

Nazareth College forum asks, 'Why aren't corporations more ethical?'

On May 25, the Interdisciplinary Institute for Professional Ethics at Nazareth College of Rochester brought together local business professionals to identify and discuss the factors weakening ethical cultures in corporations.

The IIPE was founded in the fall of 2008 by four Nazareth deans representing the schools of education, management, health and human services, and arts and sciences. The IIPE's twofold purpose is to prepare students for lives of ethical service and leadership and to support area professionals in meeting the ethical challenges of their work. The May 25 gathering was the first in what the IIPE hopes will be a continuing dialogue about important ethical issues facing the business community.

The IIPE forum was hosted by Gerard Zappia, dean of the School of Management, and Thomas Donlin-Smith, professor of religious studies and director of the institute. Thirteen local business leaders attended, representing a broad spectrum of industries including financial services, real estate, manufacturing, retail sales and more.

In his opening remarks, John Batiste, president of Klein Steel Service Inc., emphasized the vital importance of integrity and ethical leadership in corporations. He related some of the essential lessons he learned during more than three decades in the Army before he retired as a major general several years ago.

After Batiste's remarks, I kicked off the discussion by providing data showing that over the last nine years only about 9 percent to 18 percent of U.S. corporations have achieved strong ethical cultures and that nearly half of U.S. corporations have weak or weak-leaning cultures. I also shared data from several studies illustrating the significant advantages of a strong ethical culture. One of these advantages is significantly reduced rates of observed misconduct (24 percent for strong ethical cultures compared with 98 percent for weak ethical cultures).

Another advantage is that corporations with strong ethical cultures outperform those



BUSINESS ETHICS

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with weak ethical cultures by a substantial margin. To illustrate this, I presented a slide summarizing the results of an 11-year study of 32 major American companies by John P.

	Constructive cultures	Defensive cultures
Revenue	682% increase	166% increase
Net income	756% increase	1% increase
Stock price	901% increase	74% increase

Kotter and James L. Heskett, published in their book "Corporate Culture and Performance" (Free Press, 1992).

This study concluded that companies with "constructive cultures" (characterized by people who

evidenced a concern for all stakeholders and fostered and sustained a supportive, encouraging environment) substantially outperformed companies with "defensive cultures" (characterized by people who were arrogant, self-serving, internally competitive and political). The study findings, summarizing net changes in key measures of financial performance over the 11-year period, appear in the table below.

After these remarks, I facilitated a discussion to explore the reasons why so many companies are "leaving money on the table" by not creating and sustaining strong ethical cultures. Ten root causes of weak ethical corporate cultures were identified and discussed:

1. A widespread short-term focus in corporations in response to pressure to achieve quick financial returns.
2. A failure to focus on the importance of employees to a company's success.
3. Individuals choosing comfort over progress.
4. An overemphasis on training employees to complete the task at hand rather than on long-term employee development.
5. A culture of "looking good" rather than "being good."
6. The demise of the family and the

associated failure to teach moral values at home.

7. A scarcity of leaders with the ability to create an ethical vision, the moral courage to pursue that vision and the ability to effectively communicate that vision to others.

8. The inability of leaders to deal effectively with the fear of change in their organizations and to make necessary but unpopular decisions.

9. A lack of clarity about how to discern an "ethical path."

10. The tendency of weak ethical cultures to self-perpetuate.

After we recorded this list, each participant was given three votes and asked to cast them in an anonymous ballot for the factors he or she thought were most important. The top three were No. 7, No. 1 and No. 2 above:

■ A scarcity of leaders with the ability to create an ethical vision, the moral courage to pursue that vision and the ability to effectively communicate that vision to others.

■ A widespread short-term focus in corporations in response to pressure to achieve quick financial returns.

■ A failure to focus on the importance of employees to a company's success.

The IIPE is now planning future sessions with local business leaders to address these top three causes. Each session will focus on just one and will be aimed at generating ideas for steps to foster a climate in which more corporations build and sustain strong ethical cultures.

If you are interested in participating in one of these forums or providing support to the IIPE, contact Thomas Donlin-Smith by phone at (585) 389-2729 or via e-mail to tdonlin1@naz.edu. If you are interested in learning more about the IIPE or its programs, visit its website: www.naz.edu/dept/iipe.

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