

Ethics and Leadership in Business Development

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

... *John Wooden*¹

Business is in trouble. Even some of the most respected industries are 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 US and Global businesses are suffering a crisis in corporate leadership and ethical governance. 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% or 2/3rds of the respondents.

It is not surprising that people find the CEO responsible for everything that happens on “their watch.” In addition, 78% or over 3/4ths 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.²

Legislation is Not the Answer

But does legislation make a company behave more ethically or improve its ethical reputation? Does a 75-page definition³ of “financial expert” solve all of our problems?

A recent survey⁴ 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 study⁵ 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?

¹ Wooden, John R., *Wooden: A Lifetime of Observations and Reflections On and Off the Court*, 1997, McGraw-Hill, NY, NY.

² Ascarelli, Silvia, *One Size Doesn’t Fit All - In Europe, Corporate Governance Rules are not in the Details*, Wall Street Journal, Vol. CCXLI, No. 37, February 24, 2003, Page R6, Dow Jones & Company, NY, NY.

³ *Ibid.*

⁴ Mole, Matthew, Ratings Research LLC, *Why Ethics Matter*, *Platts Energy Business and Technology*, January/February, 2003, Volume 5, No. 1, page 63, McGraw-Hill, NY, NY.

History Provides the Answer

A U.S. Army Field Manual⁶, Aristotle⁷, 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 US 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*.

I clearly remember 1st. Sgt. William E. Johnson, USA, 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 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 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 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*⁸ put it, "If one has character, one has also one's typical experience that recurs again and again."

⁵ *Ibid.*

⁶ US Army Field Manual, Army Leadership: BE, KNOW, DO, #22-100, August 31, 1999, page 1-6, HQ Department of the Army, Washington, DC.

⁷ Aristotle, *Nicomachean Ethics*, Book II, *The Pocket Aristotle*, Translated by W.D. Ross, Page 181, Washington Square Press, 1963, NY, NY.

⁸ Nietzsche, Friedrich, *Beyond Good and Evil*, Translated by Marianne Cowan, Fourth Article, #70, Henry Regnery Company, 1966, Chicago, IL.

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*⁹ 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 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.

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⁹ Humphreys, Kenneth K., PE CCE, The Ethics Corner, The Professional Engineer, October-November, 2002, Page 23, PENC, Professional Engineers of North Carolina, Raleigh, NC.