrity was belatedly recognised by the ex-treasurer and others.

The touchstone for me, when I started to despair in the aftermath, was: what kind of person do I want to be? Which person would I rather be – myself with courage and integrity, or one of the lying scoundrels? I did find things difficult after I was sacked – I was maligned, with no avenue for redress, my civic role was taken from me, and no other employer would consider me for a job. I was a “hot potato”.

I would not have been sustained through that period if I had thought that the seal on my actions was dependent on a future outcome. Certainly I tried to achieve an outcome that was best for the community and our clients, and certainly I believe that deceit and thuggery are not a foundation for enduring success, but this outcome was not the real determinant of my actions. I just thought what they were doing was, not to put too fine a point on it, wicked. They were prepared to destroy a set of services for people with disabilities, that they depended upon, in order to further a political argument with the government. And their argument was in fact a lie.

In the end, ethics is about what kind of person you want to be

I found it most constructive and clarifying to base my actions on values rather than strategies. In acting ethically you may employ strategies, and I certainly did that too, but ethics is not essentially about strategies; in the end it is about integrity and identity – what kind of a person do you want to be?

My encounters with the two ex-management committee members reinforce that idea. Why did the one run from me? Why did the other shake my hand? Not because of my worldly success or failure, but because of how our respective actions reflected on our ethical values. Neither of them, in their own minds, would have thought that there was any reason to sack me. Neither of them had doubted my competency or integrity over five years. Yet, out of weakness and perhaps naivety they allowed themselves to be persuaded by people in a more powerful position that I was not up to the job and maybe I was not honest either.

What they needed then was the clarity to see they were being manipulated, and the strength to stand up for me, and the organisation. But deeper than this, I believe there was the feeling in Leonard Cohen's song lurking: “Everybody knows that the war is over; everybody knows that the good guys lost”.

I was emotionally invested in my job, so I was strong and defiant, but they were just serving on a committee, and the challenge was too big for them. They resigned themselves to being the good guys who lost, and it was just a pity about me and, as it happened, the services and the organisation.

This all happened in a country town. Time passes, people come and go, and things that were built have their moment of glory and then later they may fall apart. This is how things are. It is the nature of all that is. In this larger frame the issue is not

about whether ethics prevailed at any particular point in time. So it would be misplaced to mourn too long over something that didn't work out the way I'd hoped.

Acting ethically requires belief in “the revolution”

These days, when the environment is such a public issue and sustainability is on everyone's mind, the lesson I would take from the episode is in the Chinese Book of Changes, the I Ching^{iv}. Its message was said to have originally been etched onto the shell of a tortoise four or five thousand years ago. The message is that all is change; success does not persist in the ordinary nature of things. But at the same time, a wise leader can cultivate sustainability by adhering to what is good and correct, by striving for noble goals and by engaging the people in revering those goals.

The Book of Changes says some other pertinent things about adhering to ethics when the tide appears to be running the other way. It says, “The revolution is only believed in after it has been achieved”. Sometimes you have to pursue your revolution without much support. When you are successful, then people will praise you and want to be in your company.

I did achieve a revolution of sorts over the almost six years I was in the management role. I didn't start by being surrounded by believers. There were sceptics, doubters, the threatened and the fearful. But we did make something new and good. We created services that respected people and gave them a chance to lead happy and worthwhile lives, and we proved that all this was financially viable. It was a time of great energy and a great deal of joy.

My mistake was to underestimate, or even fail to be aware of, the forces that success can attract. I hadn't thought about the effect of our success on the political game the head office was playing. I hadn't expected that I would attract people who were envious or people who were what I call “petty corrupts”, who just wanted to get their hand in the till and take a bit for themselves. (These people don't usually bankrupt you, they just suck your blood until you are anaemic.)

How can you remain ethical in a leadership position when you have to deal with all the complexities of people's motivations? What I learned, through many experiences, through a myriad of good and bad decisions, was to keep my primary focus on the revolution, as I have been calling it. My thought was, “We are here to serve this particular revolution, so that is my measure”.

Within that frame I sought to accommodate people's understandings, circumstances, emotions and motivations, but the final measure had to be “what we are here for”, the publicly subscribed goal, not my personal purposes and interests, and not any other individual's.

Being ethical also requires emotional intelligence

I was learning that to be competent and ethical, you had to learn a lot about how to deal with people. Being ethical takes a lot of what is nowadays called emotional intelligence.

What came prior to developing those skills, however, was the belief in and the commitment to, integrity and ethics (or correctness, as the Book of Changes generally calls it). Many times it may seem that “ethics does not pay”, and hence the audience murmurs in assent when Leonard Cohen sings “Everybody knows that the deal is rotten”. But to live out of disillusionment is not a neutral position; it actually sabotages the possibilities for good. The business people who weigh up the situation and argue that “we can't afford to be good” will never create an opportunity to make the ethical option successful.

The sad people always take a risk and hope that they will get away with doing the unethical thing. Yes, the sad people. There's a sadness about doing the unethical thing in business and living on hope, that you won't be called to account. It leads to a

stressful environment, and the stress is ongoing, because you can always be found out. Like the manager I had to deal with (later) who had fabricated a referee when he applied for the job. Four months into the job this came to light and he was confronted with his lie. His response was, "But that was four months ago." Yes, that's right. Nevertheless, it made his dismissal necessary; as might be guessed, it was his behaviour in the job that led to the investigation of his referee.

The Book of Changes offers another gem – it juxtaposes joy and correctness. Essentially, it says there are two things in life: joy and correctness. This was something that initially I found surprising and mystifying, but I followed the thought.

It unfolded this way. In business we are accustomed to thinking that the only thing that is important is making money, and this is about cleverness, so the only thing that is important is cleverness, which is about thinking (cognition). It was Daniel Goleman who showed us that emotions too are important in business, not just cleverness. If we don't learn to manage our own emotions and work constructively with the emotions of others, most likely we will not do well in business.

We can see from this how joy might have something to do with business. If joy is at the deep heart of all the emotions that people experience and exhibit, then we can understand the zest and enthusiasm that people have for success in business as being, in essence, about joy. But is there room too for correctness, for ethics?

The prevailing ethos in business is to do whatever it takes to be successful. The media reserves the limelight for the great success stories. It elicits our admiration for the rich and mighty. It feeds our envy, and for the most part it doesn't invite questions about how the success was obtained. Not at the time, anyway. We are left to assume that success is the product of brilliance, business insight, entrepreneurial genius.

Ethics cannot be treated as just a type of business risk

If the successful themselves think about what service they owe to correctness, it is generally to treat it as just another business risk. If their business practices include actions that ordinary people would find unethical (like lying to customers and shareholders or sabotaging a competitor's products), then this is a risk that comes with the battle for competitive success. You can't make an omelette without breaking eggs. And "everybody knows that the poor stay poor and rich get rich" (to quote that song again).

Nevertheless, the place of ethics is resurrected with amazing rapidity when a large corporation collapses. Why is it that people and the media don't merely say, "Awesome Corporation went into liquidation this week as a result of a series of poor business decisions?"

The case of the HIH insurances group^v is a good example. Collapsing in 2001 with losses eventually counted at around \$5 billion, it was quickly branded as a case of unacceptable corporate conduct. Ray Williams, the CEO, ended up in gaol, along with some of his fellow senior executives. A Royal Commission found that the company was not merely imprudent or reckless in its financial management. It was deceitful, and its corporate behaviour was reinforced by the extremely aggressive behaviour of its senior managers towards any employees who dared to question their decisions.

Ray Williams was atypical in that he apologised to the people who were hurt by HIH's collapse. Most executives who have been found guilty by the legal system continue to believe that they were merely unfortunate. A risk factor chimed in when they had hoped it wouldn't. Most of them still think they could have won out, and still be on top of the pile – basking in the media's praise (think: the delusion of Christopher Skase in Australia in the 1980s, or the executives of Enron after its collapse in the US in 2001).

What the Book of Changes says about correctness is that it is not just a “risk factor” like bad weather is for insurance companies. It is an integral aspect of how things are, or at least, of how humans experience the world.

That same perspective is emerging out of current research on the brain^{vi}. Our brains evaluate our situation moment by moment. They weigh up whether a situation or an action is good/bad or right/wrong. Our judgement may be muddy, misguided and culturally conditioned, but there is some kind of evaluative function always at work, and that is the interesting thing.

This may be confronting if you work in business (and don't we all, if we work at all?), but also a great relief. It clarifies the issue. It means you must, or it is certainly best for you if you do, work and do business ethically. You can be smart, and indeed it is generally true that you have to be smart to do well in business. In terms of our conversation, we can call this “pursuing joy”. But you must likewise observe correctness, if your success is to be firmly grounded.

“Success” is not an argument for acting ethically

There has been an endeavour in business ethics literature over the last decade or so to demonstrate that companies which act ethically perform better in the marketplace than other companies. A variety of measures has been devised to quantify “acting ethically” and companies have been tracked against the share price of other companies over several years^{vii}.

The measures that have been used include having ethics training programs, a code of conduct, anti-discrimination policies, and active safety and health programs. If the results of these studies had to be summarised in one statement, it would be that companies which have these kinds of practices tend to perform “somewhat above the average”.

The problem with this approach is that if you take a “risk” approach to ethics, you will merely weigh ethics against other initiatives you might take to boost your business success. If you are ethical, as defined, perhaps there is a 60% chance that your company will perform better than average in the market. But with this approach you might well find that your chances of success are maximised, in a particular instance, by actions that are not so ethically sensitive.

Hence, I am not trying to persuade business that the empirical evidence shows conclusively that it pays to be ethical. I am saying, rather, that there are two things in life: joy and correctness. This is simply how things are. Ignore one or the other at your peril because it is simply the nature of things. Embrace both and live, and do business, well.

So my boldness would extend to this statement: If you understand that the true nature of things is about the interplay of joy and correctness, and you base your business or career on the true nature of things, you will have more chance of success. Beyond that, beyond the question of the success of your business or career, there is the question of who you are, and that is a question of whether you live in integrity, and again, that is about whether you seek to attune yourself to joy and correctness.

Leonard Cohen may voice our times of disillusionment – “everybody knows it's coming apart” – but reality is more complex and shifting. It is subject to ongoing change. It generally gives us good times and bad. Sometimes the poor leader is in the ascendancy. But success is best cultivated and is more sustainable when we have a constant focus on values, not on narrow vision and short-term gain. Even in his tableau of cynicism, Leonard Cohen ends by saying, “Take one last look at this Sacred Heart”. He seems to be keeping a grasp on the thought that even with his manifold experiences of the failure of ethics to pay, what “everybody knows” is not the end of the story. The quest is still, somehow, worth honouring.

Author profile



Glenn Martin has been writing about ethics in business since about 1995. He was the manager for the Casino Branch of the Challenge Foundation in northern New South Wales from 1986 to 1991. Subsequently he obtained a Bachelor of Business with first class honours from Southern Cross University and spent the next 15 years writing on management, human resources, training & development and business ethics for CCH Australia and for numerous other publications. He has written several books on ethics, including *Human Values and Ethics in Business*.

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Endnotes

ⁱ "Everybody Knows", co-written with Sharon Robinson, was first released on Cohen's album *I'm Your Man*, February 1988.

ⁱⁱ This essay does not delve into all the subtleties of the two schools of thought. Judith Boss provides an engaging account of the respective merits of utilitarianism and Kant's ethics of duty in *Ethics for life: An interdisciplinary and multicultural introduction* (Mayfield Publishing, Mountain View CA, 1998). Peter Singer's anthology, *Ethics* (Oxford University Press, 1994), includes a number of essays representing each school of thought.

ⁱⁱⁱ Dalai Lama, 2000, *Ancient wisdom, modern world: Ethics for a new millennium*, Abacus, London.

^{iv} There are many translations and interpretations of the I Ching. The following selection offers a range of styles and perspectives:

Richard Wilhelm, 1975, *The I Ching or book of changes*, Richard Wilhelm translation (1950) rendered into English by C Baynes, Routledge & Kegan Paul, London.

Stephen Karcher, 2003, *Total I Ching: Myths for change*, Time Warner, London.

Wu Wei, 2005, *The I Ching: The book of answers*, Power Press, Los Angeles CA.

Sarah Dening, 1995, *The everyday I Ching: Ancient wisdom for success today*, Simon & Schuster, London.

Carol Anthony, 1981, *The philosophy of the I Ching*, Anthony Publishing, Stow MA.

Cheng Yi, 1988, *I Ching: The Tao of organization*, translated by Thomas Cleary, Shambala, Boston MA.

^v HIH Royal Commission, 2003, *The failure of HIH Insurance: A corporate collapse and its lessons*, Commonwealth of Australia, Canberra.

^{vi} John McCrone, 1993, *The myth of irrationality: the science of the mind from Plato to Star Trek*, Macmillan, London.

^{vii} Lynne Sharp Paine's book, *Value shift* (McGraw-Hill, New York, 2003) discusses a number of studies that examined the connections between corporate ethical commitment and financial performance.