

Gaining The Ethics Edge

A few quick stats:

- 90% of managers rank themselves in the top 10% of ethical performers. Mathematically, this is not possible.
- Less than 10% of managers have ever received more than one hour of ethics training in their entire career.

What's the purpose of a Code of Ethics really?

Ethics should not be treated as a “soft” topic, unrelated to the “hard” world of business. Ethics enhances the bottom-line, it does not dilute it. Example - is it safe to say that business ethics is not the first thing that comes to mind when one thinks of doing business in Russia? What comes to mind is a lack of business ethics. What does that do to the cost of doing business there? It makes doing business in Russia more expensive in terms of time, frustration and missed opportunities. Therefore making Russia less competitive in the world market.

Before we go further, lets make some distinctions. Standards are acknowledged measures of comparison for quantitative or qualitative value, e.g. weights and measures like ounces and pounds. Values are beliefs of what is good and bad. Regardless of culture, people differ very little about values, e.g. everyone wants their child to grow-up honest, courteous and charitable. Ethics is the “cost” a person will pay to uphold their values (the highest cost possible is putting others needs before your own which creates implicit trust). It is the way a person translates his beliefs into actions, e.g. everyone values honesty and when “push comes to shove” and their “honesty ethic” is tested, some people buckle under this test and others do not. Most people differ in their ethics rather than their values.

Situation

As the pace of imitations quickens, intangible assets (like ethics) are assuming an increasingly competitive significance in changing markets. As a result, organizations with clearly stated and executed ethics are likely to be stronger performers. Example - Nordstrom department store will cheerfully refund your money on a pair of shoes even if you decide you are unhappy with them two years after you bought them. Nordstrom's value of serving the customer is upheld, even at a high cost. They probably have the highest “service ethic” in business. The result for Nordstrom is higher customer loyalty and higher margins. People will pay a premium for trust.

How to do it

Exercise - Have members of your organization think of someone they trust implicitly. Have them write the primary adjectives related to “why” they trust this person.

Next, align these value perspectives:

values that your organization's management communicates values that employees believe drive management's behavior values that actually underpin the interpersonal dynamics of the organization Lastly, you can create your organization's measurable ethical standards by using the “trust adjectives” your organization generated in the step above as the cost you are willing to pay to uphold your organization's values.

How does ethics become a core competency in your organization? You can accomplish this by adding your organization's ethics to your job descriptions, professional development and annual reviews. Naturally, in-turn, your ethics will find its way into your negotiations, collateral and website, etc.

Result

Ethics can add substance to your profession (what you deliver of value to your clients). It can also add professionalism in a way that can be seen, felt and measured (real ethical standards).

Lastly, ethics enhances your bottomline two ways: 1. by lowering transaction costs because of a high “trust ethic” and 2. by creating a hard-to-copy nature of your organization's ethical culture.

What would happen now if you stopped treating ethics as a “soft” topic?

About the author . . .

Darren has over 18 years experience in professional services, distribution and manufacturing and he has started and sold two companies. His industry experience includes professional associations, architecture/engineering/construction, industrial and healthcare.

He speaks regularly on the subjects of strategy, coaching, leadership, international business, and business development. Darren's audiences have ranged from the Business School at the University of Notre Dame in South Bend, Indiana to the local chapter of the Associated General Contractors in Austin, Texas.



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**Darren Smith helps executives develop edges to make winning easier.
Darren achieves this through consulting on strategy & business
development and through coaching & speaking.**