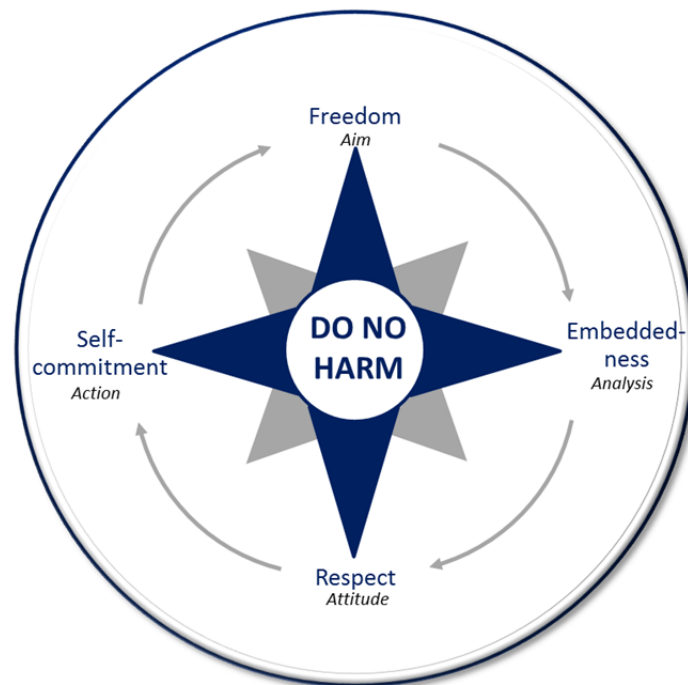


AN ETHICAL COMPASS FOR GOOD LEADERSHIP

Abstract

- (1) Social development requires good leadership, good leadership requires an ethical compass
- (2) The fundamental principle of the ethical compass is „do no harm“: pursuing one’s purposes without hurting others, the environment or oneself.
- (3) This principle is substantiated with the elements freedom, embeddedness, respect and self-commitment



- *Aim*: use your **freedom** reasonably / responsibly
 - *Analysis*: understand your social and temporal **embeddedness**
 - *Attitude*: **respect** others, the environment and yourself as well as the rules of society and your entrusted duties
 - *Action*: be **committed** – invest in your freedom by restraining it
- (4) The ethical compass becomes a tool of good leadership by comprehensible application in everyday life.

1. Social development requires good leadership, good leadership requires an ethical compass

Understood as a way to peacefully work together based on the principle of solidarity and human rights for the mutual benefit of all, social cooperation requires everybody to contribute. In this sense, one of the fundamental responsibilities of good leaders is to motivate, support, and demand such contributions, especially in situations which are marked by conflicts and uncertainty.

This is all the more true in an era when globalization and digitalization have opened ambivalent pathways: International cooperation and technological advances offer large potential to create a better world as has been laid out in the global sustainability goals.¹ At the same time, disruptive change, mounting complexity, increasing competition for scarce resources, and the resulting uncertainties present unprecedented challenges to humankind. The assumption that conflicts of interests can be solved satisfactorily *solely* by adhering to established rules, procedures, and processes or shared cultural values falls short, since it leaves out the question as to how individuals might use their freedom within the rules. This raises one fundamental question: How can we ensure that people continue to be ready to contribute to social cooperation? And who is responsible for it?

We need robust principles for appropriate and mutually reliable norms of behavior², “robust” meaning that it must be possible to generalize such principles and that they need to be generally acceptable and provide guidelines³. It is one of the fundamental responsibilities of good leaders to develop, communicate, exemplify, and strengthen such principles and, in any case, to incorporate them sufficiently into their own work and life⁴.

With their decisions and ways of communication, leaders fundamentally shape future conditions for action. They impact the expectations of many other people and influence their behavior. At the same time, leaders always face limits. It is therefore equally important to have realistic expectations of leaders. In keeping with the notion of mutually reliable behavior leaders should not be encouraged or even forced to make promises they cannot keep which may lead to irresponsible decisions.

Under these circumstances it is ever more important for good leaders to have an ethical compass.

2. The fundamental principle of the ethical compass for good leadership is: “Do no harm”

Based on the freedom of the individual, the ethical compass – just like a “real” compass – does not provide orientation as to *which* goals to follow. Instead, it gears attention to the side effects of individual goals and actions. The ethical compass expresses what leaders and the people they

¹ By agreeing on the Sustainable Development Goals (SDG), the countries of the world have, for the first time, reached consensus on the most important goals we need to achieve to secure the future of the global community.

² Reliability becomes a challenge in the light of the fact that every person is free to decide to contribute or to stand back and watch because the latter might be more beneficial to him or her in a given situation. That means reliability is particularly important in situations where conflicts arise. That is why we may also speak of trust.

³ What a challenge the notion of general acceptability poses becomes clear when we look at how different social groups in many parts of the world seem to have lost a common perspective or are divided by fundamentally different perspectives. This becomes an even bigger problem, the more pronounced the conflicts between these groups. Especially in these cases good leadership plays a fundamental role in constructively solving such conflicts and differences.

⁴ Please note that expectations might be inappropriate if they do not take into account the conditions for action. By the same token, goals might be inappropriate if they do not take into consideration the legitimate rights of others.

lead may expect of each other – especially in situations of conflict. Therefore, the fundamental principle of long-term successful social cooperation is:

Do no harm.

What this entails is the guiding idea that the impact of an individual's use of freedom should principally not harm others or violate their *legitimate* expectations. This principle is known all over the world, for instance, as the Golden Rule, which says “Treat others as you would wish to be treated”⁵. The practical relevance of this principle is visible in many fields: In medicine, diseases are treated while trying to keep the side effects of surgery and drugs at an acceptable level. All traffic regulations and restrictions aim at not hurting others. Even in market competition (inevitable) losers must not be devastated completely. However, doing no harm does not mean to cause no harm at all. That would be hard to do in everyday life. Rather: The harm we inflict upon others must serve the objective of successful cooperation. It must be ethically justifiable and reasonable to those affected.

The principle of doing no harm is geared both at those taking action as well as those who suffer the effect of it. It aims at reaching a common understanding of how the principle of doing no harm is to be interpreted in the sense of good (social) cooperation or in other words what we can and should expect of one another. As such, the principle becomes a prerequisite of a successful and sustainable social cooperation for mutual advantage.

3. The ethical compass gives substance to the principle of doing no harm by incorporating the elements of freedom, embeddedness, respect, and self-restraint

Based on the principle of doing no harm, the ethical compass comprises four elements:

- an informed understanding of individual freedom as a starting point,
- a situation analysis to understand the conditions and consequences of one's actions
- the attitude or values that people may expect of each other, and
- the resulting direction for implementation.

⁵ The Declaration of Human and Civil Rights by the National Assembly of France on August 26, 1789, states: “Liberty consists in the freedom to do everything which injures no one else.” A more popular version is credited to O. W. Holmes who allegedly said: “The right to swing my fist ends where the other man's nose begins.” The Hippocratic Oath contains a passage according to which a doctor will abstain from all intentional wrong-doing and harm. The principle of “neminem laedere” is one of the foundations of tort law but can also be found in traffic regulations.



Figure 1: The ethical compass

(1) Aim: Using one’s freedom to set responsible goals

To be free means to be able to set and pursue one’s own goals. Freedom is thus constitutive for good leadership but at the same time it entails obligations. Especially in times of uncertainty, leaders are responsible, to the best of their knowledge and belief, for deciding in which direction to go and ensuring that everybody stays on course. This also means that with every decision leaders impact future margins of freedom – not just their own but also that of those they lead directly as well as the freedom of third parties. A CEO who acts responsibly does not only expand his or her leeway but also that of employees and business partners. Indirectly, he or she also influences the latitude afforded the sector concerned and the economy in general. On the opposite side, irresponsible leadership may not only harm others but also curb one’s own freedom.

Therefore, the ethical compass must sensitize its user to use his or her freedom wisely without later remorse. It provides orientation to reflect one’s own goals and ways to implement them guided by the principle of doing no harm, that is, avoiding negative, hurtful side effects of one’s actions. These unwanted side effects can result from:

- a lack of awareness of or knowledge about these side effects,
- a lack of respect for those who are concerned by them or,
- a lack of knowledge or competence as to how to avoid or mitigate them.

The following elements of the compass help to cope with these sources of harmful actions.

(2) Analysis: Recognizing social and temporal embeddedness

Good leadership requires leaders to “situate” themselves in the environment, conditions, and relationships that define and enable their freedom and options for action because if we focus too narrowly on our own goals, it is easy to overlook that goal-oriented action always requires collab-

oration⁶ with others and rests on “soft” and “hard” prerequisites. For instance, this includes functioning institutions, as well as trust and acceptance. Embeddedness means safeguarding or not jeopardizing the prerequisites of goal-oriented action in one’s leadership behavior and communication. Embeddedness has the following dimensions:

- embeddedness in reality, which means to base one’s action and communication on the truth, including with regard to possible, unintentional consequences of one’s actions,
- embeddedness in the dimension of time, which means to take the past and future into account, and to look not only at the short-term but also on long-term consequences,
- social embeddedness, which means that other people also want to live their freedom and have expectations toward oneself.

That is the reason why our own actions should always be embedded in two functional⁷ frameworks: the framework of action (laws, contracts, standards, i.e. the “rules of the game”) and the framework of communication (culture, traditions, norms, i.e. a “shared understanding of the game”). Both sets of frameworks directly restrain a person’s freedom to act and communicate but at the same time they create a common framework for legitimate expectations and mutual reliability. In other words: Social order bears a substantial freedom that *enables* cooperation and the creation of value. This means that if we are to retain our own freedom we must apply the principle of doing no harm stipulated *by* the framework *to* the framework itself.

(3) Attitude: Respecting oneself and others, the office and one’s duties

Respect refers to the *attitude* with which we analyze our own embeddedness because our own expectation of not being harmed by others requires us to afford others the same treatment. Other words would be “regard”, “esteem”, “recognition” or “consideration”, but the term also comprises the notion of *self-respect*. Because as much as good leadership requires sound self-leadership, respect of others requires regard for our own dignity.

Respect manifests itself in many ways in everyday life, be it directly in how we treat others, e.g., by being polite or showing decency, or when dealing indirectly with others by adhering to rules or respecting values that protect the interests of others and form the foundation of successful cooperation and rational, reasonable and civilized ways to solve conflicts. In the context of good leadership, this also means respecting the office one has been entrusted with and its inherent duties and obligations.⁸

(4) Action: Investing into freedom through self-restraint

Based on the principle of doing no harm, the notion of *self-restraint* arises as an action-oriented ethical approach, i.e. curbing one’s own actions, demands, and expectations where they harm oneself or others. In the light of competition and progress, self-restraint may seem to carry a negative connotation, but it is actually a natural aspect of self-determination because with each goal we freely choose we necessarily exclude a large number of other options.

⁶ Be it only not to impede one’s own actions.

⁷ Functional means that these frameworks fulfill a function for social cooperation that may be undermined if the framework is ignored. „Functional“ poses a challenge because functional structures do not directly carry deeper meaning in themselves, which may create a problem if confronted with direct moral demands. This becomes particularly clear in the case of the market that principally serves the wealth of nations but may pose particular difficulties in individual cases. Its functioning essentially depends on how framework conditions are shaped but also on social acceptance.

⁸ This applies both to leaders as well as subordinates or third parties.

The need for self-restraint become all the more clear where free people interact with each other: People and organizations have always practiced restraint, otherwise orderly co-existence, a level “playing field” for coordinating diverse interests would not be perceivable.

Especially in view of mounting uncertainties we need to shape and implement ways of self-restraint that contribute to *mutually reliable expectations of behavior*. Especially in view of urgently needed change, to enable innovation and transformation, such reliability is a key factor of success.⁹

Three fundamental ways of self-restraint are listed below as examples:

- complying with existing rules, laws, contracts, not only because of the sanctions arising from violating them but in recognition of their importance for successful cooperation in society;¹⁰
- keeping promises made;¹¹
- respecting fundamental ethical values such as fairness.¹²

Understood in this sense, self-restraint means responsible freedom and an investment into one’s own personal future as well as a society’s ability to shape the future. That is why on the compass the notion of self-restraint points back to individual goals: Ultimately, taking responsible action will benefit one’s own life or the success of a company, organization or community if the objectives chosen and the resulting options can be accommodated to serve the greater good.

4. The ethical compass becomes a tool of good leadership by comprehensible application in everyday life

Just like a traditional compass, the ethical compass serves to provide information about the world without depicting it in its entire complexity. The ethical compass

- helps us to know where we are without providing specific directions like a “navigation system”,
- gives us orientation as to which boundaries and limitations we must keep in mind when pursuing our goals,
- is based on empirical laws but also provides a normative perspective to look at these laws, and
- is therefore an instrument that helps us *contribute to the greater good*.

A compass will only help you find our way if you stop regularly, distance yourself from manipulating fields of interference, and face reality. The ethical compass requires *room for reflection* to reassess where you are, what is important, and how to keep focusing your action to attain your goals.

⁹ Innovation requires trust in something (still) unknown while at the same time what is known and familiar must be „creatively destroyed“ so that something new can come into existence. In this context, reliable constants are of paramount importance that, in keeping with the idea of self-restraint, are not to be called into question, generate trust in times of change, and point the way.

¹⁰ It makes a tremendous difference in society if you can actually count on people practicing this type of self-restraint or if you must be prepared that people understand law and order only as a loose convention they are ready to violate at any time if it is to their advantage.

¹¹ Leaders in particular often make promises to motivate others to work. If one can generally expect such promises to be fulfilled (because that is what typically actually happens), then this is one of the most basic forms of the type of reliability mentioned above.

¹² This is a direct consequence of the above-mentioned value of respect. To breath life into values, they must be more than words. Their implementation requires concrete steps to be taken.

It is also important to justify one's own action vis-à-vis others based on the compass because as a leadership tool the ethical compass will be all the more effective the more common ground for mutual reliability it creates. As such the ethical compass is already an investment in itself. In particular, enterprises can use it to

- shape the cultural context, i.e. the purpose and values of a company, its standards of integrity and tried and proven traditions as well as a means to structure stakeholder dialogues (“understanding the game”),
- shape the institutional context, i.e. of governance and compliance structures, internal and external incentive and remuneration systems (“rules of the game”),
- shape the strategic and operative context, i.e. the direction of and reason for particular processes and decisions (“moves in the game”).