

# ELECTRIC<sup>®</sup>

## LIGHT & POWER

## Ethics and leadership should be a cornerstone in the power business

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John Wooden once stated, “Ability may get you to the top, but it takes character to keep you there.”

It’s advice every corporate executive should take to heart. Let’s face it: Business is in trouble. Even the power industry, once one of the most respected, is not immune to this disease. We’ve heard the phrases: “revenue and profit at all costs ... off balance-sheet transactions ... bolster the stock price.” Formerly conservative industries bought into this “new economy” mentality and accompanying behavior, which destroyed a number of “high-flying” companies and has helped to precipitate the current recessionary business period.

Most agree that U.S. and global businesses are suffering a crisis in corporate leadership and ethical governance. The Enron scandal alone brought that topic to the forefront of the power industry.

Who’s responsible? To find someone to blame, the general public looks right to the top of an organization. In a survey completed by The Chief Executive Group L.P., and published in *Chief Executive* magazine, individuals were asked, “Who is most at fault for the current wave of corporate scandal and financial fraud in U.S. business?” The results were that CEOs were the culprits by a whopping 66 percent or two-thirds of the respondents.

It is not surprising that people find the CEO responsible for everything that happens on “their watch.” In addition, 78 percent or over three-fourths of those who responded approved of the Sarbanes-Oxley legislation that seeks to improve corporate governance standards, creates an accounting regulatory board, and strengthens measures to prosecute corporate wrongdoing.

It is important to note that the loss of trust in business is not a uniquely American phenomenon. This is a global issue that has

affected firms around the world. The United Kingdom, Germany, France, Italy and Switzerland have all taken action to improve corporate governance.

### Legislation is not the answer

But does legislation make a company behave more ethically or improve its ethical reputation? Will a 75-page definition of “financial expert” solve all of our problems?

A recent survey of electric power industry executives indicated that legislated corporate governance and the 3,000+ pages of regulations accompanying Sarbanes-Oxley were not the answer.

The researchers who conducted the study decided that “most internal ethics programs miss the mark for this reason: They are driven not by desire to reward ethical behavior but, rather, by the need to comply with regulations. Many such programs fail to inhibit unethical conduct precisely because their primary focus is risk avoidance—or even, in some cases, mere ‘window dressing’—rather than ethical conduct. In other words, most companies are more interested in behaving legally than ethically.”

If the solution to restoring trust in business isn’t the government mandating morality in corporations, what is?

### History provides the answer

A U.S. Army Field Manual, Aristotle, Congressman J.C. Watts and Nietzsche have some answers. These four may seem like an unusual combination, but not in times of crisis. American business is in a crisis of confidence

and this lack of trust is rocking our entire economy.

The U.S. Army teaches leadership with the principles of be, know, do. “Be” is a person’s inner strength, their character. To quote the manual, “Character gives you the courage to do what is right regardless of the circumstances or the consequences. You demonstrate character through your behavior.” “Know” is the level of knowledge necessary to be competent. “Do” covers the leader actions of making and communicating decisions, motivating, accomplishing goals, and improving capabilities to meet current and future organizational objectives.

It’s plain that today’s business leaders have been trained well by academia and corporate professional development programs in the “know” and the “do” areas of leadership. However, the deficiency seems to lie in the leadership character development aspects of what the military calls, “be.”

Personally, I clearly remember First Sgt. William E. Johnson sharing his interpretation of the Army Field Manual and his thoughts on leadership responsibility in 1969: “Responsibility is doing the right thing, the right way, the right time, all the time.”

For more on the principles, values and ethics of character development, we can reach back nearly 2,500 years to the writings and teachings of Aristotle in *Nicomachean Ethics*. Aristotle taught that moral virtue is acquired by practice. Being the teacher that he was, he even explained the root of the word “ethics”: “... moral virtue comes about as a result of habit, ... its name ethike is one that is formed by a slight variation from the word ethos (habit). ... None of the moral virtues arise in



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us by nature; ... we are adapted by nature to receive them, and are made perfect by habit.”

The U.S. Army Field Manual repeated this same point by emphasizing that understanding values and leader attributes is only a first step in the process. A leader also must embrace values and develop leader attributes, living them until they become habit. Congressman Watts translates all of this history into a very relevant modern interpretation: “Character is doing the right thing when nobody’s looking. There are too many people who think that the only thing that’s right is to get by, and the only thing that’s wrong is to get caught.”

The current business crisis—in the power industry and across the board—is the result of a lack of ethical leadership and moral character in our corporate culture. This isn’t so hard to believe when some of the most “admired business celebrities” in recent years are now currently under federal indictment for alleged corporate wrongdoing.

For business in general, and specifically the power industry, to regain the trust of its

shareholders and customers, a rebuilding of the “corporate character” is necessary. Ethical leadership from the top, with practice, is the key. As Friedrich Nietzsche in *Beyond Good and Evil* put it, “If one has character, one has also one’s typical experience that recurs again and again.”

### Revenue growth and ethical behavior

Are ethical behavior and revenue growth mutually exclusive? Of course not. What is required is a return to the principles that all great companies are founded on: a corporate mission that puts the corporate purpose ahead of corporate goals. This requires a change in thinking and behavior different from the typical business norm.

Simply put, purpose means a company exists to ensure that clients get their needs met first. This is primary. Meeting corporate goals and objectives comes second. This culture is no mere “window dressing,” but involves taking the long-term view of doing

what’s right for the customer, instead of the short-term, “gotta get a sale to make quota.”

The *Engineers Creed* states this philosophy best, “to place service before profit, the honor and standing of the profession before personal advantage, and the public welfare above all other considerations.”

This is one code of ethics power industry leaders can and should embrace. If it’s adopted and supported, revenue results will not be compromised in the long run. On the contrary, successful client partnerships built on trust and mutual benefit increase revenues exponentially. **ELP**

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