

This was printed from New Mexico Business Weekly

Ethics in Business

Doing the right thing can boost businesses' bottom line

Profits and priority

Premium content from New Mexico Business Weekly - by Shirley M. Gallegos, Special to NMBW

Date: Friday, July 1, 2011, 4:00am MDT

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Bobby Joe's Auto Service, a three-mechanic, four-bay garage in Albuquerque, has developed a big reputation since opening in 1988.

In 2005, the company won a New Mexico Ethics in Business award. Bobby Joe's still gets business from that recognition.

"A business has to make money, but you have to have

a good time doing it," owner **Bobby Joe Rodriguez** says. "I enjoy my customers. My rates are fair. Sometimes, if someone can't afford it, I charge below my rate."

The shop has longevity not only with employees and customers, but also with suppliers. Rodriguez declined to disclose revenue.

"We're loyal to our suppliers," says Bobby Joe's wife, Suzie, who runs the business' front office. "We don't change to get a cheaper price."



In the wake of Enron, **Bernie Madoff**, the business bailouts and the great recession, Bobby Joe's Auto Service might seem to be an anomaly, but its business practices show that, big or small, being an ethical enterprise can positively impact profitability.

Conversely, not conducting business ethically can hurt profits. According to the website ethisphere.com, it pays to be ethical. In a 2011 survey, it compared its publicly traded Ethical Companies Honorees from 2007 to 2011 against the S&P 500 over the same time frame, and found a more than 30 percent higher annual rate of return for the "ethical" companies.



But, while profit can be the result of ethical actions, the bottom line in business ethics is not money but building trust, those interviewed for this article say.

Ethics and money inseparable

The topic of corporate social responsibility is controversial. Some believe the business of business is simply to make money.

“Without profit, a business doesn’t survive, jobs don’t exist, and neither does community wealth-building,” says **Steve McKee** of Albuquerque-based marketing firm [McKee Wallwork Cleveland](#)   .

Still, he adds, “Ethics is good business. Good reputation builds the brand.”

Sarah Smith of the [University of New Mexico](#)   Anderson School of Management, who oversees students in selecting New Mexico Ethics in Business Award winners (for more on the awards, see sidebar, page 10), says few companies start out deciding to ignore ethical principles.

“People get there through a slow lowering of the bar — the slippery slope of circumstances.”

Some companies, such as French Funerals Cremations in Albuquerque, have taken a rigorous approach to developing internal processes for ethical practices.

“People do business with those they trust,” French CEO **Duffy Swan** says. “Business, especially local businesses, depend on repeat customers. Employees want to be proud of where they work.”

French and Swan have both received the Ethics in Business award.

Swan says the company has an ethics committee of management and nonmanagement employees who recommend changes in processes.

Training on the behaviors starts with new hires, and “we keep it fresh in their minds,” Swan says.

Senior managers have been known to stop employees in the hall and ask, "What does 'integrity' mean to you?"

French declined to disclose revenue.



Swan, who previously worked at U.S. West International, says he had an ethical dilemma in Malaysia, where the culture is big on "saving face."

He was given a golf bag and clubs by a vendor.

"It was awkward, but I had to return them," he says.

Gifts of that magnitude give the appearance of a bribe.

Training, communication key

"A business has responsibility to its shareholders, its employees and the community; it's a three-legged stool based on integrity and honesty," says **Paul Sowards**, vice chairman and senior lender at Albuquerque-based [Century Bank](#)   , which had more than \$500 million in assets as of March 31. "If you're good at execution, it translates to the bottom line."

People are willing to pay a premium when they get a good value proposition, Sowards says. Long-term, ethics pays dividends.

"When you own up to a mistake, short-term it costs, but long-term it pays for itself. You get repeat business; you develop trust."

He says Century Bank starts ethics training with new employees, reinforcing it with constant communications and leading by example. He declined to disclose Century's revenue.

Sowards was a nominee for the New Mexico Ethics in Business awards in 2007. He faced an ethical dilemma years ago in banking, when a loan officer exceeded his authority in explaining to a customer how something would be handled on a construction loan. The client acted on the information, and it led to additional costs for the bank.

"We could have forced the client to pay for it, but given that the employee made the statement, the bank split the costs with the client," he says.

Asked why unethical practices continue to surface in American business, Sowards says, "Sometimes, people see opportunities to take advantage of others. The market corrects some of that on its own. People can encourage ethical behavior by shopping with businesses that are ethical, instead of at the lowest-price provider."

Back at Bobby Joe's, new employee **Skylar Rice** is in training, Rodriguez says.

"My guys do the training. They know how I feel."

"Yes," mechanic **Rick Houston** says. "Don't lie to him, and don't lie to the customer."

Sometimes the simplest concepts get the biggest results.

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