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## **The Rotary business mantra: Do your deals benefit all parties involved?**

### **Business Ethics**

A majority of business organizations have a moral code or an ethical statement which drive the conduct of their business transactions.

Like many businesspeople I belong to a group of professionals and retired executives whose code of conduct is simple, elegant but as practical today as it was when it was first developed in the early 1900s. This group is Rotary International and our code of conduct is the Four-Way Test. It is one of the world's most widely printed and quoted statements of business ethics.

This simple code of conduct is applicable to your everyday decisions.

#### **Of the things we think, say or do, is it the truth?**

This is the first question in the Four-Way Test. When dealing with a client or supplier are you always truthful, factual and not prone to exaggeration? In my business career, I have met suppliers and clients who have overstated their needs or understated their initial pricing in order to gain an advantage in a business relationship.

Let me provide an example. During a negotiation of a price for a service or a product, the client states that either they cannot afford it or that they can get it a lesser price from someone else. In many cases, that strategy is based on a false foundation. You cannot build trust on such a shaky foundation. Once the truth is discovered, the relationship is damaged and trust is lost between the parties.

#### **Is it fair to all concerned?**

If the information presented is not the truth, then one must believe it is not fair to all the concerned parties. If that is how an organization conducts business, where is the corporate conscience? How can you expect to be treated with respect and trusted if the other party finds out that they have been misled, resulting in a less than optimum result?

We have all heard the phrase; you need to walk a mile in someone's shoes in order to understand what they have experienced. In order to prevent such an outcome, one must reflect on how they would feel if the tables were turned and you were misled.

#### **Will it build goodwill and better friendships?**

The third question addresses the choices you make. You should always be concerned about the long-term impact on your business relationships. Organizations that have retained clients for long periods of

time have been consistent in their decision-making processes. They have cultivated these relationships and built a high degree of goodwill. Along with their brand they have built a positive image in the marketplace.

This type of image is like a magnet to potential clients and employees and says a great deal about the organization and its people.

### **Will it be beneficial to all concerned?**

This fourth question stresses that business relationships should be beneficial to all parties involved.

Customers have been pushing costs back upstream to the supplier, manufacturer or the service provider since the 1980s. This has developed into a one-way street, resulting in lower margins and in some cases lost profit for the provider. In retailing for many years the philosophy in dealing with suppliers became, "If you want to retain the business, you need to lower your costs."

Yes, production and procurement efficiencies were found, but after a while they were exhausted. The result was consolidation among suppliers and in some cases a need to find production facilities outside the United States. So, in retrospect, these decisions were not beneficial to all concerned.

When I was at JH Collectibles, in order to maintain a business relationship with a number of major retailers, we had to provide money for advertising, markdowns and in some cases guarantee their margins. Our margins continued to shrink even after a portion of the production was moved off-shore. The final result was the closing of a business that employed 800 people nationwide. There was no benefit to those business relationships.

If you search the Internet archives, you could find other examples of one-sided relationships in other business sectors that resulted in empty manufacturing facilities and lost jobs.

### **A new mantra is needed.**

It is time for a new mantra in American business, one that understands the impact of these simple four questions on all of our society. Business relationships are fragile and need to be nurtured so they can flourish and grow. Their soil should be fertilized with trust and irrigated with the flow of revenue from profitable and honest transactions.

For years our forefathers did it with a handshake, without the complications of detailed contracts with penalty clauses. They trusted each other, their clients and we trusted them. Now trust is based on D&B ratings, profit and loss statements and not on the quality of the product, nor the company's reputation. Personal service has become impersonal.

As we climb out of the economic morass that has slowed our country's growth and shattered our trust in financial, banking and government agencies, we need to set a new course with a new compass. We need

to examine how we conduct our businesses and how we treat our clients and suppliers, remembering without then we have no future, no business.

Look in the mirror and take the Four-Way Test and see if your organization passes this test. If not, it is time to rethink your code of conduct and adopt a new mantra, one that benefits all parties.