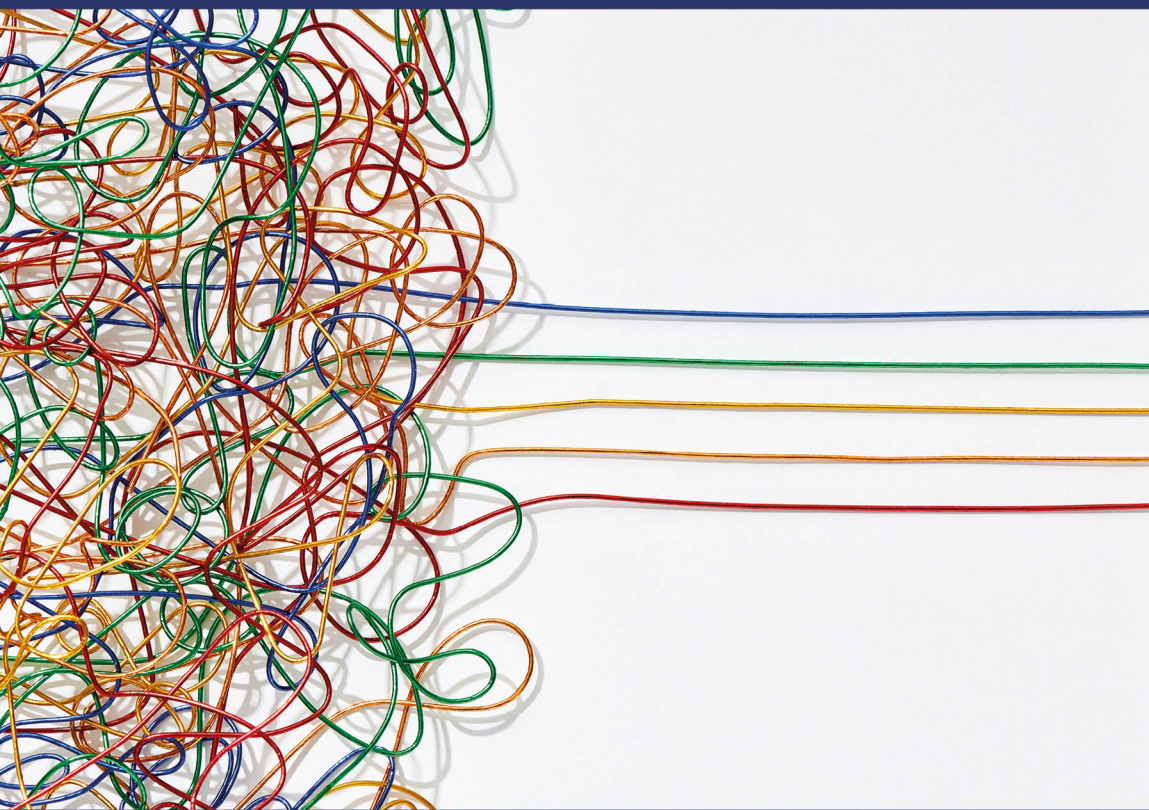


# The Practice of Ethical Leadership

Insights from Psychology and Business  
in Building an Ethical Bottom Line



Claas Florian Engelke and Richard B. Swegan

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# The Practice of Ethical Leadership

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This book considers ethics as a practical discipline at the heart of decisions, reasoning, shaping, and ordering organizations. Both engaging and accessible, it offers effective suggestions for selecting and developing ethical leaders and invites readers to self-reflect and understand how to build ethical cultures within their organizations and beyond.

Examining the many characteristics of ethical leadership, including love and authenticity, the book uses factual evidence to explore both its positive and negative characteristics. It offers readers an in-depth insight into how ethical decision making can help determine the right thing to do, supported by directly applicable ethical lessons that help leaders become more conscious going forward. The authors provide concrete suggestions for action, as well as ways to develop and understand what is needed to become an ethical leader. Each chapter encourages readers to reflect on their own experiences, as well as engage in discussion with others, and challenge basic assumptions. The book concludes by offering a long-term oriented outlook at future challenges for ethical leaders.

Rooted in extensive psychological, philosophical, entrepreneurial, and business experience, *The Practice of Ethical Leadership* will appeal to leaders, human resource professionals, and Board members across a wide variety of organizations. This book will also benefit academics as well as anyone who is invested in the fields of leadership, management, business, and industrial–organizational psychology.

**Claas Florian Engelke** is a leadership advisor and senior consultant with Korn Ferry who operates both nationally and internationally. Florian is based in Berlin, Germany. He holds degrees in linguistics and religious studies, is a leadership developer and diagnostician, lover of music, literature, and critical geopolitical analysis.

**Richard B. Swegan** brings to this book over 30 years of experience as a consultant and salesperson focusing on leadership. He resides in Pittsburgh, Pennsylvania, USA, and operates his own consulting firm, ARCH Performance which specializes in identifying leadership talent.



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Building an Ethical Bottom Line

Claas Florian Engelke and  
Richard B. Swegan

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## About the Authors

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### **Claas Florian Engelke**

Claas Florian Engelke holds a strong fascination with geopolitics and political studies that go beyond the daily news coverage, progressive music, nineteenth-century (Gothic) literature, anthropology, history, and ethical leadership. He holds degrees in Religious Studies, German, as well as English Linguistics. Despite the fact that he studied religion, Florian likes to take a less anthropocentric view and tends to put things into a naturalist perspective. Florian loves and cherishes nature, solitude, and real dialogue. He is based in Berlin, Germany, where he lives with his wife, Ava Bonam, who is a trained cultural scientist, voracious reader, and runs her practice of naturopathy and vocal coaching.

Florian provides consulting services in the fields of leadership advisory, assessment, and leadership development. If possible and appropriate, he prefers to bathe in dialogue, cut to the chase, pause diplomacy, and put things on the right track to do good. An advocate of discomfort, Florian invites his friends and clients to question themselves and what they take for granted in order to foster incessant learning and aspire to be the best versions of themselves. Being a proponent of agency, self-reliance and self-development, he helps his clients establish and constructively question their leadership cultures.

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### **Richard B. Swegan**

Rick Swegan is the founder and principal consultant of ARCH Performance. He developed an interest in the effects of culture on moral reasoning during his time in graduate school and has maintained that interest. In addition to *The Practice of Ethical Leadership*, Rick has authored *The Memories of Thomas M'Clintock: A Quiet Warrior for Women's Rights and the Abolition of Slavery* and co-authored with Debra Dinnocenzo *DotCalm: The Search*

*for Sanity in a Wired World*. With a background in human resources and safety, Rick provides consulting to a variety of organizations on the developmental needs of potential leaders and makes recommendations on whether or not they should be hired.

A graduate of The College of Wooster (B.A. in Sociology) with a master's degree in counseling from Ohio University, Rick completed Ph.D. Coursework at The Ohio State University. During his career, he has worked as Vice President of Human Resources, Manager of Regional Consulting, Global Accounts Manager, and Senior Consultant for a variety of leadership development and training companies.

Rick and his wife, Debra, divide their time between Pittsburgh PA (USA) and the Chautauqua Institution where they have homes. A quiet observer of life's foibles, Rick has also written a satire and parody newsletter for more than a decade.

Rick can be reached via email at [rick@rickswegan.com](mailto:rick@rickswegan.com) or by visiting our website [www.ethicalbottomline.com/](http://www.ethicalbottomline.com/)

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On a more personal note, we would like to thank Profil M, the company that Florian worked for when we met. Without our mutual relationship with the firm we would not have met and begun our collaboration.

Each of us has individuals we want to thank, and our personal acknowledgments follow.

## **Florian**

I would like to extend my gratitude to Mother Earth, Gaia, and life as such. These are the basic conditions that provide, nurture and must be revered.

First of all, I would like to thank my mother, Ulrike-Brigitte Engelke, for planting the seed of constructive subversion, not to take anything for granted, and the urge to lovingly question everything past and present. I am grateful to my father, Kurt Kai Wilhelm Karl Engelke, for introducing me to literature, language, critical thinkers, and the motivation to strive and create. You both instilled an incessant desire to learn as well as a productive dichotomy of stillness and unrest inside of me. Thank you.

My thanks to Norbert Müller, Lille Gruber, Dr. Rolf Krökel, Rafal Fedro, Aylin Kaiser, Marta García-Marcos, and Jan Ferdinand for their trust, friendship, and the innumerable fruitful conversations (professional, personal, and artistic/creative) we enjoyed over the years.

I would like to thank my co-author, Rick Swegan, for his patience, flexibility, helpful feedback, and—eventually—for being a friend. Furthermore, I am grateful to both Debra Dinnocenzo and Jennimarie Swegan for their valuable feedback and stylistic advice. You are awesome!

When it comes to professional organizations, I would like to thank Profil M, Korn Ferry, FPK Unternehmensentwicklung, Kienbaum Consultants, and the Boston Consulting Group for challenging, welcoming, and pushing me.

Finally (and certainly claiming the concluding and most relevant position of my acknowledgments here), I would like to thank my beautiful wife and most precious comrade, Ava Bonam, for her intelligent, relentless, broad, profound, oftentimes surprising, and loving insights. Without you, this project wouldn't have been possible for me.

## **Rick**

More than anything else, I would like to thank my friends who provided support, encouragement, and the occasional glass of wine over the course of this project. While there are many who were supportive several stand out and, at the risk of offending those I unintentionally omit, here they are. Phil and Melissa Carl, friends extraordinaire, Jay Summerville and Michael Forst, Mike Mangan, Rick and Susie Rieser, and Twig and Barbara Branch. There are others, but as an introvert I tend to stick to a small group.

Two in particular stand out for me. I have worked with Mike Mangan in three different firms and over time he has become a valued friend. I appreciate the thinking he has provided to this project. He has always been willing to donate his time and intellect. The other is Twig Branch (yes, that is his real name). For over a decade he has been my partner in mischief, a thoughtful friend who always provides perspective, and someone who always makes me laugh. It is a friendship I treasure.

Lastly, my thanks to my family, my wife Debra Dinnocenzo, and my daughter Jennimarie Swegan. They have put up with my being distracted and preoccupied, provided continual support, and appropriately gentle feedback on the contents of the book.

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# Introduction to the Forewords

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As the present book is a journey of discovery and exploration of the domain of ethical leadership and it marries our different perspectives on the subject, we are pleased to have a group of diverse voices shedding some light on the topic from their unique perspectives. We appreciate these different vantage points, as they are a clear representation of the multifaceted approach we sought to employ when embarking on this exciting voyage. Enjoy.





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# Forewords

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## **On the Various Dimensions of Ethical Leadership—and Their Real-World Implications**

In today's complex and interconnected world, ethical leadership is more crucial than ever. Leaders are faced with numerous challenges and dilemmas (VUCA world) that require them to make difficult choices. They must navigate through ethical gray areas, balancing the needs of their organizations with the expectations of society.

Ethical leadership refers to a leadership style that emphasizes the importance of moral values and principles in guiding the actions and decisions of leaders. It involves leading with integrity, honesty, and fairness, while considering the well-being and interests of all stakeholders.

Ethical leaders set the tone for their organizations by establishing a strong positive ethical culture. They lead by example, demonstrating ethical behavior and holding themselves and others accountable for their actions. They prioritize transparency and open communication, fostering an environment where ethical concerns can be raised and addressed.

Ethical leadership also involves making decisions that are in the best interest of all stakeholders, not just the bottom line. Leaders must consider the impact of their decisions on employees, customers, communities, and the environment. They must strive to create a positive and sustainable impact and foster trust and collaboration.

Furthermore, ethical leaders recognize the importance of diversity and inclusion. They value different perspectives and actively seek input from a diverse range of individuals. They promote fairness and equality, ensuring that everyone has an equal opportunity to succeed and contribute.

Political leadership, on the other hand, refers to the leadership provided by politicians and government officials. Political leaders play a crucial role in shaping economic policies and regulations that can either promote or hinder economic success. Effective political leadership involves making informed decisions, collaborating with stakeholders, and implementing policies that support economic growth and development.

Pathological leadership, also known as toxic leadership, refers to a leadership style characterized by abusive, manipulative, and self-serving behavior. Pathological leaders create a toxic work environment that undermines employee morale, engagement, and productivity. They often engage in unethical practices, such as fraud or corruption, which can lead to legal and financial consequences for organizations. Pathological leadership can also result in high turnover rates and difficulty attracting and retaining talented employees.

Economic success is influenced by various factors, including market conditions, technological advancements, and global economic trends. However, leadership plays a crucial role in determining how organizations and economies navigate these factors. Ethical leadership and effective political leadership can contribute to economic success by fostering trust, stability, and sustainable growth.

From my many years of experience as a manager and entrepreneur I can reflect that ethical leadership and behavior have a significant impact on the return on investment (ROI) of a company Here are some ways in which ethical leadership and behavior will influence the ROI:

1. Reputation and brand value: Ethical leadership and behavior contribute to building a positive reputation and strong brand value for a company. This will attract more customers, investors, and business partners, leading to increased sales and higher ROI.
2. Employee morale and productivity: Ethical leaders create a positive work environment where employees feel valued, respected, and motivated. This will result in higher employee morale and productivity, leading to improved efficiency, reduced turnover, and ultimately, higher ROI.
3. Customer loyalty and trust: Ethical behavior builds trust and loyalty among customers. When customers perceive a company as ethical, they are more likely to continue doing business with them, recommend their products or services to others, and become repeat customers. This will lead to increased sales, customer retention, and higher ROI.
4. Risk management: Ethical leaders prioritize compliance with laws, regulations, and ethical standards. By doing so, they minimize the risk of legal issues, fines, and reputational damage that can negatively impact a company's financial performance. Effective risk management can protect the company's assets and investments, ultimately contributing to higher ROI.
5. Long-term sustainability: Ethical leadership focuses on long-term sustainability rather than short-term gains. This includes considering the impact of business decisions on the environment, society, and future generations. By adopting sustainable practices, companies can reduce costs, enhance their reputation, and attract socially conscious customers, leading to improved ROI in the long run.

Overall, ethical leadership and behavior create a positive business environment that fosters trust, loyalty, and productivity. These factors contribute to increased sales, reduced costs, improved risk management, and long-term sustainability, all of which can positively impact a company's return on investment.

This book aims to explore the various dimensions of ethical leadership and provide insights into how leaders can cultivate and practice ethical behavior. It delves into the ethical challenges faced by leaders, the importance of ethical decision making, and the role of values and ethics in shaping organizational culture.

Through real-life examples, case studies, and practical strategies, this book aims to inspire and empower leaders to become ethical role models. It encourages leaders to prioritize ethical considerations in their decision-making processes, foster a culture of trust and transparency, and promote ethical behavior throughout their organizations.

Ultimately, this book seeks to contribute to the development of a new generation of leaders who not only achieve success but also make a positive difference in the world. It is my hope that readers will find value in the ideas and principles presented here and be inspired to embrace ethical leadership in their own lives and organizations.

**Dr. Rolf Krökel (Managing Director at DEKRA Certification GmbH)** has twenty years of experience in corporate development, mainly within the TIC (testing, inspection and certification) and automotive sector (manufacturing and service) as well as in financial and consulting industries. This includes the development of growth strategies and their successful operational execution in domestic and international markets (organic and inorganic/M&A). Furthermore, Rolf is equipped with sound experience and proven success in establishing and expanding international locations. He has successfully realized restructuring projects with a focus on organizational, processual, and personnel adjustments but also on product and service-oriented changes.

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### **... with love**

Love is a word overused.

The word love has been used and misused in claims and advertisement, used and misused in romantic relationships and family dynamics. What is love? Maybe something too broad to be actually lived.

But what happens when you add a preposition: *with* love? Can you talk to someone *with love*? Can you drive your car *with love*? Can you make your coffee in the morning *with love*?

Not from a place of love, not because of love, not because you need to love, but *with love*.

*With love* is a companion of softness. *With love* can signal you instantly and physically where you hold harshness in your mind and in your body. It's a plea to your own perception of yourself in your environment: your eyes look within, at the same time as you see yourself from the outside, at the same time as you let your eyes wander outward. *With love* can offer a holistic perspective on yourself.

*With love* doesn't exclude fierceness and decisiveness—instead it adds a quality. Making tough decisions *with love*, taking on great responsibility and doing so *with love*, adds a layer to your being that is neither cognitive nor mental. You don't have to engage your head in thinking to do something in a loving or kind way, it's not an effort to be figured out mentally.

*With love* is an enactive entity that is making decisions with you. And these decisions will be different from the ones made with harshness and rigidity. Letting go of the need to control everything solely with your head and reaching a place where you engage your whole body in the process of decision making will always be an extra effort in our revenue-driven society. But one worth it and in great demand.

*With love* can act as a bridge to living a more embodied, ethical life, both personally and career-wise—and this book may be an important cornerstone in this regard.

**Ava Bonam** is a naturopath and cultural scientist. She focuses on body therapy and the relationship between the world of ideas and the phenomenal world. She is based in Germany.

\*\*\*

## **Ethical Leadership as an Approach Going Beyond Traditional Leadership Styles**

It is with great pleasure and a profound sense of honor that I contribute a Foreword to this enlightening book on ethical leadership. As a leader in the telecommunications industry, I have witnessed firsthand the pivotal role that ethical leadership plays in shaping the trajectory of our organizations and the lives of those we serve, as well as its profound importance in our ever-connected world. Throughout my journey as a leader, I have come to realize that ethical leadership is not just a buzzword but a moral imperative that shapes the very essence of our organizations.

Ethical leadership, to me, means leading with integrity, empathy, and a deep sense of purpose. It goes beyond traditional leadership styles, transcending the focus on results and profits, to prioritize the well-being of our

employees, customers, and the communities we serve. In the fast-paced and dynamic telecommunications industry, ethical leadership becomes a compass that guides us through the complexities and challenges, ensuring that we remain true to our values and principles. I believe that what sets ethical leadership apart from other styles is its unwavering commitment to doing what is right, even when faced with difficult decisions. It is not about seeking shortcuts or sacrificing long-term benefits for short-term gains. Instead, ethical leadership is about fostering an environment of trust and collaboration, where open communication and mutual respect flourish, enabling our teams to thrive and innovate. As a leader in the telecommunications industry, ethical leadership is of utmost importance to me because I recognize the impact our decisions have on the lives of millions of people. We are entrusted with the responsibility of providing essential communication services to individuals, businesses, and governments, and this responsibility demands ethical leadership that prioritizes the greater good over personal gain.

To *do good* in the sense of ethical leadership is to act with a sense of purpose and to be mindful of the implications of our actions on various stakeholders. It involves actively seeking ways to contribute positively to society, whether it's by ensuring data privacy and security, bridging the digital divide, or empowering our employees to reach their full potential. This commitment to doing good permeates every aspect of leadership, including the development of our employees. Nurturing a culture of ethical leadership through coaching, mentorship, and training instills in our teams the values of empathy, integrity, and responsibility. By empowering our employees to make ethically informed decisions, we cultivate a workforce that is not only skilled but also compassionate and principled.

In the interconnected world we live in today, the impact of ethical leadership extends far beyond the boundaries of our organizations. The considerations and actions we take as ethical leaders influence the well-being of communities, economies, and the global society. By prioritizing ethical leadership, we create a ripple effect of positive change, leaving a legacy that benefits the world at large. Nevertheless, the path of ethical leadership is not without dilemmas. Balancing the interests of stakeholders, addressing privacy concerns, and navigating the ethical implications of emerging technologies can be challenging. In the case of the relocation of Russian colleagues following the Russian war of aggression on Ukraine, I was in a position to experience at first hand how people in leadership might find themselves facing complex moral decisions. Balancing the well-being and safety of employees with broader geopolitical concerns requires careful consideration and empathy. It is in these challenging situations that ethical leaders must demonstrate courage and resilience, making decisions that reflect the best interests of their employees and the broader community.

I am convinced that the purposeful commitment to ethical leadership considerations is rewarding and a benefit on several levels. When taking a principled stand, like closing branches in politically challenging environments or supporting colleagues who seek a better life outside of them, we contribute to a more just and compassionate world. These actions demonstrate to our customers, stakeholders, and the global community that ethical leadership is not just a slogan, but something that we live by.

**Dominik Schüle, MBA (Chapter Lead System Engineering Mobile Devices at Deutsche Telekom AG)** holds a Master's Degree of Business Administration for Business Innovation from the European School of Management and Technology in Berlin and a Bachelor of Engineering in Information and Communication Technology from the Hochschule für Telekommunikation—University Applied Sciences in Leipzig. He joined Deutsche Telekom in 2007 and has since served the Group in various leadership and expert positions. His passion is mobile communications, both anchoring his professional life and his academic interests.

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### **Reason Behind the Reason: Ethical Leadership as a Possibility**

Business ethics do not seem to exist as such, but only as a norm (Luhmann<sup>1</sup>). Assuming this as a starting point, we can question whether it is good that people engage in developing business ethics, and this would be a moral question. However, we can also ask what the motivations are when engaging in developing business ethics. Therefore, the answer to this question reveals the reasons behind the norm of business ethics, behind its imperative. It may be true that one of the problems of modern ethics has to do with the problem of regressus ad infinitum: every reason leaves us with the question for the reason of this very reason. But if we do not want to try to find some sort of *ultimate ground* in our thoughts (or assume a platonic heaven of ideas), we can also lean on those who give us those reasons—in an empirical way, that is. And we can compare: are their reasons ours?

The result may not only be instructive for one's personal cognitive purposes. It can also have consequences for the one doing business. If one shares these reasons, one can decide whether or not to act accordingly. The reasons can be purely economic: *A business is more efficient when employees are happy*. It can also be more ethical: *The employees are entitled to a good life*. By implication, the *ultimate ground* would be the nexus between these two recommendations, a reason which is both economic and ethically convincing. It would not only reach more addressees, it would

also implement ethics in the *unconscious* of someone who merely thinks in economic terms. As a consequence, business ethics will potentially meet its goal: this goal does not entail avoiding regressus ad infinitum but to change common practice. The *shall* can become a *be*.

Whether and to what extent this book can provide such *ultimate ground* is left to the reader and depends on their own approach. One may ask whether and in what way one *oscillates* between an economic and an ethical perspective. The only thing certain is that this book goes beyond platitudinous advice, which may reveal how priorities are set; for instance, when it is said: *ethical business management pays off*. Setting such handy but simplified formulas aside, the following chapters offer a deeper thinking. It not only provides reflections based on C. G. Jung's *Archetypes* (Chapter 5) or Lawrence Kohlberg's *Theory of Moral Development* (Chapter 8), it also sheds some light on the difference between good and evil as well as the significance of love as the cornerstone of leadership (Chapter 3). And the reader will certainly derive some benefit from this.

However, a utilitarian mindset alone may not be sufficient to get to the core of the following chapters. Reflections such as those presented in this book inherently leave answers open, especially the question whether ethical leadership is a possibility at all. This openness, in turn, reflects that the decisive factor might just be that questions are asked (and not answered), and this may apply to theory as well as to practice. Personal experience with this practice certainly shapes the basis of the following chapters—and personal consequences drawn from this practice. This book is one of those consequences.

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## Note

- 1 Niklas Luhmann and Detlef Horster, *Die Moral Der Gesellschaft* (Suhrkamp EBooks, 2008). <http://ci.nii.ac.jp/ncid/BA85779729>.





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# Preface

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*The Practice of Ethical Leadership* essentially started as a question. At its most basic, we were both intrigued by the question of why otherwise ethical people misbehave in certain circumstances. In other words, why do good people do bad things? In asking this question, we fully recognized that some people may have psychological disorders that remove guilt or that they are criminals. By and large we are not talking about them. Our focus is on those that are otherwise ethical and the individuals that lead them. More to the point, our focus is on leaders—those that aspire to be ethical, those that want their organizations to be ethical, and the organizations who want to hire and develop ethical leaders.

This book has been an extended journey. During our time writing *The Practice of Ethical Leadership* we have gone through a pandemic, experienced the death of parents, marriage (not to each other), job changes, and an album release, all while carrying on a long-distance relationship with each other via Zoom. Physically we have not seen one another since the onset of this project but our relationship and friendship has continued to develop and expand.

We share similarities and differences. Both of us have spent the bulk of our careers with consulting companies that specialize in assessing individual leadership skills for promotion or development. In fact, we first met when Florian came to the United States to conduct a development center and Rick was one of the consultants on the project. That meeting was followed by a visit by Florian to Rick and his wife, Debra, in Pittsburgh, USA, where we discovered more that we had in common and began to develop our friendship which has grown and developed over the intervening years. This book project sprang from that beginning when Florian, via email, raised a question about ethical leadership, Rick responded, and we were off.

We have differences as well. Some we knew at the outset—we differ by age, nationality, tastes in music, number of tattoos or earrings—which were apparent at the beginning, while others we discovered as we wrote, argued

points of view, or debated topics in the book. By and large, our differences balance each other out—for example, Florian is more philosophical, and Rick tends to be more practical—which has turned out to be a blessing as we explore various issues. Otherwise, we differ on the essential nature of mankind which simply serves as fodder for debate.

We started our project with more questions than answers. Among the questions we asked were:

- How do I define the common good for my business and certainly beyond mere business objectives? In what way does it matter for my clients, my employees, the community where my business is located, my investors, and my supporters?
- How do I make sound ethical decisions? How do I scrutinize a situation and make a decision that positively contributes to the greater good?
- What incentives can I install and communicate that promote veritable ethical behaviors?
- How do we deal with dilemmas? In what way do we raise awareness for such paradoxes and how do we reconcile them? What happens if identification of dilemmas turns out to be unfavorable for our business?
- What is my impact on society? In what way is it political? Is marrying politics and doing business admissible? If so, what is my leeway? If not, why?
- What kinds of structural conditions or company policies do I need to put in place to foster an ethical culture? How will I track, quantify, and monitor the ethical practices of my business?
- In what way may climbing the corporate ladder have an impact on my authenticity? In what way does this impact my ethical reasoning and acting?
- In light of relevant future developments, what will my ethical responsibility be?

In our book we will ask many questions to ponder. To get started, let us take a look at these fundamental considerations right off the bat. Do you want to be a leader or work with one who

1. Focuses on the organization, works to maximize the mission of the organization, and is concerned about the well-being of the people in the organization.
2. Focuses on your organization, works to maximize the mission of the organization, is concerned about the well-being of the people in the organization while making sure that the organization complies with the laws of the land.