

Ethics is Everyone's Job

By Robert & Lyn Turknnett

Employees are ready for a new era of business leadership. Corporate scandals like Martha Stewart, WorldCom, AOL Time Warner, and Enron have dominated headlines in recent years. Nearly 70% of respondents to a *USA Today* poll do not trust business executives. Something has to change.

Congress made headway in restoring confidence in business leaders by passing the Sarbanes-Oxley Act. As a result, the number of independent board directors will increase, sales of shares by senior executives will be monitored, and loans to executives will be banned.

But legislation is only a start. Clever and determined folks can circumvent legislation. Nearly all of the respondents to a study on ethics said that CEOs and other top managers must also be moral leaders. The problem is, many executives don't see it that way. They don't seem to realize that employees take cues on how to conduct themselves from their superiors.

If we've learned anything from the recent corporate meltdowns, we've seen that real ethics must be more than a written code. Enron had a written code, and integrity was a stated value, but integrity didn't live in the culture and everyday practices of the company. Creating a true culture of character isn't easy. Successful organizations need to promote character instead of rewarding those who get results without integrity or respect.

Start with a Clear Code of Ethics

While a code of ethics isn't enough, it's still necessary. The code should start with a statement of values that's clear and inspiring. There should be input and support from everyone in the organization. Consider areas such as: What is a conflict of interest in this organization? How will we treat our customers? What do we owe the community?

As well as an overall code, there also need to be concrete examples that are part of everyday tasks and responsibilities. For example: How will sales' contracts be written? What will happen when manufacturing specifications are not met?

Develop a Culture of Character

While a code is necessary, the culture needs to enforce the code. What is the real code? What rules do people really follow?

We developed a leadership character model that is the foundation of our work with organizations and business leaders. The model identifies the core qualities that make up character. To make a code of ethics work, a company must have leaders with character who create a culture of character. When we say someone has character, we usually also mean they work hard and get results. They're responsible. They have a solid base of integrity, and they treat people with respect and dignity.

Companies with character are similar. Like people with character, they use integrity and respect to get results. Like people with character, companies with character balance accountability and courage with humility and respect.

Integrity as the Foundation

As outlined in our leadership character model, a culture of character, like leadership character, must be grounded in integrity. Honesty must be norms for the company and modeled by every leader in the workplace.

Many business leaders think they're doing the workforce a favor by "protecting" them from difficult circumstances. Nothing could be further from the truth. In today's workforce, which is

filled with highly educated people with access to tons of information, this kind of behavior only breeds cynicism and distrust.

At a recent ethics summit, Frank Chamberlain, a turn-around specialist, commented that he frequently discovers integrity problems when he visits troubled companies. He said that employees have not been told the truth by management, and because they have seen ethical lapses, they do not trust their leaders. (Like the name suggests, a turn-around specialist refers to someone whose specialty involves coming into a failing business and “turning them around.”)

“In most cases,” Chamberlain states, “simply telling the truth did more to revitalize commitment than anything I could do. Invite employees’ ideas, but don’t spin anything. They’re just too smart, and they always know what’s going on. If you tell the truth, it will inspire belief, which will inspire trust, which leads to loyalty, then to commitment, and finally to results.”

Integrity Positively Impacts the Bottom Line

Leaders with integrity do more than talk the talk; they walk the walk as they develop a reputation for integrity. Management integrity also has a positive effect on the bottom line.

- A study of Holiday Inn hotels reported by *Harvard Business Review* found that the more employees positively answered questions such as, “My manager delivers on promises,” and, “My manager practices what he preaches,” the more profitable the hotel.
- According to *Business Ethics* magazine, the financial performance of companies rated highly in terms of ethics, was significantly better than firms that received a lower rating.

Equity: Creating a Partnership of Respect

Equity is the sense of partnership and equality that makes everyone feel important and part of the success of the company. Respect, self-confidence, humility, and emotional mastery combine to create equity. Respect includes listening to others’ ideas, and having genuine concern for their well being. In fact, when managers and supervisors are given low marks in integrity, comments about a lack of respect are frequent.

Self-confident leaders are willing to assert themselves and speak their minds, especially when they encounter a lapse in ethics. However, while confidence is important, humility is equally necessary. Over-confidence is a killer. Leaders without humility refuse to listen to others and don’t think they have anything to learn. Enron became over-confident, certain that it was inventing a new way of doing business. Risk and brains were celebrated; values and humility took second stage. Others outside the organization didn’t help. Consultants praised Enron’s energy and innovation and didn’t look behind the façade.

Emotional mastery keeps the lines of communication open. A leader with an explosive temper or lacking in empathy doesn’t listen to the truth. As a result, this executive may wish to ignore “bad news” and allow defective products to still be made. Even after improvements to the product occur, regaining credibility in the marketplace will still prove difficult.

Responsibility: Being Accountable and Courageous

One of the reasons that leaders who held themselves accountable get results is that they spend little time on blame. When they see a problem they set out to solve it. But this level of accountability requires another important quality – courage. It’s easy to tell the truth when the truth is pleasant; it’s quite another thing when the truth is uncomfortable. But courageous leaders tell the truth and encourage others to do the same. Organizations with courage admit mistakes, make reparations quickly, and take risks.

Everyday Practices that Keep Ethics in the Forefront

There are many ways to make character and ethics a part of everyday practices in the workplace. It’s best to get ideas from stakeholders, especially employees, about practices you might adopt. These are some that can get you started.

- 1) Have an identified “ethics officer” in meetings to alert the group to possible ethical concerns. Rotate the position or select the person randomly each time.
- 2) Celebrate honesty and accountability. Make honest leaders corporate heroes.
- 3) Be as honest as possible about business plans, forecasts, etc. Share numbers, and invite questions.
- 4) Find ways to give leaders regular verbal feedback. (One company uses a “stool exercise,” in which each leader takes turns sitting on a stool while others offer suggestions for improvement. The person sitting on the stool cannot defend himself.)
- 5) Use reverse mentoring. Assign a junior staff member to each senior executive and require that the relationship be taken seriously.
- 6) Administer regular employee surveys with results that are widely distributed.
- 7) Conduct regular customer surveys.
- 8) When there is an ethical concern, get an outside view from a consultant or other objective individual.

Summary

To build a truly ethical organization, ethics can't be separate from everyday business. Just as every business decision is made in light of financial implications, each decision must also take ethical issues into account. Intentionally focusing on ethics takes work, but it leads to ethical considerations eventually becoming as second nature as financial ones.

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