

Chapter 11 Dealing with Other Styles

11.0 Background

I am often asked, "how can you instill and practice an integral management style in an existing environment that is so much less than your ideal?" "What if your bosses, customers or competitors don't share these values?" We know there are people in all walks of life that do not concern themselves with fairness, honesty, and integrity. So not everyone plays by the same golden rules. Many business environments are politically driven, not performance driven. Self-serving behavior is often rewarded. It seems everyone must compromise their standards to survive in this competitive dog eat dog environment. I urge you not to succumb to that thinking.

Our concept of Integral management does not imply naiveté, getting walked on, or turning the other cheek. This chapter discusses how high integrity managers protect against unscrupulous, opportunistic, unlucky or just plain stupid behavior.

11.1 Different Cultures Inside the Enterprise

Like society, business enterprises need standards of behavior to discourage unproductive behavior. Unfortunately, there are many in the world with 'win lose' philosophies that must be dealt with. They have other rules: *Win at any price; He who has the gold makes the rules; I win, you must lose; What's mine is mine and what's yours is negotiable; Or, It doesn't matter what the goal is or if it is met, it is the game that counts.* Its safe to assume that self-interest rules their actions. Some of these people are likely to work in your enterprise.

Suppose you are in an organization that is not in tune with the principles we have discussed. What are some of the actions you can take to build an environment of trust?

11.2 Meeting the challenge

If you are a manager at any level and instill this expectation within your circle of influence or control, its success doesn't depend on the external world or even the rest of the Enterprise outside of your control operating with the same philosophy. One just has to recognize what that larger environment really is, and be wary of its foibles. By your actions or inaction, you alone set the standard for those who report to you.

You can begin building trust within the circle of your influence, by practicing and expecting integrity in every aspect of that area of influence. You set the standard, dis-incent and discourage behavior that doesn't meet that standard. If people don't live up to that standard after being counseled, you weed them out, remembering that no matter what it writes or says, ***management demonstrates its true intent by what behavior is rewarded and tolerated.***

At the same time, you do your best to shield those who work with you or for you from the aberrations caused by the lack of integrity outside your influence. Even if you fail to succeed in maintaining that buffer, if you have earnestly tried, those who depend on your integrity will appreciate and respond to it. Others outside your influence will begin to see that result and be affected by it in their dealings with your group.

Is this easy? No way! It is hard work to earn and maintain trust in the work place. There are many conflicting pressures and the job never ends. But the dividends are tremendous if you are willing to work at it and have the courage of your convictions.

11.3 Effective Transaction Management

As a general rule, it is wise to assume that no one you deal with adheres to the principles of integrity we have discussed. Good business arrangements make no assumptions about ideals, but set expectations and provide definition of necessary performance by both sides with provisions in the event of default by either party.

11.3.1 The Concept of Dental Equilibrium

Quite a few years ago, I had the opportunity to attend an executive program in business administration at Columbia Graduate School of Business in Harriman NY. One of the very able professors on the faculty of that program was Dr. Boris Yavitz, then dean of the Graduate School of Business. Among the many subjects he discussed was a concept he called *Dental Equilibrium*. As I recall it, this concept went roughly as follows:

You have to go to the dentist to have some work done. You know it isn't going to be your favorite experience.

You sit down in the dentist's chair and the assistant puts on your bib and assembles dangerous looking paraphernalia to be used in your treatment. Then the dentist comes in, picks up and tests his drill. As he stands poised and asks you to open wide, you reach over and gently but firmly grasp him -- by the scrotum--and say, "Now, we're not going to hurt each other, are we?"

Dental Equilibrium.....the very essence of deterrence, is a very important concept in all facets of business, both outside and inside the organization in which you work.

11.3.2 Face all the Issues of the Transaction

Don't avoid controversial or unpleasant issues when establishing a business relationship. Use tact, but don't avoid facing them. Document the transaction with a written contract. Frank, hard negotiations --well documented -- make for good mind melds, or at least help to uncover irreconcilable differences before it is too late. The resulting documentation later also serves to correct any memory or integrity lapses of the parties, their heirs and assigns.

Create arrangements that incentivize desired behavior and dis-incent self-serving, dishonest, or non-productive behavior at others expense. Partnerships are great, but it takes common mores of both parties to make it work. Sometimes, you don't find out that you each see things differently until much later in the transaction. It is best for business transactions to assume that people are no damn good, and then hope that you are wrong. The method for doing this in the beginning is a contract. Formal contracts and their various forms are discussed in the next chapter.

Document performance and any other issues that occur during the conduct of the contracted job, to assure that there is a trail that shows that your actions met the contract. You would be amazed how many disputes are lost because of poor documentation of actions taken during the course of the work.

Remember that deterring undesired behavior by either party requires a balance of power in the transaction. Look for win-win solutions, but if dealing with a win lose oriented adversary, always be prepared to street fight and win. That means that you must have equal power. If there must be a fight, be prepared for some china to get broken.

11.3.3. Transactions Within the Enterprise

Within your enterprise, a contract about a transaction can be quite informal, such as a simple task statement, a drawing, a need date, and a charge number to use. When I went to work in the aerospace business, there was a method that was called an ANVO. "ANVO" was an acronym for "*Accept no verbal orders*." I don't know where these originated, but it was a half page note format with "ANVO" across the top, and "To" and "From" space, and these were readily available with a piece of carbon paper to provide a ready copy. They were used to document a transaction, or inform of an action or problem. Simple, quick, effective. As far as I know, they are still used, although most now are sent by e-mail, which has its pitfalls as discussed in an earlier chapter.

11.3.4 If Deterrence Fails

Occasionally one party will not honor the terms of an agreement. As often as not, that party will accuse the other of violating the contract. The importance of maintaining good records that show compliance becomes really clear when this happens. So what do you do?

When deterrence fails, threats are worthless. Action is the next step. You must decide whether you are willing to see it through to the finish. Most people aren't. Negotiations can begin effectively only when your transgressor recognizes that he cannot win. If you are going to fold when it gets tough, save yourself a lot of time and money and roll over in the beginning. I have watched again and again where half hearted measures have been substituted for decisive response -- usually based on perceived financial trade-offs. It's a losing strategy, and it marks you as a patsy for more transgressions. If your adversary believes you will take decisive

and painful action in response to the transgression, they are much less likely to transgress. The ability to inflict serious pain only deters if the will to employ it exists. Having the moral high ground is necessary but isn't enough. You must have the cards to play as well, and be willing to play them, with finesse, of course. Avoid knee jerk and premature response. Carefully pick your strategy and the arena and then act decisively. Dr. Yavitz phrased it simply. *If you have to fight, go for the jugular.*

11.4 Unilateral Direction and its Pitfalls

A contract--whatever its form-- is a bi-lateral document requiring agreement by both parties. By definition, it cannot be imposed by one party on another. Unilateral direction is something else: a command, an order, or a demand, and the issuer must take the responsibility for all the consequences of that action.

Unilateral direction has a place, particularly in a life and property threatening crisis, where sometimes snap decisions are needed and the leadership must take the responsibility and tell people what to do, but not very often. The director is making the assumption that he or she has all the relevant data and is required to give the direction, in the interest of expediency or safety.

Unilateral direction is often used by leaders with low integrity and low self worth. It is a way of wielding power over subordinates who cannot easily defend themselves. This type of leader generally does not take the responsibility for the result of that direction unless it turns out well. But then those types take credit for everything good and none of the bad that happens, anyway. If that direction is accepted even though disagreed with, the recipient has become a potential scapegoat if bad things happen. Beware of this type of person. If you believe you are being told to do something wrong and or damaging, at least ask for the direction in writing. It forces the issuer of that direction to consider the consequences of a written directive.

The receiving party of unilateral direction, has some choices: First they can accept the direction. Second, if they disagree with the order, they can refuse, creating a confrontation in which if the issuer has the authority, can lead to a charge of insubordination. The recipient needs to be on firm ground indeed to choose this option. Third, the recipient can accept the order, but demand that it be put in writing (one use of the ANVO), or finally, they can pretend to accept the direction and then covertly avoid doing so.

Clearly the last option is the safest out for the recipient of an order that he or she believes is wrong, but the consequences of this can be devastating. Talk about undermining trust. It also may cause a disaster, if the action was assumed to have been taken, and, of course it destroys the credibility of both the order giver, and the recipient. You can see that buy-in is an important, but unlikely step in unilateral direction. One might conclude then, that giving unilateral orders is not a very good idea. In a high integrity environment, edicts are very rarely used. Contracts on the other hand, whether implicit or explicit, engender trust, communication, and buy-in. Use them in some form within the Enterprise, as well as outside.

11.5 Ethics and Ethics Programs.

It always fascinates me to hear people start talking about teaching business ethics. I read something not long ago about a retired military officer who makes his living as a consultant teaching ethics to heads of corporations. He probably makes a lot of money at it, too. But what does this suggest? Did these people who are running large corporations have no ethics before he came along? Were there no standards or expectations clearly put forth for behavior?

11.5.1 Written Codes of Ethical Behavior

Is a code of ethics a good idea for an Enterprise? I think it probably is because, if properly done, it is a way of communicating expectations. But if you have one, you must follow it in every way with *all* stakeholders of your Enterprise. Otherwise, it is worse than having no written standards. Unfortunately, many companies fail in this regard, so the code becomes meaningless.

11.5.2 The Rush to create Ethics Programs

Defense contractors started a program of self-governance about 1987 at the recommendation of a blue ribbon panel chaired by David Packard.⁷ That panel found that there were problems in the business community with a litany of disclosures about waste, fraud and abuses. The panel felt that industry needed to strengthen its own policies and procedures to eliminate these problems. Industry leaders agreed. The result was that programs

were established at all major defense companies that focused on three actions. First, a promulgation of the company's declared ethics and standards. Second a mandatory program established to train all employees in the implications of these standards, with advice and discussion of video case studies to illustrate dilemmas and how to deal with them. Third, an anonymous hot line was established where anyone who had an ethical problem or wished to report any inappropriate behavior that they witnessed could report it. And so, almost immediately, the cottage industry of ethics program consultants and trainers was born. Rules were developed and promulgated to assure that everyone acted ethically.

What's wrong with this picture? First, it suggests that the problem was primarily at the lower levels and there was where the training was needed, which was the tactful thing to tell leaders, but not necessarily a valid assessment. Second, if you believe that the leaders set the climate in an enterprise you might conclude people who were well educated with lots of business experience but no ethical values could become leaders of corporations -- and there is some evidence that supports that conclusion. Another possibility, is that people who grew up with ethical values did not see them as applicable in the work environment. In fact there is a considerable body of evidence going back at least to the beginnings of the industrial revolution that supports this thesis. Reading the history of the industrial revolution in the US and England, and the emergence of the "Robber Barons" and the labor movement offers testimony to this point.

This line of reasoning suggests, that ethics were (and are) not highly valued in business management. Greed, power, and self-aggrandizement seemed to drive the behavior many individuals. Over the years, anti-trust and fair labor laws, cost accounting standards, and federal acquisition regulations (FARs) all came into being to put end to abuses that stemmed from this attitude. So, embrace whatever thesis you like, as now comes a new politically correct program called Business ethics. I doubt that the Packard commission envisioned what ensued.

11.5.3 The Unanticipated Results of Ethics Programs

Did this program instill a new environment of trust? No indeed!

In fact, in companies that enjoyed reputations for high integrity, ethical behavior, and employee trust, it actually undermined trust. Investigations were initiated on the basis of anonymous phone calls etc. Crazy things happened. I saw one instance where questionnaires were sent out to all employees asking if they had ever been asked to mis-charge their time, or had ever heard of any instance where someone else thought they had been asked to do so. Does that sound like a chapter out of the McCarthy hearings of the early 50's? I received a poignant note from a long time employee who received one of these questionnaires, which said " This doesn't sound like the company I have known and respected." Right on, brother!

In companies that suffered from lack of ethical values, the programs were seen as a whitewash of real problems. In both types of companies, the anonymous hot lines soon came to get used by disgruntled employees or those being laid off in a business recession as retribution against their supervisors and managers. Mischarging and Sexual harassment were two favorite charges used for this purpose. Another favorite was the accusation of shipping defective products. Investigators were dispatched on what can only be described as witch-hunts based on these anonymous accusations. The result was a kangaroo court where the object of the complaint had no rights, could not confront an anonymous accuser, and was assumed guilty by overzealous investigators. Did this encourage managers to make the right decisions on personnel actions? Not likely. It undermined the individual managers' decisions, and was seen by them as a lose-lose situation. In short, like so many crusades, the so-called Ethics programs spawned grossly unethical behavior.

11.5.4 Ethics Defined

Rules cannot be defined for ethics. Ethics are the values that guide behavior in the *absence* of rules. What are they? I believe that ethics are defined by how we expect others to behave with respect to us and vice versa. Fundamentally, the golden rule. If you don't have integrity as a fundamental environment, you cannot create a program of ethics enforcement. If you do have an environment of integrity, expectations are clear, and no "program" is warranted. That integrity must be present in all facets of the business.

What if the ethics of companies were in fact the same as the ethics we hopefully learn from parents, educators, and religious leaders instead of Wall Street or Business schools? Would management labor relations be based on distrust? Would greed rule? Would we need to teach ethics to chief executives? I think not.

11.5.5 Ethics and the Integral Manager

There is an old axiom that states: *Power corrupts; absolute power corrupts absolutely*. I fear that there is more to this axiom than we would like. I would modify the statement, however, to: *Those who thirst for power tend to be easily corrupted by it*. Those who advance their cause at the expense of others and succeed, are or become predators.

Predators stalk the unsuspecting and those they perceive as weak. When they run out of ready prey, they turn on each other and even their own offspring. If that weren't bad enough, they attract scavengers who find their nourishment in the detritus of battle. These creatures don't care who wins, only that the leavings are available. This symbiosis creates the toadies who serve the predators. In an environment that tolerates this predatory behavior, these scavengers in turn become the petty bureaucrats, who for lack of any other ability promote the latest fad. Not a pleasant environment in which to work every day.

This is why I believe it is so important for senior managers to have and set high personal ethical standards, and to apply the same standards in the work environment. They must demonstrate every day that power has not corrupted them, and that they merit the trust, meet the highest standards of integrity even in the face of enormous pressures. That is why they get paid the big bucks.

11.6 Situational Ethics

The foregoing discussion raises a thorny issue called situational ethics.

In dealing with one another, with customers and suppliers, personal ethics should apply equally well. But what does one do when personal norms can not apply? For example, our personal ethics say that killing another is wrong, yet during war, we are called upon to kill or be killed. What is different? Expectations! In warfare, we are presumably fighting for some high purpose, and it is the duty of those who take the oath to fight to do so. It is understood that the enemy is trying to kill you, and vice versa. Victory demands destruction or surrender of the vanquished. There is only one ethic that governs "civilized" war. That is that the vanquished be given a choice. But until the battle has been decided, the expectation is that each side is trying to destroy the other.

In business, the pressures of competition can put enormous stress on a company's ethics. Sometimes this competition is construed to be a war. Competition is a crucible where integrity gets tested, and often broken. But business is not a war.

11.6.1 Frequent Flier Miles

Here is a question to ponder. Most of us are familiar with frequent flyer awards that are used by airlines to encourage patronage of their airline. The more you fly, the more award miles you win. These go into your personal frequent flyer account. Now, suppose your travel is occurring as a result of your business, and the cost of your travel is properly billed as a direct cost to a customer. Are the frequent flyer miles you earned in that travel, which are useful for free future trips, yours? The airlines have provided no way to credit anyone but you personally with those awards.

Now consider a different situation. A person responsible for purchasing commodities is offered money by a supplier to buy that supplier's products. These supplies are used in the creation of products that the buyer's company sells to its customers. If the money paid to the buyer were used to reduce the cost of the supplies, it would be a discount. If the buyer personally received the money, it would be what is commonly known as a kick back -- an unethical and usually illegal act.

So, the question is this: Should one use the frequent flyer miles to pay for future business trips on behalf of the customer who paid for the prior trips that earned the award miles?

11.6.2 Dealing with Foreign Sales and Cultures

As American business interests have expanded internationally, they have encountered the dilemma of cultural differences in business dealings. In many other countries, practices considered anathema in the US are the norm and within the law. In country agents, facilitators, and consultants are part of the infrastructure used by those countries to practice commerce. While US laws preclude such roles in government procurements, paid lobbyists routinely work Capitol Hill and influence legislation. Yet, those lawmakers passed legislation requiring US companies to abide by US standards when doing business in other countries. It is difficult to know whether these laws are being adhered to, but the legislation clearly puts US companies at a disadvantage

when competing with other nations' companies in international markets within the laws of those countries.

I suggested earlier that ethics are based on expectations about behavior in any situation. Assuming the practices are legal in the country where such practices occur, one might ask whether our policy is valid.

The questions posed in these two situations are difficult. They both make me uneasy for widely different reasons. I personally would feel more comfortable about frequent flyer awards if they could only be used for upgrades and preferred treatment to reward our patronage. I also wonder about the wisdom of imposing our standards on other cultures when we are not quite congruent ourselves

11.7 Coming to Grips with Management Fads

Some are born to fadism. Others have fads thrust upon them. Fads are often embraced by bureaucrats, casting about for some way to make a mark. This is how it has always been. But with the ever-increasing clout of the investment community behind them, management fads have become insidious.

11.7.1 A Study by the National Research Council

A book published by the National Academy Press entitled *Enhancing Organizational Performance* documents a Study by the NRC that examined among many other issues, the manner in which organizations respond to their rapidly changing environment. This book is worth reading and its conclusions regarding the introduction of untested innovations as a management response to problems struck a responsive chord with me.

In my view, ethical integral management neither depends on nor seriously responds to fads from business schools, Wall Street analysts, or management consultants. Effective management relies on common sense principles evolved and proven by long term success, but which have in recent times been lost in the fog of bottom line pressures. I am repeatedly amazed at how uncommon this common sense has become in the upper reaches of major corporations. Somehow, under the pressures, egos get warped along with perception of truth and people lose track of fundamentals driven by ambition, adversity ...or the Peter Principle.

11.7.2 Fads Fade Fast, but the Malady Lingers On

Reality eventually overwhelms a fad. The half-life of a fad is about two to three years at most, often less. The damage from a bad innovation, however, can last a decade. It can also be terminal. Quite often these faddish actions are taken belatedly after finally recognizing a long ignored management problem. Had senior management been more diligent in setting realistic expectations and realistically measuring results, the enterprise could have prospered even in adverse conditions. By looking to the fad of the day, it is possible to create a perception of corrective action rather than address the root cause of a problem. Often the beneficiaries of the temporary perceptions of enhanced results have been a few senior executives and the investment community who take the money and run, leaving a hollow shell in their wake.

11.7.3 Dealing with Fads

A. The Bear Hug strategy

Embrace the fad. Clasp it to your bosom. Keep doing what you think is right and dress it in fads clothing. Everybody wins. The faddist feels accomplishment and you kept doing what you knew to be right. This approach requires the rationalization of situational ethics in order not to get sick to your stomach, but it works like magic. The only downside, is that the faddist, instead of being ground in the dust of defeat as you might prefer, goes on to bigger and better fads. The solace in this is that you can tag that party with the veracity factor and feel better while muttering "incredible" occasionally.

B. Ride out or Run

Unfortunately, some of these "innovative strategies" are bigger than you can deal with. You can register your concern, but often no one wants to hear, and you can be viewed as resistive to change. Then, you have to decide whether to grit your teeth and ride it out, minimizing the damage where you can, or disassociate yourself from the strategy and leave that enterprise. Here, your personal integrity is your best guide. Can you continue to do your job or not? Remember the half-life is generally two years or less.

11.8 Conclusions

Since maintaining high integrity is hard work, one must gauge the result of their efforts in the larger Enterprise recognizing the foregoing discussion. The rewards of a high integrity environment are reduced stress and increased job satisfaction. On the other hand, If you judge that your endeavors and principles are not valued by the leaders of your Enterprise, you must at some point ask yourself whether this is a place you want to continue your career. Otherwise you are in for frustrating times.

Each time I read this chapter, I am uneasy. I have a reputation as a pragmatic no nonsense manager, but I am also an idealist, and have been accused of tilting windmills on more than one occasion. As I analyze my feelings, I suppose that having set forth principles that I believe in for managing with high integrity, I fear that this chapter tends to belie them. Yet, that is not what I want to convey. The principles of integral management are proven by success, and depend on having that mix of idealism and pragmatism in about the right proportions. By and large, the issues discussed in this chapter should not exist. Unfortunately, they are typically part of the landscape. In my ideal, they would not be there, but they happen, and can't be ignored.

So as we leave this subject, I propose that the integral manager who engenders trust is *idealistic* enough to have the faith in those who will share the vision of high integrity; *pragmatic* enough to recognize those who do not share that vision; *courageous* enough to make changes needed to ensure success while resisting those changes that are specious or embraced to hide failure; and *wise* enough to tell which is which.

References

7. *The Packard Commission Report* Reference to be Provided

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