



Business Practice or Ethical Decision?

Here's how to help business leaders integrate ethics into their decision-making process.

BY AMANDA IVERSON & LYNN YOUNG

At a recent industry education conference, several professionals were discussing ethics. One conversation participant stated, “That is a business choice rather than an ethical decision.” This led us to consider the question, “Can one really separate any business practice from an ethical decision?” Is it possible to make a business decision without including an ethical consideration? One might argue that business leaders make business decisions every day that do not involve ethics. Others may disagree.

The Merriam-Webster dictionary defines ethics as, “the discipline dealing with what is good and bad and with moral duty and obligation.” Based on that definition, can one ever

make a business decision without the consideration of its ethical implications?

We believe the answer is “no.” In this article, we will explain why we believe every business decision should incorporate ethical considerations and strategies to help business leaders integrate ethics into their decision-making process.

The business decision-making process will always present ethical considerations for the decision maker. When making a business decision, the individual asks, “Is this decision the right thing to do?” This question encompasses the essence of nearly every business consideration to be made. The decision maker needs to evaluate a plethora of factors when answering this question. For example, he or she may consider several

“The business decision-making process will always present ethical considerations for the decision maker.”

questions: Is this right for our clients? Is this right for our employees? Is this right for our stakeholders? Is this right for our community? Is this right for our industry? Is this right for me?

This thought process is in line with the “Four Way Test” used by Rotarians as a moral code for personal and business relationships:

1. Is it the *truth*?
2. Is it *fair* to all concerned?
3. Will it build *goodwill* and better *friendships*?
4. Will it be *beneficial* to all concerned?

PERSONAL AND BUSINESS ETHICS

Is there a difference between “business ethics” and “personal ethics”? Do situations or our inner voice dictate the actions we take? We assert that individual and corporate ethical values and ideals will emerge during the evaluation of business decisions. The process by which all business decisions are made is dependent on the ethics of both the individual and business culture.

We recognize that some business decision makers will not care or consider if the decision that was made included an ethical consideration. Even with the lack of consciously reflecting on ethical considerations, typically the decision maker’s ethical principles will still emerge, although his or her ethical standards may vary greatly from those of others.

When the decision maker completely rejects or does not evaluate the idea of ethics as it relates to the decision, a business risk is created. In the riskiest of scenarios, when ethics is not considered, if the decision maker is completely focused on a result-driven-only decision, he or she may (unintentionally) overlook some ethical issues in the desire of a positive financial outcome. Positive financial benefits should be considered when business decisions are made, but not at the entire indifference of ethical principles.

In his book, *Ethics 101*, author John C. Maxwell believes that most all people can be categorized using five statements:

1. I am always ethical.
2. I am mostly ethical.
3. I am somewhat ethical.
4. I am seldom ethical.
5. I am never ethical.

Maxwell believes that the majority of people place themselves in the first or second category. Further, most people who put themselves in the mostly ethical category do so out of personal convenience. Conflict, practicing discipline, losing and paying a high price for success is inconvenient. And most people think that being “mostly ethical” is fine, unless they are on the losing end of someone else’s lapse in ethics. However, Maxwell contends it is not enough for any of us to act ethically most of the time, but instead, we all should strive to act ethically with all of our decisions. He believes if we follow the “Golden Rule” and ask the question, “How would I like to be treated in this situation?” as we reason through our decisions, it is an integrity guideline for any situation.

One must ask: If you consider yourself an ethical person, then would you not be required to act in an ethical manner in all aspects of your life, whether business or personal? It would seem reasonable that if one does not act ethically in all aspects, then that person is not an ethical person, but rather is ethical when it is convenient to be so.

PUT IT IN WRITING

Every business, regardless of size, should establish ethical behavior expectations in the company’s written code of conduct or code of ethics. It should be read and known by all employees, decisions makers and owners. It should establish direction for every business practice decision and provide guidance for the business decision makers. The written policy should take into consideration the question, “Is it right?” It should also include the following considerations: Is it legal? Is it acceptable in our industry? Does it follow any applicable association(s) established code of ethics and/or code of conduct? It should also address the question, “Will this decision contribute to (versus oppose) our desired corporate culture and public image?”

DECISION-MAKING CONSIDERATIONS

With a developed corporate code of ethical conduct, the evaluation of the situation will assist to help the decision maker assess the implications of the decision and the desired organizational effects. The decision maker should consider both the short-term long-term implications of the business

decision. Additionally, while it would be nice if every business practice decision were easy to make, that simply is not reality. Thus, a decision maker should have a corporate support system to help him or her evaluate the decision and its intended results. This support should include at least one or two other individuals that he or she can run the decision by prior to making a final call. Typically, other points of view will help illuminate unintentional ethical consequences that the decision causes.

Every day, business leaders face difficult decisions. They need to consider the effects of that decision on their company, bottom line, and all stakeholders. As business decision makers, one must also consider if his or her decision and business practice was presented as a headline of their city’s most popular newspaper. Is this decision one that would make my partners, spouse, parents, children, employees and clients proud? If not, this decision should be reconsidered. Warren Buffett is quoted as saying, “It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.”

To ensure that your company has a strong ethical decision-making culture, we suggest that you create a corporate ethics policy, and that all employees become familiar with it. Additionally, we suggest that all business decision makers be aware of their applicable certification and association codes of conduct (including, but not limited to, ASPPA’s Code of Conduct and Circular 230). We also suggest that decision makers have a corporate support system to help “bounce” decisions off other business leaders. Ultimately, we believe there is no business decision that should eliminate the consideration of ethics, period. **PC**

Amanda Iverson, APM, is a partner and COO at Pinnacle Plan Design, LLC. She is a member of ASPPA’s Leadership Council.

Lynn M. Young, EA, is a partner at Pinnacle with more than 31 years of experience in the actuarial consulting and third-party administration of qualified plans. She has served ASPPA and ACOPA in various leadership positions since 2010.

©2019, American Society of Pension Professionals & Actuaries (ASPPA). Reprinted with permission from the Winter 2019 issue of *Plan Consultant* magazine.

Partnering for success

The John Hancock **TPAessentials** program can help you build a strong and profitable business ... today and in the future.



We understand your business and are committed to supporting the needs of the TPA industry. **TPAessentials** provides an ever-evolving roster of unique and relevant tools, programs and services based on **four key elements** for a healthy business.

- 1** Operational Efficiency
- 2** Industry Education
- 3** Business Practice Optimization
- 4** Marketing Support

Because when you succeed, we succeed.

For more details, contact your local John Hancock representative.

John Hancock Retirement Plan Services, Boston, MA 02210.
 NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED
 © 2018 All rights reserved GT-I25729-GE 03/18-36118 GA022818435668 | 11293

