

Motherhood, Apple Pie and the Bottom Line

New survey shows that doing well by doing good is not nearly as easy as it sounds.

Nancy Bartels

Business ethics are like apple pie and motherhood. Few people are willing to come out agin'em. But in reality, apple pie is full of fat and refined sugar, motherhood is not what it was when June Cleaver ran the kitchen, and business ethics? Well, it's always been easier to talk about them than to actually practice them, and things certainly haven't improved in the last few years.

Statistical evidence to back up this assessment is found in

"Ethics in American Business: Policies, Programs and Perceptions," an 88-page report by the Ethics Resource Center in Washington, D.C. The survey, conducted last year, covered some 4,500 people working in eight major industry groups, from manufacturing to finance and general services, and in seven job categories from accounting to quality control. The results indicate that, while most American businesses are not run by the slimy, greed-driven, amoral robber barons their

severest critics like to portray, they're not exactly Sunday School meetings either. The survey also shows a deep perceptual gulf about business ethics between upper management and employees further down in the ranks, and nowhere is that gulf deeper than in the manufacturing sector.

Ambivalence Abounds

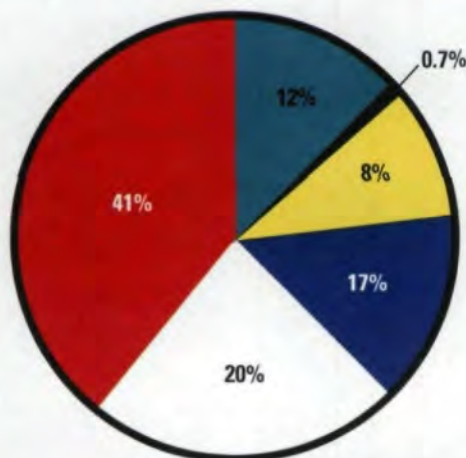
Good intentions are everywhere, but they suffer in the harsh light of the perceived reality of business practice. An overwhelming 97% of the people surveyed agreed with the statement "good ethics make good business sense"; 87% strongly agreed; 56% said they thought their companies were more ethical than most. On the other hand, two-thirds of the respondents also agreed with the statement "ethical conduct is not rewarded in business today." More than 80% agreed that American managers would choose bigger profits over doing the right thing, a response that cut across age, occupation, management level and industry.

The Executive Summary of the survey underlines this basic tension. It points out that "corporate ethics programs are increasing in number and scope at a time when



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Do you believe that your company "looks the other way" and ignores unethical conduct by employees to meet business objectives?



Yes, frequently (8%) No answer (0.7%)
 Yes, sometimes (17%) Don't know (12%)
 Yes, but only very rarely (20%) No, never (41%)

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employees are doubtful about whether or not ethics is rewarded in the marketplace and also skeptical about the ethical commitment and behavior of their fellow employees. . . . Nearly one-third of employees reported that they sometimes felt pressured to engage in misconduct to meet business objectives. Also, almost one-third of employees observed misconduct at work last year, but fewer than half reported it to their companies. The majority of those who did report misconduct were not satisfied with their companies' response."

These numbers put a finger on the fundamental dilemma of conducting ethical business. It's easy to talk a good game, but much harder to play it when real numbers and real profits are involved.

But many companies try. Sixty percent of those responding reported that their companies had a code of con-

duct; 33% reported that their companies had training on business ethics; and 33% reported that their companies had an ethics office or a corporate ethics ombudsman.

And the programs are seen in a positive light. Well over half of respondents said they relied on the codes for guidance, and a similar proportion said that the training was useful. But, like ethics themselves, the results are often ambiguous: While nearly half claimed that their business ethics had improved during the course of their careers, nearly one in ten admitted that they had done things at work in the last year about which they would be ashamed or embarrassed to tell their children.

Deep Fault Lines

Some of the most significant revelations in the study are those reflecting the divergence between what people say are their personal ethics and how they perceive the

ethics of their fellow workers and of their companies. More than half of the respondents regarded their own business ethics as higher than those of their peers and their direct subordinates. At the same time, one in four respondents believed their companies at least occasionally ignored ethical standards to meet business objectives, and one in six suggested that their companies actually encouraged ignoring ethical standards to meet specific goals.

Furthermore, 29% of the respondents said they were pressured at least sometimes to violate their companies' standard of business conduct in order to meet business objectives. The top sources of these pressures were meeting schedules, meeting overly aggressive financial or business objectives or helping the company to survive.

A gap also exists between the perceptions of senior man-

agement and other levels of workers. Seventy-four percent of senior management surveyed said that their companies were "more ethical than most," but only 45% of their hourly employees agreed.

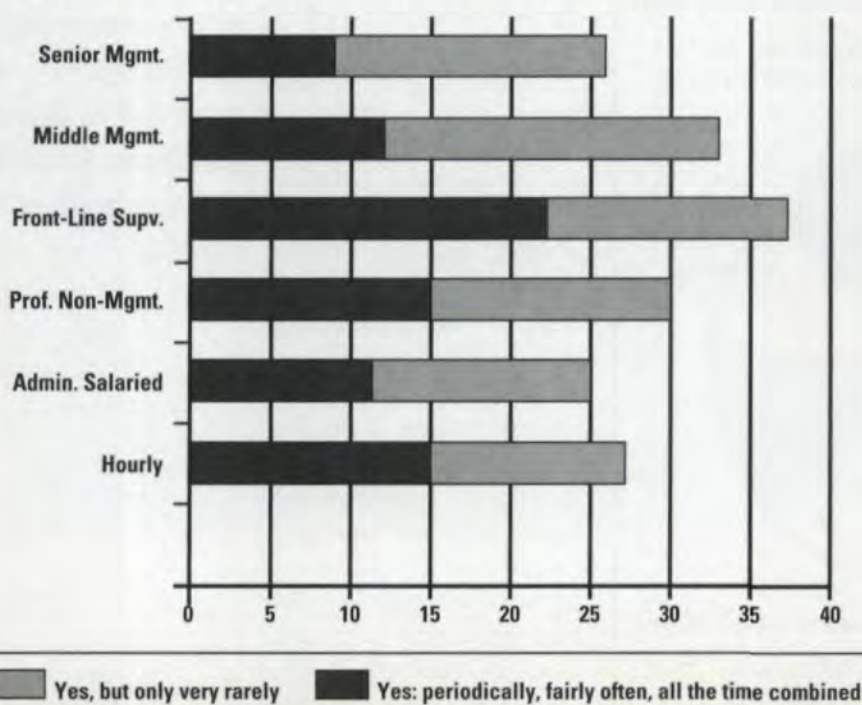
The perception of pressure to perform misconduct also goes up as the level of management goes down. Senior management was most likely to believe that their companies fulfill their ethical obligations "exceptionally" well, while front-line managers were most likely to believe that the company would encourage ethical misconduct to achieve business objectives. Twenty-four percent of front-line managers also believe that unethical conduct at their companies had increased in the last five years.

There may be a number of causes for this difference in perception. Senior management encounters less pressure to bend the rules (only 9% report such pressure), and so assumes that ethical standards are higher. Senior management may simply be unaware of the amount of pressure mid-level managers feel to violate rules in order to meet specific corporate goals. Top level employees also may be engaged in a "don't ask, don't tell" style of ethical management. They either deliberately choose not to know, or their subordinates are reluctant to tell them about ethical violations. Fully one-quarter of the survey respondents felt that their companies "look the other way" or "ignore" unethical conduct to meet business objectives.

The View From The Shop Floor

Workers with manufacturing job functions had the darkest view of ethics, followed by

Do you ever feel pressured by other employees or managers to compromise your company's standards of ethical business conduct in order to achieve business objectives?



people in customer service and quality control (although the survey authors point out that their quality control sample is too small to be entirely trustworthy). They are closely followed by those in R&D and other technical engineering jobs.

NEARLY 10% DID THINGS AT WORK IN THE LAST YEAR ABOUT WHICH THEY WOULD BE ASHAMED TO TELL THEIR CHILDREN.

When asked whether they agreed with the statement, "When choosing between doing what's right and earning bigger profits, American business managers generally choose bigger profits," 83% of those in manufacturing jobs agreed. Eighty-one percent of those in technical jobs agreed, as did 85% in quality control and 87% in customer service.

When asked whether their personal ethics were higher than their business ethics, 33% of those in manufacturing and quality control jobs agreed, as did 32% of those in customer service. R&D and technical engineers agreed over 20% of the time. Close to 33% of those in manufacturing, quality control and customer service also believed that their companies "looked the other way" when it came to ethical violations, even of their own stated ethical policies.

People working in quality control report the highest percentage (over 25%) of those feeling pressure, at least "fairly often", to compromise company standards to meet business objectives. They are

closely followed by those in customer service (20%) and manufacturing and R&D and technical engineering (approximately 18%).

The Bottom Line

Some conclusions from this study seem inescapable. Good intentions on the part of upper management are not enough. Pious statements or even elaborate educational programs will not ensure ethical behavior. What really goes on out on the shop floor and how employees feel about it may be vastly different from the perceptions in the executive wing. Many middle level employees—customer service, quality control and front-line manufacturing supervisors—truly do feel caught in the middle, torn between the desire to do the right thing on a day-to-day basis and pressure to cut corners to improve the bottom line. Furthermore, they are not optimistic about getting support for choosing ethics over profit.

No one ever said doing well by doing good was easy. More than anything else what the ERC report suggests is that talking the talk "good ethics make good business sense" is easy; walking the walk is a far more difficult proposition. ⚙

The complete report, "Ethics in American Business: Policies, Programs and Perceptions," can be purchased from the Ethics Resource Center, Inc., 1120 G Street, NW, Suite 200, Washington, D.C. 20005.

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