VICTORIA UNIVERSITY WELLINGTON
TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

ETHICAL LEADERSHIP:

OPPORTUNITIES AND CHALLENGES FOR AOTEAROA NEW ZEALAND

Brian Picot Chair in Ethical Leadership
VICTORIA BUSINESS SCHOOL
ŌRAUARIKI

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FOREWORD

I am pleased to be able to share this first publication from the Brian Picot Chair in Ethical Leadership at Victoria Business School.

Over recent years, Victoria Business School has initiated a major expansion of engagement with the corporate, government, and community sectors. An important component of this development is the establishment of research chairs in partnership with external stakeholders.

It is recognised that the area of ethical leadership is increasingly one of the most popular topics for leaders and communities globally. With this in mind, the Chair was established to strengthen Victoria Business School's ability to train, research, and support communities of interest to improve the practice of ethical leadership in business, government, and civic society organisations throughout New Zealand.

This Chair is one of eight chairs based within Victoria Business School, leading research, teaching, engagement, and debate on important contemporary issues, including business in Asia, digital government, public finance, the economics of disasters, regulatory practice, restorative justice, and wellbeing and public policy. The chairs illustrate Victoria Business School's commitment to being a global–civic university by addressing society's most important issues.

In an era of low levels of trust globally, fake news, high levels of cynicism, and high levels of uncertainty, ethical considerations have never been more important. This publication provides insights into how, in our organisations and in our communities, we can exhibit ethical leadership.

I would like to acknowledge those people who shared their valuable time to be interviewed for this project and also those people past, present, and future who work alongside Victoria Business School as representatives on our many advisory boards.

My thanks also to Professor Karin Lasthuizen, the inaugural Brian Picot Chair in Ethical Leadership, who has brought this publication to fruition.

Professor Ian O. Williamson
Pro-Vice-Chancellor and Dean of Commerce

VICTORIA BUSINESS SCHOOL
ŌRAUARIKI

INTRODUCTION

The Brian Picot Chair in Ethical Leadership aims to improve ethical practices in business, government, and community organisations.

I am delighted to be the inaugural Brian Picot Chair in Ethical Leadership. It is thrilling to have a position in the capital city based at the heart of the government and business centre of New Zealand. I look forward to exploring ethical leadership in New Zealand over the next couple of years and beyond.

Textbooks often promote a one-size-fits-all style of leadership. But when it comes to ethical leadership, the cultural context—the moral values, norms, and practices of a society—is crucial for our understanding.

This publication shares the findings of the first research project for the Brian Picot Chair in Ethical Leadership.

Being a newcomer to this country, I have taken the time to listen to what experts, leaders, and aspiring leaders across New Zealand say about ethical leadership. I would like to acknowledge the 40 interviewees and, particularly, the advice and support offered by members of our advisory board who were also interviewed as part of this project.

I would like to thank the interviewees for their open and frank conversations and the valuable information that they shared. I would also like to recognise my research team, Victoria Beckett and Marece Wenhold, along with Ian Calder who assisted us in the early phases of the project.

Lastly, and perhaps most importantly, I acknowledge the generous support offered from our funders, the Gama Foundation, the Financial Markets Authority, and a private donor.

I hope that many more people will share their thoughts and experiences with me in the future as we all work towards facilitating a transparent and ethically sound business sector.

Professor Karin Lasthuizen
Brian Picot Chair in Ethical Leadership
OCTOBER 2018

Professor Karin Lasthuizen was appointed as the inaugural Brian Picot Chair in Ethical Leadership in November 2016. She is highly regarded in Europe for her research and consultancy work in ethical leadership and ethics management in the public sector, as well as her innovative research in the methodology of organisational unethical behaviour. She has held numerous senior research and policy positions, and most recently was an associate professor in leadership and ethics management at VU University Amsterdam, the Netherlands.

"Universities are able to go out and speak forcefully and clearly and publicly in ways that public servants can't; politicians will, but often in a constrained way; and business could pretend not to have the time."

—Andrew Kibblewhite, Chief Executive,
Department of the Prime Minister and Cabinet

PROJECT OUTLINE

This publication:

- aims to explore the meaning of ethical leadership and its role in addressing the main ethical issues in New Zealand
- explores the potential role for the Brian Picot Chair in Ethical Leadership and Victoria University of Wellington to contribute in this area.

Forty recognised leaders in New Zealand were interviewed in 2017 as part of the project (a full list of interviewees is at the back of this publication). Each participant was asked four questions. The interviews were sound recorded and later transcribed into documents for approval by the participants before being entered into a qualitative research software application for analysis. The research team has carried out the analysis and is solely responsible for any interpretations of the interview material.

Interview questions

1. How would you describe or define ethical leadership?
2. What are—in your professional opinion—the main ethical issues in New Zealand that should be addressed by ethical leadership?
3. What is the potential role of the University, and in particular, the Brian Picot Chair in Ethical Leadership, to contribute in this area?
4. What is your personal or professional experience with ethical leadership, if any?

The research team, from left, Victoria Beckett, Karin Lasthuizen, and Marece Wenhold.

NEW ZEALAND IS LEADING THE WORLD

STRONG ETHICAL REPUTATION

Transparency International's Corruption Perception Index[1] has shown that we have a history of being a country with low levels of corruption in the public sector.

Being number one is good, because it adds to trust in doing business—for our international trade and for attracting tourists—which is vital for economic development, especially when being such a remote country. Our number one ethical reputation connects us to the rest of the world and, vice versa, it leads the world to us: it brought many of us here to New Zealand.

> "Although New Zealand is tiny, we occupy a place of respect in the world because we're not seen as aligned to other countries and other factions—we are prepared to say something as our own person."
>
> —Judge Peter Boshier, Chief Ombudsman

NEW ZEALAND

1ST

IN THE WORLD FOR CORRUPTION TRANSPARENCY

New Zealand ranks 1st out of 180 countries for the least corrupt public sector.

Source: Corruption Perceptions Index, Transparency International, 2017.

STRONG ETHICAL FOUNDATION

New Zealand has a strong foundation in ethics and has all the ingredients to generate a high quality of life.[2] We have a good democracy—with universal suffrage, respect for human rights, and our unique Treaty of Waitangi. Our institutions and law enforcement are strong, including the critical roles of the auditor-general and ombudsman, and watchdog agencies such as Transparency International.

> I think most people are intuitively ethical, I'm not sure whether it is a New Zealand thing or not, but it may be."
>
> —Malcolm Alexander, Chief Executive, Local Government New Zealand

NEW ZEALAND

2ND

OUT OF 149 ECONOMIES FOR PROSPERITY

New Zealand ranks 2nd in the world and 1st outside of Europe on the Prosperity Index. It is the only global measure of prosperity based on both income and wellbeing.

Source: Prosperity Index, Legatum Institute, 2017.

And we have good citizens who respect the rules, are well educated, and who value our society and our beautiful land.

This quotation from the report *The New New Zealanders* by the New Zealand Initiative, says it all: "What is it that makes New Zealand special? For some, it is the country's raw, unspoilt beauty. New Zealand certainly does not lack in stunning mountains, pristine beaches, and verdant native forests. For others, it is the unique culture and history of New Zealand that form the distinct national identity of 'Kiwi'. For those of a more economic persuasion, it is the institutions and the rule of law that have transformed this country into a modern, wealthy state."[3]

THE WORLD TURNS AND THE WORLD CHANGES

All the factors mentioned above contribute to prosperity in New Zealand—but how can we protect what we have got and make it even better and more sustainable in the ever-changing world?

Our geographical isolation might have helped New Zealand to create its own culture and good ethics, and it might have protected us for a long period of time, but this has changed. Nowadays, people can be here much more quickly, and social media bring other world views within a mouse click. As Barry Jordan, Lead Partner Forensics at Deloitte, says, "In New Zealand, we are living in a historical bubble, but the bubble will inevitably get wider and get thinner walls."

There is an increase in international trade, including doing business with more corrupt countries in the Asia–Pacific region, whilst immigration brings other values and cultural practices into New Zealand. Richard Aitken, Former Chair, Beca, says, "Quality is being affected by the difficulty of trying to control fraud and corruption that is endemic and being imported into New Zealand. Thirty years ago, you didn't have to worry if you were importing products; today you have to worry."

> "The more we trade with countries where corruption is an issue, the greater the risk. There's no doubt that small businesses are probably at risk to a greater degree, because they just don't have the systems in place or, sometimes, an understanding of what's happening."
>
> —Julie Read, Chief Executive and Director, Serious Fraud Office

And new generations, like the millennials, have a different outlook: what is considered ethical now is not the same as 20 years ago. James Bushell, Director of MOTIF, predicts, "Younger demographics are more engaged in behaving ethically, so anecdotally we would expect to see a lot more ethical businesses appear."

These developments generate new risks to our integrity that we should not be naïve about.

> "As Kiwis, we just assume everyone else is like us: my word is my bond; I give you my handshake; we do the right thing. But not everyone is like us."
>
> —Kirsten Patterson, Chief Executive, Institute of Directors in New Zealand

ETHICAL LEADERSHIP: CHALLENGES AND OPPORTUNITIES

Based on all the conversations for the research project, three areas can be discerned where we can challenge ourselves, and where there is real opportunity for ethical leadership: our ethical reputation; our unique characteristics of being a small bicultural nation; and our love of the land.

OUR NUMBER ONE ETHICAL REPUTATION

The first area of relevance for ethical leadership relates directly to our number one ethical reputation. We are leading the world, but how do we keep high integrity, while being first? And how can we achieve even more?

There is a risk of complacency and there might be a general lack of awareness about the importance of ethics and what it brings us. We tend to be low in corruption, and it doesn't seem to be part of our culture (although the Auckland Transport bribery case[4] shows that we are certainly not corruption free). Suzanne Snively, Chair, Transparency International New Zealand, warns: "What is the first key risk for New Zealand? That ethics is not a priority. It should be number one."

So, are we on top of things or does our number one position makes us sit back?

Kirk Hope, Chief Executive, BusinessNZ, says, "Since New Zealand has such a good ethical reputation, why not make it our number one asset?"

We question if we can celebrate being number one and continue to strive for more. The so-called Tall Poppy syndrome of knocking high achievers seems ingrained in New Zealand culture and this might get in our way.[5]

In many organisations, integrity management equals legal compliance and following rules, which is a bottom-line approach. Andrew Barclay, Chief Executive Officer, Goldman Sachs New Zealand, says, "Most people have a real emphasis on compliance. Have you complied with the law or the regulation on a particular aspect of your business? It's all about compliance and the compliance therefore defines what is right."

Something might be legal, but is it also ethical, the right thing to do? Dr Peter Stevens, Chief Executive, GS1 says, "In life, like in business, there are lots of things that you could be allowed to do. But when the law doesn't say that you can't, it doesn't mean you should do them."

A values-based approach for integrity management seems to be more promising when it encourages us to talk about what good ethical behaviour looks like and to share good practices, because we can only maintain our high-integrity standards when we want to excel, be 'taller' and do the right things all the time.

"Are we doing enough to talk about ethical leadership and are we doing enough to reinforce the right behaviour to ensure that we are not becoming complacent?"

—Kirsten Patterson, Chief Executive, Institute of Directors in New Zealand

"Ethical leadership is about ethics being core to everything and not added on—and it's about demonstrating those beliefs at every possible opportunity."

—Rob Everett, Chief Executive Officer, Financial Markets Authority

We can become more aspirational than we are now, and this is an opportunity for ethical leadership to play an important role. We all know that the tone at the top in organisations is crucial, and we are fortunate to have many leaders with strong integrity within the public service, private firms, not-for-profit organisations, and within our communities. By investing in ethical leadership, we can put ethics more explicitly on the agenda and raise the bar across sectors and organisations.

THIS IS AOTEAROA NEW ZEALAND

The second area of relevance for ethical leadership centres on some unique characteristics of New Zealand's society.

SMALL COUNTRY

New Zealand is a small country, and what makes Wellington unique are the close connections between politics, public service, and the private sector. As many say, Wellington is 'a small village'[6] where everybody knows each other—within only two degrees of separation. Professional networks consist of strong ties and personal relationships. These ties and relationships create a typical Kiwi culture of social cohesion, friendly people, easy interactions, and many catch-ups over coffee.

As Bruce Kohn, Chief Executive Officer, New Zealand Building Industry Federation, says, "New Zealand really is a village. It is very difficult for someone who is involved in unethical or corrupt or dishonest behaviour to get away with it over a long period without someone noticing it; and that is perhaps one of the greatest barriers to unethical behaviour or wrongdoing."

However, the downside in this micro cosmos is that the market of supply and demand is not optimal, and this increases the likelihood of conflicts of interest, intermingling of politics and public service, nepotism in recruitment processes, and favouritism within work environments.

Judge Andrew Becroft, Children's Commissioner, says, "Too many decisions are politically influenced, which deprives us of a width of leadership and the breadth of different views in decision-making."

Jane Mitson, Former Chief Adviser, Risk Assurance and Integrity, New Zealand Customs Service, says, "I think the big challenges that we face really could be associated with small country syndrome."

Typology of integrity violations

1. Corruption: bribing
2. Corruption: favouritism
3. Fraud and theft
4. Conflict of interest through gifts
5. Conflict of interest through sideline activities
6. Improper use of authority (for —sometimes—noble causes)
7. Misuse and manipulation of information
8. Indecent treatment, discrimination, and sexual harassment
9. Waste and abuse of organisational resources
10. Private-time misconduct

The typology shown on the previous page was developed within the research group Integrity of Governance at the VU University Amsterdam, the Netherlands.[7]

This comprehensive typology enables us to look further than the 'one rotten apple' and to include 'the whole barrel' and even 'the bad barrel makers'[8] to evaluate workplace ethics. This is important because serious corruption cases have started often with minor offences within an organisational culture without clear norms.

For example, in the Auckland Transport corruption case, there were all sorts of conflicts of interest through gifts, such as travel and accommodation payments, long lunches, and dinners, that may still fall within the grey area of doing business, but were at the same time serious warning signs in the period of seven years that the corrupt relationship lasted.[9]

> "We often see people get themselves into trouble by trying to cover up a mistake or problem, and then the hole just gets deeper and deeper and deeper."
>
> —Julie Read, Chief Executive and Director, Serious Fraud Office

Including workplace culture to investigate 'what goes wrong' is particularly important for unethical behaviour within interpersonal relationships. The New Zealand Diversity Survey of April 2018[10] showed that a third of respondents identified bullying and harassment as a significant workplace issue.[11]

Although there is now more attention for workplace bullying,[12] and most organisations have implemented formal policies, programmes, or initiatives, these might fail when unethical leadership is involved. For example, when favouritism by managers leads to workplace bullying and harassment.[13]

> "In my book, there is no place for behavioural bullying; sometimes it can just be a leader who doesn't know how to lead."
>
> —David Cunningham, Chief Executive, Co-operative Bank

Image: Elise Lanigan

For integrity management, it is therefore important to address the whole range of unethical behaviour, and being sensitive that interpersonal deviance such as favouritism, bullying, and discrimination might be caused by other factors than organisation deviance such as corruption, fraud, theft, or abuse of organisational resources—which in turn leads to other demands for organisational remedies against such unethical behaviour.

There is a huge opportunity for ethical leadership to help create an ethical and healthy work climate, in which people feel safe to 'speak up' to management and, if necessary, against their superiors about wrongdoing. Ethical leadership should also address the passive–aggressive behaviour at work that is often mentioned within New Zealand workplaces.

"Being absolutely open and honest with people, upfront to their faces, isn't as strong a part of our culture as it should be. Interestingly, in a culture that values transparency, we avoid conflict with individuals. In fact, avoidance cultures in New Zealand are quite high."

—Lyn Provost, speaking from a personal point of view

BICULTURAL NATION

New Zealand is officially a bicultural nation, based on the partnership established between Māori and the Crown by the country's founding document the Treaty of Waitangi.[14] Pākehā and Māori, along with Pasifika and many other groups of immigrants, bring their own cultures, traditions, and languages to our society.

Despite the official status, New Zealand is characterised by governance that continues to favour Pākehā culture. The Māori renaissance from the 1970s led to a renewed emphasis on biculturalism.[15] However, Dr Mike Ross, Pukenga/Lecturer in Te Kawa a Maui, Victoria University of Wellington, says, "New Zealand has a unique bicultural system in theory, based on the Treaty of Waitangi partnership. But the transplanted Western system is the dominant system, and its structure insists that everyone should assimilate, that we all become 'one people'. People who emigrate to New Zealand today accept this idea, because they know they are coming to an English-based Western society. But for Māori, we have our own system and culture that we wish to retain. There is a lot of discussion about biculturalism; but Western systems remain dominant."

This raises the question: How can we become more future-proof as an inclusive society?

"We are a country that is bicultural. I think that we should never lose sight of our founding basis … New Zealand has a uniqueness of flavour in values, which means that it should aim for a high level and shouldn't be put off by what threats some other countries feel more than we do."

—Judge Peter Boshier, Chief Ombudsman

"I believe we need a much stronger merger of Pākehā–Māori. We still seem to operate in a very siloed way. Realistically, it is how we all live together and support each other."

—Annah Stretton, Chief Executive Officer, Stretton Group

Image: New Zealand Labour Party

> "As a government, we know what we have to do, we know all of the failings that we have as a nation, but we won't always know exactly how to change it. For that we will come to you, we will ask you to help us, we will form partnerships together because we cannot do it alone."[17]
>
> —Rt Hon. Jacinda Ardern, Prime Minister

The New Zealand Story[16] tells a story that reflects our strong foundation in values:

- integrity—being trustworthy and doing the right thing
- kaitiaki—the care of people, place, and planet
- ingenuity–our creative ideas and innovative solutions.

It is a great story to tell, and a big promise to live up to as a collective—together, we are the people who make up this land. However, as individuals we do not all have the same values and beliefs, so how can we treat each other with respect?

We need to have a constructive dialogue about the values that we value: how our different backgrounds make us different; how we are the same; why our values matter to what we do; and what we strive for—and what we accept and what we don't want to tolerate in society.

Sina Wendt-Moore, Chief Executive of Leadership New Zealand, asks: "… how do we create a New Zealand where everybody feels like they belong? It's not about being the same, it's not about saying we're all Kiwis. But how do we create a society where we can, in our diversity, feel like we all belong?"

Starting a dialogue about the values that bind us is pre-eminently the area in which ethical leadership operates as a strong value-driven leadership style. For this to be successful, it is necessary that we create a more culturally diverse pool of leaders and managers.

"I grew up on a farm and 100 years ago that land was home to a Māori marae. There is a hill on the farm and if you go up, you can see the land was dug out for the floors and people lived up there. My dad used to say that as far as he knew, nobody died up there, so there are no spirits up there, but still, you can go up there and sit there and feel a sense of place. Since I was a child, I've said that my family own the farm, but they don't own the land. In my mind, the ownership of the land was different from the use of the land. That is something that we will need to consider in the future."

—Karen Thomas, Chief Executive, New Zealand Society of Local Government Managers

THE DEEP LOVE OF OUR LAND

The third area of relevance for ethical leadership is our social responsibility for people, the planet, and future generations.

As good as we are in many areas, being low in corruption is not the same as being high on ethics. Are we doing the right thing and making the most of it in terms of welfare and wellbeing for each and every one in our society?

> "From my point of view, there is a need to much more explicitly seek the view of the under 18 year olds in New Zealand, who make up a quarter of the population. They are tomorrow's citizens, but they are also today's citizens, entitled to a view and for the views to be heard."
>
> —Judge Andrew Becroft, Children's Commissioner

> "All the big political issues of the day have an ethical component."
>
> —Andrew Kibblewhite, Chief Executive, Department of the Prime Minister and Cabinet

OUR RESPONSIBILITY FOR THE PEOPLE

Lyn Provost identified, in her last speech as auditor general, five issues that trouble us all.[18]

1. Suicide—the third leading cause of premature death in New Zealand.
A Unicef report found New Zealand's youth suicide rate (for teenagers aged between 15 and 19 years) to be the highest of a long list of 41 OECD and EU countries. The rate of 15.6 suicides per 100,000 people is twice as high as the United States' rate and almost five times that of Britain.[19]

2. Mental health-related issues and provision of healthcare to all New Zealanders.
The 2016–2017 New Zealand Health Survey found that one in six New Zealand adults had been diagnosed with a common mental disorder (including depression, bipolar disorders, and anxiety disorders) at some time in their lives. Māori and Pasifika have higher rates of being diagnosed with mental disorders or experiencing psychological distress than the rest of the population. Mental health service use by Māori is rising.[20]

3. Family violence and its impact on children.
New Zealand has the highest rates of family violence in the developed world.[21] Family violence is unacceptable.

4. Māori education.
Every child in New Zealand deserves to thrive physically, academically, socially, and culturally. However, too many Māori children leave school without the education they deserve.[22]

5. Jobs for youth—young people are the future and they need to lead New Zealand in the decades to come.
Although the unemployment rate of 4.4 percent is relatively low in New Zealand, the rate of young people aged 15 to 24 years who were not in employment, education, or training rose to 12.4 percent in the March 2018 quarter.[23]

> "The biggest ethical, social, and economic challenge in education is to achieve equity, especially for Māori and Pasifika."
>
> —Iona Holsted, Secretary for Education, Ministry of Education

> "I don't know what the answer is, but ethically, it is insane that in a country of 4.8 million people, a million are living in poverty. For me, there has got to be more that we can do."
>
> —Annah Stretton, Chief Executive Officer, Stretton Group

And some other 'wicked and unruly' problems are:

- Poverty—one million New Zealanders (1 in 5 people), including children, live in poverty.
- Poor housing—about 1,500 people in New Zealand die each year because of poor housing conditions, including 200 children who die from rheumatic fever.
- Imprisonment—10,000 men are in prison. The New Zealand prison population rate is four times higher than in the Netherlands and is comparable to Saudi Arabia and Colombia.

As Karen Thomas, Chief Executive, New Zealand Society of Local Government Managers, comments, "I think social equity is a real problem, and I think we fail a group of New Zealanders. That worries me because the consequences of their situation are not constrained just to them, the consequences of their situation affect all of us."

It can be hard to understand why we have these social problems here, as New Zealand is a prosperous, first-world, and not over-populated country with a great ethical reputation.

"Essentially, I run a small charity called One Percent Collective; which will turn five in late 2018. The whole thing for us is trying to change the regular giving space and inspire more generosity and inspire more people to give 1 percent of their income to causes they care about. It is normally small- to medium-sized New Zealand causes that don't have huge teams and marketing budgets and aren't so well known, but are doing awesome work. We have a mix of charities; half are in Auckland and half in Wellington. We are trying to do things differently through storytelling, events and publications, and a number of communication channels to inspire people to join."

—Pat Shepherd, Chief Doer of Things, One Percent Collective

Image: Pat Shepherd

OUR RESPONSIBILITY FOR THE PLANET

Then there are the risks related to the future of our planet, climate change, and the need for sustainability. Alistair Davis, Chief Executive Officer, Toyota New Zealand Ltd, says, "As a nation, we are wrestling with the big trade-off on exploiting of our natural resources—we are robbing the future to enjoy the present." Pat Shepherd, Chief Doer of Things, One Percent Collective, puts it simply as, "The main ethical issues are some of the big things if you look at waste, products, and plastic."

There is a clean green image of New Zealand, but in fact there are quite a few concerns when it comes to the use of land and water.

"The thing that misleads us is that we look at our country and it's mostly green—and this is utterly misleading."

—Abbie Reynolds, Executive Director, Sustainable Business Council

Interviewees mentioned issues with quality and supply of water, both in rural areas and in the cities; farming and number of livestock; carbon emissions; and climate change. They also discussed how we can address such issues in a country where the economy is still very agriculturally based. Clare Kearney, Director, South Port, and Chair, Network Waitaki Ltd, says, "An ethical issue in New Zealand is economic development versus environmental management. They don't have to be versus each other, but New Zealand is very polarised on how we develop economically and yet improve our environmental management."

So, do we play to our natural strengths? How can we change our way of understanding these problems, support the local economy in other ways; make the supply chain more transparent, and reduce our ecological footprint?

"An extreme example of what we do was a project in the field of sustainable sea transport with the Wellington Chocolate Factory, which I chair. I was part of a team that went to Bougainville, Papua New Guinea and invested in the local community to improve poverty and inequality—for example, by upgrading their production facilities, supporting a local school for climate change refugees—and we sailed a traditional Fijian vaka, the *Uto ni Yalo,* back to New Zealand with a Fijian crew. The team's challenge was to create sustainable livelihoods for the people of Bougainville, along with trying to prove the point that wind-sail transport could be commercially viable, although it takes longer."

—James Bushell, Director, MOTIF

Good business is ethical business, and the other way around, ethical business is also good business. We know that social and environmental issues affect our economic performance. Paul Brock, Former Chief Executive of Kiwibank, says, "What's becoming more prevalent when you go to these markets is that people now ask what your policy on sustainability is, and how do you evidence that. If you can't answer that question you are at a competitive disadvantage." More essentially: only when people feel respected and included and are healthy and wealthy, they perform well at work. And only when we consider the impact of our business on the planet and deal wisely with our natural resources can we have prosperity for future generations. As Fiona Ewing (speaking from a personal point of view), says, "We need a long-term view. That is the ethical point of view."

"Rural New Zealanders, particularly dairy farmers, are really good business people; they are ahead of their game in many ways. Water is scarce and expensive on a dairy farm and they manage it well."

—Clare Kearney, Director, South Port; Chair, Network Waitaki Ltd

"Companies used to do a bit of brown, a bit of green, and say 'we are ethical'. I think this has now changed and has to be product-led and ethical ... If you don't become ethical, your business has only a certain lifespan."

—James Bushell, Director, MOTIF

Ethical leadership is vital when we choose to lead in a way that includes both the means and the ends. As Bishop Justin Duckworth of the Anglican Church comments, "I think there is a crisis in society about ethical leadership. The big question is that you may be a really good leader, but are you actually leading this thing in a way which is good for the world, for the whole planet earth?"

SUMMARY

The ethical leadership opportunities and challenges for Aotearoa New Zealand are summarised below.

Our number-one ethical reputation

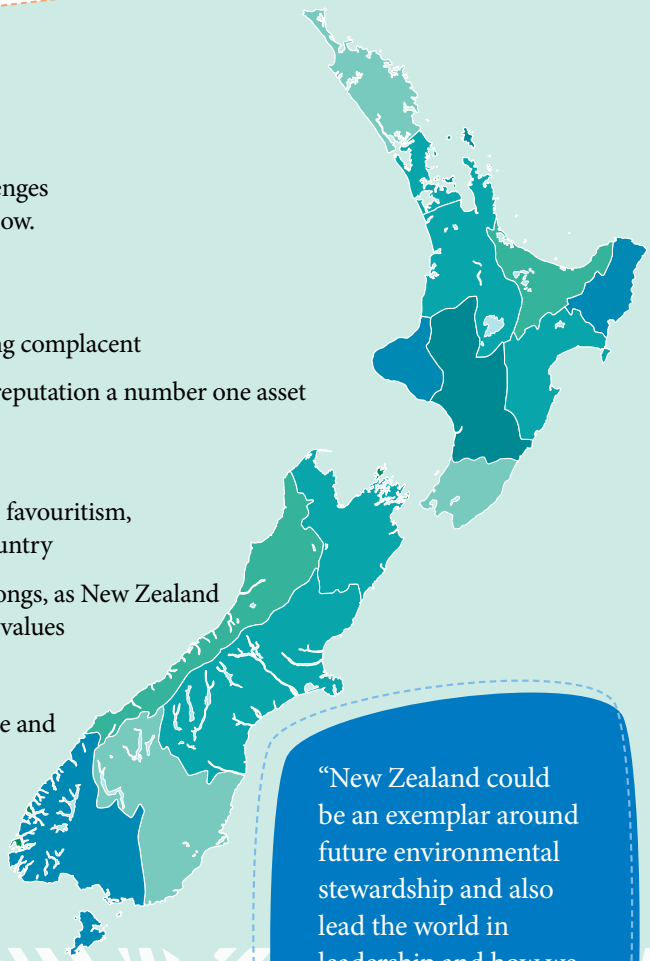
- Keeping integrity high and not becoming complacent
- Achieving more by making our ethical reputation a number one asset

This is Aotearoa New Zealand

- Avoiding the risks of conflict of interest, favouritism, and workplace bullying in our small country
- Creating a society where everybody belongs, as New Zealand is a bicultural nation with a diversity of values

The deep love of our land

- Taking social responsibility for all people and achieving more social equity
- Developing sustainability to save the planet for future generations



"New Zealand could be an exemplar around future environmental stewardship and also lead the world in leadership and how we care for one another."

—Jamie Tuuta, Former Māori Trustee, Te Tumu Paeroa

ETHICAL LEADERSHIP: CONCEPT AND PRACTICE

> "My definition of ethical leadership is aiming at a very high level to ensure that you are promoting human kindness, human behaviour, and values, and aspiring to reach a level that history will look back on and think that that was great, instead of selfish."
>
> —Judge Peter Boshier, Chief Ombudsman

Ethical leadership is an attractive concept when we think about the question of what we can do regarding all three areas of concern. It is as Heidi Börner, Director, Orange Umbrella, describes: "There is a point when people in an organisation say that their workplace is really starting to hum. It's like when the sail is set on your boat, and you're sailing along and it's all humming and balanced on the water. Ethical leadership feels like that."

In 1999, United States Business Ethics Professor Linda Treviño and colleagues wrote in their influential paper *What Works and What Hurts?*,[24] that systems and policies alone are insufficient to improve organisational integrity and ethical performance. Many organisations have deployed a range of policies, from codes of conduct and whistle-blower procedures to training and applicant screening. But amidst all these instruments, ethical leadership is probably cited as the most important factor. This is because, "If you have that ethical leadership at the top, that really will set the organisation looking in the right direction," as stated by Jane Mitson, Former Chief Adviser Risk Assurance and Integrity, New Zealand Customs Service.

Ethical leadership can be seen as the crucial layer between organisational ethical values and norms, which are embedded in ethics policies and programmes on the one hand, and an ethical climate and employee ethical behaviour on the other hand. Or, as Julie Read, Chief Executive and Director of the Serious Fraud Office, notes, "You've got to have the appropriate systems, and you have to demonstrate it. The leader has to be this layer between values and norms and what's actually happening."

A definition of ethical leadership that the Chair uses in academic work is: 'Ethical leadership refers to the character, behaviour, and decision-making that a leader demonstrates by means of role modelling, reinforcement, and communication to motivate employees to make decisions and behave in accordance with relevant moral values, norms, and rules.'

As this definition implies, the primary objective of ethical leadership is to cultivate ethical decision-making and behaviour among followers, and it is this explicit focus

on promoting and managing ethics that distinguishes ethical leadership from other leadership styles such as transformational, servant, or authentic leadership.

> "It's about the process and objective of leadership—there are two dimensions. 'Ethical' has to be honest and enhancing wellbeing in some way as part of the motivation. The 'leadership' has to have a degree of transparency and integrity in the way things are done."
>
> —Andrew Kibblewhite, Chief Executive, Department of the Prime Minister and Cabinet

The renowned Professor Emerita Joanne Ciulla points out that the moral assessment of leadership is about three things: the ethics of leaders themselves—the personal ethics and the intentions of leaders; the ethics of how leaders lead—which refers to the process of leadership and the means that a leader uses to lead; and the ethics of what a leader does—the ends of leadership.[25]

Al Morrison, Chief Executive on Assignment of the State Services Commission, puts it simply, "Ethical leadership is ensuring that the right thing is done in the right way for the right reason."

Above is a framework taken from the work of Professor Alan Lawton and Dr Iliana Páez in the *Journal of Business Ethics*.[26] As they sum up, a framework for ethical leadership can be formed by the virtues, purposes, and practices of ethical leaders.

ETHICAL LEADERSHIP CONCEPT

"Ethical leadership is about the impact of the decisions you make in the business that you operate and how that impacts the people, communities, and environment."

—Abbie Reynolds, Executive Director, Sustainable Business Council

PURPOSE

"In a leadership role, ethical leadership is about demonstrating the highest standards of integrity. It's doing the right things all the time."

—Stephen Walker, Executive Director, Audit New Zealand

MORAL PERSON

- **Moral character**
- **Ethical behaviour**
- **Ethical decision-making**

"Ethical leadership is all about building the right culture in the organisation."

—Mike Bush, Commissioner, New Zealand Police

MORAL MANAGER

- **Role modelling**
- **Communication**
- **Reinforcement**

"Ethical leadership is also about service and people first: it is about relationships."

—Judge Andrew Becroft, Children's Commissioner

MEANINGFUL LEADER–FOLLOWER RELATIONSHIP

Based on the seminal work of Treviño and colleagues,[27] ethical leadership is pictured (left) as a multidimensional concept.

To start with, ethical leadership is motivated by the purpose to get ethical outcomes—and the impact they have on people, communities, and environment, as Abbie Reynolds of the Sustainable Business Council points out. This is the *why* question. Within organisations, this might translate in objectives such as a safe and healthy workplace, employee compliance with the organisational code of conduct, or a focus on reducing waste and recycling.

The Moral Person represents the *who* question: the characteristics of ethical leaders, in terms of their moral character, ethical behaviour, and ethical decision-making. This element focuses on the ethics of the person in the leadership role. As Stephen Walker, Executive Director of Audit New Zealand, describes it, "In a leadership role, ethical leadership is about demonstrating the highest standards of integrity. It's doing the right things all the time."

The Moral Manager shifts the focus to the practical *how* question: the actual ethical leadership practices and how leaders can cultivate ethical decision-making and behaviour amongst employees. As New Zealand Police Commissioner Mike Bush points out, "Ethical leadership is all about building the right culture in the organisation."

> "I think ethical leadership has two components: the first is how you act yourself, the second is how you lead, which is consistent with the way you should act."
>
> —Andrew Barclay, Chief Executive Officer, Goldman Sachs New Zealand

Lastly, we also recognise ethical leadership as a process that takes place within the mutual relationship between leader and followers. This relation is the basis from which ethical leadership takes place—as Children's Commissioner Judge Andrew Becroft says, "It is about service and people first; it is about relationships."

> "I start with leadership being very much about human-to-human. It is about how we relate with each other, how we create those kinds of relationships where we can influence others to our way of thinking, being, doing."
>
> —Annah Stretton, Chief Executive Officer, Stretton Group

So, how does this conceptualisation of ethical leadership translate to the New Zealand context?

THE MORAL PERSON—CHARACTER, BEHAVIOUR, AND DECISION-MAKING

ETHICAL LEADERSHIP NEW ZEALAND

MORAL PERSON

Moral character

- Core values: integrity, honesty, and fairness
- Authenticity
- Moral courage

Ethical behaviour

- 'Doing the right thing'
- Showing vulnerability
- Mentoring

Ethical decision-making

- Fair treatment
- Making social ethical choices
- Transparency and accountability

Many interviewees summarised ethical leadership as simply 'doing the right thing'; and as a values-based leadership with the core values of integrity, honesty, and fairness.

It was mentioned more than once that these core values are absolute, and not relative; they are not interchangeable and there can be no trade-off. As David Cunningham, Chief Executive, Co-operative Bank, says, "For me, ethics is quite black and white; it's what is right versus what's wrong."

That, however, doesn't imply that ethical values are incompatible with other performance values such as effectiveness, efficiency, innovativeness, or ambition—quite the contrary. But as John Sax, Chief Executive Officer, Southpark Corporation, says, "Profit is not a dirty word. It is a very important word and profits need to be made, however, on an ethical, moral basis."

Other values that were stressed by interviewees are more related to the ethical decision-making of leaders, such as transparency and accountability. Especially in the public sector, it was felt that these values were not always met. Stephen Walker, Executive Director of Audit New Zealand, says, "We see examples of public organisations that are very high profile, but they are under such high political and public scrutiny that any time they get something wrong it creates a headline."

Our research shows that some characteristics of ethical leadership behaviour pose a challenge for leaders—for example, showing personal vulnerability in a leadership role. Kirsten Patterson, Chief Executive of the Institute of Directors in New Zealand, says, "There is a move to greater self-awareness and the ability to self-reflect and to be vulnerable and to be okay with that; and to understand the impact that this can have positively on others as opposed to always trying to be perfect."

> "I should also suggest that a fundamental aspect of ethical leadership is the propensity to be reflective and self-critical."
>
> —Emeritus Professor Bob Buckle, Former Dean of Commerce, Victoria Business School

The impact of leaders showing their vulnerability, among other things, is that leaders are seen as more accessible to discuss dilemmas and problems. This sends the message that everyone can learn from their mistakes. As Lyn Provost, speaking personally, says, "As you go through different experiences in life (I call them scars on your back), you learn how you deal with difficult situations in the future."

Showing vulnerability supports leaders to become valuable mentors for others. Barry Jordan, Lead Partner Forensics at Deloitte, says, "If you were fortunate enough to work with someone who had strong ethical standards, if you like, you picked that up and transported it on."

Image: Gerry Keating

Another feature of ethical leadership should be moral courage.

It is sometimes said that the real leaders stand up in times of crisis. This refers to decisiveness and the ability to act or intervene quickly. But it takes a different kind of courage to stand up against morally wrong situations and to say why 'that is wrong and this is right' or to 'stick your nose' into someone else's business and follow up on early warning signs, for example about workplace bullying. As Judge Andrew Becroft, Children's Commissioner, says, "In essence, I think ethical leadership means having a clear moral set of values and views that are strongly held to, even when it is not popular to do so."

> "It is very values driven; it is not just swinging in the breeze with the populace."
>
> —Kirk Hope, Chief Executive, BusinessNZ

These situations test the moral character of people. But sometimes, great personal sacrifices are needed to stay true to moral principles, as the fate of whistle-blowers teaches us.[28]

> "You can't only be brave in the good times. You have to be brave when the bad stuff is happening."
>
> —Rob Everett, Chief Executive Officer, Financial Markets Authority

THE LEADER–FOLLOWER RELATIONSHIP: THE FOUNDATION FOR ETHICAL LEADERSHIP

What was noticeable in the interviews was an emphasis on the human aspect over the managerial aspect as a requirement for ethical leadership: being a moral person and the relationships with other people.

> "To me, 'doing the right thing' is just to 'be human' and that is how we sum up ourselves."
>
> —Pat Shepherd, Chief Doer of Things, One Percent Collective

Assistant Bishop of the Anglican Church Dr Eleanor Sanderson says, "Ethical leadership is about being in relationships as an ethical being, about how you maintain your sense of self in relationships of power with other people."

Because of their position of authority, it is even more important for leaders to engage in respectful relations and show care for others. Empathy plays a crucial role in this, as described by New Zealand Police Commissioner Mike Bush: "Empathy is deeper, and more relevant, than respect. Empathy is not judging, and it is being able to understand somebody else's situation and supporting that situation."

> "We exercise power over people's lives. It is reasonable for citizens to demand extraordinary high standards. We need to balance our power, because the people who have to engage with government are often the most vulnerable."
>
> —Iona Holsted, Secretary for Education, Ministry of Education

Leader empathy is especially important in relation to the unique characteristics of New Zealand's society, not only to really understand the motivations and needs of workers with different social-cultural backgrounds, but also to stimulate an open and constructive dialogue about the problems in society.

It is as Secretary for Education Iona Holsted suggests: "The biggest thing that we have to do is keep putting ourselves in the individual's shoes. If you keep doing that, you will mostly get it right."

> "If the public service has to be focused on improving the lives of New Zealanders, then we better understand New Zealanders' lives."
>
> —Al Morrison, Chief Executive on Assignment, State Services Commission

Empathy is one of the elements that builds relationships between leaders and followers that are meaningful. It also has to do with fair treatment—to treat others as you would like them to treat you.

The relational approach in leadership corresponds well with the fact that many firms in New Zealand are very small: a fact sheet from MBIE[29] shows that 97 percent of New Zealand enterprises have fewer than 20 employees, 70 percent have none. When the organisation is very small, it is all about relationships: everyone knows everyone and everyone knows the boss personally. Many of these firms have leaders, who were the founders of the business, and this comes with strong leader authenticity—the leaders have clear personal values and integrity, and run their business accordingly.

> "Rather than a top-down approach, they should sit around a table, getting people in a room to speak to each other. Collaboration is the way forward."
>
> —Fiona Ewing, speaking from a personal point of view

Nevertheless, the MBIE fact sheet also shows that, nowadays, only 29 percent of employees work in these smaller firms, leaving the other 71 percent working in much larger companies, with many managers and a CEO at the top. This also means that there are multiple voices and many personal values within the workforce that need to be aligned. Sina Wendt-Moore, Chief Executive, Leadership New Zealand, says, "For me, it's not that our values will have to be congruent, but that our values around people and people's contributions have to be congruent."

Being a moral person or having strong integrity as a leader is not sufficient: the moral manager is needed as well. Leaders need to build a reputation *for* ethical leadership and give direction within all managerial layers of the organisation when it comes to the ethics message. Leaders in larger firms often underestimate the importance of explicitly managing ethics and thereby risk being perceived as an ethically neutral or ethically invisible leader. This might be a weakness in New Zealand with such a rich tradition in small self-owned businesses.

> "I think it is difficult to be truly ethical without regard to other people … For me, the ethical question is very much around personal example and people showing respect to other people."
>
> —Tim Brown, Head of Capital Markets, Regulation and Governance, Morrison and Co

THE MORAL MANAGER—ROLE MODELLING, COMMUNICATION, AND REINFORCEMENT

ETHICAL LEADERSHIP NEW ZEALAND

MORAL MANAGER

Role modelling

- Visible good examples
- 'No exceptions' on general rules
- Clarity about code of conduct
- Diversity and inclusiveness

Communication

- Storytelling
- Discussion and dialogue
- Honest feedback

Reinforcement

- Sanctions and rewards
- Setting clear boundaries
- Creating a safe environment

Three aspects of the moral manager are important for cultivating ethics among followers: role modelling through visible actions; two-way communication; and reinforcement of the moral values and norms through discipline and reward.

ROLE MODELLING

People look at leaders as credible role models for how to behave. Role modelling is so important because, as Anglican Church Bishop Justin Duckworth says, "How we are, speaks louder than what we say." A good leader may encourage employees to join in. However, employees might copy a bad example as well.

It is particularly important to avoid negative role modelling, because people are inherently more attentive to 'the negative'. When leaders make an exception to the organisational rules for themselves, this will send the wider message that ethics is not really important. It is as Rob Everett, Chief Executive Officer, Financial Markets Authority, says, "You can say everything you like about ethics and actual conduct, but if the people at the top are not modelling those behaviours, it destroys absolutely everything."

Further, it is important to note that it is not only the actual behaviour that counts, but even more so how others *perceive* that behaviour. As Richard Aitken, Former Chair of Beca, describes, "If you are in a position of leadership, you don't need to say anything; people will watch you. People will listen to you, people will judge you on your actions and, particularly, your actions in interesting situations."

Therefore, leaders need to think about how their actions come across and might be perceived and explained by others. They need to think about how they can *visibly* set a good example.

Image: New Zealand Police

This is what New Zealand Police Commissioner Mike Bush said to his staff: "As an organisation, we look to encourage staff to 'use who they are' not 'lose who you are', when becoming a Police officer.

"We are a diverse organisation and I am proud of the work we've done over recent years to build relationships with the LGBTIQ+ community. I also encourage members of the LGBTIQ+ community to join us as future Police recruits as part of our current recruitment drive."

In February 2018, Mike Bush accompanied the rainbow-striped Police car at the Pride Parade, alongside uniformed staff and members of the Police executive team.[30]

COMMUNICATION

The way leaders communicate is a crucial factor in explaining their actions and decision-making, and in clarifying the *why* of organisational expectations. The New Zealand way of storytelling is very powerful; for example, leaders sharing their personal stories about how they dealt with ethical dilemmas during their careers, or talking about their role models.

Fiona Ewing says, "Communication is also about providing a space for discussion and critical reflection, where people can disagree and be heard, and it is about actively asking for input, responding to questions, and providing honest feedback. Often, there is no two-way communication, it is very hard to get—and workers are very easily switched off if you don't respond to them. You must have the feedback loop: if you ask them for input and don't respond, then the next time you ask, it's not going to happen."

We can also learn from our indigenous culture. Dr Mike Ross, Pukenga/Lecturer in Te Kawa a Maui, Victoria University of Wellington, says, "Consensus [in Māori culture] is achieved when those who disagree with the idea are willing to accept the decision."

Andy Picot talks about his father, Brian Picot

"As a younger man, I remember sitting in a business meeting with him, Tom A. Chee (from Foodtown), and others. One of us came up with a great idea, but it was a bit on the 'grey' side. I can still hear Dad and Tom in unison saying, 'It's not a matter of whether it's profitable, but is it right?' You see, to them, a business proposition had to meet two criteria: was it profitable and was it ethically sound?

"I had another experience of this, when I was selling Plus Pac, a packaging company that I had been involved in. There were no redundancy clauses in the employment agreements. There was a reasonable amount of money involved. I still remember his only comment on the matter: 'You will do what is right by your people.'"

REINFORCEMENT

As Tim Brown, Head of Capital Markets, Regulation and Governance at Morrison and Co, says, "Being ethical is not about keeping everybody happy."

Reinforcement theory suggests that individual behaviour is a result of its consequences and, therefore, leaders can influence ethical behaviour of employees through specific rewards and punishments. Behaviour that is rewarded will be repeated; behaviour that is punished will be avoided.

> "If you're talking about ethical leadership, it's about having courage and dealing with things at the time. If you see something when it's not right, call it, at that time."
>
> —Jane Mitson, Former Chief Adviser, Risk Assurance and Integrity, New Zealand Customs Service

Discipline has great symbolic effect due to *vicarious learning*: people learn by watching what happens to others. Rewards are just as important as punishments. Leaders are less inclined to reward ethical behaviour because they consider it as unnecessary: 'it is rewarded by itself'. This is doubtful, as going by the book often seems to be of little reward in the day-to-day organisation, and doesn't have the quick wins that unethical behaviour seems to be associated with. Rewards can stimulate people to do the right thing and not cut corners.

At the opposite end of the spectrum, too much emphasis on punishment has a risk of 'goal displacement', creating a culture of fear for making mistakes and shifting the focus from doing the right thing to only complying with the rules.

> "We have created a society where you can't make a mistake. We have a punish culture: we are looking for someone to say a wrong word so that we can jump on you."
>
> —Bishop Justin Duckworth, Anglican Church

HOW DOES THE MORAL MANAGER WORK IN PRACTICE?

Previous research findings[31] indicate that, by role modelling, leaders clarify what the moral values, norms, and rules are, which will raise the ethical awareness among employees. In turn, this leads to an ethical culture in which the code of conduct has become an actual guideline for ethical decision-making and behaviour.

> "Ethical leadership or values-based leadership: it is how we role model and live the values of the organisation."
>
> —Mike Bush, Commissioner, New Zealand Police

Ethical role modelling and giving clarity about the organisational norms is especially effective in minimising integrity violations that relate to interpersonal relationships, including indecent treatment such as bullying, gossiping, and sexual harassment of colleagues; improper use of authority; and conflicts of interest through gifts.

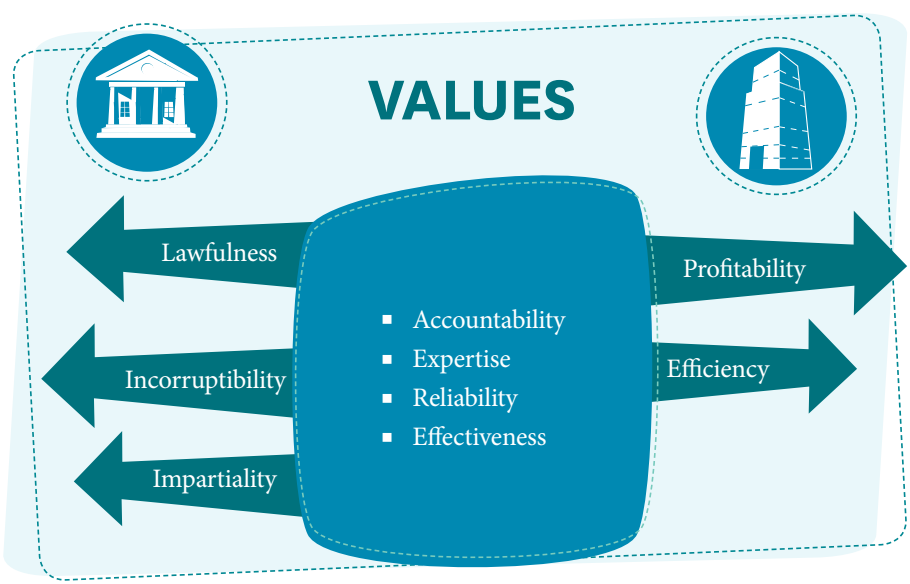
> "Another example of this is around performance management. An important thing is that you hold people accountable when the organisation's core values are not met, and that people should know there are repercussions."
>
> —Dr Peter Stevens, Chief Executive, GS1

Reinforcement and communication generate support and willingness of employees to report misconduct. This has a direct effect on the incidence and prevalence of unethical behaviour within organisations.

It is essential that a leader is strict and calls people to account when it comes to unethical behaviour that concerns organisational resources—for example, petty fiddling, falsely calling in sick, or abuse of organisational properties. Communication and openness to discuss ethical dilemmas seem most effective in reducing favouritism within the organisation and discrimination of citizens, clients, or customers outside the organisation.

ETHICAL LEADERSHIP ACROSS SECTORS

In a study among public, hybrid, and private sector leaders,[32] we found there are subtle differences in leaders' views on ethical leadership depending on the type of sector—and this might relate to existing differences in core values.[33]



For instance, private sector leaders placed more emphasis on honesty, which they saw as an important value in doing business. As Bruce Kohn, Chief Executive Officer, New Zealand Building Industry Federation, says, "Ethical behaviour means being straightforward and honest in all the dealings you have."

Public and hybrid sector leaders emphasised that ethical leadership requires an outward, societal focus, which is in line with the very nature of the organisational mission, and to the public service motivation of their employees.

Moreover, in public service organisations, ethical leadership should address ethics-related issues frequently and leaders should communicate explicitly in terms such as 'ethics' and 'integrity', related to the unique public sector values that include incorruptibility, lawfulness, and impartiality.

As Al Morrison, Chief Executive on Assignment, State Services Commission, says, "Our social license to operate is basically earning the trust and confidence, and then the respect of the public."

However, in private sector organisations, leaders often wanted to avoid these terms and preferred to use more implicit communication strategies. Private business ethical leadership is packaged more as professionalism and stresses the importance of quality, corporate social responsibility, or sustainability, instead of using the word ethics.

It seems worthwhile to better understand the sometimes subtle differences between types of organisations and industries, and to develop mutual understanding, especially if we want everyone to get on board. This is even more important in multinational businesses and international trade, when different moral values and norms come into play and where stakeholders and the public in different countries have different expectations of doing good, ethical business.

> "One of the things, when you talk to the business community on the topic of ethics, is the changing face of New Zealand and the fact that we are now operating in a global market doing business with countries and we are exporting to countries with a different cultural norm than ourselves. That is a challenge for us."
>
> —Kirsten Patterson, Chief Executive, Institute of Directors in New Zealand

WHAT TYPE OF ETHICAL LEADER DO WE NEED IN NEW ZEALAND?

Throughout this publication, strengths and weaknesses of ethical leaders and ethical leadership in New Zealand have been mentioned. We are in the best starting position with the number one ethical reputation in the world, we have a tradition of leaders who have strong personal values and integrity, and the relational approach of ethical leadership sits well.

In her PhD thesis, Dr Leonie Heres refers to five ideal types of ethical leadership:[34]

- moral motivators
- social builders
- safe-haven creators
- boundary setters
- practising preachers.

When we apply the types to the New Zealand context, we might argue that our leaders are typical moral motivators: authentic leaders with a strong moral character who inspire followers to behave ethically through role modelling. They may also be social builders, who create and maintain strong relationships with employees.

However, even though ethics systems are often in place, there is room for improvement when it comes to explicitly managing ethics within organisations. Julie Read, Chief Executive and Director, Serious Fraud Office, says, "I see it as follows: unless you put systems in place and have policies to establish proper governance, then there's a real risk. You need to be clear about what's expected, and you need to demonstrate that."

The profiles of the safe-haven creator and the boundary setter deserve more attention, because we need this ethical leadership as well.

> "Ethical leaders give honest feedback. Unfortunately, that avoidance of honest feedback is probably one of our ethical issues."
>
> —Lyn Provost, speaking from a personal point of view

We need to learn how to give honest and constructive feedback, and how to confront people, including managers, who are not meeting ethical standards.

Foremost, leaders have to create an environment with clear boundaries in which employees can safely discuss and report ethical problems and have room to make, and learn from, mistakes. It is important that leaders treat employees fairly, including when being called to account for transgressions. As Stephen Walker, Executive Director, Audit New Zealand, says, "It is important to talk about how we deal with things when they go wrong—that is also part of having an open conversation on ethics." This contributes to creating a safe and open working environment, where people can speak up, and where we can deal with integrity violations in the workplace more effectively.

ETHICAL LEADERSHIP NEW ZEALAND

PRACTISING PREACHER

- Ethics and integrity high on agenda
- Proactive and explicit communications
- Teaching and mentoring

BOUNDARIES SETTER

- Clarity about norms
- Honest feedback
- Sanctions for integrity violations

SOCIAL BUILDER

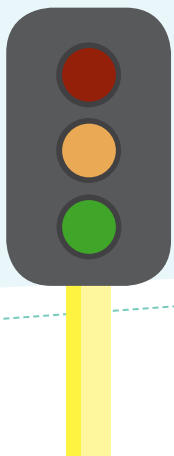
- Personal relationships
- Shared decision-making
- Loyalty, care, and support

SAFE-HAVEN CREATOR

- Approachability and openness
- Allowing room for mistakes
- Safety of reporting

MORAL MOTIVATOR

- Role-modelling ethics
- High personal integrity
- Leader authenticity



It is time to invest in the practising preacher, who actively puts ethics and integrity on the organisational agenda.

Suzanne Snively, Chair of Transparency International New Zealand, says that Transparency International has a checklist of seven things that people need to do:

1. Establish tone at the top that should be straight about maintaining an ethical culture.
2. Develop a code of conduct that defines values, and corruption.
3. Write a communications strategy, so that everybody knows what the values are across the whole firm.
4. Be up to date with the law.
5. Have sanctions, as well as giving people credit for doing good stuff.
6. Establish good training about the factors that support the integrity system.
7. Have a whistle-blower system.

Additionally, it is important to strive for greater diversity and inclusiveness in our leadership approach and in our leadership positions.

This will lead to workplaces in which everyone belongs, and where we all, with our different backgrounds, can contribute in a meaningful way, so that we can work collaboratively towards prosperity for all New Zealanders.

> "Ethical leadership goes through all levels of the organisation. It is not as simple as having ethical people on the board, or ethical CEOs, or an ethical senior leadership team. It actually has to translate all the way through."
>
> —Paul Brock, Former Chief Executive, Kiwibank

> "It's basically the understanding or the assumption that everybody has something to contribute in an organisation. It's not just the formal leaders at the board level, or even at the senior management level. But everyone has a view, and probably some creativity around how to make it better."
>
> —Heidi Börner, Director, Orange Umbrella

ACTIVITIES OF THE BRIAN PICOT CHAIR IN ETHICAL LEADERSHIP

"The Brian Picot Chair in Ethical Leadership was established with the purpose of strengthening Victoria Business School's capabilities in training, research, and support to communities of interest, and to improve the understanding and practice of ethical leadership in business, government, and community organisations in New Zealand."

— Emeritus Professor Bob Buckle, Former Dean of Commerce, Victoria Business School

TEACHING

- A massive open online course (MOOC) on ethical leadership launching 2019
- 'Crash courses' in ethics and ethical leadership at undergraduate level
- Teaching on the Master of Business Administration programme and the Victoria International Leadership Programme
- Supervision of Master's and PhD theses

PUBLIC DEBATE

- Seminars and public lectures from local and globally recognised leaders
- Hosting national and international conferences

The Brian Picot Chair in Ethical Leadership carries out activities relating to teaching, research, public debate, and support to the community. More information relating to each of these activities can be found at

www.victoria.ac.nz/ethical-leadership

RESEARCH

- Publications, professional articles, and academic publications
- New Zealand partner for London Institute of Business Ethics's global survey into Ethics at Work

COMMUNITY SUPPORT

- Working with the Brian Picot Chair in Ethical Leadership Advisory Board
- Sharing online resources
- Internal and external speaking opportunities for the Chair

"So where your role is so critical in getting ethics well embedded in the hearts and minds of the leaders of tomorrow, that is where it starts."

—John Sax, Chief Executive Officer, Southpark Corporation

"To point out for students that New Zealand has a reputation for integrity. So they have a role now, for the rest of their lives, to protect that reputation, in every way and everything they do."

—Suzanne Snively, Chair, Transparency International New Zealand

A MOOC with the theme of ethical leadership will be launched during 2019. Victoria University of Wellington is the first university in New Zealand to partner with prestigious online course provider edX, offering a variety of courses under the name VictoriaX. These interactive courses are free to study, and provide learners from across the globe access to the University's teaching and learning. This is an incredible opportunity for the Brian Picot Chair in Ethical Leadership to teach about ethical leadership to a global audience, for students to learn about our leading role in the world, and to engage students internationally to think about their ethical leadership challenges and opportunities.

"We just seem to miss, in my view, in our education system the application of those absolute principles in very simple situations, to taking them over to complex situations."

—Andrew Barclay, Chief Executive Officer, Goldman Sachs New Zealand

> "You need to have a solid foundation of the academic research, and it needs to be accessible by the population to be really of value to the nation moving forward."
>
> —Alistair Davis, Chief Executive Officer, Toyota New Zealand Ltd

'The Ethical Leadership Challenge in New Zealand' was the first research project for the Brian Picot Chair in Ethical Leadership, the results of which form the basis of this publication. Many of the interviewees spoke about the opportunities for academic understanding to be translated and disseminated more widely into business and political spheres.

> "There is a disconnect between how ethics is thought about in the academic world and how we actually put that into practice in the real world."
>
> —James Bushell, Director, MOTIF

In 2018, the Brian Picot Chair in Ethical Leadership was selected as the national partner, representing New Zealand, in the London Institute of Business Ethics's global survey into Ethics at Work. Seven hundred and fifty people within the New Zealand workforce were interviewed about ethical leadership and their views about ethics issues at work. This was the first time that New Zealand was part of this global research, providing New Zealand facts and figures about ethics at work and how we compare with other countries.[35]

> "The universities and academics have such an important role, because they can tell us where we are, rather than us thinking where we are."
>
> —Karen Thomas, Chief Executive, New Zealand Society of Local Government Managers

"Challenge the status quo and lazy thinking."

—Malcolm Alexander, Chief Executive, Local Government New Zealand

The Brian Picot Chair in Ethical Leadership runs a regular speaker series with high-profile, global leaders stimulating debate. Presenters have included José Ugaz, Past Chair of Transparency International; James Shaw MP, Co-leader of the Green Party in New Zealand; and Emmanuel Lulin, Global Senior Vice President and Chief Ethics Officer at L'Ore'al.

In April 2019, the Brian Picot Chair in Ethical Leadership will host, in Wellington, the fourth international Public and Political Leadership (PUPOL) conference, Collaborative Leadership for a Sustainable Future. The PUPOL group is an international academic network for public and political leadership researchers that aims to contribute to solutions and help societies and their leaders address challenges through scholarship, specifically focusing on the role of leaders and leadership in the public and political domain. The conference will be held at Te Herenga Waka marae on Victoria University of Wellington's Kelburn campus.

"I think universities have a role to promote debate and to stimulate debate … it is not enough just to be vocal, you have to be able to share global connections, and you have to be able to share information in a way that creates the debate."

—Paul Brock, Former Chief Executive, Kiwibank

PUPOL
Academic Network Public and Political Leadership

On 26 June 2018, Professor Lasthuizen presented her inaugural professorial lecture, Leading for Integrity, at Victoria Business School. The lecture can be viewed at www.victoria.ac.nz/leading-for-integrity

Professor Lasthuizen has worked with a range of organisations globally and is available to assist with training, research, and consultancy work within your organisation.

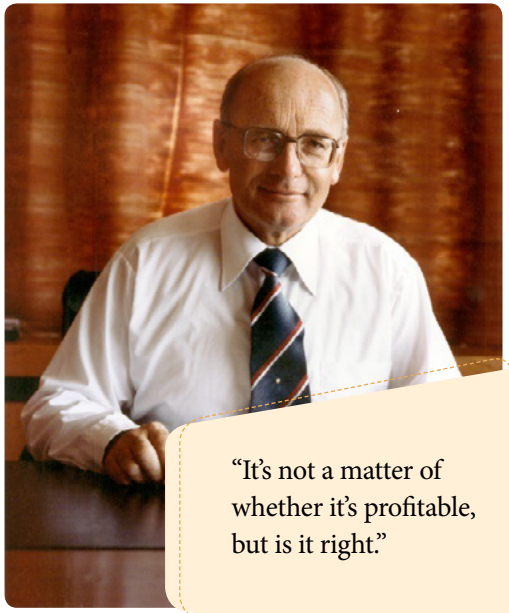
STAY IN TOUCH

We would like to continue our conversation with you about how we can lead for integrity in Aotearoa New Zealand, and beyond.

www.victoria.ac.nz/ethical-leadership

ethical-leadership@vuw.ac.nz

REMEMBERING BRIAN PICOT



"It's not a matter of whether it's profitable, but is it right."

BRIAN PICOT, 1921–2012

Following World War II, Brian Picot worked in the grocery industry and became known primarily for his work as director of the major supermarket company Progressive Enterprises, where he remained on the board until 1986. He was a director of New Zealand Forest Products and South British Insurance/New Zealand Insurance and served as director of unlisted S.C. Johnson Wax and Philips New Zealand Ltd in the late 1970s and during the 1980s.

Brian served the business community in many ways. He was Chairman of the Auckland Chamber of Commerce in 1975. Between 1977 and 1989 he was a member of the New Zealand Planning Council and from 1987 to 1998 he was a member of the Council of the University of Auckland, where he was also founding director of Uniservices, the business arm of the University of Auckland.

The editorial in the June 1960 *Busyness* magazine, the official magazine of the Independent Grocer's Association (IGA), quoted Brian when he retired from the IGA, and said his words (below) were symbolic of the motives that guided Brian's every action.

"There is an honour in business that is the fine gold of it, this regards kindness and fairness more highly than prices and profits."

In April 1988, Brian Picot chaired the government-appointed Taskforce to Review Education Administration. The *Tomorrow's Schools Report*[36] led to radical educational reform in New Zealand, in which schools became autonomous self-managing learning institutions run by a partnership between teachers and community and controlled by locally elected boards of trustees.

Brian Picot was inducted into the Fairfax Business Hall of Fame in 2001 and was made a distinguished fellow of the Institute of Directors in 2007.

Those who work within the Brian Picot Chair in Ethical Leadership are proud to be associated with Brian's name. People who knew Brian remember him as a modest person with a strong sense of ethics and concern for others.

LIST OF INTERVIEWEES

Richard Aitken

FORMER CHAIR
BECA

Malcolm Alexander

CHIEF EXECUTIVE
Local Government New Zealand

Andrew Barclay

CHIEF EXECUTIVE OFFICER
Goldman Sachs New Zealand

Judge Andrew Becroft

CHILDREN'S COMMISSIONER
Office of the Children's Commissioner

Heidi Börner

DIRECTOR
Orange Umbrella

Judge Peter Boshier

CHIEF OMBUDSMAN
Office of the Ombudsman

Paul Brock

FORMER CHIEF EXECUTIVE
Kiwibank

Tim Brown

HEAD OF CAPITAL MARKETS, REGULATION AND GOVERNANCE
Morrison and Co

Emeritus Professor Bob Buckle

FORMER DEAN OF COMMERCE
Victoria Business School, Victoria University of Wellington

Mike Bush

COMMISSIONER
New Zealand Police

James Bushell

DIRECTOR
MOTIF

Peter Chrisp

CHIEF EXECUTIVE
New Zealand Trade and Enterprise

David Cunningham

CHIEF EXECUTIVE
Co-operative Bank

Alistair Davis

CHIEF EXECUTIVE OFFICER
Toyota New Zealand Ltd

Justin Duckworth

BISHOP
Anglican Church

Rob Everett

CHIEF EXECUTIVE OFFICER
Financial Markets Authority

Fiona Ewing

NATIONAL SAFETY DIRECTOR
Forestry Industry Safety Council
Speaking from a personal point of view

Iona Holsted

SECRETARY FOR EDUCATION
Ministry of Education

Kirk Hope

CHIEF EXECUTIVE
BusinessNZ

Barry Jordan

LEAD PARTNER FORENSICS
Deloitte

Clare Kearney

DIRECTOR
South Port
CHAIR
Network Waitaki Ltd

Andrew Kibblewhite

CHIEF EXECUTIVE
Department of the Prime Minister and Cabinet

Bruce Kohn

CHIEF EXECUTIVE OFFICER
New Zealand Building Industry Federation

Jane Mitson

FORMER CHIEF ADVISER RISK, ASSURANCE AND INTEGRITY
New Zealand Customs Service

Al Morrison

CHIEF EXECUTIVE ON ASSIGNMENT
State Services Commission

Kirsten Patterson

CHIEF EXECUTIVE
Institute of Directors in New Zealand

Lyn Provost

FORMER AUDITOR-GENERAL
Office of the Auditor-General
Speaking from a personal point of view

Julie Read

CHIEF EXECUTIVE AND DIRECTOR
Serious Fraud Office

Abbie Reynolds

EXECUTIVE DIRECTOR
Sustainable Business Council

Dr Mike Ross

PUKENGA/LECTURER
Te Kawa a Maui / School of Māori Studies, Victoria University of Wellington

Dr Eleanor Sanderson

ASSISTANT BISHOP
Anglican Church

John Sax

CHIEF EXECUTIVE OFFICER
Southpark Corporation

Pat Shepherd

CHIEF DOER OF THINGS
One Percent Collective

Suzanne Snively

CHAIR
Transparency International New Zealand

Dr Peter Stevens

CHIEF EXECUTIVE
GS1

Annah Stretton

CHIEF EXECUTIVE OFFICER
Stretton Group

Karen Thomas

CHIEF EXECUTIVE
New Zealand Society of Local Government Managers

Jamie Tuuta

FORMER MĀORI TRUSTEE
Te Tumu Paeroa

Stephen Walker

EXECUTIVE DIRECTOR
Audit New Zealand

Sina Wendt-Moore

CHIEF EXECUTIVE
Leadership New Zealand

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