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Do the two words even belong together?

To paraphrase the great Louis Armstrong, if business ethics were a matter of black and white, what a wonderful world it would be. Imagine that, in every similar situation, the same “right” answer would apply. There’d be no confusion, no complexity, and no emotional debate. Society, customers, employees and corporate executives would be of one opinion on issues that often divide and anger.

As it is, some critics of corporations are skeptical that the two words — business and ethics — even belong together. And I know, from talking frequently to employee groups about values, that many in the rank-and-file are cynical too. But are business ethics an oxymoron, as one might fear when reading about the latest corporate or executive scandal, or are they actually a paradox requiring a more nuanced understanding of the mosaic of values and legalities that corporations are bound by?

Business Ethics and Other Acts of Courage

Typically, the issue of business ethics comes to the surface when an employer or a corporation does something that an employee or the customer or the society at large perceives as being counter to values. Often, as readers of this column know, the conflict comes out of the intersecting of those different value sets.

The employee believes one thing is right, the organization’s values hold something else to be correct, and the customer or society might feel something else entirely. A perception might exist that the corporation is violating business ethics, even though the executives believe no such violation has taken place.

Of course, companies can and should do a better job articulating their own values, hiring and promoting those employees and executives who demonstrate those values, and binding those values to their own brand image. But that doesn’t always solve the problem.

Take Wal-Mart, for example. Low pricing is their service value, one that millions of customers share and appreciate. But to achieve low prices, the company believes it is ethical to hire at low wages, reduce benefits, overwhelm local enterprises, and buy its

products from overseas manufacturers. None of these activities are illegal, but many believe them to be unethical. For the executives of Wal-Mart, however, the ethical question probably doesn’t surface. They’re doing what they think is right, and they’re very successful as a result.

Shades of grey

Unfortunately, as we delve into the labyrinth of business ethics, the shades only become more grey.

Short-term profits are a value to Wall Street, and many executives are financial jocks who share those values. Often activities that generate short-term profits — like downsizing or merging — trigger bonuses for a CEO, even though those activities often reduce long-term profitability. While that may be legal, is it ethical? Generous severance packages for executives are another example, Bob Nardelli at Home Depot being the latest poster child. Is it ethical for an executive to receive a severance package that sets him up for life in spite of his failure to improve the business? Because of the CEO’s poor performance, shareholders lost money, customers were poorly served, communities may have suffered, and front-line staff may have been dismissed through no fault of their own. How can this be right?

In the U.S. and, to a lesser extent, in Canada, excessive severance packages are viewed as the cost of doing business in a capitalist society. In other countries, there's a legal cap on how much a CEO can make compared to the lowest paid employee. Clearly, that demonstrates a different definition of business ethics in different societies.

Societies may have different laws, but is it always ethical to conform to them? Google's value is a simple, "Don't be evil." But when it ventured into China, it was required by Chinese law to censor information. Google complied. This was the legal thing to do. But was it ethical? I bet the rank-and-file at Google didn't think so, and criticism has been heavy. Google "compromised" by providing a notice that information was missing because of censorship whenever a search on a sensitive topic like Tiananmen Square or Falun Gong was made. It argued that it did the same thing in France or Germany whenever a search for Nazi was made. Was it acting ethically in both situations, or just in one, or in neither? Something smells off, but it depends on your point of view.

Right and wrong, it would seem, are sometimes a matter of multiple choice, with more than one correct answer. (That's why ethicists are so highly paid.) But to make business ethics part of your decision-making process, you need to consider issues from a variety of standpoints: your organization's values, your social and legal responsibility, and how religions, cultures, and societies view things.

Here are some guidelines:

1. Business ethics that follow

the values of a firm encourage long-lasting relationships with employees, customers, shareholders, and communities. If the imperative of business success is contrary to business ethics, choose carefully or risk long-term damage.

2. Since the imperative of ethics is not always enforceable by law, disengagement is the only recourse customers and employees have when ethics have been violated.

3. Profit is the mantra of Wall Street and many business schools, but understand that in the realm of ethics, profit is not a value but a by-product of doing business correctly.

4. Nothing about business ethics is simple. An ethical test will necessarily view an issue or a circumstance from many different prisms. At the same time, we can't all be right. Ultimately, ethical decisions are judged internally. Does it feel right? Does one choice feel more right than another? Boy, that can be tough. But it's what separates a leader with courage from someone who takes the path of least resistance.

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• *The Talent Edge: A Behavioral Approach to Hiring, Developing, and Keeping Top Performers* (John Wiley and Sons, August, 2001)

• *Inside the Box: Leading With Corporate Values to Drive Sustained Business Success* (Jossey-Bass August 2006)

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