



## What Exactly is Ethics?

KEVIN CASHMAN 03.05.07, 12:00 PM ET

A while ago, I had the good fortune to be able to sit down with John Dalla Costa, author of *The Ethical Imperative*. While I shared my song and dance on leadership, I was dying to ask John, “What the heck is ethics?” At the appropriate moment, I sprang my question. And to my surprise, John’s answer was very succinct: “Ethics is others.”

That’s it? Twenty-five years of research and the answer is three small words.

Later, as I let John’s concentrated wisdom sink in, the profound simplicity--and complexity--of his definition hit me. Leaders face ethical dilemmas every day, and it usually boils down to people--managing constant stakeholder-related trade-offs and serving one constituency better or more than another. Every day we are to some degree ethical and to some degree unethical. We can’t make failsafe decisions on a regular basis, but we can accumulate paradigms and pathways towards how we influence others.

Ken Melrose, former Toro chairman and CEO, shared one of the company’s recent ethical dilemmas, which centered around a lawnmower product that had become a new commercial market standard. The product is unique because it turns on a dime but has a very low center of gravity. Consequently, it is very hard to overturn, but in the rare instance it happens, it flips only 180 degrees and can seriously injure the operator. While the mower met compliance standards, Toro decided to add roll bars behind the seat as an added precaution, not raising the price for newly manufactured units because they added safety, not performance.

Then, as they further considered the needs of “others,” another tough decision popped up. Don’t existing units deserve the same ethical treatment? The initial Pollyanna answer was yes, but the strict financial answer was no. After all, auto companies didn’t retrofit all used cars with seatbelts, and if Toro did install the roll bar on used machines, another constituent--shareholders--would be adversely affected. So what was the right thing to do? Was an old customer as valuable as a new one or as important as shareholders who may have invested much more of themselves into the company?

What would you have done?

Melrose’s company installed the roll bars for all machines, new and old, at their own cost, reasoning that although the decision was a costly one for shareholders immediately, that they had made a value-creating decision serving both customers and investors for the long haul. For Toro in this case, seeing the longer-term consequences to all constituents--to all the “others”--was the pathway to a tough ethical leadership decision.

Here are your questions and my responses to other ethics-related questions or dilemmas you’ve asked. Specific names of individuals and companies have been withheld to preserve candidness.

### **LEADER IN TRANSITION: How do I identify organizations wanting to hire a chief ethics officer?**

**CASHMAN:** One of the surest ways individuals can pursue being the “other” CEO is through formal training. Massachusetts-based Bentley College has established itself as a primary educator for aspiring chief ethics officers, but other programs certainly exist.

Another good approach is via networking. Commercial attorneys specializing in white-collar crime matters are probably most apt to be in positions of referral, yet it’s also wise to explore various associations, particularly those in highly regulated industries like health care, financial services or defense. Specific organizations worth investigating include the Ethics & Compliance Officers

Association (ECO), the Health Care Compliance Association (HCCA) and the Society for Corporate Compliance and Ethics (SCCE).

Networking can be useful not only for identifying job openings, but also in assessing how specific organizations may interpret ethics--for instance, if they view it as synonymous with compliance or instead see the issue as having broader strategic implications. Center for Ethical Business Cultures CEO Ron James points out that these job responsibilities can greatly vary, depending on whether a company merely wants to pay lip service to the issue and "stay within the lines" or whether it's also interested in imbedding a genuine culture of responsibility.

**CEO, MANAGEMENT TURNAROUND CONSULTANCY: Specifically, what can CEOs do to create and nurture an ethical culture in their companies?**

**CASHMAN:** The first step is to take on the task of embodying in your own life the values for which you want your organization to be known. Then, to the extent you can, surround yourself with people who connect with these same principles you seek to encourage--perhaps in different ways. Foster a sense of team around this commonality, openly sharing how you think through difficult issues and how you make the judgments that are critical to ethical behavior in your company. Engage your team in discussing the ethical dilemmas that confront your organization, thereby creating a model where tough issues are open for discussion.

You'll also need to make sure organizational systems support the ethical environment you want to create. This step can take longer and involves looking into businesses processes and norms to determine where the most resistance to values comes from and why.

**CEO, MANAGEMENT CONSULTING FIRM: What is the difference between ethics and honesty?**

**CASHMAN:** I may be splitting hairs here, but I view honesty as being as factual and objective as possible regardless of the circumstances. Ethics, on the other hand, has to consider numerous circumstances and constituencies.

Honesty is challenging because it's straightforward, while ethics is challenging because it's anything but straightforward. For instance, a leader may possess facts and information that, at face value, we would like equally shared with everyone. However, while that approach may be honest, it's often better to instead consider how it will impact various conflicting constituencies--hence the challenge of ethics.

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