

Certificate In Advanced Studies in CORPORATE SOCIAL RESPONSIBILITY  
University of Geneva 2008

**Business Ethics as an Enabler of Corporate Social  
Responsibility: An Organisational Learning and  
Knowledge Management Approach to Participatory  
Business Ethics**

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## **Summary**

This paper analyses research in business ethics and corporate social responsibility to bring forward the benefit of adopting an organisational learning and knowledge management approach to business ethics in organisations. This benefit lies in that business ethics enables corporate social responsibility in organisations, which in turn creates conditions for these organisations to better address demands and opportunities in their business environment and therefore optimise their profitability. The paper further outlines an organisational learning and knowledge management approach to business ethics. In this, it has four parts, as summarised below:

### **1. Concept and Importance of Business Ethics**

What is an ethical organisation? Is having a Code of Ethics enough? Is the “mainstreaming” of a code of ethics enough? What would “mainstreaming” mean, in this case? How can this be most effective and useful to an organisation and its stakeholders and can it enhance corporate social responsibility and therefore, and presumably, profitability?

This paper discusses answers to these questions in an effort to understand the exact importance of business ethics to organisations and how organisations can better harness the potential of business ethics for themselves and society. In this, the paper draws on research evidence as well as on facts and figures available in the online space and media today.

### **2. Transformative Potential of Business Ethics**

The paper argues that business ethics is of great importance to organisations because business ethics carries the potential of transforming organisations’ cultures in accordance with principles of social responsibility. Such a transformation of organisational culture can lead to a transformation of the organisation towards not only better management of stakeholder relations but also and more fundamentally innovation in how organisations do profitable business. In other words, such a transformation can put organisations on a path which combines social responsibility and profitability in a way not only reactive but also proactive to problems and challenges in their environment, therefore carrying the beneficial transformations to the larger context in which

they operate. In this way, business ethics can be an enabler of organisations' corporate social responsibility.

### **3. Why Business Ethics as an Enabler of Corporate Social Responsibility?**

The need for transformations such as the ones discussed in part 2. carries some urgency nowadays, because of the growing realisation that humanity has been using, or some would say devastating, the Earth resources as if there were more than one planet for humanity to inhabit<sup>1</sup>. The urgency of such transformations is further amplified by the current rapidly spreading globalisation, as well as by "society's growing awareness of the faults of some businesses, combined with business's own errors"<sup>2</sup>. And, I argue such transformations can not take place UNLESS organisations adopt an organisational learning and knowledge management approach to business ethics. If they were to do this, business ethics would become an integral part of organisational culture and a driving force behind what the organisation does. In this way, business ethics would be an enabler of corporate responsibility, in a way which transforms culture, leadership and business so that these are good for society.

### **4. Organisational Learning and Knowledge Management Approach to Business Ethics**

After arguing for the need for an organisational learning and knowledge management approach to business ethics, this paper suggests, more specifically, such an approach. The approach combines organisational learning and knowledge management in a sequential way:

a. It starts with adopting a 'learning view' of the organisation, its stakeholders and its environment and analysing how business ethics fits, does not fit, and should fit, with the rest of the systems in order to be transformative to the organisation in line with social responsibility.

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<sup>1</sup> According to the World Wildlife Fund, humanity's footprint first grew larger than global biocapacity in the 1980s; this has been increasing every year since with demand exceeding supply by about 25% in 2003. (World Wildlife Fund Living Planet report, 2006, p. 16.).

<sup>2</sup> Hopkins, M., (2003), *The Planetary Bargain: Corporate Social Responsibility Matters*, EarthScan Press, ISBN 1853839736, 9781853839733, p. 15.

b. After having specified how business ethics should, and would, fit with the rest of the organisational systems, the approach proceeds to implement this through knowledge management methods and tools (such as focus groups, peer assists, communities of practice, e-communities, knowledge networks, stakeholder engagement and online stakeholder engagement<sup>3</sup>). This is so that the organisation, as a whole, learns the business ethics principles through an intended and beneficial change in the organisation's culture. The result of this would be distributed leadership in the organisation inspired by the business ethics principles having been, and being, learnt, or mainstreamed.

The paper concludes with the need to field-test the suggested organisational learning and knowledge management approach to business ethics and see whether its application would indeed lead to an appropriate, continuous and profitable enabling of CSR in organisations.

## **1. Concept and Importance of Business Ethics**

What is an ethical organisation? Is having a Code of Ethics enough? Is the "mainstreaming" of a code of ethics enough? What would "mainstreaming" mean, in this case? How can this be most effective and useful to an organisation and its stakeholders and can it enhance corporate social responsibility and therefore, and presumably, profitability?

### **1.1. Business Ethics and Profitability**

To begin with, business ethics is profitable for organisations. As Friedman<sup>4</sup> points out, 'the social responsibility of business is to increase its profits'. And so, adhering to business ethics is not a mere issue of compliance with law;

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<sup>3</sup> The nature of stakeholder engagement, as well as the rise in its use by companies, also due to the growth of the Internet, are discussed by Business for Social Responsibility, (2003), Stakeholder Engagement Issue Brief, Copyright 2001-2008 to Business for Social Responsibility. <http://www.bsr.org/research/issue-brief-details.cfm?DocumentID=48813>

<sup>4</sup> Friedman, M., (1970), *The Social Responsibility of Business is to Increase its Profits*, New York Time Magazine, September 13, 1970; reprinted in Beauchamp, T., and Bowie, E., (1997), *Ethical Theory and Business*, Prentice Hall, p. 56.

rather, because it can contribute towards profitability, it is also an opportunity of utmost importance that organisations should fully use in order to be on a continuous path of growth and profitability.

In his famous essay of 1970, Friedman further criticises the “widespread aversion to “capitalism”, “profits” and the “soulless corporation”, pointing out that these three are in fact the very foundations of free markets and free society. Meanwhile, “... it may well be that in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees ... reduce the wage bill or lessen losses ...” (p.36). In other words, such approaches and actions on behalf of organisations are not motivated by “social responsibility”, or business ethics, but rather by what is part of good, and profitable, business.

It follows from this that a profitable organisation is also an ethical organisation, because of the important role stakeholders play in the bringing about of profitability. Unless treated in an ethical manner, stakeholders who are internal to the system of the organisation (employees) will be in no long-term position to generate profits for themselves and the organisation. And, unless their expectations and concerns are addressed, stakeholders who are external to the system of the organisation (customers, governments, amongst others) will be unwilling to participate in it as part of processes that lead to profits, and increasing profits, of the organisation. In this way, *there is all reason why business ethics would be integrated with organisational behaviour and decision-making.*

Furthermore, Sargent notes that “...in the literature on business ethics, the tension that is evident between the proponents of business on the one hand and ethics on the other, seems to lie in the perception that there is an inherent balance or trade-off between following ethical practices and making profits; i.e. more of one automatically leads to less of the other in some kind of inverse

proportion. While many businessmen could probably offer convincing support for this widespread perception, there is actually an abundance of evidence in the wider literature that overwhelmingly refutes this view.”<sup>5</sup>. For example, most recently, KPMG showed consumers are willing to reward the firms that they do trust to deliver environmentally friendly products, with 42 per cent claiming they were prepared to pay up to £10 a week extra for green goods or services on their weekly shop<sup>6</sup>. In addition to this, Trudel and Cotte demonstrated that consumers were willing to pay a slight premium for the ethically made goods and would go much further in the other direction, i.e., they would buy unethically made products only at a steep discount.<sup>7</sup> To frame such evidence, Lazslo and Nash<sup>8</sup> specify the notions of ‘ethical leadership’ and ‘return on ethics’. They further specify that business ethics is beyond Codes of Ethics and codes of business ethics. Rather, it is a ‘conduct of business that enables a company to optimize its returns to shareholders, employees, customers, business partners, local communities and the environment. It is a dynamic standard for pursuing profitability and growth that allows future generations an equal opportunity for growth and development.’

Such evidence and theory leads me to believe that business ethics does pay higher profits to organisations and businesses. And so, understanding what business ethics is, which is what I try to do in the first section of this paper, as well as approaching this from a learning and knowledge perspective, which is what I try to do in the following sections, is very important for organisations to better leverage business ethics in what they do and be as profitable as they wish to be.

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<sup>5</sup> Sargent, T., (2007), “Towards an Integration in Applied Business Ethics: The Contribution of Humanistic Psychology”, *Electronic Journal of Business Ethics and Organisation Studies*, Vol. 12, No. 2, published by Business and Organisation Ethics Network, [http://ejbo.jyu.fi/articles/0401\\_3.html](http://ejbo.jyu.fi/articles/0401_3.html) .

<sup>6</sup> Singh, R., (2008), “Sceptical Consumers Prove Green Business Has a Long Way to Go: KPMG survey Reveals Many Consumers Remain Unimpressed by Corporate Efforts to Limit Environmental Impacts” *BusinessGreen.com*, Jul1st 2008, <http://www.businessgreen.com/business-green/news/2220439/sceptical-consumers-prove-green> .

<sup>7</sup> Trudel, R. and Cotte, J., (2008), ‘Does Being Ethical Pay?’, in *MIT Sloan Management Review*, posted May 12, 2008, <http://sloanreview.mit.edu/wsi/insight/brand/2008/05/12/>

<sup>8</sup> Lazslo, C., and Nash, J., (2007), ‘Six Facets of Ethical Leadership, an Executive’s Guide to The New Ethics in Business’, *Electronic Journal of Business Ethics and Organisation Studies*, Volume 12, No. 2.

## 1.2. Codes of Ethics as an Instrument of Business Ethics

Nowadays, many organisations have Codes of Ethics. More and more organisations go through the process of creating such Codes as well as through efforts of implementing them<sup>9</sup>. Presumably, ethical behaviour of organisations could be judged by whether this organisation has a Code of Ethics and how this organisation applies it. ... Is this the case?

In general, there seem to be criticisms of codes of (organisational or corporate) ethics (as already noted by Laszlo and Nash<sup>10</sup> in the previous section). Think of Enron. They had a Code of Ethics. Did it work? It certainly did not. Enron had a 65-page long Code of Ethics which was given to all employees. As Steiner and Steiner<sup>11</sup> note, its pages read about obeying the law, treating customers fairly and avoiding conflict of interest. There is nothing in Enron's Code of Ethics about specific ethical principles and values of the organisation, as well the social responsibility of Enron to communities. Most importantly, even as it was, the Code of Ethics was ignored by Enron's top executives. A closer look at it<sup>12</sup> shows that Enron's Code of Ethics was exclusively about protecting Enron's interests rather than about cultivating values, virtues and ethical norm approaches in those who are part of the organisation. In other words, if Codes of Ethics are important in organisations' ethical behaviour, then it is not just about having one but also about what is there in it. It certainly would also be about how it is used and *learnt* by the organisation, in other words, it should not stay in the document, but through a learning process, become part of the hearts and minds of those who work in and form the organisation<sup>13</sup>.

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<sup>9</sup> Miller, W., (2004), *Implementing an Organisational Code of Ethics*, International Business Ethics Review, Volume 7, Issue 1. <http://www.business-ethics.org/newsdetail.asp?newsid=50> .

<sup>10</sup> Laszlo, C., and Nash, J., (2007), *Six Facets of Ethical Leadership*, an Executive's Guide to The New Ethics in Business, , *Electronic Journal of Business Ethics and Organisation Studies* ,Volume 12, No. 2.

<sup>11</sup> Steiner, G., and Steiner, J., (2005), *Business, Government and Society: A Managerial Perspective*, McGraw Hill Professional, p. 592.

<sup>12</sup> Arbogast, S., (2007), *Resisting Corporate Corruption*, M and M Scrivener Press, p63.

<sup>13</sup> The importance of approaching Codes of Ethics and business/organisational ethics from a learning organisation perspective is, as already explained, the subject of this work and will be further discussed and elaborated upon later in this paper.

A further criticism of Codes of Ethics is that these are often nothing more than compliance codes aimed at meeting the barest of legal requirements. And, a compliance code is a straightforward statement about do's and don'ts<sup>14</sup> which, by its nature, would fall short of creating conditions for the building of values and virtues in the organisation, as part of a way of the organisation's culture and approach to business. Such values and virtues would help to make decisions in circumstances in business life that are challenging and ambiguous, with which business is abundant, whereas legal compliance rules would not.

This leads us to conclude that the mere existence of a Code of Ethics in an organisation can not, in any way, be a prerequisite for ethical behaviour on behalf of this organisation. As Miller<sup>15</sup> points out: "Simply writing and distributing a code document to employees is ... insufficient to reap the many *potential* benefits an organization can gain by rolling out a code document in a thoughtful and effective way. By dropping a legal-based code on the desks of employees, organizations are likely do little more than waste precious time and resources." In other words, despite that Codes of Ethics can be an instrument of business ethics, this is an instrument which organisations may fail to use in order to deliver on its potential.

### **1.3. Ethical Organisation?**

The above make it clear that business ethics is of great importance to good business, and that it can not be contained within a Code of Ethics.

*And so, then, how can an organisation be ethical?*

I argue an ethical organisation is one which has virtues and values built upon ethical principles at the very bottom of its corporate culture, as well as normative approaches to implementing such values and principles, and which behaves according to them and so justifies its behaviour<sup>16</sup>. I also argue that

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<sup>14</sup> Mitchell, C., and Curry, J., (2003), *International Business Ethics*, World Trade Press, p.93.

<sup>15</sup> Miller, W., (2004), *Implementing an Organisational Code of Ethics*, International Business Ethics Review, Volume 7, Issue 1. <http://www.business-ethics.org/newsdetail.asp?newsid=50> .

<sup>16</sup> Evidence and argument in support of this statement are further explored in the rest of part 1 of this paper.

an organisation becomes ethical through the mainstreaming of such virtues, values, and principles in the culture of the organisation.

*And, is there a role for Codes of Ethics in organisations being ethical?*

Clearly, a Code of Ethics is not enough for an organisation to be ethical, as noted above. Having a Code of Ethics and distributing this to all employees does not mean they will understand it and identify with it. The difference between using Codes of Ethics as instruments of compliance as opposed to instruments of cultivation of ethical behaviour should be made. Importantly, for the latter, the Codes of Ethics should rest on ethical principles and norms and be an instrument with which those principles and norms are brought in the culture, approaches and therefore behaviour of the organisation.

### **1.3.1. Ethical Style as an Enabler of Business Ethics**

To explore this further, we may think that an ethical organisation is one that behaves ethically. A number of different approaches to and definitions of what is ethical behaviour exist in the literature. For example, Solomon<sup>17</sup> refers to the notion of an ‘ethical style’ underlying all ethical behaviour. This ethical style is grounded in “virtues” that influence judgement and action. Geuras and Garofallo<sup>18</sup> further refer to ethical behaviour as the intersection between attitudes, beliefs and values which define our perspective as we act and judge others’ actions. Geuras and Garofallo take the notion of “ethical style” to specify its idiosyncrasy and individuality. In other words, different people have different ethical styles, just as they have different learning styles, different personalities, etc. According to these authors, people are unaware of their ethical style until they take the time to examine their thoughts and actions.

We may think that organisations, like people, have ethical styles too, as part of the thinking and feeling of the organisation, in other words, as part of the organisational culture. Indeed, some research by Lovell shows that, in organisations, ethical behaviour, or lack of such, is “only infrequently a

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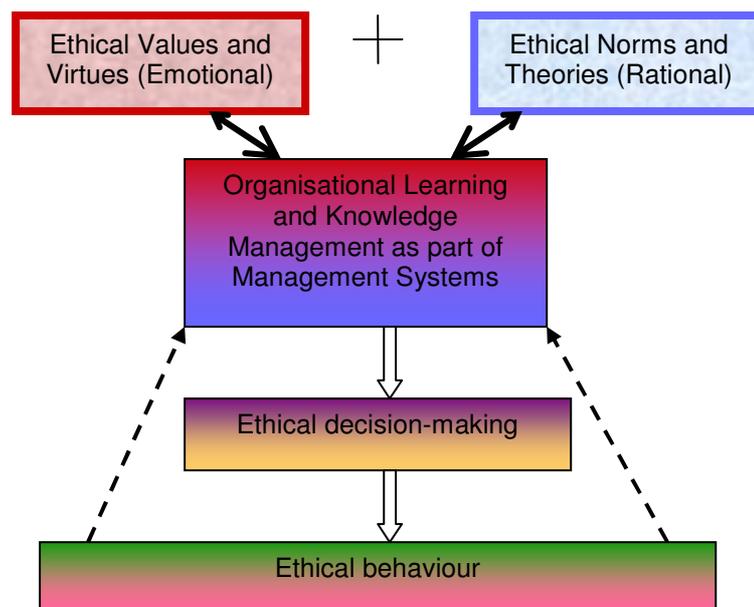
<sup>17</sup> Solomon, R., (1999), as referred to in Geuras, D. and Garofallo, C., (2005), *Practical Ethics in Public Administration*, p. 194.

<sup>18</sup> Geuras, D. and Garofallo, C., (2005), *Practical Ethics in Public Administration*, p. 194.

function of personal values”<sup>19</sup>. Rather, this appears to be generated by externally generated pressures. In Lovell’s research, personal values appear to be different than organisational values, in fact opposing one another. From this, we can infer that individual ethical styles may be quite different from organisational ethical styles, as well, and possibly often at conflict with one another. If this were to be true, then how would we make sure the ethical style of an organisation is one which fully aligns with business ethics, per se? Apparently, high personal values are not enough for an ethical organisation.

### 1.3.2. Normative Theories to Help Ethical Decision-Making

In addition to the above argument, having ethical values and virtues that are shared across the organisation is, still, insufficient for an ethical organisation. Ethical styles, as well as an overall ethical style, would come about after values and virtues are blended with normative theories for construing ethical decisions<sup>20</sup>. As part of organisational behaviour, we can think of values and virtues being relatively more emotional, whereas normative theories being relatively more rational. Integrating organisational learning and knowledge management approaches to business ethics as part of the organisation’s management systems would give rise to ethical behaviour, as illustrated below:



<sup>19</sup> Lovell, A., (2002), ‘Ethics as a Dependent Variable in Individual and Organisational Decision Making’, *Journal of Business Ethics*, Volume 37/2, pp145 – 163. (p.145)

<sup>20</sup> Schotsmans, P., (1999), ‘Personalism in Medical Ethics’, *Ethical Perspectives*, Volume 6, Issue 1.

In particular, the above illustrates how existing Ethical Values and Virtues (Emotional) would blend with existing Ethical Norms and Theories (Rational) to result in on-going organisational learning and knowledge management, motivated by both of the above, as part of management systems. This would give rise to ethical decision-making, and ethical behaviour, as part of the organisation's business. The process of organisational learning and knowledge management, although driven by the values and virtues and norms and theories, would also be feeding back into them to continuously change how these are understood individually and collectively in the organisation. The process of ethical behaviour would be doing the same, by feeding back into the process of knowledge management and organisational learning, and directly into the values and norms. Albeit merely theoretical, such a perspective helps to understand how ethical behaviour would arise in organisations via organisational learning and knowledge management, as a result of an interplay among virtues, values, theories and norms.

### **1.3.3. Mainstreaming of Business Ethics**

The above perspective is further informed by the nature of business ethics mainstreaming. Mainstreaming of Codes of Ethics, and business ethics, is an issue little looked at in the literature despite of its importance and relevance to organisational learning. Grosser and Moon<sup>21</sup> define "mainstreaming" as the combination between "political" and "technical" (i.e., leadership vs. monitoring, evaluation and reporting) in the context of gender mainstreaming in organisations. Business ethics mainstreaming is also defined as a long-term process of change on behalf of organisations to respond, adopt and incorporate issues at stake. In other words, this would be a change in the perception and cognition of organisations with a view towards more ethical organisational behaviour<sup>22</sup>.

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<sup>21</sup> Grossner, K. and Moon, J., (2004), Gender Mainstreaming and Corporate Social Responsibility: Reporting Workplace Issues, No. 27-2004 *ICCSR Research Paper Series* – ISSN1479-5124.

<sup>22</sup> Crane, A. and Matten, D., (2007), *Business Ethics: Managing Corporate Citizenship and Sustainability*, Oxford University Press, p.518.

Based on the above, if we can think of business ethics mainstreaming as *the combination between a soft approach of inspirational leadership and a technical approach of monitoring, evaluation and reporting*. If those two were applied (preferably in parallel) in an organisation, the result would be an integration of business ethics in the culture and operations of the organisation, i.e., as part of organisation approaches, behaviours and decision-making. In this way, the result would be the organisation having learnt how to use and project ethical values, motivations and approaches in its work.

The above definition, albeit compelling, could be very difficult to put into practice and achieve. In fact, how business ethics would be more than a Code of Ethics in organisations, i.e. mainstreamed in the organisations' culture and operations, is informed by research taken from the field of organisational strategy. The human factor in strategic decisions has been noted by Roxburgh<sup>23</sup>. In particular, he notes that organisations (in Roxburgh's research – companies) must recognize the impact of behavioural economics on profitability and address the challenges posed by cognitive biases and agency problems. In other words, concentrating power in the hands of a few in an organisation is not at all profitable because it disables it from integrating in and understanding its environment. In a similar way, a centralised approach to business ethics, in terms of concentrating authority and ethical judgement in the hands of a few would not create conditions for an ethically learning organisation. A new approach to organisational thinking and behaviour, one in line with distributed and not so much centralised leadership, would enable business ethics, as in fact any other function, to be mainstreamed effectively and so with a positive impact on profitability because of the higher focus on stakeholder needs, expectations and welfare. Distributed cognition in interconnecting problems and solutions in organisations is what is key for them to work well in the global political economy.<sup>24</sup> Based on this, we can

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<sup>23</sup> Roxburgh, C., 2006, The Human Factor in Strategic Decisions, *The McKinsey Quarterly* member edition, <http://www.mckinseyquarterly.com/Strategy/Strategic Thinking/The human factor in strategic decisions 1731> (online edition) .

<sup>24</sup> Roxburgh, C., 2003, Hidden Flaws in strategy, *The McKinsey Quarterly* member edition, <http://www.mckinseyquarterly.com/Strategy/Strategic Thinking/Hidden flaws in strategy 1288?gp=1> (online edition): In earlier research, Roxburgh pointed out that human decision-making in organisations is inherently flawed if standing on the principle of rational, rather than behavioural economics. Human

conclude that an organisation can not take ethical decisions unilaterally, by rather multi-laterally, i.e., in the context of distributed leadership and decision-making.

## **2. Transformative Potential of Business Ethics**

In this section, it is argued that business ethics carries the potential of transforming organisations' cultures in accordance with principles of corporate social responsibility. Such a transformation of organisational culture can lead to a transformation of the organisation towards not only better management of stakeholder relations but also and more fundamentally innovation in how organisations do profitable business. Such an innovation, via the very organisational culture from which it would have been initiated, would be not only profitable for the company, but also beneficial for society. In this way, business ethics can be an enabler of organisations' corporate social responsibility.

### **2.1. Business Ethics are Participatory**

In his book "The Emergence of Leadership: Linking Self-Organisation and Ethics", Griffin <sup>25</sup> discusses the potential of business ethics to enable and drive beneficial transformations in organisations. Griffin notes that traditional business ethics is based on the idea that the leader of the organisation is outside of its system as an autonomous individual. Griffin argues that, rather, a new notion of ethics needs to be developed, one which is not so much about control and more about enabling, not so much about organisation survival and much more about organisation participation. We can see how this means a shift in the very way in which we understand the notion of organisation today and how this leads to the notion of business ethics being perceived as a construct that is continuously co-created. We can also see

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decisions are biased by over-confidence, herding instincts and false consensuses and so if only a few people have power to make them the organisation will constantly err. Based on this research, it is concluded that centralised power can not be adequate in enabling a profitable organisation. It follows from this that an organisation can not take ethical decisions unilaterally, but rather multi-laterally, i.e., in the context of distributed leadership and decision-making.

<sup>25</sup> Griffin, D., (2002), *The Emergence of Leadership: Linking Self-Organisation and Ethics*, Routledge, p.39 .

how this means a shift from the three “C”-s to the three “I”-s<sup>26</sup>, i.e., a shift from Command, Control and Compliance to Initiative, Imagination and Innovation. This new notion of business ethics is, understandably, participatory in terms of how its content is constructed. Mission, shared vision and commitment to the whole will be of increasing importance to the future formulation of business ethics in organisations in a way that is a continuum, more about a process of ethics and less so about content.

## **2.2. Business Ethics are a Gateway for Transformations**

In this way, business ethics can be a gateway to beneficial transformations in organisations. On the other hand, and in a cyclic sort of a way, such transformations would be essential for business ethics to stick in organisations and work in terms of creating better, socially responsible and environmentally sustainable organisations, in this way more profitable organisations. As Visser<sup>27</sup> puts it across:

“ The field of what is variously known as CSR, sustainability, corporate citizenship and business ethics is ushering in a new era in the relationship between business and society. ”

“... we are shifting from the old concept of CSR - the classic notion of "Corporate Social Responsibility", which I call CSR 1.0 - to a new, integrated conception - CSR 2.0, which can be more accurately labelled "Corporate Sustainability and Responsibility" ...”

Visser points out that this new concept of CSR is much more participatory in its formation as opposed to previously. He further points out that businesses still practicing CSR 1.0 (and in this way, business ethics 1.0) will be left behind rapidly as they fail to integrate in the globalising marketplace and political economy we are facing, and living in, today. In this way, we can see how an approach to business ethics which is inherently participatory is needed for organisations to, above all, be in a position to enable CSR 2.0, or

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<sup>26</sup> As mentioned by Gary Howe, Director of Strategic Planning at the International Fund for Agricultural Development, during a recent Net Impact Europe Conference (June 2008).

<sup>27</sup> Visser, W. (2008) CSR 2.0: The New Era of Corporate Sustainability and Responsibility, CSR Inspiration Series, No. 1.

which I will call Participatory CSR. Such an approach, which could be labelled Participatory Business Ethics, is what I explore on the final section of this paper.

### **3. Why Business Ethics as an Enabler of Corporate Social Responsibility?**

The need for transformations such as the ones discussed in part 2. carries some urgency nowadays, because of increasing pressures related to global warming and climate change<sup>28</sup>. The urgency of such transformations is further amplified by the current rapidly spreading globalisation, and, most importantly, by “society’s growing awareness of the faults of some businesses, combined with business’s own errors”<sup>29</sup>. And, I argue such transformations can not take place UNLESS organisations adopt an organisational learning and knowledge management approach to business ethics. If they were to do this, business ethics would become an integral part of the organisational culture and a driving force behind what the organisation does. In this way, business ethics would be an enabler of corporate responsibility, in a way which transforms culture, leadership and business so that these are good for society.

#### **3.1. Relationship between CSR and Business Ethics**

There is little in the literature to infer about and/or illustrate the relationship between business ethics and corporate social responsibility. This may be because the two are often seen as intimately related in a way almost bespoke. It could also be because CSR encompasses business ethics as a key component, and therefore intermittently discusses its nature<sup>30</sup>. Still, Sims<sup>31</sup> points out that good business does not necessarily mean good ethics. I would

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<sup>28</sup> According to the World Wildlife Fund, humanity’s footprint first grew larger than global biocapacity in the 1980s; this has been increasing every year since with demand exceeding supply by about 25% in 2003. (World Wildlife Fund Living Planet report, 2006, p. 16.) .

<sup>29</sup> Hopkins, M., (2003), *The Planetary Bargain: Corporate Social Responsibility Matters*, EarthScan Press, ISBN 1853839736, 9781853839733, p. 15.

<sup>30</sup> Hopkins, M., (2008), personal communication.

<sup>31</sup> Sims, R., (2003), *Ethics and Corporate Social Responsibility: Why Giants Fall*, Greenwood Publishing Group, p. 21.

add that good ethics (if properly mainstreamed, as discussed previously) does mean good corporate responsibility and from thereon - profitability. High ethics, high corporate responsibility and good business can co-exist. As already pointed out on page 4, the more ethical an organisation is, the higher chance for it to be also responsible, sustainable, and profitably so<sup>32</sup>.

Sims further points out the need for a stakeholder approach to corporate social responsibility which is ethical and participatory, in other words, a stakeholder approach to corporate socially responsible behaviour. This is in line with Visser's comments<sup>33</sup> discussed earlier about the need to move from CSR 1.0 to CSR 2.0, i.e., a CSR which is participatory within and among the organisation, other organisations and stakeholders. In addition, CSR 2.0 would, by the nature of this stakeholder participation, harness the power of Web 2.0 technologies and approaches to bring CSR into the increasingly popular realms of Web 2.0.

### **3.2. CSR 2.0: Business Ethics as Organisational Culture**

Here, there is the need to expand on the notion of Participatory CSR (or "CSR 2.0" as discussed in part 2.). Participatory CSR is about a process of constructing corporate social responsibility and not so much about content. Content is important as much as it is part of the process. It follows from this that having the appropriate process, as part of Participatory CSR, in place, is paramount to ensure the relevance and usefulness of the content with respect to the CSR which is being constructed. Distributed and not centralised knowledge and information are key to Participatory CSR. As already pointed out in 2.2., Participatory Business Ethics are the very fabric via which Participatory CSR would be enabled in organisations. Furthermore, a CSR measurement framework should always measure processes of social

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<sup>32</sup> ...From the point of the view of business ethics, an anti-racist organization culture not only increases profits but also enhances enterprises ability to carry their communal responsibility for the society in which they operate. The business world is not an autonomous sphere disconnected from the surrounding society. On the contrary, it has a close relationship with the functioning of society and the well-being of citizens ...', Sinonen, T., (2007), Racism and Business Ethics, *Business and Organisation Ethics*, Volume 12, No 2.

<sup>33</sup> Visser, W. (2008) CSR 2.0: The New Era of Corporate Sustainability and Responsibility, CSR Inspiration Series, No. 1.

responsiveness (in terms of business environment scanning, stakeholder engagement and management of stakeholder relationships, and issue management) in addition to considering principles of social responsibility (which we may think would be contained in a Code of Ethics) and outcomes of social responsibility (Hopkins, 2005<sup>34</sup>). In other words, participatory and distributed processes which incorporate and actively use CSR ethical values and principles are paramount to achieving positive social responsibility results, though a culture of Participatory Business Ethics.

Visser’s understanding CSR 2.0 (Participatory CSR) is illustrated below for reference<sup>35</sup>:

<b>Web 2.0</b>	<b>CSR 2.0</b>
Being defined by watchwords like "collective intelligence", "collaborative networks" and "user participation".	Being defined by "global commons", "innovative partnerships" and "stakeholder involvement".
Tools include social media, knowledge syndication and beta testing.	Mechanisms include diverse stakeholder panels, real-time transparent reporting and new-wave social entrepreneurship.
Is as much a state of being as a technical advance - it is a new philosophy or way of seeing the world differently.	Is recognising a shift in power from centralised to decentralised; a change in scale from few and big to many and small; and a change in application from single and exclusive to multiple and shared.

It follows from this that Participatory Business Ethics, as part of Participatory CSR, would be about decentralised and not centralised knowledge, as well. Furthermore, Participatory Business Ethics would be the set of dispositions and behaviours which would enable Participatory CSR happen within and among organisations, as well as more widely as part of the conception and development of all sorts of interactions. In other words, as part of such framework, business ethics and organisational culture are one and the same. We should note that this will be a more and more pronounced pressure for change on companies as Web 2.0 takes stronger and firmer hold of our societies and civilisations. As Dimitriadis<sup>36</sup> notes, consumers are increasingly

<sup>34</sup> Hopkins, M., (2005), Measurement of Corporate Social Responsibility, *International Journal of Management and Decision Making*, Vol 6/3,4, pp 213 – 229.

<sup>35</sup> Visser, W. (2008) CSR 2.0: The New Era of Corporate Sustainability and Responsibility, CSR Inspiration Series, No. 1.

<sup>36</sup> Dimitriadis, Z., (2007), Business Ethics and Corporate Social Responsibility in the e-Economy: A Commentary, *Electronic Journal of Business Ethics and Organisation Studies*, Vol. 12/2 .

more important than manufacturers in the new digital economy which shifts attention and public pressure towards social responsibility of organisations:

“Just as the industrial economy gradually evolved from the agricultural economy, so the industrial economy is currently giving way to the emerging digital economy. In the new economy technology becomes the dominant factor of wealth generation "rather than land, labour and particularly capital", whereas "information and its proper management through information technology are making the difference and separating the winners from the losers".

In this way, the increasing pressure on organisations to be more and more socially responsible in their business will more and more push them to be inherently (i.e., in terms of organisational culture) , rather than just superficially (i.e., in terms of only Codes of Ethics), ethical.

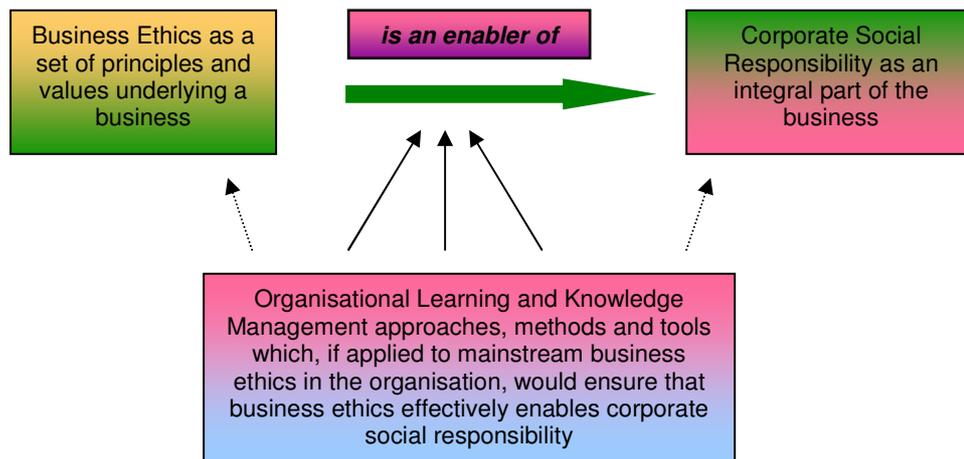
### **3.3. Business Ethics Enables Stakeholder Engagement**

This brings us to think that CSR is about engaging with stakeholders whose needs, wants and expectation can no longer be ignored. And, such engagement, for it to be successful, would have to be initiated and conducted over channels of communication that are receptive to what stakeholders and organisations may need and want as they interact. Unless ethics, and business ethics, underlies such channels of communication from the point of view of dispositions and readiness to absorb information, such communication would be ineffective. As already pointed out in the first section of this paper, such dispositions and readiness to absorb information would be motivated both by ethical values and virtues, and ethical norms and theories. These would be part of how an organisation “feels” and “thinks”, for it to be receptive to and engaging with stakeholders.

From this point of view, it is not difficult to see the importance of business ethics as an enabler of CSR: unless organisations are inherently ethical, they would not be in a position to properly engage with their stakeholders; their attempts at corporate social responsibility would be insincere, even if

organisations do not realise this, and ineffective, as stakeholder engagement which brings the company to understand and learn about stakeholder needs and expectations would not take place.

The below diagram further illustrates this:



#### **4. Organisational Learning and Knowledge Management Approach to Business Ethics**

The final section of this work suggests a way in which business ethics can be integrated in organisations via an organisational learning and knowledge management approach.

##### **4.1. Participatory Business Ethics**

The previous three sections bring us to the need for an organisational learning and knowledge management approach to business ethics. Such an approach is here called Participatory Business Ethics approach in analogy with Visser's notion of CSR 2.0, or what I would call Participatory CSR. Arguments in previous sections show that, if approached in this way, business ethics can enable corporate social responsibility, and have a positive impact on profitability.

Participatory Business Ethics is about constructing the notion of business ethics in a participatory way, both bottom-up and top-down, in organisations. The participatory construction of this notion would be about all which form part of the notion, i.e., both ethical values and virtues and ethical norms and theories. This would be done continuously and incrementally as well as bring together needs and expectations of stakeholders not merely from within but also outside of the organisation. Like Participatory CSR, Participatory Business Ethics would be about a new way of understanding and approaching stakeholder relations – through a *process* which is distributed (i.e., not centralised) and continuous. Furthermore, in line with organisational learning and knowledge management, the focus of Participatory Business Ethics would be on a process of continuous co-creation of values and understandings about ethical behaviour, rather than a fixed system of such to be implemented. In this way, Participatory Business Ethics would be inherent to organisations in ways that make it part of the organisation's culture. A Participatory Business Ethics approach can be part of bringing about Visser's CSR 2.0<sup>37</sup>, which I also call Participatory CSR.

#### **4.2. Knowledge Management in Support of Organisational Learning**

In order to understand the organisational learning and knowledge management approach to Participatory Business Ethics, it would be important to first understand the relationship between organisational learning and knowledge management. These are not one and the same. Gorelick, Milton and April<sup>38</sup> define knowledge management as a method for organisational learning. Clearly, knowledge management puts in place contexts, processes and technologies which make organisational learning possible. These authors further define the two concepts like this:

“Organisational learning represents a dynamic synergy between people, actions, symbols, and processes in an organisation.” (p.26)

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<sup>37</sup> Visser, W. (2008) CSR 2.0: The New Era of Corporate Sustainability and Responsibility, CSR Inspiration Series, No. 1.

<sup>38</sup> Gorelick, C., Milton, N., and April, K., (2004), Performance Through Learning: Knowledge Management in Practice, Butterworth-Heinemann .

“Knowledge management programs, processes and tools support organisational learning and address more than the sum of the knowledge of each member of the organisation or the sum of individual learnings ... individual learning is not sufficient to produce the systematic knowledge required for organisational survival and growth. ” (p.27)

In other words, these authors consider the organisational complexity vis-à-vis people, thoughts, symbols, actions, and processes to enable organisational learning IF AND WHEN leveraged via knowledge management. Such learning would take place through knowledge management methods and tools creating conditions for people to share knowledge and learn from each other. In this, organisations are living organisms<sup>39</sup>, like people. They have a feeling, thinking and behaving on their own, in fact such that may not always correspond with the feeling, thinking and behaving of the individuals who form, and are part of, the organisation but which should for learning in any organisation to take place in a sustainable way<sup>40</sup>. A Participatory Business Ethics approach takes this into account by adopting an organisation view (learning and system view), then an individual person view (learning and knowledge view), all as part of vision and processes to effect change in the culture of the organisation, and business.

#### **4.2.1. Organisational Learning - Initiating Transformations**

The Participatory Business Ethics approach starts with adopting a “systems view” of the organisation, its stakeholders and its environment and analysing how business ethics fits, does not fit, and should fit, with the rest of the systems in order to be transformative to the organisation in line with social responsibility. I explain what I mean by this below.

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<sup>39</sup> Senge, P., Scharmer, O., Jaworski, J., and Flowers, B. S., 2008, *Presence: Human Purpose and the Field of the Future*, Bantam dell Pub Group, ISBN:0385516304.

<sup>40</sup> Gorelick, C., Milton, N., and April, K., (2004), *Performance Through Learning: Knowledge Management in Practice*, Butterworth-Heinemann .

#### 4.2.1.1. Five Steams of Organisational Activity

In his book "The Fifth Discipline", Senge puts across the concept of organisational learning as five streams of organisational activity happening together in organisations<sup>41</sup>:

**PERSONAL MASTERY** – Individual learning about reality

**SHARED VISION** – Ability to bring about group interest and enthusiasm in order to carry out activities and programs, rather than compliance

**MENTAL MODELS** – Assumptions and generalisations which enable processing of information, dealing with complexity and taking of action

**LEARNING IN GROUPS AND TEAMS** – Collective construction of ideas and approaches, thinking together through challenging and deconstructing of individual assumptions

**SYSTEMS THINKING** – Understanding phenomena in terms of their total context and relationships among the different parts, as well as how affecting one part affects all others without planning for it to do so

In other words, a learning organisation would be about all of these five streams of activity happening in parallel and flowing in and out of each other. Furthermore, in terms of corporate social responsibility, the above streams of activity would take place not just within the organisation, but also among this and other organisations and stakeholders (as discussed in section 3.3 of this work). As Giri and DallMayr<sup>42</sup> point out, there is a need for rethinking systems. And, in rethinking systems, there is the need to move away from undemocratic power to radical democracy. I.e., power should be transformative and non-dominating as part of webs of relationships which constitute self and society.

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<sup>41</sup> As described by <sup>41</sup> Gorelick, C., Milton, N., and April, K., (2004), *Performance Through Learning: Knowledge Management in Practice*, Butterworth-Heinemann, p.26 .

<sup>42</sup> Giri, A. K., and DallMayr, F., (2002), *Conversations and Transformations: Towards a New Ethics of Self and Society*. , Lexinton Books, page 278 .

#### **4.2.1.2. Five Streams of Organisational Activity Incorporating Business Ethics**

How would such understanding inform our Participatory Business Ethics approach? It is obvious that Senge's learning organisation is about a process of learning about information, so that this becomes knowledge, and doing this together in organisations. Participatory Business ethics would have to be part of all of the above streams of activity in order to be fully and strongly integrated in the organisation as well as in how this organisation interacts with the outside and learns accordingly. In the continual construction of what doing business in an ethical way means, business ethics would also have to deconstruct the traditional notion of power in order to enable a Participatory Business Ethics which is, so to say, non-hierarchical, fluid and across the organisation and organisations.

Here is how Participatory Business Ethics would play in terms of Senge's five organisational activity streams:

**PERSONAL MASTERY OF BUSINESS ETHICS** – Individual learning about what ethics is, ethical values, principles, virtues, norms and behaviour, in the context of the organisation's business, and vice-versa

**SHARED VISION INCORPORATING BUSINESS ETHICS** – Have concern and consideration for all stakeholders when carrying out projects and programs, this motivated by ethical principles, values, virtues and norms at the bottom of decision-making

**MENTAL MODELS BUILT ON BUSINESS ETHICS** – Have and use assumptions and generalisations which enable processing of information, dealing with complexity and taking of action in a manner which corresponds with ethical principles, values, virtues and norms

**LEARNING IN GROUPS AND TEAMS WHICH IS CONTEXTUALISED BY BUSINESS ETHICS** – Collective construction of ideas and approaches from the point of view of ethics (and related values, virtues and principles), thinking together through challenging assignments and deconstructing individual assumptions through the prism of business ethics, learning continuously

about what ethical behaviour is in the context of the organisation and its stakeholders

### **SYSTEMS THINKING INCORPORATING BUSINESS ETHICS** –

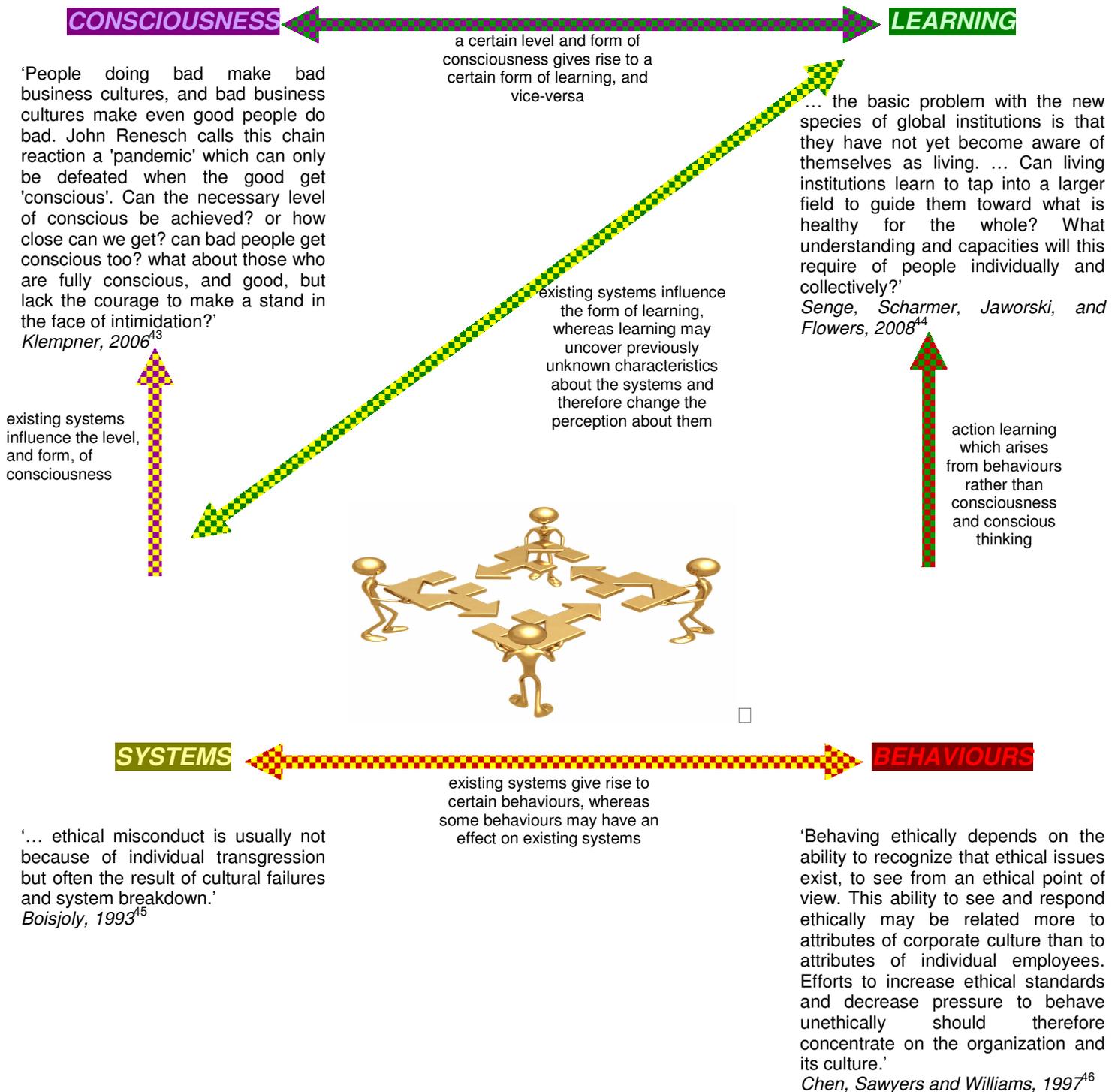
Understanding phenomena in terms of their total context and relationships among the different parts, as well as how business ethics is/should both imbue the total context and be an integral part

The above, apart from describing Participatory Business Ethics, can also constitute a framework for enabling, as well as evaluating, Participatory Business Ethics in organisations.

#### **4.2.1.3. Ethical Learning Organisation**

Whereas the previous section alludes to how *organisational learning itself* happens via the prism of business ethics, this section aims to bring forward how the *organisation itself* happens, via organisational learning through the prism of business ethics and with this organisational learning as one key process to its existence.

There has been a lot of literature on the nature of the learning organisation (and Senge's view on the learning organisation was already discussed in previous sections). Here, I will not go into this, but rather illustrate, through the power of a schema, my understanding of the components of a learning organisation. Furthermore, in order to bring this forward as an understanding of what an *ethical* learning organisation is, I will base this schema on quotes that speak of challenges confronting business ethics in organisations today. This will help to understand how organisational learning, inclusive of business ethics, takes place in the bigger, and learning, organisation:



<sup>43</sup> Klempner, G., 2006, Editor’s Note, *Journal of Philosophy for Business*, Issue Number 31. <http://www.isfp.co.uk/businesspathways/issue31.html> .

<sup>44</sup> Senge, P., Scharmer, O., Jaworski, J., and Flowers, B. S., 2008, *Presence: Human Purpose and the Field of the Future*, Bantam dell Pub Group, ISBN:0385516304 .

<sup>45</sup> Boisjoly, R.M., 1993, "Personal Integrity and Accountability." *Accounting Horizons*, Issue Number 7 / 1 .

<sup>46</sup> Chen, Y., Sawyers, R., and Williams, P., 1997, "Reinforcing Ethical Decision Making Through Corporate Culture", *Journal of Business Ethics*, Issue Number 16/8 .

In particular, the above integrates learning (and the learning organisation) together with consciousness, systems and behaviours. The relationships amongst all these which dynamically constitute a learning organisation are also explained. An explanation of consciousness, learning, systems and behaviours follows below and builds on Senge's model of organisational learning:

**CONSCIOUSNESS** - Individuals learn together in organisations which cultivate a certain level, and way, of consciousness.

**LEARNING** - This learning, which creates conditions for a certain level, and way, of consciousness, happens in the context of systems within the organisation and among itself and other organisations.

**SYSTEMS** - In other words, the systems are the institutional and relational conditions which cultivate a certain level, and way, of consciousness in organisations.

**BEHAVIOURS** - In the end, the systems, learning and consciousness give way to certain, and not other, behaviours of those who are part of the organisation. These also give way to a certain behaviour the organisation adopts as it interacts with the world outside.

How would this be Participatory Business Ethics? If there were to be *not just* a learning organisation, but also a learning organisation which learns through the prism of business ethics, then there would be ethical consciousness, systems, and behaviours instituted in the organisation. A learning organisation does not mean this is ethical, per se, in fact could be quite the opposite. This is why bringing business ethics and organisational learning together, to enable ***an ethical learning organisation***, are of paramount importance to ensure corporate social responsibility is appropriately enabled and carried out as part of consciousness, systems and behaviours in organisations.

How would Senge's organisational learning model and the model I propose here (which integrates learning as part of the bigger organisation<sup>47</sup>) be not just enabled, but also instituted as organisational process(es)? How would Participatory Business Ethics, with its participatory nature, be implemented in organisations and integrated as part of the relationships among organisations and stakeholders ...? The next and final section explores this from the point of view of knowledge management.

### **4.3.2. Knowledge Management – Implementing the Initiated Transformations**

After having specified how business ethics should fit with the rest of the organisational systems, consciousness and behaviour, the approach proceeds to implement this through knowledge management methods and tools. This is so that the organisation sets on a path of continually learning about business ethics values, principles and virtues through an intended and beneficial change in organisational culture. The result of this would be continually constructing the notion of ethics and challenging traditional/conventional notions of power. In this way, and continually, there would be distributed leadership in the organisation inspired by the business ethics principles, values and virtues being participatorily constructed.

#### **4.3.2.1. Participatory Business Ethics, Knowledge and Technologies**

In their work, Katsoulakos, Rutherford and Zevgolis define strategic CSR learning and knowledge management as an approach that aims to harness organisational capabilities and resources towards optimised corporate sustainability performance:

“Strategic CSR Learning and Knowledge Management is defined as an approach aimed at delivering user-oriented CSR learning services utilising organisational knowledge as a learning resource and contributing to the

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<sup>47</sup> The relationship between Senge's model of organisational learning and the further model of organisational behaviour being advanced here should be noted, and understood. Senge's learning takes places as part of interactions of, and within, organisational consciousness, systems and behaviours.

development of strategic knowledge-based capabilities required for attaining optimised corporate sustainability performance.”

In other words, these authors refer to the need to harness organisational and individual knowledge in order to achieve learning about bettering corporate sustainability. In order to harness this knowledge, they suggest the use of a set of knowledge management and e-learning tools and methodologies. Certainly, a Participatory Business Ethics approach rests on the same need to harness organisational and individual knowledge towards an organisational culture of corporate sustainability. And so, we can think it would use the same set of knowledge management and e-learning tools and methodologies in order to be implemented in organisations.

These authors list a number of methodologies and tools (below). Amongst those, they mention: collaborative solutions, collaborative education, distance learning, extranets, intranets, expertise directories, knowledge audits, knowledge harvesting, learning objects, lessons learnt, mentoring, open learning, open-space technologies, peer-to-peer networks, knowledge networks, communities of practice, e-communities, storytelling, simulations, role-plays, wikis.

Finally, Katsoulakos and his colleagues further pinpoint the importance of experiential learning to knowledge management as the best way through which people can share knowledge and learn new knowledge is when they make active contributions to a larger process. It follows from this that all knowledge management methods and tools should rest on the principle of participation and shared experience, in order to enable experiential learning and organisational learning as described in the previous section. Certainly, a Participatory Business Ethics approach should rest on the same principles and understandings and could, by all means, use the same methods and technologies.

#### **4.3.2.2. Knowledge Management Methodologies and Tools Enabling Experiential Learning about Participatory Business Ethics in Organisations**

Based on the work of Katsoulakos, Rutherford and Zevgolis, as well as on work conducted by the Consultative Group on International Agricultural Research <sup>48</sup>, below are listed a few knowledge management (KM) methodologies and tools which could be used to mainstream Participatory Business Ethics in organisations based on Senge's learning organisation framework. These are:

**PERSONAL MASTERY OF BUSINESS ETHICS** – Individual learning about what ethics is, ethical values, principles, virtues, norms and behaviour, in the context of the organisation's business, and vice-versa.

##### **Suggested KM methodologies:**

**Good Practices** of business ethics can be gathered and put on organisations' intranets. This would be in line with the promotion of ethical values, norms and principles, as well as Codes of Ethics, in the organisation. Learning about good practices of business ethics would dispose individuals to construct their own ideas about ethical values, norms and principles. A considerable part of this construction of ideas would take place in the context of discussing with others who are in the organisation.

**Ethical dilemma peer-assists** could help individuals in the organisation who are faced with ethical dilemmas discuss those with peers who are faced with/have been faced with similar and/or the same ethical challenges. Good practices could also be shared in the context of such peer-assists. These could also be conducted electronically.

##### **Suggested KM tools:**

**Discussion forums** on extranets/intranets can help to enable on-line (supported by face-to-face) discussions about ethical issues, dilemmas, purpose of the business, ideas and solutions on how to make this more and as ethical as possible.

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<sup>48</sup> CGIAR have developed a knowledge sharing methods and tools toolkit which, according to the author, is currently one of the best and most widely accessible. <http://kstoolkit.wikis.cgiar.org/>.

**Blogs** can help personal reflection about ethical dilemmas and asynchronous sharing of such reflections.

**SHARED VISION INCORPORATING BUSINESS ETHICS** – Have concern and consideration for all stakeholders when carrying out projects and programs, this motivated by ethical principles, values, virtues and norms at the bottom of decision-making.

**Suggested KM methodologies:**

**Regular briefing and debriefing** can help to express and share the motivation and reasoning behind decision-making. Regular briefing and debriefing can help to achieve agreement on what values and virtues, as well as norms and principles, motivate the organisation at large in its business.

**Stakeholder Engagement** practices, like **focus groups**, can serve to bring the organisation's employees closer to all stakeholders in an attempt to understand their needs and expectations. Such an understanding across the organisation, supported by visionary leadership, could be key to enable shared values, norms and principles at the bottom of the organisation's business. Here, the nature of the organisation's leadership is paramount, as unless this *enables* values, norms and principles which are ethically motivated, the culture of the organisation could stray in the opposite direction.

**Suggested KM tools:**

**Discussion forums** which host online discussions on issues related to, for example, stakeholder engagement, organisational Codes of Ethics, value statements, amongst just a few, can help to cultivate shared values and opinions as part of the organisation's business. These can, also, enable and facilitate geographically distributed discussions of norms that would help solve ethical dilemmas encountered as part of the business of the organisation. Provided that such online discussions are skilfully and appropriately facilitated, these can be very powerful in enabling a shared vision incorporating business ethics in the organisation.

**E-communities**, these being discussion forums with added features, such as digital libraries, online resources, member profiles and member directories, amongst others, can be another platform via which to explore the values

which motivate those who are in the organisation's business. E-communities can be set up for different purposes in the organisation, depending on where interests lie. Interactions and discussions as part of them can uncover different opinions on stakeholder challenges and ethical dilemmas encountered as part of the business. In this way, these can provide further incentive for people to share and construe the same vision about what ethical means and is to the organisation.

**Online stakeholder engagement** in the context of discussion forums, google and yahoo groups, etc., can add to or completely replace face-to-face stakeholder engagement. The advantage of it is that many more stakeholders can be engaged on-line than face-to-face, because of the flexibility inherent to online interaction.

**Blogs** can make a strong contribution to the forming and evolving of organisational culture. Although by nature non-participatory, their potential to influence collective thinking is enormous. Discussing ethical values, virtues and norms on blogs and how these would take the organisation on a path of more and more prosperity can greatly inspire hearts and minds in the organisation to do business ethically and responsibly.

**MENTAL MODELS BUILT ON BUSINESS ETHICS** – Have and use assumptions and generalisations which enable processing of information, dealing with complexity and taking of action in a manner which corresponds with ethical principles, values, virtues and norms.

**Suggested KM methodologies:**

**Critical Moments Reflection** is individual and group reflection about those significant moments as part of the business when key shifts in the work have taken place. Critical Moments Reflection can be very useful to identify circumstances in the business environment which have triggered a deep and instant understanding of challenges and opportunities presenting the business. It can also help to identify emotions and thoughts that have led to appraising those challenges and opportunities in a particular way, consistent with the values of the organisation, and thus uncover ethical notions and principles used as part of such appraisals.

**Storytelling** is communicating complex notions and meanings through the power of (often simple and clear-cut) stories. Storytelling could help to illustrate, and communicate, good practices about the business. Provided that such good practices have a substantial contribution by business ethics, stories about them can be useful to enable the creation of mental models built on business ethics, as well as mainstream those in the culture of the organisation.

**Mindmapping** is mapping the chain of thought when construing the knowing of something, and new knowledge. In organisations, mindmapping can help to illustrate individual learning resulting in mental models about the business environment. Mindmapping can further help to show when and how in the thought process business ethics becomes an integral part of the mental models later used to process information and understand the business environment. In this way, mindmapping can make the organisation and individuals in it better aware of how they understand the business environment and whether this understanding is grounded in ethics, or not.

**Suggested KM tools:**

**Data visualisation tools** can help with the Critical Moments Reflection and Mindmapping methodologies. **File libraries and file sharing** can further add to this, as well as enable and support storytelling. **Podcasting** can be a powerful support to all of the above, especially storytelling. **Discussion forums** and **e-communities** can help to not only disseminate, but also encourage storytelling from everyone in an organisation, supporting this with documents, tools, and other evidence.

**LEARNING IN GROUPS AND TEAMS WHICH IS CONTEXTUALISED BY**

**BUSINESS ETHICS** – Collective construction of ideas and approaches from the point of view of ethics (and related values, virtues and principles), thinking together through challenging assignments and deconstructing individual assumptions through the prism of business ethics, learning continuously about what ethical behaviour is in the context of the organisation and its stakeholders.

**Suggested KM methodologies:**

**Knowledge Networks** can provide a context in which peers and stakeholders can share and learn from each other in an environment which is characterised by trust and openness. Being semi-formal, knowledge networks could be enabled by organisations as a way of supporting participatory and two-way communication among the organisation's employees and stakeholders.

**Communities of Practice**, being less formal than knowledge networks, can be another forum of learning in groups and teams in the organisation, both among employees and among them and other stakeholders. This learning would, always, be an opportunity to explore issues and take decisions within an ethical business framework. In such a way, ethical business-making can be cultivated within and from within such communities.

**Suggested KM tools:**

**E-communities, blogs, discussion forums, digital libraries, file sharing, social networking sites, and social bookmarking** can all support learning in groups and teams within an ethical business framework. These tools can be technical supports, in some cases enablers, of both knowledge networks and communities of practice. Importantly, the use of these tools should not be random but well integrated with the KM methodologies.

**SYSTEMS THINKING INCORPORATING BUSINESS ETHICS** –

Understanding phenomena in terms of their total context and relationships among the different parts, as well as how business ethics is/should both imbue the total context and be an integral part.

**Suggested KM methodologies:**

**Network Mapping** can help to picture relationships among formal and less formal networks within and outside of organisations. Relationships among the systems members of these networks belong to can be inferred, as well as wider implications such carry with them, in terms of how those systems interact and what the ethics of the business are and should be. Knowing this can lead to actions to optimise some relationships, create new ones and/or approach some of them with caution, depending on the business environment, the business goals and any ethical considerations. Based on this, network

mapping can help to initiate changes in the systems and structures of the business environment towards business that better meets the needs of stakeholders.

**Critical Moments** can help to picture and convey how moments of “presence”<sup>49</sup> come about in individuals and organisations, such moments being powerful catalysts for beneficial systemic changes, i.e., transformations. Revelations conveyed through Critical Moment reflections can help to figure out elements of importance in bigger systems and evaluate these from a business ethics point of view in order to inform actions and way forward. In this way, Critical Moments can help to teach, and cultivate, a systems-thinking mindset in an organisation inspired by an ethical way of looking at business.

**Ethics Knowledge Fairs** can push and pull codified and experiential knowledge about business ethics in the organisation, in terms of values, norms and more importantly experiences in the context of which such values and norms have been demonstrated. Such Fairs can showcase stories and case studies which communicate instances of ethical decision-making. In this way, they can illustrate considerations and rationale behind such decisions and cultivate an ethical business culture in the organisation. In addition, and importantly, stories, case studies and the like can further illustrate different systems about the business, as well as systems within which the business exists or with which it interacts, and show the extent to which business ethics imbues those systems and whether it motivates the making of decisions.

**Suggested KM tools:**

**Digital libraries, file sharing, mindmapping software, creative web content, RSS** can all support the above methodologies. As already pointed out, importantly, the use of these tools should not be random but well integrated with the KM methodologies.

Although presented here merely theoretically, the above Knowledge Management methodologies and tools can help to mainstream the here-suggested view of **ethical learning organisation** within any organisation as

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<sup>49</sup> The concept of “presence” was put forward by Senge, P., Scharmer, O., Jaworski, J., and Flowers, B. S., 2008, *Presence: Human Purpose and the Field of the Future*, Bantam dell Pub Group, ISBN:0385516304 .

well as among this organisation, other organisations and stakeholders. In other words, for these methodologies and tools to work as I suggest they do here, they should be used to support and implement an organisational learning view of business ethics.

### **Conclusion**

This work suggests a way in which business ethics, in terms of ethical values, virtues, and norms, can be integrated in organisations via an organisational learning and knowledge management approach. Here, I call the approach Participatory Business Ethics. The approach is based on Senge's view of learning organisation as well as on the sequential linkages there are and can be between organisational learning and knowledge management.

Without a doubt, the credibility and usefulness of such an approach would have to be field-tested in at least a few organisations before a conclusion can be made with regards to how viable it is. Big multi-national companies, as well as smaller commercial enterprises, could be ideal candidates for such a field test. It would be best to carry such out according with an action research framework.

Nadejda Loumbeva

July 2008

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## Index

The following concepts are used throughout the paper:

**Business Ethics** – In this work, business ethics is set of values, virtues, principles and norms which are part of the culture of an organisation, being both tacit and explicit. In terms of explicit, these are sometimes contained in the organisation's Code of Ethics. These values, virtues, principles and norms are used by those who are in the organisation to guide decision making and the overall making of the business.

**Corporate Social Responsibility** (i.e., social responsibility) – "Corporate Social Responsibility is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. 'Ethically or responsible' means treating key stakeholders in a manner deemed acceptable in civilised societies. Social includes economic and environmental responsibility. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation or the integrity of the institution, for peoples both within and outside these entities".<sup>50</sup>

**CSR 2.0 (Participatory CSR)** – Participatory CSR is defined by "global commons", "innovative partnerships" and "stakeholder involvement". It is driven by mechanisms such as "diverse stakeholder panels", "real-time transparent reporting" and "new-wave social entrepreneurship". It also recognises "a shift in power from centralised to decentralised; a change in scale from few and big to many and small; and a change in application from single and exclusive to multiple and shared".<sup>51</sup>

**Ethical Values** – Our decisions often reflect on values and a certain value system. A value is an implicit understanding about the world around us, or a certain characteristic about it. More to this, a value is also an implicit

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<sup>50</sup> Michael Hopkins (MHCi), (2008), *A Planetary Bargain: Corporate Social Responsibility Comes of Age*, (Macmillan, UK, 1998), updated by author January 2008 .

<sup>51</sup> Visser, W. (2008) CSR 2.0: The New Era of Corporate Sustainability and Responsibility, CSR Inspiration Series, No. 1.

understanding about how the world around us, or a certain characteristic about it, should be. Ethical values are implicit understandings about how the world around us should be, in terms of ethics, and how it should be treated, in terms of ethics. A value system is a set of consistent ethical values and measures used for the purpose of ethical or ideological integrity<sup>52</sup>.

**Ethical Virtues** – In this work, a virtue is a quality which a person, or an organisation, has as part of their mindset and behaviours. Virtues are so ingrained in the mindset and behaviours that they are often implicit, i.e., they “pre-empt” judgments, in terms of tilting them towards good ethics. Ethical virtues are those virtues which follow from ethical values, i.e., from implicit understandings about how the world around us should be, in terms of ethics, and how it should be treated, in terms of ethics.

**Ethical Style** – Solomon<sup>53</sup> refers to the notion of an ‘ethical style’ underlying all ethical behaviour. This ethical style is grounded in “virtues” that influence judgement and action. Geuras and Garofallo<sup>54</sup> further refer to ethical behaviour as the intersection between attitudes, beliefs and values which define our perspective as we act and judge others’ actions. Geuras and Garofallo take the notion of “ethical style” to specify its idiosyncrasy and individuality.

**Ethical Principles** – “According to the Webster's New World Dictionary of the American Language a principle is a "a fundamental truth, law, doctrine, or motivating force upon which others are based. Principles are overwhelming obvious ideas that are often accepted as a matter of faith. A principle is also considered an essential element or constituent of a process. Thus, principles of a process are key characteristic that separate the process from other approaches.”<sup>55</sup> In this work, ethical principles are understood as those fundamental truths, laws, doctrines, or motivating forces which are based in

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<sup>52</sup> Wikipedia: [http://en.wikipedia.org/wiki/Value\\_system](http://en.wikipedia.org/wiki/Value_system)

<sup>53</sup> Solomon, R., (1999), as referred to in Geuras, D. and Garofallo, C., (2005), *Practical Ethics in Public Administration*, p. 194.

<sup>54</sup> Geuras, D. and Garofallo, C., (2005), *Practical Ethics in Public Administration*, p. 194.

<sup>55</sup> Source: <http://gunston.gmu.edu/708/whatprin.htm>

ethical values, and norms. They can be constituents of business processes and an integral part of the business as part of the bigger system in which it operates, as well as an integral part of mental models about the business.

**Ethical Norms** – Whereas principles are fundamental truths, laws, doctrines, or motivating forces, norms are mentalities based on principles which are integral to society and culture. Norms are concerned with what is *acceptably* doable in a society, as well as within the terms of a certain culture, and business. “Social norms have been defined as the rules that a group uses for appropriate and inappropriate values, beliefs, attitudes and behaviors. These rules may be explicit or implicit. Failure to stick to the rules can result in severe punishments, the most feared of which is exclusion from the group. They have also been described as the “customary rules of behavior that coordinate our interactions with others.”<sup>56</sup> In this work, ethical norms are understood as norms motivated by and looking to serve ethical values and principles. Ethical norms are decision-making aids which, if part of organisational culture, help to rule behaviour according with business ethics.

**Ethical Behaviour** – Behaviour is the actions we take, and reactions we make, with respect to our environment, these based on our values, virtues, emotions, and mental models. A similar way of looking at behaviour is the following: behaviour “... refers to the actions or reactions of an object or organism, usually in relation to the environment. Behaviour can be conscious or unconscious, overt or covert, and voluntary or involuntary.”<sup>57</sup> In this work, ethical behaviour is understood as this behaviour which comes about as a result of conscious or unconscious consideration for stakeholders that are implicated in a decision, or a situation. Such consideration is driven by ethical values, virtues, principles and norms.

**Knowledge Management** – “Knowledge management programs, processes and tools support organisational learning and address more than the sum of

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<sup>56</sup> Wikipedia: [http://en.wikipedia.org/wiki/Social\\_norm](http://en.wikipedia.org/wiki/Social_norm)

<sup>57</sup> Wikipedia: <http://en.wikipedia.org/wiki/Behaviour>

the knowledge of each member of the organisation or the sum of individual learnings ... individual learning is not sufficient to produce the systematic knowledge required for organisational survival and growth. “<sup>58</sup> In this work, knowledge management stands for the use by an organisation of knowledge management methods and tools in order to harness both explicit and tacit knowledge that are in the organisation and enable their use for organisational learning.

**Learning Organisation** – “ ... five disciplines are necessary to bring about a learning organisation – personal mastery, mental models, shared vision, team learning and systems thinking.”<sup>59</sup> The intermittent blending of these five in an organisation enables this to be a learning organisation.

**Organisational Learning** – “Organisational learning represents a dynamic synergy between people, actions, symbols, and processes in an organisation.”<sup>60</sup> In this work, organisational learning stands for the continuous process via which organisations, and people who are part of them, learn based on their experiences in interfacing with the organisation’s environment, in order to adapt and change in ways positive for the organisation’s business and the society in which it operates.

**Participatory Business Ethics** – Participatory Business Ethics is about constructing the notion of business ethics in a participatory way, both bottom-up and top-down, in organisations. The participatory construction of this notion would be about all which form part of the notion, i.e., both ethical values and virtues and ethical norms and theories. This would be done continuously and incrementally as well as bring together needs and expectations of stakeholders not merely from within but also outside of the organisation.<sup>61</sup>

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<sup>58</sup> Gorelick, C., Milton, N., and April, K., (2004), *Performance Through Learning: Knowledge Management in Practice*, Butterworth-Heinemann. P.27 .

<sup>59</sup> Flood, R., (1999), *Rethinking the Fifth Discipline: Learning Within the Unknowable*, Published by Routledge, ISBN 0415185300, 9780415185301, p.3 .

<sup>60</sup> Gorelick, C., Milton, N., and April, K., (2004), *Performance Through Learning: Knowledge Management in Practice*, Butterworth-Heinemann. P.26 .

<sup>61</sup> As explained on p. 21 of this work.

**Stakeholder Engagement** – “Stakeholder engagement comprises the formal and informal ways of staying connected to the parties who have an actual or potential interest in or effect on the business. Engagement implies understanding their views and taking them into consideration, being accountable to them when accountability is called for, and using the information gleaned from them to drive innovation.”<sup>62</sup>

**Critical Moments Reflection** – individual and group reflection about those significant moments as part of the business when key shifts in the work have taken place.

**Good Practices** – Good practices, usually in an organisation, are those ways of addressing recurring challenges as part of business which lead to effectively resolving these challenges. Good practices are a knowledge management methodology concerned with identifying what good practices there are in organisations and raising awareness organisation-wide about them, to facilitate knowledge sharing and learning.

**E-Community** – An online community is a community of people who share an on-line space to communicate on a topic or topics of interest to the members of the community. On-line communication can be supplemented by face-to-face communication, or not necessarily. Common features of on-line communities are member profiles, digital libraries/repositories of information, discussion forums, frequently asked questions, member blogs (a tool for individual publishing of stories, reflections and other means of expression online) and wikis (on-line collaboration spaces via which several people can edit one and the same document, simultaneously). Depending on how the community is configured, these features can be open to all to access or limited to those who are members of the community. Usually, on-line communities need on-going facilitation in order to be useful to those who participate in them.

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<sup>62</sup> Source: Industry Canada <http://www.ic.gc.ca/epic/site/csr-rse.nsf/en/rs00138e.html> .

**Knowledge Fair** – A fair, usually organised within organisations, to showcase examples of knowledge sharing and learning. “Knowledge fair is an event designed to showcase information about an organization or a topic. It includes methods such as speakers, demonstrations, booths displaying information, exhibition boards, workshops, videos, informal corners, open space, etc. A large amount of information can be made available and attendees can focus specifically on what they are interested in learning. Attendees can interact directly with the presenters, getting immediate answers to their specific questions. They also can establish contacts for further exploration of topics if needed.”<sup>63</sup>

**Knowledge Networks** – Groups of people who have come together to share knowledge and learn from each other on a topic of interest. Knowledge networks are usually semi-formal and so can be enabled as part of fulfilling some strategic and/or operational objectives. For them to work well, they should be sponsored and facilitated. They should also have a clear purpose which is shared by all who participate in the network.

**Network Mapping** – Also called “social network analysis”, network mapping “involves the mapping and measuring of the normally invisible relationships between people, providing an organizational X-ray for use by HR managers and consultants”. As such, network mapping usually reveals that, instead of flowing within a hierarchy, information, and therefore the potential for learning and knowledge, actually flows through a vast web of informal channels.<sup>64</sup>

**Community-of-Practice** – Also called a CoP, this is “a network of people with a common interest or problem in a specific area of competence and who are willing to work together for a given time to learn, develop and share that knowledge.”<sup>65</sup> Essential characteristics of a successful CoP are strong community, well-defined domain of interest, link to own practice, personal

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<sup>63</sup> Source: Dare to Share Knowledge Management Toolkit

[http://www.daretoshare.ch/en/Dare\\_To\\_Share/Knowledge\\_Management\\_Toolkit/Knowledge\\_Fair](http://www.daretoshare.ch/en/Dare_To_Share/Knowledge_Management_Toolkit/Knowledge_Fair)

<sup>64</sup> Source: Semantic Studios at <http://semanticstudios.com/publications/semantics/000006.php>.

<sup>65</sup> Source: Dare to Share Knowledge Sharing Toolkit:

[http://www.daretoshare.ch/en/Dare\\_To\\_Share/Knowledge\\_Management\\_Toolkit/Community\\_of\\_Practice](http://www.daretoshare.ch/en/Dare_To_Share/Knowledge_Management_Toolkit/Community_of_Practice)

motivation, mandate and informal structure. A key difference between knowledge networks and communities-practice is that knowledge networks are semi-formal, where communities-of-practice remain and thrive as largely informal.

**Mindmapping** – is mapping the chain of thought when construing the knowing of something, and new knowledge. In organisations, mindmapping can help to illustrate individual learning resulting in mental models about the business environment.

**Peer-assist** – A knowledge management methodology via which a person (the assistee) identifies a problem s/he is experiencing in her/his work for others (the assisters) who have faced similar challenges to forward solutions, based on their experience dealing with these challenges. A peer-assist takes the form of a session which should be appropriately facilitated by a facilitator.<sup>66</sup>

**Storytelling** – communicating complex notions and meanings through the power of (often simple and clear-cut) stories. Storytelling could help to illustrate, and communicate, good practices about the business.

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<sup>66</sup> A detailed overview of what a peer-assist is can be found here:  
[http://www.saea.uottawa.ca/index.php?option=com\\_content&task=view&id=682&Itemid=649&lang=en](http://www.saea.uottawa.ca/index.php?option=com_content&task=view&id=682&Itemid=649&lang=en)