

Big business outdoes government on leadership ethics

Government and Big Business have something in common - corruption. They seem to be head-to-head in a reckless scramble to outdo each other in the high-stakes corruption game.



By Johan Poolman 13 Aug 2013

According to Transparency International's Global Corruption Barometer 2013, between 40% and 50% of South Africans have paid a bribe over the past year, with the most prominent accomplices being - in order of severity - the police, political parties, public officials, and parliament. And then there are, of course, the rapidly growing "gated communities", which include Oilgate, Travelgate, Nkandlagate, Guptagate and the pervasive Armsgate.

A staggering R385bn lost since 1994 due to corruption in government, as reported in the National Assembly on 25 August 2012. And on top of all this, the same National Assembly passed the contentious secrecy bill which critics warn will stifle press freedom and provide cover for government corruption.

But Big Business has raised the stakes in the corruption game. A case in point is the collusion in the construction industry that amounted to a conservatively estimated R4.7bn in unfair profits, with 15 companies admitting guilt so far. There is Pioneer Foods that was fined R500m for price fixing in the flour and maize sectors, and an additional R196m for kneading the price of bread. And it goes on. To top it all, traces of kangaroo meat have been discovered in our boerewors.

It would appear that our leaders, in government and big business, have no qualms about dipping their fingers in the with an indifferent "well, seeing that everybody else is doing it..." attitude. The harsh reality is that no matter how you package it, it is nothing more and nothing less than theft - it unfairly enriches a greedy, corrupt few at the expense of others.

Equally concerning is the damaging impact that unethical leaders have on their followers. As role models and custodians of their organisations, they serve as the benchmark for corporate ethics. Their behaviour defines the values of the organisation, the way "things are done around here". The reality is that leaders lead by example, whether they intend to or not. Followers are more inclined to emulate the example their leaders set than the "official" values that the organisation champions. Can we expect a policeman not to solicit bribes if the commissioner of police has been convicted of corruption? Or the site supervisor of a construction company not to cut corners if the company's executives routinely collude in price fixing?

Values ultimately represent what the organisation and its leadership stand for. The organisation's core values should be non-negotiable and should govern the behaviour of individual employees, particularly when tempted to cut corners or when faced with difficult decisions. It becomes grey, though, when you don't agree with your employer's ethics or when your values are not aligned with those of the organisation for which you work. Remember Greg Smith, the London-based expatriate South African executive director at Goldman Sachs who explained his reasons for resigning from the company in a letter to the New York Times? Greg said he realised at some point that his personal values were no longer aligned with the company's "culture of greed" where "clients were ripped off" as a matter of course. And since the company's culture was unlikely to change on his behalf, he had to choose between living with the stress and internal conflict that comes with compromising his values, or resigning from the company. He chose the latter.

Ethical leadership will be to the benefit of the organisation. It is a key driver for success as it sets the emotional tone throughout the organisation and influences the many decisions that have to be made. It transforms the organisation's core values from a sterile list posted on a wall into a way of life - a kind of universal ethos - that informs the decisions and actions of both management and employees. An organisation with an emotional environment riddled with duplicity, dishonesty and greed will be less likely to bring out the best in its workers. Conversely, an environment inundated with integrity and fairness will be open, transparent and trustworthy. It will be a place where workers will be more emotionally committed and engaged to the organisation. And, according to recent research, engaged employees tend to be more productive.

In addition, ethical leadership will also benefit employees and society at large. Ethical leaders will balance their

obligation to satisfy shareholders with a need to be fair to their employees. They will be good corporate citizens who genuinely care for their workers and who honour their social and regulatory responsibilities. They will, to borrow from a previous article I wrote, partner with their workers in a form of "socially responsible capitalism" where profits are built on getting the best, not the most, out of their workers, and where sustainability is ensured by creating value not just for shareholders, but also for society.

So it seems our leaders have a moral obligation to their followers and to society. They have to set the right tone by modelling ethical behaviour. To quote the American general in charge of Operation Desert Storm in Iraq, Norman Schwarzkopf: "Leadership is a combination of strategy and character. If you must be without one, be without the strategy. is the right thing to do. Maybe it is time our leaders came to their senses. I will be holding my breath...

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