

Making Ethics and Integrity Integral, not Complimentary



Last month, I proposed that the key solutions to corporate governance are (i) Ethics and integrity and (ii) Leadership. I will elaborate first on ethics and integrity.

There is no single definition for the words 'ethics' or 'integrity'. Combined together, the philosophical deliberations and arguments over their context and parameter are mind-boggling. Let's just settle for the time being that ethics and integrity are positive human values, whose application and perception are relative.

If there is such a thing as a 'magic potion' to cure all sorts of corporate governance-related ailments, I believe ethics and integrity would be it. However, I find it quite unsettling that the subject has failed to find prominence amongst corporate role-players. In discussions pertaining to corporate governance, it is always deliberations of corporate laws and policies as well as their enforcement that seem to grab better attention than the call to em-

brace ethics and integrity. Yet, one cannot dispute the tremendous change which can be brought about through observe of corporate ethics and integrity. To this, the introduction and revision of corporate laws, however well-crafted or extensive, will not be as impactful as the migration of most, if not all corporate role-players to embrace the culture of ethics and integrity. This begs the question - have we all been looking at the wrong direction all this while?

Contrary to popular belief, corporate misfeasance is not a recent phenomenon. Recorded history shows that even as early as the 17th century, prominent corporations such as the Dutch East India Company, British East India Company and the Hudson Bay Company were riddled with corporate governance issues. They range from false accounting entries, inflated shares' value, misappropriation of funds and others. Such was the case, how are they different from the 'modern day' corporate misfeasance in Enron, Worldcom or Satyam? To this, I am in full agreement with Jean-Baptiste Alphonso Karr (1808 - 1890) who said "plus ça change, plus c'est la même chose" - the more things change, the more they remain the same.

An interview conducted among 30 Harvard MBA graduates, perhaps the crème

de la crème of aspiring corporate riders in 1995 revealed shocking discoveries. First, young managers were pressured to carry out sleazy, unethical and sometimes illegal activities. Secondly, legal compliance mechanisms such as corporate ethics programmes, codes of conduct, mission statements and hot lines provided little help. Thirdly, they believed their company executives are either too busy to address matters pertaining to ethics and integrity or simply seek to avoid such responsibility. Finally, dilemmas pertaining to ethics and integrity at the workplace are often resolved on the basis of personal reflection and individual values, not through reliance on corporate credos or company loyalty. This makes me wonder whether are we really serious about inculcating ethics and integrity or are we merely indulging in rhetoric.

Most legal proponents argue that ethics and integrity should not find way into corporate legislations. But aren't corporate laws manifestation of acceptable public norms, which relate to ethics and integrity as well? Likewise, some corporate-role players opine that the pursuit of profit should be detached from ethical and integrity consideration. Then again, aren't those criteria which differentiate us from other living and breathing things? Ethics and integrity as such are part

and parcel of humanity.

If we strip all the fancy business jargons and technical intricacies, then business in my view is really about trust. Trust, like respect, is earned. A person possessing ethics and integrity is more trustworthy than one who is devoid of it. In the business realm, ethics and integrity can ultimately be translated into value. In this regard, companies operating in consideration of ethics and integrity are relatively more attractive to investors, talented employees and creditors. Oh, they can avert enforcement actions by the authorities as well. After all, who wouldn't be attracted to things nice and beautiful?

As Malaysia embraces liberalisation and 'self regulation', regulators and economic stakeholders alike must strike a form of equilibrium by reinforcing and nurturing corporate ethics and integrity. I believe it is high time we treat corporate ethics and integrity as something integral instead of being made complimentary to corporate laws and regulations. Next month: Leadership as solution to corporate governance.

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