



The Outcomes of Unprincipled & Unethical Leadership Behavior – a Chairman’s Perspective

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Over my thirty-nine years, I’ve worked as an operating executive, CEO, Chairman, Board Member, investor, and financial sponsor with market changing transformational firms such as EdwardJones&Co., IBM, FFMC, and others. Over my 14 years of professional life at Ephor Group, I’ve served as a Chairman and advisor to entrepreneurs, financial sponsors, and intermediaries, and institutional investors on numerous occasions and have come to realize that the development of the “CEO Entrepreneur” into an effective and ethical leader is one of the vital factors to growing a business and creating institutional wealth.

Fortunately, only on a few occasions, have I had to deal with unprincipled or unethical leaders. In most of these instances, immediately calling out the inappropriate and unprofessional behavior and reminding the “bad actors” that ethical leadership is more important than the business model, the team, or the strategy, quickly resolved the issue. I or any Chairman or investor must assertively state that not only will Ephor not tolerate the behavior; institutional investors will not invest in non-bankable management teams, nor will they invest in leadership teams that fail to demonstrate the highest level of professional standards.

Three Principles of Ethical Leadership:

1. Follow the ‘Golden Rule’ by treating everyone with respect, and integrity.
2. Publish a clear set of values and principles, then ensure adherence.
3. Foster a culture of transparency, integrity and ethical behavior.

So how does one know if a leadership team is principled and ethical? Simple. Look at their business history, its performance in all aspects of being a business. Strong, principled leaders and their companies share some common traits, such as business awards recognition and, an engaged, motivated & productive workforce with little employee turnover. Additionally they illustrate consistency in all aspects of performance and their company brand stands for something. Without principled and ethical leadership, a company generally does not retain its top employee, thus it will illustrate built-in mediocrity in its performance, will not have consistent and improving operating performance and therefore will not pass the stringent institutional investor due diligence requirement. In fact, in my 14 years, at Ephor have I only observed just a few bad businesses or bad markets.

Therefore, one must conclude that a lack of effective and principled leadership is the single biggest barrier to growth and creating institutional wealth.

For example, we recently worked with a FinTech company in the Litigation Financial services sector for more than a year on their strategy, go-to-market, corporate development, and business process scalability, in an attempt to create an institutionally attractive business model. Unfortunately, the company's leaders were unwilling to install and commit to a set of values and guiding principles that would lead the company to market success. Due to this unprincipled leadership approach and their unwillingness to change behavior patterns after numerous instances of unprincipled behavior, Ephor was forced to terminate the engagement. Simply stated: a great business opportunity wasted by ego and unprincipled behavior.

All too often, the absence of ethical leadership is camouflaged by what we at Ephor have come to call "multiple bad advisor syndrome.", or outside influence on the company that is inappropriate for the situation. Generally this occurs when the ineffective matching of lifestyle-oriented advisors to a wealth creation business

models occurs. This mismatch of objectives and skills influences the company negatively resulting in a large majority of businesses not growing beyond the startup or early stage. In fact, the statistics illustrate that 99 percent never reach \$5m in revenue. Worse yet, ineffective and unprincipled leadership often hide behind multiple bad advisors to make lowest common denominator decisions to the detriment of business, thus compounding the problem.

I have observed that unprincipled leaders often rely on their various consultants to absorb, and only selectively choose particular advice upon which to act. "Pieces" of advice obviously can only "disenfranchise" the synergies of a holistic business model.

It is interesting that when I look back and analyze the utilization of our time on the chairmanships and the other company boards I sit on; we spend the majority of our time on what's right, the principles of what's right, and on leadership deficiencies.

Effective Leadership Requires Values & Principles

To summarize: leadership must be value and principles oriented; it must be very direct and transparent, or poor company performance is sure to follow. Leadership actions represent beliefs. Thus, these actions represent the company's brand and the leader's brand. Effective

5 Steps for Dealing with Unethical Behavior:

1. Address "Red Flag" behavior immediately, assertively and punitively.
2. Do not waiver; honor published or understood principles and values.
3. Respond with honesty and integrity.
4. Quickly alert those impacted with clear communications.
5. Learn, communicate the lessons and move on.

leaders illustrate and demand a defined and celebrated culture of ethics, communication, and integrity. Factually stated, ethical and strong principled leadership is paramount to success.

Since our founding in 2002, Ephor Group has proudly worked alongside 33 firms and countless institutional investors in providing the strategic management and operating skill, combined with the financial engineering necessary to create successful high-growth-oriented companies. In fact, 21 of those company's have been recognized by *INC. Magazine* and other publications in "fast-growing" category. I could not be prouder of what Ephor and its proven professionals have accomplished on behalf of our partner companies and co-investors.

These lessons for practical, effective leadership through integrity demonstrate a proven formula all CEO's and leaders at every level must employ to maximize the potential of their business and maximize their market opportunity. For our institutional investors, we are committed to principled behavior that maximizes investment returns and minimizes execution risk.



Garry E. Meier, founded the Ephor Group to apply the performance improvement methodologies and shareholder value enhancement processes he and his associates developed over his thirty-nine plus year career to a diverse group of technology and service companies. Highly recognized for his experience in business services, outsourcing, and technology services, Garry is an industry thought leader and noted speaker on strategic effectiveness, value creation, industry trends, useful capital, performance improvement, outsourcing, customer satisfaction, and international market opportunities. Additionally, Garry advises private equity, family wealth offices and venture firms on their investment strategies and portfolio companies and well as in the past has been a small business advocate to the US Senate Finance Committee.