

STRAIGHT TALK ABOUT CORPORATE ETHICS AND “TONE AT THE TOP”

A low level employee has just come forward with an admission that he made a mistake with the closing documents on your multi-million dollar deal. A clerical mistake that, while “fix-able” could be potentially embarrassing for you to admit and rectify. One of your senior executives recommends firing this “incompetent” individual. Another recommends you keep this “honest” individual. *What do you do?*

The decision you make as CEO will potentially have ripple effects throughout your organization. Whether your corporation is public or private, large or small, with or without a formal code of ethics, your employees, your executives and your board *will be watching you-and taking the lead on ethical issues from the actions you take.*

As the ethical lightning rod for your company, you need to determine, on a big picture basis, how you will build your corporate culture — a corporate culture that may well may be scrutinized in the 20/20 hindsight of the media.

Who will bear the stigma, the taint, and the legal liability if one or more of your employees or executives commits a clearly unethical act?

Will the judge, the jury, or the court of public opinion determine that these unethical actions were the result of a few rogue employees?

Will they determine that the actions were part of a pervasively dishonest and unethical corporate culture of the entity as a whole?

The answer could easily mean the difference between the limited liability of those employees taking the unethical action or the devastating (liability of the entity as a whole — the liability of its executives, the liability of its board of directors, the liability of its partners.

The answer could also have a direct effect on your ability to retain the top talent in your field. If a truly talented executive with a portable portfolio senses even a hint of unethical behavior — and therefore potential liability for that executive if and when this behavior is revealed — he or she may make the decision right then and there to begin searching for a new position.

Remember — in corporate America it’s not usually the “rats” that leave the sinking ship first but those individuals with the wings to fly to higher ground.

So in answer to the question posed earlier, how would you react?

As a CEO your decision is not an easy one. How do you walk the tightrope between rewarding honest behavior and suffering incompetence? How do you find a way to reward performance without encouraging an ends-justify-the-means approach to your bottom line? How do you balance personally gratifying ethical behavior with your duty to deliver financial value to your shareholders?

What would you do?