



CPA AUSTRALIA

The culture, values and ethics of CPA Australia

5 FEBRUARY 2018

Abstract

The objective of this discussion paper is to stimulate debate and inspire constructive engagement between Members, directors and employees of CPA Australia.

Robert McDowall

<https://www.linkedin.com/in/robert-mcdowall/>

Disclaimer

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. As one of the governing bodies of our profession, CPA Australia has a high degree of autonomy and independence. Therefore, the conduct of its Members, directors and employees is a matter of public interest.

The opinions expressed in this discussion paper are mine and mine alone, and do not necessarily reflect the opinions of any people, organisation, council or other body which I may be associated with.

Contents

Executive Summary	2
The issues	4
Risks of inaction	7
Recommended actions	8
Appendix 1: Extracts from APES 110 Code of Ethics for Professional Accountants	12
Appendix 2: Extracts from INTHEBLACK articles about ethics	13
Appendix 3: Extracts from “Ethics and Governance” (CPA Program).....	15
Appendix 4: Extracts from “Ethical leadership and the accounting profession”	16

Executive Summary

Background

In 2017, CPA Australia and its Members bore witness to a year of turmoil culminating in a complete refresh of the Board of directors and the termination of two of its top three executives. The debacle, chronicled by the Australian Financial Review and other leading media outlets, played out on a global stage in front of Members, staff and the public.

The Independent Review

On 16 June 2017 the Board of CPA Australia announced an independent panel to conduct a review of claims raised by Members and other stakeholders. On 3 July the full terms of reference and Membership of the Independent Review Panel were announced. The Preliminary Report, released on 14 September 2017 was followed by its Final Report on 30 November 2017.

The objective of the report, prescribed by the Directors in the Terms of Reference, was to ensure claims that impact the reputation of the organisation, the value of the accreditation, and the confidence of Members are properly reviewed and addressed.

The report provided independent verification of the myriad concerns expressed by Members. However, in my scepticism, I believe the scope of the report was too narrow and the recommendations, if adopted without cultural reform, may not be sufficient to avert similar scandals.

The Board response

On 15 December 2017 the new Board of CPA Australia responded to the independent review panel's Final Report. The directors' response provided commentary against each of the Final Report's 29 recommendations. The Board has committed to developing an issues paper which will be made available in early February followed by a roadshow during February and March.

Unfortunately, Members have not been provided with any updates since the announcement on 15 December 2017. It is my understanding however that significant progress on the issues paper has been made and it will be released imminently. I have prepared this discussion paper to supplement CPA Australia's issues paper in the hope it may encourage Members, directors and employees of CPA Australia to explore what I believe to be fundamental issues.

The issues

I believe the review did not identify the source of the issues at CPA Australia because its primary focus was on governance, remuneration and strategy. Whilst an improved governance framework may provide Members with additional safeguards it does not address my underlying concerns. The scope of the report could have been extended to include the following issues:

1. Culture
2. Leadership
3. Transparency

Risks of inaction

I believe several individuals in leadership positions have displayed a complete disregard for professional ethics, values and principles in breach of our professional code of ethics. These individuals have contributed to and sustained a toxic culture which weakened our corporate governance and led to ineffective strategies such as those documented in the Independent Review.

The new Board of CPA Australia appears to be unwilling or unable to investigate alleged cases of professional misconduct. If left unanswered, I fear it may bring into question the effectiveness of our Code of Ethics and CPA Australia's ability to regulate Members. This may place our profession at risk of further government regulation thereby eroding our autonomy and independence.

Recommended actions

The following list represents some actions I would recommend the Board and management of CPA Australia consider in the hope of restoring Members' trust and CPA Australia's credibility:

1. Apologise
2. Restore accountability
3. Improve culture
4. Redefine objectives
5. Set a new vision
6. Redefine the relationship
7. Become more transparent

Concluding remarks

Perhaps several issues and the resulting fallout could have been mitigated or avoided if those involved had been willing to treat their fellows with respect and engage in meaningful discussions. What stood out to me was the reluctance of many to seek out others' opinions and value the contributions they made, however contrary they may be.

As a professional association, we are lucky to have a depth of knowledge and expertise amongst the Members, directors and employees of CPA Australia. This depth should be acknowledged and utilised for the good of our profession.

I would like to invite my fellow Members and councillors, directors, employees and other interested stakeholders to constructively engage in the renewal process. In doing so, I hope we can work together to plan for and enact the changes which will restore CPA Australia's credibility and its place as one of the world's pre-eminent professional accounting bodies.

The issues

Culture

The culture of CPA Australia over its history.... is about independence, transparency, integrity, compliance and continuous learning.

(Malley, CPA Australia to enter financial advice market, 2015)

The following extract from “The importance of ethical culture at work” by Dr Eva Tsahuridu offers some important insights into organisational ethics:

Having an ethical culture is fundamental to organisational ethics... *We cannot make people feel we have an ethical culture if the way we act around here is not ethical. In such circumstances the more that ethics is talked about, the more damage is potentially done, as people will become more cynical and less trusting.*

As a professional association, our ethics, values and principles must be shared by Members and those charged with governance. The ethos of CPA Australia has the word ‘integrity’ at its foundation - it is both our motto and on our crest. Integrity is about trust, honesty, and honourable and reliable behaviour. It requires strength of character and the courage to pursue one’s convictions.

I believe a weak culture at CPA Australia led to unethical decisions and unprofessional behaviour.

It resulted in a hollow vision, “CPA Australia is known for being the world’s best member service organisation”, which is disengaged from both Members and the organisation’s purposes. It also produced a goal, “To maximise the share of people who want a career built on professional accounting skills”, that treats Membership and education as a product thereby reinforcing a sales mentality. The result was poorly conceived strategies which damaged the reputation and standing of CPA Australia and its Members.

As Members, we should demand an ethical culture, reinforced by a strong ethical framework, that permeates our association and underpins every decision made and action taken. This culture will provide a strong foundation which supports every other aspect of CPA Australia.



Figure 1 – Adapted from material provided by Effective Governance (Part of the HopgoodGanim Advisory Group)

Leadership

Ultimately, rhetoric around ethics and public interest is hollow if it is not supported by deeds by the professions' leadership. (Malley, There's no accounting for ethics, 2017)

The following extract from an interview between Dr Eva Tsahuridu and Professor Joanne Cullia highlights:

One of the biggest differences between people in leadership positions and people who aren't in leadership positions is that leaders are responsible for things they don't do. If someone in your organisation does something bad, even though you had nothing to do with it, no knowledge of it, were not in any way related to the deed – it's your fault. Why? Because leaders are there to take responsibility for everything that happens under their watch.

That makes being a leader very different from being an ordinary person... Good leaders surround themselves with people who can tell them the truth. People who can offer them good opinions. People who can give them broader perspectives on what they do. Leaders need support, they need people around them, they need followers who are critical that can help them be better leaders.

Culture is set from the top. I believe CPA Australia was lacking good leadership, that is leadership which is both ethical and effective. Neither the Board, the CEO, nor senior management appeared willing to take responsibility for the damage being caused to Members and CPA Australia. Instead, they appeared to be motivated by self-interest and refused to engage with Members and their legitimate queries and concerns about CPA Australia's strategy and execution.

Leadership was instead shown by a small number of Members, past presidents, divisional councillors and staff with the assistance of the media and our federal politicians. These individuals worked in unforgiving conditions and were repeatedly opposed, intimidated or threatened by an adversarial Board and executive.

In my opinion, one of the key failings of governance at CPA Australia is the apparent focus on filling a skills matrix in Board appointments rather than looking at the character, values and motivations of the director being appointed. Directors appear to be appointed to support the status quo rather than bring independent thought and leadership. Whilst finding directors with the appropriate skills and experience is important, it should not come at the expense of strong ethics and principles.

Transparency

Transparency can and should result in more ethical behaviour – the simple reality is that we behave more ethically when we think we are being watched.... To feel watched and transparent should not make a difference, but it does...*(Tсахuridu, The eyes have it: Why we're more ethical when we're being watched, 2016)*

Transparency is **being clear and unambiguous** about the organisation's structure, operations and performance, both externally and internally, and **maintaining a genuine dialogue** with, and providing insight to, legitimate stakeholders. *(CAANZ, The Ethics Centre, GIA and IIA, 2017)*

If the past year has shown us anything, it is the complete obfuscation of CPA Australia's structure, operations, performance and decision-making. I believe dialogue and communication, where there was any, was full of jargon and obscurities designed to either deflect or complicate the matter.

Too often, organisations include confidentiality clauses in contracts or claim commercial sensitivity, even where there is no genuine or demonstrable need. According to Carnegie and Napier (2010) placing too strong an emphasis on entrepreneurship, especially where it involves a de-emphasis on any of the other ideals, may result in a 'de-professionalisation' of accounting.

CPA Australia is not a commercial endeavour making profits for shareholders. Its primary source of income should come from Membership dues and fees for certification of Members, not from competing in the education field. Furthermore, CPA Australia should affiliate with, not compete against, fellow professional bodies to improve the profession for the benefit of Members and the public.

I believe the minimum requirements for disclosure, applied by the Board and management of CPA Australia, are not sufficient to encourage ethical behaviour. Without open and transparent dialogue, it may be hard to regain the trust of alienated Members. Furthermore, the genuine cases of commercial sensitivity are limited and should not be applied broadly nor by default.

Risks of inaction

The attributes of the accounting profession are described to our associate Members as follows in the CPA Program's Ethics and Governance subject:

- systematic body of theory and knowledge;
- extensive education process for its Members;
- ideal of service to the community;
- high degree of autonomy and independence;
- code of ethics for its Members;
- distinctive ethos or culture;
- application of professional judgement; and
- existence of a governing body.

The course materials look at significant examples of unprofessional conduct by Members which has already resulted in an erosion of our autonomy and independence. It warns that the degree to which our autonomy continues is dependent on the consistent demonstration of professional and ethical standards by Members of the profession and the profession generally.

I believe the unwillingness of our governing body to investigate the conduct of past Board members and executives and consider disciplinary sanctions brings into question the effectiveness of our Code of Ethics and CPA Australia's ability to regulate its Members. I fear that the next corporate scandal in Australia involving CPA Australia's Members will draw the ire of regulators who will reflect on this period of CPA Australia's history and the actions of our Board.

If we cannot uphold our own professional standards, including our Code of Ethics, then how will we be able to defend our profession against increasing regulation and loss of autonomy?

Recommended actions

The following list represents some actions which I believe should be considered by the Board and management of CPA Australia.

1. Apologise to Members and the public
2. Restore justice to Members
3. Restore a health inclusive “good” culture
4. Restore objectives
5. Set a new vision for all of us
6. Redefine our relationship
7. Become more transparent

Apologise

Whilst I appreciate the importance of looking forward, I believe the new Board of CPA Australia has not adequately acknowledged the pain, suffering and humiliation caused to Members. An acknowledgement would be in the spirit of renewal and represent an important step in restoring trust. I believe now is the time to show leadership and not hide behind excuses and deflection.

At the very least, I would like to see a public apology from the President, the Board and the acting CEO to Members acknowledging and taking responsibility for the damage done to them, the Members.

Ideally, I would like to see a public apology from all former presidents, directors and executives since 2007 who had responsibility and oversight of culture, leadership and governance of CPA Australia.

Accountability

In my opinion, it is critically important that accountability is restored to:

- make amends for the wrongs that have been committed;
- deter others from unethical behaviour and actions; and
- hold ourselves to a high standard of moral and ethical principles

I would like to see the Board restore accountability by exploring all options to pursue any former directors or executives who:

- breached the Code of Ethics,
- were dishonourable in their undertakings; or
- are guilty of conduct which was derogatory to, or not in the best interests of CPA Australia or its Members.

These options, of which several are found in Article 39 of our Constitution, could include:

- forfeiture of Membership;
- being fined the Maximum Fine prescribed by our Constitution and By-Laws;
- admonishment; and
- a severe reprimand.

The principles of natural justice and procedural fairness must prevail. I would therefore like to see a forensic investigation into member allegations including, but not limited to, those concerning significant related party and third-party contracts specifically in relation to supporting our Constitutional objectives, conflicts of interest, confidentiality and protection of goodwill.

Culture

I would like to see our leaders (directors, incoming CEO and the senior management team) of CPA Australia, in consultation with the Members, redefine the values of our professional association and make a commitment to uphold those values.

This necessitates a commitment to integrity, but could also include the virtues of courage, courtesy, compassion, generosity, fairness, fidelity, friendliness, honesty, prudence and self-control.

The leaders of CPA Australia should also reaffirm their commitment to our Code of Ethics and the fundamental principles of our profession including:

- integrity;
- objectivity;
- professional competence and due care;
- confidentiality; and
- professional behaviour

They should set, implement and monitor an ethical framework which shapes and reinforces a good culture.

Objectives

The Board's role is that of steward, to safeguard our culture and carefully look after the resources they have been entrusted with and applying those resources to achieving the organisation's objectives.

Once CPA Australia has committed to restoring its culture it can begin to restore its objectives.

The objects of CPA Australia are to promote excellence, enterprise and integrity amongst Members and the financial, accounting and business advisory professions generally, to educate Members with respect to their duties and responsibilities as Members of the financial, accounting and business advisory professions, and to prescribe the highest standards of ethics and professional conduct for Members.

I believe the objects should reflect the material interests which matter most to Members:

- Member service and engagement
- Access to tools and knowledge (including lifelong learning)
- Representation and advocacy
- Certification
- Brand (the brand, reputation and prestige of Members, not just the organisation)

We can look to the 2006 annual report for guidance as to the "core business" of CPA Australia:

- Maintaining our Members' professional and technical standards by providing education to ensure Members' skills and knowledge are up-to-date
- Advocacy that is in the interest of the public, our Members and the profession generally
- Reputation in Australia and internationally for our designation, education and leadership in taxation, corporate governance and financial reporting
- Representing our profession's views and concerns to governments, regulators, industry, academia and the public

Vision

Only after our culture and objectives have been addressed do I believe the leadership would be able to offer Members, staff and the public a new vision for CPA Australia. This vision will influence the design of organisational goals, strategies to achieve these goals and the tactics deployed.

Redefine our relationship

I believe that over the last decade, CPA Australia has become an organisation focused on “**selling**” Membership and education rather than serving its Members. This, and other failings, has resulted in a broken relationship between the Board and management of CPA Australia and its Members. Trust has been lost, and until restored, will negatively impact future dealings between the two groups.

Our Constitution and governance framework are the structures we can employ to define our relationship. But without trust, the structures chosen are at risk of impeding rather than supporting an effective and valuable association.

I believe the most important issues for review in any new or updated Constitution are the:

- role of the Board and Divisional Councils;
- ability for Members to call meetings; and
- appointment and removal of Directors

Role of the Board and Divisional Councils

The existence of Divisional Councils and the terms of councillors are provided for in the Constitution. However, the Board has the power to establish Divisions and branches, to give directions to and otherwise control a Division and Branch, to dissolve or amalgamate any Division or Branch and make by-laws for the management, governance and administration of Divisions, including the:

- powers and duties of Divisional Councils and officeholders in each Division;
- procedures for elections; and
- procedures for meetings of Divisional Councils and meetings of Members attached to each Division.

I believe the relationship between Divisional Councils and the Board should be redefined as a partnership by enshrining these powers and procedures in the Constitution.

Divisional councils should engage with and represent Members in their division. They should also contribute to the broader strategies of CPA Australia whereas the Board may be focussed on achieving the organisation’s objectives.

Members’ meetings

Over the past year, Members found it incredibly difficult to call a Members’ meeting because:

- The number of voting Members was intentionally withheld; and
- The 5% hurdle was too high since many Members were unaware of the issues.

The actions of the Board and senior management led me to believe they were actively censoring Members and stifling Members’ attempts to engage with their fellow Members.

Safeguards and provisions should be included in the Constitution that allow for Members to call a meeting in exceptional circumstances like those faced in 2017 so they can exercise their rights and powers under the Corporations’ Act, Bylaw’s and the Constitution.

Appointment and removal of Directors

A profession must have a governing body that has been drawn from the Membership on a fully democratic basis.

(CPA Australia, 2017)

Whilst there is a risk that a popular vote could allow CPA Australia to be “captured” by factional interests, the existing system already allowed such capture by a small group of individuals.

I appreciate the large amount of work that is required in nominating and appointing effective Directors. I believe the appointments of directors to CPA Australia should take either of the following forms:

- Members have the power to directly appoint or remove directors; or
- democratically elected Divisional Councils form a committee with the power to appoint or remove directors.

In either case, a committee drawn from Divisional Councils, the Board and independent advisors should be responsible for:

- establishing processes for identification of suitable candidates to recommend for Board appointment;
- creating a shortlist of candidates to present to the Appointments Committee and/or Members for deliberation; and
- assessing and recommending to Members and/or an Appointments Committee the desired character, skills and experience required for the Board of CPA Australia and its subsidiaries.

If Members are not given the powers to directly appoint or remove directors, then they should at least be given the power to vote for or against the adoption of a directors’ remuneration report.

The process described here is predicated on the successful redefining of the relationship between Members, Divisional Councils and the Board. I believe the process for election and/or appointments to Divisional Council and the Board must be based on democratic principles, be transparent and ensure councillors and Board members remain accountable.

Transparency

In the interest of transparency, I would like to see the following disclosures to be made in full and on a continuing basis:

- all director and key management personnel remuneration, benefits and expenses
- salary bands and remuneration packages available to all staff

I would also like to see the following disclosures to be made in full and on a continuing basis (where disclosures are currently prohibited due to confidentiality clauses these clauses should be critically reviewed in all future renegotiations):

- details of employment contracts for key management personnel
- details of contracts with related parties
- details of contracts with key suppliers
- details of commissions received by or paid from CPA Australia
- meeting agendas, papers and minutes for Divisional Councils, the Board and their committees except where there is a genuine and demonstrable need for confidentiality

Appendix 1: Extracts from APES 110 Code of Ethics for Professional Accountants

SCOPE AND APPLICATION

1.6 In applying the requirements outlined in this Code, Members shall be **guided**, not merely by the words, but also **by the spirit of this Code**.

SECTION 100 – Introduction and Fundamental Principles

100.5 A Member shall comply with the following fundamental principles:

- (a) **Integrity** – to **be straightforward and honest** in all professional and business relationships.
- (b) **Objectivity** – to **not allow bias, conflict of interest or undue influence of others** to override professional or business judgements.
- (c) **Professional competence and due care** – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent Professional Activities based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- (d) **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the Member or third parties.
- (e) **Professional behaviour** – to comply with relevant laws and regulations and **avoid any action that discredits the profession**.

SECTION 110 - Integrity

110.1 The principle of integrity imposes an obligation on all Members to **be straightforward and honest** in all professional and business relationships. Integrity also **implies fair dealing and truthfulness**.

SECTION 120 - Objectivity

120.1 The principle of objectivity imposes an obligation on all Members not to compromise their professional or business judgement because of bias, conflict of interest or the undue influence of others.

SECTION 150 – Professional Behaviour

150.1 The principle of professional behaviour imposes an obligation on all Members to comply with relevant laws and regulations and **avoid any action or omission that the Member knows or should know may discredit the profession**. This includes actions or omissions that a reasonable and informed third party, weighing all the specific facts and circumstances available to the Member at that time, would be likely to conclude adversely affects the good reputation of the profession.

Appendix 2: Extracts from INTHEBLACK articles about ethics

In the years (and months) leading up to the termination of the CEO's employment and the complete renewal of the Board there were a series of INTHEBLACK articles written or contributed to by Dr Eva Tsahuridu (who has since ceased employment with CPA Australia) which were particularly relevant.

- [1 Jul 2017 How does culture affect ethics?](#) Is your right and wrong the same as everyone else's?
- [1 Jun 2017 Shared values or strong compliance \(or both\)?](#) If organisations want ethical employees, they should focus on shared values rather than a long list of what staff can't do.
- [1 May 2017 Stopping your sales team from going bad](#) Building a sales culture that doesn't cross the ethical line can help protect your company from a costly ruined reputation. Just ask Wells Fargo.
- [1 May 2017 Thinking outside the box on ethics](#) Ethical dilemmas are often more complex in the real world than they are in theory, but using some imagination can provide the right resolutions.
- [1 April 2017 How to prevent unethical behaviour taking root](#) Unethical behaviour may start small, then expand to widespread organisational misconduct. How do you stop bad behaviour taking root?
- [1 May 2017 Enough with the euphemisms! It's time for ethics to talk back.](#) Euphemisms are often used to erase people, and ethics, out of business decisions. It's high time for ethics to talk back.
- [1 Nov 2016 Why leaders should face bad news head on](#) Instead of suppressing bad news, senior leadership should use negative information as a learning opportunity.
- [1 Oct 2016 The eyes have it: Why we're more ethical when we're being watched](#) At a time when information is widely accessible and easily shared, the message is clear: transparency is more important than ever.
- [1 Aug 2016 Culture is key to understanding wrongdoing in the workplace](#) Your best insurance against a rogue employee bringing your company to its knees is a strongly ethical workplace culture.
- [1 Jul 2016 Breaking bad: 6 warning signs that your organisation has taken a wrong turn](#) Misconduct in the workplace is not always underpinned by personal goals – sometimes it is intended to benefit an organisation
- [1 Jun 2016 Ethics at work: How accountants can build moral muscle](#) Professional accountants need moral muscle in order to fulfil their duties and do the right thing.
- [1 May 2016 Who bears moral responsibility for organisations?](#) Who bears the moral responsibility for organisations? The organisation itself, or the people who act on its behalf?
- [1 Mar 2016 Why values training is not effective](#) Putting ethical values into every aspect of organisational life will reap moral dividends.
- [1 Feb 2016 Why short-term thinking hurts businesses](#) Our brains want to focus on the short term, even when a long-term perspective will help our businesses and society.
- [1 Jul 2015 Move over 'buyer beware – it's the seller's turn](#) Caveat emptor – let the buyer beware – no longer applies much, even in trade. But it has never been a useful rule for professionals.
- [1 Jun 2015 The importance of ethical culture at work](#) An ethical culture is not some screwdriver to be pulled out of an ethics toolkit.

- [1 May 2015 How do you stop bad apples?](#) It's important to stop bad apples from doing wrong. But why not set up your organisation so everyone wants to do the right thing all the time?
- [1 Apr 2015 Why ethics and law are not the same thing](#) Ethical behaviour is not always best defined within the confines of the law.
- [17 Feb 2015 There are no words to excuse a bad work ethic](#) The words "just doing my job" do not excuse you from the consequences of your actions
- [2 Feb 2015 Why managers share the responsibility for poor employee performance](#) In evaluating your employees, it is important that you also take time to honestly reflect on your own performance as a manager.
- [1 Dec 2014 Keep your accounting hat on](#) Bowing to pressure and disregarding priorities can lead to disaster, so retaining your professional integrity is the wisest course.
- [13 Aug 2014 Why ethics are fundamental to good accounting](#) Post-GFC, the spotlight has swung firmly onto ethics in business and the development of "soft" skills.

Appendix 3: Extracts from “Ethics and Governance” (CPA Program)

Version 16a

The existence of a governing body (pg. 33, Part A, Module 1)

A profession must have a governing body that has been drawn from the Membership on a fully democratic basis.

Impact of ethical or unethical decisions (pg. 78, Part A, Module 2)

The ethical failings of individual accountants (who may suffer personal consequences as a result) also affect the overall profession which suffers reduced credibility and increased restrictions on its ability to act autonomously and to self-regulate.

Ethics – an overview (pg. 79, Part A, Module 2)

There is a difference between following laws and acting ethically. Just because you are complying with the law does not mean you are acting ethically.

Virtue Ethics (pg. 90, Part B, Module 2)

The concept of virtue ethics is arguably more applicable to the role of professional accountants than are the traditional normative theories of ethics.

Consistent ethical behaviour is more likely to be the result of values such as integrity and good character.

Virtues may be defined as attitudes, dispositions or traits of character that enable us to do what is ethically desirable, and which, through consistent practice, become habitual acts. Virtues (e.g. courage, courtesy, compassion, generosity, fairness, fidelity, friendliness, honesty, integrity, prudence and self-control) develop dispositions that favour ethical behaviour.

Doucet and Ruland (1994), for instance, identify three virtues of particular relevance for accountants, which are necessary to enable them to fulfil their professional responsibilities. These are expertise, courage and integrity.

Appendix 4: Extracts from “Ethical leadership and the accounting profession”

<https://www.cpaaustralia.com.au/professional-resources/ethics/podcasts>

Professor Joanne B. Ciulla interviewed by Dr Eva Tsahuridu

What is ethical leadership

Ethical leadership in general consists of two pieces. The first is that all leaders have to be effective in some way or another and of course all leaders have to be ethical. The paradox of this is that it is sometimes difficult for leaders to be both.

So, when we say what is a good leader, sometimes people assume that a good leader is simply someone that is effective.

We have leaders that did things, we can question how effective they were, but they made a big impact, they brought about change.

What we really look for when we say someone’s a good leader is some who’s both.

Can we have a leader who is effective yet unethical

In the financial industry there is a tendency to say leaders are effective if they make a lot of money for their company.

In terms of other factors, what is it like for the people who work for those companies, is their strategy sustainable, are they doing something that is eventually going to cause a harm that will bring the company down and harm a lot of people who work there.

Is there a difference in being an ethical person and being an ethical leader

Everything a person does gives you an insight into their moral character.

Do leaders have more responsibilities

One of the biggest differences between people in leadership positions and people who aren’t in leadership positions is that leaders are responsible for things they don’t do. If someone in your organisation does something bad, even though you had nothing to do with it, no knowledge of it, were not in any way related to the deed – it’s your fault. Why? Because leaders are there to take responsibility for everything that happens under their watch. That makes being a leader very different from being an ordinary person

How can we improve ethical leadership?

Sometimes people get the leaders they deserve. Leaders are people we give special privileges to, we treat leaders differently we them with deference very often. They are ordinary human beings that are highly fallible. As a result of that, one of the ways we can create better leaders is that we are more demanding of them as followers.

Boards are a formal structure that are point in place to help leaders be better. But Boards very often don’t do this job.

Really good leaders surround themselves with people who can tell them the truth. People who can offer them good opinions. People who can give them broader perspectives on what they do. Leaders

need support, they need people around them, they need followers who are critical that can help them be better leaders.

We all have responsibilities. It is not only the leaders that are responsible but even people who are not in a leadership position have responsibilities as to how leaders behave.

One of the problems is we assume leaders should have all the power. And yet what we fail to realise, particularly in organisations when things start going wrong and employees say “I can’t blow the whistle on my boss, they have more power, they might fire me, I could lose my job” they forget there are other people in the organisation and that very often if it’s something going on that is harmful to employees that what people need to do is that they too have to take leadership, bring their colleagues together, talk about how to address the problem. There is a tremendous amount of power in followers that we forget.

There are times in every person’s life when they have to take a leadership role. The role of bringing people together for some common purposes and hopefully helping them to achieve that purpose.

Powers that ethical leaders ought to have

There is a tremendous amount of power in doing the right thing. Leaders need to have a certain amount of courage and faith in the fact that people recognise when they do things the right way.

True leadership is about not doing what everybody else does but doing what you think is morally justifiable.

I’m worried about the word pragmatic when it comes to ethics. Cause often the word pragmatic when it comes to ethics means not acting ethically. People are very quick to justify that it’s not realistic to be ethical and I would argue it’s often not realistic to be unethical.

One of the biggest measures of ethics in anything you do is the short run and the long run.

Some of the most important guidelines for people in various situations is to really think through a couple of questions:

- Think about what is the right thing to do in the situation
- What’s the best way to approach the problem, or the right way; and more importantly
- What’s my ethical justification for behaving this way, what’s the good reason for doing this

If you can’t really line up these three questions then you may actually just be doing something blatantly unethical.