Personal Integrity

It has become dramatically clear that the foundation of corporate integrity is personal integrity. There is such a need for a complete rebirth of trust in our business leaders. Somewhere along the line leaders lost their humility and in doing so they have lost their compassion and empathy, and their inner connection to God. In my previous articles I introduced a framework for the formulating of your identity, so called your personal balanced scorecard. By implementing this personal bsc and finding the proper balance between your personal ambition and your behavior you will get inner peace and the ability to be guided by your inner voice. All of which develops personal charisma, trust and personal integrity. People with this perspective on life matter to one another and create a stable basis for their own credibility. When people achieve this inner authority, they also have a positive effect on the feelings of loyalty, motivation, and dedication of those around them. The credibility of people depends on the following:

- Trustworthy people practice what they preach.
- They keep their word.
- Their actions match their words.
- They suit the action to the word.
- They keep their promises.
- They do what they said they would do.

The central questions in this contemplative process are:

- Do I act in accordance with my conscience?
- Is there consistency between what I am thinking and what I am doing?
- How do my ideals, ambitions, intentions, needs, and deepest desires fit my present actions?
- Are my thoughts and my practices the same?
- Do I act in accordance with my personal ambition?
- Does my personal ambition reflect my desire to act ethically?
- Are there contradictions in my personal ambition?
- In what way does my behavior influence my views, and vice versa?

Your personal ambition and your practices must be the same. When people find harmony between their personal ambition and their personal behavior, they will not come into conflict with their own conscience. Our conscience is the inner voice that talks to us with firm conviction to help us distinguish between right and wrong, between fact and fiction. It is a voice that whispers to us what we can do best and guides us in our daily activities. It is a voice that we can trust and on which we can build our existence. It is the only reliable compass to follow if there is a conflict between the mind that reasons and the heart that decides. The harmony between personal ambition and personal behavior ensures that your deeds are in balance with your conscience. You will gain better insight in your own behavior, your own strengths and weaknesses and your related personal objectives. Also, it can be noted that the personal ambition not only supports insight, but also reality. Harmony between personal ambition and personal behavior also has to do with attentiveness, namely, to continuously perceive what you do and be aware of the influence of your behavior on human beings, animals, plants and the environment. As this attentiveness develops, your ethical behavior will grow. The breathing and silence exercise, previously introduced, and reflection with regard to the match between personal ambition and personal behavior, will help to stimulate your attentiveness. You will also become a better human being.

The best way to look at success is to ask:

- Have I followed my conscience?
- Have I given my best effort?
- Have I done what was right?
- Have I learned from my effort?
The Amsterdam Times

Column: Towards Organizational Effectiveness and Integrity

Hubert Rampersad

Business Ethics (1)

Alan Greenspan said: *Our market system depends critically on trust - trust in the world of our colleagues and trust in the world of those with whom we do business…. I am saying that the state of corporate governance to a very large extent reflects the character of the CEO.*

Business ethics defines how a company integrates its shared ambition and the personal integrity of individuals into its policies, practices, and decision making. In my previous article I have introduced a practical framework for the development of personal integrity. The next step is to integrate the personal integrity of individuals into a system called shared integrity. The scope of business ethics has expanded in this process to encompass a company’s actions with regard to the nature and quality of the relationships it wishes to have with all stakeholders. Stakeholders should care about ethics and corporate social responsibilities, and ensure that their actions reflect integrity and high ethical standards. Ethics concern human duty and the principles on which this duty is based. Reflecting regulation and legislation, such as the Sarbanes-Oxley Act, it is now recognized that every company has an ethical (and legal) duty to its shareholders, employees, customers, suppliers, the community, the environment, indigenous peoples, and even future generations. Each of these stakeholders affects the organization and is, in turn, affected by it.

The duty to shareholders arises out of the expectation of a superior return on investment and improved dividend payment. It is the moral duty of business executives and employees to pursue a profitable organization based on owner investment. A company’s ethical duty to its employees arises out of respect for the worth and dignity of individuals who devote their energy to the business. Business executives also have the moral duty to promote employee interests such as competence development, career opportunities, job security and good working conditions. The ethical duty to the customer encompasses the provision of adequate products or services according to liability laws, based on high ethical standards. Organizations also have the moral duty to protect customers by, for example, voluntarily informing them about the ingredients in their products and whether they have potential harmful effects, and by recalling products they suspect have faulty parts or defective designs. The duty to suppliers arises out of the partnership with them that is needed to realize high product quality. Companies confront several ethical issues in their supplier relationships. For example, is it ethical to purchase goods from suppliers who employ child labor, pay low wages or have poor working conditions? The ethical duty of the company to the community at large arises out of the fact that, as a member of the society, the organization is expected to be a good citizen. This is demonstrated by, for instance, paying taxes, having eco-consciousness, supporting community activities and creating job opportunities. To quote N. R. Narayana Murthy, Chairman of Infosys Technologies Limited: “We are all aware of our rights as citizens. Nevertheless, we often fail to acknowledge the duty that accompanies every right. Our duty is towards the community as a whole, as much as it is towards our families.”

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Business Ethics (2)

The most important business ethics issues faced by companies are: corruption and bribery, financial and accounting integrity, consumer and employee privacy, ethical advertising, and conflicts of interest. A series of accounting scandals in the past years rocked the corporate world, damaged stock markets and destroyed major companies and led to fines and prison terms for executives. Enron is an example of a successful company that went into bankruptcy because it was undermined by management’s unethical behaviour. It emphasizes the importance of balancing the personal ambition of management and employees with their personal behavior and with the shared ambition.

 Corporations should take a serious look at strengthening their ethics programs in order to:

- **Avoid bankruptcy, fines, lawsuits and criminal charges;** the flood of corporate scandals in 2002 and 2003 provides a stark reminder of the catastrophic risks involved with business ethics failures. Companies like Enron, Arthur Anderson, CitiGroup, and WorldCom face extensive class-action and individual lawsuits on behalf of investors and employees that may drag on for years. Their senior management and directors are also finding themselves the target of lawsuits and civil and criminal prosecution.

- **Protect and strengthen sales, brand image, and reputation;** a 2002 survey of consumers in 25 countries by Environics International found that more than one-third of consumers in countries surveyed believed that large companies "should do more than give money to solve social problems." The same study found that almost 50 percent of consumers had considered punishing a company based on its social actions, and that nearly 30 percent had actually avoided a company for that reason.

- **Strengthen employee loyalty and commitment;** a U.S. employee survey carried out in 2001 by Walker Information found that only 6 percent of employees who thought their senior management was unethical were inclined to stay with their companies, while 40 percent who believed their leaders were ethical wanted to stay. A multisector survey carried out in the United States by the Hudson Institute in 2000 found a positive correlation between high ethical standards, work commitment, and loyalty, and concluded that "employees who believe they work in an ethical environment are six times more likely to be loyal than workers who believe their organization is unethical."

- **Protect the company, especially during times of stress and transition;** the Ethics Resource Center’s 2000 National Business Ethics Survey found that ethics programs may be of greatest benefit during organizational transitions such as mergers, acquisitions, restructurings and other high-stress transitions when employees may not have a normal degree of management guidance, and are thrust into new situations and responsibilities. The survey reported that in transitioning organizations with ethics programs, 30 percent of employees said they had observed misconduct at work within the last year, compared to similar organizations with only a code of ethics or no program at all, where nearly 50 percent of employees observed misconduct.

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Business Ethics (3)

Other actions which should be taken by corporations in order to strengthening their ethics programs, in order to:

- **Avoid loss of business;** as large companies increasingly look beyond their own ethics practices to those of their suppliers as well, firms that have poor ethics practices may find contracts cancelled or future business lost. For example, in 2001 Royal Dutch/Shell cancelled 100 contracts with companies that failed to adhere to its ethical, health and safety, and environmental policies. Governments may also cancel contracts or otherwise punish companies perceived to be unethical. In 1999 the Japanese government revoked Credit Suisse's business license in Japan for "misleading and inappropriate" financial accounting practices involving US$4 billion in transactions. In 2002, engineering firm Acres International (Canada) was found guilty of passing bribes to an official in Lesotho.

- **Avoid prescriptive government regulation;** a Washington Post/ABC Inc. poll taken in the midst of the 2002 corporate scandals found that 75 percent of respondents believe that recent revelations about wrongdoing at Enron, WorldCom and others signal "broader problems with the way companies report their finances." To fix the problems, 53 percent said government should enforce existing laws more strictly, while 30 percent think new laws governing financial reporting are necessary.

- **Limit vulnerability to activist pressure and boycotts:** Companies perceived to behave unethically toward shareholders, employees, the community, or other stakeholders are more likely to find themselves the target of activist pressure, boycotts, or even "denial of service" attacks on their Internet operations. Conversely, companies with a demonstrated commitment to ethical behavior can accrue a kind of "integrity capital" among stakeholders and the general public. This can help them weather an individual episode of misconduct or other crisis without lasting damage to their credibility or reputation. One example is Johnson & Johnson, which despite several public problems in 2001 and 2002 continued to be ranked among U.S. companies with the best reputations.

- **Enjoy greater access to capital:** The Social Investment Forum reported that more than $2 trillion in assets in 2001 were managed in portfolios that screen for ethical, environmental, and other socially responsible practices. This represents nearly 12 percent of the $19.9 trillion in funds under professional management in the United States. Companies with a demonstrated commitment to ethical, social, and environmental responsibilities have access to a rapidly growing pool of capital that might not otherwise be available.
Business Ethics (4)

A variety of methods can be employed to improve business ethics, such as:

- **Build ethics into the personal and shared ambition statement:** The emphasis in the ambition statement is on unselfishness. It includes ethical principles, values, and standards, such as integrity, reliability, trust, helpfulness, credibility, frankness, and other values. This helps senior managers and employees understand that values and ethical standards are integral to all company operations and activities in spare time.

- **Stimulate everyone within the organization (most of all top management) to formulate their PBSC and to align their personal ambition with their personal behavior:** also, stimulate them to do this at home. Make them aware that they must not act in conflict with their conscience, at work as well as in their spare time. Help them to become better human beings. To borrow Dwight Eisenhower’s words: People that values its privileges above its principles soon loses both.

- **Commit to ethical behavior:** top management must be openly committed to ethical conduct and must provide constant leadership in tending and renewing the values of the organization. Everyone within the organization must be made aware of their own personal ambition and of the core values within of the firm’s ambition. Involvement and commitment of personnel at all organizational levels is important in order to develop higher levels of trust and pride in the business. Senior managers should participate in training sessions, make ethics a regular element in speeches and presentations, and align their own behavior with company ethical standards. Engage them in the ethics process by creating a board ethics committee or corporate responsibility committee, and by placing ethics on the board agenda as a regular item for discussion. Consider special training to enable directors to carry out their ethical responsibilities confidently. Many U.S. companies have instituted board ethics training in recent years, a move motivated in part by the 1996 Caremark decision, which established the precedent that directors may be held liable for corporate ethical transgressions.

- **Integrate ethics into all aspects of company communications:** develop communication programs with emphasis on personal and corporate ethics to inform and motivate employees, customers, suppliers, shareholders, and the general public. Leverage existing company infrastructure to demonstrate to employees that ethics is an integral part of all operations and decision-making. Bell South has integrated ethics and compliance training materials into multiple delivery sources including new employee orientations, management courses, sales training, business meetings, business plans, and other aspects of day-to-day business.

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Business Ethics (5)

Other methods which can be employed to improve business ethics, such as:

- **Develop an ethics code or code of business conduct:** it tells employees and managers how to act in various situations, and makes clear to them that they will be expected to recognize the ethical
dimensions of the corporate policies and actions. It also includes what is required of employees, where leeway is allowed in decision-making, where employees can go for advice or to report possible violations, and which ethical issues are non-negotiable. Comprehensive codes are aligned with company values and applicable laws, address the full range of ethical dilemmas employees are likely to face, and are updated regularly as new challenges emerge. A study of three hundred large corporations showed that companies that made a public commitment to their ethics codes out-performed companies that didn’t make such a public commitment by two to three times as measured by market value added.

- **Identify and renew company’s core values:** Companies without a clear set of core values find themselves at a disadvantage when developing ethics programs. Research shows that ethics programs are most effective when perceived by employees to be “values-driven” rather than simply compliance-driven, and that values-based programs are most effective in reducing unethical behavior, strengthening employee commitment, and making employees more willing to deliver bad news to managers. Many companies conduct regular company-wide initiatives that involve employees at all levels of responsibility to renew company values and update them when appropriate. A number of leadership companies also distinguish which of their corporate values are ethical values (integrity, fairness, honesty) as opposed to performance values (innovation, leadership, low-cost), and make it clear to employees that if values come into conflict, ethical values must prevail.

- **Set up board ethics and corporate social responsibility committees.** Let ethics officers or other senior managers with ethics responsibilities report directly to the board. Ethics officers should have regular access to executive decision-makers. The basic functions of an ethics office are: identification and renewal of values; development of an ethics code; training and education; and providing counsel and guidance to staff at all levels.

- **Establish “hot lines” for comments and complaints regarding unethical acts;** to process reports of unethical behavior. Employees should feel it is their duty to report violations. A growing number of leadership companies take this one step further by developing staffed “help-lines” or “advice lines,” allowing employees to ask for advice or raise concerns without the potential stigma of using a communications resource viewed solely as a vehicle for complaints or accusations. Companies find that such help lines are effective at preventing misconduct rather than simply identifying it after it has taken place. Stakeholders need to know that if they raise an ethical issue they will be protected from retaliation.

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**Business Ethics (6)**

Other methods which can be employed to improve business ethics, such as:

- **Conduct in-house ethics seminars and PBSC workshops.** Design a comprehensive program of ethics training that enables employees to become active participants in their own learning.

- **Execute ethical audits and evaluation programs to ensure compliance by personnel on at least an annual basis;** follow up training with regular evaluations of the ethics program to make sure employees are retaining and acting on what they have learned.
• *Penalize unethical behaviour*; introduce enforcement procedures, including discipline and dismissal for violations. Let employees know how many employees have been disciplined or terminated in a given year over ethical offenses.

• *Show transparency and accountability*; regularly publish detailed reports on own citizenship/sustainability performance, including specific ethics initiatives.

• *Give recognition and reward ethical behavior*; build incentives for ethical behavior into compensation systems, for example a bonus to ethical performance.

• *Rotate promising managers though the ethics function, grounding them in ethical values as they move toward leadership roles.*

• *Pay special attention to personal ethical values in the personal ambition in recruiting and hiring practices.*

• *Act as a role model.*

The boxed text below shows a leadership practice, which has been chosen as illustrative example in this area of corporate social responsibility.

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**Leadership Example: Texas Instruments**

Texas Instruments (TI) is recognized for developing a strong ethics program that is actively communicated to all employees. TI's code of ethics was first written in 1961 and has been periodically updated since then. A brochure entitled "TI Values and Ethics" serves as TI's basic ethics infrastructure. The brochure was most recently updated in 1998, when the company moved from a rules-based ethics approach to an approach centered more firmly around values. At that time, many of the existing policies and procedures were eliminated in favor of statements based on the company's core values of innovation, integrity and commitment. While the code serves as the foundation for the ethics program, TI's Ethics Office has strengthened the program by developing a strong support structure and a number of tools to help employees make ethical decisions. Brochures addressing a range of ethical issues including "Working with Competitors," "Working Globally," "Working with Suppliers," "Product Safety," "Business Intelligence," "Workplace Safety," and "The Networked Society" have been widely distributed to employees. These brochures describe real-life situations, address the risk of improper behavior, provide guidelines on how to make appropriate decisions, and list resources to call. Every new employee receives ethics training, and the company plans to create web-based training for all employees, tailored to each department. The company also provides an intranet ethics website that provides immediate on-line access to key policies, subject- matter contacts, and all printed materials and supporting resources. A seven-point Quick Test is used to help guide all employees through ethical dilemmas. The Ethics Office has set up an anonymous e-mail system and a 24-hour toll free line for feedback and reporting of issues.

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**Business Ethics (7)**

Business ethics should not only be based on formal regulations and exhaustive guidelines. As demonstrated by Enron and others, however, ethics programs provide no protection from potentially catastrophic ethical failures. Business ethics starts with personal integrity. It must be an informal self-learning process, a way of life based on the continuous balance between personal ambition and personal behavior and the continuous balance between the personal ambition and shared ambition. Ethics programs can be strengthened by stimulating management and employees to act in
accordance with their formulated personal principles and values. They should implement their personal ambition and on this basis continuously entering into ethical challenges. This ethical thinking should be promoted and communicated within the whole company. In this way ethical behavior will become a routine within the organisation. Leaders and employees will gain more understanding for self-responsibility regarding ethical behavior. They will understand that it is their responsibility to act ethical, on duty as well as off duty. This is a more sustainable, comprehensive and holistic approach to ethics and social responsibility. The introduced informal and voluntary ambition meeting between the line-manager and employee is an excellent opportunity to promote this behavior. One of the questions in this meeting is: Do you have ethical problems on the job? A way to deal with this issue:

1. Make sure there really is a conflict. Make sure both you and your manager have all the facts. Check the contract to see if the activity is permitted.
2. Determine how much you are likely to risk. Do a cost-benefit analysis. Look at everyone involved, and ask yourself what the harm and benefit is to each group.
3. Make your move. If the unethical action is important enough for you to take a risk, tell your manager you cannot do it. Do not make accusations to your manager. Let him/her save face.
4. If there is trouble, get help. If your manager says you have to do it anyway and you feel that you cannot, then you should go to some influential person in the company. Try not to go directly above your manager’s head, e.g. take a ‘whistleblower’ approach, except in a last resort.
5. Consider a job change. If the people you turn to for help do not have a problem with the situation, then perhaps you need to quit. Evaluate your manager’s personal ambition and the shared organizational ambition. If they conflict with yours, then leaving may be the best answer.

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