

RAYTHEON
LECTURESHIP IN
BUSINESS ETHICS

The Power of How: Achieving Enduring Success Through Ethics

DOV SEIDMAN
FOUNDER, CHAIRMAN, AND
CHIEF EXECUTIVE OFFICER
LRN CORPORATION

CENTER FOR
BUSINESS ETHICS

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BENTLEY

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BENTLEY is a national leader in business education. Centered on education and research in business and related professions, Bentley blends the breadth and technological strength of a university with the values and student focus of a small college. Our undergraduate curriculum combines business study with a strong foundation in the arts and sciences. A broad array of offerings at the McCallum Graduate School emphasize the impact of technology on business practice, including MBA and Master of Science programs, PhD programs in accountancy and in business, and selected executive programs. Enrolling approximately 4,000 full-time undergraduate, 250 adult part-time undergraduate, and 1,270 graduate students, Bentley is located in Waltham, Mass., minutes west of Boston.

The Center for Business Ethics at Bentley College is a nonprofit educational and consulting organization whose vision is a world in which all businesses contribute positively to society through their ethically sound and responsible operations. The center's mission is to give leadership in the creation of organizational cultures that align effective business performance with ethical business conduct. It endeavors to do so by the application of expertise, research, education and a collaborative approach to disseminating best practices. With a vast network of practitioners and scholars and an extensive multimedia library, the center provides an international forum for benchmarking and research in business ethics.

The center helps corporations and other organizations strengthen their ethical culture through educational programming such as the Raytheon Lectureship in Business Ethics.



The Bentley community was honored to welcome Dov Seidman, founder, chairman and CEO of LRN Corporation, as the sixth Raytheon Lecturer in Business Ethics. His visit was a source of much personal pleasure because, in the course of serving as LRN's senior ethics adviser for the last five years, I have come to know Dov as a friend. His passion for helping companies develop integrity-driven cultures is infectious and inspiring. His lecture, *The Power of How*, made a persuasive argument that how individuals and companies do business is more likely to achieve market differentiation, competitive advantage and personal fulfillment than what they make or do.

A commitment to ethics and social responsibility — in our scholarship, in the classroom, in student life, and in the way we do business — is central to the college's mission as a business university. We believe it is possible to teach ethics, but only if it becomes a way of life on campus. Our students and faculty live and breathe these issues through a host of pioneering programs, sponsored by a campus-wide alliance, comprising the Center for Business Ethics (CBE), the Women's Leadership Institute, the Cyberlaw Center, the Bentley Service-Learning Center, and the Bentley Diversity Initiative.

As we approach CBE's 30th anniversary, I can't help but reflect on how far the business ethics movement has come, while recognizing there is more to do. Ethics may have entered the mainstream of business, but not yet the bloodstream in many cases. Infusing Bentley students with the kind of ethical consciousness and commitment that will distinguish and inspire them as future business leaders is a critical part of our mission. The Raytheon Lectureship in Business Ethics series, founded and organized by CBE, is a hallmark of this Bentley-wide effort. With Raytheon's valued support, I am confident that our students and faculty will continue to draw inspiration, understanding and new insight from the dialogue created by the lectures.

W. Michael Hoffman

Executive Director, Center for Business Ethics, and Hieken Professor of Business and Professional Ethics, Bentley College

The Raytheon Lectureship in Business Ethics at Bentley College is made possible through the generous support of the Raytheon Company. Raytheon is an industry leader in defense and government electronics, space, information technology, technical services, business aviation and special mission aircraft, with annual revenues of \$21.8 billion. The company employs 80,000 people worldwide. Raytheon aspires to be the most admired defense and aerospace systems supplier, through its world-class people and technology. It has built a reputation for adhering to the highest ethical standards in the industry. The lectureship series aims to illuminate and promote ethical values and conduct in business, highlighting best practices in corporations throughout the United States.

Learn more about Raytheon online at www.raytheon.com.



Ethics in business is about so much more than just following rules. Fundamentally, it is a matter of creating the right culture in our organizations, so that people have the ability and support to make decisions that are not only effective, but consistent with the values and principles we hold dear. Raytheon has worked very hard in establishing an ethical business culture that is accepted by our employees and woven into the fabric of the ways in which we work. Our continued growth and profitability depend on it.

Raytheon has supported the Center for Business Ethics at Bentley College for many years, and our sponsorship of its Lectureship in Business Ethics is an important commitment for the company. We recognize the enormous value of the leadership given by the center for the past 30 years, to promote ethical business practices and cultures in the United States and around the world. And ethical leadership — illuminating and inspiring conduct that is instinctively ethical — is what the Raytheon Lectureship in Business Ethics is about. The series will bring to Bentley College highly respected corporate leaders of companies that have a manifest and deep-rooted commitment to doing business in the right way. They will share insights and ideas and engage in discussion about how the business community can and should achieve ethical excellence. I look forward to many fine lectures.

William H. Swanson
Chairman and Chief Executive Officer
Raytheon Company

LRN provides ethics, compliance and governance solutions that inspire, reinforce and set higher standards for ethically aware, legally compliant and responsible conduct in organizations throughout the world. The company works with leading companies, including Dow Chemical, United Technologies, News Corporation, DuPont, Viacom, Disney, Johnson & Johnson, Pfizer, Procter & Gamble, 3M and Raytheon. LRN's Governance and Ethics Management System™ (GEMS™) offers global corporations an integrated solution for corporate governance, risk, ethics and compliance management. GEMS™ includes LRN's flagship Legal Compliance and Ethics Center™ (LCEC®), a web-based education solution. LCEC® offers more than 200 courses, covering more than 3,600 topics, and has helped millions of employees around the world act more responsibly, work more productively and become better informed about the laws and values that govern their day-to-day decision making. LRN's decade-long record in Expert Legal Research and Analysis delivers unparalleled legal research at significant cost savings to leading legal departments around the world. LRN is based in Los Angeles with additional locations in New York, San Francisco and London. More information is available at www.lrn.com.



DOV SEIDMAN founded LRN more than 12 years ago to help companies and their employees ‘do the right thing.’ With uncompromising commitment to this mission and vision, Seidman has successfully grown an organization that provides ethics, compliance and governance solutions that are having a significant impact on how corporate leaders, managers and employees conduct business today. An industry leader and innovator, LRN has partnered with the world’s most respected companies to help foster and fortify ethical corporate cultures that provide a strong foundation for winning in the marketplace.

Seidman is recognized for his thought leadership on ethical capitalism and how executives and boards can advance cultures that encourage self-regulation based on shared values, rather than simple acquiescence to externally imposed rules.

In 2004, he testified before the U.S. Sentencing Commission regarding the need for companies to focus on fostering ethical cultures instead of check-the-box, compliance-only approaches. Today, companies are judged by this higher standard.

Seidman is frequently invited to speak at leading industry events and to senior management and boards of directors. Recent presentations include the Ethics and Compliance Officer Association (ECOA) Annual Meeting, the Outstanding Directors Exchange, The Defense Industry Initiative’s Best Practices Forum, National Contract Management Association World Congress, *Corporate Board Member* magazine’s annual Boardroom Summit, and a commencement address at UCLA entitled “Do the Right Thing.”

His views on business ethics and corporate culture have been quoted in dozens of print and broadcast media, including *The New York Times*, *The Wall Street Journal*, *Fortune*, *Forbes*, *The Financial Times*, CNBC, ABC's Good Morning America and BBC News. Pulitzer Prize-winning journalist Thomas L. Friedman included excerpts from his interviews with Seidman on the importance of trust and protecting and strengthening corporate reputations in his book, *The World is Flat: a Brief History of the Twenty-first Century*. Seidman's book on the power of ethical behavior in the 21st century will be published by John Wiley and Sons in 2007.

Seidman initiated the strategic alliance between LRN and RAND Corporation, which resulted in the creation of the LRN-RAND Center for Corporate Ethics, Law and Governance. The goal of the center is to study ways businesses can best conduct operations ethically, legally and profitably at the same time. He is a member of the Board of Overseers of the RAND Institute for Civil Justice (ICJ), which unites leaders to provide insight and advice on facilitating change in the civil justice system.

He earned simultaneous bachelor's and master's degrees, *summa cum laude*, in philosophy from UCLA. Seidman later earned a BA with honors in philosophy, politics and economics from Oxford University, where he was a Newton-Tatum scholar and captain of the Balliol College crew team. Seidman graduated with honors from Harvard Law School, where he was an editor for the *Harvard Civil Rights-Civil Liberties Law Review*.



Mike Hoffman (l.), founding director of the Center for Business Ethics, with speaker Dov Seidman and Patricia Ellis, vice president of business ethics and compliance at Raytheon.

The Power of How: Achieving Enduring Success Through Ethics

THE RAYTHEON LECTURESHIP IN BUSINESS ETHICS
AT BENTLEY COLLEGE

Tuesday, March 28, 2006

Dov Seidman

Founder, Chairman, and Chief Executive Officer
LRN Corporation

Thank you, Mike, for your generous words.

I saw some of you signing in so I thought I'd start with a few questions: Who's here because your professor required you to come? [*Show of hands*] Who's here because you were incented with extra credit to come? [*More hands*] And who is here because you are inspired to listen to a speech on ethics? [*Fewer hands*] Is anybody in all of the above categories? Those of you in categories 1 and 2, I really appreciate your being here. Thank you, everyone, for being here.

For Bentley students, I would think it's pretty easy to take for granted how special the Center for Business Ethics is. When Mike [Hoffman] founded CBE 30 years ago, business ethics operated at the margins. Today, the Center is at *the* cutting edge of what the largest companies in the world care about. Mike, you've moved it from the margins to the center, and I admire that.

I'm honored to be a part of the Raytheon Lectureship series. I admire Raytheon because Raytheon has a long-standing and demonstrated tradition of investing in a "do it right" culture. It did so long before it became practical to be principled in business. The culture is reinforced by the efforts of Raytheon's leadership, day in and day out. Raytheon makes absolutely certain that integrity is Job 1 for everyone who works for and with them. It inspires me in our work together, and I know it has the same effect on many others who've had the same privilege.

I was asked to give a speech on business ethics. I'll bet that if you told any of your friends you were coming to a speech on business ethics, you probably got one of two reactions. Either they said, "Business ethics? Isn't that an oxymoron?" Or maybe they said, "Good. It'll be a very short speech."

Although I have a background in philosophy, I'm not here to be philosophical about ethics. I believe, and want to emphasize, that virtue is, has been, and always will be its own reward; but if all I did was show up and tell you that the best reason to do the right thing is that it's the right thing to do, this would be a very, very short speech indeed; and I have more to say.

I'm here today as an entrepreneur and the business leader of a company that is in the business of ethics. The irony is not lost on me that I make money selling ethics, so to speak. I want to provide a perspective from the rough-and-tumble world of business — from the factory floors, management suites, and board rooms — about the role that ethics plays in winning and succeeding in life as well as business. I said that I make money with ethics. I sell ethics *and* make money, but I don't sell ethics *so as* to make money. That's the critical distinction I want to stress today: doing something *and* making money is very different from doing something *in order to* make money. I believe that how you manage this critical distinction, and how you navigate the space between "and" and "so as," will have more to do with your success — allowing you not just to survive, but to thrive over the long haul — than anything else.

Before I give you this perspective, I see that some of you have tanned faces. Anyone go out of the country or to someplace warm for spring break? Anybody do something slightly or really embarrassing? Anything you're not embarrassed about but probably should be? Of those of you in this last category, did you or anyone take a picture and put it on the Web? E-mail it? IM, anything like that?

Let me take you back to 2001 and introduce you to Paul Chung. Paul Chung was 24 in 2001. He graduated from Princeton and got a job at the Carlyle Group. He was sent to South Korea, the equivalent to him of a perpetual spring break. He e-mails his friends using company e-mail and essentially brags about his sexual

exploits: “I know I was a stud in New York City, but I pretty much get an average of five to eight phone numbers a night.” It becomes more and more salacious, so I’ll stop there. The point is that this e-mail wound up in thousands of inboxes, including his boss’s. So Paul Chung lost his job and his reputation with one click of the Send button! That was 2001. Fast forward to today, and if you Google “Paul Chung” and “Carlyle,” there is an indelible record of his exploits in Korea.

“WWW” is not the World Wide Web, it’s the Wild, Wild Web! It is a wild world out there, and the conditions have changed dramatically in just the last decade. We are hyperconnected, hypertransparent. Information flows around the world instantly and cheaply like water through a sieve. It’s going to have — and is having — a profound impact on our lives. Your colleagues will Google you before they enter a meeting room with you. Employers will now search MySpace before they offer you a job. Incidentally, I did a little search myself and found a few Bentley students who have MySpace pages. One of you wrote that he counts as his heroes “the taxpayers because they are who pay [*sic*] for the welfare state and our out-of-touch government to exist.” I don’t judge, but I do wonder what his employer will think of his posting.

The conditions of this new hyperconnected, hypertransparent world, place a new — and, I believe, revolutionary — emphasis on *how* you do things, not just on what you do. How you do things will be examined in your life at large, and in business in particular. Some behaviors, some of your *hows* will hurt you, but some will help. They will empower you, sustain you, and give you an advantage that will endure. I call this the *Power of How*. I am not here to give you “Seven Habits of Highly Successful Ethical People,” “A Four-Step Process for Ethical Decision Making,” the “One Minute Ethicist,” or “The 49 Immutable Laws of Conduct.” I’m here to get in touch with a power that is a way of looking at every situation: A power that manifests itself in how we interact with others, how we think, how we compete, how we win, how we create trust and relationships of mutual advantage, and so on.

I believe that the source of this power is connected to an idea that goes back to a Greek philosopher, Aristotle, who spoke about the Paradox of Hedonism, noting that happiness tends to elude those who pursue it directly. Instead, if you live a virtuous life and you passionately do things that are meaningful to you, somehow happiness comes. I believe that there is a corollary to the Paradox of Hedonism: I call it the Paradox of Success. I believe that if you pursue success directly, most often it will also elude you. But if you pursue significance — if you do things of value that solve real problems in the world or make the world a better place —

and you do that with passion, conviction, and meaning, then I believe success will come. I believe that as an article of faith. That being said, the world is changing in ways that bear this out.

Right now, many of you are going to enter the job world, or re-enter it. You might be thinking about success in conventional terms: you want an impressive title, a position of influence, good compensation, and the other trappings of success. There's nothing wrong with that. I'm suggesting, however, that the surest way to attain that type of success is not to pursue it directly. Today, I extend an invitation to every one of you to pursue success not as a goal, but as a by-product, as an outcome of achieving and pursuing significance.

I am the first to admit that it is still the road less traveled. Doing the right thing, pursuing significance, at first might feel lonely; it might be inconvenient; it might be unpopular; it could feel dangerous; and it might be unprofitable, at least in the short term. You might continue to see others who are cutting corners and appear to be blazing a trail to the top. But now more than ever, the world is changing in ways that allow more people to get to the top by doing the right things the right way. I see that some of these people are winning where they didn't before. Why do I believe this? I believe this because the conditions of twenty-first-century capitalism are making *how* we do things matter more than *what* we do. The winners in the years to come will be those who best unleash the *Power of How*, who lead others, and differentiate themselves by getting their *hows* right, right from the start.

Great leaders harness the *Power of How*. Recently, I spoke with such a leader. I admire this leader more than any other. This leader has invented new paradigms, new methodologies. He can inspire 50,000 people to work together towards a common goal like no other leader I have ever seen. His name is ... Krazy George Henderson. He is a professional cheerleader. In 1981, October 15, in Oakland Coliseum, the A's were playing the Yankees — can I say “Yankees” in this room? Krazy George had a vision: “I want to create an unbroken wave of human energy to help achieve something, to help my team win.” Krazy George invented “The Wave.” To me, the human wave is the greatest single act of ethical leadership. Think about it. Do you think Krazy George stood up, took out a wad of twenty-dollar bills, and said, “I'm going to give you \$20 if you stand up”? That might work with this guy or that one, but he surely did not have enough twenties to go around. Do you think Krazy George used fear instead of motivation? “Stand up or I'll beat you up.” That will work if he's bigger than the guy next to him, but I think people on the other side of the stadium are going to feel pretty safe. This

wave — 50,000 people — did not start and go round and round the stadium because of motivation, incentives, mandates, requirements, compliance or fear.

Krazy George led the wave because he got his *hows* right. What did he do? He inspired people. He shared a vision: “What if we made this stadium rock with two outs in the bottom of the ninth, and it helped our team win? I know you’ve got some popcorn and a hot dog on your lap, and you don’t feel like getting up, but if I get up, will you get up with me? Then that will help the next person and the next get up. Let’s stand up on the count of three.”

We must agree that there is something about the manner in which George communicated — how he shared, how he enlisted, how he evinced passion, how he worked with inspiration and not motivation, and with inspiration and not fear — that allowed this wave to surge. Waves are democratic. You don’t need to be the CEO in the stands; you don’t need to own the stadium; you don’t need to be the richest guy there. Waves are democratic. Anyone can start a wave. When the wave goes around the fourth time, we forget where it started. Was it section 32 or section 64? The wave belongs to everyone. That’s the power of The Wave.

Why am I talking to you about a wave? What is the analogy here? Everything we do in life and in business is a wave. That e-mail we send can achieve its result. It can create a clear communication and inspire the next action. Or it can create confusion or misunderstanding. The wave can crash on the shore. A meeting is a wave. There’s a productive meeting that achieves its agenda. Then there’s the opposite. Every report is a wave. When you go out into the work world, everything you say on a phone call, in an e-mail, and in a meeting, every presentation, or report, or PowerPoint that you produce, is an opportunity to start a wave. If you get your *hows* right, that wave can catch on, and others will carry it forward and join in it with you. I believe that the people who capture and harness this *Power of How* are going to be the people who succeed long-term, because they have the ability to connect with and inspire others — colleagues, investors, dealers, suppliers, customers and competitors — in waves, large and small.

Starting and sustaining waves, in life and in business, is all about getting your *hows* right. By the way, when I say getting your *hows* right, that’s what I mean by ethics. I mean the ideas, the norms, the perspectives, the habits, the values that have to do with how we treat each other, how we get along, how we communicate, and how we work together.

I am not talking about ethics as a noun, a manual of conduct, or a set of rules. Most people already think that they’re more ethical than their neighbor or their colleague, or certainly their boss. Many of us, when we had bikes as kids, took the

training wheels off — we wanted to ride bikes without the training wheels. I'm in the education business, and most people do not want training on ethics. They love their car, and they don't even read their car manual. So they're not going to read a manual on ethics — on ethics as a noun.

So when I'm talking about ethics, I'm talking about ethics as an adjective, an imperative. Ethics as an adjective is different: ethical sales practices; ethical decision making; how to write an e-mail if you can't tell if the recipient is a man or a woman, or what culture they come from, when you're sending it along a global supply chain; how you compete fairly; how you negotiate. Then there's ethical conflict resolution, ethical relationships, and ethical capitalism. Ethics as an adjective, as a modifier, as an imperative — that interests people. I don't have a manual on ethics to offer. Even if I had one, I find there are very few takers. I believe it is worthwhile talking about a real power to create waves when we are using ethics as an adjective.

Ethics and capitalism have a long-shared history. In fact, they've been together from the start. It's a little known fact that when Adam Smith, the acknowledged founder of capitalism, wrote *The Wealth of Nations*, he was the chair of Moral Philosophy at the University of Glasgow. So *The Wealth of Nations* was not written by an economist. I know people have usurped it, and they think it's about unbridled competition and laissez-faire, the freedom to pursue ends at anybody's expense. When Adam Smith talked about capitalism, he talked about trust, exchanges, and trades for mutual advantage; about creating real progress in the world. Capitalism comes from the Latin word *capitalis* — relating to the head. It involves using our head to get ahead. Trust, mutual advantage, and progress are ethical concepts, and they're built into capitalism. They drive capitalism. That is true today, more than ever before.

I took us all the way back to the founding of capitalism. Why is this history still relevant today if the world is the Wild, Wild Web? Here is something that has never changed: people want to win; they want to be number one; they want to be special; they want to be unique; they want to be recognized as such; and they want to be different. People want and need to differentiate themselves. That has been true since the beginning of time. What's interesting is that in the Industrial Age, people differentiated themselves with *what* they did. But that's changing. Conditions in the world today make it increasingly hard to differentiate yourself by a better, faster, cheaper mousetrap. Back in the Industrial Age there were great incentives to differentiate with what you invented. If you invented a new product, you typically had a five- to ten-year head start. Haloid became Xerox and with

one photocopier became a half-a-billion-dollar company in five years. If you looked at *Forbes* or *Fortune* several years ago, the winners that we celebrated in the economy were people who invented better mousetraps. They made better *whats*. But even though innovating in *what* we did powered twentieth century capitalism, those days are gone.

Clay Christensen, the innovation guru, talks about the forces in the economy that are pushing everything towards “lukewarm.” Everything is becoming commoditized. McDonald’s makes *hot* coffee and they get sued. All coffee in this country is now served lukewarm. The pressure towards lukewarm, towards commoditization, and towards the middle is so powerful. When you look around at the winners, you see a few geniuses who can invent something that is so unique, and thus protected, that it will take them to the finish line. Most people in business today, however, do not win with just *what* they do; they are winning with *how* they do it. Starbucks popularized a lexicon: venti, latte, cappuccino. But every diner now serves cappuccinos and lattes. Why is Starbucks so successful? Something about how they do business, something about their approach, their strategy, their business model, and the experience they provide allows them to win.

Hewlett-Packard invents a great computer; Michael Dell looks at it and thinks, “I can put it together with just-in-time inventory better than anyone else. My business will be a better business because of how I assemble a computer, not because of the computer itself.” Then we look at Southwest Airlines. Southwest flies Boeing 737s, as do many of their rivals, but somehow, they turn their planes around in 20 to 25 minutes; it takes their rivals at least twice as long to do the same thing. Somehow, they arrive on time more often, and they’ve been one of the most profitable companies in the last 20 years. They’re not differentiating themselves with their planes, or product, but in *how* they move their planes around and fly people safely from point to point.

If, in life, you want to avoid ending up lukewarm, it’s time to innovate not just in what you do, but in how you do it. Even that concept isn’t new. Consider: Zero Defects, Six Sigma, Kaizen, CRM, ERP, TQM, Process Control, Customer Life Cycle Management, Reengineering, Supply Chain Management, safety, business models, and strategy. We’ve studied all these things. All are about how we do things. This is innovation in our processes, innovation in how we implement; how we put together a computer, for example. These are *hows* of process, of implementation. I learned that Jack Welch has explained why GE’s annual reports fully described what GE does and the markets they are in: Because while others can only copy what GE does, they can’t copy how they do it. But, then a funny thing

happened, probably in the last ten years. Everybody's answering the phone in two rings. Everybody's reducing quality defects to infinitesimal levels, and very few people die or get injured on the job, because we have figured out how to do these process and implementation *hows*.

So, if you can't *out-product* or *out-process* the competition, but still want to win and be differentiated, how are you going to do it? If you can't do it with what you make, and you can't do it with how you make it, where are you going to go? You're going to find the one area that has great variation and variability, because when there's great variation, there's great opportunity for differentiation. What is the one area left where there's great variation? It's human conduct. Some people keep all their promises; some people keep half of their promises. Some people can engender trust; some people do the opposite. The rich tapestry and spectrum of the human condition — our motivations, how we act, what we say, and what we do — is so varied around this hyperconnected, transparent world. The new *how*, the most fundamental *how* of all — human conduct — provides the greatest opportunity for differentiation.

Basically, in a world in which nothing stays hidden, you have to act as if you have nothing to hide. But before you can act as though you have nothing to hide, in fact, you must have nothing to hide. There is an opportunity to literally out-behave your competition. You might not be able to answer a phone faster. You might not be able to create an anti-tampering device and market your bottled water on the basis of that device, because all the manufacturers of bottled water have that nailed down. But you can *out-behave* someone.

Interestingly, people are paying attention to this dynamic. What do you think was the number-one word searched on Webster's Online Dictionary last year? We had a tsunami, we had devastating hurricanes, and we had a lot of words that people wanted to understand. However, what did people look up most? *Integrity* was the one word, more than any other, that people were trying to figure out. What does this word really mean in today's world? How many of you watch reality TV? What is reality TV all about? We are watching how people behave and how they treat one other. This person is sabotaging that person and getting voted off the island. This person is competing fairly, or not, in becoming "The Apprentice." We are watching human conduct in reality TV. We are a reality-TV, surveillance society. Likewise, anybody can Google, and we're naturally curious. We don't need to be experts at finding out information. Everybody is looking through the glass, into the fish bowl of business and life.

At LRN, we did a survey: 70 percent of consumers will not purchase from a company they think has questionable ethics. In another survey, MBAs reported that they would take, on average, a 14 percent pay cut to work at a company they perceived to be more ethical. Ethics is starting to get quantified as an advantage. In the 21st century — your world! — ethics is fast becoming a quantifiable asset. Breaches of ethics are causing irreparable harm. Years ago, a quack doctor could get up and move to the next town and start over. Now, every one of us has a database that's Google-searchable that we take with us wherever we go. Second chances are rare, and we set things in motion earlier than ever before.

I'm not here to talk about the irreparable harm caused by the scandals we've witnessed. It has been painful and tragic to watch icons in industry and in business lose their ethical footing. Companies imploded because they had unethical cultures. We know about the pain, suffering and economic loss that have happened there. We know about the Pulitzer Prize-winners who plagiarized. We know about the football coaches who lied on their résumés. I could go on and on. I want to talk about something more subtle, about ethical lapses that are so subtle as to be more pernicious than the big stuff that we can easily see.

Let me illustrate: I talked about Google earlier. What do you think was the number-one search on Google last year? Not *Britney Spears*, or *tsunami*, or *Brad Pitt*, or *Michael Jackson*. Let me give you a hint. Who can remember who played in the Super Bowl in 2004? What was the score? All of you watched the Super Bowl, and it was one of the greatest, closest games in the history of the Super Bowl; and we don't remember what happened in the game, or even who played the game! Do you remember what happened at halftime? "Wardrobe malfunction." How is it that you remember a one-second compliance failure? You remember a one-second "wardrobe malfunction," but you might not remember the game itself. Why? That's the subtlety here. That wardrobe malfunction resulted in 500,000 e-mails to the FCC and the largest fine ever, for a one-second lapse in judgment or ethics.

Janet Jackson's lapse distracted everyone who watched that game, obscuring the accomplishment of those on the field. In business, the distractions caused by lapses in human conduct cause friction between those involved. It happens all the time. All of you have received e-mails in the last week or two. How many of you opened an e-mail and had one of the following reactions?

"This is not what we agreed to."

"This really makes me mad."

“Why did you cc so-and-so?”

“Are you trying to make me look bad?”

“I’m offended.”

Any of those reactions? Have you forwarded this e-mail to three, five, ten, or more people? Have some of you called a friend or loved one and said, “How’s your day going, honey? Let me tell you about mine.” Do you see how that one distracting e-mail or phone call can pull your head right out of the game and interfere with winning, with the ability to produce? Those who get their *hows* right can keep their head in the game.

The distracting power of ethical lapses can create so much friction, dissonance, and distraction that it gets in the way of productivity. It is hard to win. If we don’t keep our head in the game and focus on winning, we won’t win. The e-mail example is but one of many ways in which ethical lapses can harm us in subtle ways or help us in good ways.

If ethics, when present, can allow us to focus, achieve progress, and be on a journey of significance that will lead to success, how do we get more ethics on our team? At our company? In our organization? How do we do it? How do we get more of these results and behaviors that we want?

Many people think that the answer lies in getting people to follow more rules with stiffer penalties, or in hiring more compliance officers, who get people to play by the rules. They think that if we get the rules right, we can motivate everybody through carrots and sticks in the name of B.F. Skinner, who pointed out that people love pleasure and hate pain. They believe that with enough carrots and sticks, you can get people to play by the rules.

I respect the fact that we are a rule of law society; that we put law, and the rule of law, above man. We are governed by laws and a constitutional democracy, and not by man. Even though I respect the rule of law, I have less respect for the *rules* of law. They have proven problematic. The ultimate purpose of law is to create certainty, stability, and predictability. If your life is safe, certain, secure and predictable, you can take these things for granted and focus on your ambitions and aspirations. That’s what the law is there to do: to protect us; to give us enough security that we don’t have to worry about our safety; so we don’t have to worry that our currency won’t stand up; that our investments and intellectual property won’t be protected. The more certainty we have, the more we can go forward and try to achieve. Well-intentioned governments pass a lot of laws because they’re trying to provide their citizens with that type of certainty.

What's interesting is that rules are starting to fail us. Rules are over- and under-inclusive. There's a rule that says one must be 18 to vote. If someone shows up at the polls with a valid driver's license and is 18 or over, he or she can vote. Elections are thus easy to administer. But we know that there are some 25-year-olds who have no sense of political awareness or civic responsibility, and they can vote. We also know some 15-year-olds who are precocious, very informed, and mature, and they are not allowed to vote. What if we had an election in which only "mature and informed people" could come to the polls? It would be a better election, but incredibly hard to administer. That's the gap between the rule of 18 and the standard or value of maturity. Rules are efficient and easy to administer. Values are harder to administer, but accurate if effectively done.

Rules, however, do some things very well. They create good floors, basic minimums of behavior. Safety, laws, child labor laws, environmental protections, building codes all codify good science for the benefit of society. Then there are areas where rules simply don't work. Rules are inadequate instruments to govern the wide range of possible human conduct. Rules don't inspire.

How can you legislate with a rule for a conflict of interest? How can you legislate for maturity? Rules track vulnerabilities. Companies with which my company works do not have policies that say, "Don't forget to breathe." Employees aren't vulnerable to stopping breathing. Companies don't have rules that say, "Go home at night and see your family," because people tend to do that naturally. They do have rules, however, to come in at eight o'clock in the morning, because otherwise people might not come in at eight o'clock in the morning. Wherever you see a rule, something bad happened previously; there's vulnerability. But rules don't inspire higher conduct; they don't inspire significance. It would be incoherent to legislate delight: "I mandate you to delight the customer," or "I mandate you to exceed the customer's expectations." There is nothing in a rule that can command people to delight others, to exceed customer expectations, or to out-behave the competition.

We have a weird, ambivalent relationship with rules. Think about all the Hollywood movies there have been about breaking all the rules. We watch the Biography Channel; all these leaders that we admire tell us that they didn't play by the rules and got to the top. In the legislative process itself, we don't always understand how and why rules were made. The bottom line: because of good intentions, we have a lot of rules; because there are a lot of vulnerabilities, we have a lot of rules. But they're not all serving us well.

There is a gap between rules and human conduct. Those who can close that gap will win. We carry in our hearts and minds an ideal, a vision of an ideal state of certainty and predictability. But we never achieve that ideal state, and I call that gap the “certainty gap.” That gap never disappears, and in rough times we still need to find ways to go forward; to pursue our lives; to win in business; to bring home a paycheck. So we have to fill that gap. Even though there’s not enough predictability and certainty, we have to go forward. Even though there is a gap between our ideal state of certainty and where we are. What do we fill that gap with? Trust. Trust is what allows us to function in a state of something less than absolute certainty.

To understand the importance of trust and how we use trust to close that “certainty gap” to allow us to go forward and to achieve, indulge me. Let me take you on a trip. Not the type of spring-break trip that you’ve just had. I’m going to take you on a different trip. TRIP is an acronym. The “T” in trip stands for trust. Aristotle talked about trust as being a virtue. We’ve just met. If I trust one of you — or all of you — who’s got the virtue? Is it me for trusting you or you for being trustworthy? Aristotle says that I’ve got the virtue for trusting you. When I trust you (even though I’ve just met you), I’m giving you the power to let me down or do right by me. I’m the one who’s vulnerable, who’s taking the risk.

We know that in business and in life it’s no risk, no return. Interestingly, trust becomes the necessary condition for risk-taking. If trust is me taking a risk, then the more trust there is, the more risks people take. Studies have shown that if teams have a lot of trust, they out-perform teams that don’t have trust. If you trust the person’s vision for starting a wave, you’ll stand up with them. If you don’t trust it, you’re going to keep eating your hot dog, and you won’t get up. Trust enables risk. That’s the “R” in TRIP.

What does the “I” stand for? You can’t innovate if you don’t take risks. If you just stay with the status quo, you’ll have stasis and decline. If you want to innovate, you need to take risks. For all great innovations, someone took a risk. They risked capital; they risked their energy; they risked their opportunity cost. If trust leads to risk, risk is what leads to innovation.

What happens if you innovate? You create progress. “P” stands for progress—not profits, Adam Smith’s progress. Progress is only possible through innovation. If you achieve enough progress, then “P” stands for perennial prosperity as well.

The \$64-billion question (it used to be \$64 thousand) of our time is how do we get this TRIP going? Where does it start? What’s the Big Bang? How do we get trust — and TRIP — going?

We've already shown that it's not through rules, because rules can't inspire that type of certainty and risk-taking. If not with rules, then with what? I call it "eTRIP." "E" stands for ethics, because we tend to trust people whom we think do the right thing. We don't trust people whom we think will take advantage of us. That's the bottom line: if you want trust, you need integrity and ethics. We trust people who get their *hows* right; who are straight-up with us; who are transparent, forthcoming, open, and share credit and opportunity with us. They collaborate, and they embrace and engage. You want trust, you need ethics. You want trust, you need to find people and companies who get their *hows* right. Basically, you are entering into an era where the currency of your age is trust. Those who can engender and wield more trust will win.

We have entered an era of values, not rules. You've heard about the CEO of Boeing who got pushed out, or fired. What was the reason given publicly in a press release? Not that he didn't follow a rule. Not that he didn't honor the code of conduct. He brought *disrepute* to Boeing. Then you have nearly 200,000 Boeing employees who say, "Wow! I really need to understand what *repute* versus *disrepute* looks like in action."

The CEO of Citigroup commendably apologized publicly for Citigroup's failure to be completely fair in its influence of the bond markets. Now approximately 300,000 Citigroup employees have to understand more precisely what fairness is, versus unfairness, in all of their behaviors and interactions.

Values are hard to define; they're amorphous, they're nebulous. But nonetheless, we have no choice but to close the certainty gap with values. The winners are going to get good at fairness, at *repute*, at maturity, at judgment, et cetera. How do companies get this right? How do they institutionalize it? You may join a company with 100,000 people. How does a company like that institutionalize TRIP? Let me remind you that, for the most part, companies are legal fictions or legal abstractions. Most are incorporated in Delaware and very few people actually go to Delaware. But in reality, they are communities; they are stadiums full of real people. These are people with strengths and weaknesses, good days and bad days, conflicts, and other interests, and aspirations in their lives. Yes, companies, in reality, are communities. They are cultures of real people. Lou Gerstner once said about IBM, "I came to see in my time at IBM that culture isn't just one aspect of the game, it is the game."

Successful companies are going to get their cultures right, because they're going to understand that culture is the fundamental driver. They're going to become *cultures of hows*, not of rules. They're not going to create a lot of carrots and sticks

asking people to comply. They are going to inspire conduct and *hows* through values and ethics.

When you join a company, you're going to be joining one of four possible cultures. First, "anarchy and lawlessness" is a culture that I assume most of you don't want. The second culture that I see from time to time is "blind obedience": "Do what we tell you. Here's your paycheck." Those don't tend to win either. Most cultures are those defined by what I call "informed acquiescence." We will inform you as to the rules, and through carrots and sticks we're going to ask you to comply with these rules. When you comply, you exit yourself. The rule is here; you are there. Through motivation, you comply with something external to you. Then you look to your left and see that this guy is not complying. So you think, "Why should I bother?" You don't have the manual of all of the rules, so you forget about one rule. These cultures start to unravel. There aren't enough carrots and sticks to go around. There aren't enough manuals with all of these rules for every situation.

The cultures that are starting to win are cultures that I call "self-governing". In a self-governing culture, people do the right thing and they get their *hows* right. Not to do so is no longer a betrayal of the company or a failure to acquiesce; it's a betrayal of oneself. People do not like to not honor themselves or to have that type of cognitive dissonance. If you can get people to share in ethics, values, beliefs, and trust, they do the right thing, because in doing so they honor themselves.

Companies that create self-governing cultures, where everybody is harnessing this *Power of How*, are the ones that win. These are the companies that have the greatest sustainable, enduring asset. Do you know why? The one thing you can't copy is culture. How could you copy a culture? It's internal, it's stories, it's traditions, it's values passed from one generation to the next. It's the spoken and the unspoken. Culture is the single most powerful and sustainable differentiating asset because it cannot be copied.

Who saw the movie *Cast Away*? What do you think it was about? Most people think it's about survival, and I think it is in many ways. Tom Hanks plays Chuck Noland, a FedEx executive troubleshooter, and the sole survivor of a plane crash on an island. On an island, you don't need ethics — unless you think that trees deserve a certain level of treatment — you just try to survive. I take a lot of inspiration from this movie. At the end, Tom Hanks not only survived, but delivered the FedEx package. He kept his promise. He kept FedEx's promise. He wrote on a note, "This package saved my life." There are FedEx employees out there who think that their job is to deliver a certain number of packages by the time their shift ends. I think that FedEx is a great company because there are many more

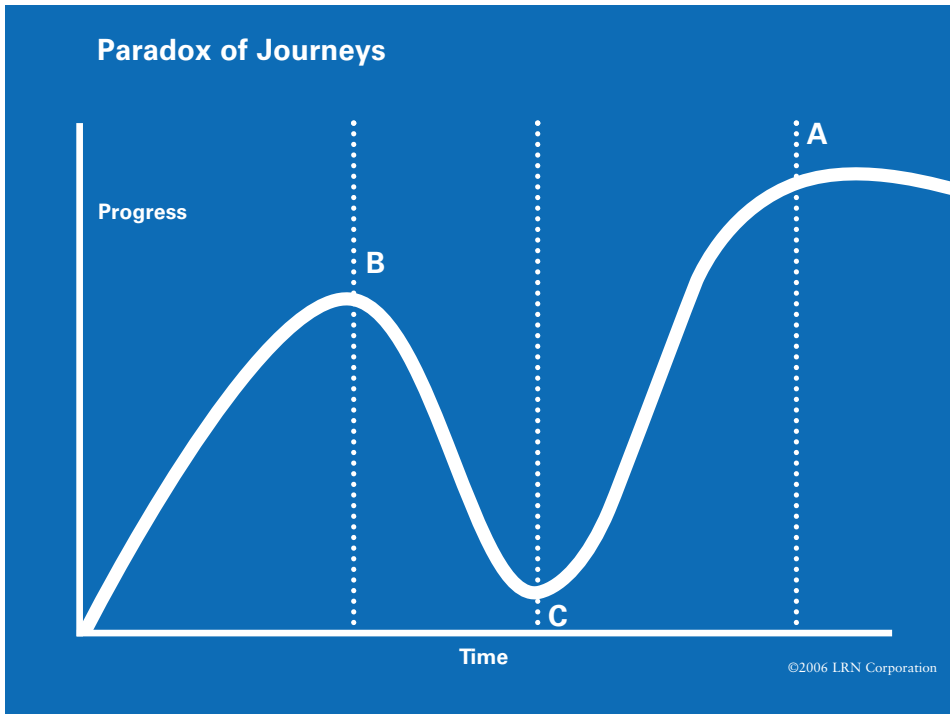
people who work there who believe that they are in the business of keeping a promise; not just delivering a package or checking something off their task list.

Companies that get it right have employees who understand that what they do is keep a promise. They are also going to listen to Aristotle, who said that excellence is not a single act, it's a habit. You're a promise-keeper not if you kept your last promise, but if you kept 500 in a row. Companies that get this right are going to institutionalize promise-keeping as a habit of excellence.

I think of the story of two bricklayers. You walk up to two bricklayers and ask each of them what they are doing. One bricklayer says, "Can't you see, I'm laying bricks." The other one says, "Can't you see, I'm building a cathedral." Same activity, different consciousness; I am successfully doing my task; I am achieving and pursuing significance. Great cultures are, in this way, about promise-keeping.

We began with a distinction: the distinction between doing something *and* succeeding, and doing something *so as* to succeed. I believe that great cultures get this distinction right. They are full of people who aren't bricklaying but are building cathedrals, whatever that may involve for them. It can be a pharmaceutical company trying to cure diseases around the world, making the world a healthier place. It can be a media company trying to entertain people and give them delight and happiness. Think about Johnson & Johnson. J&J does not have an ethics manual, or a 500-page ethics code; they have a one page Credo. And if you read the Credo, it is basically full of promises: "Our first responsibility is to the doctors ... and patients." It's a series of ethical promises. And what does the Credo say at the end? "When we operate according to these principles, the stockholders *should* [not *will*] realize a fair return." [Emphasis mine.] They are doing these things *and* making a profit. They are not doing these things *in order to* make a profit. Why take care of the customer? Why take care of the patient? To take care of the patient. If "should" becomes "will," then the only reason to take care of a patient is if it will generate profits. And the minute you see that taking care of the patient won't generate profits, then you might stop.

Each of us is on a journey. Journeys of significance are a lot harder, more arduous, and longer than journeys of success. To help you consider this, I offer something I came up with when I had the privilege of teaching some undergraduates political theory. I call it the Paradox of Journeys. (See figure below.)



When I taught political theory, I reflected with other teaching fellows on who was getting A's, who was getting B's, and who was getting C's. We developed a diagram where the "B" students got up to the first hump. They started with very little knowledge. They acquired basic knowledge, navigated the terrain, and could regurgitate the knowledge. On the exam they made very few mistakes, laid out the material, and commanded a basic understanding of the subject matter; they got B's. "B" for basic.

Who got C's? The C's fell into two groups. Some students just didn't show up, they mailed it in; those were clearly "C" students. But there were other "C" students who were "A" students who got confused. They innovated, struggled, said some smart things, and said some things that weren't in the readings or said in class. They made some mistakes, however, because in their wrestling they got a little confused. The exam grade was a "C." Why do I call this a paradox? Because when you are at a "C" — in the latter case — you are further along in time than those at a "B." A "C" student is ahead of a "B" student on his or her way to an "A." An "A" student transcends the knowledge and understanding of a "B" student and the confusion of a "C" student. They theorize, wrestle, and emerge with deeper insight. An "A" is power, an "A" is mastery, an "A" is deep knowledge, where they aren't just able to take the exam but could teach the class.

I believe that every journey that you will go on will follow this pattern. You may start by asking, “How do I harness my *hows*?”; “How do I write an effective e-mail?”; “How do I resolve a conflict?”; “How do I wrestle with a dilemma?” You will gain some basic knowledge, maybe from an ethics manual. Then you are going to go for it; you are going to have the courage to get beyond the first hump and go towards an A. Some of you might get caught in the valley, the deep, dark valley of “C” — “C” for confusion. But it is out of that confusion that you will create the possibility and the opportunity to realize your goals.

I believe that if we keep struggling and wrestling, we will develop that power and we will get up to an “A”; we will gain mastery. And on the journey of significance, we will master not only our *whats* but our *hows*. We will get good not just at following rules, but good at values, *hows*, and principles. We’re not just going to acquiesce to rules, we are going to self-govern. We are not just going to do tasks, we are going to see what we do as a series of promises, and we are going to keep them. We are going to go beyond the first hump of success and achieve significance.

The key here is the courage to wrestle, to struggle, to go into that deep valley of “C,” and come out of it with a true power. So wherever you are on your journey as a student, as an executive, as a leader, unleash your *Power of How*. Close the certainty gap between you and anyone else with trust, and achieve significance. Again, I take this to be an article of faith, though the world has made it more likely than ever before that when you pursue significance you will achieve success.

Finally, I look at you, Mike, and I think of your legacy. I have a somewhat ironic legacy to suggest to you: I think that if all of this works, and we all have the courage to get to the second hump, the Center for Business Ethics will no longer be *the* center of discussion that it is today. It will go back to the margins because the *Power of How* will live in each one of us and we will take it wherever we go.

Thank you.

Below are the highlights of Dov Seidman’s question-and-answer session with Bentley students, faculty and guests.

Question:

Our [freshman] class book is *The Cheating Culture*¹ by David Callahan. One of the ways the author suggests that we, as individuals, can strengthen the moral fabric of our society is to “be a chump;” to do the right thing even when we know that many others are cutting corners, cheating on their taxes and lying to their insurance companies. Can you relate this to the “C”-grade slump you spoke about, where people are struggling because they are trying to buck a culture and achieve something worthwhile, even though it seems so daunting?

DOV SEIDMAN:

There’s a paradox because it’s not comfortable to be in the “C” position, even though, at some level, you’re closer to an “A.” We don’t have to prove that sociopaths and bad apples won’t still cut corners and try to get ahead. There still are a lot of cheaters. That’s the path we got on; we stopped listening to Adam Smith a long time ago. All we need to prove is that good, ethical people can finish first. The focus on culture is so important. In my business I don’t go to companies and say, “Let’s find your bad apples, and throw them out.” I say, “Let’s work on the culture.” If the culture celebrates doing the right thing, the barrel will eject the bad apples.

What matters is who survives and thrives in a culture. If you’ll indulge me with one religious reference, the first emotion in the Bible was shame: Adam and Eve averted their eyes because they were ashamed. Shame is a very socializing cultural emotion. Back in California, if you’re a smoker and you walk into a restaurant, a non-smoker can give you a dirty look, shaming you so you have to leave. Maybe in Paris it’s the opposite! What cultures have to get right is what is socially acceptable, what is stigmatized and what is shameful. Remember that people want to get invited to poker parties and company socials; most want to fit in. Over time, when more people get on this journey of significance they are going to make it uncomfortable for the cheaters. If you want a program to do this it will take six months and it will fail. If you want to focus on corporate culture, it will take 10 years at minimum.

Let me make one last analogy. Twenty years ago or so, people said quality is like ethics; it’s amorphous. They said, “I know good quality when I see it, it’s an aesthetic. We can’t measure quality so we’ll put people at the end of the assembly line,

¹*The Cheating Culture*, San Diego, Calif.: Harcourt Books, 2004.

and they'll find defective products and throw them away." Then the Japanese showed up: they were measuring quality; they were designing it into everything. Suddenly we declared quality Job 1. We took this immeasurable, amorphous thing and began quantifying quality defects to infinitesimal Six Sigma levels. Ethics is today's Job 1. It's also amorphous; people can still debate it, like we did quality and safety. But I believe we will go the same way with ethics and corporate culture. It will take 10 years or more.

Question:

What lessons did you learn from being captain of your college crew team? And at what point in your career did you decide to go the entrepreneurial route?

DOV SEIDMAN:

I should tell you that when I got to Oxford I had not rowed crew before. From a skill standpoint, I was probably the worst rower in the boat. Captaining that boat had nothing to do with my erg score (the way an oarsman's power and endurance are measured) or how well I rowed. It was probably more to do with leadership. If eight blades go into the water at slightly different times, each one acts as a brake. But when eight blades go in at exactly the same time and exit the water at the same time, the combined thrust will make the boat hydroplane and sing. Eight people are doing the same thing in synchronicity. This taught me the value of bringing people's passion and energy together to achieve something far more impressive than anything that each could achieve alone. Rowing teaches you about trust and transparency as well. It is only by working in unison that the team can win. Each oarsman is accountable to every other, and the puddle size each oar makes in the water tells the story of whether there is unity or separation, and if it is the latter, the team loses.

Now I'll try to answer your second question. I just turned 41 and I suppose we all tend to romanticize our past. I don't know what demons I was trying to slay or what dragons were in my head. There was probably a bunch of things that led me on this path — I don't think we can ever really say that our life choices came down to just one thing. But I can say for sure that I'm passionate about the field of ethics and running a company that helps companies foster ethical cultures. When I studied philosophy and ethics, I was passionate about them. I feel blessed that I can make a living in an area of passion. And of all the things that Mike [Hoffman] said in his introduction, what I'm most proud of is that I'm a "B.E." guy (Before Enron); that I was out there trying to sell ethical vaccines and vitamins to people because I had convictions, even though people told me they'll never be sick; there won't be scandals. The lesson for me is authenticity: just live legitimate, authentic

lives and pursue something about which you are really passionate. Things will take care of themselves. You'll adapt, you'll move around and you'll find ways to achieve what you're trying to achieve; do something that is really meaningful to you. I always cared about human interaction. I felt there was an opportunity to do better.

Question:

A lot of companies are outsourcing these days in order to save money. The company I work for has effectively outsourced its ethics department to a company that runs a phone line. By not having a physical ethics department, is a company missing an opportunity for inspiration through human interaction? Do you think this is really affecting the workplace at all? If you have an ethical dilemma, can you really expect help from someone who doesn't know your business?

DOV SEIDMAN:

When you put it that way, the company doesn't seem to be in great shape. I don't think you can outsource ethics. The fish rots from the head so if you want an ethical company you have to get it right at the top. The board and senior management have to set the right tone. Culture is something we are starting to *do* instead of just letting it happen organically; people are now trying to influence culture. They are saying, "Let's reward and celebrate doing the right thing. Let's talk about it and educate people so they know how to do the right thing." So, we can do culture and not just let it happen.

Your mention of the phone line makes me think of the many CEOs who like "plausible deniability." They say, "Just like every city has some crime, every culture has some bad actors. Don't hold me responsible for these bad actors as long as I have phone line that people can call — or as long as I put posters on the wall with our Code of Conduct, etc." What these companies are doing is relying on programs, on check-the-box programs as proxies and surrogates for their culture.

When individuals come before the judicial system, we judge them: Malice aforethought? Depravity of heart? Was this intentional or negligent? We judge the character of individuals, day in, day out; life-or-death decisions depend on that. When it comes to companies, we have a due diligence standard. Have they shown due diligence? There is room for plausible deniability. But that room for plausible deniability is finally changing because of the transparent society in which we now live. We can impute a character, and a culture to a company. For example, a company might make a big deal of its hotline for employees to report concerns or seek advice. But what if the Department of Justice shows up, interviews 1,000 employ-

ees and 92 percent say they are too scared to call it, or that there is a culture of distrust in the company. Then there's direct evidence of a culture of fear or a culture of distrust and that is why no one is picking up the phone. The logic follows, why should I give you credit for the hotline if I can directly judge your character?

In this new era of transparency, companies are going to start figuring out that they have to get their culture right, not just put programs in place. Be on the look-out for those companies; the ones doing culture in the same way they do quality and safety. Take a job with them. The ones who are just checking boxes I would stay away from.

Question:

You talked about the importance of measuring quality in terms of development of quality initiatives. What are you seeing in the measurement of ethics programs? Can you envision some kind of standardized ethical performance measure?

DOV SEIDMAN:

The answer is yes and no. The problem with full-on measurements is what might happen the minute you don't like the measurements: "Oh, we are spending so much on ethics but no one has gone to jail in the past 5 years. So let's spend less on ethics." Ethics is not an area where you want to do too much cost-benefit analysis. When Johnson & Johnson pulled *Tylenol* off the shelves, they didn't sit there and say, "If we keep it on the shelves how many people will die, and if we take it off how many lawsuits will we have?" It was simply the right thing to do. They decided that if they did what was right, then things would take care of themselves. So there is one piece of ethics you can't measure: you do it because it is the right thing to do. It is an article of faith that things will turn out, and then the evidence inevitably follows.

Nonetheless, there are negative and positive ways to measure. You could say, for instance, "A lot of bad things used to happen here, but now there are less of those things happening." So once you set a baseline, there are ways to measure what is not happening that used to happen. That's on the negative side. There are great ways to measure on the positive side. We're seeing really sophisticated surveys. Raytheon does a yearly ethics survey where they really triangulate the issue of how people are feeling on the job. Can they challenge their boss? If their boss asks them to do something that they think is not right, do they have any fear of retaliation, etc.? This approach enables one to get at whether there are leading indicators of healthy cultures. There are a lot of leading indicators that say, "This is a healthy place" because in a healthy place people do this, they feel this way and they say these things.

If you think about mergers and acquisitions, one company wants to sell itself to another company. The board sits in a room and asks, “Who are the likely buyers? Would we do business with them? Do we trust them?” So, interestingly, you are starting to see that people are even choosing whom to sell to or merge with based on ethical considerations. “Would we want to be in business with these people?” The companies that don’t make that list might never know it. Where are investors putting their dollars? Where are employees taking jobs? We are beginning to approach ethics as we did quality and safety, finding more measures, more ways to incorporate ethics into the process. It’s too early to decide what the best measures are, but I am convinced that we are going to develop them. We are going to develop signposts for doing it right.

Question:

It seems to me that excellence and ethics are closely related. The philosopher Spinoza said that all excellent things are as difficult as they are rare. Do you think that many companies are taking the easy route and showing themselves as people want to see them in terms of ethics? Is their “ethical” culture a fake?

DOV SEIDMAN:

You’re asking how real this is. Let me ask you, do you write a résumé that reflects who you are or one that reflects who your employer thinks you should be? We have to ask if a company is treating ethics as just another corporate program, another business process, because it’s fashionable. How real is it? How engrained is it in the corporate culture? Is it a real point of differentiation from other companies? I should start by saying that at LRN, all our conference rooms are named after philosophers. And “Spinoza” is one of the conference rooms near my office. The exact quote you used is on the door. So it’s a nice connection. As with most things, I think there are early adopters, a fast-following majority, a slow-following majority and then there are laggards who will never get it. There are some people who really understand this and take it seriously — I have mentioned Raytheon, Johnson & Johnson and others. However, there are other companies that will try to do a minimum or fake it.

I think that with the way the world is changing, it’s going to get sorted out. I’m optimistic, but I think it will take several years. Internationally, this is becoming a big problem. We used to do business in very homogenous environments but technology has put a lot of heterogeneity into the system. There are a lot of people who have never broken bread together, who don’t speak the same language and don’t share the same values, who have been thrust together on corporate e-mail systems and supply chains. I am seeing more explosive miscommunications, and

more differences of opinion and attitude, because technology has put the global workforce together faster than we have developed frameworks for understanding each other.

The companies that get this right — that really understand how to take different, diverse people and create a powerful global culture that has trust — are going to win. The ones that just thrust people together without figuring out how to help those who have never met or who don't speak the same language work together are going to have a tough time in what Friedman recently called “the Flat World.” To really answer your question, we should meet in 10 years and see what has happened. Nonetheless, dramatic progress has been made in other areas of business and, in time, I am convinced it will happen with ethics.



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**CENTER FOR
BUSINESS ETHICS**

175 Forest Street, Waltham
Massachusetts 02452-4705

Center for
Business Ethics

Tel: 781.891.2981

Fax: 781.891.2988

E-mail: cbeinfo@bentley.edu

On the Web: www.bentley.edu/cbe