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Beyond the Culture of Deception

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What makes ethical standards useful for both consumers and producers is not just a disclaimer, a written code, or an ethical training test. It is the discipline and moral integrity to maintain them as an integral part of all transactions. With company mergers rendering whole industries virtual monopolies, we have entered an era of new dangers not only for consumers but for business itself. With diminished options for consumers, ethical standards cannot be viewed as a formality. Without a re-commitment to principles of directness, honesty, and fairness, capitalism itself will sow seeds of its own decline. Business leaders in all sectors must set ethical standards as public policy, which can be used for systemic changes. As leaders of emerging technologies in the global market, American businesses must be among the forerunners.

To be successful and self-sustaining, these new standards must renounce the concept of caveat emptor ("let the buyer beware.") Caveat Emptor is a warning to buyers, offering no guarantee about the quality of products. It counters caveat venditor (:let the seller beware"), a warning for the business person to take responsibility for the product. The company's intention never should be to willfully or even subtly employ the concept of caveat emptor as a business practice. Rather, it should be to maintain ethical standards with each transaction. Trained personnel, who understand the need for ethical standards and the consequences for violating them, will not have to resort to using a caveat emptor business approach. The new ethical standards, in nullifying caveat emptor, can permit companies to begin to reassure consumers of their re-commitment to honesty and fairness. One way this can be accomplished is by simply providing exceptional customer service which offers direct and accurate product information. Consider the increased sales and branding opportunities when employees as part of their fiduciary responsibility are knowledgeable about products and are able to immediately provide needed answers to questions the consumers may not have known to ask. Branding this level of excellence in customer service will only be achieved and maintained when levels of expected excellence are valued equally and given "high priority" as are stakeholder's ROI. Such business and Emotional-Social Intelligence (ESI) helps the consumers assess the quality of the products and services as well as make practical choices regarding them. Psychologist Reuven Bar-On, who developed one of the early models for ESI defines emotional intelligence as being concerned with effectively understanding oneself and others, relating well to people, and adapting to and coping with the immediate surroundings to be more successful in dealing with environmental demands.

Through Emotional-Social Intelligence professionals are able to perceive when to provide better service by offering more information to solve problems and or re-direction to manage conflicts in order to satisfy consumer's needs. ESI helps professionals reduce uncertainties pertaining to the products and services by providing necessary information the consumer could use. As company policy, consistently servicing consumers as "high priority" stakeholders, not as prey, should be emphasized during employee training.

Exploiting consumers as the next suckers is corrupt. For example, banks should avoid the temptation to fluctuate payment dates and interest rates on credit cards to generate more profits from late fees; and to constantly increase management fees on investments. Because associates routinely process business transactions with mass consumers, they should be provided with multiple scenarios in which they may be tempted to behave unethically to achieve the company's goals. Associates with a high level of ESI need to be the first responders to consumer needs. In our re-commitment to directness, honesty, and fairness, John C. Bogel, founder and former CEO of the Vanguard mutual fund group, reminds us in, "THE BATTLE FOR THE SOUL OF CAPITALISM," that [capitalism] is "an economic system based on corporate ownership of capital goods, with investment determined by private decisions, and with prices, production, and the distribution of goods and services determined mainly in a free market. [It] is a system founded on honesty, decency, and trust." Because the consequences of ethical violations reverberate within society, commitment to honesty and fairness is vital for all.

First, ethical standards must be comprehensive. They should be so far reaching that associates as professionals mirror the ethical behavior of the CEO's, who as prudent managers seek to not preserve the status quo by acting in their own self-interests, rather than upholding the company's policy to avoid trickling down corruption. The foundation of the CEO's leadership needs to be based on reliability and the emotional intelligence to know that his or her actions establish a model to follow. Looting the company through excessive compensation and betraying consumer trust by constantly manipulating prices to achieve the bottom line is irresponsible. CEO's need to avoid giving themselves multi-million dollar bonuses upon net losses; and then laying off hundreds to thousands of employees to cover for some of those losses. In 2004, a CNN report revealed Kraft Foods Inc laid off about 6,000 employees and closed 20 plants; yet, paid five executives $10 million in bonuses. Kraft shares fell 17 percent in 2003, even as the Standard & Poor's Index of large-cap food stocks rose more than 5 percent. Rising above self-interest is essential to making a successful enterprise." (Solomon, 1999)

Second, self-reliance as a model of leadership helps raise the intellectual bar throughout the company to serve the consumer, thus the community. John Cowan, corporate human resource expert and author of "The Self-Reliant Manager," defines self-reliance [as] the continuing act of taking responsibility for applying your own judgment, capabilities, and resources and those of others to solve problems and capturing opportunities. Therefore, self-reliance achieves a level of accountability that is a unifying contributor to real productivity. Self-reliant workers promote customer trust by providing customer service that is direct, accurate, and offers sufficient information, educating consumers in their effort to make a sound economic choice about the company's products and services. Such productivity and customer satisfaction demand the company's willingness to share accountability for its products and services with the consumer as a guarantee.

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Sharing accountability offers the consumer the opportunity to negotiate for better products and services when they are dissatisfied. “Business exists only because it succeeds in serving a purpose, in satisfying consumers, and if it fails to do so, or someone else can do it better or with more appeal, then the stick finds its mark and measures out its punishment.” (Solomon, 1999)

Third, the company’s ambition to increase its profit margin needs to be balanced by the motivation to satisfy the consumer. Satisfying the consumer upholds the company’s reputation, guarantying loyalty as a repeat customer, which also offers free advertising, referrals and suggestions for improving products and services. Frederick Reichheld, author of “The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value,” indicates that it costs five times as much to acquire new customers than it does to nurture existing customers into becoming brand champions. Reichheld also estimates that increasing a company’s brand champions by just 55 would lead to an average profit increase of roughly 25%. Because of these benefits, it must be understood as company policy that being ethical offers rewards and returns that result in short and long-term advantages. The company’s objective for conducting business should be to build long-term relationships initiated on trustworthiness. Deceiving consumers to satisfy greed is counter-productive and must not be perpetuated by a herd of wage earners, who may be oblivious to its hazards. “Adam Smith, Joseph Schumpeter, and John Maynard Keynes, as three of the greatest economist in history, are all advising us to put the greater interest of others and the dignity of our own character first, and our own self-interest second; to put enterprise and animal spirit first, and managing for the bottom line second; and the mindless conformity of greed last.” (Bogle, 2005)

Hypocrisy cannot be valued as a behavioral norm in business interactions. Companies must discourage in their employees such practices as delusive fast-talk, offering partial information and hiding fees to lure consumers into agreements to achieve its bottom line. Such unethical behavior erodes the relationship between the company and consumer. It also brings about lawsuits, bankruptcy, and foreclosures, which undermine the economy as a whole. This economic harm could be curtailed if more companies truthfully discussed their products and services. In 2005, during the 35th annual ISC conference at St. Gallen University, the head of Switzerland’s largest bank, Peter Wuffli, group CEO of banking UBS, declares, companies [can] only be successful if they “balance the interests of various stakeholder groups” – particularly customers and employees. “Responsible corporate leadership means delivering on a profit-oriented mandate in a way that is fully transparent and in line with its stated values, vision and strategies. It is only individuals who can act responsibly. A company is as ethical as it people – every single one of them.” According to The American Management Association (AMA)/ Human Resource Institute (HRI) Business Ethics Survey 2005, the Five Factors for Ensuring an Ethical Business Culture are:

1. Leaders model ethical behavior
2. Leaders communicate consistently
3. Ethics are integrated into the fabric of the organization
4. Ethics are a component of the performance management system
5. Ethics are a consideration in recruitment and selection

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The reverberating effects of the sub-prime mortgage fiasco throughout the international community is a costly example of how business has focused on short term profit and not on long term well-being for itself or the global economy. Examples abound, for business has focused on short term profit and not on long term well-being for itself, the economy as a whole or the broader human community. For Instance, the two government-sponsored enterprises (GSE) and largest mortgage-finance companies, Fannie Mae and Freddie Mac guarantee more than half of the United States mortgage debt, accounting for more than $5 trillion dollars. In his article, Business Writer, Alan Zibel reports, between April and June 2008, the two mortgage giants had a combined loss of $3.1 billion dollars. As a result of mortgage defaults, Fannie's stock is down 87 percent so far this year, while Freddie has lost 90 percent of its value.

As protection to safeguard consumers against noxious outcomes, in August 2008, during a CNN Interview with Wolf Blitzer, HUD Secretary Steve Preston discussed how HUD is in the process of providing better regulation during the closing process to make it more understandable and clearer for the borrowers. "And by doing so what we would do is provide better information to borrowers when they enter a mortgage. I think at the end of the day you had mortgage instruments that were poor financial risks that ultimately landed in the hands of investors that they probably should never have bought." Another example is the food industry. In the interest of consumers, Congress should mandate a law that ensures the FTC, USDA and FDA laws require food labels to include which ingredients are genetically modified and the negative side effects of ingredients such as aspartame and canola oil processed from rapeseed; chemicals sprayed on food to enhance flavor, irradiated food, and chemicals in water. Informative labeling assures the consumers basic right to know exactly what they are purchasing. The FDA has published 92 health concerns regarding the use of Aspartame. Polls have shown that Americans want labeling of genetically modified foods. In 2008, CBS News conducted a poll that found 87 percent of consumers would like GMO ingredients to be labeled, just as they are in Europe, Japan and Australia. Yet, the U.S. Congress has never held a vote on the issue, to give [consumers] the opportunity to exercise their most basic right – to make a choice. According to Andy Kimbrell from the Center for Food Safety, There is nothing – nothing, substantially equivalent from a conventional crop to a GMO crop. And in every cell of these new GMO foods are bacterias we've never seen in food before: viruses, genetic constructs, antibiotic bugs that they put in there, laboratory constructs that they put in every cell of these foods. Another recent poll conducted by CBS News and New York Times found, 53 percent of Americans say they won't buy food that has been genetically modified. Overall, 65 percent of all products in your local grocery store have DNA-altered ingredients. In 2007, a Consumer Report survey revealed 92 percent of consumers agree that imported foods should be labeled by country of origin or COOL. The poll also found foods labeled as "natural," or "organic" are highly popular among consumers, whereas "irradiated" foods are not.

For 16 years every FDA Commissioner disapproved Aspartame as unsafe. As discussed in the United States International investigation of Aspartame and the congressional record, in 1981, while Secretary of Defense and a member of Ronald Reagan's transition team, Donald Rumsfeld as CEO of G.D. Searle, maker of Aspartame, said he would call in his political markers and get it approved anyway.

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President Reagan fired the FDA Commissioner and replaced him with Arthur Hull Hayes, who approved Aspartame. Today, Aspartame is in approximately 6,000 consumer products. It is the Government's responsibility to help ensure laws as regulatory governance be utilized as protection against noxious outcomes not as a safeguard to assure them.

What does the company owe to society? The bottom line is the company owes the consumer integrity. Products and services should be offered for sale in good faith so that consumers can make well-informed decisions without fear, nullifying caveat emptor. This will result in the company protecting its own long term interests. "Business is about integrity as well as profits, and the profits mean little if their costs sacrifices integrity." (Solomon, 1999)

Inherent to human cooperation is the need to maintain stability. In our re-commitment to directness, honesty, and fairness, it must be remembered that companies are an intrinsic part of human community and not monolithic entities.