

# Business Ethics - The Foundation of Effective Leadership

## "Everyone Else Does It!" Ethics Project

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Business ethics are a hot topic these days. With everything from insider trading to employee theft on the rise, it is no wonder that businesses are beginning to focus on the impact of ethical leadership. But along with this new focus comes a lot of "gray area." Many times, managers are forced to decide on issues where there are arguments on both sides - a problem that makes ethical decision-making very difficult.

#### **Let's look at an example:**

Sally started her consulting business a year ago and has been doing very well. About a month ago, she decided she needed to hire someone to help her since she was getting busier and busier. After interviewing several candidates, she decided to hire the best one of the group, Mary. She called Mary on Monday to tell her she had gotten the job. They both agreed that she would start the following Monday and that Mary could come in and fill out all of the hiring paperwork at that time.

On Tuesday, of the same week, a friend of Sally's called her to say that she had found the perfect person for Sally. Sally explained that she had already hired someone, but the friend insisted. "Just meet this girl. Who knows, maybe you might want to hire her in the future!" Rather reluctantly, Sally consented. "Alright, if she can come in tomorrow, I'll meet with her, but that's all." "Oh, I'm so glad. I just know you're going to like her!" Sally's friend exclaimed.

And Sally did like her. She liked her a lot. Sally had met with Julie on Wednesday morning. She was everything that Sally had been looking for and more. In terms of experience, Julie far surpassed any of the candidates Sally had previously interviewed, including Mary. On top of that, she was willing to bring in clients of her own that would only increase business. All in all, Sally knew this was a win-win situation. But what about Mary? She had already given her word to Mary that she could start work on Monday.

And yet she only had the resources to hire one person at this point. Clearly, the best business decision was to hire Julie. But what about the ethical decision? If her business did poorly or Mary couldn't provide enough support, the business would suffer. As a result, her family would suffer. Money was already tight, what with two boys in college. And yet she knew Mary also had a family she was supporting. Plus, she had been so enthusiastic about starting to work.

Obviously, Sally had a problem - an ethical problem. Should she hire Mary (whom she'd already given her word) or Julie (who was obviously the best person for the job)? Questions like these touch on our deepest values. Depending on whom you would ask, you would get strong arguments for both decisions. This is what we mean when we talk about "gray area." So what is the answer?

According to Kenneth Blanchard and Norman Vincent Peale, authors of ***The Power of Ethical Management***, there are three questions you should ask yourself whenever you are faced with an ethical dilemma:

1. **Is it legal?** In other words, will you be violating any criminal laws, civil laws or company policies by engaging in this activity?
2. **Is it balanced?** Is it fair to all parties concerned both in the short-term as well as the long-term? Is this a win-win situation for those directly as well as indirectly involved?
3. **Is it right?** Most of us know the difference between right and wrong, but when push comes to shove, how does this decision make you feel about yourself? Are you proud of yourself for making this decision? Would you like others to know you made the decision you did?

Most of the time, when dealing with "gray decisions," just one of these questions is not enough. But by taking the time to reflect on all three, you will often times find that the answer becomes very clear.

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### **Developing Your Company's Ethics Policy**

There are definite advantages to owning your own business when you want to establish an ethics policy. You see, ethics come from the top. Without setting an example at the top, it is often difficult, if not impossible, to convince your employees that they too should be ethical in their business dealings. A well-defined ethics policy along with an outline of related standards of conduct provides the framework for ethical, moral behavior within your company.

What is the benefit to developing such a policy, you may be wondering. The benefit is higher employee morale and commitment, which in most cases leads to higher profits. But higher profits should not be your motivating factor in defining your ethics policy.

An ethics policy should look at the bigger picture of how we relate to society as a whole and what our responsibility is to the greater good. Of course, in these days of downsizing and increasing change, some may argue that these ideals are unrealistic. However, it is important to note that most of the opponents of good ethics are focusing on short-term versus long-term results. Many organizations that have participated in the downsizing mania are beginning to realize that they have traded long-term employee morale and productivity for short-term profit margins.

The bottom line is "what goes around, comes around." If you treat your employees with disrespect and distrust, chances are they will do the same toward you.

When you are developing your ethics policy, you must decide what it is you want your company to stand for, put it in writing, and enforce it. According to Blanchard and Peale, you can base your policy on five fundamental principles:

1. **Purpose.** A purpose combines both your vision as well as the values you would like to see upheld in your business. It comes from the top and outlines specifically what is considered acceptable as well as unacceptable in terms of conduct in your business.
2. **Pride.** Pride builds dignity and self-respect. If employees are proud of where they work and what they are doing, they are much more apt to act in an ethical manner.
3. **Patience.** Since you must focus on long-term versus short-term results, you must develop a certain degree of patience. Without it, you will become too frustrated and will be more tempted to choose unethical alternatives.
4. **Persistence.** Persistence means standing by your word. It means being committed. If you are not committed to the ethics you have outlined, then they become worthless. Stand by your word.
5. **Perspective.** In a world where there is never enough time to do everything we need or want to do, it is often difficult to maintain perspective. However, stopping and reflecting on where your business is headed, why you are headed that way, and how you are going to get there allows you to make the best decisions both in the short-term as well as the long-term.

A company policy is a reflection of the values deemed important to the business. As you develop your ethics policy, focus on what you would like the world to be like, not on what others tell you it is.

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<http://www.onlinewbc.gov/Docs/manage/ethics.html> (6 Oct. 2003).