



## MARKKULA CENTER FOR APPLIED ETHICS

### **Boards Help Create an Ethical Corporation**

**Running Time, 10:22**

#### **Summary**

Veteran CEO and board member Michael Hackworth describes how board members can contribute to the creation of an ethical culture in a company. He identifies specific things the board should do and track to encourage ethical behavior in the firm.

#### **When to Use This Video**

- To introduce the idea that a board has oversight responsibility for the ethics of a company
- To identify specific actions a board can take to help shape a culture of ethical behavior
- To discuss how a board should deal with an unethical CEO

#### **How to Introduce the Video**

- Michael Hackworth offers this advice to board members: "If you think there's an ethical issue, there probably is." He recommends that directors monitor whether management consistently reflects on the ethical consequences of their decisions.
- Hackworth offers several examples of how short-term thinking can lead to problems with company reputation. As you watch the video, think about examples from your own experience and observation where a focus on immediate gain led to long-term disaster.

#### **Questions to Ask After Viewing the Video**

1. Hackworth traces failures at BP, Lehman Brothers, and Goldman Sachs to unethical behavior. Do you agree?
2. Do you think there is an inverse relationship between profits and ethics?
3. What should a board member do when he or she believes that business decisions are being made without regard to ethics? When is it necessary to resign?

#### **Concluding Comments Instructors May Wish to Make**

- Michael Hackworth candidly describes his experience on nine boards with 15 different CEOs. He finds a clear relationship between his evaluation of the CEO and the ethical behavior of the company. Tone at the top is crucial.
- "Pay me now or pay me later" sums up Hackworth's take on company ethics. Although dodgy behavior may help profits in the short term, companies eventually have to pay dearly for wrongdoing.