



**ADDRESS BY PSOJ PRESIDENT CHRISTOPHER ZACCA
HRMAJ CONFERENCE LAUNCH
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KNUTSFORD COURT HOTEL**

SALUTATIONS

I am honoured to have received the invitation to be here today. Not only is this the launch of your annual Conference, but today is also recognised as Human Resource Management Day and I am pleased to have been invited to celebrate with you. Apart from assisting management in optimizing employees' skills and creating an efficient, stable workplace, HR managers such as yourselves also serve the key purpose of bridging the divide between employees and managers. Without your group, I'm sure we'd have chaos, possibly anarchy in many companies.

“Remodelling the present – changing the future.” This is such an apt theme, given where the country is collectively; we're trying to desperately revive, some people would say jump-start our economy, realise strong economic growth and add more jobs. As a country, we need to remodel our fiscal approach and adapt a more sustainable method of managing our finances, so that we may create a better future for our children and grandchildren.

Central to this idea of change is leadership. What kind of leadership do we need to ensure our country's growth and survival for years to come?

Quite simply, we need ethical leadership. A leader is expected to embody the purpose, vision, and values of the organization and of its constituents, within an understanding of ethical ideals. He or she is expected to connect the goals of the organization with that of the internal employees and external stakeholders. The

leader's example therefore sets the culture of the organization and its future prosperity.

What is meant by ethical leadership though? Well many executives and business thinkers believe that ethical leadership is simply a matter of leaders having good character. By having "the right values" or being a person of "strong character," the ethical leader can set the example for others and withstand any temptation that may occur along the way. Without denying the importance of good character and the right values, the reality of ethical leadership is far more complex and the stakes are much higher.

The Business Roundtable Institute for Corporate Ethics, an independent entity in the United States that works with CEOs of leading corporations, published an article which provided a framework for developing ethical leadership. Ten key areas were listed and while all are important, I would like to highlight five elements that I believe Jamaican CEOs and COOs can utilize, in their efforts to become ethical leaders.

1. **Articulate and embody the purpose and value of the organization.** It is important for leaders to tell a compelling and morally rich story, but ethical leaders must also embody and live the story. This is a difficult task in today's business environment, where thanks to social media and advanced technology, everyone lives in a fishbowl, i.e. on public display. So many political leaders fail to embody the high-minded stories they tell at election time, and more recently, business leaders have become the focus of similar criticism through the revelations of numerous scandals and bad behaviors. The fact is, CEOs and other business leaders in today's corporations are really ethical role models for all of society.
2. **Focus on organizational success rather than personal ego.** Ethical leaders understand their place within the larger network of constituents and stakeholders. It is not about the leader as an individual, it is about something

bigger—the goals and dreams of the organization. Ethical leaders also recognize that value is in the success of people in the organization.

In 1998, in a bold gesture demonstrating how he valued the company's line employees, Roger Enrico, former Chairman and CEO of PepsiCo, chose to forego all but \$1 of his salary, requesting that PepsiCo, in turn, contribute \$1 million to a scholarship fund for employees' children. The point of this example is not that ethical leaders donate their salaries to charities, but rather that ethical leaders identify and act on levers, such as employee loyalty, that drive organizational success.

- 3. Find the best people and develop them.** Ethical leaders pay special attention to finding and developing the best people, precisely because they see it as a moral imperative – helping them to lead better lives that create more value for themselves and for others. Finding the best people involves taking ethics and character into account in the selection process.

Many CEOs and HR Managers believe that judging someone's integrity is far more important than evaluating their experience and skills. Yet, in many organizations, employees are hired to fill a particular skill need with little regard to issues of integrity.

- 4. Create a living conversation about ethics, values and the creation of value for stakeholders.** Too often business executives think that having a laminated “values card” in their wallet or having a purely compliance approach to ethics has solved the “ethics problem.” I'm sure Bernie Madoff, maybe even Cash Plus and other troubled companies had these systems in place. What they didn't have was a conversation across all levels of the business where the basics of value creation, stakeholder principles and societal expectations were routinely discussed and debated. There is a fallacy that values and ethics are the “soft” part of management. Nothing could be further from the truth.

In organizations that have a live conversation about ethics and values, people hold each other responsible and accountable about whether they are really living the values. And, they expect the leaders of the organization to do the same. Bringing such a conversation to life means that people must have knowledge of alternatives, must choose every day to stay with the organization and its purpose because it is important and inspires them. Making a strong commitment to bringing this conversation to life is essential to do if one is to lead ethically.

5. **Create mechanisms of dissent.** This is especially important for your group, as it is through you that employees express their dissatisfaction with company policies. It is critical to have an established and explicit way for employees to “push back”. This needs to be made part of the organizational culture, not just a line item in a whistle blowers document. And the best way to do so is through encouraging open and honest feedback, while maintaining respect, without the fear of any backlash.

In a company that takes its purpose or values seriously, there must be mechanisms of pushing back to avoid the values becoming stale and dead. Indeed, many of the current corporate scandals could have been prevented if only there were more creative ways for people to express their dissatisfaction with the actions of some of their leaders and others in the companies.

These five elements may appear to involve lots of tough decision making but the truth is, ethical leaders inevitably have to make difficult decisions, from reorienting the company’s strategy and basic value proposition, to making individual personnel decisions such as working with employees exiting the organization. Last month at our Annual Economic Forum, guest speaker, Professor Peter Blair Henry, Dean of the Stern Business School at the New York University, spoke about discipline, clarity and trust being the formula for turning around the economy, and made the point that our leaders should also embody these key qualities. He said

that a leader who possessed these would be better able to make the tough but necessary decisions that are required to effect positive change, not only in our economy, but across our entire country. And I agree 100%. Ethical leaders should never attempt to pass off or rationalize difficult decisions by using excuses, but should instead focus on “doing the right thing,” all while exhibiting discipline, clarity and trust.

So what are the benefits of ethical leadership? Well first of all, and this is probably the most important point, an organization is much less likely to run into financial difficulties if its leadership acts ethically.

Secondly, long term profit or sustained profit-making is usually based on ethical behaviour that brings company goodwill among its stakeholders. It is also directly related to better relations at the workplace leading to efficient enterprises because of more cooperation, less waste, and more initiative and responsibility by employees, as well as goodwill and stronger brand names for enterprises.

In addition, companies that behave ethically are more socially responsible and benefits are spread across the board to all stakeholders. For example, to employees through additional benefits such as share options, to customers through the timely delivery of quality goods and services at reasonable prices and to shareholders through increased dividends.

The good news is that our universities have recognised that good business ethics is not innate in all of us, and have embraced the importance of training and educating our current and future leaders in good business ethics. UWI, UTECH and UCC all offer a variety of courses in the legal, social, and ethical aspects of business.

The PSOJ has also joined the efforts to expose our business leaders to proper leadership ethics. Through the work of our Corporate Governance Committee, we have made ground-breaking strides in raising the level of awareness of good

governance among our member companies and other private sector interests in Jamaica. Among the objectives of the Committee are:

- to develop and establish corporate governance guidelines that will facilitate implementation of best practices through a Code on Corporate Governance,
- to conduct director training programmes, to promote awareness of corporate governance principles and the impact that well implemented principles can have on investor confidence,
- to provide continuing public education and awareness of corporate governance best practices,
- to make corporate governance knowledge resources accessible to relevant stakeholder groups and
- to collaborate on a continuing basis with other associations and agencies locally and regionally on corporate governance issues.

The PSOJ's Code on Corporate Governance, first published in 2006 and the second edition, published in 2009, also represents our attempt to infuse globally accepted best practices in governance in Jamaican companies. In the current economic climate, we must become more efficient and competitive if we are to attract foreign direct investments and/or promote local investments. Good governance of our companies and indeed our government is therefore at the heart of our competitiveness.

So as I close, let me once again thank you for having me address you this morning. As a private sector body that represents hundreds of companies, we are certainly pleased to be associated with a group such as yours. Perhaps you should consider becoming a member of the PSOJ, we would definitely welcome you with open arms into our organisation. Congratulations on your upcoming Conference and we wish you a very successful event

Thank you.

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THE PRIVATE SECTOR ORGANIZATION OF JAMAICA
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