

The ethical leadership dilemma is increasingly taking centre stage in the world of corporate social responsibility. Amrit Saroya talks to an ACCA member working at the heart of the issue.

■ Ethics and leadership, two seemingly different issues, yet they both have a strong impact on an organisation and its employees. Is it the individual leader that defines the right way in which to conduct business or is it the organisation? According to Ramon Arratia, Senior Corporate Social Responsibility (CSR) Manager at Vodafone, it is the industry, the organisation and the individual.

"In order to lay down guidelines for ethical behaviour an organisation needs to identify what is meant by ethical," says Ramon. "Everyone has their own view on what is ethical, what is right and wrong behaviour. You need to understand what the issues are for all your stakeholders and use them to build a framework of ethical values, and these need to be mirrored by the industry as a whole."

Ramon, speaking as part of a panel at ACCA UK's Professionalism and Ethics Conference, explored the ethical leadership dilemma – leader, follower or both? The event was one in a series being organised around the world by ACCA to promote the launch of the new ACCA Qualification but also to highlight the key issues impacting on the finance industry.

One of the challenges facing finance professionals is demonstrating to employers, clients and the general public that an ethical approach lies at the heart of everything they do. Although professionalism and ethics are central to the new ACCA Qualification there are still steps to take to ensure that these values are at the core of the profession and within each organisation.

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ethics and leadership

a corporate responsibility

Ethics and corporate social responsibility are high on the agenda at Vodafone with a team dedicated to CSR issues. Ramon works within this team of ten, which is led by a Director of CSR, ensuring that the work they do is represented right at the top of the company. The team was set up six years ago with the objective of ensuring that all of the company's commercial activities adhere to its CSR obligations.

"As a team our role is to find out what expectations society has of Vodafone. These expectations need to be translated into company policies and it is our responsibility to ensure that they are implemented. Since the team was set up we have worked hard to build a framework of different policies – these are standard business principles on how Vodafone conducts its business with staff, suppliers, consumers and the environment."

The acquisition of Mannesmann AG by Vodafone in 2001 almost doubled the size of the company, making it the largest mobile telecommunications company in the world. This rapid growth meant that Vodafone needed to rethink its strategic goals and corporate values. The directors saw the importance of creating a corporate backbone based upon these values, so in 2003 Vodafone launched its new corporate values: passion for the customer, passion for employees, passion for results and passion for the world around us.

key issues

So what are the issues facing Vodafone and how does the CSR team ensure they are addressed in an ethical way?

"With everything that we do the first step is to find out what society thinks. We speak to our customers, our suppliers, to opinion leaders, interest groups and the general public. By understanding what the issues are amongst all these groups we can then look at the best way of addressing them. It would be pointless if we were to create our own ethical guidelines without asking the outside world what their views are," Ramon explains.

"By collecting a range of views we can collate them to develop a framework of guidelines that the organisation can then work towards. One example of this is our policy on adult content. We offer a range of services that allows individuals to access and receive information from the web. This means they can visit sites they want, access chat rooms, and download information onto their mobiles.

"As a responsible organisation we need to ensure that children don't access these services. We need to protect them from inappropriate content. The way in which we do this is by asking customers to register for this service and to provide details of a credit card. It may not be foolproof but by consulting with parents, schools and child protection agencies this was the best option available."

the ethical leadership dilemma

Excellence in leadership means having the ability to influence others and directing them down a particular course of action. A good leader will have a strong following *and* a strong sense of ethics. There is a direct link between leadership and ethics.

A leader must display an ethical approach to everything that they do if they want others to follow their actions. So how does an organisation ensure that it is developing its business leaders to become ethical activists?

"Business leaders are also followers. They will behave according to the culture and norms that exist within the organisation. This is something that they interpret from the top – from the board of directors. So by developing corporate values and having a set of business principles you are providing your business leaders with a guideline on how to behave.

"They then will pass this down the chain of command right through to employees on the ground. Without these guiding principles individuals within the organisation are free to behave as they see fit – and that behaviour may not be ethical." The challenge lies with not only enforcing ethical behaviour amongst leaders and

followers but instilling it. In many cases when instances of fraud and illegal practices are uncovered the board of directors were unaware that these activities were taking place. Although directors can create a set of values and principles that they think define the business, they are useless if they are not being implemented by employees. In order for these guidelines to be effective an organisation must rely on its business leaders to set the example.

"In 2005 we measured awareness of our business principles through the staff survey. The results showed that 66% of employees were aware of them – which is not a high enough percentage so we are looking at ways in which we can increase this. As a first step we are piloting an e-learning training course on the business principles for all UK employees. After the training, employees will be tested on their understanding of the principles, allowing us to measure our progress."

Ramon adds: "We also encourage all of our staff to report any ethical concerns that they have either to their line manager or to the HR department. There is an email facility for employees to report concerns anonymously to the Group Human Resources Director or Group Audit Director. All reports are thoroughly investigated and any employees involved in unethical practices will face disciplinary action – this could result in them losing their jobs.

"You have to show that you are serious about the values that you set in place and any breaches of these values will be dealt with seriously. By openly challenging unethical behaviour you are demonstrating to all the organisation the importance of the values and principles you have in place. Ethical leadership is all about leading by example; only then can you truly have an ethical culture in your organisation." ■

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