

Why ethics matter

A business without values
is a business at risk

By Dawn-Marie Driscoll and W. Michael Hoffman

Talking about values has become an industry. Best-selling books promote earthly virtues for living and spiritual values for reflecting. Conventional wisdom—and opinion leaders such as the Dalai Lama and the late Basil Cardinal Hume—believe that the decade of greed is evolving into an era in which many people are seeking the meaning of life.

That's all fine. But the last time we looked, the business world was still engaged in delivering goods and services and making a profit. Does that mean that business ethics are an oxymoron? No. Values have a pragmatic place in the business world precisely because of society's shifting sands. Name any of the currents that are buffeting orga-

nizations today and you'll find a rationale for values-driven management. Here are a few:

- **Diversity:** Individuals of different ages, religions, and gender clearly have distinct and perhaps contrasting ideas about appropriate ways to behave in an organization, depending upon their perspective and life experiences. Their interpretations of the same set of facts, as well as their response to them, may differ widely.
- **Globalization:** Individuals raised in diverse cultures may have different reactions to various questions or issues. Instead of describing some actions as ethical and others unethical, some pre-



KEY NOTES

- ▶ Values have a pragmatic place in the business world precisely because of society's shifting sands.
- ▶ The best place to start is to consider a few basic values appropriate to the economic structure of your company, the community, and the industry.
- ▶ Among the benefits of a value-based culture are increased awareness of ethical issues, commitment to the organization, employee integrity, willingness to communicate openly about problems, willingness to report an ethics violation to management, and more.

fer to say they are dealing with cultural sensitivities. But that doesn't help companies or their employees understand what is expected of them.

- **Cost pressures:** Often eliminated in rounds of cost-cutting are the compliance police and structural backups designed to prevent misdeeds. Individuals are increasingly left on their own to make decisions.
- **Virtual work:** With so many employees out in the field, working from home or at other diverse locations, a common organizational standard of behavior is difficult to assimilate from afar.
- **Strategic alliances:** The individuals you work with on a daily basis may not be fellow employees. They may be customers, suppliers, or even competitors, who are not even a part of your own organizational culture and business goal framework.
- **Teamwork:** Hierarchical management structures are being replaced by teams, with leadership earned by personal skill rather than title. This eliminates the "because I told you so" standard of decision making.
- **Entrepreneurship and intrapreneurship:** Many companies are encouraging employees at the lowest possible level to take risks, innovate, and even spend company resources, acting like owners of the business. With responsibility for major decisions comes the necessity to act responsibly.
- **Deregulated government:** As regulation is replaced by voluntary industry and company codes, government laws and enforcement are no longer the only or the complete resources for those looking for answers or limitations. Of course, they never really were but, more often than not, business acted as if they were.
- **Competitive, 24-hour media:** Few organizations have the luxury of time to figure out what the right response should be to an ethical crisis, particularly if the crisis is public rather than pri-



Get the Blueprint

To get the full story on how to develop values-driven management in your organization, order *Ethics Matters* from the Center for Business Ethics by e-mailing cbeinfo@bentley.edu (\$24.95).

vate. When a crisis occurs in the public eye, the aggressive competitiveness of a multiplicity of 24-hour media outlets makes it imperative that the manager's first response be the right one.

Start With the Law

Talking about values is hard work because the meaning is subject to interpretation. The best place to start is to consider a few basic values appropriate to the economic structure of your company, the community, and the industry. The lowest common denominator is the law, and thus, is a logical place to begin. Glenn Coleman, former director of communications and training in the office of ethics and business conduct at EDS, proposes that companies first make a list of laws, regulations, and procedures that apply to them. It might be a short list, but it will remind managers of obvious prohibitions.

These legal prohibitions may lead to the next level and suggest ideas about what's moral, ethical, and valued in the organization. A discussion of values implies agreement that a company will do more than just what is legally required. However, narrowing down a long list of other values that will apply to work is not easy. Managers may want to start with the obvious ones, such as a moral obligation not to cause harm, steal, and lie. How do these play out in a work situation? For example, if we agree we have an obligation not to cause harm,

how will that work in our corporate culture? The Thoiokol engineers who were hesitant about the safety of the O-ring in cold temperatures no doubt could point to how the attitude of the Challenger space managers inhibited their ability to push their concerns up to the final decision makers. After all seven astronauts were killed in the resulting explosion, investigators suggested that NASA officials were operating in a "get-this-launched-at-all-costs" culture rather than one in which "safety first" was the predominant value.

Organization values can't be selected by three top managers brainstorming in a conference room for an hour. Selection of the core values for an organization should be guided by three words: test, test, and test. If employees at all levels of the organization don't respond positively to the values emphasized, chances are that the effort will be fruitless.

Choose to Do the Right Thing

It seems clear that businesses without values are businesses at risk. Their reputations suffer in the marketplace, depressing stock prices and eroding consumer confidence. Recruitment of talented personnel is more difficult. Many companies now perform due diligence on companies they are considering as partners or suppliers, and are passing on those that don't meet their ethical standards.

Employee morale is also higher in a company that has well-developed values and lives by them. A commitment to shared values, rather than a culture that is based on distrust of employees, encourages employees to aspire to success. A study by professors at Bentley University found that among the benefits of a value-based culture are increased awareness of ethical issues, commitment to the organization, employee integrity, willingness to communicate openly about problems, willingness to report an ethics violation to management, improved decision making, willingness to seek advice about ethical issues, and reduced unethical conduct.

Perhaps the best reason for value-based management comes from Center for Business Ethics Executive Fellow Emeritus John Casey, who wrote *Ethical Decisions in the Financial Marketplace*. "Laws alone are a

10-Point Program for Implementing Values-Driven Management

- 1 **Self-assessment.** While managers can conduct an in-depth assessment themselves, outside consultants may be more objective. The assessment should cover the following “whats”:
 - Know the marketplace in which you are operating. Is it highly regulated, highly competitive, volatile, shrinking?
 - Assess your customers.
 - Assess the competition.
 - Understand what constitutes violations of the laws that govern your company.
 - Know which regulatory agencies apply to your business.
 - Examine carefully your existing policies that govern organizational behavior.

A second step in the “what” process is to take an in-depth look at the company’s processes and activities. Third, identify the risks and vulnerabilities facing the company.
- 2 **Commitment from the top.** No values initiative should begin without the most senior levels of management making an explicit commitment to its long-term success.
- 3 **Codes of ethics.** The written ethics code should contain at least a sufficient level of guidance for employees and others who may read it. It should be drafted as carefully as an important letter to shareholders. Key guidelines:
 - Be clear about the objectives the code is intended to accomplish.
 - Get support and ideas for the code from all levels of the organization.
 - Be aware of the latest developments in the laws and regulations that affect your industry.
 - Write as simply and clearly as possible. Avoid legal jargon and empty generalities.
- 4 **Communication.** Communicate concisely, often, and in many forms—both about ethics codes and when incidents occur that need to be addressed. Remember also that communication involves dialogue. Find ways to make it happen.
 - Respond to real-life questions and situations.
 - Provide resources for further information and guidance.
 - In all its forms, make it user-friendly because ultimately, a code fails if not used.
- 5 **Training.** Few employees instinctively know how to make complex ethical decisions. Training sessions that allow employees to exchange views about the importance of ethics and about the issues and values that specifically relate to their daily work are critical.
- 6 **Resources.** Ensure employees, as well as suppliers, customers, and others, have resources they can access when a question or a problem arises, whether through phone lines, Web sites, specific communications vehicles, or another resource.
- 7 **Organizational ownership.** Values can’t be mandated; you need 100 percent buy-in from every person affected. It’s a continuous process of communication, discussion, and debate throughout all areas of the organization.
- 8 **Consistent standards and enforcement.** Employees must know and understand the standard and the punishment for not abiding by it. Then, the application has to be consistent at all levels.
- 9 **Audits and evaluations.** Constantly monitoring and measuring the effectiveness of programs is essential to success.
- 10 **Revision and reform.** A program to instill values into an organization must be more than a static model that sits on a shelf gathering dust. It must be a living instrument. Circumstances and situations change and programs must adapt.

poor substitute for morality. The greatest blessing of living in a free society is that we have the ability to steer ourselves. Once we give up that ability, that privilege, we risk losing sight of the ethical spirit and the law becomes a cage. We’ll do, as so many others have done in this century, just what we’re told to do. The world can no longer afford that kind of obedience.”

Excerpted with permission from Ethics Matters: How to Implement Values-Driven Management by Driscoll and Hoffman of the Center for Business Ethics at Bentley University in Waltham, Massachusetts. The Center for Business Ethics promotes integrity and trust in business by encouraging the establishment of organizational cultures and practices

that drive ethically responsible decision making and conduct to create long-term economic, social, and environmental value. The center staff pursues this mission through the application of expertise, research, education, and a collaborative approach to dissemination of best practices. Visit www.bentley.edu/cbe for more information. TT