



Ethics in the Boardroom

A decision-making guide for directors
Snapshot – October 2019

Overview

The AICD and The Ethics Centre have developed a guide (Guide) for ethical decision-making in the boardroom.

What is ethics?

Ethics is the branch of knowledge and practice that seeks to answer the practical question 'What ought one do?' This question applies to both individuals and organisations.

Ethics is the choices we make and actions we take – as informed by the values and principles we hold and the purposes we serve – as individuals, communities and societies.

Ethical issues vary in scope. Some relate to organisational matters, such as conflicts of interest. Others are of broad societal concern, such as how to respond to climate change.

What is the purpose of the Guide?

The Guide aims to support directors as they navigate the complex ethical terrain that is encountered in every boardroom. It includes examples of ethical issues that are embedded in board decisions, as well as advice and practical tools for ethical decision-making.

How to use the Guide

The Guide invites directors to view ethics through four different lenses. These Four Lenses and the key questions to frame board deliberations that follow can be used when considering ethics generally, or applied to specific ethical issues and dilemmas arising in the boardroom.

The Four Lenses can be used in combination with The Ethics Centre's decision-making framework (see page 4) to address the ethical dimensions of any decision.



Four Lenses

Lens 1: General influences

The broadest lens focuses the board on issues that affect the organisation as a participant in society as a whole (e.g. modern slavery in supply chains, climate change and workforce automation).



Lens 2: The board's collective culture and character

The culture and character of the board should reflect the purpose, values and principles (the ethical framework) of the organisation.



Lens 3: Interpersonal relationships and reasoning

Every director brings an individual decision-making 'style' to the board table based on different modes of reasoning.

Personal relationships between board members also affect decisions.

Directors need to be alive to the need for diverse outlooks and how power dynamics can silence those with unconventional perspectives.

The chair has a principal role to play in maintaining coherence while making the most of diversity.



Lens 4: The individual director

The narrowest lens recognises that each person is an ethical actor.

Awareness of our own motivations, biases and ethical reasoning styles can help us understand what we bring to the board table when it comes to ethical decision-making.

Key questions

For framing board deliberations



Lens 1: General influences

What aspects of the organisation's strategic environment are relevant to the decision?

- Are there factors that lie beyond the scope of the board papers? What is the connection between this choice and the long-term prospects of the organisation?
- Whose interests deserve to be taken into account? What are their interests? To what extent are those interests aligned?
- How do we wish to position the organisation? As a leader on such matters? As a follower? Doing the minimum required by law or regulation?



Lens 2: The board's collective culture and character

Does the board as a whole have a culture that enables and supports ethical considerations, including calling on the organisation's ethical framework?

- To what extent is the decision before the board clearly linked to the organisation's purpose, values and principles?
- What impact will the board's decision have on the culture of the organisation?
- Is the board's decision framed in language that will resonate within the organisation?
- Where are the potential 'ethical blind spots' on the board? For example, is the proposed course of action being recommended for no better reason than 'everyone does it'?



Lens 3: Interpersonal relationships and reasoning

Have you considered how group dynamics impact on board discussions, including how your own default decision-making style fits in?

- Is there too comfortable a drift towards agreement? Or is there an active effort to promote and manage diversity, and recognise and encourage differences of perspective?
- Are the opinions of some directors too easily dismissed because they are not subject matter experts? Are the opinions of some directors given too much weight because they are subject matter experts?
- Does the board identify and question the assumptions on which recommendations are based? Are directors given the time and opportunity to offer critiques of their own arguments?



Lens 4: The individual director

Is each director aware of their personal ethical position and how it might differ to that of the organisation?

- Do your personal values and principles align with those of the organisation?
- Do you understand your own motivations and biases? How would your motivations look from an external perspective?
- Do you recognise your own preferred style of decision-making? Are you open to different approaches?
- Are you able to recognise and declare when you are 'out of your depth'? If so, have you sought counsel (if appropriate)? Are you prepared for potentially difficult debate?

Decision making framework

From The Ethic's Centre

Phase	Purpose	Core Questions
Frame	To define and understand the precise nature of the issue to be decided.	<ul style="list-style-type: none"> What are the facts? How are these facts linked to the organisation's core values? What assumptions are being made about the world in which this issue is being decided? Are there any 'non-negotiables' (e.g. relevant laws that must be obeyed)? Whose 'voice' should be heard (i.e. who has a legitimate interest in this matter)? What is the nature of each legitimate interest? Are the interests aligned or divergent?
Shape	To develop options that could resolve the issue. Some of these options will have been developed by management, others by directors.	<ul style="list-style-type: none"> What kind of issue are we dealing with? Is it just a moral temptation (the possibility to benefit from doing something questionable)? Or is it a genuine dilemma in which competing values and principles seem to require incompatible outcomes? What are the options? This is both the most creative and difficult part of the process because nothing should be 'off the table'. Every option, including the apparently outlandish, should be considered as that is where 'inflection points' (see further the Appendix of the Guide) can be found.
Evaluate	Apply a matrix of values and principles to evaluate the options.	<ul style="list-style-type: none"> Take two or three of your best options and apply the matrix (as set out in the Appendix of the Guide). The matrix approach recommended in the Appendix is solid in its form but flexible in its content. The purpose of the matrix is to ensure that, as a minimum, an organisation's values and principles are used as the 'index for judgement'.
Refine	Identify and eliminate weaknesses in the proposed course of action.	<ul style="list-style-type: none"> Play the Devil's Advocate by taking up the option that has fared best in the matrix in order to identify its major areas of weakness. Adjust the proposal to eliminate the weakness without damaging the overall integrity and utility of what has been proposed. Put the proposal to some final tests, such as: how would I feel if this was done to a loved one? Would the person I admire most in the world do this?
Act	All ethical decision-making is practical – it ultimately requires that a decision be given effect.	<ul style="list-style-type: none"> Give effect to your decision. Monitor the outcome. Offer reasons for your decision, even if it's not challenged. Reflect on the decision and what can be learned from the process and applied in the future.

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