

ETHICAL AWARDS AND REWARDS



1999 sees the advent of a new Top 200 award for Business Ethics. Management publisher Reg Birchfield introduces the award and its criteria, while Centre for Business Ethics director Rodger Spiller provides examples of the award-winning ethical practices of US companies.



Reg Birchfield

Is your company socially responsible? What does your enterprise do to demonstrate its belief in ethical management practices? *Management* magazine is about to launch a nationwide search for a winner of our new Top 200 Business Ethics award.

The Deloitte/*Management* magazine Top 200 awards have, for 10 years now, recognised outstanding personal and organisational leadership and performance. Last year we announced our intention to add a Business Ethics Award to the list of award categories. With the encouragement and practical assistance of Rodger Spiller, the director of the AIT's newly established New Zealand Centre for Business Ethics, we have developed a framework for this important new award.

This award, like those in the United States on which it is modelled, recognises the increasing management awareness that a commitment to business ethics and a responsible approach to society and the environment provides significant long-term benefits for all the company's

stakeholders, including shareholders.

The New Zealand Business Ethics award will identify practices that provide guidance and show leadership in shaping the future of New Zealand business.

Businesses can be nominated for a wide variety of practices in different fields, including, for instance:

- The community (eg innovative giving; community volunteer programmes; support for education and job training programmes)
- The environment (eg organisation and management of environmental policies; reduction, reuse and recycling of materials; environmental audits)
- Employees (eg effective communication; learning and development opportunities; a healthy, safe, work environment providing equal employment opportunities)
- Customers (eg leadership in research and development; full product disclosure; safe products)
- Suppliers (eg long-term purchasing relationships; fair and competent handling of conflicts and disputes; inclusion of environmental and social element in selection of suppliers)
- Shareholders (eg good rate of return, dissemination of comprehensive and clear information, good management of corporate governance issues).

Nominees will be assessed in terms of their ability to demonstrate a clear purpose behind any individual practice, that the principles have been thought through, and that there has been effective performance measurement.

Consideration will also be given to the company's recognition of business ethics through the organisation's statement of purpose and principles, code of ethics or values statement. Concrete and effective organisational measures to strengthen ethical practices — such as ethical training programmes and the establishment of channels through which people can ask questions, voice concerns and seek resolution to ethical issues — will also be considered. Ethical performance measurement systems, such as ethical accounting, will strengthen nominations.



The Ethics award is designed to salute individuals and organisations committed to demonstrating:

- Purpose — in terms of environmental, social and financial wealth and business ethics.
- Principles — such as honesty, fairness, caring and courage.
- Practices — that meet stakeholder expectations and go beyond legal compliance to pioneer higher standards of ethical performance.
- Performance measurement — in terms of environmental, social, financial and ethical performance, demonstrating that business can do well by doing good.

How to enter

If you would like your company or a company you know of to be considered for the Business Ethics award please write to: Top 200 Ethics Award, P O Box 5544, Wellesley Street, Auckland, with your contact details (including phone, fax, email and postal details).

Attach a one-page summary of the action, decision, programme or initiative that is being nominated. Explain why the individual, group or business qualifies for the Business Ethics award. The summary should not exceed one page. You may submit a longer description of the nominee's achievement but it cannot be used as a substitute for the one-page summary.

You may include articles, brochures, memoranda, documents, videotapes or other materials that you consider helpful in assessing the validity, merit and impact of the nominee's achievement. Please attach a listing of these materials.

As outlined above, the Top 200 Business Ethics award will celebrate good business practices and, in conjunction with an ongoing Best Ethical Practices Research Project, provide benchmarks for other businesses to measure their own practices. It will respond to the increasing interest from shareholders, employees, customers, suppliers and the public who want to encourage ethical business.

These stakeholders want an objective,



Rodger Spiller

independent assessment of a company's ethical performance and the award is a key part of this. It is understood that most companies have areas of concern as well as strength — the key is awareness, acknowledgement and a commitment to improvement.

While we will be telling New Zealand stories of ethical achievement, much can be learned from the international experience. In fact, the award is partly inspired by those offered by the Business Enterprise Trust, a grouping of American business, labour, academic, and media leaders who seek to tell what they describe as "one of the great untold stories of business".

Their awards explore and honour "day-to-day business performance that is creative, morally thoughtful — and serves the long-term interests of the shareholder. These stories become models for all of us — and the next generation of business leaders. They help shape the future of American business."

The examples below are drawn from the US-based awards made by the Business Enterprise Trust and discussed in

Aiming Higher (Bollier, 1996, AMACOM), *Business Ethics* magazine and by The Bentley Centre for Business Ethics.

Warren Buffett, one of the world's wealthiest men and most successful investors, is a member of the Board of Trustees of the Business Enterprise Trust. Commenting on the contents of *Aiming Higher* and the essential purpose of the awards and related resource material, he noted: "Everyone needs heroes and heroines. You will find a marvellous group of them described in this book, and I urge readers to create equally inspiring stories of their own."

Xerox: Volunteerism and recycling

Xerox has won Business Enterprise Trust and *Business Ethics* magazine awards. The company's award winning practices reflect its goals of having bold technologies, strong management, grand ideals, social commitment and business success.

The Xerox Community Involvement Program (XCIP) was established in 1974. It involves approximately a third of Xerox employees annually. Xerox contributes both funds and employee time to local community projects in the areas in which it operates. Employees interested in a particular community problem can initiate a XCIP team by recruiting volunteers from the local company workforce. Project examples include renovating a teen centre, tutoring children in disadvantaged neighbourhoods, and holding fundraising events to support social service centres.

Xerox also offers social-service sabbaticals to several employees each year. The process is initiated by employees who select the project and agency with which they would like to work. The company grants up to 12 months fully compensated time off and guarantees the employee's position for their return. Reflecting upon her experience, Monica Milstead — a Xerox employee who spent 1994 undertaking fundraising and marketing for ARK Services for Abused Children — said: "Xerox has done a wonderful thing for me and I feel very loyal toward them."





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But I've also learned a host of new skills at ARK. If employees are focused on using the power of the corporation to make a difference in the community, they feel so good about what they are doing every day that they feel better about their jobs overall and perform at a higher level."

Another practice at Xerox is its Asset Recycle Management (ARM) programme, which uses leased Xerox copiers as sources of high-quality, low-cost parts and components for new machines. A well developed infrastructure for taking back leased copiers combined with a sophisticated remanufacturing process allows parts and components to be reconditioned, tested, and then reassembled into "new" machines. Xerox estimates that ARM savings in raw materials, labour and waste disposal in 1995 alone were in the US\$300 million to US\$400 million range. In taking recycling to this level Xerox has reconceptualised its business.

SmithKline Beecham: Innovative giving

The US *Business Ethics* magazine recognised pharmaceutical multinational

SmithKline Beecham (SKB) for "Philanthropic Excellence" for their new project to eradicate lymphatic filariasis worldwide. This disease is the second largest cause of disability in the world. It infects 120 million people in 73 countries, over a third of whom suffer visibly from the horrible disfigurements of elephantiasis, as well as ailments like genital damage and lung disease. Health care and productivity losses in India alone, host to one in three cases, are conservatively estimated at US\$1.5 billion a year.

SKB will donate four to five billion tablets of albendazole over the next two decades. With the drug estimated to cost 10 to 20 cents per dose, SKB's commitment is estimated to be worth from US\$500 million to US\$1 billion. This is a major initiative from an organisation with a profit last year of US\$2.8 billion.

The project met the company's criteria of: focusing on health care, its own area of expertise; reflecting the company's global reach; and reaching beyond the corporate level to involve employees at all levels.

SKB is working in partnership with the World Health Organisation (WHO)

and an international coalition of public and private groups. WHO describe SKB's initiative as "unparalleled in scope" and have dubbed it "Reasons for Hope".

Starbucks: Employee ownership and participation

The Starbucks Coffee Company was recognised by the Business Enterprise Trust for its employee benefit plan, which provides share options, health care, training, career counselling and product discounts for all staff, two-thirds of whom are employed part-time. The company's high level of employee consultation was also commended.

Chairman Howard Schultz attributes the company's success to the dedication of its staff, having designed a generous package to attract and encourage dedicated employees. He maintains that the Starbucks benefit package is "the single greatest advantage we have in our company in terms of a competitive advantage because of the value and relationship that our people have to the company, to each other, and most importantly, to our customers and our shareholders".

The most innovative aspect of the benefits package is the "Bean Stock" option plan, which offers all employees share options based on their wages and company profitability. It was the first of its kind developed by a private company. A Bean Stock hotline enables employees to have their questions answered and significant time is invested in explaining the plan. "The two cornerstones of the culture of our company," says Schultz, "are to treat people with respect and dignity, and a manifestation of that was, first and foremost, creating an environment where everybody was an owner."

Each quarter in each city that the company operates in, Starbucks executives conduct employee open forums. Schultz describes how "we open it up to the 100 or 200 or 300 in the auditorium — to questions, concerns, criticisms, compliments, or just points of view on how we are doing as the keeper of the key".





Springfield Remanufacturing: Financial education for employees and profit sharing

Springfield Remanufacturing Corporation has won Business Enterprise Trust and *Business Ethics* magazine awards for its combination of financial education for employees and profit sharing. Founder Jack Stack has created “the great game of business”, the essence of which is having every employee understand exactly how money is made or lost, and exactly how she or he influences the process of making it or losing it.

Stack has ensured that all employees are trained to read and understand the company’s financial statements. Numbers are reviewed at weekly team meetings known as the “Great Huddle”, in which company-wide numbers are reviewed by management and discussed in small groups of employees. Stack explains how the numbers “game” works: “Cost control happens — or doesn’t happen — on the level of the individual. You don’t become the least-cost producer by issuing edicts from an office, or by setting up elaborate systems and controls, or by giving pep talks. The best way to control costs is to enlist everyone in the effort. That means providing people with the tools that allow them to make the right decisions. Those tools are our magic numbers.”

One reason why all employees buy into “The Game” is that they all share in a bonus plan based on company-wide productivity. Bonuses are distributed quarterly, in a steadily rising percentage, if goals are met.

The psychology of The Game is key: Bonuses are not arbitrarily bestowed as gifts from management but rather as rewards that have been demonstrably earned. The whole system of open-book management, numbers-based assessment, and company-wide participation helps root out the company’s weaknesses — it also helps to bring everyone together as a team. No-one can win a bonus unless everyone works together toward a common goal.

Texas Instruments: Ethical awareness and training

The US-based high technology company Texas Instruments was awarded the Bentley Centre for Business Ethics award for its ethics programme. It has an ethics office with three primary functions: to ensure that TI’s business policies and practices continue to be aligned with its ethical principles; to clearly communicate TI’s ethical expectations; and to provide multiple channels for feedback through which people can ask questions, voice concerns and seek resolution to ethical issues.

TI has a protected, confidential and interactive electronic mail feedback and helpline system, accessible to TI employees worldwide. The TI Ethics Office publishes a weekly column called “Instant Experience” on the company’s electronic newspaper. It describes real ethics cases and how they can be ad-



dressed. Those who send in issues are guaranteed anonymity and all employees worldwide can log on and read the column. They are encouraged to respond with questions and comments.

Doing well by doing good

The financial performance of ethical business can be seen in the Domini Social Index of the leading 400 US publicly listed ethical companies which has outperformed the S&P 500 and the S&P MidCap. This performance, captured in a US mutual fund, supports the conclusions of investment research showing that business can do well by doing good.

The Top 200 Business Ethics award and the Best Ethical Practices Research Project will profile examples from New Zealand business. These examples will be presented in articles, case studies, teaching notes and video for use in corporate training programmes and business schools. They will identify New Zealand stories of businesses that are “doing well by doing good” and provide examples for current and future leaders of New Zealand business. This will highlight the opportunity that exists for all New Zealand business to excel financially and ethically.

Rodger Spiller is the director of the Centre for Business Ethics, managing director of the personal investment advisory firm, Money Matters, and a director of Businesses for Social Responsibility.

