

## Nice words are fine but hen lay eggs\*

Communication about values leads to expectations of practical consequences

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*The impact of the economic market on character formation, ethical education and the communication of values in late modern pluralistic societies.*

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The term “value”, so it seems, is high in demand. Particularly in turbulent times, political, corporate and other communication on values takes off. This is a gratifying development because values are important poles on which the compass of action can be based. A discourse on values can help to weigh benefits and risks of different ways of action in dilemma situations be it in business, politics or elsewhere.

There is a widespread uneasiness if not discontent about the responsibility performance of business leaders and senior government officials in practically all industrial countries.<sup>2</sup> The common reaction is a lot of talk about values – talk seldom followed up if measured by key performance indicators:

- When talking about core values (Grundwerte) the German Social Democratic Party (SPD) refers to the ideals of the French Revolution: Liberty, Equality and Fraternity. They claim that these values are their criteria for assessing political reality, benchmark for a better society and orientation for the actions of social democrats.<sup>3</sup>
- The Christian Democratic Party (CDU) goes on record that it is aware of its responsibility before God and mankind and guided by the Christian image of man and his inviolable dignity and on this basis by the fundamental values of freedom, solidarity and justice.<sup>4</sup>

Looking at the current polls in Germany, people do not have the feeling that political parties live to their proclaimed values.

Value talk also becomes fashionable in the business sector - particularly if something has gone really wrong:

- Presumably as a result of the public naming and shaming after reports relating to higher than reported emissions from diesel engine, the Volkswagen Group announces the development of six “new values”: “We are customer-oriented,

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\* West African saying

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<sup>2</sup> Edelman Trust Barometer 2018 [http://cms.edelman.com/sites/default/files/2018-02/2018\\_Edelman\\_Trust\\_Barometer\\_Global\\_Report\\_FEB.pdf](http://cms.edelman.com/sites/default/files/2018-02/2018_Edelman_Trust_Barometer_Global_Report_FEB.pdf);

<sup>3</sup> SPD Grundwerte: <https://grundwertekommission.spd.de/grundwerte/>;

<sup>4</sup> CDU Grundsatzprogramm <https://www.cdu-much.de/partei/wertekatalog/>;

efficient and courageous. We act sincerely, treat each other with respect and achieve our goals together.”<sup>5</sup>

- Audi stipulates in its management concept (Führungsleitbild) that “We are aware of our role model function. We are responsible and credible – we walk the talk and live our management model. We treat others with respect and appreciation.”<sup>6</sup>
- When visiting the Code of Conduct and Ethics Code of Deutsche Bank - the Bank that appeared prominently in the news in the context manipulation interest rates - one finds wonderful sentences such as “We always adhere to the highest standards of integrity - in words and in deeds. We do what is not only legally permissible but also correct. We speak openly. We encourage, express and respect constructive criticism. We abide by rules and stand by our promises without ifs and buts.”<sup>7</sup>
- Last but not least, the German Soccer Association (DFB) who, looking for a scapegoat for the lack of success at the FIFA World Cup tournament, criticized one of their technically best team players for agreeing to be photographed with the President of the country of his ancestors and thus clearly violating his right to freedom of opinion. The DFB website contains a code of ethics which lists values such as “Respect and diversity, fair play on and off the pitch, integrity in sporting and economic competition, transparency as the basis for trust, solidarity as well as health and environment as a - commitment and opportunity.”<sup>8</sup>

We could go on quoting value statements of political, commercial or civil society institutions, compare their content with selected examples of practical behavior and burst into criticism and cynical comments. Instead of doing this we will draw a first conclusion:

*It is much easier to formulate values and publish them in a professional manner than living up to them consistently and coherently in a complex world full of dilemmas.*

And yet, the commitment to values is important not only but certainly for business enterprises: Being profitable in a global marketplace necessitates a wise management of ambiguities, trade-offs and moral dilemmas – tasks that can be handled by values-based management. There is no template for being sustainably successful in an ever-changing commercial environment, but for managers competing with integrity there is a declared will to stay within a corridor of normative rules in everything they are doing. Sustainably living up to such an intention the corporate culture has to be coherent – which again necessitates that the financial, social and ecological objectives and targets defined, the performance appraisals, promotion criteria as well as the incentive and bonus-systems in place must be enriched by values and operationalized by principles that encourage consistent values-based management.

## **Values-based management**

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<sup>5</sup> <http://inside.volkswagen.de/Unsere-neuen-Werte.html> ;

<sup>6</sup> AUDI Führungsleitbild (my translation)  
[https://www.audi.com/content/dam/com/DE/careers/Fuehrungsleitbild\\_deutsch.pdf](https://www.audi.com/content/dam/com/DE/careers/Fuehrungsleitbild_deutsch.pdf) ;

<sup>7</sup> Verhaltens und Ethikkodex Deutsche Bank: [https://www.db.com/ir/de/download/Verhaltens-und-Ethikkodex\\_09\\_2015.pdf](https://www.db.com/ir/de/download/Verhaltens-und-Ethikkodex_09_2015.pdf) ;

<sup>8</sup> Ethik-Kodes DFB: [https://www.dfb.de/fileadmin/dfbdam/128752-04\\_Ethik-Kodex.pdf](https://www.dfb.de/fileadmin/dfbdam/128752-04_Ethik-Kodex.pdf) ;

There are several ways to define values-based management, however there is an important common denominator: The understanding of *value* created by a business enterprise is not restricted to financial and other economic indicators but comprehends also normative considerations with regard to achieving the desired financial results in a sustainable way: Corporate leadership selects from the multitude of potentially possible courses of action and behavior those achievable in accordance with the core values and normative principles defined by corporate management. In this way management strives to achieve sustained value-added for shareholders and stakeholders.<sup>9</sup>

A short remark on the subject of stakeholder: If we define a company's stakeholders as individuals or groups who are or perceive to be affected by a company's decisions, policies and practices or able to affect them, corporate leadership will have to know and prioritize them according to strategic importance, be in regular dialogue with them and be responsive.<sup>10</sup> Awareness of and sensitivity to the fact that different stakeholders value different things in different cultural and socio-economic settings and that a VUCA<sup>11</sup> world makes corporate strategy more complex is of decisive importance.<sup>12</sup>

### **Values-based management Step 1:**

*What values are important to us as corporate leaders?*

Since the early 1970's conferences were being held and articles and books were published.<sup>13</sup> Corporate actions are analyzed from a *moral point of view* with the tools of moral philosophy. A non-delegable part of the responsibility of business and other leaders is the *reflection of and decision on the specific values and norms, which should guide, encourage and limit the scope of action and behavior* in everyday business life. For a variety of reasons, this is easier said than done, as there are multiple ethical schools recommending different concepts of right and wrong, and people with integrity can choose to apply different ways and methods to determine the desirable path of action (as different as e.g. Jeremy Bentham's "greatest happiness principle" and John Rawls' "MaxiMin principle" in his Theory of Justice).

Nevertheless, the top management's answer on the question "What is important to us?" must be the first step. This step must ideally be prepared and accompanied by experts. Employees and customers ought to be invited to propose values from their perspective. Business leaders competing with integrity as well as leaders in the political or religious sector will acknowledge the importance of ethical values such as *honesty, truthfulness, respect, transparency or tolerance*. But then, different sub-systems of society will emphasize different values:

- In his encyclical letter *Laudato Si'* Pope Francis emphasizes values such as *strong sense of community, readiness to protect others and deep love for land* (LS 179), *profound humanism* (LS 181) and condemns *short-term gain and private interest* (LS 184). He warns

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<sup>9</sup> Wieland J.: Handbuch Wertemanagement (Murrmann Verlag) Hamburg 2004;

<sup>10</sup> For more see Freeman E.E. et alia: Stakeholder Theory. The State of the Art. (Cambridge University Press). New York 2010;

<sup>11</sup> VUCA is the acronym for Volatility, Uncertainty, Complexity, and Ambiguity, see Bennett N. / Lemoine G.J.: What VUCA means for you. In: Harvard Business Review January-February 2014;

<sup>12</sup> See Leisinger K.M.: Corporate Responsibility in a World of Cultural Diversity and Pluralism of Values. In: Journal of International Business Ethics. Vol.8, No.2, Beijing 2015;

<sup>13</sup> See as an excellent summary Brenkert G.G. / Beauchamp T.L. (Eds.): The Oxford Handbook on Business Ethics. (OUP) Oxford / New York 2012;

that ecological and social values are “absorbed into the categories of finance and technocracy” (LS 194) and that “social and environmental responsibility of businesses often gets reduced to a series of marketing and image-enhancing measures.” Economic and technological progress, unless accompanied by authentic social and moral progress, so Pope Francis “will definitely turn against man” (LS 4)

- Business leaders will first and foremost emphasize performance values such as *efficiency, effectiveness, competence, quality and diligence*. Enlightened business leaders will also mention values such as integrity, fairness and tolerance. The question is not an “either or question” but how to embed performance values in ethical values. In other words, if and when business leadership is confronted with a conflict of values resulting in a conflict of interest, which one in doubt is the higher value to solve a dilemma situation? To give an example: The oil company BP defines five values, providing “a fixed point of reference for the way we operate and behave: *Safety* (e.g. “we care about the safe management of the environment”), *Respect* (e.g. “We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others”), *Excellence* e.g. “We commit to quality outcomes”), *Courage* (e.g. “We always strive to do the right thing”) and *One Team* (e.g. “Whatever the strength of the individual, we will accomplish more together.”<sup>14</sup> Comparing these values statements and analyzing the consequences of the *Deepwater Horizon* oil spill<sup>15</sup> will leave even well-meaning observers in distress.

A second conclusion here:

*While it is important that business leadership (or leadership of other institutions) reflects about values and defines those they strive to be accountable for, each and every institution is consisting of human beings – and human beings are fallible. And, leaders of different institutions may feel committed to the same abstract values, but since they have different tasks, they will understand and contextualize these values in different ways and complement them with values that are important in their work settings.*

So, one has also to put value statements in perspective.

## **Values-based management Step 2: Putting things in context**

*Who is responsible for what?*

Operationalizing and contextualizing values is as complex a step as no less complex step as the first: The application of defined core-values derived from a specific school of philosophical thought in a real-life situation like e.g. doing business is implicitly based on the presupposition of what constitutes a fair division of duty and responsibility. Different assumptions in this regard result in the determination of different rights and duties, e.g. between the political sector versus the economic sector, the legal system versus the religious systems, art,

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<sup>14</sup> BP: Our Values and Code of Conduct: <https://www.bp.com/en/global/corporate/who-we-are/our-values-and-code-of-conduct.html>

<sup>15</sup> See: [https://en.wikipedia.org/wiki/Deepwater\\_Horizon\\_oil\\_spill](https://en.wikipedia.org/wiki/Deepwater_Horizon_oil_spill)

education or others. Depending on how an *impartial spectator* (Adam Smith) defines the duty of actors within the economic sector and comparing it with a globalized business reality he or she will come to different judgments.

As if this would not create sufficient complexity – we cannot have a serious debate about value-coherent competing with integrity if we do not consider that different actors have different tasks in a society: Anyone who lives in a small village knows that one can expect other services from the pastor, as from the mayor, village policeman or shopkeeper – there is a pronounced *functional differentiation*:

Modern societies thrive when they distribute labor and responsibility reasonably among different societal sectors. They organize their economic, social, cultural, political and other processes by delegating specific tasks to specific societal “sub-systems”.<sup>16</sup> Different sub-systems have different functions, and, as a consequence, actors in the different sub-systems, e.g., the political, scientific, legal, religious or economic sub-systems, have different roles, competences, skills and responsibilities. They also avail themselves of particular knowledge, skills, resources and interests – and pursue particular objectives.

Actors in the different societal sub-systems work to a certain extent self-referentially and evolve within applicable law, but to a certain extent decoupled from other societal sub-systems, their specific rules, processes, objectives and interests. Running a corporation implies having different interests and necessitates different professional knowledge and skills than, e.g., being in charge of a parish, a magistracy or an orphanage. However, as long as people in the different societal sub-systems remain with their actions within a corridor of widely shared values safeguarding the dignity of the human person, differences of interests, skills and objectives are not an ethical issue. But even if this question is answered, expectations of what business enterprises are supposed to deliver vary:

In the understanding of what corporations are responsible, the European Commission mentions “at least covers human rights, labor and employment practices (such as training, diversity, gender equality and employee health and well-being), environmental issues (such as biodiversity, climate change, resource efficiency, life-cycle assessment and pollution prevention), and combating bribery and corruption. Community involvement and development, the integration of disabled persons, and consumer interests, including privacy, are also part of the CSR agenda. The promotion of social and environmental responsibility through the supply-chain, and the disclosure of non-financial information, are recognized as important cross-cutting issues...”<sup>17</sup>

An alternative view that still guides the moral compass of many US-American and Anglo-Saxon managers was voiced by Milton Friedman in an essay to the New York Times in September 1970. Based on his book *Capitalism and Freedom* he went on record that ““there is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”<sup>18</sup> To be fair, Friedman qualified his

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<sup>16</sup> Luhmann N. (1997): *Die Gesellschaft der Gesellschaft*. Frankfurt am Main (Suhrkamp), also Parsons T.: *The System of Modern Societies*. (Prentice-Hall) Englewood Cliffs 1971.

<sup>17</sup> European Commission: *A renewed EU strategy 2011 – 14 for Corporate Responsibility*, Brussels 2011: [http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/com/com\\_com\(2011\)0681/\\_com\\_c om\(2011\)0681\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/com_com(2011)0681/_com_c om(2011)0681_en.pdf)

<sup>18</sup> Friedman M.: *The Social Responsibility of Business is to Increase its Profits*: <http://graphics8.nytimes.com/packages/pdf/business/miltonfriedman1970.pdf>

statement with “so long as it stays within the rules of the game” and the rules of the game are different in pluralistic societies in a globalized economy than they were in the cold war era then – but even after considering a change in public expectations, Friedman’s understanding is clearly narrower than that of the EU Commission.

Only if and when business leaders create transparency and communicate what they perceive to be a fair societal division of duty and responsibility will they be able to explain their view of the world with regard to the basics of their corporate responsibility philosophy. But even then, there is a lack of specificity

*Values have a thick and a thin meaning*

In 1989 Michael Walzer, like so many others, saw people television pictures of people marching in the streets of Prague, carrying signs, some of which were simply saying “truth” or Justice”. He remembers to have understood immediately what the signs meant and – like everyone else who saw the pictures – recognized and acknowledged the values that the marchers were defending: “I could have walked comfortably in their midst. I could carry the same signs.”<sup>19</sup>

The following reflection of Walzer is of great importance to the corporate value discourse:

“They were not marching in defense of the coherence theory, or the consensus theory, or the correspondence theory of truth. Perhaps they disagreed about such theories among themselves; more likely, they did not care about them. No particular account of truth was at issue here. The march had nothing to do with epistemology. Or, better, the epistemological commitments of the marchers were so elementary that they could be expressed in any of the available theories – except those that denied the very possibility of statements being ‘true’. The marchers wanted to hear true statements from their political leaders; they wanted to be able to believe what they read in the newspapers, they didn’t want to be lied to anymore. (...) undoubtedly, they would have argued, if pressed, for different distributive programs; they would have described a just society in different ways; they would have urged different rationales for reward and punishment; they would have drawn on different accounts of history and culture. What they meant by ‘justice’ inscribed on their signs, however, was simple enough: an end to arbitrary arrests, equal and impartial law enforcement, the abolition of privileges and prerogatives of the party elite – common, garden variety justice.”<sup>20</sup>

Michael Walzer described a fact that is most underrated in the modern discourse about corporate values:

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<sup>19</sup> Walzer M.: *Thick and Thin. Moral Argument at Home and Abroad.* Notre Dame 1994, p.1;

<sup>20</sup> Walzer M.: *Thick and Thin. Moral Argument at Home and Abroad.* Notre Dame 1994, p.1-2;

“Moral terms have minimal and maximal meanings; we can standardly give thin and thick accounts of them, and the two accounts are appropriate to different contexts, serve different purposes.”<sup>21</sup>

My 40 years’ professional experiences are full of evidence of identical normative terms being used in stakeholder dialogues by corporate spokespersons and representatives of Non-Governmental Organizations. The problem, however, was and is, that the underlying understanding on both sides was abstract and general – in Walzer’s terms “thin”. Behind the “thin” understanding were totally different perceptions of what the normative request or value should mean when applying it to a specific corporate responsibility issue in a specific context.

The underlying reasons were in most cases not bad will or evil tactics, but the result of different world views and axiomatic assumptions: Human beings perceive the world around them through a filter made up of personal preferences, judgments, worldviews, and ‘lessons learned’ from past experience. Together, these determine the way they construct ‘reality’.<sup>22</sup>

Our individually constructed reality is not an objective representation of measurable facts and existing issues, but the subjective result of the assimilation, accommodation, and adaptation processes we were undergoing in our lives. Once human beings in all sub-systems of society are convinced that their definition of the problem is accurate and their solution the best under the prevailing circumstances, they stop searching for alternative ways to go about a problem. Self-referential simplification (“the problem is very simple, you only have to...”) is the business as usual not the willingness to evaluate the pluralism of perspectives.

Therefore, a general support of global values, such as “justice” and “fairness,” does mean that well-meaning people all over the world understand the same normative content and act coherently – neither in private nor in business life. If for example a corporate responsibility guideline articulates “we treat everyone just and fairly” the interpretation of its implicit “must do” or “ought to do” will differ between an Indian, a Chinese or a Swiss business man or woman and their counterparts in specialized NGOs. Reasonable people all over the world and in all societal sub-systems will agree that “justice”, “integrity” and “fairness” and, also, “truthfulness” or “freedom,” are important values. However, this abstract acknowledgment has to be contextualized, must be made “thick” in Walzer’s terms: Moral deliberations must be done

“in a thick manner, accounting for the specificities of the actual situation in which a decision has to be taken (...) The claim that we must all be heading in the same direction since there is only one direction in which good-hearted

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<sup>21</sup> Ibid p.2;

<sup>22</sup> For an introduction to constructivism see Watzlawick, P. (ed.): The Invented Reality: How do We Know What We Believe We Know? (W.W. Norton), New York 1984; von Foerster, H.: Understanding Understanding (Springer), New York 2003 and von Glasersfeld, E.: Radical Constructivism. A Way of Knowing and Learning (Falmer Press,) London, 1995. See also Lay R.: Die Zweite Aufklärung. Einführung in den Konstruktivismus. Frankfurt 2015 zu finden auf [http://www.karl-schlecht.de/fileadmin/daten/Download/Buecher/Rupert\\_Lay - Die Zweite Aufklaerung - 2. Auflage 2015.pdf](http://www.karl-schlecht.de/fileadmin/daten/Download/Buecher/Rupert_Lay_-_Die_Zweite_Aufklaerung_-_2._Auflage_2015.pdf)

(or ideological correct) men and women can possibly march is an example of philosophical high-mindedness. But it does not fit our moral experience.”<sup>23</sup>

The problem that arises here is that on the one hand any business operating in different countries must not only comply with local law and regulation, but also, in order to be successful in the local market, become to a certain extent part of the local culture. Internationally though it has only one reputation. Too much adaptation to the locally recognized customs and traditions creates international reputation risks.

*A third conclusion is therefore when communicating on values to make sure it is contextualized so that resulting expectations can be managed.*

### **Values-based management Step 3: Changing the understanding of “business as usual”**

To shape business practice in a way and to an extent that a *values driven responsibility culture* develops in which certain courses of action and behavior are self-evident for all and other courses of action and behavior are naturally excluded, does require a leadership decision on values – but only as a first step. After defining the corporate values against which business leaders want to be held accountable, a comprehensive ethics program has to be installed.

Insights from the London based Institute of Business Ethics<sup>24</sup> suggest that on the one hand pressure to compromise ethical standards has risen, on the other hand, there is clear evidence, that measures to support ethical behavior by a comprehensive ethics program<sup>25</sup> make a measurable positive difference:

- Organizations with an ethics programme act more responsibly. 86% of employees in organizations with a comprehensive ethics programme say their organization acts responsibly in all its business dealings, in comparison with 57% in organizations without an ethics programme.
- Employees in organizations with an ethics programme are more likely to speak up about misconduct. 73% of employees in organizations with a comprehensive ethics programme who were aware of misconduct spoke up, as opposed to 42% in organizations without an ethics programme.
- Organizations with an ethics programme are better at dealing with ethical issues raised by employees. 78% of employees in organizations with a comprehensive ethics programme who were aware of misconduct and spoke up are satisfied with the result of doing so, as opposed to 28% in organizations without an ethics programme.
- Line managers in organizations with an ethics programme set a better example. 83% of employees in organizations with a comprehensive ethics

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<sup>23</sup> Walzer M.: Thick and Thin. Moral Argument at Home and Abroad. Notre Dame 1994 p.9;

<sup>24</sup> Institute of Business Ethics / Dondé G.: Ethics at Work. 2018 Survey of employees. London 2018  
[https://www.ibe.org.uk/userassets/publicationdownloads/ibe\\_survey\\_report\\_ethics\\_at\\_work\\_2018\\_survey\\_of\\_employees\\_europe\\_int.pdf](https://www.ibe.org.uk/userassets/publicationdownloads/ibe_survey_report_ethics_at_work_2018_survey_of_employees_europe_int.pdf)

<sup>25</sup> Defined as the package of having written standards of ethical business conduct; providing a means of reporting misconduct confidentially; offering advice or an information helpline about behaving ethically, and providing training on ethical conduct.



programme say their line manager sets a good example of ethical behavior, in comparison with 46% in organizations without an ethics programme.

If and when corporate leadership wants to change what is perceived to be *business as usual*, the following steps are recommendable<sup>26</sup>

1. Be clear about the **Purpose**: reflect and decide on “why are we doing what we are doing?”, “What is the purpose of our work, what the end-means relation?” and align corporate products and services as well as the whole portfolio of corporate action with the Purpose;
2. **Chose the right people** when hiring and promoting, i.e. “human being which is characterized by respect for the dignity of fellow human beings and their entitlement to freedom and participation.” (Leipzig Leadership Model), leaders who practice *love* in Erich Fromm’s understanding of *care, sense of responsibility, respect for others and knowledge*.<sup>27</sup>; The personality of the people you chose to hire and promote is the single most important success factor for values-based management. The reason is obvious. Business reality is far too complex to be governed by codes of conduct and corporate guidelines: Many problems that responsibility bearers have to deal with are *wicked problems*, in the sense that they are different from “tame problems” which are clearly definable and can be solved under all circumstances with pre-existing modes of data research pathways, decision preparation and decision making. Wicked problems often have no *right or wrong*-solution but only a *better or worse* solution – particularly as judgments of stakeholders with different values, interests and cultural background are likely to differ.<sup>28</sup> Mature personalities in such situations must act like situation ethicists: They must focus on the outcome of their decision in relation to the values they are committed to and the goals they aspire to achieve. The corporate guidelines and codes of conduct must be used as compass and signpost – but the right thing to do in a critical situation or moral dilemma, so Joseph Fletcher, depends on the case.<sup>29</sup>
3. **Enrich corporate practices**, such as product and service portfolio, code of conduct, corporate guidelines for sensitive areas, target setting, incentive systems, performance appraisals and bonus systems in the light of the purpose defined and values committed to.

Doing this is a very challenging, even strenuous effort which absorbs considerable resources and management attention: A pharmaceutical company, e.g. would have to implement all of this across research & development, production, marketing, finance, supply chain and all detailed work streams within these departments. Within the different departments all activities would have to be analyzed and their ethical quality judged in the light of the corporate values commitment. Such a company would also have to develop business models that “leave no one behind”, as the preamble of the Agenda 2030<sup>30</sup> articulates

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<sup>26</sup> See as an introduction The Leipzig Leadership Model <https://www.hhl.de/en/about/leipzig-leadership-model/>, see also Grayson D. / Coulter Ch. / Lee M.: All In. The Future of Business Leadership. (Greenleaf / Routledge) London / New York 2018;

<sup>27</sup> Leisinger K.M.: Die Kunst der verantwortungsvollen Führung. (Paul Haupt), Bern 2018;

<sup>28</sup> Rittel H.W.J. / Webber M.M.: Dilemmas in a General Theory of Planning. In: Policy Sciences Vol. 4 (1973), pp. 155 – 169;

<sup>29</sup> Fletcher J. (1966): Situation Ethics. The New Morality (Westminster John Knox Press) Louisville;

<sup>30</sup> See Agenda 2030 for Sustainable Development, <https://sustainabledevelopment.un.org/post2015/transformingourworld>

– and this also for the most innovative medicines. It would have to organize clinical trials in a way that protects the dignity of the trial participants and respects their entitlements.<sup>31</sup>

The problem that arises here is that the implementation of such value-based management helps to avoid the risk of reputation-damaging misconduct in the long term and thus contributes to a good reputation - but in the short term it is associated with additional costs. For today's financial market, the focus is on short-term financial results and most internal incentive systems are also short-term in nature. There is evidence companies that taking sustainability and other values seriously, taking a strategic approach and investing accordingly in policies and compliance to guide their impact on society and on the environment, outperform companies who don't. But the outperformance occurs only in the long-term.<sup>32</sup>

This is not to say that corporate leadership should not or cannot be serious on values-based management – but the success of corporate efforts in this regard will be limited if and when the allocation of purchasing power in the respective markets is determined by completely different criteria.

If corporate management bases its strategic considerations exclusively on the signals sent out by the financial market, it runs the risk of causing social and ecological collateral damage, even if this is not intentional. If it has a triple-bottom-philosophy and measures corporate success in financial, social and ecological terms and is engaged in global competition with corporate actors that couldn't care less as long as it is legally permissible, it has in the short-term a competitive disadvantage. Companies seeking long-term value creation in terms of financial, social and natural capital are at risk of hostile takeovers under such conditions – by companies who are more profitable in the short-term and thus have a higher shareholder value.<sup>33</sup>

Values-based management needs to be accompanied by permanent communication

- What are we doing and why?
- What is done differently and with what kind of impact?
- Where are the obstacles of our approach and what are the costs?
- What do we perceive to be the business case? (e.g. higher employee satisfaction and better motivation, less fluctuation, higher customer loyalty, investment of ethical investment funds, etc.), and, as a specific situation might require
- Other messages.

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<sup>31</sup> See in this context der Global Conduct for Research in Resource-Poor Settings, developed by the TRUST project <http://www.globalcodeofconduct.org>, see also Leisinger K.M.: Using the World Ethos body of thought as a compass for managers. Some thoughts on the practical application of a philosophical concept. (forthcoming).

<sup>32</sup> Eccles R.G. / Ioannou I. / Serafeim G.: The Impact of Corporate sustainability on Organizational Processes and Performance. Cambridge 2014, [https://www.hbs.edu/faculty/Publication%20Files/SSRN-id1964011\\_6791edac-7daa-4603-a220-4a0c6c7a3f7a.pdf](https://www.hbs.edu/faculty/Publication%20Files/SSRN-id1964011_6791edac-7daa-4603-a220-4a0c6c7a3f7a.pdf)

<sup>33</sup> Polman P.: how I fended off a hostile takeover bid. <https://www.ft.com/content/76cddc3e-d42e-11e7-a303-9060cb1e5f44>

Values-based management is a marathon run not a short distance race. It therefore needs deep convictions on the side of the corporate leaders, stamina and a growing support by customers and the financial community.

## **Outlook**

The social, environmental and political challenges of our time, in particular the implementation of Agenda 2030 for sustainable development, cannot be met if all societal actors continue to use *the business as usual approach of the past 25 years*. Balancing the different economic, social and ecological requirements and avoiding collateral damage to the detriment of people living today and, in the future, necessitates reforms for all societal actors. Of course, also in the way business enterprises are managed must change. Value-based management is the most promising way to achieve that. The new needs will give rise to new ideas – and give reflection on values a greater management significance.

The discourse on values in business is not a top-down matter, it must include business people, business ethicist as well civil society representatives and transcend ideological and partisan divide. A values discourse with business must be based on an honest willingness to acknowledge that one side alone does neither holds all the answers nor has the necessary resources to transform theoretical solutions in practical policy. Genuinely listening to other views opens up sources of different world views and new knowledge.

After reflection and decision on the values corporate leadership wants to be held accountable for, a corresponding corporate change process must be implemented, using all the known tools available in the tool kit.

Walking the value talk is a challenging task not the least because human beings are fallible: a few individuals' misdeeds will be projected as corporate misdemeanor in the same way as e.g. individual cases of abuse by priests have damaged the reputation of the church as an institution and allegations of sexual exploitation by individual Oxfam staff had negative consequences for the reputation of an NGO once enjoying high esteem.

Corporate communication about values and ethical issues results in higher expectation and more intense scrutiny by media, NGOs, employees and customers – there for *Underpromise and overdeliver* is the right strategy.