

University
Harvard Panel on Business Ethics
Discussion

~~Integrity and Its Future in the Business, Legal and Religious World~~
Harvard Panel Discussion

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Let me first disclose my bias, I believe American industry is the most constructive force in our society today in terms of providing an environment where people can find meaningful, productive work, where many people can grow and develop their capabilities and where most people can achieve a decent standard of living.

For the most part, I believe industry leaders are committed to serve the interests of their stakeholders to a higher degree than many, if not most, other institutions in our society.

My view point is shaped from working for nearly four decades with many companies large and small, mostly in high tech, but also in other sectors as well.

Of course, there are shady characters in all walks of life and many in business. Although I don't have any data, I suspect that

proportionately, there are fewer shady characters today in business than at any time in history for reasons I'll discuss in a moment.

A recent survey of MBA students reported in the Financial Times on May 20, 2003 supports my view, in ranking the flawed personalities of a few bad apples as more important than business ethics in explaining the recent flurry of business scandals.

It is certainly true that excesses of the bubble economy accentuated greed as a motivation and tempted many otherwise honest business leaders to walk closer to the line and sometimes step over, while boards lowered their standards to keep up with the Joneses or otherwise be penalized for being too squeaky clean (telecom advisory boards).

It was only when the bubble burst that the most egregious offenders were exposed and the rest of us were motivated to think more clearly about the principles we hold dear and to reexamine our behaviors by these standards.

It's the way of all flesh for humans to error and to be influenced by the crowd for good and evil. Certainly, one way or the other, we were all influenced by the crowd during that period. So yes, even with its excesses, Sarbanes-Oxley serves a useful purpose in putting checks and balances in place and insisting on greater accountability. But these measures and the ensuing dialog so far have focused on overcoming active public distrust, which was magnified by the unusual events during by the bubble economy. But overcoming distrust by the threat of punishment or whatever means, does not create trust. And we all know that in the end punishment doesn't work. It's reported that in early English history pickpockets were punished by public hanging. This drew thousands to witness the hangings and scores of pickpockets to fleece the crowd.

What works and what builds trust is a deeper understanding of why doing the right think is the right thing. Western style management has undergone an irreversible progression over centuries from slavery and serfdom, to authoritarian dictatorship, to a participative/consultative style today and the expectations for a more democratic workplace over time. With greater job mobility and always

a shortage of the most qualified workers, the balance has shifted and continues to shift toward an ethos where the onus is on the employer to satisfy the employee and not the other way around. Employees want to work for a company where they believe the management is truly concerned about their welfare and committed to their success. This can best be achieved when people trust you; that is, when they believe you are honest, that you live by the principles which you espouse, including a commitment to their welfare, and that you are competent to fulfill your promise.

Long before Sarbanes-Oxley, at Analog Devices we published a code of ethics which we reviewed annually with the top two or three tiers of management. It sets out in plain talk our expectations for behavior with employees, customers and suppliers. And our way of being everyday, demonstrated that we were serious about these principles. One of the key reasons why my company has been successful for more than three decades is that we have built trustful relationships throughout the organization and with customers and suppliers as well. It's not just relationships between management and employees but also a culture that encourages employees to be honest and open with

each other and to be committed to each other's success. And we promote fairness, meritocracy and transparency in all that we do. Thus we have been able to achieve better alignment and commitment throughout the organization and with our customers and suppliers. To repeat, people want to work for a company which they believe will meet its commitments, because they believe it has the integrity and competence to do so. As our reputation grew, we were able to attract and retain the best and the brightest and to achieve leadership in our market segment.

So it's not about following the rules and avoiding punishment. The facts are that honesty and integrity are rewarded in business and as in personal life. Every able leader knows his or her first job is to win the trust and confidence of the troops. That's why I believe ethics in business has improved over time and why I believe it will continue to improve in the future. In my book, it's a basic requirement for survival and success in a competitive world where you not only have to win people's pocketbooks but also their minds, hearts and souls.

There is a lot of commentary that our young people lack values and loyalty, that they are so busy chasing a fast buck that they don't care about the family, the community or each other. I just don't see this among the young people I know.

What is different is that they are more honest about the way it is and less willing to sweep the dirt under the rug. It took a lot of courage, commitment to values and concern for others to expose sex abuses and to challenge those in power who do not live up to the principles they espouse, and we are seeing this occur with greater frequency.

It's the high expectations that these young people bring to the workplace that will keep corporations and other institutions on their toes, much more than any rules and regulations from the outside. I believe the best and brightest will gravitate to the companies that do the right things for the right reasons, and it's this combination that will win for all concerned.