



Businesses' Silent Killer

The thrust to change, sustain or grow an enterprise may awaken an insidious disease that can lie dormant in most of our businesses. We're confident that our own enterprise will never be afflicted by a debilitating breach of ethics. Hence the astonishment when business misconduct devoured Enron and WorldCom; threatened Tyco and Major League Baseball; and destroyed the personal brands of previously respected governors, senators, Presidents and business executives.

How does acceptable behavior morph into the unethical? Where does unethical behavior morph into the illegal? The lines between the ethical and the unethical are not always clear. Simply put, ethics are the behaviors that define the character of our relationships. They vary by culture and by organization. Businesses that have not clarified their own "code of ethics" risk leaving the line drawing to each individual. In the extreme, the lines that separate the unethical from the illegal are also apparently unclear as we witness that attorneys go to jail too.

Accepted ethical behaviors will vary somewhat by organization, by national culture and by each individual's perceptions. Leaving ethical definitions to each employee will not absolve an employer's accountability for their behavior.

Getting to the point – put your house in order. Set clear and succinct rules. To assess your own performance:

- How would you react to the details of your business conduct if disclosed to your customers, suppliers or employees?
- How would the details play in the press?

Assure that your employees know the boundaries of ethical behavior and that these boundaries apply to *everyone*. Communicate and discuss expectations. You'll affirm or diminish the rules by your own behavior (you always have an audience). Employees know that you expect results, but do they know how you expect them to be achieved?

Applying the "golden rule" to our relationships will help, but there are conflicts that may compromise the best ethical intentions. Your employees don't set out to be unethical but if unbounded, any employee could impact your business if he or she:

- Does what's easy, versus what's right
- Avoids disclosing a personal or business miscue
- Slips from the telling of white lies into making incremental compromises that eventually cross the line
- Overreaches for financial gain
- Focuses solely on achieving performance metrics
- Follows any questionable example of superiors

And please remember that your brand also can be impacted by those with whom you do business. Example: legitimate financial advisors have been devastated by the good faith investment of their clients' funds with Bernard Madoff.



At the point you can recognize greed or arrogance in an employee or business partner, the disease has progressed, initial damage has already been done, and the time for rehabilitation has passed. Save your reputation and your

business. Sever the relationship quickly. Left unchecked, misconduct will spread – within your business and to your industry. We saw how ethical lapses can lead to intervention (e.g. Sarbanes-Oxley). We now again see scrutiny's "justification" as the financial services industry faces potential new regulation driven by public disdain for the questionable practices by a few of the industry's firms.

Company brands are established by offerings, quality, service, ease of doing business, and trust. So, as you focus on financial results, don't lose sight of the rest. Principled customers, suppliers and employees will not stick around to risk their own brand being tarnished by association with you. They're all free agents and they all have options.

Business models and our national culture saddle us with a conflict between extreme economic Darwinism and our Puritan roots. Most businesses have found a healthy balance. The prognosis for those who haven't is not good.

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