Ethics in the Balance

Companies that engage in unethical business practices risk their reputations and the well-being of employees and the public. Recent corporate abuses show how important it is for professionals to value ethical leadership over financial gains.

By Danielle Boykin

When corporate executives show more concern for record breaking quarterly earnings than protecting the safety of the public, the rise in scrutiny can become enormous and business reputations can be ruined. Recent media coverage of unethical behavior of Wall Street firms and what appears to be negligence toward community and employee safety by some firms in the automotive, energy, and oil industries is increasing public outrage. A Harris Interactive poll released in April revealed that 74% of participants stated that their opinion of corporate America’s reputation was not good, compared to 12% who thought that it was good and solid. Survey participants also gave the highest negative ratings for ethical standards to AIG, Freddie Mac, Fannie Mae, and Goldman Sachs.
The engineering profession is considered to be a part of a group of professionals that have high ethical standards, according to Gallup’s annual Honesty and Ethics Professions poll. However, when financial scandals and fatal incidents occur, they can taint businesses and industries that are doing the right thing for their customers, employees, and the community. These situations serve as a reminder that professionals in business, industry, and academia must ramp up the promotion of ethical leadership and commit to placing the well being of the public ahead of business profits.

“It is unfortunate that we see in the media many egregious cases of ethical infractions compromises the safety, health, and welfare of the public in the interest of corporate profits or gains,” says Mumtaz Usmen, P.E., a member of the NSPE Board of Ethical Review and interim dean at Wayne State University’s College of Engineering in Detroit. “Because a lot of these cases have technical issues involved, engineers are in the middle of them in most instances.”

Michael Shirley, P.E., NSPE Board of Ethical Review chairman, believes that abuses by Wall Street could place a stigma on other professionals, even engineers. Adhering to ethical standards is made even more challenging by an economy on the mend, a corporate culture that emphasizes doing more with less, and increased attention to the bottom line.

“The corporate organizational structure also is a challenge,” says Shirley, president of Innovators Research Inc. in Waterloo, Indiana. “The way some companies are organized, the ultimate decisions about a product or service that may affect the public health and safety is made by nontechnical professionals.”

Shirley, who has experience in the automotive industry, says that engineers at all levels of an organization must speak out whenever they see a problem that will be detrimental to their fellow employees and the public. “If management chooses not to deal with the problem, there may be several options,” he advises. Consulting with a staff attorney may help get the issue resolved internally. After taking the problem to the highest internal corporate level with no solution, then the next step is to notify external industry, governmental, or law enforcement agencies.”

Companies and individual engineers who resort to questionable ethical behavior take the risk of forever harming their reputation. “The most valuable asset of engineering firms and professional engineers is their reputation, and that helps achieve long-term financial success,” says Usmen. “The trust and credibility in the eyes of clients and peers that have been built by many years of competent and ethical conduct can be destroyed very quickly by one unethical decision. If this is clearly understood by the management and employees, there should never be a tug of war between ethics and financial gain.”

Usmen blames a failure to instill a strong culture of ethics by top management and a lack of leadership in helping employees to adhere to a code of ethics. “Top management and leading engineers in the organization have to communicate the importance of ethical conduct to others in the company, and they must lead by example,” he says. “I expect to see more stringent ethical requirements and sanctions imposed on all types of organizations by federal regulations to protect the safety and welfare of the public.”

Karl Stephan, P.E., a Texas State University engineering professor in San Marcos, looks to current events to explain and highlight the importance of ethics in the profession in his Engineering Ethics Blog. He says that recent incidents within the automotive and oil industries do not represent an overall crisis revealing that engineers are incompetent, but they offer more cases for study in the field of engineering ethics and show how not to deal with a safety problem.

It may be difficult for a company to judge how soon to go public with a potential safety issue and how much information to immediately release. In the case of unintended accelerations by some Toyota vehicles, the company should have been more forthcoming sooner, says Stephan.

“Do you go public earlier with something that may not be a big deal and stir up a certain amount of negative publicity? Or do you hope that it’s not that serious and you can take care of it without any media publicity, but risk having it blow up in your face later,” he asks. “I think [Toyota] decided on not saying enough and they are paying for it now.”

**Regaining Public Trust**

Brian Moriarty, associate director for communications at the Business Roundtable Institute for Corporate Ethics, says that the collapse of the U.S. housing market, the financial crisis, and the government bailout of Wall Street heightened the misgivings that the public has had for business and government for decades. The public isn’t just concerned with financial fallout as a result of misconduct, but also the life-or-death consequences that can happen when short cuts are taken or safety measures are ignored.

Moriarty expects that recent fatal incidents in a West Virginia mine owned by Massey Energy and the explosion of the BP offshore drilling platform and subsequent oil leak, will only add to suspicions of corporate leaders and government regulators. He points out that surveys on trust and customer expectations show an almost universal expectation that products will be safe. “That is an across-the-board baseline expectation that people have,” he says.

Some companies are plagued by what Moriarty calls “short-termism,” which allows for a disconnect between ethics and profits. “Short-termism is really about an excessive focus on short-term profits that draws attention away from the fundamentals and core value concerns like safety. These are necessary ingredients for long-term value creation,” he says. “If you take Toyota for example, clearly their long-term business model has been harmed, and now they have something to recover from. Most companies have a concern for the safety...
of employees and customers, but that concern has to be a core value that is deeply imbedded in the culture.”

In 2009, the Institute partnered with the Arthur W. Page Society to launch the Project on Public Trust in Business to engage leading organizations in developing and implementing strategies for growing and sustaining public trust. Moriarty authored a special report highlighting the emerging opportunities for leaders to deal with the trust crisis.

The report advised business leaders to become more active watchdogs within their own sector and other business sectors. This policing would require that they end business practices that threaten the industry and the economy. Negative practices should also be disclosed to the public immediately in hopes that they can be brought to a quick end. Moriarty points to the Defense Industry Initiative, which was established following bribery scandals with government contracts in the early 1980s.

Former General Electric CEO Jack Welch was one of the key organizers, recalls Moriarty. “His argument to industry peers was that we can regulate ourselves and determine acceptable standards for our industry or someone else is going to regulate us more extensively. He believed that this was something that industry leaders should be responsible for and that the public expected this action.”

Usmen is adamant that material and financial interests of a company or an individual engineer should never be the first priority over the safety, health, and welfare of the public. A true professional should not compromise a code of ethics.

“If making an ethical decision puts an engineer in jeopardy of losing his or her job, compromising ethics is probably not the solution because sooner or later that would come back to haunt the individual and the company,” he says. “It behooves everyone in the company to address the challenges without resorting to the path of least resistance and unethical conduct. It is not easy, and it usually takes major thought and effort, but it is rewarding when done properly.”

In light of the financial scandals on Wall Street, many MBA programs are taking a second look at how ethics education is integrated in their curriculums. Ethics education has long been embedded in ABET-accredited engineering programs, and licensed engineers in many states are required to earn professional development hours in ethics. With the emergence of new technologies and a more global society, engineering educators continue to look for new and innovative methods to provide students with the right information and tools to become ethical professionals.

“We should present ethics not only as a desired way of conducting business from a moral perspective, but should also introduce it to our students as an important skill that is crucial for professional success,” says Usmen. “The long-term view of success through ethics has to be emphasized, while discouraging ethical breaches for short-term gains.”

Stephan, who has taught engineering ethics courses for undergraduate students, believes the important part of the ethics-education process is to simply make students aware of the issues. He realizes that any professional can get into an ethically difficult situation very fast.

“If you don’t recognize the situation until you’re in the middle of it, and you have a deadline to make some ill-informed decision, that’s actually too late to start ethics education,” he says. “We try to get students to think about who would be affected by whatever you’re doing, what interests do they have, and how people can be harmed if something goes wrong.”

Stephan adds, “We can’t take a person who has decided to be a lifetime criminal and turn him into a saint. But not too many of those types of people go into engineering in the first place.”

A part of being an “ethical CEO” is showing leadership by putting ethics front and center as a core company value. “Business leaders talk frequently about mission, vision, and values, and it’s just a plaque on the wall. I tell people that you’ve got to walk the talk,” says Robinson. “A leader has to walk the wall. I tell people that you’ve got to walk the wall. I tell people that you’ve got to walk the talk, and it usually takes major thought and effort, you’ve got to say it loud and clear, and you have to model it and enforce it visibly. This sets the tone.”

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Ethical Leadership

Carl Robinson, Ph.D., an executive coach and business consultant, says that his research has found that most firm leaders want to make positive business decisions and be successful but not at the cost of losing their good reputations. However, high-profile unethical behavior garners the most media attention. “Most executives of companies try to do the right thing. I think that’s really the truth,” says Robinson, managing principal of Advanced Leadership Consulting in Seattle. “But when people don’t do the right thing, it seems to be so big. The Bernie Madoffs of the world and what’s happening on Wall Street is great stuff to write about because it’s so brazen.”

Robinson says that company leadership should concentrate just as much on their ROR—return on respect—as they do on their ROI. “People often don’t factor in corporate responsibility as part of the measure of success of a company, and I think it takes an exceptional leader to put that on equal footing,” he says. “When I talk to executives who are ethical, it’s important to them that they do the right thing and are good corporate citizens.”

Ethical business decision making isn’t always black and white. There are many shades of gray. Robinson says that his clients often want guidance when a business decision may have ethical or moral consequences. He lets them know that by simply asking the question, they are showing some concern or doubt about a particular action and its consequences.

“When you have people imagine what might happen if they took a particular course of action, they can see that it might go into an area that they might not feel good about, assuming they have some moral compass,” he says. “The big thing is to get people to think it through.”

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