

Leadership, ethics and the workplace: an approach from the Book of Changes

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Abstract

One of the core questions for people wanting to live, work and lead ethically is how to do so in business environments that may be indifferent, ambivalent or even hostile to such values. And this endeavour to live ethically raises the questions: what is the basis for my actions? How do I act consistently? Is it possible to be both ethical and effective?

The Chinese Book of Changes (I Ching) presents the picture of the “superior person” who lives a centred, ethical life with both peacefulness and power. It is a tool for personal learning and growth in the midst of experience, offering insight into the inner truth of people and situations.

This session will explore some of the key concepts in the Book of Changes as a guide to working, leading and doing business in a spiritual and ethical way.

Introduction

This paper discusses a perspective on ethics in business and workplaces that is derived from the Book of Changes, or the I Ching. The I Ching is a Chinese book of divination and wisdom whose roots go back possibly five thousand years. The first commentary was written down by King Wen in about 1100BC, and Confucius contributed the Ten Wings commentary to it during his life, around 500BC.

Is it credible to suggest that such a source can be of help to leaders in the current business environment? We have seen books on leadership based on historical figures such as Napoleon and even fictional characters such as Winnie the Pooh and characters from Shakespeare’s plays. Sun Tzu’s *Art of war* has been applied to modern management.

Such books collectively suggest that there is a timeless aspect to the qualities of leadership, whatever the merits of the individual books. But they may also be popular simply because of their novelty value. Is an appeal to the I Ching just another novelty approach?

It is suggested here that the I Ching offers a framework of values and a way of thinking that is invaluable to leaders, that it is soundly based in the nature of humans and the universe, and it is in fact much broader than ethics: it presents a holistic picture of the effective leader. Discussions of ethics in business in our culture run the risk of treating ethics as necessary but nevertheless an additional burden on business. Ethics is seen as just one more thing that entrepreneurs have to worry about when they’d rather be making money. In contrast, the approach of the I Ching is that ethics is a core aspect of effective leadership.

Our society is also still overcoming the Milton Friedman dictum that “the only business of business is to maximise profits for shareholders”. Any discussion of ethics is futile as long as this furphy persists. The philosophy that underlies the I Ching shows us how unsound and poorly based this belief is.

Perhaps the biggest obstacle to a whole-hearted acknowledgment of the centrality of ethics in leadership is the belief that it is not possible to work or lead ethically as long as other people and businesses conduct themselves unethically. What does the I Ching have to say about this pessimistic outlook?

Then, if it is meaningful to apply the concepts of the I Ching in the business world, how does one use it in practice? What kind of ethics eventuates, and how is it integrated into the practice of leadership?

The ethical climate of the business world

It is accepted, even expected, nowadays that leaders espouse the rhetoric of doing business ethically. Most large corporations have their own code of ethics and/or statement of values. Although Australian corporations have not adopted codes of ethics to the same extent as US corporations, a significant proportion (around 30%) have (Batten et al, 1997; Farrell et al, 2002). This would suggest that these companies have legitimised ethics as an integral aspect of their actions and decision-making processes.

Moreover, most books on leadership assert that ethics and integrity are core qualities of leaders. So we would reasonably expect leaders to reflect this in their talk and exhibit these qualities in their actions.

However, evidence suggests that ethics is not “top of mind” for business leaders. The evidence emerges when you *don't* ask leaders about ethics, but simply ask them what is uppermost in their mind. A study by the Center for Creative Leadership (Martin, 2007) asked managers to indicate the three top skills they will need to be an effective leader in the future. The skill that headed the responses was collaboration (indicated by 49% of managers), followed by change leadership (38%), building effective teams (33%), and influence without authority (33%).

The skills that ranked at the bottom were ethical decision-making (8%) and credibility (9%). The survey report comments that these skills are deemed less important for the future. It is difficult to escape the conclusion that in practice, business leaders give little attention to ethics.

The business leaders whose companies have codes of ethics might argue that the existence of their codes proves that they take ethics into account. We know that this is not necessarily so. One of the great ironies of Enron's collapse in 2001 was that it had a large and well-funded ethics and compliance department: 150 staff and a budget of US\$30 million a year.

For some companies, the primary purpose of having a code of ethics and publicising it is to create the semblance in the public mind that the company acts ethically. Even where companies are genuine about producing a code, the code creates an institutionalised and legalised understanding of ethics. (The Farrell and Cobbin (1996) study of Australian codes of ethics found that lawyers were the predominant group sought out to formulate codes for companies.) It is another big step for managers and workers to incorporate ethical principles into their day-to-day business decision-making behaviour.

There are a few organisations in society who earn the reputation of being both up-front about their ethical commitment and consistent in their conduct, and whose business thrives, seemingly as a result. But for most organisations, the tensions between espoused ethical commitment and business practices are more apparent.

Farrell and Cobbin (1996) point out that many of the organisations which have adopted codes of ethics have devoted more energy to the formulation of the code than to any follow-up activities. They found a low rate of ethics training, or appointment of ethics officers or ethics committees, or available processes for employees to resolve ethical conflicts.

The influence of the “business is business” ideology

The business world conspires to limit the scope of ethics. The words of Milton Friedman (1962) are still recited today as if they are authoritative: “there is one

and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits”. The only qualification that Friedman placed on this maxim was that companies should operate within the law.

There is a certain irony in this when large corporations lobby to change the law to their advantage, and when they have significant budgets to employ corporate lawyers to fight legal actions against them. So we would be right to question the innocence of Friedman’s dictum, and of those who use it as a defence for ruthless and morally questionable conduct. Peter Drucker offered an alternative conception of the role of business in society when he said, in an even earlier book (1955), that profit is not the primary purpose of business. He defined the purpose of business as the creation of a customer who sees value in what the business offers. The function of profit is to validate the activities of the enterprise and enable it to continue.

Unless we weigh Drucker’s view against Friedman’s statement, which is better understood as an ideology, we will find little scope for ethics in business. If Drucker expresses a world that we would prefer to have, then it makes sense for people in business to operate ethically. This is to say that the question we need to ask is what kind of world we want to have. It is not a question of whether the world is “really” the way Friedman described it. We have to choose how we are going to live in the world, and what influence we are going to have on it. Better that we choose to live with the sense of human purpose that Drucker describes.

Although the problems in Friedman’s dictum have been exposed at length over many years, it is still routinely offered as a justifiable approach to business dealings today. This fact can be connected with the Dalai Lama’s observation that modern western society faces “growing confusion as to what constitutes morality and what its foundations are” (2000, p6).

James Kouzes (Kouzes & Posner, 2008) says that leaders have to demonstrate their credibility, but they also face pressure to focus on a clear direction for the future of the business. Little attention or sympathy is given to how the tensions between these often competing demands should be resolved.

Sims and Brinkmann (2003), in an analysis of Enron, point to leadership as the critical component of an organisation’s culture, because leaders can create, reinforce, or change the organisation’s culture. They say this applies particularly to an organisation’s ethical climate. Leaders exercise influence in a number of ways, one of which is through attention. What commands their attention will direct the attention of employees – what is praised, what is criticised, what is ignored.

If the leaders of the organisation place all the emphasis on the bottom line, employees will believe that financial success is the leading value to consider. In such a context, rules or morality are merely obstacles, impediments along the way to bottom-line financial success. Given that leaders influence attention, it is best that they articulate the values that are to characterise the organisation rather than leaving it unsaid and hoping for the best.

Helpless in the face of unethical competitors?

One of the most common objections that people in business raise about ethics is, what do you do when you have to compete against peers who act unethically? This is the argument used most often to justify business conduct that we would consider to be less than acceptable ethically.

What people say is, “I’d like to be ethical, but it’s just not possible in this business environment.” Given the turbulence that has characterised the business environment this year, and looks set to continue, that argument is likely to be heard more often than ever. In tough times, do you have to be ruthless in order to survive, even to the extent of resorting to dishonesty and attacking your competitors?

This is a corrosive belief. It imposes a feeling of helplessness on leaders and their organisations, and it makes any commitment to ethics conditional on the actions of external parties. The importance of the leader's role in defining the situation needs to be fully recognised. Their perspective and the words they use are critical in determining how employees behave, even to the extent of the imagination they apply to solving difficult business problems.

At the same time, the words leaders use reflect the importance of values in steering behaviour. Doug Lennick and Fred Kiel (2008), in their book, *Moral intelligence*, make the point that the executives who come through ethical crises are the executives who have previously made an explicit commitment to act ethically in their business life. The ones who haven't made this commitment are the ones who find themselves embroiled in shady dealings, for example, like the many executives at Enron who went along for the ride.

The I Ching

If it is true that our society faces growing confusion about morality, and leaders share in this confusion, what does the I Ching offer? The name "I Ching" is generally translated as the "book of changes". Change is an underlying concept in Chinese thought. The present is conceived of as the constellation of all the elements of a situation, and the movement of energy, at a particular point in time. Things are always becoming and disintegrating.

Wisdom lies in tuning into the possibilities of the present. Using the I Ching is not to submit to fate but to work actively with the spirit of the moment. The roots of the I Ching lie in oral traditions going back to a sage called Fu Xi, who devised the eight primary trigrams (three horizontal lines on top of each other, each of which may be yin or yang) possibly five thousand years ago.

The first written commentary dates from around 1100BC. It is attributed to King Wen, who is said to have written it while he was in prison, and who later became the first monarch of the Zhou dynasty. King Wen arranged the 64 hexagrams (all the combinations of two trigrams) and composed the judgements on the hexagrams. Later contributions were made by the Duke of Zhou, who was King Wen's son, and by Confucius. The commentaries that Confucius wrote are called the Ten Wings.

Originally the I Ching was a handbook for divination, yet it is better understood as a source of wisdom and guidance. It entered the west in the 1880s through a translation by James Legge. A translation by Cary Baynes was published in 1950; it translated into English the German version that Richard Wilhelm had produced in the early 1900s. This book carried a foreword by Carl Jung, and this book fostered the acceptance of the I Ching in the west.

Today there are many translations and interpretations of the I Ching, including an increasing number of versions from Chinese scholars. The I Ching was denounced as a book of feudalism and superstition after the Communists took over China in 1949, and reading it was not allowed. But translations of the book have spread throughout the East and found their way into the West. Archaeological discoveries and historical scholarship have revealed the layers of myth and meaning in the I Ching.

The book of changes is not intended to be read sequentially, but to be consulted in the context of a question. The I Ching is used to consider a question of current significance to the user – a question about themselves in relation to a situation. Three coins are commonly used, shaken and thrown six times to yield the six lines of a hexagram. There are 64 hexagrams in the I Ching.

Each hexagram has a name, an image and a judgement associated with it. The judgement and commentary on the hexagram obtained is read: the reading offers the I Ching's perspective on your situation and how you might respond to it.

Sometimes there are “moving” lines, which yield a second hexagram. The moving lines indicate how the situation is evolving.

Ethics and leadership in the I Ching

The images in the hexagrams and the commentary enable us to discern inner truth and to trigger a flow of transformative energy. The images and words articulate the way of Tao – the way of correctness and joy. To connect with the way is to experience meaning, joy, freedom, compassion and creativity. The superior person, or the noble one, is the person who cultivates an attunement to the inner truth of people and situations.

There are many images associated with the hexagrams, from the natural world and from society. The I Ching provides the reader with a rich playground of ideas and ideals on how to live both powerfully and ethically. As a tool it works at a conscious level and beyond our conscious mind, at an emotional and intuitive level.

For the most part, the philosophy in the I Ching is not expressed as a set of abstract propositions but in the form of images, vignettes and aphorisms. The philosophy is imbibed rather than deduced. What follows is a set of propositions that attempt to provide some insight into the *I Ching's* perspective on ethics, drawing on numerous translations and texts (Anthony, 1981; Karcher, 2003; Denning, 1995; Wu Wei, 2005; Legge, 1964; Wilhelm, 1975; Cheng Yi, 1988; Selter, 2002).

Yin and yang

The cosmology that infuses the I Ching is based on the oneness from which spring yin and yang – female and male energy. Yin is receptive force; yang is creative force. Their interaction gives rise to all things; they ebb and flow in a cycle of ceaseless change. Yin and yang complement each other. For example, yin is the intuitive, while yang is the intellect. Yin is earth and darkness; yang is heaven and light. “From the attractions they exert we can learn the nature of all beings in heaven and on earth” (31 Hsien, Influence).

It follows that our external circumstances are subject to ongoing change; worldly success is generally not permanent, and nor is adversity.

Humans (both male and female) have the forces of both yin and yang within them. As humans, we can choose to work with our circumstances to develop our character, following the path of the “superior person”. In contrast, the inferior person is egotistical, selfish, unethical, and focused on the lower instincts. The “superior person”, through his/her ability to distinguish the inner qualities of things and people, is able to modify the flow of circumstance. The “superior person” devotes him/herself to correctness, which concerns self-regulation, self-improvement and the service of others.

The wisdom in randomness

The *I Ching* consists of 64 hexagrams. The reader selects a reading for a particular circumstance through a randomised method. This may be an affront to western expectations of rationality. Yet, if the scope of our attention is opened up to the concerns of virtue ethics it has to be admitted that our questions include not only moral dilemmas but also questions that extend beyond the realm of morality, and here the rules of morality are of little assistance.

To illustrate, my concern may be whether to accept a particular job. This is not an inherently ethical issue. But even in matters involving ethics, elements of strategy and prudence arise. Suppose my concern is how to deal with my knowledge of a person in my company who is dealing illegally with clients’ funds. First, I know I can’t hide from the fact that it is illegal, as well as being against company rules. But then I have a number of options as to how to address the issue – talking to the person directly, talking to a manager, or going to the police. Each option may have

different outcomes in terms of the person, the company, myself, and what the *I Ching* calls "correctness".

This is the rich context of the *I Ching*. Ethics takes its place in the midst of politics, personal relationships and society. Its response to my question could be any of the 64 hexagrams. I accept that it is responding to the full context of my circumstances, and suggesting what is most productive to my character. There is unquestionably an ethical component, which will be consistent with the underlying philosophy. There are many lessons that are possible.

This is not a world of simple answers. It is a world where the goal is growing awareness, of others and their motivations, and of self. It is also a world with a constant message about what it takes to become a "superior person". The canvas is broader than ethics because to become a superior person we have to make choices about occupations, pastimes, relationships and projects as well as moral questions about right and wrong (most of which are not difficult to fathom, just difficult to carry out).

A moral outlook

The *I Ching* always assumes you understand the basics of moral responsibility, and have some level of self-awareness. For example, it says in various places: "renovate a corrupt situation", "act in accord with the spirits who activate a central principle in you", "drive out the old and open the field of the new", "communicate your message now; if you do not announce the message you will be cut off and isolated".

This kind of text may be vulnerable to scorn from an outsider's perspective. What needs to be borne in mind is that once the scope of attention is broadened beyond morality, we are out in the open without a map, and we have to make decisions on the strength of who we are in the moment. We are always cultivating our character, seeking to become a superior person.

The commentary on the hexagrams in the *I Ching* enables a person to view their situation from its cosmological perspective. Whatever it has to say to people in particular situations, its consistent message is about the nature of the world and the value of the quest to be a "superior person". And for that we have to have integrity, we have to be ethical towards others, and we also have to go beyond that – we have to lead by inspiring others to live in tune with their fellows and with the earth, to work in harmony with the spirit, and to ponder the heart's concerns.

The faith that underlies the *I Ching* is that if we are not desperate for any particular outcome, if we carry the trust that things will work out, then the universe will conspire to assist the return of light. There may be difficulties at the beginning, we may have to be patient, we may have to lie low when inferior people hold the ascendancy, but in the meantime we can cultivate our character and know that they will fall in good time. Rushing water dissolves obstacles, flowing on through danger.

The question for the superior person is: what nourishes the people? The *I Ching* is a ritual tool that nourishes the sage-mind: "The way to the source is open. Correct your stance through inner work." "Take up the battle. The spirit will carry you through."

If we were to reflect on the *I Ching* in terms of ethics and success, the truth conveyed is that the external trappings of success generally come and go. The ethically developed person can moderate this ebb-and-flow to some extent, but he/she cannot control it absolutely. What is important is that the peace of mind of the ethically developed person is not determined by external circumstance. When times are adverse, the superior person cultivates his/her character. Spiritual integrity is the constant whereby the superior person remains in tune with the universe.

Conclusion

The treatment of the *I Ching* in this paper is my personal interpretation, albeit informed by many others. The *I Ching* has been seen through many filters – German missionaries in China, Carl Jung, modern Chinese scholars and a multitude of westerners from a variety of disciplines. Exploring the *I Ching* is more like interpreting a painting than identifying a set of unimpeachable propositions. I believe it embodies a coherent philosophy of ethical leadership, that can be exercised appropriately in the contemporary business context.

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Personal profile

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Glenn has been a writer for CCH Australia publications on human resources for over ten years. He has contributed several chapters to CCH Australia's *Master Human Resources Guide* and he is the writer and editor for its information service, *Managing Training & Development*. He is also the editor of the Australian Institute of Training & Development's magazine, *Training & Development in Australia*. He has co-authored training manuals on coaching and mentoring with Margaret Stolmack.

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