

A Consultant's View

Vol. XXII No. 1

January 2015

Ethical Review

Many people review their businesses at the beginning of the year. Most look at markets, sales trends, and operations. One area that can use periodic review are the ways that business ethics are implemented throughout the company. It helps to look at why these business ethics are valuable for the company and why ethical reviews are needed.

Business ethics are beneficial because customers prefer doing business with ethical companies.

Ethical companies have higher profits and have better long term survival. When dealing with entities they perceive to be unethical, people want large discounts or other considerations that lower the profit.

Around the world, ethical companies do better than their peers. Even in developing countries such as China, ethical companies do significantly better (reported by professors at Peking University and The University of Memphis).

One reason why ethical companies do better is that they have far fewer "Black Swan" incidents. Ethical lapses are the cause for many a company collapse. In a crisis, the company reputation is more important than any amount of cash or profit.

A Wall Street Journal article described some social research where what people said they would be willing to pay for something was measured against the stated ethics of the firm that produced it. People demanded far lower prices from the places perceived to

have lower ethics. Likewise, unethical companies have far more demands on them for kickbacks or for "protection money".

An ethical tune up can be as simple as going over the company's ethics statement with each employee or it can be an in depth analysis of how the company is operating in every area.

When doing an ethical review, we can look at how the whole company is

structured. Andrew Leigh in RealBusiness suggests that we do well to consider a number of factors. While the ethics statement and checking for compliance is important, it is actually a minor part of the whole way to be an ethical company. Other factors

include how the company governance is structured, company reputation and leadership, company behaviour in the public square, and the internal corporate culture. He states that the culture is often more important than the company strategy in determining the corporate ethics.

It is not sufficient to just have a strong ethical statement in place. Business ethics can erode under pressure. Many a company has strong ethical guidelines, but has front line managers who have "bent the rules" or even broken laws in their quest for profits.

We see more problems with business ethics in the sales force. The constant pressure to "make quota" brings many a sales person to compromise. People from the just hired sales person to the CEO can try to manipulate the numbers so that they get their bonus.

Ethics - a big part of corporate success.

Business Ethics Erode Under Pressure

Professionalism

Many a request for programming help seems to come from the idea that there are these "magical" programmers out there that can create masterpieces overnight at little to no cost. Few people want to hire professionals. The requesters are often disappointed. When you need a professional, you really need a professional. This is true for plumbing, air conditioners, dynamic web sites and apps.

Over the last few years, people heard about gifted young kids creating platforms such as Facebook and think that any young programmer is equally gifted. A gifted person is still not an experienced person. Someone who has just gone through a "programming boot camp" does not have the experience to know how to design a robust system. Even Facebook has had to add layers and layers of professionalism in order to stay up.

Many non-professionals do not have the fortitude to stay with a project. A lot of businesses have paid for programmers to build web sites, write apps, and build databases only to result in partially done projects, orphan web sites, and people who have "disappeared".

In web development, the biggest problem that non-professionals bring is that they develop sites that do not have proper security on them. That might be acceptable for a static web site. Any site with a database needs not only to be designed for security, but also need ongoing support to make sure that the security is kept up to date.

The Internet is an active "war zone" with professional criminals working hard to break into any system they can find. Amateur programmers make systems that are easy to break into.

Risky World

Every CEO needs to take a careful look at the attack on Sony Pictures. The attack was not just a stealing of everything including the upcoming picture. After the theft, the internal computer network of Sony was destroyed. Sony is forced to replace / reimage nearly every computer. The rebuilding of their IT network is taking months. Would your company survive that kind of attack?

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Prairie Trail Software, Inc.,

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