

EVENT SUMMARY

**Championing ethical
leadership amid
competing pressures**

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Increasingly complex external pressures, generational shifts and mounting societal expectations are driving leaders to continuously evaluate internal ethics frameworks and forge new pathways to tackle ethical dilemmas. Ethics extends beyond a company's legal requirements, leading to complex definitions and varying interpretations among different companies and individuals. Business ethics encompasses various aspects, including integrity, honesty, fairness, accountability and responsibility in conducting business operations. It aims to promote ethical behaviour and responsible practices among organisations, employees and stakeholders while considering their impact on society at large. On May 11th, Economist Impact welcomed delegates from across Europe to the panel discussion "Championing ethical leadership amid competing pressures", sponsored by the Global Accounting Alliance, to explore the challenges and opportunities that arise from upholding business ethics for organisations globally. The Economist's Global business correspondent, Thomas Lee-Devlin, posed a series of questions to the esteemed panel to tackle a series of contentious issues.

Emily O'Reilly, European ombudsman, **European Union**

Barry Melancon, chair, **Global Accounting Alliance** and chief executive, **Association of International Certified Professional Accountants**

Audrey Morin, group compliance director, **Schneider Electric**

Elia Yi Armstrong, director, Ethics Office, **United Nations**

Amanda Belcher, senior vice-president, **Edelman**

Defining business ethics

Defining the undefinable

The definition of business ethics is not fixed and requires flexibility depending on the circumstances and situation. However, it can be loosely defined as “doing the right thing”. Over the past few decades, it has evolved from merely adhering to good and legal business practices to encompassing a wide range of social expectations. The concept of “doing the right thing” is sometimes compromised by conflicting pressures, and successfully navigating these external challenges is what drives good corporate citizenship. Another definition was formulated as “instilling integrity in your employees”, but it was pointed out that from a global perspective varying regional pressures can shape how people tackle ethical dilemmas in business and this can lead to upholding conflicting ethical standpoints. A rigid framework is not effective for tackling business ethics, but guidelines and reviewing past case studies when confronted with an ethical dilemma are key.

Is the business of business just business anymore?

Balancing profit with societal expectations

The panel discussed the controversial Milton Friedman quote “the business of business is business”, which suggests that a business’s primary responsibility is to focus on its core purpose: generating profits and creating value for its shareholders. There was a debate about whether businesses have become more aligned with societal ethics due to a genuine desire to “do the right thing” or if ethical integrity has been imposed on them as a result of exposure

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of unethical practices. The tobacco industry was cited as an example, as it knowingly continued to advertise and promote tobacco products despite being aware of the health risks, with only media exposure and tighter regulation curbing such practices. It is still unclear whether certain businesses do genuinely prioritise ethical interests or if the interest of their bottom line is more sacred—big tech companies were used as an example of this.

The role of government in business ethics

Leading by example

When it comes to societal ethics, businesses should not act in isolation. Optimal results are more likely when businesses and governments work together as a united front to address societal issues, rather than each entity tackling them independently. Governments have the ability to establish a framework that promotes ethical conduct in the business sector by introducing and enforcing laws and regulations. However, challenges arise when businesses operate across multiple jurisdictions, leading to complications with conflicting ethical perspectives. One panellist argued that the primary responsibility for ensuring positive ethical outcomes in social, economic, environmental, political and cultural aspects lies with government, not business. This can be achieved by enforcing regulations that allow corporations to thrive while adhering to societal values that the government is willing to promote.

Generational differences and talent acquisition

Enter Gen Z

With a new generation entering the consumer market, business ethics is becoming increasingly important in terms of a company's selling potential. Statistics from the latest update of the Edelman Trust Barometer indicate that it is in a company's best interest to establish strong ethical standards. 63% of consumers stated that they make purchasing decisions and support brands based on their alignment with the company's values and beliefs. This percentage has seen an increase compared with previous years, highlighting that consumers are prioritising ethical business practices. From a generational perspective, this proportion rises to 73% when taking the responses specifically from Gen Z. This correlation is expected to grow stronger in the future.

A similar trend is observed from an employee standpoint: the Edelman Trust Barometer found 69% of respondents indicating that a company's positive social impact is a decisive factor when considering prospective employment. In the competitive landscape for talent acquisition, businesses that possess a strong employer brand, foster a positive company culture, and demonstrate a track record of valuing and investing in their employees tend to have an advantage in attracting top talent. Recent research conducted by Harris Poll on behalf of AICPA & CIMA showed differences between the generations in their expectations and satisfaction with ethical training, with 26% of younger workers saying company ethics training was very effective versus 48% at the leadership level. This discrepancy is causing knock-on effects to younger generations' ability to cope with ethical challenges. It was also advised that startups establish a strong ethical foundation early on, as this not only contributes to their success in the marketplace but also aids in attracting purpose-driven employees.

Ethical leadership

Instilling a culture of ethics

Leaders must serve as role models and uphold ethics in the same manner they expect from their employees. To build a sustainable and future-proof company, ethics should be one of the core pillars or the foundational principles upon which the organisation is built. Education and training play an important role in enshrining ethics in an organisation; however these are often weak and need to adapt to the evolving ways in which information is consumed. Setting clear expectations, fostering open communication, education through previous case studies, recognising and rewarding ethical behaviour, establishing accountability and consequences, and regularly evaluating and improving ethical standards will all lead to a culture of ethical integrity. It is important to acknowledge that despite precautions, occasional lapses in ethical conduct may occur. However, what matters is transparency in addressing these lapses, as it is crucial in preventing future misconduct.

Authenticity and transparency

Avoiding performative allyship

When businesses publicly engage with societal issues, there is always a potential risk involved. It is therefore crucial to strike a balance between voicing ethical standpoints and the expectations of public backlash or the issue becoming overly politicised. One panellist acknowledged that it is nearly impossible for businesses to promote certain ethical stances without facing politicisation as many comments or statements are latched onto by the media and often leveraged for clickbait. Another panellist highlighted that basing commitments on science can help avoid political alignments. Additionally, maintaining consistent values over time and aligning them with the bottom line of the business can provide a solid

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foundation. Authenticity plays a key role in business ethics. If ethical positions are not genuinely connected to the core values of the business, consumers and stakeholders may perceive random ethical promotions as hypocritical, leading to reputational harm. In theory, governments should act as a shield, and good governments can help good corporations do good things. There needs to be some alignment here, without overstepping to simply serve each other's political agenda, and ensuring the best interests of the public are upheld and reputational damage is avoided.

A safe place for discussion *Is there such a thing?*

For ethics to evolve businesses must provide a space for judgement-free discussion and a place where employees can disagree with mainstream opinion without being ostracised or fear of being cancelled. One panellist expressed concerns about the vast amount of unknowns in our society, using AI as an example. To truly prioritise business ethics, the business community needs to establish these safe spaces that allow for the evolution and flourishing of ethical practices. Unfortunately, it is believed that such spaces are lacking in most company cultures. The ability to whistleblow in safety is also vital and companies need to ensure secure frameworks and policies to protect vulnerable employees.

The panel concluded with a unanimous sentiment that organisations must prioritise environmental, social and technological shifts when assessing ethical decisions, not only in day-to-day practice but also in the broader moral framework of the organisation. Given the rapid pace of change, leaders must continually adapt and re-evaluate their existing practices to foster genuine allyship with employees, consumers and other stakeholders.

