

Business Ethics

– Conversations with business leaders

Narrative Dynamics, the leadership consultancy, held in-depth conversations with business leaders from banking, retail, manufacturing and not for profit organisations, to explore their approach to personal and business ethics.

Highlights

- **Most leaders define ethics in business as “doing the right thing” – but few can say what that is. Even fewer have developed a clear, articulated ethical framework**
- **There is widespread optimism that business is moving from traditional self-interest towards a more customer focused model. But, there is little evidence that business is embracing a wider societal focus in practice, despite reference to such ideals in stated purpose.**
- **Business leaders limit their ambitions to avoid “doing bad” – rather than attempting to “do good”.**
- **Overall, we see some evidence of a general, positive, transition, but there are many barriers to business wishing to develop a strong ethical foundation. These included complexity, lack of transparency, size, market pressures, scale of reward, low regulation, confusion about what ethics in business practice actually means, and ambiguity in organisational culture.**
- **When commercial interests clash with ethical aspirations then conventional business priorities will tend to win. Attempts to harmonise these conflicts for the long term requires constant engagement – treating ethical frameworks as a “living system.”**

Brendan Llewellyn, Narrative Dynamics commented: “Ethics is fundamental and persistent failings will end an organisation – but even where a firm tries to adhere to some notion of “doing the right thing” – this will tend to crumble in the face of commercial pressures.”

“There is clear evidence of progress from the old traditional business model where capital is king to one where firms recognise that capital will only be reawarded if the customers are made centre stage. We see this as a work in transition.”

Dr Tom Cotton, Narrative Dynamics commented: “A businesses’ ethical position is just like any other narrative that they operate within, or generate. However, most businesses either don’t articulate their ethics narrative clearly, or it is not actively engaged with, and so risks becoming ignored by staff and seen as window dressing by customers. We believe businesses need to create a living, constantly revisited narrative surrounding their ethical practice so that all stakeholders can engage, and a more coherent organisation can emerge.”

Comments on the report to date:

“A fascinating, well-researched study. The observation that business thinks ethics is not about doing good but avoiding doing harm is particularly astute.” *Henry Tricks, The Economist*

“This is a fresh and very interesting look at a subject which is rightly becoming more important in a business environment. Its diverse analysis combined with psychological insight makes it a very instructive read.” *Peter Le Beau Chairman – The Net-Work, The Protection Review*

Notes for Editors

1. What some of the business leaders we interviewed had to say – Extracts 0000 from Business Ethics – A Period of Transition

- *Business in the UK has become more ethical in the last 20 years, because not being ethical is bad for long-term sustainable growth.*
- *Working in banking was initially fun but there was little support, the law of the jungle prevailed and the most aggressive rose to the top.*
- *Behaving with integrity is good for business, although there is a tension between profits and ethics.*
- *Setting a higher standard might lose you work in the short term, but will win you work in the longer term.*
- *The problem with the banking industry is the products have become so complex that regulators can’t keep up.*
- *Regulation is needed, and bolsters a sense of confidence in business, but what it doesn’t cover is fair game.*
- *When the interests of shareholders, employees and suppliers don’t coincide, there is a nebulous, open space beyond regulation, in which companies must make their own decision about what ‘doing the right thing’ involves.*
- *Businesses need an ethical framework, otherwise it’s a free-for-all.*
- *We had a written ethical code at one investment bank I worked at, which was largely ignored.*

- *Academia is becoming increasingly marketed which might create more ethical tensions and ironically stifle the creativity and innovation that business is currently good at fostering.*
- *The popular view is that ‘Marketing ethics’ is oxymoronic, but it’s more complex than that.*
- *Putting the client first, rather than money, is ethical and it makes good business sense.*
- *If more money was involved, these decisions would become more complicated.*
- *Acting without integrity will cost you money in the long-term, but it’s a fine balance against the potential loss of income in the short term.*
- *We try to employ a smell test, but then again, we don’t want to be seen as lefty anarchists, because at the end of the day, clients pay our wages and we don’t want to lose business.*
- *We try to be honest, but if honesty loses you too much business there’s a temptation to adopt the same practices as your competitors.*
- *External investors might be more geared toward that short-term mind-set.*
- *The broker I worked for treated his male analyst differently.*
- *To survive as a woman in that bank you had to be a ballbreaker.*
- *Women tend to discuss problems openly, which in a male dominated environment, is perceived as weakness.*
- *Diversity is a core aspect of sustainability.*
- *If we don’t fulfil financial targets we won’t survive.*
- *The younger generation are interested in issues beyond the bottom line, such as environmental impact.*

2. Summary Report – attached

3. Participants

Jonathan Alpert, Managing Director, M&A Financial Services, UBS Investment Bank.

Andy Appleyard, Director and Co-Founder, MRM, a PR business representing primarily financial services clients.

Paul Bradshaw, Director, Sanlam, a South African insurance business.

Josephine Defty, ex-Director, Stevenson James, an Executive Search business.

Sean Dixon, Managing Director, Richard James, Saville Row tailor and menswear.

David Ferguson CEO, Nucleus, a Scottish-based business that provides an integrated service for IFAs and wealth management companies.

John Gale and **Nesha Kelly**, CEO and COO, respectively, Community Housing Therapy, an organisation that provides residential treatment for clients with complex mental health needs.

Tony Langham, Chairman, Lansons, a financial PR agency.

Mike Saren, Professor of Marketing, Leicester University.

Arabella Slinger, Partner, Penfida Partners, a business that provides consultancy advice to pension scheme trustees.

Tom Swithenbank, ex-CEO, Energem, a South African renewable energy business, ex-CEO of a Russian mining venture.

Helen Park-Weir, Head of Marketing UK, EFG Private Bank.

Narrative Dynamics – what we do

Every decision is based on how an organisation understands the narratives surrounding them. But the narratives we send and receive are not always intended - they are filtered through a web of cultural and psychological dynamics that we're not always aware of. This means we risk sending the wrong message at the wrong time to the wrong people. Then we often misread the response because we're stuck inside a narrative that we can't see.

Dr Tom Cotton and **Brendan Llewellyn** are experts in communication, business, psychology and film. This multi-discipline experience helps us understand the dynamics of narrative that surround leaders and their organisations. Our fresh, independent perspective can help leaders see the bigger picture more clearly, to think more independently, and to address the challenges they face more effectively - key ingredients for leading competitive, innovative businesses.

Contact us

Please feel free to contact us to see the full report on Business Ethics and to discuss further.

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