

# Good Ethics is Good Business!

*“Pay me now or pay me later!”*

Michael L. Hackworth

IEEE Engineering Managers Society

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# Ethics

Ethics (Greek ethika, from ethos, "character," "custom"),

principles or standards of human conduct, sometimes called morals (Latin mores, "customs")

# Applied Ethics

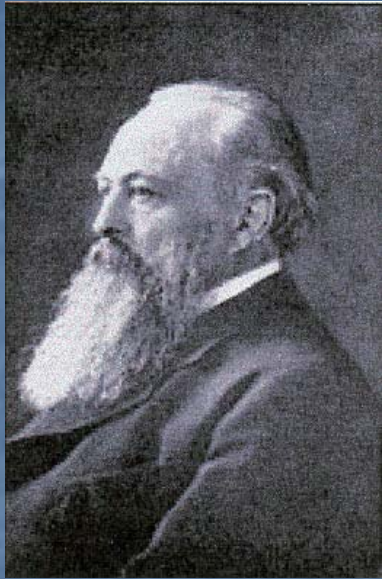
- Basis can be societal, ethnic, or religious
- Voluntary, self imposed, self discipline
- Additional criteria to an action or decision *beyond* the contractual and legal constraints
- “Doing the right thing....”

# Some Commonly Accepted Ethical Behaviors...

- Justice
- Fairness
- Honesty
- Decency
- Proportionality of Outcomes

What is the Root Cause of  
Unethical Behavior?





Lord Acton, 1834 -1902

“Power tends to corrupt,  
and absolute power  
corrupts absolutely.”

Lord Acton, a highly respected historian and scholar at  
Cambridge Univ. in a letter to the Bishop of London,  
Mandell Creighton, on April 3, 1887

# An Organization's Ethics are Determined By Its Leaders

- Ethical behavior is defined by the unit's *culture*
- The unit's culture is “*how things get done around here*”
- The **Chief Executive's behavior** defines the culture

# What Makes an Ethical Leader?

- Character – High Values
- Maturity – Judgment
- Basic Management Skills



# An Ethical Executive Asks...

- Does it optimize the bottom line?
- Does it comply with the contractual & technical provisions?
- Is it legal?
- **And also....**

***Is it Ethical?***

# Do Strong Ethics Cost \$\$\$?

*Not Necessarily...*

*It Can Actually Save Money!*

# Cost of Quality

## *Lessons from the '70s*

- Excellent Quality Lowers Cost
  - No Re-work
  - No Inspection
  - No Scrap
  - Superb customer satisfaction
- Doing it right the first time saves money!

# WorldCom's Cost of Ethical Nonconformance

# 10 Year WorldCom Share Price





# Cost of Ethical Nonconformance

- Over \$177 Billion investor loss alone!
  - $\$60 - \$18 =$  Inflated loss/share or \$124B
  - Core loss \$18/share or \$53Billion
- WorldCom Human Loss
  - Lost jobs
  - Lost retirement savings
  - Lost shareholder investment
  - Lost “life” for employee & investor families

# Silicon Valley Recent Example

# 18 Month HPL Share Price



# Cost of Ethical Nonconformance

- Over \$516 Million!
  - $\$17 - \$3.30 =$  Inflated loss/share or \$416M
  - Core loss \$3.30/share or \$100 Million
- Silicon Valley-- HPL
  - Lost jobs
  - Lost shareholder investment
  - Lost “life” for employee & investor families

# Over Emphasis on Short Term

- Chasing the Analysts
  - *Miniscribe, MediaVision*
- Propping up the Stock Price
  - *Informix* (Now part of IBM)
- Execs Spending Paper Money
  - *Enron, WorldCom, & many Si Valley Co's*



# Good Ethics Is Good Business

- Tylenol – “Pay me now...”
  - Cost of Recall & Tamper Proof Pkg'g
    - Investment
  - Result: Improved Bottom Line!
    - Increased customer loyalty
    - Increased market share
    - Increased profitability
- Pay me now, ...or pay me later!

# Is It Ethical?

*The Third Dimension in Corporate  
Decision Making*



MARKKULA CENTER  
FOR APPLIED ETHICS  
SANTA CLARA UNIVERSITY

## A FRAMEWORK FOR ETHICAL DECISION-MAKING

Ethics or morality poses questions about how we ought to act and how we should live. It asks, "According to what standards are these actions right or wrong?" It asks, "What character traits (like honesty, compassion, fairness) are necessary to live a truly human life?" It also asks "What concerns or groups do we usually minimize or ignore? And why might that be?" Admitting our blindness is the beginning of vision.

### RECOGNIZE A MORAL ISSUE

1. Is there something wrong personally, interpersonally, or socially? Is there conflict that could be damaging to people?
2. Does the issue go deeper than legal or institutional concerns? What does it do to people as persons who have dignity, rights, and hopes for a better life together?

### GET THE FACTS

3. What are the relevant facts of the case?
4. What individuals and groups have an important stake in the outcome? Do some have a greater stake because they have a special need or because we have special obligations to them?
5. What are the options for acting? Have all the relevant persons and groups been consulted? If you showed your list of options to someone you respect, what would that person say?

### EVALUATE THE ALTERNATIVE ACTIONS FROM VARIOUS MORAL PERSPECTIVES

6. Which option will produce the most good and do the least harm?
7. Which option is fair to all the stakeholders? Even if not everyone gets all they want, will everyone's rights and dignity still be respected?
8. Which option would help all participate more fully in the life we share as family, community, society?
9. Would you want to become the sort of person who acts this way (e.g., a person of courage or compassion)?

### MAKE A DECISION

10. Considering these perspectives, which of the options is the right thing to do?
11. If you told someone you respect why you chose this option, what would that person say?

### ACT, THEN REFLECT ON THE DECISION LATER

12. How did it turn out for all concerned? If you had to do it over again, what would you do differently?

# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

- Recognize a moral issue
- Get the facts
- Evaluate the alternatives for moral outcomes
- Make a decision
- Act, and reflect on the consequences

# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

## ■ Recognize a moral issue

- Is there something wrong personally, interpersonally, or socially?
- Is there conflict that could be damaging to people? to animals or the environment? to institutions? to society?



# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

## ■ Recognize a moral issue

Does the issue go deeper than legal or institutional concerns?

- What does it do to people as persons who have dignity, rights, and hopes for a better life together?

# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

## ■ Get the Facts

- What are the relevant facts of the case?
- What individuals and groups have an important stake in the outcome?
- What is at stake for each? Do some have a greater stake because they have a special need (e.g., those who are excluded) or because we have special obligations to them?

# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

## ■ Get the Facts

- Are there other important stakeholders in addition to those directly involved?
- What are the options for acting?
- Have all the relevant persons and groups been consulted?
- If you showed your list of options to someone you respect, what would that person say?

# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

## ■ Evaluate the alternatives

- Which option will produce the most good and do the least harm?
- Which option respects the rights and dignity of all stakeholders? Even if not everyone gets all they want, will everyone still be treated fairly?
- Which option would promote the common good and help all participate more fully in the goods we share as a society, as a company, as a family?

# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

## ■ Consider Two Questions...

### ... and Make a Decision

- Considering these perspectives, which of the options is the right thing to do?
- If you told someone you respect why you chose this option, what would that person say?



# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

## ■ Act, then reflect on the decision later...

- How did it turn out for all concerned?
- If you had to do it over again, what, if anything, would you do differently?

# Framework for Ethical Decisions

Courtesy: *Markkula Center for Applied Ethics*

- Recognize a moral issue
- Get the facts
- Evaluate the alternatives for moral outcomes
- Make a decision
- Act, and reflect on the consequences

# Ethical Leadership Summary

- Ethical Leadership Traits
  - Character
  - Maturity
  - Basic Management Skills
- Three Dimensions Of Constraints
  - Business Result
  - Legal Compliance
  - Ethical Outcomes (*remember Lord Acton*)
- Pay Me Now!
  - -- *later is too expensive!*

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