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Value through Ethical Behavior

There is a growing body of knowledge to indicate that organizations that act in a socially responsible manner, following high ethical standards will in the long-run outlast and outperform companies that pursue profits at all costs. This connection between value and ethics has been around for a long-time, but several studies have confirmed it:

- "The financial performance of companies stating a commitment to ethics is better than those that didn't based on the annual rankings of companies." – Business Week Magazine
- "Of the 87 companies where an ethics code was clearly stated, the average Market Value Added (MVA) was 2.5 times larger than those not mentioning a code of ethics or conduct." – Corporate Performance is Closely Linked to Strong Ethical Commitment by Dr. Curtis Verschoor
- "Companies that routinely practice high business ethics and principles also attract the highest quality recruits and retain employees longer." – Ethics Research Center

Therefore, the morality of management has a lot to do with the overall value system behind any organization. In his book *Saving the Corporate Soul*, author David Batstone outlines eight principles of ethical corporate performance:

1. The directors and executives of a company will align their personal interests with the fate of stakeholders and act in a responsible way to ensure the viability of the enterprise.
2. A company's business operations will be transparent to shareholders, employees, and the public, and its executives will stand by the integrity of their decisions.
3. A company will think of itself as part of a community as well as a marketplace.
4. A company will represent its products honestly to customers and honor their dignity up to and beyond a transaction.
5. The worker will be treated as a valuable team member, not just a hired hand.
6. The environment will be treated as a silent stakeholder, a party to which the company is wholly accountable.
7. A company will strive for balance, diversity, and equality in its relationships with workers, customers, and suppliers.
8. A company will pursue international trade and production based on respect for the rights of workers and citizens of trade partner nations.

"Truth be told, the corporate crisis is as much spiritual as it is financial. Yes, fortunes are won or lost on the ability to anticipate trends and create products that meet these demands. But capitalizing on innovation is not enough today. A company's success also hinges on whether in the eyes of its employees and the public it honors a common sense of justice."

- *Saving the Corporate Soul* by David Batstone

The marketplace and business are usually driven by "commercial" type decisions. However, people are not necessarily driven by commercial or business related values. Individuals and organizations need to take it upon themselves to set a moral compass that is not driven strictly by commerce. Businesses can take several steps to establish a moral compass – transparency and honesty in reporting financial results, assuming responsibility for bad decisions, sharing of wealth to all, service to community, humanizing the workplace, and other decisions of integrity.

"A value is a belief in action. It is a choice about what is good or bad, important or unimportant. Values shape behavior. Until a value is acted upon it remains an aspiration. Values are hard to detect; yet they underpin organizations like the foundations of a house. If the foundation is weak, then the house falls down."

- *Unlocking Organizational Values* by Dave Francis and Mike Woodcock

Ethics is about the choices we make – the wisdom we display through our decisions, and ethics ultimately defines how we want to live – the standards of acceptable behavior that tells the world what is right. When we do these "right things" we create strong, sustainable relationships with our stakeholders, creating positive value for everyone. Thus, the connection between value and ethics!

Finally, what success represents to the "ethical" business leader may contrast sharply with the typical business leader. The typical business leader is often pre-occupied with meeting the numbers, defeating the competition, and being on top. Ethics is more concerned with doing the right things, not looking at business in terms of profits and financial results, but creating a sense of dignity and prosperity for everyone touched by the business.

"Getting business's ethical house in order starts with people. Consider that ethical transgressions can occur on countless levels. As social psychologists, we look at two variables, the environment and the person. Consider how your ethical miscues can affect people – employees, colleagues, and superiors, suppliers, customers, internal regulators (lawyers, auditors, the board of directors), external regulators (government, interest groups, and the like), shareholders, or the public at large in your community. You can affect any or all, separately or combined, consciously or not. And you can have an impact on how they think of you in numerous ways – through corporate citizenship, product quality, your business plans and strategy, how openly and candidly you communicate, by the clarity of your business reviews and reports – internally or externally, by the transparency of your financial and other public statements, and you certainly have an impact on your image if you commit premeditated fraud or deceit, or even violate criminal laws. These can be acts of commission – or acts of omission, venial – in the moral theologian's view – or moral."

- *The Ethical Challenge: How to Lead with Unyielding Integrity*, Edited by Noel M. Tichy and Andrew R. McGill