

## What is Ethical Management?

We are probably familiar with the concept of professional ethics. As a professional housing manager or accountant we are expected to maintain high professional standards and conduct ourselves in a way that does not bring our profession into disrepute. Professional ethics may even create tension with an employer where the insistence of a professional on observing professional standards may conflict with his employer's perception of the organisation's short-term interests.

But what is ethical management?

The Institute of Business Ethics describes ethical management as:

*"The application of ethical values to business behaviour. It applies to any and all aspects of business conduct, from boardroom strategies and how companies treat their suppliers to sales techniques and accounting practices. Ethics goes beyond the legal requirements for a company and is, therefore, discretionary. Business ethics applies to the conduct of individuals and to the conduct of the organisation as a whole. It is about how a company does its business, how it behaves intrinsically."*

Ethical management is sometimes seen as an exercise in reconciling the four Ps of:

- Purpose
- People
- Planet
- Probity

Purpose in the case of a commercial organisation is often the achievement of profit and ethical management does not object to this. However an ethical commercial organisation will have other purposes including helping its clients to achieve their purposes. In the case of a public sector or voluntary organisation there is usually a complex mix of purposes based around a wish to deliver quality services at a cost that represents value for money. In view of this, the ethical management approach may be considered particularly relevant in the context of public and voluntary bodies and the commercial organisations whose business it is to support them.

Ethical Management recognises the importance of people. This includes not only the staff of the ethically managed organisation who would expect good quality terms and conditions of employment; but also the organisation's other stakeholders be they customers, shareholders, local communities or suppliers. Issues of 'equality' and 'diversity' are important to ethically managed organisations, as is participation in the communities where ethical organisations work. Ethical Management seeks to build long-term relationships with people based on all parties receiving 'added value'.

Any organisation's activities have an impact on the planet and ethical management seeks to minimise the negative impacts and maximise the positive impacts. This includes sustainability, environment, biodiversity, natural resources, heritage and 'fair trade'. The ethical organisation is 'green'.

Probity includes basing all activities and relationships on integrity, compassion, honesty, trust, respect and truth. Probity enables the other potentially conflicting aims to be harmonised so that the mix is sustainable.

Ethical management therefore goes further than professional ethics.

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This approach may seem at first glance to be idealistic. It may also be said that if a commercial organisation adopted this approach it would fail to compete with organisations with a traditional focus on organising resources towards maximising profits. However, the advocates of ethical business would argue that for a business to be sustainable it must respect people and the planet, pursue an appropriate mix of purposes and build a solid reputation for probity. In the long-term an ethically managed organisation will become more effective at achieving its purposes – including achieving profits where this is appropriate – than a traditionally managed organisation.

Furthermore, this is becoming increasingly important in a changing world where:

- People seek more meaning from their lives and more satisfaction from their work.
- Customers want high quality products produced in a sustainable way by responsible organisations.
- There is increasing recognition of the inter-dependence of different communities around the world.
- Organisations want to build long-term business relationships with other organisations that can help them to achieve their purposes through partnership.

Of course, there are sometimes difficulties in balancing the four Ps. For example, enhanced conditions for staff or environmentally friendly purchasing can increase costs making it less easy to deliver a quality product at a competitive price. However, the ethical organisation lives in the real world where choices have to be made and reconciling these issues is the skill that an ethical manager needs to develop.

Ethical management is not new. However, the 21<sup>st</sup> century is likely to see the growth of ethical management, not only in the public and voluntary sectors but also in the commercial sector.

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