



## Can CEOs be ethical?

My first job when I graduated from college thirty years ago was as a banker. I was pretty good at it, and in the course of two years I was promoted from management trainee to branch accountant to regional head office instructor, and was on track for a management position in a downtown Toronto branch when I quit to go to UCLA and study philosophy. As I follow the financial news these days, I wonder what kind of a man I would have become if I'd staying in banking instead.

As it was I don't think I cared enough about money to stay. Which means that I'm now scrambling just to get a handle on the language in which the present scandals around Enron, WorldCom, Arthur Andersen, etc. are being reported. "Capitalizing operating expenses," "off-balance-sheet financing," and "stock options" are not terms I use every day. But what is happening is too important to ignore. Especially when ethical failure is said to be the core problem.

Corporate CEOs are at the center of the stories. Reports have focused on their pay, their stock options, their accountability. Heads of big business are often paid forty times what the average workers in their companies make, we are told. How is that fair? Could anyone's work possibly be worth that kind of money?

Well, it depends on what principles of fairness we appeal to, and whether we think that income ought to be linked to the volume, quality, and impact of one's labor. Many of us simply take this for granted, as if it were a self-evident rule. And

*The opinions expressed in this article are those of the author and do not necessarily reflect the views of The Salvation Army.*

yet, for most of my career as an employee of The Salvation Army, I have been paid more than my Officer bosses despite the fact that their work involved more responsibility and more risk than mine. That's because Salvation Army Officers historically have not been paid a salary at all, receiving instead a living allowance based on their needs. Where I have expected to be compensated on the basis of my education, responsibility level, proven success, and so on, they have been paid according to what it takes to feed and clothe and educate themselves and their family. Many who discover that a Territorial Commander is paid about the same amount as a junior officer are incredulous. It's certainly counter-cultural, but that doesn't automatically mean it's unfair.

To continue the point: the principle behind the contracts that corporate CEOs and sports stars sign is that what's fair is what the market will bear. As I write this, baseball players and owners have just settled their dispute. While they negotiated, the sports pages rehearsed the old arguments: "How can a player be worth \$20 million a year just for swinging a bat?" "If owners and fans are willing to pay it, why should he refuse?" Ditto, it seems, for the CEOs of major businesses.

Arguing whether one set of principles is truly fair and the others aren't could be a long debate (for another time). In the current context I would merely observe that the fact that we care to debate it at all shows that fairness, a *moral* value, and not just money, a *material* value, matters to us.

*The opinions expressed in this article are those of the author and do not necessarily reflect the views of The Salvation Army.*

Even more serious than the charge that CEOs are paid too much is the allegation that they have devised or participated in schemes to misrepresent the value of the businesses they manage, and in so doing have misled investors.

This is an issue of character more than of balance sheets. I thought President Bush made that point in a masterful way in his July 10<sup>th</sup> Wall Street speech.

“Everyone in a company should live up to high standards,” he said, “but the burden of leadership rightly belongs to the chief executive officer. CEOs set the ethical direction for their companies. They set a moral tone by the decisions they make, the respect they show their employees and their willingness to be held accountable for their actions....We need men and women of character who know the difference between ambition and destructive greed, between justified risks and irresponsibility, between enterprise and fraud.”

Professor Mark Kingwell thinks this is bunk. Following President Bush’s speech he wrote in the National Post: “Greed is not an excrescence on the true benign nature of markets....To condemn greed in markets is as incoherent as damning the flow of water in turbines.” In other words, being generous, being interested in the good of the community and being honest whether it pays or not run counter to the logic of capitalism, and so we shouldn’t expect these attributes in successful business leaders. The “moral tone” we should expect of CEOs, according to Kingwell, is self-interested shrewdness and greed.

I certainly hope Kingwell is wrong. I’d rather believe George Weyerhaeuser who, as the CEO of the hugely profitable forest products company that bears his

*The opinions expressed in this article are those of the author and do not necessarily reflect the views of The Salvation Army.*

name, said in a 1987 talk, "I consider integrity our #1 corporate value and asset. We know people want to do business with us because of it." Now, I don't know Weyerhaeuser and so I can't say how fully his actions match his words, but I know how impressed I was to learn that this CEO employed the man who had kidnapped him when he was a 9-year-old boy! Surely, he can't be the only exception to Kingwell's jungle.

But how do we get such men and women of character? I think this is the key question.

In that 1987 speech I referred to, George Weyerhaeuser said, "Integrity doesn't come by inheritance but by vigilance, and it's not easy." What he is saying is that moral character is not a "given": it is not something a person is born with, nor can one take its possession for granted once one has it. Even being "born again" is no guarantee of integrity in business, as sad experience has proven. Important as the point is, Weyerhaeuser doesn't answer the question where character *does* come from.

President Bush talked about "tougher laws and stricter requirements." This too is important. If the rules on financial reporting are made more specific there will be less room for doubt about what the statements mean and therefore less possibility for using the statements to mislead readers. And if there are more people hired to enforce the rules, the risks of getting caught for breaking them go up. Even very good people can benefit from these external guardrails. Once again, however, this avoids the question of where internal ethical character comes from.

*The opinions expressed in this article are those of the author and do not necessarily reflect the views of The Salvation Army.*

“Our schools of business must be principal teachers of right and wrong and not surrender to moral confusion and relativism,” President Bush added. Here finally is a positive thesis: virtue can be taught.

But, is that true? Can people be taught to be good? What kind of curriculum works? The typical business ethics texts that I see delight in exotic cases and intellectual conundrums. Are these the sorts of lessons that cultivate good judgment? I worry that business ethics taught as a course divorces it from the real, everyday, garden variety decisions of the workplace. Do students make the connection? If a student writes a good ethics paper on courage is she more likely to have courage when it’s needed at work?

I am as concerned as President Bush about what sorts of values the professors in business school will teach. But even if their values fit Christian ethics perfectly, how old are the students who come to them? Can we wait until they’re university age to start character development? Surely not!

Is it significant that in all the factors identified so far there is no mention of church and family? Traditionally these have been regarded as key factors in the formation and sustaining of moral character. Church and family should take the present crisis in the corporate world as a challenge. As children, future CEOs and CFOs need to be learning to love the Jesus who loves them more than money. As adolescents they need to be nurtured in a church community whose arms embrace “the whosoever,” refusing to give preferential advantage on the basis of wealth and

*The opinions expressed in this article are those of the author and do not necessarily reflect the views of The Salvation Army.*

prestige (James 2). In adult life they need to worship the God above all gods, who alone is worthy of unlimited reverence and trust.

These of course are lessons we all need, not just present and future CEOs. If I were to take issue with President Bush's analysis at any point it would be for saying "ultimately, the ethics of American business depend on the conscience of America's business *leaders*." We are all in this together. It would be easy, too easy, to blame the CEOs for the present market woes. Alan Greenspan had a point in saying that we as a *community* had caught "infectious greed." The antidote we all need is the infectious love of neighbor that God promises to "pour into our hearts through the Holy Spirit" (Romans 5:5).

I know that what I've written is only a start. And remember, it's written by a guy who is not on the inside of corporate Canada. I think it would be beneficial for us all to hear what readers who are experienced in the business world have to say. The power of business is too significant for us to be content with a disconnect between it and the ethics of the church.

James E. Read  
3 September 2002

*The opinions expressed in this article are those of the author and do not necessarily reflect the views of The Salvation Army.*

203-290 VAUGHAN STREET • WINNIPEG, MANITOBA • CANADA R3B 2N8 • PHONE: (204) 957-2412 • FAX: (204) 957-2418  
EMAIL: ETHICS\_CENTRE@CAN.SALVATIONARMY.ORG