



ETHICAL CONVERSATIONS FOR BOARDS



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It is often considered that it is a few bad apples that spoil the organisation/boards. Organisational ethical failures are not only caused by so-called 'bad apples', but in fact committed by people generally considered good apples (Bazerman and Banaji, 2004).

In today's fast-paced and competitive world, there is increasing pressure on the boards to perform and present the numbers and more often boards succumb to the pressure and ignore ethical considerations. In a recent publication by Ethisphere, 'Infosys' was the only Indian company mentioned in the list of 100+ ethical companies around the globe. This does not mean other Indian companies are unethical. Though most organisations and boards would want to operate ethically, we all have our ethical blind spots and biases, which causes boards around the globe to experience 'ethical fading'. Ethics has taken a backseat and it is no longer expected that board conversations will be driven on the anvil of ethical decision-making.

At the recent conference by CII- the president of the ICAI said – that non-financial reporting is more important than financial reporting. I recall in 2011 when I was collecting data for my thesis on Business Ethics and there was a question about Triple Bottom line accounting, most were unaware of what this term meant. Similarly, each new day brings with it new business challenges and crafts new concepts every couple of years to attempt to bring ethics into board conversations. At least, the intent seems to be in that direction. For eg., ESG is the current buzzword – a concept that is closely connected with ethics. However, since the introduction of ESG Score the concept

has reduced to mere numbers and 'Green Washing' has become a norm. I believe there should be an addition of 'E' for 'Ethics' to realign the concept and to place Ethics at the center.

Research shows that the top management and boards think that the ethics in the organisation is better than it actually is, whereas the employees tend to often think that it is worse than it actually is. This gap needs to be bridged and the board needs to reduce its over-optimism and work on building an ethical culture. Additionally, hastily implementing ethical programs and /or reforms or addressing ethical concerns will be counterproductive. Research has also established that ethical organisations outperform the market in the long term.

There is an increasing trend amongst millennials to not work for companies that are not doing enough for the planet, society and community. Therefore, the motivations for making ethics and compliance the core of the board conversation should not prevail because the regulators expect it or because the investors want it and the best boards are doing it but because the future generations will demand it. Ethics has to be internalised and realised by the top management to ensure value-driven growth. The top bottom approach is needed to set the culture and tenor of the company; as it increases the morale of employees and encourages them to deliver performance ethically.



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