

"Building Beyond Basics"

DOES LIVING YOUR VALUES ADD VALUE?

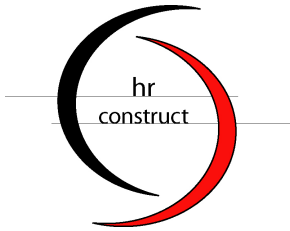
Now is the time to start considering the impact of values on your business. Evaluate your values and the values that future customers and shareholders will expect. Integrity has to be very high on the list. Recent news developments such as those identified in our newsletter (with associated links) are prime examples of the potential impact of unethical acts performed by people of less than exemplary integrity. The impact can be devastating and even ruin your business. It doesn't matter if the company is large or small – the end result is the same, one just falls farther than the other.

There is a steady rise in the awareness of Canadian employees, shareholders, and the general public of serious lapses in good governance and corporate ethics. One needs look no further than the newspapers to see high profile examples of large U.S. corporations, quasi-governmental agencies, and non-profit organizations whose misfortunes are detailed. In just the last two years, we have been inundated with the likes of Enron, WorldCom, Boeing, Freddy Mac, and even the American Red Cross.

The cauldron has begun to bubble right here in Canada. Since the fiasco with the Privacy Commission, the ethics issues swirling around Conrad Black and Hollinger, and the questions about Livent, Canadians can't continue to point an accusing finger at our global neighbours and say "we're rated #1 in the world arena, we just have a few things to clean up!".

There are increasing demands on members of the Board of Directors in companies to take steps to 'avoid risk', to be more 'aware' of how the company is managed and to do 'risk analysis'. The current trend in measuring the quality of governance in organizations is to measure their success in applying good governance principles at the Board level. The looming prospect of being measured by organizations like the Coalition for Good Governance is starting to have an impact and members of many Boards are now asking pertinent questions to address their concerns.

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However, we must remember that members of the Board do not lead or manage an organization on a day-to-day basis and the overall general 'health' of the organization's integrity and ethics rests in the hands of the managers inside the company. Boards ask for reports. But where do those reports come from?

We're not suggesting that members of the management team intentionally avoid reporting risks and issues. It is natural for individuals to apply their own interpretations and judgments to data. However, if the report originates from two levels below the Board, then at least two filters have been applied prior to board review. Keep in mind that the accountant who finally stood up and cried foul inside Enron was not a member of the Board of Directors. She was not the CEO, and she was not even on the team of senior management who finalize the reports that go to the Board.

So understanding your core values and the values expected by your constituents (customers, shareholders and boards), building those into your every day actions, policies and performance expectations and continually communicating those to your employees is key to your success. Integrity is not only a value to hold, it holds value – sometimes big bucks!!

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