

Ten Things Business Leaders Should Know About Ethics

By

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Confucius once said, “What I hear, I forget. What I see, I believe. But what I *do*, I understand.” But as we have seen during the past weeks and months, it would seem as if some of today’s business leaders have not only forgotten their responsibilities to set an ethical example, their ethical base itself is in question.

An understanding of ethics, at an organization of any size, begins at the top, and its fruit must cascade to every level until it truly becomes a way of life. If you work in an environment where trust, loyalty and honesty are natural tendencies; a way of life and a way of doing business each day, stay there. Consider yourself fortunate to be associated with people and practices that are distinguished and values are truly valued.

As a practitioner of a profession that requires strong leadership skills eight hours a day – and as an executive that is always mindful of what I instill in others – I have been in a position to observe the daily environments of dozens of major corporations, and have been successful at growing my own firm by creating a fertile ground for people driven by values.

Here are some observations about ethics and instilling new behaviors that can lead you and your company to a truly higher ground:

Ethical behavior is not a short-term proposition. Far too many companies and executives live quarter to quarter, year to year, in search of short-term gains. I believe that while leaders should see both the short- and long-term consequences of decisions, ethical considerations ought to have more influence. Ethical leadership and decision-making are essential to long-term survival. In its absence there is no truth, no trust, no loyalty. Without these there is no competing ... and business is about competing.

While I concede that shareholders, customers and employees demand -- indeed, expect -- a return on their investment, and a consistent profit, establishing yourself as an ethical and trustworthy entity reaps far more rewards in the long-term. The two biggest enemies facing corporate America today are greed and complacency. Both are killers.

Put profits second. Instead, put providing security and opportunity for your employees, and building and maintaining trust, at the top of the list.

Develop your people; nurture their personal drive to achieve optimal results; focus on continuous improvement.

Trust is the single greatest competitive advantage that any leader can have. Trust generates loyalty, and loyalty surpasses all other supposed advantages.

Trust is important because companies often have people just passing through, not spending sufficient time in any role to build trusting relationships. Trust can be further shaken by various business fads -- experimental exercises that are purported to miraculously change environments. Unfortunately, we want quick fixes and silver bullets too often. An organization that lives its ethics has no need for fads, only continual reinforcement of its values and the behaviors that reflect them.

What are your convictions and passions? For me, it is a passion to do what is right. It's visible to everyone in my organization. Communicate openly and honestly, frequently. Share the good news and bad news. Speak with heartfelt sincerity. Never miss an opportunity to develop or strengthen a relationship. Talk about your life experiences, as well as business perspectives. Let your heart be heard and felt.

Believe and act as if no obstacle is too great to overcome; and, have the fortitude to do what is right. Financial reward will surely follow.

No blind faith. Putting values first does not necessarily mean that monetary goals become 'a leap of faith.' You know what it takes to produce your product or service, and make it a success in the marketplace. Everyone in your company already understands his or her responsibilities. How well, and how energetically, you and they live up to those responsibilities is affected by what you want your organization to stand for, or be about, in the long run. If you and all of your people use their talents well, and ask for help or guidance when needed, profits will be a by-product of the larger spirit you create.

Make no compromises. Make your ethical beliefs and values the natural basis for how you and your staff operate in *every* situation. Live up to them. This can be tough in a world that has learned to rationalize and legitimize actions once considered socially and morally unacceptable. Too many people, as their careers progress, find excuses to compromise their integrity. They don't necessarily do something that is totally dishonest, but in small ways let things slide that they really should not let slide. Any one of us can be influenced by politics, by any personal impact, or some other short-term reward. The fact is that wrong and right are not obscure. Keep your values alive by weighing decisions against them. Your reputation, and your future, depend on it.

If it's all About You, Quit. This is advice I give to executives and those who aspire to leadership positions, and some may disagree with me. Leadership is a precious opportunity to earn the right to influence others – don't waste it or abuse it. Leaders are responsible to others first, before they take care of themselves. So, if you are unaccustomed or unwilling to enduring sacrifice, quit. If you lack self-confidence, quit. If you are intimidated or uncomfortable with loneliness, quit. But if you believe in making a positive change, and believe you are responsible for securing the world for future generations, go for it.

Teach ethical behavior by example. But don't try to use intellect alone. You must ignite a passion and spirit in others by using your heart to tap emotions. Realize and accept that you may find yourself paying the price for predecessors who were not trusted. It can be frustrating when what you are saying and doing is not being accepted as the truth. It gets back to not being overcome by challenges.

Strong leaders must also listen and act on input they receive, make decisions quickly and fairly, and again, consistently show their willingness to put themselves last in line. Sound paradoxical? Not at all. If you are the head of an organization, you owe it to yourself and your staff to act with integrity – according to the values you have established.

Hire people with the values you want at your company. How do two candidates with similar education and experience differ? It may be on values and attitude. If you want to do more than lip service to your corporate values, screen for them. Structure your interview – and your review – process to focus on traits that support your values and

philosophy. Look for honesty, a strong work ethic, a passion for excellence, a caring person who wants to make a difference. A positive attitude and behavior are expected. We spend hours with a candidate before we even discuss technical competency, education, and experience. What is on your list of values?

Ethical behavior can be measured. Assuming your company has already made its Mission, Beliefs, and Values a living foundation that is referred to and acted upon regularly, you first only need be observant. Obvious signs about morale and attitudes are often missed because we are too busy going from point A to point B. Put the time in to learn about your people.

Next, put some measures in place. We have clearly identified “character elements” in our performance review process, and weight them as highly or higher than actual technical performance. There are absolutes assigned to these elements, and no room for variances. In other words, you’re either displaying honesty or you’re not. To receive an unacceptable rating in a character element leads to termination. You can’t develop honesty in somebody. What you can do is let them know there is a zero tolerance to violating a value. If someone here believes that it is okay to talk down to somebody, to compromise another’s dignity (even in times of disagreement), they don’t belong here.

Then, reinforce values-based action and encourage honest and open peer feedback. Do this, again, by setting the example: listen to those who disagree with you. Show that you understand their point, then share information that helps them understand your view or modify your view based on their input. If you set the example for openness and respect, it is appropriate to expect others treat their peers similarly. Self-policing eventually becomes part of the culture because people appreciate being in a positive environment. When someone is out of step, you will see it being corrected right there. This is much more powerful than managerial intervention, although at times certainly this is required.

You can also survey employees annually and ask whether the organization has been true to its Values and Beliefs. Have them describe examples of how the organization has, and has not, lived up to them. We take this kind of feedback, and as a management group, determine whether an issue can be addressed through a structure or procedure already in place, or if we need to do something new. If it’s new, it becomes an annual plan objective for us. When feedback does not become part of our annual plan

requirement, the manager is still required to personally follow up with the individual giving the input to explain why it was not included. Until the loop is fully closed with all feedback provided, we aren't done. The last thing we want to do is lose our credibility.

Solicit and welcome customer feedback. Seek customer feedback about their interactions with your company. Is their view of you consistent with the values you want to portray? Where can you improve the relationship? You can make getting this kind of feedback formal by talking with every customer after a sale, or on some form of regular basis. If you or your staff is judged poorly, make a point to meet or talk with your customer to address it.

Ethical leaders can change a corporation's culture. If a CEO comes into an organization and recognizes that it has compromised cultural issues, he or she is facing a tough transformation. The reality is that many managers will not share the values the CEO wants to be practiced, and these managers may need to be displaced. Those that keep their roles must have strong interpersonal and leadership skills on top of the necessary technical competencies. Put these people in key positions and require them to establish the next tier of managers, and continue through the organization. This takes diligence and fortitude during three to four years, but can change the culture.

Change has a great deal to do with attitude. In our business, we have a responsibility to help change environments. If we go in and we're charged up and the client is down because of their business issue, you'd be surprised at how invigorating attitude can be. It's not about the client understanding our approach or reasoning, it's the leader's emotional impact that makes the difference.

Leaders with firm beliefs and strong ethical and moral convictions will always have a positive impact on any organization. Imparting authenticity, honesty and an absolute dedication to being the best you can be at all times often comes back to you in the form of strong business relationships, friendships and mutual respect. And if you are awarded additional business as a result of this behavior, you win again. If you aren't, shake hands and walk away, knowing you have done your best.

I close with an anecdote based on an absolutely true story. Several years ago, we were on the verge of signing our largest contract in company history. As we were closing the deal, one issue came up that was a sticking point -- it had nothing to do with the job at

hand, it was strictly a political issue on their end.. The client finally agreed with us on this issue, and we were ready to go. The company's Board finally reached agreement on the contract, but would not back down on that single, key issue that we deemed so important. We declined the assignment.

Our company had worked on that proposal for eight months. There were dozens of people involved, and careers were going to be affected. But we stuck by our guns, and when I announced at our monthly staff meeting that we had turned down what would have been our largest contract ever, the company stood and applauded as one. This typifies our organization; that's why I love it so much.

Everyone has integrity when there's no price to be paid. But if you really want to know who truly has integrity, who really lives their values rather than just talks about them, put a pile of money on the table.

And see who walks away from it.

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