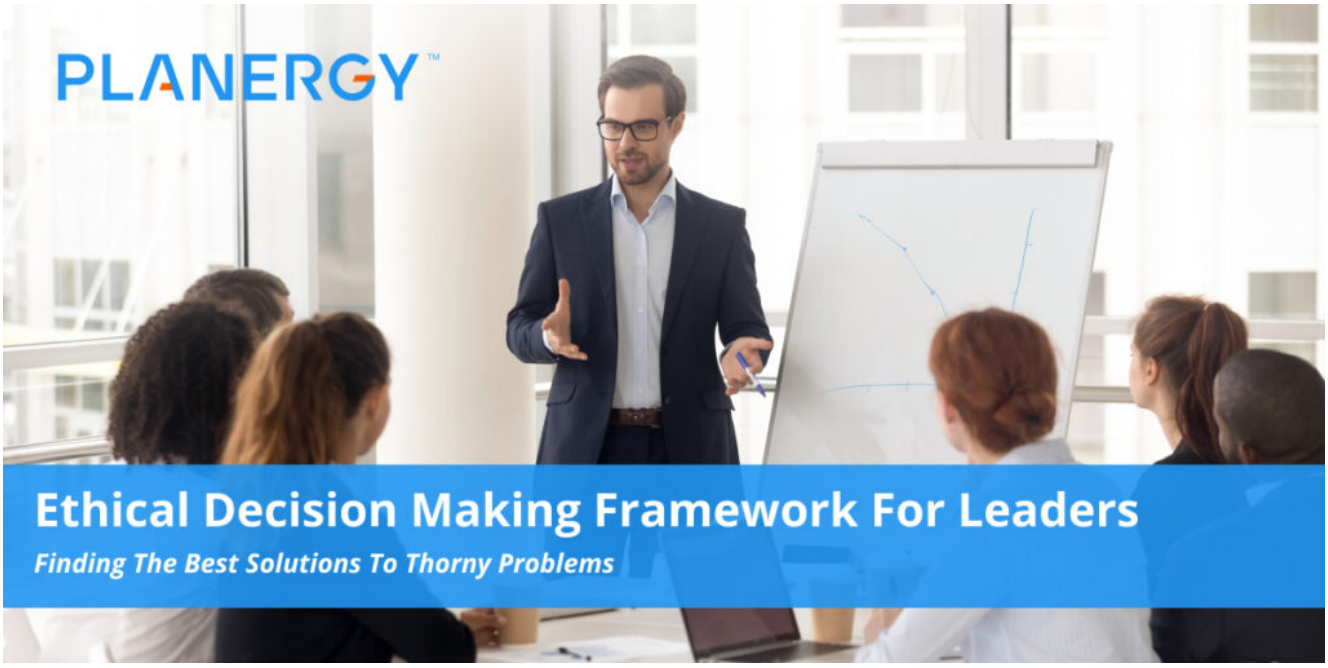
# Ethical Decision Making Framework for Leaders




Effective leadership requires dedication, vision, and the willingness to balance one's ethical principles and morals against situational demands to find the course of action that best serves the needs and expectations set by stakeholders, their roles as leaders, and their own personal codes.

Ethical decision-making can be a complex and challenging affair, and so is best performed with guidance from a decision-making framework.

No two decision-making challenges—whether ethical dilemmas, conflicts of interest, etc.—are ever exactly the same.

But by using an ethical framework, leaders who want to pursue a truly ethical course of action can mitigate the challenge at hand and improve their chance to make the best possible choice.

## Why Business Leaders Need an Ethical Decision-Making Framework

Every day, business leaders at companies around the world must make hard

decisions, carefully weighing relevant facts (including available market, industry, and business intelligence) and circumstances.

They must often compare and contrast "standard" responses to ethical issues against an array of alternative actions that might not fall within standard operating procedure but provide an opportunity to do the least harm (or at least less harm than the generally accepted alternative).

Behaving ethically in any given situation is about more than just "listening to your gut" or "following procedure." Intricate and significant business leadership decisions require a careful balance of ethics, morals, and the leader's role within their organization.

- **Ethics** are context-aware principles based on acceptable behaviors and attitudes within a given society, culture, or organization. It is important to remember that ethical behavior does not come about from religion, or emotions, or adhering to social or cultural customs. Nor does it come from following the law of one's society—which can be corrupted to serve unethical and immoral outcomes—or science, which is descriptive but not prescriptive (i.e., science tells us what happens, not what *should* be happening).
- **Morals** deal with fundamentals of "right and wrong." They're deeply personal and subjective. They're often defined by an individual's family, community ties, personal identity, faith, etc.
- **Leadership roles** are the responsibilities and expectations that come with an individual's position within their organization.

Balancing these three factors can be both extremely difficult and incredibly stressful even for the most seasoned leaders. To take ethical action, a leader must deeply consider both the impact of each factor individually *and* the impact of their interaction.

By providing a formalized approach to interrogating each of these factors, ethical decision-making frameworks help business leaders identify and evaluate courses of action that will help them balance these factors effectively, so they can make difficult choices with confidence.

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## Components of an Effective Ethical Decision-Making Framework

Ethical standards are not static in nature.

They can grow and change over time. But an ethical framework provides specific steps one can take to evaluate and refine one's ethical decision-making approach over time to ensure they continue to meet both one's needs while remaining consistently and actually, well, *ethical*.

In considering your own ethical decision-making framework, it is helpful to know and understand the most common approaches used to do so.

- **Utilitarianism** (*the utilitarian approach*) is consequentialist—i.e., it emphasizes outcomes over hard-and-fast rules. The utilitarian approach seeks to produce the greatest good (and least harm) for the greatest number of parties involved.
- **Deontology** (*the right vs. wrong approach*) is focused on established rules for right and wrong and the decision-maker's moral intent—i.e., the ways in which their morals guide the decision made—rather than outcomes. Deontology prizes both consistency and reversibility.
- **Virtue Ethics** (*the virtue approach*) comes to us from one of the most famous of the ancient Greek philosophers and ethicists. Aristotle sought to codify the virtues that existed in the balance between excellence and deficiency and identify the sort of person who could be called ethical in doing so. Virtue ethics is driven by an individual's relentless, but deeply considered, pursuit of intellectual and moral excellence.
- **Rights Ethics** (*the rights approach*) dictates that ethical decisions are those that secure, uphold, and respect the moral rights of those affected by such decisions. It considers humans to have innate dignity that must be acknowledged and rights that must be respected.
- **Justice Ethics** (*the justice approach*) Also called *the fairness approach*, this approach draws heavily from Aristotilean virtue ethics and

emphasizes treating all equals as such. This can include absolute equality, or compensatory adjustments in order to "balance the scales" as the situation warrants.

- **Common Good Ethics** (*the common good approach*) operates on the assumption that community life is both good and necessary, and that decisions should be made to protect it. It also emphasizes consideration of interpersonal relationships and shared circumstances that affect the lives of everyone in the community, and encourages both non-maleficence (avoiding or minimizing harm) and beneficence (the active pursuit of good for all parties).

It's unlikely that the ethical issues you'll face as a leader will be solvable (or even improvable) through the use of a single approach.

Different approaches offer different answers because they're focused on different priorities.

But by "mixing and matching" the available approaches, you can gain a richer, more detailed view of a given situation.

This context improves clarity and helps you decide how to most effectively combat your own biases, practice beneficence, and help you, as you consider different courses of action, decide how to combat your own biases, practice beneficence, and proceed to most effectively balance ethics, morality, and the responsibilities of your role as a leader.

# Developing and Following an Ethical Decision-Making Process

Ethical choices come in all shapes and sizes, but some are nigh universal for folks in leadership positions.

For example, developing a framework to support ethical procurement is a common concern for organizations pursuing goals such as minimizing their environmental footprint, supporting social justice initiatives, and protecting their reputation while ensuring all their materials, goods, and services are responsibly sourced.

Consider a more detailed example. Julia is the CFO of Tip-Top Widgets.

In the course of developing a strategic sourcing program for her company, Julia finds a new supplier who can provide an essential component of their best-selling product for much cheaper than their current supplier, lowering costs and improving profitability.

However, the potential supplier also has a questionable record with regard to labor violations.

Julia knows the switch will be profitable for Top-Top Widgets, but is it ethical? And what alternatives, if any, can she pursue if it's not?

Let's take a look at a set of specific steps you can follow to answer these questions.

## Define and Refine Your Ethical Values

You can't meet your own ethical standards if you're unclear on what they are.

Ask yourself:

- What do I stand for? How do I want to be perceived?
- What is the purpose of doing business?
- What, in my opinion, does this organization stand for? What is our purpose?
- How do my values and those of the organization interlock? How do they conflict?
- What is my role within my organization?
- What sacrifices am I willing to make to ensure company goals are met?
- What sacrifices will I *never* make?

To revisit our example, Julia believes business is built around generating wealth and security without harming people or the environment, and wants to be seen as a blend of insightful, proactive, clever, and caring.

She wants optimal pricing, but doesn't want to cause harm by using a company that underpays its workers in dangerous conditions—or risk the potential reputational damage that could come if Tip-Top's customers find out the company's using such a supplier.

As part of her role as CFO, Julia is expected to both maximize savings and value while also insulating the company from disruptions and financial harm, making the savings that come with the sketchy supplier a non-starter in the long-run even though they're attractive in an immediate sense.

For these reasons, utilitarianism (which would focus on the cheap price regardless of the context) takes a back seat to a blend of rights, justice, and virtue ethics in Julia's consideration.

## Revisit a Recent Major Decision

You can apply lessons learned from previous business decisions in exploring the ethical considerations of this one.

Consider how a previous ethical decision panned out. Did it align with your personal ethics, morals, and understanding of your role? If not, why?

What if you had to face the same decision again? What changes could you make to ensure your choice ticked all the boxes?

In addition, is it possible you may need to dive more deeply into your own understanding of your morals, ethics, and role in order to make adjustments that can help you achieve goals without violating your own standards?

For Julia, thinking back on a previous choice where she rejected another suspicious supplier in favor of a slightly more expensive one with a spotless reputation provides valuable insights.

The alternative supplier was initially more costly, but provided greater long-term value for the company through strategic partnerships and product development initiatives. It also allowed Tip Top to secure a valuable Green Energy certification, which enhanced the company's reputation and attracted new customers.

All of these things are consistent with both Julia's ethical and moral standards and her role as CFO, making it easier for her to consider a similar course of action here by investigating other suitable suppliers who provided acceptable pricing but also potential value in the form of intangible and strategic benefits down the road.

## Create a Plan for Communicating Your Decision

Once you've made a decision, it's imperative you have a clear and complete explanation available to all parties involved to avoid difficulties.

- Ensure your decision provides clear evidence of the moral and ethical framework that led you to it, even if such frameworks are not explicitly stated.
- Carefully consider phrasing and timing to improve the chances your decision will be received and interpreted in the moral and ethical context you intended.
- Be prepared to contextualize your decision within the larger business activities of your organization.

In this scenario, Julia was able to make her case for choosing a supplier whose pricing was higher but reputation, working conditions, and product quality were exceptional.

The alternative supplier chosen also offered a new alloy previously unavailable to Tip Top which boosted product durability and reduced weight, saving money on shipping and material costs over time.

They also powered their own facilities with renewable energy, bolstering Tip Top's reputation as an environmentally responsible company.

In the end, while the supplier chosen had a higher immediate cost, the return on investment was much higher, more value was created, and Tip-Top supported a company that respected the dignity and rights of its workforce. Julia was able to meet (and, in fact, exceed) the obligations of her role and still adhere to her own moral and ethical standards.

## Practice In-Depth Personal Reflection

Review and reflection can help you refine your approach for next time, and provide a clearer understanding of your own priorities with regard to morality, ethics, and effective and responsible execution of your role.

Ask yourself the following questions:

- Was I as honest as possible in my exploration of my values?

- Which values take priority in my decision making? Why? Does prioritizing these values create any conflicts of interest I need to address?
- Do I need to adjust my understanding of my morals, ethics, and role, or do I need to work harder to ensure the actions I take are consistent with them?

Julia's decision was consistent with her own values and the company's this time, but future challenges that may bring her values into conflict with the company's goals will require answering these questions honestly to ensure she can do her duty without violating her own ethics and morals.

If, for example, the company must cut costs to meet a new industry standard, Julia may be forced to balance staff layoffs against adjusting product quality or pricing.

How effectively she meets this challenge will rely largely on her own ability to use an ethical framework to guide her to a satisfactory decision.

# Tackle Ethical Problems with Confidence

Adhering to one's ethical principles and morals while fulfilling the obligations that come with a leadership role can be a complex and challenging endeavor.

When you take the time to thoroughly examine each of these factors within an ethical decision-making framework, you can be sure you understand the relevant facts involved, as well as the potential risks and rewards that come with different courses of action.

This will give you the confidence you need to make a decision and the context required to clearly and effectively communicate it to stakeholders.

In this way, each ethical dilemma will become an opportunity to further refine your decision-making skills—and improve your ability to make accurate and effective choices that support your organization's growth, health, and performance.

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