

***We will not survive the 21st Century
with 20th Century ethics.***

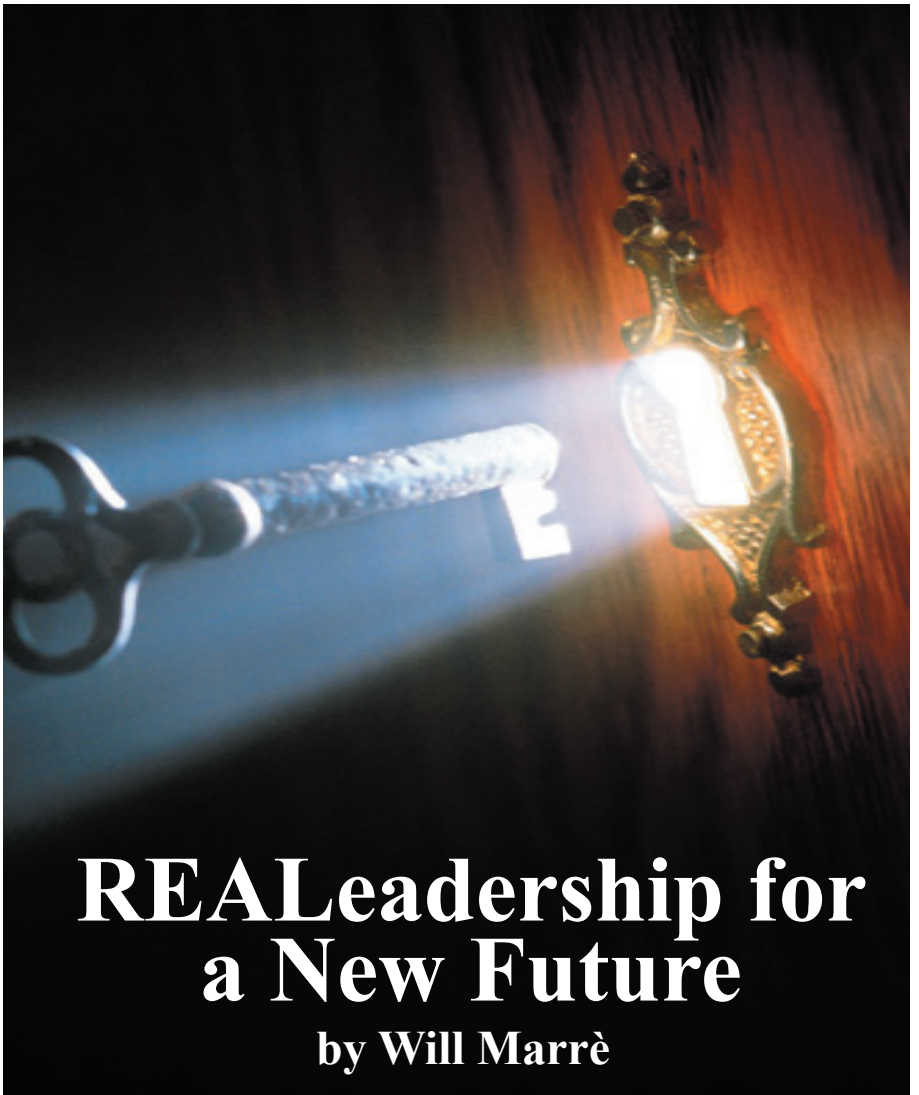
- Institute for Global Ethics.

Why would anyone say such a thing? What's the difference between 21st and 20th Century ethics? It turns out the answers are practical, although no less inspirational. Every successful enterprise and every successful economy relies on a lack of corruption, favoritism or fear. You only have to look at resource rich countries that are mired in a third-world economy to see this. The annual World Values Survey consistently confirms countries with the highest Trust Index have the most economic prosperity. No matter how many advantages you have, if truth and virtue are not respected, failure results.

Today, organizations can only thrive through innovation and innovation only blooms in organizations where truth is respected and virtue revered. Ethics is necessary to reduce human friction. If we don't trust one another, our self-protecting tendencies will make every transaction longer, more cumbersome and expensive.

The biggest restraint to corporate agility, responsiveness and competitiveness is low trust. There is nothing we can do about it. It is the law of nature. It is a fact that most business decisions are wrong. Most experiments fail.

Success requires irrational enthusiasm and consistent experimentation. It requires the courage to recognize failure. To face the truth. To learn from it and to continue with new and improved experiments. Only companies and societies that promote innovation will succeed. However, experiments and learning that produce value require a culture free of corruption, favoritism or games. It also requires genuine communication. The absence of superficial agreement and genuine commitment. That commitment is only offered when truth and virtue are present.



REAL Leadership for a New Future

by Will Marrè

That's why so many of our institutions have suffered a collapse of credibility. They are neither particularly truthful nor virtuous. You can smell the ethics of an organization. The moral center of the corporation is a fragrance that is either attractive or a stink that makes you hold your nose and keep your resume constantly posted on the internet.

We experience ethics, or truth and virtue, in large organizations through their culture. And culture is a reflection of the priorities of the CEO. Written codes and corporate policies do not distinguish ethical companies from one another. Often the rules of the most corrupt companies are more explicit and the penalties more severe than companies that are moral. Rules and laws do not determine behavior, culture does. What you value most is your core value. It's pretty simple. Companies that promote shareholder returns over all other values tend to be the most corrupt because their priorities focus on profit first. When

making money is your core value, all other values evaporate in the heat of competition.

The biggest problem with most publicly-traded businesses today is that they design business systems that legitimize an absence of moral values in exchange for legal compliance.

Morally immature leaders confuse what is ethical with what is legal. Under this type of thinking, if it's legal, it's okay. In fact, if it's legal, it's probably good. Stretch the law; find the loopholes to jump through and see what you can get away with are the rules of the day. When this is what is really going on, you can expect corruption, self protection, the naked pursuit of self interest, a lack of cooperation and as a result low innovation and value creation.

But self interest without virtue cannot optimize our world because it focuses all our attention on the present. It is blind to the future. The result is a world strip-mined of its assets, swamped by debt, crippled by litigation, millions of laid off employees, companies with lots of cash in the bank and leaders wondering what to plunder next, before someone else beats them to it.



ETHICS AND LEADERSHIP

There is a different way to lead. When leaders reach a high stage of personal integrity, they begin to look at priorities differently. The concept of a stakeholder is very simple. It's who has a stake in the success of the enterprise. Commonly we view stakeholders as shareholders, suppliers, customers and employees. Most MBA schools teach that investors are entitled to have their interests maximized above all others because they have the greatest financial stake in the enterprise.

But is such a view inherently unethical? It is unethical to willfully cause *avoidable suffering*. That's about as simple as a definition as you can get.

When you examine the interests of stakeholders, you have to look at which stakeholders are likely to suffer the most from a leadership decision. Who has the greatest human stake in the enterprise?

A way to look at that question is to look at switching costs. That is, what is the cost of switching a stakeholder's allegiance from the company they

have invested in, or a customer for an employee?

Switching costs of investors is very low. Investors have thousands of companies and investment vehicles to choose from around the world. Their demands are high and commitment low. If it's a publicly traded company, investor's can switch their investments in an instant.

The next stakeholder group might be customers. Switching costs is higher. If somebody really prefers a product, a service, an airline, a soap or a particular brand of clothing, their switching costs are somewhat higher. There may not be an identical product that's as convenient, works as well, or is as comfortable as the one they are currently using. In this sense, customers have a higher stake in the success of an organization than an investor.

When you look at employees, there is no one who has a higher stake. Their switching costs are enormous. If employees are laid off, finding equally paying and satisfying employment is extremely difficult. Job loss is one of the leading causes of depression, substance abuse, family strife, and stress related health concerns. No one has a greater stake in the success of an enterprise than its employees.

Yet because we have an inherently amoral concept of business, leaders frequently act unethically, right in plain view for everyone to see.

Remember, the fundamental test of ethics is whether your decisions create avoidable human suffering.

Amazingly, the whole world applauds when CEO's lay off thousands of people, creating immense suffering as long as earnings temporarily improve.

It's crazy. It's completely upside down. It isn't hard to understand that when competent people are laid off in mass firings it isn't the employees who have failed. It's not even that the market has changed. It's that the leaders charged with the strategy of the enterprise are incompetent to find new ways to make their business prosper by creating real value. Why shouldn't such leaders be fired instead of rewarded? Perhaps there is more to leadership than manipulating labor costs to juice financial returns.



GREATEST TOTAL VALUE

The concept of Greatest Total Value requires leadership wisdom. It's based on leading organizations with our conscience and creativity fully turned on. It's based on recognizing that not all stakeholders are equal. This means decisions have to be made based on what is smart, what is right, what is just and what is good and considered in every single decision where the interests of employees, customers, shareholders in a wider community are all optimized.

The Golden Rule is the ethical expression of human love, to treat others as you would be treated.

It is not only to do what is legal, it is what is right. It is not only to do what is just, but also which is good. It is to do what is life affirming; what will cause the greatest benefit to the most people without violating the personal rights or dignity of any individual. Such decisions demand wisdom. Wisdom rarely seen and only experienced by people of great maturity and moral vision.

This is the wisdom being demanded by the 21st century generation. Baby Boom leaders are still mired in the world of pleasure/pain. They talk about decisions in either/or trade-offs. For instance they say, "Government cannot protect us from the unintended affects of self-interest without limiting our opportunities. And since opportunity and freedom is most efficient, the inevitable bad side effects that obliterate the lives of unfortunate bystanders are inevitable."

To them, good business simply inflicts collateral damage. It's conveniently called creative destruction. Yet, it isn't creative at all. Rather, it's a sorry excuse for leaders without strategic imagination who don't know how to constantly reinvent their enterprise to create real value in a world full of economic disruption. It's simply a cop out of moral responsibility.

Daily we see unethical leaders motivating people by what they fear the most; inventing enemies, threatening job losses, anything to grab employees' attention and get them to act without thinking of the consequences.

Our children are much smarter than that. They recognize that leadership requires the wisdom of integrating the interests of all stakeholders to create a world that is sustainable.

Today there are too many people masquerading as leaders. They generate enthusiasm through manipulation and withholding information. They practice deception, acting as if they know more than they do. I've seen leaders announce initiatives to a benefit for employees or the community, only to starve them from real resources. They will make public announcements and speak with conviction but subvert real change if it means sacrificing their own interests at all. The easiest way to artificially improve productivity is to lay off people. It's a very old game. Exploit labor to make up for your own leadership in competence.

It's time we have new measures of success for corporate leaders. It's not just about earnings per share.

Of course growth and sustaining earnings are essential but they are the means not the end. If we think about what's important, perhaps its also important to measure how many of your employees own their homes, are sending their kids to college, have good health, intact families and ample vacations.

If you think this is crazy, look over your shoulder. There are fast growing, highly profitable companies tracking these kinds of measures today. You think there is a war for talent? You haven't seen it even begin.

The Great Place to Work Institute's number one place to work this year is Wegman's Grocery Chain; a wildly prosperous enterprise of high end grocery stores with 30,000 employees. They prominently put employees first in their culture. Their business model is unique. It is the financial engine of profitability – not cheap labor.

The point is, companies of the future value employees differently. They actually value their employees as creative human beings, rather than simply costs to be managed. That's the real difference between self interest and real leadership.

The next generation, Gen21, ages 15 to 40, are not interested in business as usual. They no longer want to work in large organizations. Today's leadership practices have driven them to seek economic autonomy. All our institutions will suffer.

But there is a way out of all this. The answer is found in the vision demanded by leaders of tomorrow. They have seen the limits of materialism. They have witnessed the degradation of our environment, the suffering of their over stressed parents and are confident they can do better. They are demanding that Boomer leaders either get out of the way or change their agenda. They want something different; leadership of substance.



REALEADERSHIP

The solution is REALeadership. It is leadership that produces lasting, positive impact. It produces both trust and commitment. It demands both competence and character. It requires not only doing great deeds, but greatness of being.

The consistent expression of internal integrity, strength of soul, clarity of values, and integrated wisdom are the requirements of leaders who seek to attain enduring achievements of real worth.

Courage

REALeadership is first built on courage. The courage to describe reality without excuse; to press for a bold vision; to creatively confront barriers; to openly espouse human values; to learn from blunders; to fire those who refuse to help; to hire genuine talent; to resist recklessness while acting purposefully; to express the depth of one's soul conviction and show up at the scene of the action; most of all it is the courage to envision a better future and have the guts to embody the vision in every word and every act. Real leaders are ethical beacons. They are morally inspiring.

Competence

Courage is not enough. Neither will virtue alone solve the dilemmas we face. REALeaders must also be competent. *Competence* is essential; there is no substitute. Without competence, failure is assured. Leadership competence is the ability to

fulfill the legitimate needs and desires of followers. Competence is the core ability to turn vision into reality, intention to productive action and to achieve promised results. Most of all competence requires the discipline to act with purpose.

The universal purpose of leadership is to create the Greatest Total Value for all.

Compassion

Finally, REALeaders exhibit *compassion*. They have reverence for the hopes and dreams of the men and women they lead, the customers they serve, the people they influence. They see motives in terms of values instead of drives. They refuse to treat groups of people—employees and customers as statistics, but instinctively connect with people as individuals, each with their own lives and stories. They listen, feel and understand in a way that sharpens their judgment and excites their imagination. Most of all compassion is the essential power needed to *enroll* followers in purposeful direction. It is the galvanizing force of unifying intention and the source of all loyalty.

Today our world is more interdependent and uncertain, full of promise and full of fear. Change of all kinds has accelerated beyond our ability to predict, let alone control the future. Boomer style management thinking tries to over-extend the reach of self-interest and concentrate power with disastrous consequences. What is required now is leadership—REALeadership.

If REALeadership interests you, if you want to lead your life and your organization into a new future that is better than our present struggle with small ideals, please visit the *American Dream Project.org*. Ask a question, make a comment, participate in research, and learn what others are doing... *make a difference.* ■