

# Ethics Draw Customers BE HONEST AND DEPENDABLE; TAKE RESPONSIBILITY: Otherwise, Nos 1-9 won't matter.

Watkins, Steve . Investor's Business Daily ; Los Angeles [Los Angeles]25 Sep 2015: A03.

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## ABSTRACT

Customers want to buy from companies that they trust. Employees want to work for those firms, too. That's why trust is so vital to operate ethically. Tips: Make rules. Set boundaries for receiving gifts, being entertained by suppliers and reporting expenses, says Bob Buck, chairman of Beacon Roofing Supply (BECN). You'll set the framework for the type of behavior that you expect. Hire for it. Make integrity the priority when you hire. Sure,

## FULL TEXT

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Customers want to buy from companies that they trust. Employees want to work for those firms, too. That's why trust is so vital to operate ethically. Tips:

- [bullet] Make rules. Set boundaries for receiving gifts, being entertained by suppliers and reporting expenses, says Bob Buck, chairman of Beacon Roofing Supply ([STOCK[NASDAQ:BECN]]). You'll set the framework for the type of behavior that you expect.

- [bullet] Hire for it. Make integrity the priority when you hire.

Sure, skills are important. But a strong performer who puts the firm's reputation at risk will be a liability. Bring in people you feel are honest, and promote only those you can trust. "Good and ethical people attract more good and ethical people," said Buck, author of "Well Built: Inspiring Stories from the Boardroom to the Frontline."

- [bullet] Show it. Execs often say that the company won't cross an ethical line. But the key is how they act when a tough choice arrives. Stick to your guns even if it means losing a sale to a company that wants a kickback. Your people notice. "They hear what you do, not what you say," said Marianne Jennings, professor emeritus of business ethics at Arizona State University.

- [bullet] Walk around. Talk to people in your company rather than sitting in the corner office. Jennings says that this personal touch will keep you abreast of potential problems before they occur. "It makes you more accessible, too."

- [bullet] Set the tone. When Buck was Beacon's CEO, he wrote weekly updates to employees, frequently discussing how the firm should operate ethically. It showed his people how important ethics were in his eyes. "People felt they got to know me," he told IBD. "It does break down barriers."

- [bullet] Show what you want. Recognize people who make the right choice. If an employee finds money on a job site and turns it in, tell the whole company about it.

"Make heroes of the people who behave ethically," Buck said.

- [bullet] Adjust incentives. Pay employees based on performance over a long span, like three years, rather than on yearly or quarterly results, Jennings says. You'll reduce the temptation to change a depreciation schedule or toy with reserves to make a financial target.

"People see those things, and it introduces an element of hypocrisy," Jennings said. "If people understand there's a longer time frame, they'll make better decisions."

[bullet] Set up consequences. Stick to your rules. Live by the punishments you've put in place, whether they're for the lowest-level employee or a group vice president. Jennings knows of one company that fired a sales person whose ethical breach involving foreign corruption got the company in trouble. Then it quickly hired the guy back. That doesn't work. "You have to enforce what you're saying," she said.

[bullet] Reinforce. Buck made Beacon's most coveted award based on character and integrity. "That really made ethics more important than sales or profits," he said.

[bullet] Look ahead. You can handle most sticky situations by knowing in advance how to deal with them, Jennings says. If you sell overseas in developing markets, set up a no-bribery policy and make it clear to your people in those countries how to handle such situations.

"Anticipate the types of things that could happen," Jennings said.

[bullet] Make the hard choice. Go with your principles even if it's costly in the short term.

If a sales rep falsely pads monthly numbers, dole out the same punishment, whether he's your best sales person or your worst.

"Stick to the policy," Buck said. "Sometimes you have to take the hard right."

## DETAILS

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