Return on integrity: the new ROI

There is a new source of capital – ethical capital – and it can be a company’s most valuable intangible asset.

BY CYNTHIA SCHLOEMAN

ROI, as the acronym for return on investment, is central to most businesses. The investment of capital and resources is intended – and expected – to deliver a financial return. But there’s another, new ROI – the return on integrity, which rests on investment in workplace ethics.

The two ROIs are similar as regards failure to deliver. Failure to deliver financial returns and failure to conduct a business ethically both risk eroding shareholder confidence and

A company culture based on integrity can reduce the risk of unethical failure, fraud and corruption, and the associated costs.

ultimately, jeopardising the existence of the company. Unethical conduct can also damage the organisation’s reputation, diminish customer support and incur financial costs in the form of fines or legal settlements.

Yet there is often not as much focus on ethics and the return on integrity as on the return on investment.

A focus on this is especially relevant when trust is a criterion for business success. This is apparent in businesses that are trust-based, such as financial services companies and legal practices, where their services and advice require a high level of client trust, or as regards both their expertise and their integrity. This might appear to exceed the level of trust required, for example, in the retail industry, where a customer’s interaction may only entail a transactional purchase. However, trust is increasingly recognised as a crucial factor for success in all businesses

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Leaders also need to consider what behaviour their organisation’s goals and measures are likely to encourage, and avoid ill-conceived outcomes in an effort to avoid unintended consequences. An example in legal, accounting and consulting firms is the goal of maximising billable hours, which reflects an ethical vulnerability. Delivering on the targets for billable hours is generally in employees’ best interests, earning them benefits such as recognition, promotion, salary increase or bonus. This

...can easily lead to expanding the scope of work, necessary or not, to enhance the billable hours which, although unethical, can foster an “ends justify the means” view. A high level of transparency is a further factor that adds to an ethical culture. Since transparency is synonymous with openness and honesty and ignores sharing all relevant information, it builds and maintains trust. The opposite is also true – a lack of transparency can be very damaging, such as when an organisation chooses to handle serious ethical matters in secret, internally. This approach

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...can be defended on the grounds that making unethical incidents public can undermine the organisation’s reputation, customer confidence and the share price for publicly traded companies. The risks, however, are far greater if misconduct is exposed by another party, such as the media.

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