

Opinion — Business ethics: No, it's not an oxymoron

Originally posted in [San Jose Mercury News](#) April 26, 2011

By Anne Lawrence and Elaine Curran, Special to the Mercury News

We often hear in the news about business ethics — but sadly, most often we hear about businesses that lack them. The reality is that the vast majority of businesses adheres to ethical standards, whether by formal code or simply guided by the fundamental values of their leaders. It's the exceptions that make headlines.

Unethical business practices can have far-reaching consequences, as we've learned during this economic downturn. Much of the blame has been directed toward executives in the finance industry who undertook reckless strategies to achieve ambitious, short-term financial goals. They made a lot of money, but the resulting economic upheaval — reflected in record home foreclosures, unemployment and bankruptcies all across the country — will be felt for years to come.

So it may be surprising that ethical standards are important to many businesses whose purpose is to generate profit. Ethical behavior implies doing the right thing not only from a legal but from a moral perspective, even if there is an adverse impact to the bottom line — yet choosing profit over ethics is not the norm. In the long run, profitability and ethical behavior most often go hand in hand.

Incorporating this concept in business schools' curricula has been a challenge. It's important to provide a robust ethics education along with business sense — to provide students with examples of ethical dilemmas and with positive approaches to dealing with them. It can be tempting to cut corners or overlook inconsistencies to achieve short-term profits, but it is not right, and ultimately it is not in the best interest of society.

There's no simple formula for fostering ethical behavior among current and future business leaders. But highlighting examples of the best business practices is a natural tool. To that end, the Rotary Club of San Jose has partnered with San Jose State's College of Business to highlight the ethical policies of some of our community's leading business and nonprofit organizations.

This year, MBA students met in teams with the leaders of these organizations to learn how they integrate ethics into their policies,

procedures, and everyday practices — and how they have dealt with real ethical dilemmas.

The students learned about Adobe's toll-free third-party hot line, available in multiple languages, that enables employees to anonymously report their ethical concerns.

Barry Swenson, CEO of his local building company, kept employees on the payroll during the recent downturn in the construction industry by maintaining and repairing the buildings of local nonprofits. Focus Business Bank executives developed a compensation system designed to reward loan officers for the long-term performance of their loans, not how many loans they could make.

At Goodwill of Silicon Valley, the CEO told students that the values of integrity are so deeply ingrained that employees sorting through donated clothing routinely return items of value. One employee turned in \$1,000 in cash she found in a donated backpack, whose owner eventually was found.

John Hopkins of Hopkins & Carley, a downtown law firm, described to students an instance when the company severed its relationship with a lucrative client who insisted on engaging in unethical behavior.

On Wednesday, a special Rotary program will recognize the students and the participating local business and nonprofit organizations. Rotary and SJSU believe that focusing on positive business practices will inspire our local businesses to implement or strengthen their own ethics policies. It's good for their employees, it's good for their customers, it's good for their community — and ultimately, it's good for their bottom line.

ANNE LAWRENCE is Professor of Organization and Management at the College of Business at San Jose State University and the author of *Business and Society: Stakeholders, Ethics, Public Policy* (McGraw-Hill, 2011). ELAINE CURRAN is chair of the Ethics Committee of the Rotary Club of San Jose and executive director of the Leo M. Shortino Family Foundation. They wrote this for this newspaper.