



## **Best Practices**

**January/February 2009**

### **Hard Times Spotlight Business Ethics**

Most major US companies have an ethics officer, but as investors survey the wreckage of a deepening financial crisis that has exposed behavior ranging from risky to downright illegal, one might ask "What were they doing?"

From Bernard Madoff's alleged \$50 billion Ponzi scheme, to the subprime mortgage crisis, to lavish spending on the chief executive's office at Merrill Lynch, the past year has seen a crisis of confidence in business that cost investors \$6.9 trillion in US stock market value last year.

"The rising market covered a lot of sins and a falling market exposes one's nakedness," said Steve Priest, president of Ethical Leadership Group, a consulting firm that has worked with 50 of the biggest US companies and firms in 40 other countries.

"Investors don't trust the companies they're investing in," he said. "They don't trust the financial statements, they don't trust the audits, and they don't trust the bond rating agencies."

Lax lending standards left banks with too many souring loans and insufficient capital, contributing to the collapse of long-established Wall Street names like Bear Stearns and Lehman Brothers and prompting a \$700 billion US bank bailout.

Millions of ordinary Americans have seen their retirement savings hammered and hundreds of thousands have lost jobs.

All this should inspire companies to embrace the necessity for sound ethical practices. But experts in business ethics say not all companies have got the message.

"I don't think seeing dead bodies in the street always wakes people up," said Roy Snell, chief executive of the Society of Corporate Compliance and Ethics, which has 7,200 individual members who are compliance officers at companies ranging from small businesses to fast-food giant McDonald's. "I've watched this for 13 years. There are always people rationalizing it, saying 'Our people wouldn't do that.'"

Kerry Francis, head of corporate investigations at Deloitte Financial Advisory Services, co-authored a survey this month that showed 63 per cent of executives expect accounting fraud to increase during the next two years because of the recession.

“I do believe that fraud is always going to happen,” Francis said. “The human mind has this ability to rationalize away bad acts. It’s a sad commentary on the human being. That’s why there have to be controls put in place. You can’t have a business with its leadership saying ‘I trust my employees.’ You’ve got to have some kind of monitoring.”

Alex Brigham, executive director of The Ethisphere Institute think tank, said many companies paid lip-service to corporate ethics and compliance, maintaining such departments but sidelining them in major decisions. Brigham said that at crippled insurance giant AIG, rescued with \$150 billion of US taxpayer funds after bad mortgage bets nearly bankrupt it, Joseph Cassano, then head of AIG Financial Products, kicked the company’s compliance officer out of key meetings.

Brigham last month launched the “Business Ethics Leadership Alliance,” inviting corporations to commit themselves to a set of ethical standards and pledge to follow both “the letter and spirit” of the law to curb illegal behavior. Companies that have signed up and will submit themselves to Ethisphere’s audit include PepsiCo Inc, Wal-Mart Stores Inc, Dell Inc, General Electric Co and United Airlines, owned by UAL Corp.

Ethisphere has ranked major companies on their ethical standards for the past three years, and Brigham said there was a marked correlation between ones that had a strong commitment to ethics and transparency, and strong financial results. In the financial sector, he said three victims of the banking blood bath, Wachovia, Washington Mutual and Countrywide, received low scores, while relatively strong survivors, HSBC and Standard Chartered, scored highly on transparency and ethics. But such ethics rankings and prizes are not always reliable.

Just three months before massive fraud was exposed at Satyam Computer Services, an Indian outsourcing firm whose chairman admitted a \$1 billion fraud this month, it received an award from a group of Indian directors for excellence in corporate governance.

Priest, whose firm’s parent company Global Compliance operates whistle-blower hotlines for some 2,500 companies, said there had been a big spike in calls toward the end of 2008. Many companies did little more than “check the boxes” on ethics, he said, abiding by the letter of the law by publishing codes of conduct, without really changing the culture of a company or tackling wider ethical issues.

He said there was a wide gulf between how business defines “ethics and compliance” and how the public see it. “Executive compensation, sourcing, labor, unions, producing quality products, deceptive marketing, pricing, packaging; these are all fundamental concerns of consumers and the public, but very rarely addressed by ethics and compliance types,” he said.

Priest said people were always quick to blame greed in every scandal, but “greed is part of the fuel of the capitalist system. We’re never going to see a time when individuals or businesses all behave ethically and responsibly.”

Bill Lytton, who was hired as general council at Tyco International Ltd to clean up after then-chief executive Dennis Kozlowski and financial chief Mark Swartz stole more than \$150 million from the company, said the key to avoiding ethical disaster was good leadership by example.

He recalled that when he worked previously for GE, then-CEO Jack Welch publicly praised a manager who failed to reach his sales targets because he refused to pay a bribe to win a contract to build engines for a foreign airline. “Sometimes you want to be able to cite a good failure, somebody who didn’t make the numbers, but for all the right reasons,” Lytton said.

---

Article reprinted from [The International News](#), Thursday, January 29, 2009.



## Trends

**January/February 2009**

### **2008 Survey Finds Openness by Leadership Makes a Positive Impact on Employee Productivity and Ethical Behavior in the Workplace**

According to the findings of the "Deloitte 2008 Ethics & Workplace" survey, transparency and openness by leadership lead to a more productive and engaging workplace. What's more, it also leads to a more ethical workplace culture.

Transparency in the workplace, as described by an open and honest communication channel between employees and leadership regarding work-life issues, has a significant positive impact on workplace culture overall. According to the survey, 72 percent of respondents agree that if their boss was more open about his/her need to take time off during regular work hours for personal reasons, it would create a more engaging and productive environment.

"Today's workforce demands a more 'customized' career path and a tremendous amount of flexibility," said Sharon L. Allen, Chairman of the Board, Deloitte LLP. "One size fits all no longer attracts or retains the best talent. By promoting open and honest communications across organizations and setting the tone at the top, our survey tells us that the workforce of today can be motivated in different ways. This is increasingly critical to retaining talent and preserving the health of today's organizations."

"Many of today's employees are working hard to fit their work into their lives and their lives into their work. In fact, our survey findings prove that an overwhelming number of working adults, 81 percent, take advantage of customized work arrangements," added Allen. And, while you might expect women to place more importance on these formal flex policies, a large portion of men, 74 percent, agree that they would be more productive and engaged at work if they could better balance their work schedule and personal priorities."

#### **Transparency makes for more ethical behavior**

The 2008 survey also reveals that there is a strong relationship between greater openness and transparency by leadership and ethical behavior at work. In fact, 84 percent of respondents agree that openness by leadership contributes to a more ethical workplace culture. Moreover, 68 percent said it would create a more values-based organization.

This speaks to the large impact managers and supervisors have on promoting ethical workplace behaviors. "In order to encourage high ethical standards within our organizations, we first have to provide an environment that is conducive to ethical behavior," said Allen. "However, management and leadership have a huge responsibility in setting examples for their organizations and living the values they preach if they want to sustain a culture of ethics."

### **Does leadership set different rules for themselves?**

Seventy five percent of respondents say that, by and large, everyone in their office is treated equally when it comes to exercising flexible work options, but 50 percent feel that their bosses set different standards for themselves.

Interestingly, assuming higher salary brackets are associated with greater leadership roles, four in 10 respondents with household of income of over \$75,000 annually seem to have an easier time balancing work with personal priorities compared to 29 percent among those who make between \$25,000 and \$35,000 per year.

### **About the Deloitte Ethics & Workplace Survey**

The Deloitte LLP Ethics and Workplace survey is designed to measure workplace behavior and the impact leadership has on the workplace environment. Opinion Research conducted this survey on behalf of Deloitte LLP between February 14 and February 25, 2008 among a national probability sample of 4,035 adults including 1,670 adults employed full-time of which 993 were men and 677 were women. Respondents were 18 years of age and older, living in private households in the continental United States. Sampling error is +/- 2.5%.

---

*Excerpt from Deloitte press release dated April 8, 2008. See [www.deloitte.com/dtt/press\\_release](http://www.deloitte.com/dtt/press_release).*



## **Productivity**

**January/February 2009**

### **Ethics Impact Employment and Productivity**

Whether a company acts ethically is a significant factor in the average employee's willingness to work for an employer, according to independent research released August 2008 by LRN, a leading provider of governance, ethics and compliance management applications and services. In fact, more than one in three employees has actually left a job because they disagreed with a company's business ethics.

The latest LRN Ethics Study provides new evidence that links a company's ability to foster an ethical corporate culture with an increased ability to attract, retain and ensure productivity among employees. Results are based on telephone interviews conducted among a sample of full-time US workers as part of an omnibus survey from Opinion Research Corporation. Findings include:

- 94% of survey respondents said it is "critical" or "important" that the company they work for is ethical.
- 82% said they would prefer to be paid less but work for a company with ethical business practices than receive higher pay at a company with questionable ethics.
- 80% cited disagreement with the ethics of fellow employees, a supervisor or management as the most important ethical reason for leaving a job. Twenty-one percent cite pressure to engage in illegal activity.
- 56% defined their current company as having an ethical culture. Yet one in four said that in the past six months, they witnessed unethical and even illegal behavior where they work. Among those, only 11 percent said they were not affected by it.

"Our findings confirm that companies with a commitment to ethical conduct enjoy distinct advantages in the marketplace, including attracting and retaining talent," said LRN CEO and chairman Dov Seidman. "Companies that inspire principled conduct throughout their workforce also experience fewer ethical distractions. The LRN Ethics Study brings greater clarity to the nexus between ethical behavior and business success."

### ***Importance of Working for an Ethical Company***

Virtually all US employees want to work for a company that they believe is ethical, with 57 percent saying it is critical, the LRN Ethics Study found. However, there is a distinction in importance by sex, geography and occupation. Working for an ethical company is slightly more critical to women, 63 percent, than men, 53 percent. Two-thirds of those in professional and managerial occupations, 68 percent, say this is critical to them, compared with 53 percent of sales and clerical employees and 45 percent of blue-collar workers.

### ***The Link Between Ethics and Pay***

Eighty-six percent of individuals employed full-time in professional or managerial positions would prefer to work for an ethical company rather than be paid more, compared with 76 percent of those working in blue-collar occupations. Those 35 and older are slightly more likely than younger workers to choose working for an ethical company over more pay, 85 percent versus 76 percent, although clearly both groups prefer working for an ethical business.

### ***Disagreement with Ethics Leads to Employee Turnover***

Not only do employees want to work for ethical companies, but the LRN Ethics Study found that employees are willing to leave when they are dissatisfied with their employer's ethics. More than one-in-three respondents or 36 percent said they have left a job because they disagreed with a company's ethical standards for doing business. This is true of workers regardless of gender, age or socioeconomic factors. The most common ethical reason for leaving a company is disagreement with the ethics of fellow employees, a supervisor or management, according to 80 percent of those surveyed. Moreover, one in five, or 21 percent, of those surveyed felt pressure to engage in illegal activity.

### ***Workers Define Their Cultures***

A majority of respondents or 56 percent said their current employer embraces ethics and corporate values in everything they do. Despite the positive overall findings, about half as many, or 30 percent, said their company merely tows the line by following the law and company policies. The remaining nine percent said they either work at a company where they do what they are told and are not encouraged to ask questions about what is right or wrong, or they often see management and peers acting in questionable ways.

### ***Impact of Unethical Behavior***

Besides affecting a company's ability to recruit and retain employees and increasing the legal, regulatory and compliance risks a company faces, unethical behavior has an impact on an employee's productivity. Very few of those who experienced unethical behavior on the job – only 11 percent – say they were not affected by it, the LRN Ethics Study found. Half of those surveyed admitted that unethical behavior is a distraction on the job. Further, 63 percent spent time talking about unethical behavior with colleagues, and 32 percent went so far as to speak with management or make a formal complaint.

### ***Impact of Unethical E-Mail***

About 35 percent of surveyed employees had experienced unethical emails in the workplace. Of those, 75 percent said they ignored the emails. Among those who took some action: 22 percent said they spoke personally to the colleague who sent the email; 13 percent asked a supervisor or management to get involved; 11 percent shared the e-mail with another colleague; and 6 percent forwarded the email to someone outside the company.

"Although the survey results confirm employees care deeply about the ethics of their employers, they also suggest companies have an opportunity to do a better job of making ethics paramount to their culture and business," said Seidman. "An ethical culture where employees and management use values and not rules to self-govern can only take root when executives, managers, supervisors and employees understand and embrace the company's principles and values and incorporate them into their daily conduct."

Article from *Reliable Plant Magazine* news wires, "Survey: Ethics impact employment and productivity". Nov/Dec 2008; <http://www.reliableplant.com/article.asp?articleid=2236>



## **Professional Development**

**January/February 2009**

### **How to Become a More Effective Learner**

I'm always interested in finding new ways to learn better and faster. As a graduate student, who is also a full-time science writer, the amount of time I have to spend learning new things is limited. It's important to get the most educational value out of my time as possible. However, retention, recall and transfer are also critical. I need to be able to accurately remember the information I learn, recall it at a later time and apply it effectively in a variety of situations.

#### **1. Memory Improvement Basics**

I've written before about some of the [best ways to improve memory](#). Basic tips such as improving focus, avoiding cram sessions, and structuring your study time are a good place to start, but there are even more lessons from [psychology](#) that can dramatically improve your learning efficiency.

#### **2. Keep Learning (and Practicing) New Things**

One sure-fire way to become a more effective learner is to simply keep learning. A 2004 *Nature* article reported that people who learned how to juggle increased the amount of gray matter in their occipital lobes, the area of the brain associated with visual memory. When these individuals stopped practicing their new skills, this gray matter vanished.

So if you're learning new management principles, it is important to keep practicing those principles in order to maintain the gains you have achieved. This "use-it-or-lose-it" phenomenon involves a brain process known as "pruning." Certain pathways in the brain are maintained, while other are eliminated. If you want the new information you just learned to stay put, keep practicing and rehearsing it.

#### **3. Learn in Multiple Ways**

Focus on learning in more than one way. Instead of just listening to a podcast, which involves auditory learning, find a way to rehearse the information both verbally and visually. This might involve describing what you learned to a colleague, taking notes or drawing a mind map. By learning in more than one way, you're further cementing the knowledge in your mind. According to Judy Willis, "The more regions of the brain that store data about a subject, the more interconnection there is. This redundancy means learners will have more opportunities to pull up related bits of data from multiple storage areas in response to a single cue. This cross-referencing of data means you have learned, rather than just memorized."

#### **4. Teach What You've Learned to Another Person**

Educators have long noted that one of the best ways to learn something is to teach it to someone else. Share the learning or skill with a colleague, spouse or a friend. Not only will the recipient be enlightened, but you will reinforce the learning for you too. Start by translating concepts or tasks into your own words or actions. This process alone helps solidify new knowledge in your brain. Next, find some way to share what you've learned. Some ideas include writing a blog post, creating a podcast or participating in a group discussion.

#### **5. Utilize Previous Learning to Promote New Learning**

Another great way to become a more effective learner is to use relational learning, which involves relating new information to things that you already know. For example, if you are learning about planning and organizing, you might associate what you learn with prior knowledge you have gained about prioritizing, time management, delegating, or empowerment.

#### **6. Gain Practical Experience**

For many of us, learning typically involves reading textbooks, attending lectures or doing research in the library or on the Web. While seeing information and then writing it down is important, actually putting new knowledge and skills into practice can be one of the best ways to improve learning. If you are trying to acquire a new skill or ability, focus on gaining practical experience. If it is a skill, like recognition or feedback, perform the skill on a regular basis. Look for opportunities to practice in and outside of the workplace. Surround yourself with immersive experiences.

#### **7. Look Up Answers Rather Than Struggle to Remember**

Of course, learning isn't a perfect process. Sometimes, we forget the details of things that we have already learned. If you find yourself struggling to recall some tidbit of information, research suggests that you are better off simply looking up the correct answer. [One study](#) found that the longer you spend trying to remember the answer, the more likely you will be to forget the answer again in the future. Why? Because these attempts to recall previously learned information actually results in learning the "error state" instead of the correct response.

#### **8. Understand How You Learn Best**

Another great strategy for improving your learning efficiency is to recognize your learning habits and styles. There are a number of different theories about learning styles, which can help you gain a better understanding of how you learn best. Gardner's theory of [multiple intelligences](#) describes eight different types of intelligence that can help reveal your individual strengths. Looking at Carl Jung's [learning style dimensions](#) can also help you identify which learning strategies might work best for you.

#### **9. Use Testing to Boost Learning**

While it may seem that spending more time studying is one of the best ways to maximize learning, research has demonstrated that taking tests actually helps you better remember what you've learned. The research revealed that students who studied and were then tested had better long-term recall of the materials, even on information that was not covered by the test. Students who had extra time to study but were not tested had significantly lower recall of the material.

## 10. Stop Multitasking

For many years, it was thought that people who multitask, or perform more than one activity at once, had an edge over those who did not. However, research now suggests that multitasking can actually make learning less effective. In the study, participants lost significant amounts of time as they switched between multiple tasks and lost even more time as the tasks became increasingly complex. By switching from one activity to another, you will learn more slowly, become less efficient and make more errors. How can you avoid the dangers of multitasking? Start by focusing your attention on the task at hand and continue working for a predetermined amount of time.

---

*Article by Kendra Van Wagner from [About.com: Psychology](#). Kendra Van Wagner is a writer specializing in psychology, child development and education. She has written about diverse topics in psychology including personality, social behavior, child therapy, research methods and more.*



this season, it will set the stage for all that follows. Working hard during this season will set your course over the remaining seasons of the year.

Determining one's mission is the essential ingredient for leadership and an effective life. It is a process which should be fine tuned and sharpened over time, but in the end, knowing what we are called to do will bring immense satisfaction to one's life and leadership. So, resolution one is to write out your personal mission or life purpose. Go to the web link <http://staffweb.anderson.edu/~dlneidert/personal%20mission.htm> and do the work. Spend time here and you will never need to make a new year's resolution again. As one of my students recently told me after completing this assignment, "Be careful what you write, because it will become true as you work on it."

The second Season is about learning and growing. I would encourage you to spend time learning about leadership. Returning to Covey, he once wrote that a person who reads just 15 books on any subject (and then applies what they learn from the reading) becomes an expert. I know, it sounds too easy. Yet most people will never take the time to learn the skill sets for the things they really want to live out daily.

I love bookstores and from the looks of the crowds there over Christmas, others do to. I will go to a bookstore with a pad of paper and a pen just to write down all the books I find interesting to read, from classic literature, philosophy, and world history to leadership. In my most recent visit, I found a good number of books on discipline and focus in the leadership section. Why? Because these authors are writing in 280 pages what the preceding paragraph notes. If you learn and grow by reading and study, and then apply (the key concept here) what you learn through disciplined behavior, you have the greatest chance of becoming the leader (or expert) you intend. Again, if you want a reading list to help you select books I find useful, go to the web link: <http://staffweb.anderson.edu/~dlneidert/Leadership%20Bibliography.htm>

The third Season is about character. Character should be a natural part of being a leader, but it is sad to note from regular newspaper headlines and other media that many leaders do not practice it very well. Character and effective leadership are intertwined. They are glued together by how we behave, keeping our promises and building trust. Honesty and integrity are at the core of character. Living this one season alone would have a powerful impact on our businesses, communities, and families, more than any other factor. My graduate work is in ancient history. I am constantly reminded in my study that character has been on the collective mind of humankind for nearly 5,000 years of world literature. Seems we should take notice of a topic on the world stage for such a long time.

The fourth Season for developing effective leadership covers many of the topics presented annually through the Leadership Academy of Madison County. Collaboration, consensus, teambuilding, communication skills, diversity understanding, and more are at the heart of effective leadership. This is where leadership theory is crafted and honed as one practices in daily engagements, whether at work, home, or in the community. While leadership often turns to hierarchy and power to influence or get results, learning and implementing the tools taught by the academy will capture and engage the heart of those we lead.

## **The Secret to Success**

On January 5, 2009, Dr. Phil aired his “five powerful secrets to success in making your New Year’s resolutions a reality.” As I close, I want to let you in on a secret. There is no secret. The only avenue to purposeful life and leadership is to undertake the work required in these four seasons with determination, discipline, energy, and focus. Make your final resolution ever to live these leadership seasons during the next twelve months. If you discipline yourself during the coming 365 days to actually develop a mission, learn about leadership, live with integrity, and work diligently at practicing leadership and creating effective relationships, 2009 will be the best year of your life.

---

Article by David Neidert, CM. David is a graduate of the LAMC Class of '87, a leadership speaker and instructor at Anderson University in Anderson, Indiana. He has taught internationally on leadership in Mexico and India. His book, [Four Seasons of Leadership](#), explores the personal journey of leadership. David is a Certified Manager and former member and officer of the ICPM Board of Regents, 1996-2004.