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Ethics Matter!

You're Naked, and Who Is Going to Tell You?

Your personal board of directors will

Chief executive officers (CEOs) of private and public organizations share a common and difficult leadership challenge: it's lonely at the top. There is only one "big cheese" with the leader's title and role of running the organization.

No equals with whom to share the responsibility. No freedom to test ideas or express concerns unguardedly with a peer. Effective leaders build teams of talented individuals to assist in the effort, but those team members are not and will never function as peers.

Leaders are isolated from the rest of the organization and usually don't get the direct, unvarnished truth they need. Why? Although effective leaders encourage honest and open dialogue and dissent, even the most talented and seasoned person finds it a hugely difficult task to challenge the CEO.

Think about the last time that a staff member had the courage to walk into your office, tell you that you were wrong, and, after the ensuing debate, stand firm. It's just not the norm in organizations. Bosses and team leaders want to be loved, and that leads to a tendency to surround themselves with supporters—the quintessential yes-men. Witnessing that pattern, what staff member would choose to be the no-man on the team?

ALL ALONE

Local government managers face the added challenge of managing the organization in the open forum. No trade secrets to conceal that would allow difficult management issues to be debated and decided in the CEO's office.

Transparency is good but, for leaders trying to reach the right outcome, messy. And there is always the reality that the elected governing body – the local government's board of directors and the manager's boss – is not always in agreement about the way forward.

Managers in small localities have an added disadvantage. Because they have such limited staff resources, the CEO plays the dual roles of leader and subject matter expert. At least that arrangement makes for shorter staff debates!

This environment is rich in opportunities for managers to make uninformed, unwise, and even unethical decisions. As author and philanthropist Warren Buffett so sagely notes, "Of one thing be certain: if a CEO is enthused about a particularly foolish idea, both his internal and outside advisors will come up with whatever projections are needed to justify his stance. Only in fairy tales are emperors told that they are naked."

TWO EXAMPLES

You can certainly craft any number of scenarios that would happen in this environment. Here are two real-world situations that come to mind.

Scenario 1: A month into his new position, the city manager was stunned to discover that the city, considered by most to be on sound financial ground, had a huge unfunded liability in the city pension plan. The issue never surfaced in discussions the new manager had, when still a candidate, with the retiring manager or city council. No inkling of a problem surfaced in budget reports or old media coverage when the new manager was vetting the organization.

After further review, the new manager could find no evidence that the former manager, who led the negotiations with the unions whose members benefited from some of the plan enhancements, ever raised a red flag with council or put into place a credible funding scheme. Following extensive press coverage of the issue, the former manager accepted responsibility for not informing the city council.

Now the organization is tasked with finding a way to pay the debt in a sustainable manner and deal with the impact of doing so.

Scenario 2: In another city, the recession was stressing local employers and city staff. For a small city with just a few sources of jobs, the loss of even one employer can be devastating. The city manager, fearing that a relatively new addition to the employment base would leave, would not enforce the provisions of the loan agreement that enticed the company to move to the city.

As the recession grew worse, the company fell further into arrears on the loan repayment. First individually and then together, the city’s finance director and assistant manager raised the issue privately with the city manager. They tried to point out what seemed to be a critical flaw with the manager’s approach: enforcing the loan terms could force the company to relocate, but the company could do that even in the absence of any enforcement action, and if that happened the city would be left high and dry.

The manager was not persuaded and took no action. Motivated by her fiduciary responsibility to the city, the finance director finally reported the matter directly to the city council.

A sense of empathy for a colleague who is embarrassed or fired over what appears to be a management mistake or error in judgment is natural. After all, we are all vulnerable to the isolation and rationalization that can lead to bad decisions. The cure might just rest in what Bill George, author of the book True North, calls a personal board of directors. It’s the support team of individuals outside your organization with whom you will be totally candid and who will challenge your assumptions, point out when you stray from your values, and support you in your professional wins and losses.

Friends and spouses, who are invaluable in providing personal support, are candidates for the board only if they have the insight to be helpful and the courage to tell you when you are wrong. It’s best to recruit from your peers. And for those of you ascending to the leadership role, build your personal board of directors now and take them on the journey.

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