

the Strategic Perspective

Taking the Long View on Strategy, Innovation and Leadership



COVER ARTICLE
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A Theme Runs Through It

It's been quite a field day for those of us engaged in the responsibility "business" or who are passionate about the paradigm shift in consciousness now underway.

As we head into the overdue, and much hoped-for, economic recovery, the trickle has become an avalanche. Since the beginning of the year, one sorry story after another has emerged in the ongoing saga of breached trust and confidence between peoples, institutions, and their leaders.

From Tiger Woods, Congressman Eric Massa, Toyota, and the West Virginia mine accident to Goldman Sachs, Family Research Council co-founder George Rekers, Oral Roberts' son Richard, the Pope and the European Catholic Church, and now BP - taking with them the credibility of the EPA and the U.S. Minerals Management Service. Just to name a few.

It's now looking like a bad B movie in which one implausible charade after another is woven together in a sub-text of absurdity that attempts to culminate in an "ah ha" moment to make singular sense of it all for a world of good. Any lasting revelation, however, will need to come from a long gaze in the mirror.

Journalist Matt Taibbi, in a recent article for *Rolling Stone* investigating the role of Goldman Sachs and the investment banking industry in the economic crisis ("The Great American Bubble Machine"), makes the enlightening, however troubling, point that certain powerful entities took advantage of "an extremely unfortunate loophole in the system of Western democratic capitalism" to seize advantage, knowing that in "a society governed passively by free markets and free elections, organized greed always defeats disorganized democracy."

Alas, the underlying lesson is laid bare: It is possible that we have been, to a great degree, victims of our own self-assurance about our leaders and the integrity of our institutions? Is it reasonable to expect our leaders to conduct themselves ethically and uphold a standard of competency as a moral imperative?

I ask this in jest as the question should be: What can we realistically expect from those who step in to take on such expectations if they are destined to falter from a futile attempt to live up to ideals projected largely by the gap that has resulted from our own abdicated responsibilities?

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While there is no excuse for the breaches in trust and confidence brought about by the individuals and institutions that have failed us so acutely, it is also irresponsible to dismiss outright our own role in engendering a culture of duplicity, incompetence, and corruption as if it all could manifest from unsupported solo acts. How could these violations reach so far and wide without a system that conspired, however unintentionally, to enable and empower them?

I don't suggest for a minute that we start blaming the victims for these gross violations of ethical and moral standards but if we are serious about preventing future inflictions, than perhaps we should take stock of the common themes that run through it all. And take back the power that we so readily relinquished.

How we got here

There are many explanations as to how we came to our current state. Here are a few to ponder:

For too long we bestowed blind deference to celebrity out of a need to project unrealistic ideals on others whose own flawed humanity rendered them incapable of consistently fulfilling them.

By engaging in the entertainment of trumped-up and exploitive 'wedge' politics, we rendered as old fashioned the substantive debate of critical public policies. In avoiding responsibility for doing the heavy lifting of personal consciousness that leads to enlightenment about the valid truths of others, we encouraged a culture of easily digestible, sound bite depictions that served our own misconceptions and ignorance.

In accepting manufactured credentials and pandering to values "check lists" as qualifiers for leadership, we failed to establish real-world measures for competency and integrity that tested our leaders on the hard choices for the good of the whole - instead of those driven by self-preservation and political expediency.

Conversely, what common themes run through the behavior of the alleged offenders? More than a few come to mind:

- The pursuit of self-aggrandizement, through a 'negotiated state' of limited consciousness, that negated the consequences of their behavior upon the very stakeholders and system that made their success possible
- Delusional overconfidence that tripped into blinding arrogance, engendering fear among subordinates and discouraging the truth-telling that's essential for responsible decision-making
- A fixated world view that did not accommodate contrarian perspectives and was defended by a distorted understanding of context (group think)
- A relentless drive for self-preservation and power perpetuation that was disguised as protecting the interests of the institution
- A misread of one's success and its accompanying increase in stakeholder trust and confidence as 'permission' for invincibility, which led to unchecked risk-taking
- Complacency resulting from market or industry dominance in the former era of historically high barriers to entry and less access to information
- Playing all sides of the investment equation, in opposition to the interests of your primary client, to ensure your own success regardless of the outcome

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- Shifting from the ethical practice of avoiding conflicts of interest to a policy of leveraging such conflict as 'opportunities' to manage

The road that must be traveled

How can things be different in this recovery? Most polls indicate Americans are now convinced that indeed things will be different. Too many events, most notably the ongoing BP/Deep Water Horizon disaster, are game changers of yet-undetermined proportion.

Returning to the pre-recession manic state of leveraged, irresponsible consumption is not an option. Are we entering an era of prolonged, responsible materialism? If so, what will it look like and how will business leaders adjust their competitiveness in a reset marketplace framed by a greater priority on public interest values?

Beyond these concerns are others that I keep hearing more people expressing. Never mind the obvious - that we will have to be smarter about our money and where we put it, how we use it for personal wellbeing, or whether to heed a moral call and reach out to those less fortunate for the collective sustainability of the whole.

Many economists believe that we will endure a somewhat painful but necessary transition from consumer driven growth - premised upon acquiring, consuming, and amassing material assets - to growth that is driven by a healthier proportion of actually making things (TBD), exports, and an improved trade balance.

The most perplexing question before us is: What will be so different in our thinking and behavior that will initiate authentic transformation to this new responsibility paradigm?

The implosion of scandal in the investment banking industry shifts into fast-forward the call for formalizing measurement of the social, economic, and governance activities of certain industries and professions - certainly those which serve as critical hinges to the stability and functionality of the whole system. For financial institutions, new measurements are not farfetched as the SEC stepped closer to this goal just recently.

No easy street to better ethics

Dismissing the necessity for consistent, ethical practices will blind companies to their implicit social contract with constituent communities. While shareholders want a good return with strong valuation and upside stock potential, they recognize the severe price to be paid when business strays from its alignment with public interest values in a now stakeholder-driven society.

Conscious leadership is the path to clarity. It is during the best of times that leaders need to build up the savings bank of reputation equity and credibility. Ethical lapses that remain unaddressed lead to imbalances and injustices. They accumulate and become self-perpetuating, often tempting corruption and other acts of acute destruction.

Ethical Corporation, an independent research and conference firm that provides competitive intelligence for business sustainability, polled senior ethics and compliance executives from a cross-section of sectors as to what they perceive are their greatest current challenges. The top three answers came from 35% of responses received from such companies as Tata Steel, GE, DHL, Imperial Tobacco, Transparency International, Teco Energy, Weatherford, Novo Nordisk, and Marriott International.

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The top ten challenges identified are:

- Getting employee buy-in and commitment for *true* ethical behavior
- Getting support from top management and changing the view of compliance as a cost center
- Fighting against the ‘turn-a-blind-eye’ culture, and the way ‘business has always been done’
- Managing an effective global program that complies with different, sometimes contradicting local laws
- Keeping abreast of legislation and ensuring that new requirements are met
- Managing compliance in a resource constrained environment
- Managing changing stakeholder expectations and avoiding negative publicity as a result
- Increased liability of individual prosecution under a tough legislative regime
- Educating, monitoring, and managing activities of third parties to ensure compliance
- Defining ‘adequate’ for your company’s compliance efforts and knowing you’re doing enough

Let us grow into a sustainable recovery having learned some hard lessons: Elections matter, as they bestow power not only upon the candidate but also their legacy relationships and personal connections. Hard choices require homework. Deference should be judicious. Leadership is a *collective* succession of everyday acts. Unchecked, concentrated power is a clue to ethics running amuck. Power should never fall far from the tree in your own back yard. Responsibility is everyone’s business.

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