

# Innovation, Prospective & Ethics in business

*Changing perceptions & Adopting new representations*

## ETHICAL IMAGINATION, CSR & LEADERSHIP



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**Moral imagination is the condition for free deeds**  
*Rudolf Steiner*

1

**Ethical Imagination: when managers must choose between « right » & « right »**

2

**Regulatory Innovation: when a multitude of actors interact to enforce CSR**

3

**Adaptive leadership: when leadership is required to adress conflicts in people's values**

## 4 case studies to help us reflect on ethical dilemmas

**Edouard Sakiz**

*To distribute the abortion pill?*

**How do you lead the launch of a product you know will be extremely controversial?**

**Peter Adario**

*To dismiss Kathryn McNeil?*

**What should you do if a single parent on your staff is falling behind in his or her work?**

**Steve Lewis**

*To attend St Louis meeting?*

**How should you respond if you are offered an opportunity at work solely because of your race or gender?**

**Carlos Pinto**

*To retrieve & fix the cars?*

**What should you do if the expected cost of legal claims from a potentially lethal product is less than the cost of retrieving that product from the market and fix it?**

What would you do if you were Lee Pinto ?

## Questions to think «individual» dilemmas – Steve Lewis' case



## Variations on the word « Ethics »

« Ethos » in Greek: custom, habit, way of behaving in an environment



*The primary meaning of «Ethos» or «Ethics» has therefore to do with:  
making your way, positioning yourself in an environment*



Ethics is a human activity.  
The purpose of ethics is not to make people ethical; it is to help people make better decisions  
*(Marvin Brown, author & ethics consultant)*



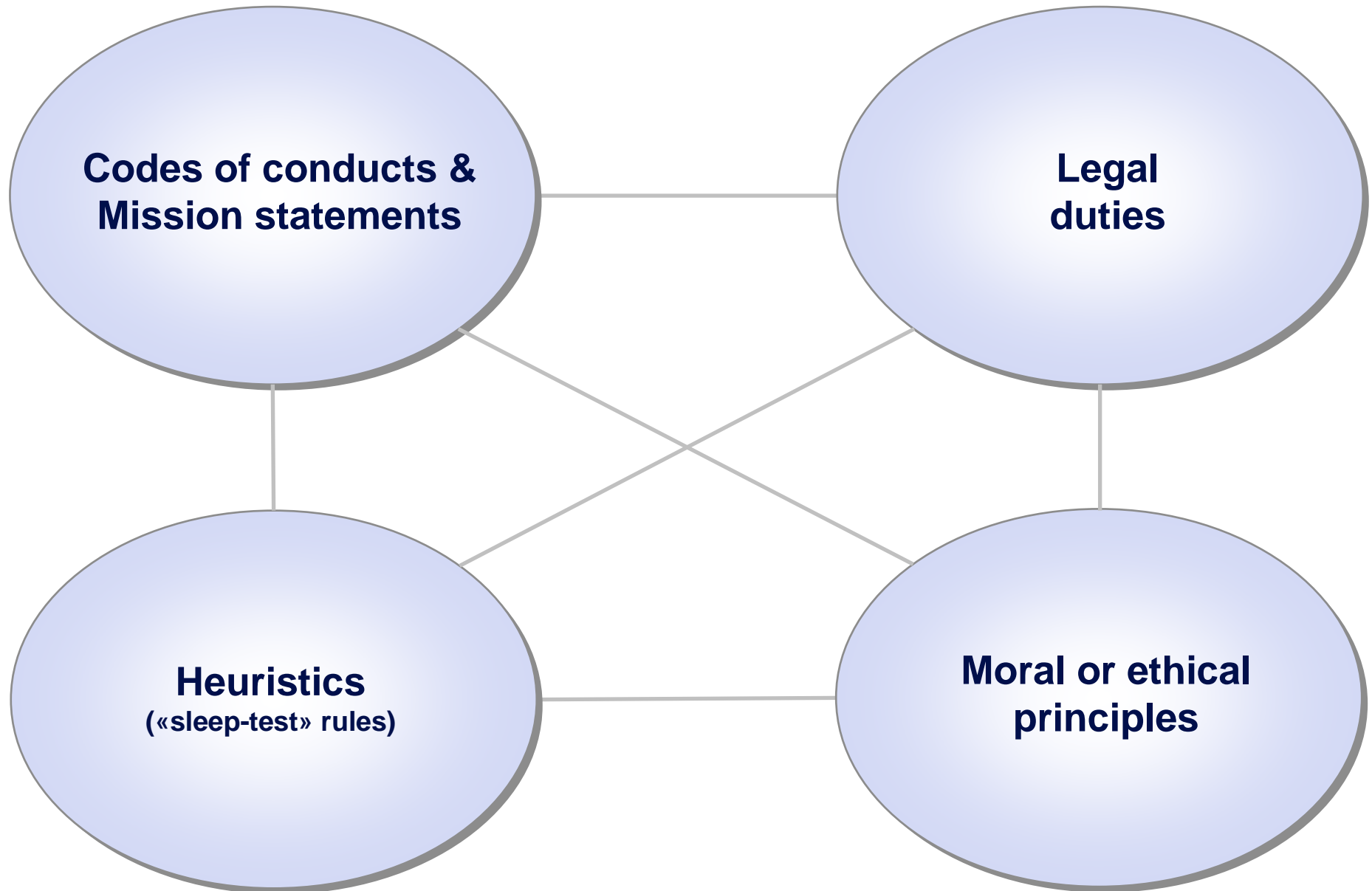
An ethos is the doctrine of a particular art of living the best possible life and the means to pursue this aim  
(i.e. to live happily or to search for truth)  
*(Marcel Conche, philosopher)*



*A morality is a set of **duties and imperatives** (positive or negatives) that a society or a community gives to itself and which enjoins its members to conform their behaviour, «**freely**» & in an «**unselfish**» way, to **certain values** enabling to **distinguish right & wrong**.*

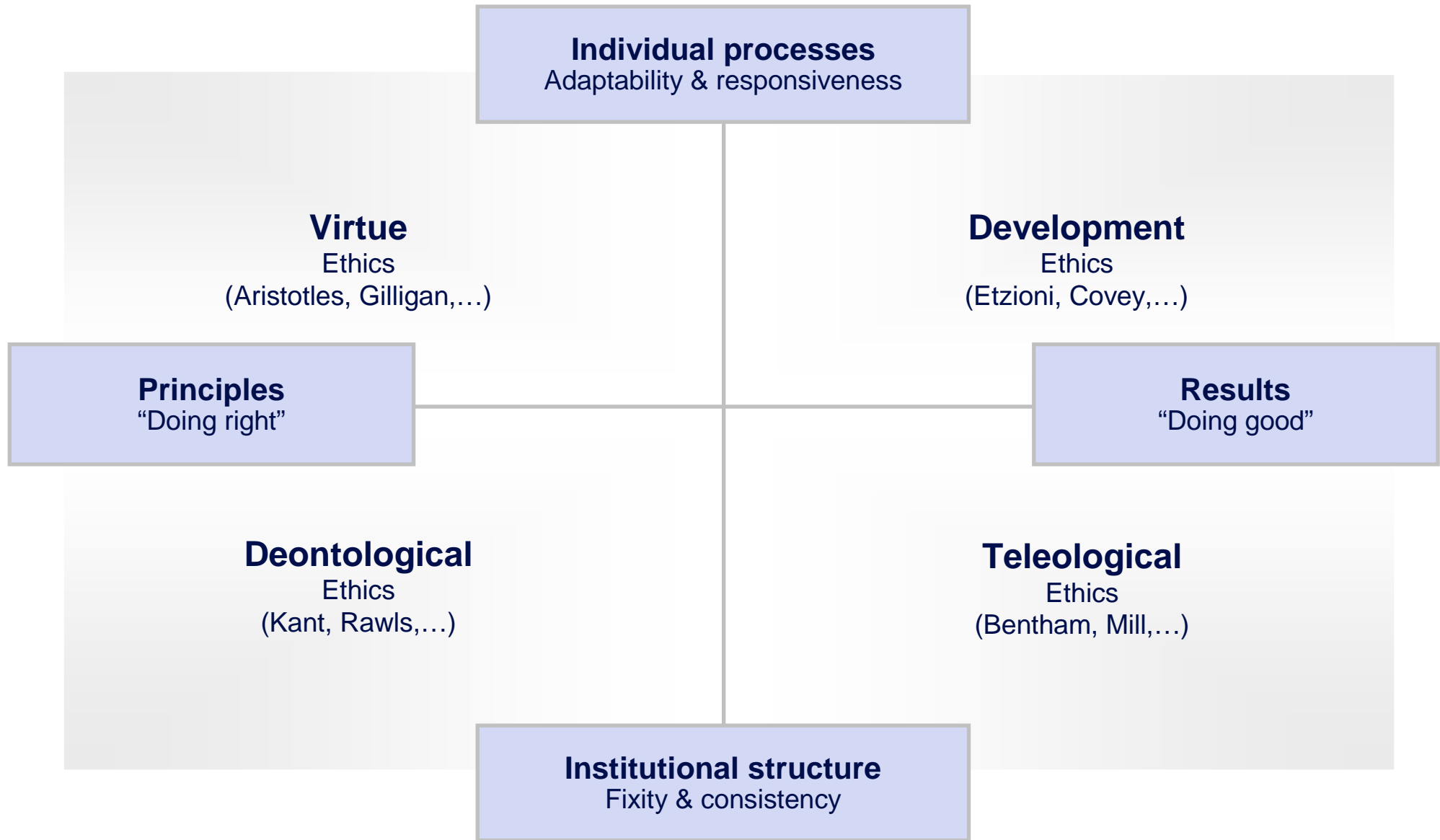


## Potential sources to support ethical decision-making





## A framework for ethical theories



## The Texas Instrument Ethics Quick Test (2001)

- Is the action legal?
  - Does it comply with TI values?
  - If you do it, will you feel bad?
  - How will it look in the newspaper?
- 
- ➡ If you know it's wrong, don't do it!
  - ➡ If you're not sure, ask.
  - ➡ Keep asking until you get an answer.

## Questions to ask yourself in front of an ethical dilemma

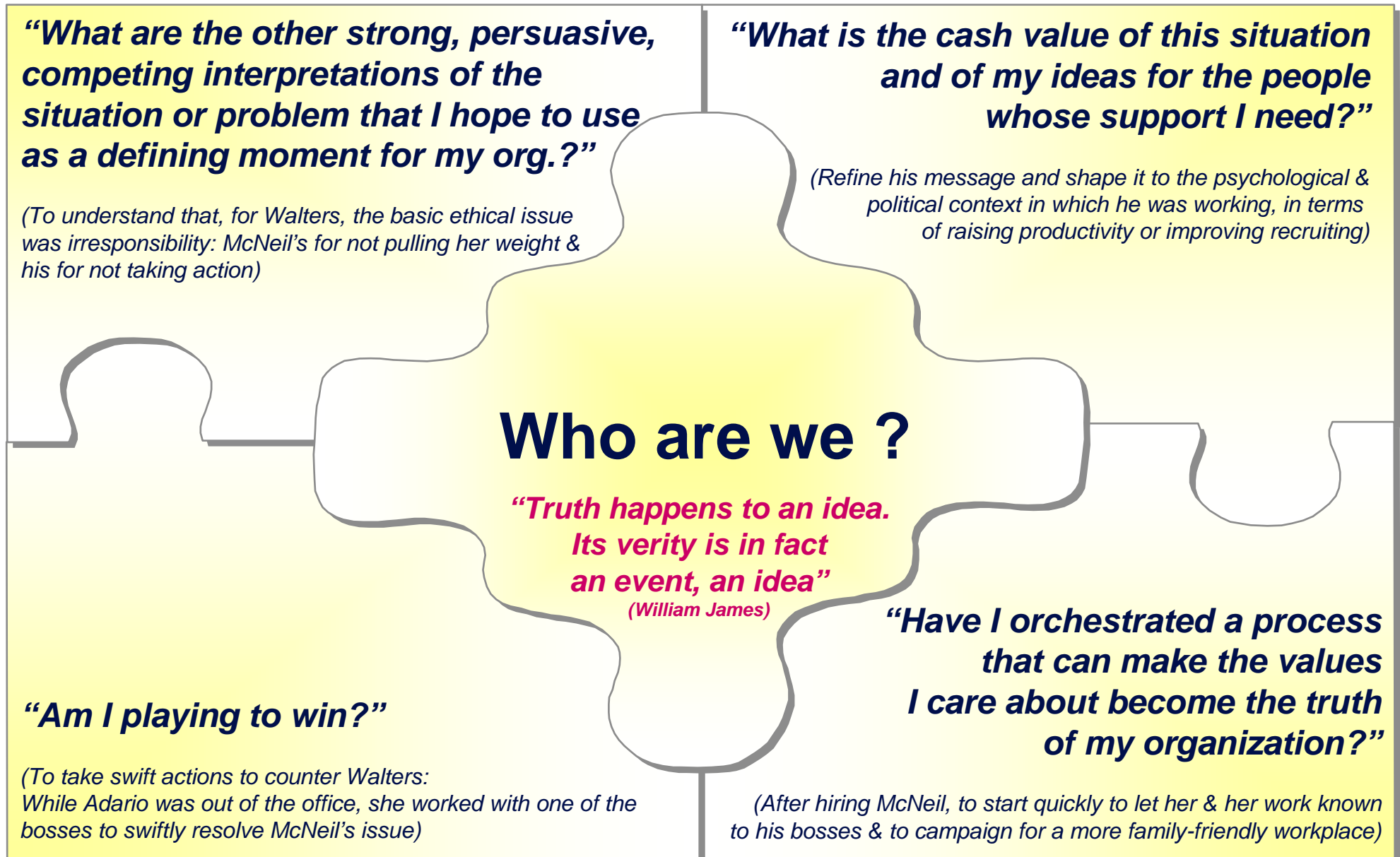
- Is it conform to the law ?
- Is it conform to the ethical code and values of my company ?
- Am I conscious that my decision can engage other people in the company ?
- Do I feel alright with my decision ?
- What would the colleagues think about my decision ?
- What if it would be published in a newspaper ?
- What would my family think about it ?
- What if everybody would do the same ?
- Should I question the person in charge of deontology ?

## 12 tests filter to validate or reject a decision



Ask yourself these questions concerning the decision you wish to take	+/-	Veto	Trigger
<b>Legal duties</b>			
<b>1. Legalist test.</b> Is my decision in accordance with the law?			
<b>Corporate credos &amp; mission statements</b>			
<b>2. Organisational test.</b> Is my decision in accordance with my organisation's rules of conduct or ethics			
<b>Heuristics</b>			
<b>3. Hedonistic or intuitive test.</b> Does my decision correspond with my gut feeling and my values? Does it make me feel good?			
<b>Respect of ethical principles</b>			
<b>Virtue ethics</b>			
<b>4. Light-of-day test.</b> Would I feel good or bad if others (friends, family, colleagues) were to know of my decision and action?			
<b>5. Virtuous mean test.</b> Does my decision add to, or detract from, the creation of a good life by finding a balance between justice, care and other virtues?			
<b>Deontological ethics</b>			
<b>6. Veil of ignorance/Golden Rule.</b> If I were to take the place of one of those affected by my decision and plan would I regard the act positively or negatively?			
<b>7. Universality test.</b> Would it be a good thing or a bad thing if my decision and plan were to become a universal principle applicable to all in similar situations, even to myself?			
<b>Development ethics</b>			
<b>8. The communitarian test.</b> Would my action and plan help or hinder individuals and communities to develop ethically?			
<b>9. Self-interest test.</b> Do the decision and plan meet or defeat my own best interests and values?			
<b>Teleological ethics</b>			
<b>10. Consequential test.</b> Are the anticipated consequences of my decision and plan positive or negative?			
<b>11. Utilitarian test.</b> Are the anticipated consequences of my decision and plan positive or negative for the greatest number?			
<b>12. The discourse test.</b> Have the debates about my decision and plan been well or badly conducted? Have the appropriate people been involved?			

## Questions to think «internal» dilemmas – Peter Adario’s case



## Questions to think «societal» ethical dilemmas – Edouard Sakiz' case



## Commonalities & divergences between the 4 case studies

### Cas pratiques

**Edouard Sakiz**

*To distribute the abortion pill?*

**Peter Adario**

*To dismiss Kathryn McNeil?*

**Steve Lewis**

*To attend St Louis meeting?*

**Carlos Pinto**

*To retrieve & fix the cars?*

“Right”  
vs.  
“Right”  
(ethical  
dilemma)

“Right”  
vs.  
“Wrong”  
(moral  
choice)

Complexity

### Decision's impact

*Who is the  
organisation?*

*Who  
are we?*

*Who  
am I?*

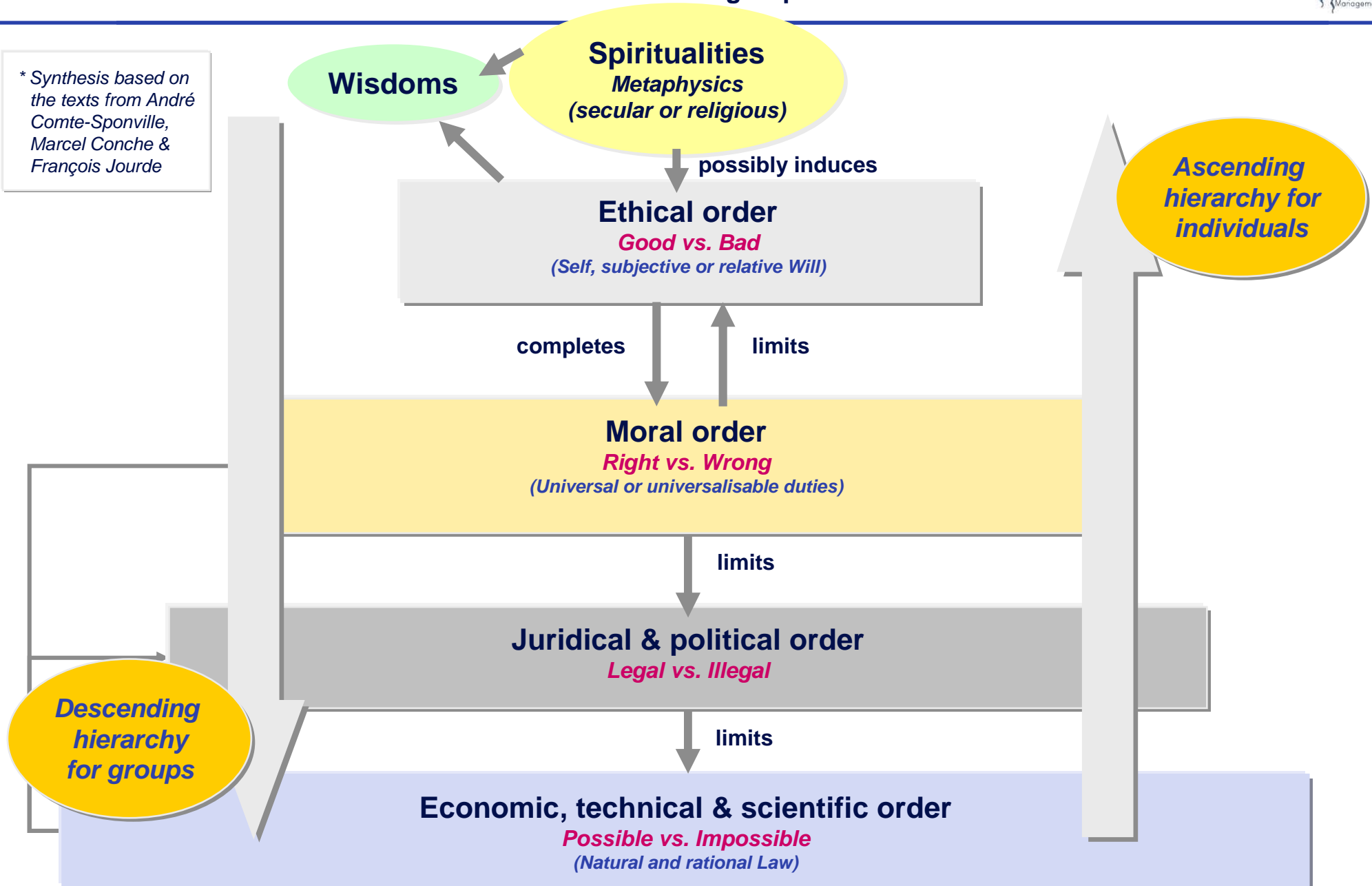
### Lessons

*Ethical  
decisions  
form,  
reveal  
& test  
the self*  
(John Dewey)

*Do you think you  
can govern  
innocently,  
without dirtying  
your hands?*  
(Jean-Paul Sartre)

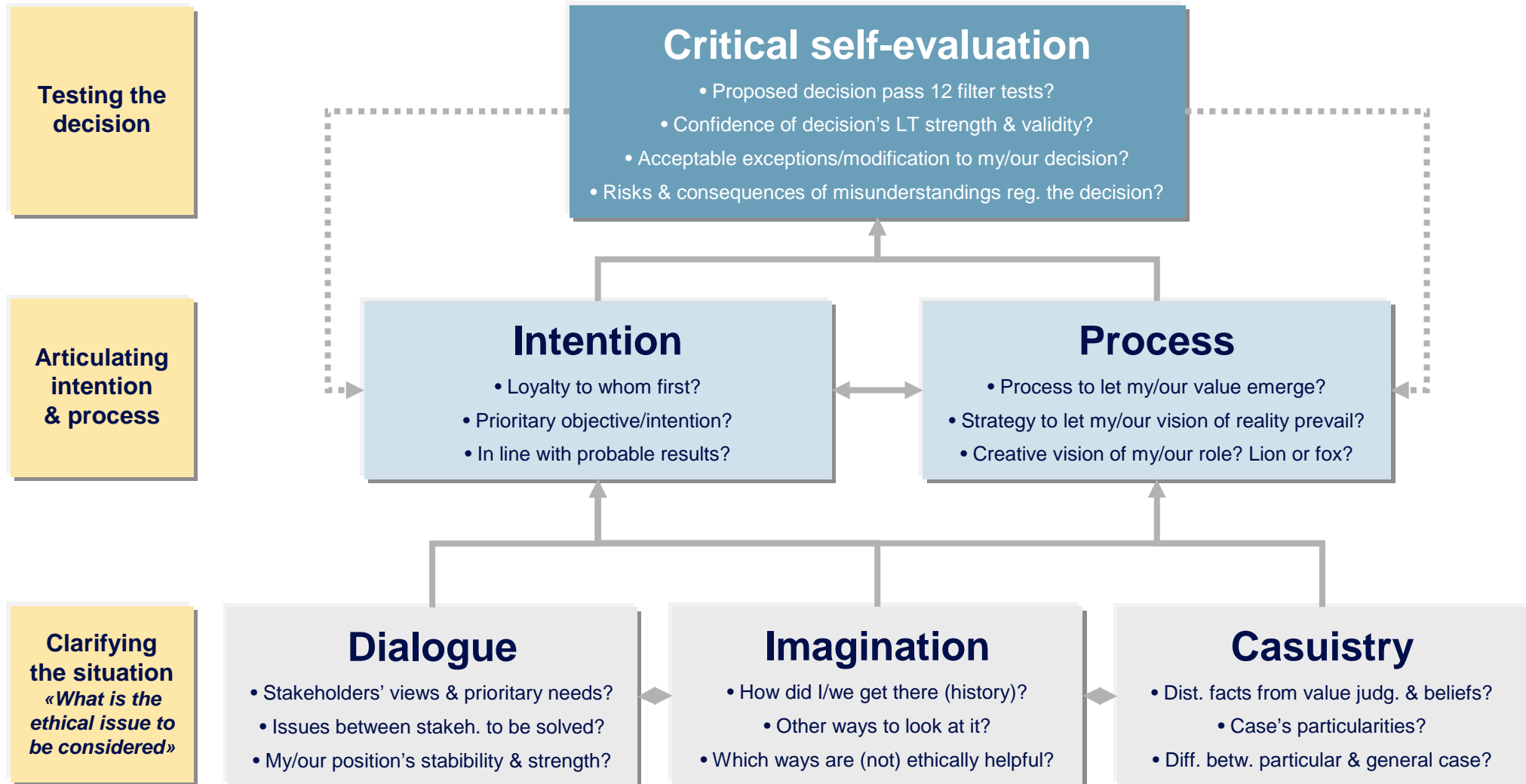
## The 4 orders & the tensions between the individual and the group

\* Synthesis based on the texts from André Comte-Sponville, Marcel Conche & François Jourde





## A sequence of questions for guiding ethical judgement



1

Ethical Imagination: when managers must choose between « right » & « right »

2

Regulatory Innovation: when a multitude of actors interact to enforce CSR

3

Adaptive leadership: when leadership is required to adress conflicts in people's values

### **Economic ethics**

*“Part of ethics which deals with behaviours and institutions of this sphere, i. e., of the entirety of exchange activities of goods and services and of production related to this exchange.”*

*(French Penal Code – 1994)*

### **Business ethics**

### **Corporate ethics**

*“Presents itself as responsibility ethics (not only of conviction), organised as a doctrine which guides activities and behaviour at work”*

*(Fabienne Cardot)*

**Pragmatic &  
little theorised**

**3 levels of  
commitment**

**Responsive &  
fragmented**

**1. Governance ethics**

**2. Deontological ethics**

**3. Values ethics**

**Strategic  
manifestation:  
CSR**

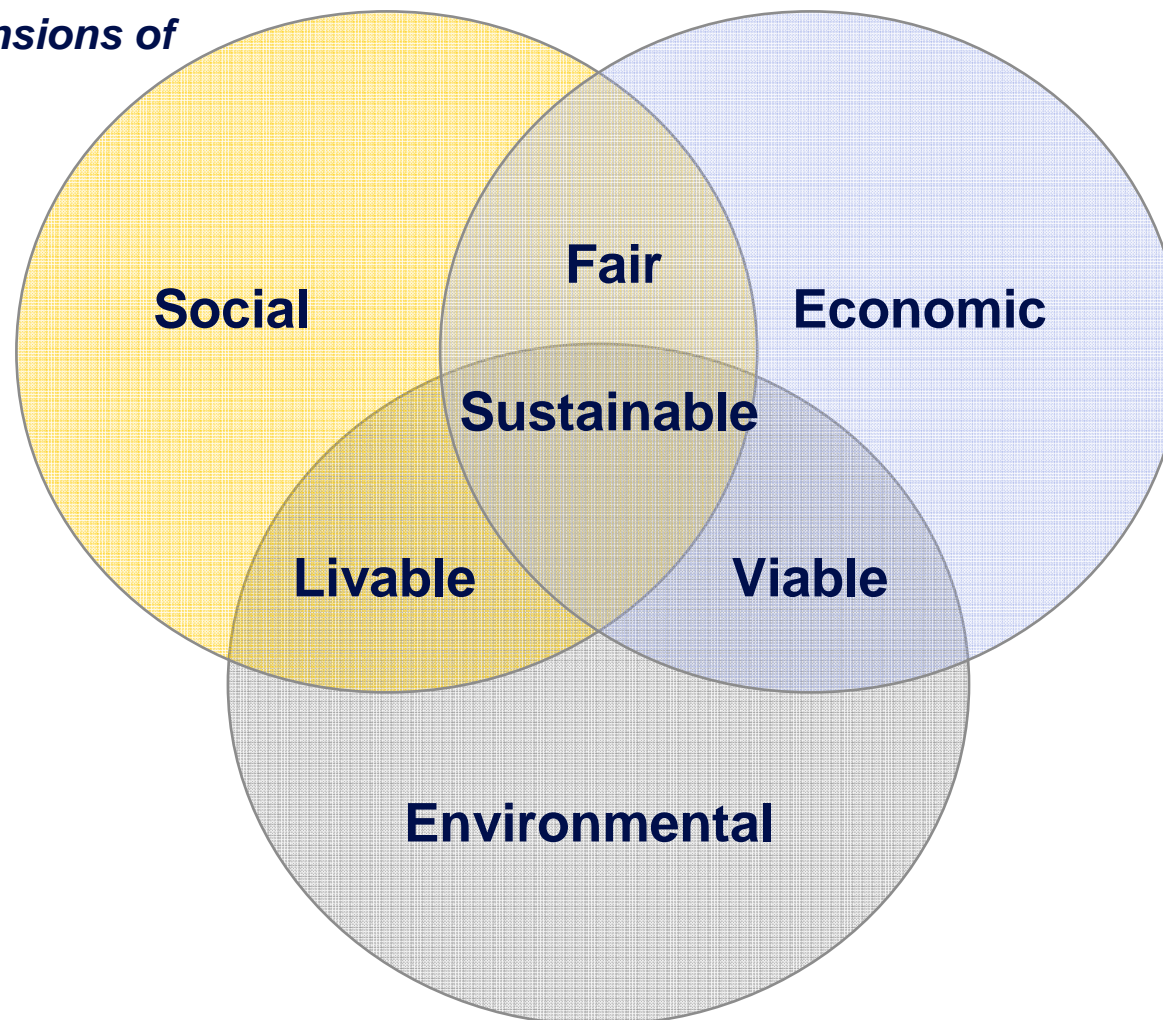
**Dialog &  
questioning**

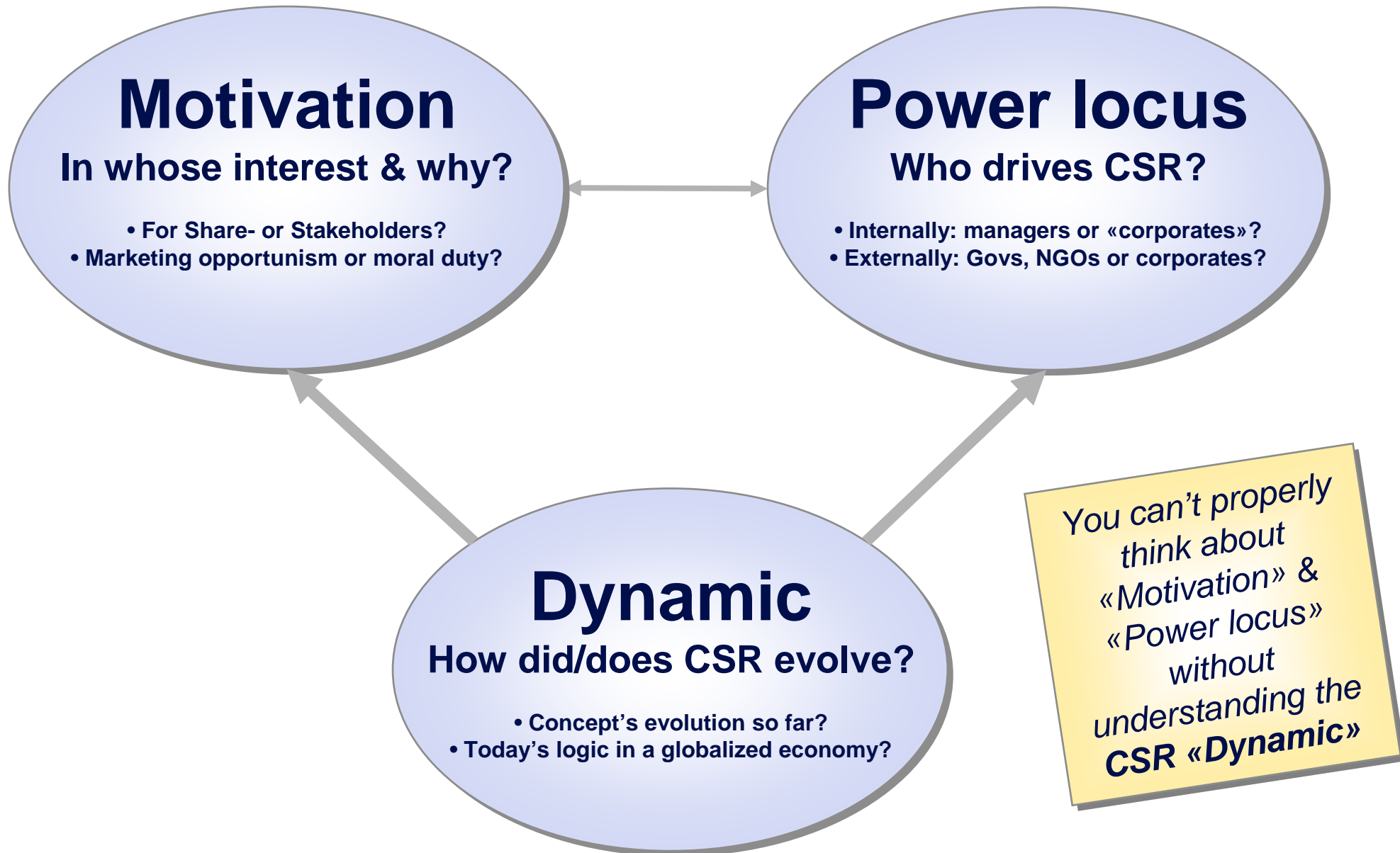
**Contextual &  
in action**

### **Corporate Social Responsibility**

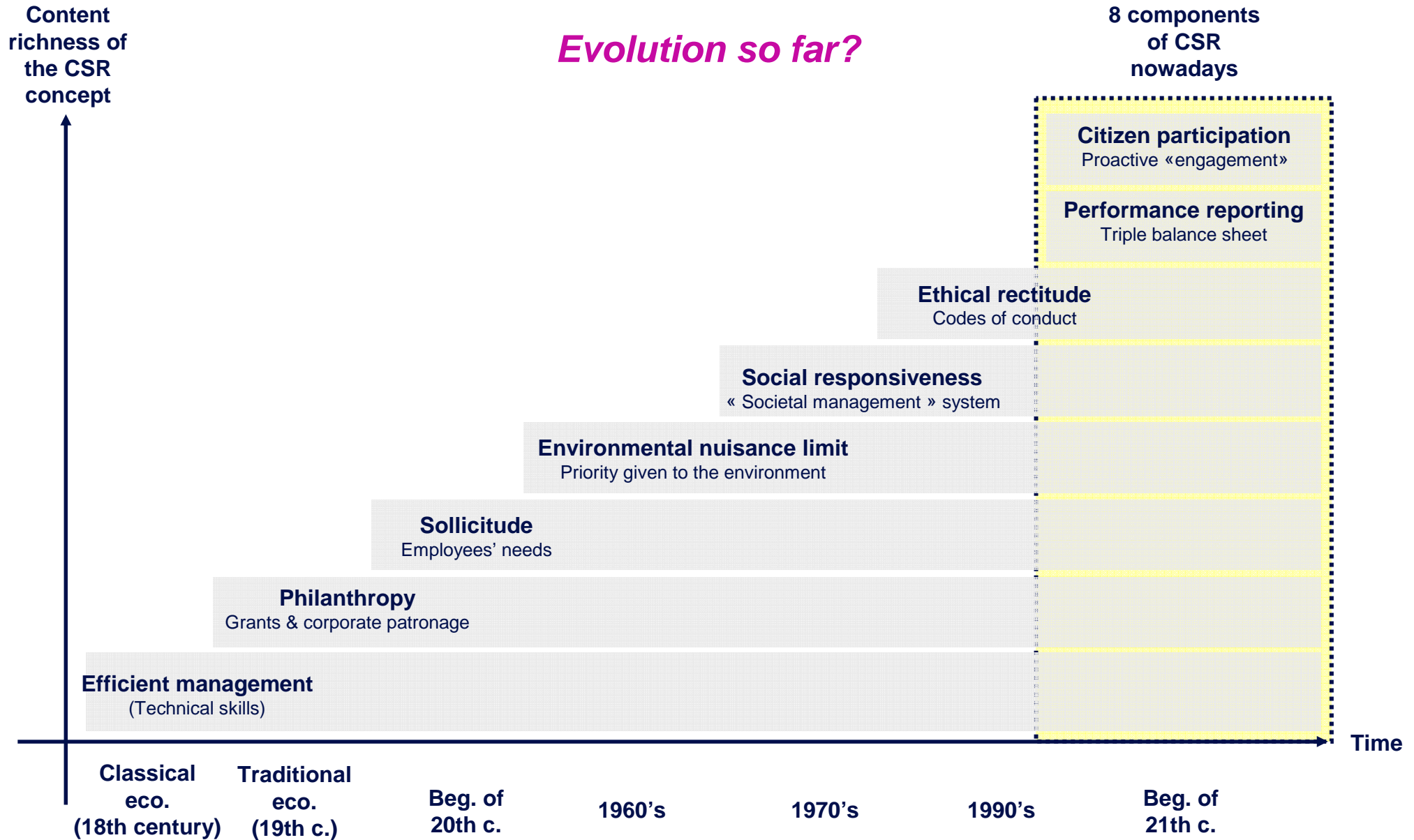
*The entirety of obligations legally required or voluntarily assumed by an enterprise to pass as an imitable model of good citizenship within a given field* (Jean Pasquero)

**The three  
dimensions of  
CSR**





## Dynamic – How has the CSR concept evolved so far?



## Dynamic – How CSR is evolving in today's globalized economy?

“Coherency”  
of the  
coregulation  
system

### Evolution today?

Regulatory innovation process

Highly stylised process\*:  
in reality these trends  
overlap each other

Voluntary  
adoption of codes  
of conducts

Politization  
of consumption

Corporates’  
emancipation  
from states

Soft

Proliferation  
through reputation  
& transparency

Growth  
of surveillance  
& social controls’  
web

Transfer of  
States’ duties to  
corporates

Effectively

Empowerment  
of 3rd parties by  
States & Judges

2003

**Nike  
vs. Kasky**  
Consumers’  
CSR concerns  
legally recognized

Hard

2001  
**Global  
Compact**  
corporates  
become world citizens

«Formally»  
but self-fulfilling  
prophecy

Time

\* Source: “Responsabilité sociale des entreprises et co-régulation”, by Berns & al, 2007

## Reputation – Law: differences in action mode & “regulatory” effects?

### Law

1. Immediate & discontinued
2. Externally defined
3. Black or white
4. Concern for single, egal, actors

### Reputation

1. Slow & constant (*omnipresent*)
2. Interiorized & reflexive
3. Grey (*richer modulation*)
4. Concern for global tendencies

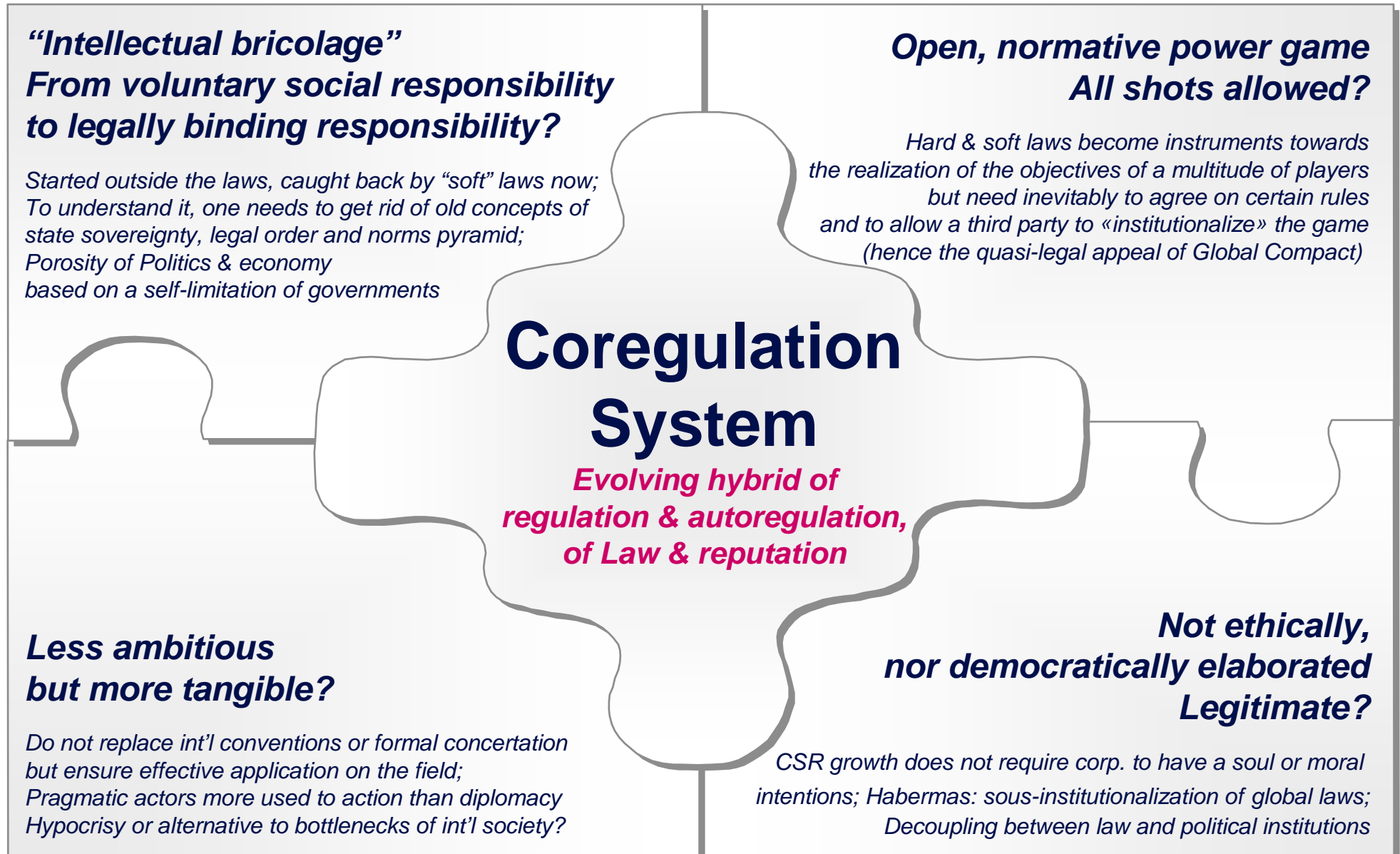
Evolutionary  
character of  
transparency

Current normativity results of a  
**hybrid of law & reputation**,  
of regulation & auto-regulation,  
in constant evolution

New is that this hybrid is considered  
to be able to develop itself as  
**autonomous & self-sufficient**



## Dynamic – Main facets of the coregulation system

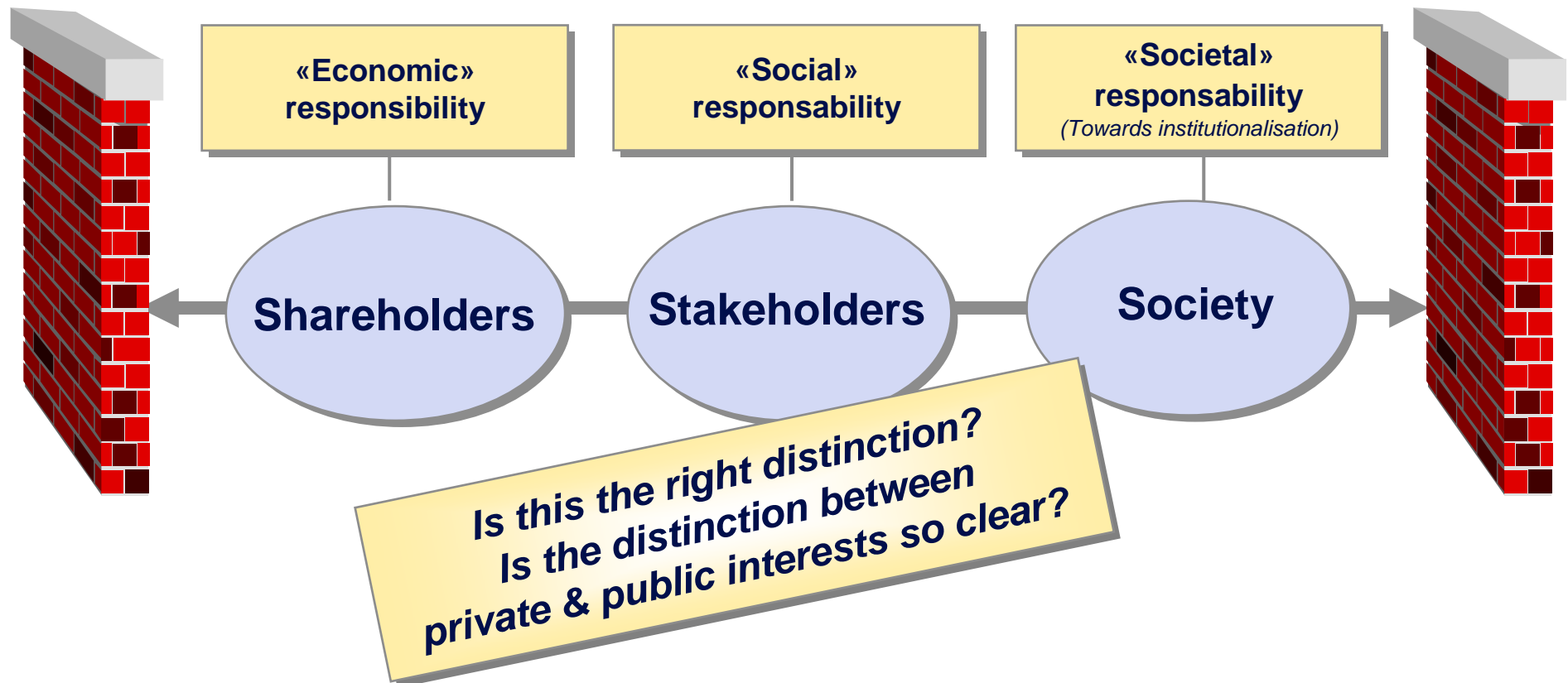


**Motivation** – In whose interest do managers go CSR?

## *To whom are executive managers accountable?*

«Contractual»  
vision

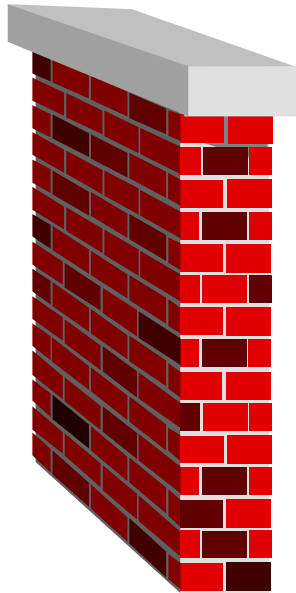
«Symbolic»  
vision



**Motivation** – In whose interest do managers go CSR? Friedman's model

## Are Sternberg's friedmanian «Just Business»' principles just?

Ordinary  
decency



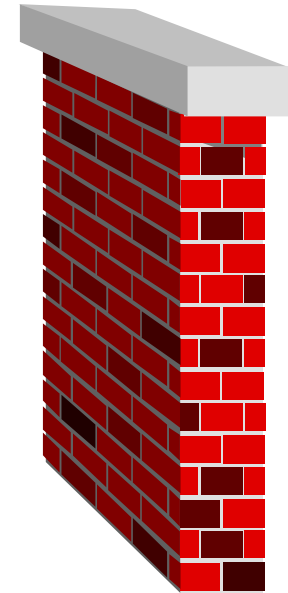
Minimal necessary values to ensure the organization's LT survival:

- Honesty
- Fairness
- No coercion or phys. violence
- Respect of laws

Manager's sole objective

**“To maximize long term owner value\*”**

Distributive  
justice



Rewards should be accorded in proportion to the value of agents' contribution to furthering the organization's objectives

\* Sum of discounted cash-flows

## Motivation – Turning Friedman upon his head?

*E. Faber,  
CEO of  
Danone*



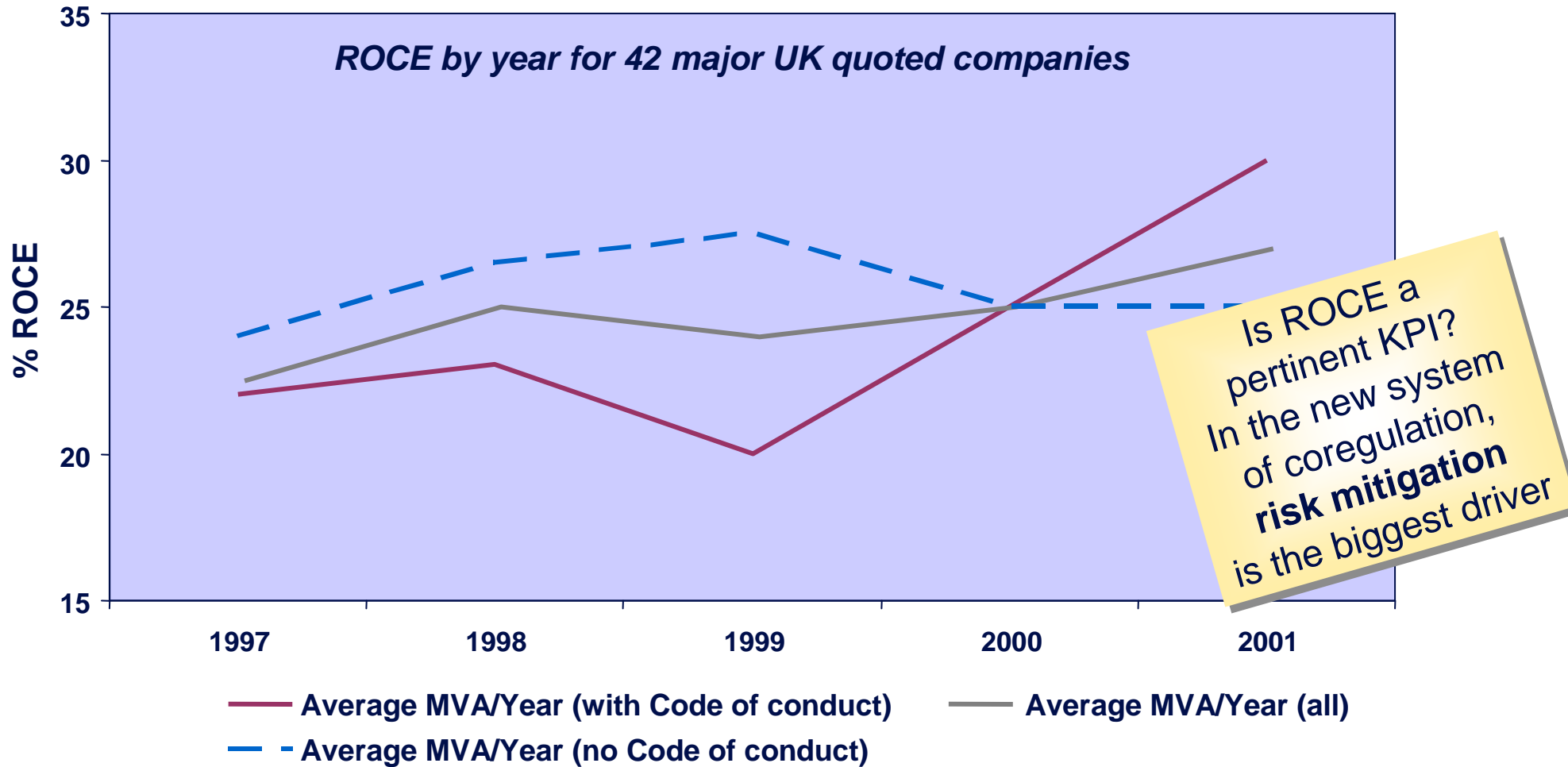
Maximize the value for  
the whole society under  
the constraint of an  
« adequate return »  
for shareholders

Maximize (without limits)  
Shareholder's value  
Under the constraint of the respect of the  
law



## Motivation – Marketing opportunism or moral obligation?

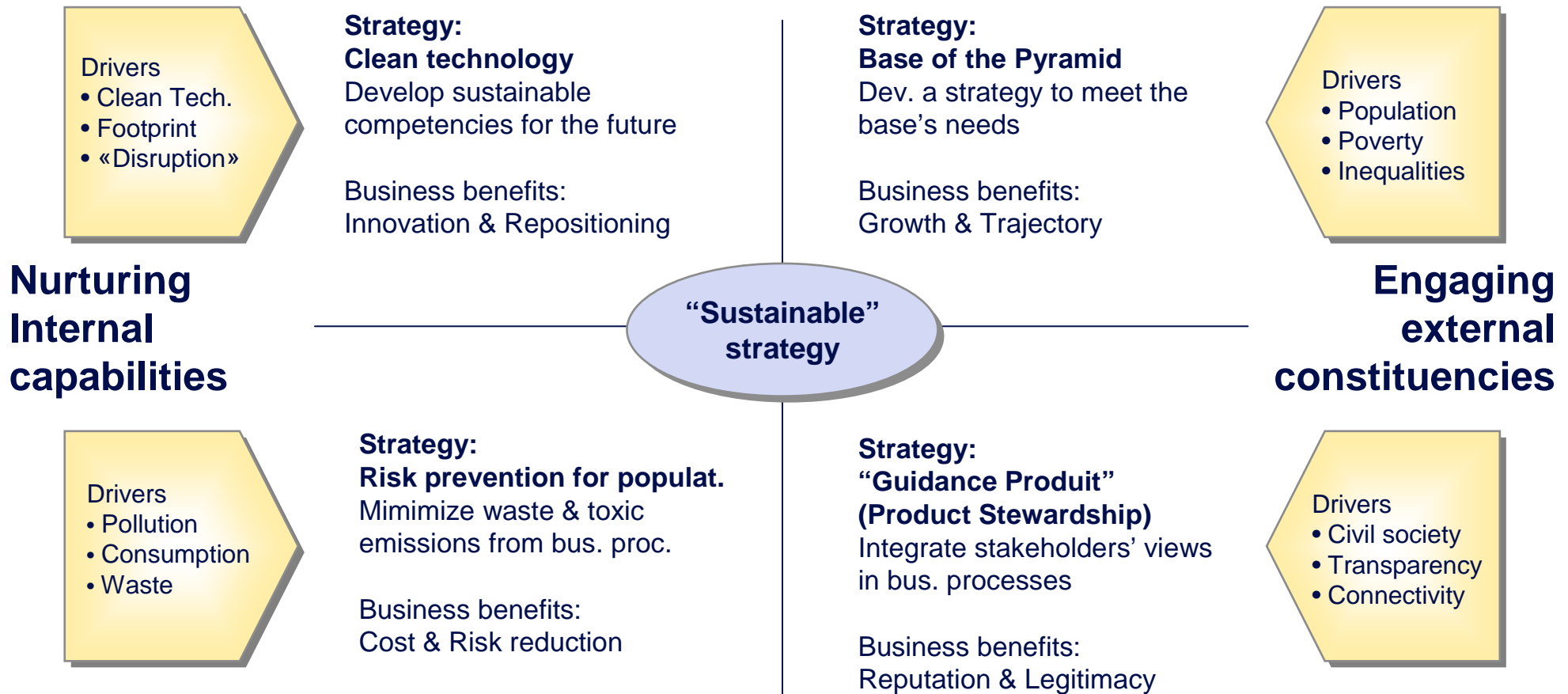
### Does Ethics pay?



Source: Webley and More, 2003

## Motivation – 4 axes of a sustainable business strategy?

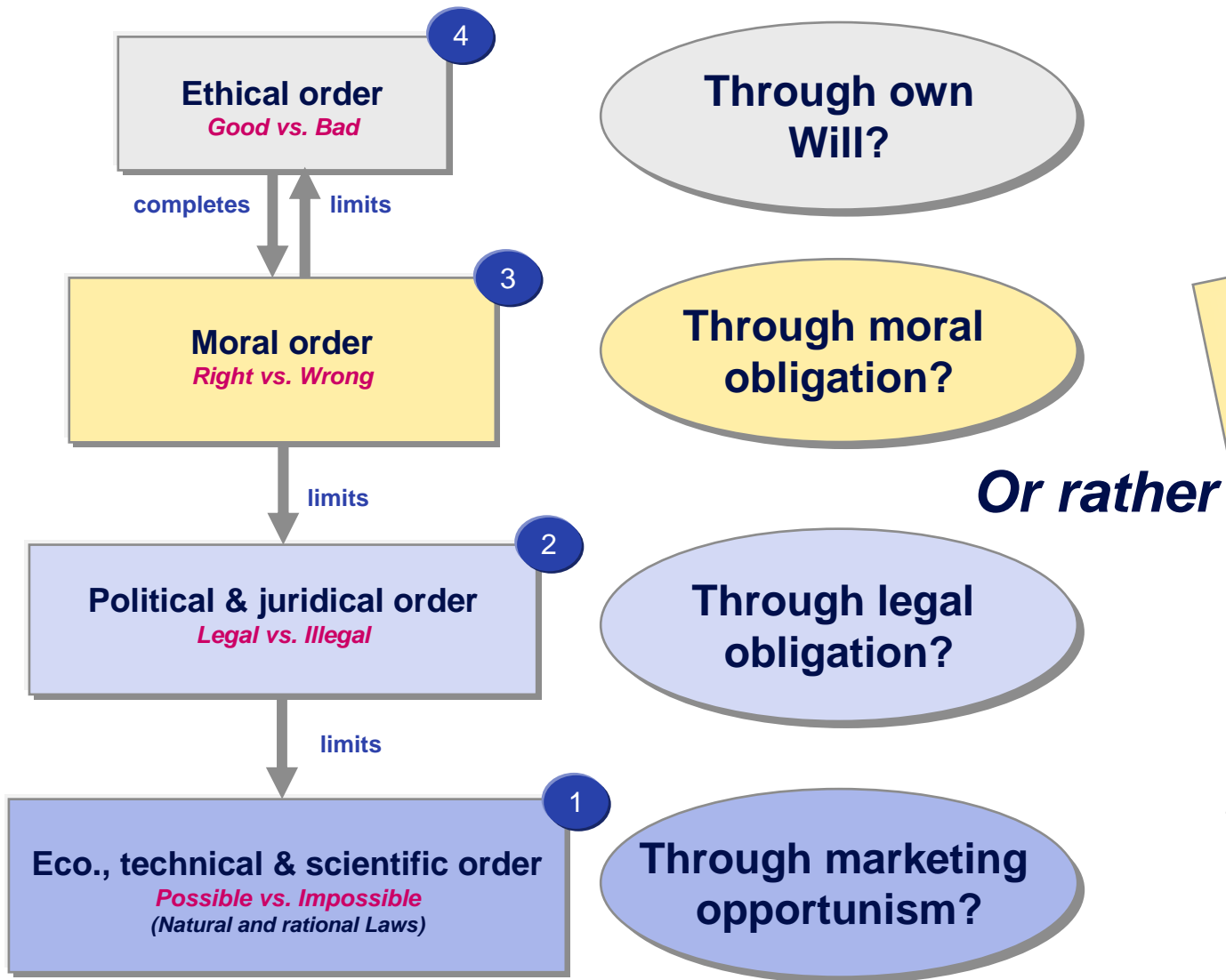
### Building tomorrow's opportunities



### Managing today's business

## Motivation – Marketing opportunism or moral obligation? Ethique ou «Etiquettes»?

### What is the trigger/driver?



**Or rather**

**Through the new system of «coregulation»?**  
A growing «soft law» enforced in a «control» society by a multitude of actors in a continuous, innovative power struggle...

«One can rarely be moral alone»



**Power locus** – Internally, who is responsible?

## *Companies or individuals?*

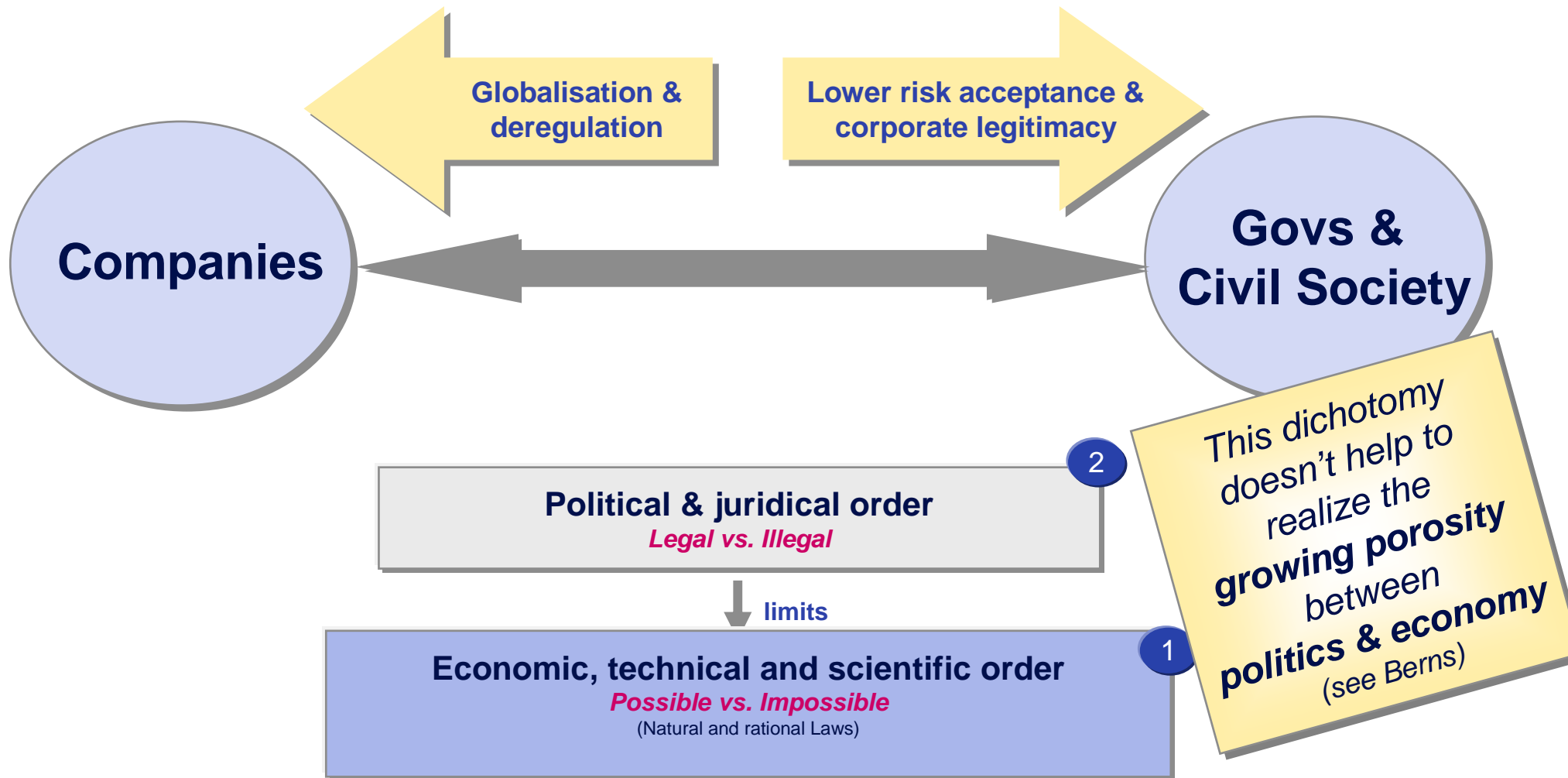


The coregulation system redefines, volens nolens, the definition of what companies are, through the rights & responsibilities that are gradually attributed to them & **without necessarily recognizing that they have a soul or moral intentions**

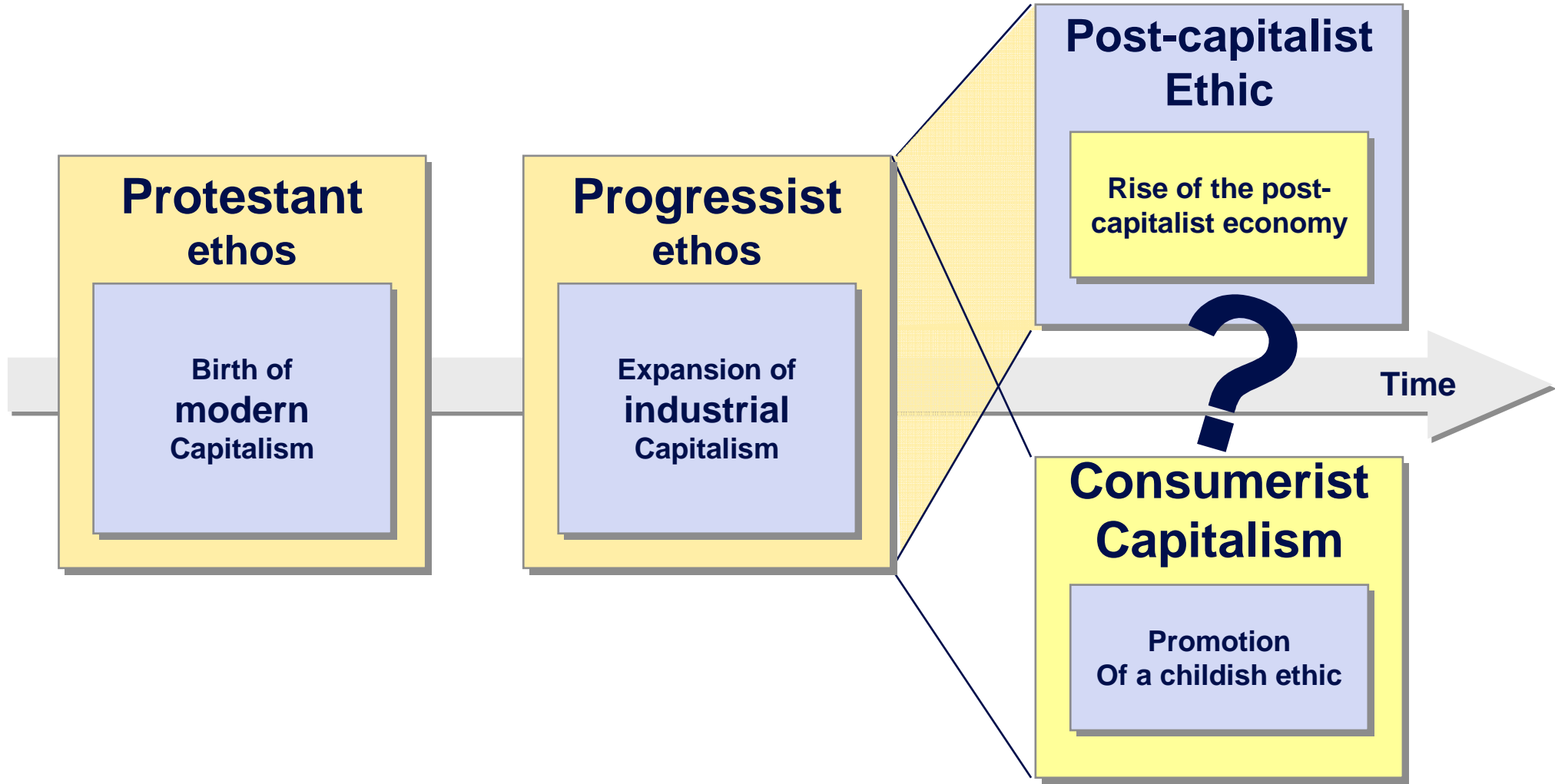


**Power locus** – Externally, where should the common interest be defined?

## *Privatisation of common interest?*



## Are ethics or corporates instrumentalized?



According to Benjamin Barber in «Consumed: How Markets Corrupt Children, Infantilize Adults, and Swallow Citizens Whole», 2007;  
See also Anne Salmon's analysis in « Ethique et ordre économique : une entreprise de séduction », 2002

1

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**Adaptive leadership: when leadership is required to adress conflicts in people's values**

**Leadership – What are we talking about?**

**Transactional  
Vs. Transformational  
Leadership**  
(McGregor Burns)

**Machiavellian  
Leadership**

**Servant  
Leadership**  
(Greenleaf)

**Situational  
Leadership**  
(Blanchard)

**Conscious  
Leadership**  
(Kofman)

**Hard / Soft / Smart  
Leaders**  
(Nye)

**Charismatic  
Leadership**  
(Weber)

# Leadership?

**Fifth disciplines**  
(Senge)

**Personal power model**  
(Hagberg)

**Force Field Analysis**

**Integral  
Leadership**  
(Wilber)

**Expectancy theory**

**Emotional intelligence**  
(Goleman)

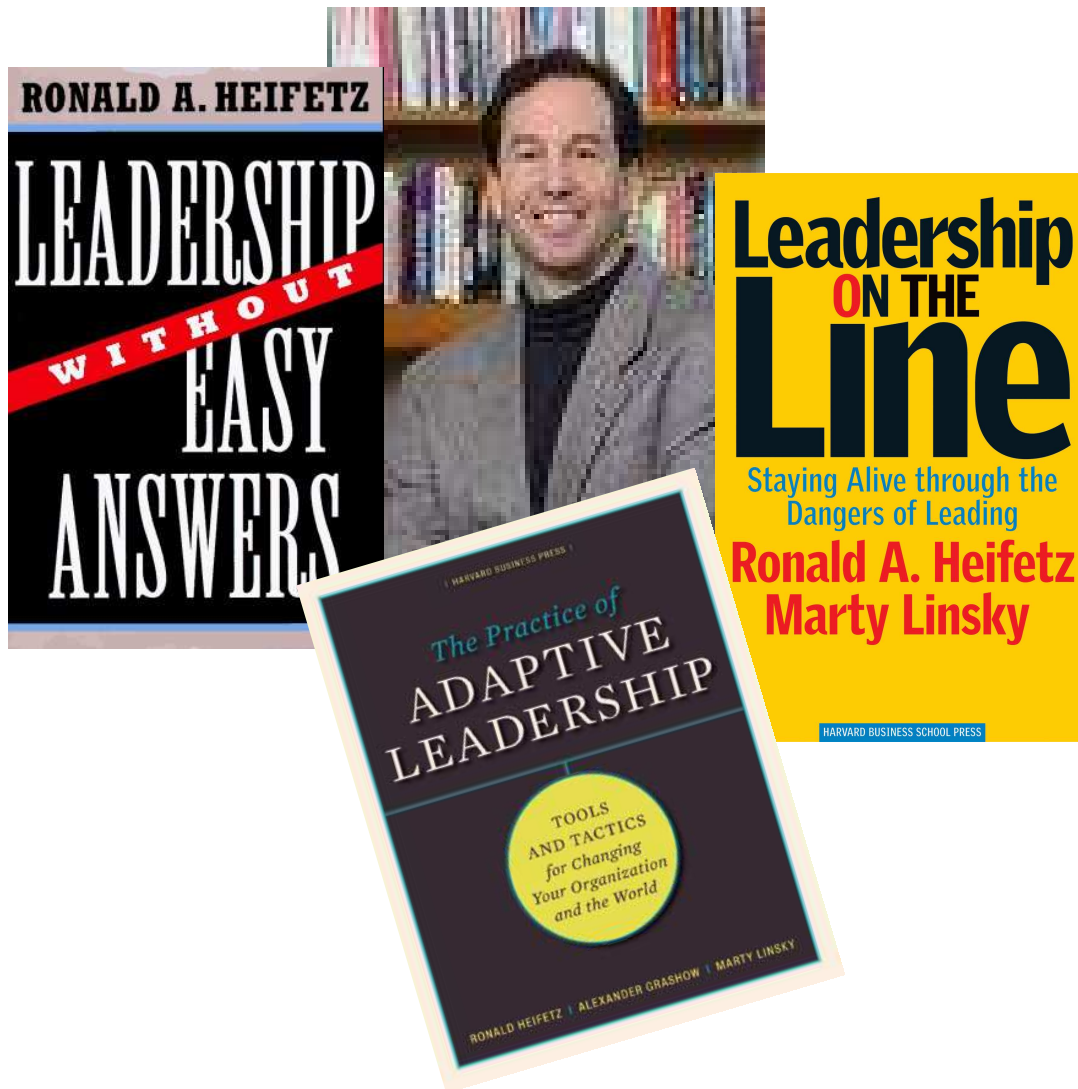
**EPIC Advisers**

For more see <http://www.12manage.com>

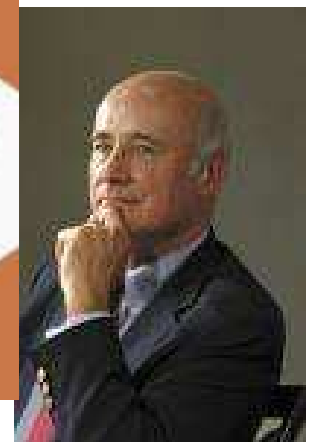


**Today's focus – Adaptive leadership: leadership without easy answers?**

*Cases by R. Heifetz will guide us today to reflect upon leadership & change*



**If we have time,  
we will also review the leaders' skills  
following J. Nye's latest book**



## Leadership & wisdom – a growing field of investigation?

*If we have time we will also investigate the links between leadership and wisdom, together with Mark Strom & Peter Koestenbaum*

### Mark Strom



- Australian living in Auckland, New Zealand
- Doctor in Theology & philosopher
- CEO of a consulting practice
- Mark's life and work bridges academia, business, & civic leadership.
- Author of several books & articles including the ***Arts of the Wise Leader***

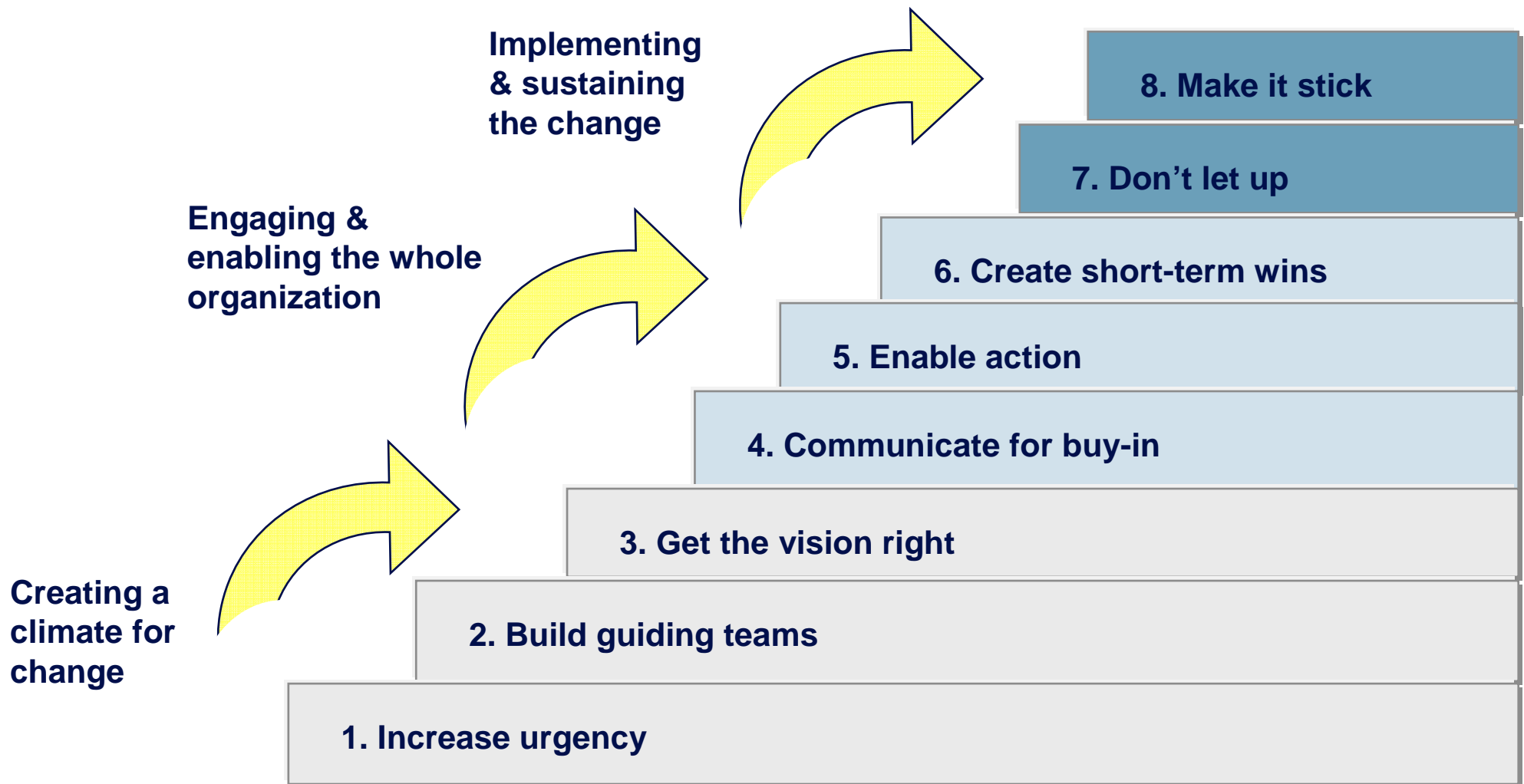
### Peter Koestenbaum



- American (born in Germany)
- Philosopher
- CEO of a consulting practice
- Peter has written many books about including: *Leadership, the inner side of greatness*

## Change Management – 8 steps to lead change: is this all?

*To lead change, is it enough to follow these steps?*





***What did Parsons do or didn't do?***

***What did she achieve?***

***Is this a leadership case?***

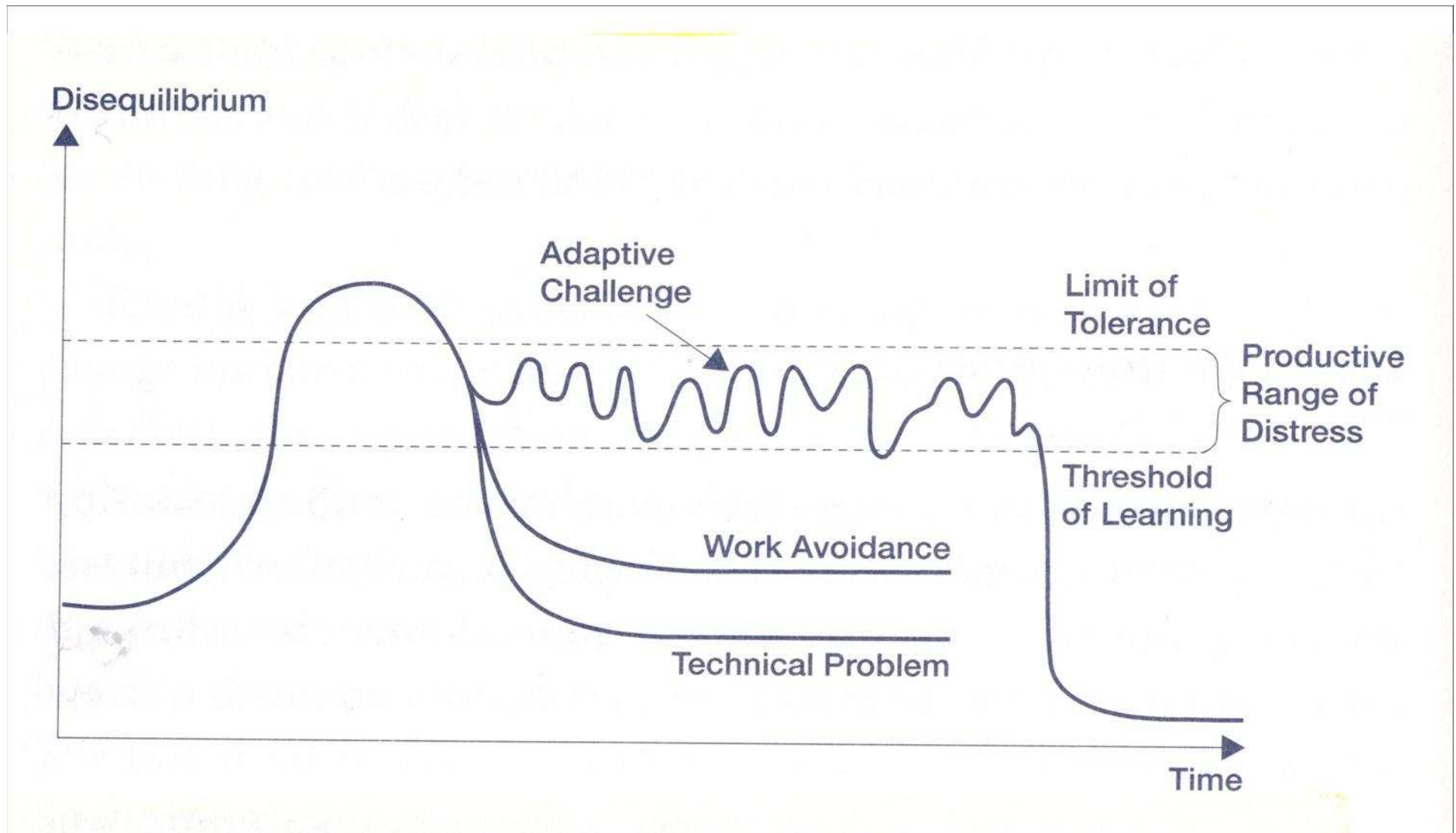
***Why or why not?***



## Adaptive leadership – Distinguishing technical problems and adaptive challenges (Parson's case)

Challenge	Problem definition	Solution and implementation	Primary locus of resp. for the work	Kind of work
Type I	Clear	Clear	Physician	Technical
Type II	Clear	Requires learning	Physician and patient	Technical and adaptive
Type III	Requires learning	Requires learning	Patient > physician	Adaptive

## Adaptive leadership – Modulating the stress



***What did Ruckelshaus do or didn't do?***

***What did he achieve?***

***Is this a leadership case?***

***Why or why not?***

***What did or did not do Lyndon Johnson in the Black Civil Rights case and in the Vietnam War case respectively?***

***Did he act as a leaders?***

***Why or why not?***

***Are there other leaders in these cases?  
How do they differ?***

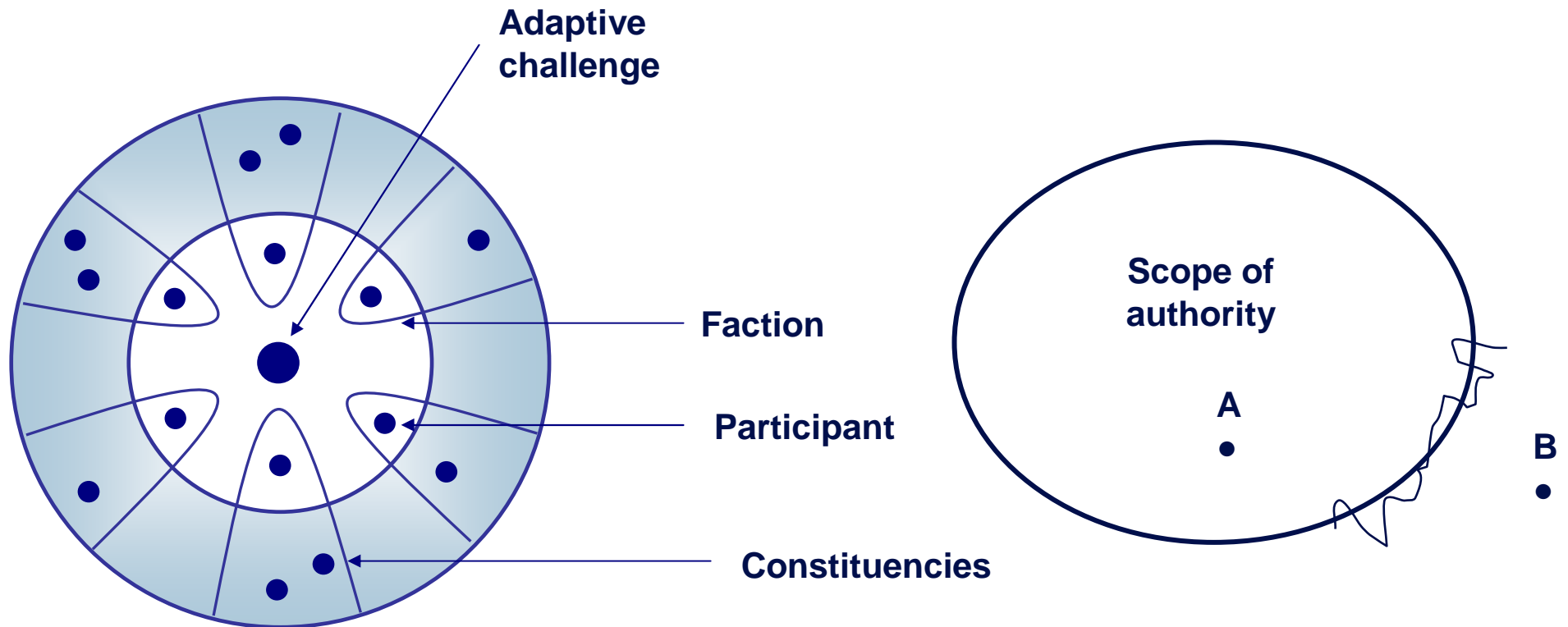
## Adaptive leadership – 5 strategic principles of leadership



## Adaptive leadership – The leader's social functions

Social function	Challenge	
	Technical	Adaptive
Direction	Authority provides problem definition and solution	Authority defines adaptive challenge, provides diagnosis & questions about problem definitions & solutions
Protection	Authority protects from external threat	Authority discloses external threat
Role Orientation	Authority orients	Authority disorients current roles, and resists pressure to orient people in new roles too quickly
Controlling conflict	Authority restores order	Authority exposes conflict, or lets it emerge
Norm maintenance	Authority maintains norms	Authority challenges norms, or allows them to be challenged

## Adaptive leadership – The politics of change & Going beyond your scope of authority



## Adaptive leadership – 4 critical distinctions provided by Heifetz’s challenging view of leadership





## Adaptive leadership - 4 related groups of activities

### I. Diagnose the system

- Be ready to observe & interpret before intervening
- Diagnose the system itself
- Diagnose the adaptive challenge
- Diagnose the political landscape
- Understand the qualities that makes an organization adaptive

### II. Mobilize the system

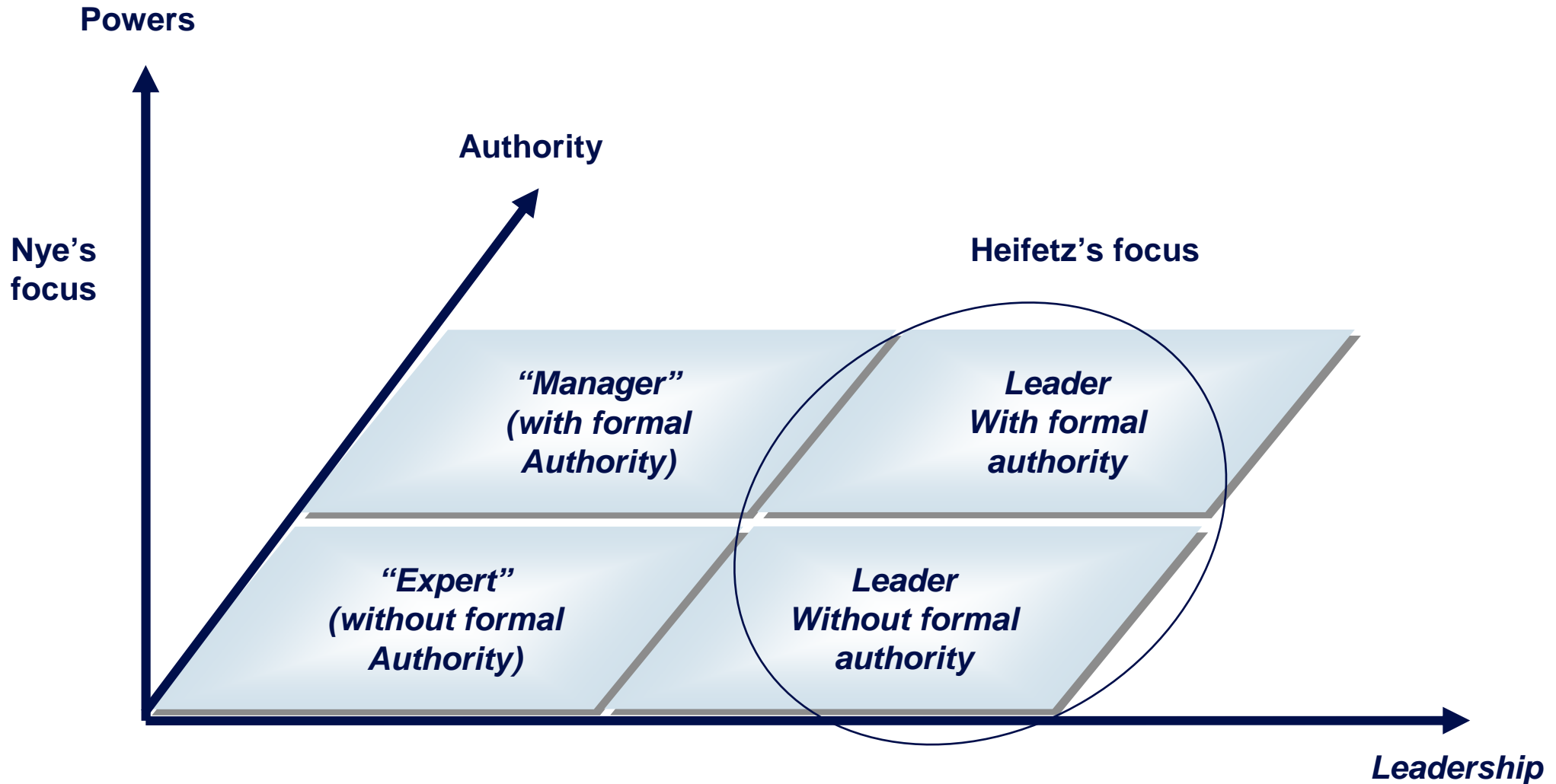
- Make interpretations
- Design effective interventions
- Act politically
- Orchestrate the conflict
- Build an adaptive culture

### III. See yourself as a system

- Identify who you are
- Know your tuning
- “Broaden your bandwidth”
- Understand your roles
- Articulate your purposes

### IV. Deploy yourself

- Stay connected to your purposes
- “Engage courageously”
- Inspire people
- Run experiments
- “Thrive”



## **Smart Power (Combined Resources)**

### **1. Contextual IQ (broad political skills)**

- Understand evolving environment
- Capitalize on trends (« create luck »)
- Adjust style to context & followers' needs

## **Soft Power (Inspirational)**

### **1. Emotional IQ**

- Ability to manage relationships & charisma
- Emotional self-awareness and control

### **2. Communications**

- Persuasive words, symbols, example
- Persuasive to near & distant followers

### **3. Vision**

- Attractive to followers
- Effective (balance ideals & capabilities)

## **Hard Power (Transactional)**

### **1. Organizational capacity**

- Manage reward & information systems
- Manage inner & outer circles

### **2. Machiavellian skills**

- Ability to bully, buy and bargain
- Ability to build & maintain winning coalitions

## Adaptive leadership – Nye: Leaders' objectives & styles

	Transactional style	Inspirational style
Transformational objectives	Lyndon Johnson	Franklin Roosevelt
Incremental objectives	Dwight Eisenhower	Bill Clinton

## Adaptive leadership – Nye: two meanings of « good » leadership

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	Effective	Ethical
Goals	Balance of realism and risk in vision	Values of intentions, goals
Means	Efficiency of means to ends	Quality of means used
Consequences	Success in achieving group's goals	Good results for in-group and for outsiders

***A leader is best when people barely know he exists, not so good when people obey and acclaim him; worst when they despise him***

***Lao Tzu, 630 B.C.***

***One ought to be both feared and loved, but as it is difficult for the two to go together, it is much safer to be feared than loved... Still a prince should make himself feared in such a way that if he does not gain love, he at any rate avoids hatred***

***Machiavelli, 1513***

1. **To lead wisely** is  
to pay attention to, & to become skilled in,  
the ways people ***create new understanding***  
in the subtle to-and-fro of ***conversation***
  
2. **Wisdom:**  
***reading the patterns of life well & applying*** these with:  
***insight, discernment, integrity & care***

**Other patterns besides Conversation:**

- ***Naming***
- ***Influence***
- ***Speaking into darkness***
- ***Leadership***

## Naming

to lead wisely is to pay attention to, & to become skilled in, the ways **language shapes meaning** and life

## Influence

to lead wisely is to pay attention to, & to become skilled in, the dynamics of **holding commitment** to both people and to goals, particularly when meaning & even relationships begin to **break down**

## Conversation

To lead wisely is to pay attention to, & become skilled in, the ways people create **new understanding** in the subtle to & fro of conversation

## Leadership

to lead wisely is to pay attention to, the very ordinary, yet difficult, human phenomenon of how a person **comes to the fore** in one context and gets **behind** someone else in another

## Speaking into darkness

to lead wisely is to pay attention to, & to face with integrity, the **uncertainty & fear** that inevitably accompany **responsibility & choice**



- Often ***informal*** conversations have ***more impact*** than formal conversations
- Real conversations lead to ***new shared meaning***
- **Communication**: sharing of created meaning; **Conversation**: creation of shared meaning
- To lead wisely is to maintain ***commitment*** in the face of ***breakdown***
- To lead wisely is to name and revive key ***missing*** conversations

## Leadership & wisdom – Strom: 4 arts of the wise leader, 4 ways of bringing wisdom into leadership

The arts of	To build & nurture	With a mind & heart fixed on
	Clarity	Truth
	Elegance	Beauty
	Strength of Character	Goodness
Story		
Brilliance		
Promise		
Grace	Heart	Unity-in-Diversity

As a wise leader you seek to **build the polis**  
as ‘a partnership in living well’

You work with the ‘**bricks**’, the building blocks of  
people, strategy and operations

It takes **mortar** to turn bricks into walls

**Leadership and wisdom are like mortar**

## To go further...

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**Annex 1** : Preparatory questions

**Annex 2** : Students questions

**Annex 3** : Leadership cases - full

**Annex 4** : Leadership cases – (without comments)

Annex 5 : Personal notes on Heifetz & Nye

Annex 6 : Synthesis on « adaptive leadership » (Heifetz, Grashow & Linsky)

**Annex 7** : Article in FT on Nye & Obama

**Annex 8** : Obama, Machiavelli and wise leadership (L. Ledoux)

**Annex 9** : Personal investigation questionnaire based on « Arts of the wise leader » (Strom)

**Annex 10** : Conference paper on « Leading with wisdom » (Ledoux & Strom) for the SPES Conference in Groenendal on Apr. 23 & 24. More info on [www.eurospes.be](http://www.eurospes.be)

Annex 11 : Frydman & co on Coregulation

Annex 12 : From CSR to CSO (L. Ledoux)

Annex 13 : Notes on Ethics cases (in French)

Annex 14 : Synthesis of cycle by Philosophie & Management

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