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Higher ethical standards are a double-edged sword

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When the CBS Board of Directors finalized the ousting of former CEO Leslie Moonves, they initially agreed to pay him most of the $180 million owed to him if he were fired without cause. After several more women came forward, incensed that Moonves would walk away with a payout, the board reversed their decision and stated that it was all but certain that the company will pay Moonves nothing.[1]

Although perhaps justified, given the number of accusations of sexual misconduct swirling around Moonves, the decision by the board to fight against paying out a single dime is a product of a new era of ethical considerations in the business world. Whereas companies a decade or two ago would have eschewed publicizing any details about removing their CEO for allegations of sexual misconduct, today the threat of a broad social backlash against unethical behavior has companies toeing a much different line.

Whom should we work for?

The rise of an ethics-minded populace and workforce is represented in part by the hashtag campaign #TechWontBuildIt, which has allowed programmers, engineers, and data analysts to share information on big tech companies and trade stories about recruiting attempts gone wrong. A series of forums has arisen out of the hashtag, and the handful of tech workers, who sparked the hashtag with screenshots of email conversations with recruiters, has become a community.

In an article for *Buzzfeed*, Caroline O'Donovan writes that, "[t]rained programmers, software engineers, and data scientists are in notoriously high demand in the tech industry. Companies spend millions of dollars on recruiting efforts every year and offer a dizzying array of perks and benefits (lengthy parental leave, infertility treatment, free beer, unlimited vacation) to entice workers. That means prospective employees have leverage — and some of them are trying to use it to get these companies to change their ways. The actions of a handful of individuals are unlikely to steer corporate policy, but the trend could signal a looming recruiting pipeline problem if the companies don't change tack."[2]

The new era is not, however, confined to a small corner of social media.

"This isn't just a Twitter trend," said Dr. John Sullivan, professor of Management at San Francisco State and a noted human resources consultant. "This is a board of director's trend."[3]

Ethics has always been a part of the business lexicon. Being able to claim "ethical behavior" is important for a business in terms of creating a brand and a reputation that can be trusted. Customers respond to a good reputation as strongly as they respond to a bad reputation, but never have ethics played as strong a role as they do today. An ethical lapse can send a stock price spiraling, employees may head for the door, recruitment becomes difficult, and consumers can easily shift en masse to a more ethical competitor. The stakes are very high.

"Companies can't ignore it," Sullivan said. "It affects everyone in the company; it's a distraction. Internal social media networks light up and employees are discussing the scandal instead of working. Potential recruits will share the information on Glassdoor, for example, and word begins to spread that you're not a company people should work for."

For an example of the impact CEO behavior can have on a company's performance and reputation, one need go no further than Tesla and Elon Musk. His tweets about taking the company private, attacking rescue divers in Thailand, and his more recent appearance on the Joe Rogan Experience podcast smoking marijuana have had an incredible impact. Shares slipped to their lowest point in the year, board members questioned his ability to lead the company, and several executives left the company citing the public pressure as a factor. Add that to the reputation Tesla has a union buster that forces employees to work in an unsafe environment, and you have a perfect storm that could upend even the "hippest" company around.

Companies are more willing to risk privacy issues and litigation than to be known as an unethical, undesirable company. The costs of settling out of court with an employee pale in comparison to the costs of a significant hit to a company's reputation.

Google's decision to fire a software engineer who wrote an internal memo that questioned the company's diversity efforts is a case in point. Google prides itself on pushing for freedom and allowing employees to say what they need to say, but when James Damore implied that gender pay gaps in the tech world are justified and that Google should be inclusive of more conservative ideologies, he was quickly fired. The company had been pushing hard to diversify its workforce, so when the memo came out and women within Google and across the tech sphere expressed indignation and anger, the company had no choice. Damore sued Google, and the case will most likely be settled out of court.

"Google said what he has done was counter to corporate goals," Sullivan said. "Normally, that would be a slap on the wrist, but faced with the risk of alienating so many women, Google had to fire him. Now it's in court."