Every day, unexpected events require us to make split-second decisions that have no easy answers, and that can have long-term consequences for our personal lives, for our organizations, and for our professions. Usually, we have no way of knowing what the costs of our decisions will be until it is too late. There is always a tension between what we will adapt to and what we feel we must resist, especially when what we are resisting is power and pressure. How we live into that tension makes all the difference.

Good leaders stand up for their values when faced with tough decisions. But what does it take to stand up for your values? How do you do it without becoming the “house nag”? These questions aren’t easy. After twenty years as a partner at Morgan Stanley, I learned through experience that it is not necessary to compromise your integrity to succeed in corporate life. Here are a few guiding principles that I hope will steer anyone toward good decisions when facing ethical dilemmas large and small in the workplace.

**Develop a Moral Compass**

We need to start by knowing who we are. I am often told that MBA candidates are too old to be taught ethics. They have already learned all they need to (or will) know at their mother’s knee. I find this a very depressing thought. Doesn’t one grow from experience, from being tested, from having to make tough decisions? Deciding in the fire of battle where you are going to take your stand defines your character more than mouthing platitudes. We all need ethical awareness and ethical imagination over the whole course of our lives—and we need to support each other in raising ethical issues.
Once we begin to establish who we are, set our goals and our plans for business and life, and acquire personal skills and embedded values, we can determine how best to conduct ourselves in actually doing business. If we have an overall goal with intermediate steps, we can begin to create a context out of the drudgery and details of most entry-level positions. We should attempt to learn something from each assignment or transaction we work on, and from each person—whether senior leader, client, or cohort—to whom we are exposed.

**Be Intentional About Learning**

It’s important to become intentional about finding time in your busy life to grow intellectually. A focused program of reading, writing articles, public speaking, and teaching offers one way to accomplish this. It takes an aggressive commitment to seek out new opportunities and accept new responsibilities when you’re already busy. As you become a leader, you’re likely to be concerned also with identifying new programs and opportunities for others in your firm and broadening your scope by bringing them along with you. It’s also important that this work in both directions: ideally, the mutual learning, teaching, and growing should never stop.

Anyone entering a business or profession brings a certain set of requisite skills, usually gained in a school or university setting. That is a good starting point. Then the real education begins. As we continue to learn and gain wisdom and understanding, we become teachers, both formally and informally. Business is about teaching, coaching, and mentoring. In this world of fast changes, we need to educate our employees, our peers, our bosses, and our customers; and we need to be educated by them. We need to convey an understanding of our history, vision, attitudes, culture, and techniques. To sustain our interest in a world of superspecialization, we need to grasp the greater role of our enterprise. To become a manager and ultimately a leader, we need to reintegrate the enterprise in our minds and achieve a sense of whole-task involvement.

Whatever your first job, if you have a vision for yourself to continue growing and expanding, you need to be able to see how your entry-level position will take you to the next step. Especially in the dynamic, global world in which we live, we can never stop learning, whether from cohorts and mentors or through teaching others (which itself is another form of learning). I was fortunate that for me, Morgan Stanley became yet another school, a university even, where learning never ceased.

**Build Trust with Your Peers**

Avoid white lies—even the most casual lies—at all costs. Sissela Bok’s book on lying argues that the process of socialization makes us all habitual liars. Haven’t we all told a friend that they looked stunning when they didn’t? Most people tell so many half-truths that they no longer recognize the difference between truth and lies. However, even the smallest lies break down the bonds of trust that unite the organizations we work for.

**Understand and Embrace the Covenants of the Organization You Work For**

You’ll know how to make good decisions if you have a deep sense of the mission and purpose of the enterprise—a far deeper mission than pure greed and money making. Knowing who you are and what your values are, and redefining your stance in light of your experiences, is a mighty big job. But once it’s done, how do
you know if your values match up with your work environment? How do you assess a business culture?

Objective clues to corporate culture are readily available: the CEO’s messages in recent annual reports, press releases, the firm’s Web site, senior officers’ public speaking files, statements of corporate purpose, goals, codes of behavior, and the like. Internet data regarding current and past litigation and regulatory compliance will give an idea of how close to the line the firm likes to play the game. Printed evaluation forms indicate whether character and ethical behavior are benchmarked. It is obviously important that your values mesh with those of the organization. But you can’t quit every time something goes wrong. The issue is, Where do you take your stand? Warren Buffett has said he has had 20 key decisions in his career. He is a great strategic thinker, and that is one decision every couple of years. We should all expect to face 20 ethical decisions, or even crises, over the full span of a career.

**Keep Communication Open**

Closed doors and furtive conversations breed suspicion, undermine trust, and provide hiding places for wrongdoing. Instead, tolerate and even encourage questioning and dissent. Challenge ideas whether good or bad, and welcome the same response to your own ideas. Open discussion can be a far more effective technique for training than drilling in lessons with PowerPoint presentations.

**Surround Yourself with Deep, Trusting Relationships**

All effective leaders have a trusted group of individuals—key colleagues, customers, and other affected parties—with whom they can safely share concerns and uncertainties, test new ideas, and just ask, “Do you think this is okay?” In the best of worlds a couple of these trusted confidants are junior to the leader, a couple are peers, and a couple are superior in rank. With younger people, such discussions reinforce the fact that ethical questioning is a legitimate part of the business discussion. With honest peers you can gain some assurance that you are not off the track. With superiors you can begin to test the degree to which ethical inquiry is sincerely tolerated. Encouraging open inquiry helps define who you are and provides others the opportunity to become more comfortable dealing with ambiguous issues.

**Expect to face 20 ethical decisions, or even crises, over the full span of a career.**

**Be Comfortable with Ambiguity, Paradox, Uncertainty, and Risk**

To achieve comfort with conditions of flux is to reach a level of emotional maturity that is essential for all great leaders. Leaders always have to be willing to change the plan. This is when community trumps autonomy and self-will. A sign of emotional maturity is a willingness to change the plan with grace, rather than with impatience and frustration.

**Measure Performance Fairly**

Use criteria that will align with the values of the performers—criteria that are not solely production-oriented and that include such factors as recruiting, training, teaching values, and good character. Such criteria will greatly enhance the empowerment of an organization. They must be viewed as relevant and integral to the values of the firm; otherwise a leader will become merely an enforcer of irrelevant and inhumane rules.

**Choose Your Clients Carefully**

Taking on clients with value systems congruent to those
of the firm will validate the process of values management, and the converse is true as well. A leader is thus continually challenged to make choices about which values to support and sustain. A hallmark of banking practice is “know your client.” One can best serve clients by listening carefully to their individual needs. Sometimes clients cannot articulate their needs, and a deeper level of knowledge is required to infer them. A basic premise is that we know our clients to be honest and trustworthy. The adage “You are only as good as your client” remains true. J. P. Morgan’s admonishment to “only do first-class business” was always before us. A client is not an object you try to rip off and get as much out of as possible. A client is someone with whom there is always the potential to establish a long-term relationship and explore the depths of life.

Listen

One of the oldest—and still most relevant—written guides to the art of managing people is the Rule of the Order of St. Benedict. The first word and sentence of the Rule is “Listen!” There is an immense difference between doing deals and building a business. St. Benedict built a large number of hospitality-based communities that have lasted for over 1200 years. His Rule allowed groups of individuals to live together in harmony while living out their vision of obedience to God. And the lynchpin of that Rule was for everyone to Listen!—and listen hard, not only to the voice of God speaking from within, but to all the other members of the community.

A good listener becomes more and more rare in our wired age in which the desired fast pace of communication places ever-increasing importance on intuition, masses of data, and speed and presupposes a base of knowledge and experience. Fast responses, however, are not enough. We cannot live our personal vision unless we are in a relationship with others. I need to know how I am going to fit into your world, or the worlds of my friends, my employees, and my clients. I need to develop the emotional maturity to become sensitive to your needs, your values, and your goals if I am going to expect you to assist me in growing a business, serving customers, or creating a supportive and effective work environment. The best way to develop this emotional maturity is to listen.

Learn to Lead in the Gray Areas

As leaders, we are often called upon to give direction when we are not sure of the way ourselves. We must become comfortable over time with paradox and ambiguity. This is because fairness is contextual. The right answer depends on the circumstances.

As we grow ethically sensitive, we learn to see the world through a set of filters, that is, interpreted by our personal, intuitive sense of right and wrong: our interpretation of how the law influences our behavior, our sensitivity to what the public expects of us and how to retain public trust beyond what the law requires. This makes ethics improvisational and intuitive. And it means that we need to leave the rules in the Compliance Department.

Preparing for Events That Test Us

How can we be better prepared for events that test us? How can we identify the guiding principles that will give us confidence in making tough decisions? The answer is simple—although not so simple to achieve: integrity. If you are willing to be accountable in all facets of your life, if you have unity or wholeness to life, then you’ve taken the first step toward integrity. If you’re beyond the point in life when you need to “put on your
game face” at the office, you’ve come a long way. And if you can master even a few of the guiding principles outlined here, you’ll discover that leading with integrity and living a life of action in business are not contradictions. Quite the contrary. Nothing is more harmonious than values and success, and no achievement is more fulfilling than ethical leadership. Stand up for your values and you’ll know exactly what I mean.

Bowen H. “Buzz” McCoy is president of Buzz McCoy Associates. He was a partner in Morgan Stanley for 20 years and directed Morgan Stanley’s real estate finance activities. He is author of “Living into Leadership: A Journey in Ethics.” This book incorporates materials developed by the author for ethics programs at various business schools, including Stanford, UC Berkeley, the University of Southern California, UCLA, and Notre Dame. He is also the author of “The Dynamics of Real Estate Capital Markets.”