THE PREDOMINANCE OF VALUES AND ETHICS FOR CEOs

"Conscience is but a word that cowards use,
Devis'd at first to keep the strong in awe:
Our strong arms be our conscience, swords our law.
March on, join bravely, let us to't pell-mell;
If not to heaven, then hand in hand to hell."
(Shakespeare, Richard III, Act V, Scene III, 310-314)

In order to promote a change of attitude toward ethics, one has to start probably at the top of the companies, the CEOs, as it is they who ultimately decide the ethical climate of their companies. Unfortunately, companies are the last vestiges of dictatorial regimes. Most of the world, especially after the collapse of the Soviet Union, is ruled by democracies; even the political parties elect their candidates in 'primaries'. All western countries have laws on equal rights of genders, races and religions. Only one domain of human activity remains dictatorial – the companies, where the CEOs have absolute power together with the majority shareholders who rule the companies.

The business world has a great admiration for youth and one often sees CEOs or analysts under the age of 30, or at most 40, in many high-tech companies and Wall Street investment banks. But at this age, very often, men and women have not yet formed an ethical character that has proven its integrity in the most adverse business conditions. The temptation is very acute to transgress moral codes, especially when young people have not received a humanistic upbringing and if they are motivated uniquely by their career. On the other hand, more mature managers with impeccable integrity cannot reach the highest positions, often because of their age and more often because of their integrity.

The most important feature of a businessman has to be his moral integrity, especially in fiduciary positions such as CEOs, vice presidents, or investment bankers and analysts, who are responsible for financing tens or hundreds of millions of dollars. It is imperative to broaden humanist education in the universities, including ethics courses. The astronomical sums of remuneration to top-level businessmen are at the base of corruption. Unfortunately, there are not enough businessmen who cannot be corrupted in any case. For most of the others, it is only a relative question, as corruption and ethical deviation vary from case to case and do not have to be flagrant in each case. As all
humans cannot be moral 100 percent all the time, most of businessmen rationalize that even if they are ethical by 60 percent in half of the cases, it is better than the average. If they are obliged to behave unethically, they prefer it to be toward weaker groups that cannot retaliate, and the stakeholders and minority shareholders are amongst the weakest groups.

As there are no businessmen who have all the good qualities, although many of them think so, we have to ask ourselves what are the most important qualities. Should we place the highest value on businessmen who are the most brilliant, efficient or charismatic or those who obtain the best financial results? Or do we favor the most ethical businessmen? Nowadays, ethics is at the lowest level of preferences for some of the managers, but we should transpose it to the highest level, at the same level of the operational qualities. The best manager, with the most brilliant results, who does not behave ethically, will in the long run cause more harm to the company than the ethical manager who is less brilliant but who has nevertheless adequate operational qualities.

We should establish a coefficient of E x P, whereas E is Ethics of the company and P its Profits or Performance. In this formula, we should optimize E x P. This cannot be achieved when E or P are too low, or even if P is 100 percent but E is 0 percent, as the result would be 0. The application of this formula could revolutionize the business philosophy, as nowadays E is not at all part of the coefficient in most of the companies, and certainly not at the same level of P. This result could be achieved only if the stakeholders and minority shareholders would insist on it and would not work with or in companies and purchase their shares if they are not managed ethically.

Even the most rapacious minority shareholders, who are interested only in immediate profits on their investments, will reach in the long run the conclusion that only ethics can safeguard their interests. As, in the jungle of the business world where only the strongest survive, the minority shareholders who are not organized and who do not have any protection will always lose in the long run, exactly like gamblers in casinos who do not have a fair chance against the bank. Those ‘speculators’ would never dare wander into a dangerous district where police are not present, as even if they are very strong individually, the mob is always stronger than them. And they should not expect to be rescued in business by the ‘police’ of the shareholders. The law, the SEC, the norms, and the conscience of the majority shareholders and the executives have a limited responsibility, exactly like the companies, whose limit is their interests. The legal system and the SEC have their own agenda and are very limited in their ability to safeguard the interests of minority shareholders.