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Ethics Can Present Nettlelike Conflicts - Three Tips for Working Them Through

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Ethics may seem like a back-burner issue for a small business that's fighting to make payroll, but the truth is that most entrepreneurs recognize this and struggle with it from day one. The reason I say struggle is because an ethical choice in business often boils down to taking a tangible and immediate hit of some sort in return for the expectation that in the long run, the company will benefit. And taking that hit is as tough in business as it is when we are faced with an ethical choice in our personal life. Maybe tougher.

The first point I make in class about ethics is that it should be a fundamental choice criteria when deciding who you want on your team-or whose team you want to be on. This is outside the realm of right and wrong. It's just a practical issue about the way groups work. You can have different styles, different priorities, different skills, and work it out. But you

had better all share the same values. Why is that?

Because a values choice hides inside every other decision you make. And, at less fundamental levels of decision-making, different members on the team may prevail from time to time. But values are so basic that it will eventually become clear what values are steering the ship. If you are sealed in a situation where you constantly disagree with the value system, eventually you will explode. And when that explosion occurs, you no longer have a team.

So that's an early and basic ethics issue. Get team members who share the same ethical values.

The next point I want to make about ethics goes to why they create so much conflict in business. At OnLine Systems, it became clear to me that I had an ethical responsibility to three groups: our employees, our customers, and our

stockholders. I concluded that if I were to do the job consistent with my conscience, either all three would love me, or more probably, all three would hate me.

Because when you give to one of these groups, you are usually taking from the others. You cannot say one group is more important than the others. So I decided that the best you can do is make clear and explicit to each group exactly what they could expect from OnLine and then do my damndest to deliver. That way, I had a basis for being fair with each group. The stockholders knew my policy toward employees, the employees knew how their compensation and benefits would be determined, and our customers knew that we were committed to quality work and making a profit.

Best practices will tell you that fairness is good business.

A neighbor of mine used to own a variety store with gas pumps in Florida, and during the gas shortages of the 1970s, faced a critical choice. All the other people selling gas in that area jacked up their price and allowed people to buy as much as they wanted until it was gone. That created two angry groups—those who got the gas and felt they were being ripped off, and those that waited in line for hours and still didn't get any gas. My neighbor decided it would be good business to take a fairer approach. He limited every person who stopped by to 10 gallons and he kept his price at the preshortage level. He drew a lot of people to his store this way, people who continued to come after the gas shortage was long over. I think there is a message there in terms of ethics and doing the right thing, namely that fairness is also a good business practice.

You can take advantage of people at specific points in time, but over the long run, people would rather deal where they can count on honesty, integrity, and fairness.

So I want to leave you with three tips on the issue of ethics. Before you even get started, make sure you and your team share the same values. And after you are underway, always make sure you are fair with all stakeholders. You do that by making your deal with everyone explicit and reasonable and then living up to your commitment. And as you deal with these things day to day, if you are ever in doubt

about what to do, there is a little test I use that might be helpful to you.

A mentor of mine once said, “Jack, if you make your decisions with the assumption that tomorrow it will be a headline in The New York Times, and you can say to yourself, ‘I don't care,’ it's probably all right to proceed.” And that, I think, is a good point.

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