

on short-term goals. The most important aspects of these orientations are based on the question:

### What can we reasonably expect of each other?

The answer: To not be unjustifiably harmed. This is the cornerstone of trust and responsibility. We need robust, generally consensual value orientations to sustain reliable expectations of behavior and conduct.

The fundamental obligation of any good leader is to develop, communicate, and exemplify such orientations. This requires multiple shifts of perspective:

- **Transform costs into investments:**  
The costs of responsible behavior are an investment in trust.
- **Do not only focus on your goals but also consider the side effects:**  
Good leaders consider the secondary effects of setting and reaching their own goals and how to best avoid harm – both in words and deeds.
- **Not only your perspective counts but also that of others.**

### Supporters of the Compass

The Ethical Compass for Good Leadership is the result of a dialog process. Over the course of ten months, the WCGE engaged some 500 national and international junior and senior executives. The supporters of the Compass include:

- Dr. Manfred Gentz**  
(former member of the government commission “Deutscher Corporate Governance Kodex”)
- Edeltraud Glänzer**  
(Industrial Union for Mining, Chemistry, Energy)
- Dr. Jürgen Hambrecht**  
(BASF SE)
- Prof. Wolfgang Huber**  
(retired bishop)
- Prof. Horst Köhler**  
(former German president)
- Prof. Klaus Leisinger**  
(Global Values Alliance)
- Prof. Andreas Pinkwart**  
(formerly of the HHL Leipzig Graduate School of Management)
- Dr. Richard Pott**  
(Covestro AG)
- Bodo Rodestock**  
(VNG AG)
- Prof. Burkhard Schwenker**  
(Roland Berger GmbH)
- Stephen Young**  
(Caux Round Table for Moral Capitalism)

### More information about the Compass

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### The Ethical Compass for Good Leadership

Practicing ethical behavior is an investment. And investing means: I am doing something that will cost me time or money and requires a short-term sacrifice of immediate benefits. Why? To reach my goal: long-term benefits – future prosperity.

The disparity between profit orientation and morality is not an irreconcilable chasm, but can be yoked: investment bridges the gap.

Ethical behavior is an investment in trust. Trust is the foundation of long-term cooperation for mutual benefit. But collaboration is never free of conflict. It is an intricate balancing act and the tension from either side forms the basis of a code of ethics applicable to everyday life. It is the magnetic field of the ethical compass.

### Why do we need an ethical compass?

Globalization, digitalization, and technological advancements open up new possibilities for a better world. At the same time, they pose unprecedented, new historic challenges to humankind: disruptive change, growing complexity, environmental threats, and increased competition for resources.

Today, more than ever, we are at risk of losing sight of important common value orientations by focusing

# The Ethical Compass for good Leadership



## The Ethical Compass at a Glance

Four directions and everything is spinning? You know where you stand and you know where you want to go. What separates you from reaching your goal is the journey – obstacles, pressure from various sides, economically attractive shortcuts, etc. Which direction should you go? Acting responsibly means keeping your promises: to your staff members, investors, society. Step by step ...

1. We all agree that social development requires good leadership, and good leaders need an ethical compass.

2. The fundamental principle of an ethical compass of good leadership is: Do no harm. Sounds negative? Do not forget the field of tension we operate in: ethics is an investment. An investment in a better world.

3. The needle pivots between the four cardinal directions of **freedom, embeddedness, respect, and self-restraint**. Too abstract? In fact, it is very simple:

- **Freedom**  
You choose your direction: You are free to choose your goal but you also want to use your freedom responsibly.
- **Embeddedness**  
The analysis will help you understand the positive and negative impacts of your actions in advance. We are connected to the world – everything we do has consequences: for others and beyond this day, this quarter, this year. Recognize your social

and temporal embeddedness.

- **Respect**  
This is an attitude you have to find within yourself, it is not imposed on you from the outside: respect other human beings, functions, and responsibilities. The principle: Do no harm – including to yourself!
- **Self-restraint**  
The implementation: Each decision for something is also a decision against something else. When you act in a self-determined way, you decide where to draw the line. Self-restraint is the basis of your freedom to invest in better cooperation.



4. A compass is worthless if you don't use it. In a business environment, the ethical compass can be a flexible tool for leaders for shaping

- the cultural context: »purpose« and values, integrity, and established traditions (»understanding the game«),
- the institutional context: governance and compliance structures, incentive and remuneration systems (»rules of the game«),
- the strategic and operative context: aligning and explaining processes and decisions (»moves in the game«).

A practical code of ethics for everyday use needs role models, who exemplify that taking on entrepreneurial responsibility is an investment in social cooperation. With clear, convincing words and credible commitment.

Are you ready for a change of perspective?

»Ethical behavior is an investment in trust.

Trust is the foundation of long-term cooperation for mutual benefit.«