

Flunking Ethics

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Business leaders are flunking the trustworthiness test. In fact, only a few professions such as members of congress and car salesmen, rank lower on the 2016 Gallup poll measuring the general public's perceptions of their honesty and ethics.

A lack of confidence in business leaders' integrity was confirmed by the *2016 Edelman Trust Barometer*. It indicated reputations are compromised by several factors. First, an obsession with short-term financial results over a commitment to serving the greater good. Next, low marks were given for executives' inability to demonstrate transparency.

Dishonesty by corporate leaders can permeate a culture like a cancer, quickly killing even a decent, long-standing reputation. The Volkswagen scandal that involved deceiving the public about emissions has resulted in roughly \$18 billion in lost revenues. They are expected to pay a fine of \$4 billion and some of the leaders may face prison time.

On the up side, author and leadership guru Ken Blanchard, shared three noteworthy findings in *Trust: An Essential Ingredient for Leadership Success*. A high level of trust strongly correlates with 1) better employee retention, 2) greater discretionary effort in terms of going the extra mile and 3) overall behavior that benefits the organization.

Authors Covey and Conant revealed in a 2016 *Harvard Business Review* article that high trust companies tend to beat the "average annualized returns of the S&P 500 by a factor of three."

They recommend three basic approaches to building trust, noting that these require intentional consistency:

- 1) **Declaring Intent:** Explaining the mutual benefits of working together to accomplish an honorable purpose, beyond just meeting financial goals. Executives should take time to genuinely explain the company's values and ways to honor those.
- 2) **Demonstrate Respect For All Stakeholders:** Don't take people for granted. For instance, the former CEO of Campbell's Soup changed his culture by writing 30,000 handwritten notes of appreciation. He built trust by noticing virtuous behavior and reinforcing it.
- 3) **Deliver Results:** Competency is an important aspect of trust. Being transparent about what one does not know and seeking help from others shows authenticity.

In light of the bottom line, achieving high marks in trustworthiness is well worth the investment necessary to foster an honorable company culture. But, as ancient philosopher Syrus put it: "A good reputation is more valuable than money."

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