Ethical Business and Investment: A Model for Business and Society

Rodger Spiller

ABSTRACT. Two key questions lie at the heart of the business challenge for business ethics: is it possible for business and investors to do well while doing good; and if so, how can this be achieved? This paper adopts an international investment perspective to address these questions. It demonstrates that it is possible for business and investors to achieve a triple bottom line of environmental, social and financial performance.

A new integrated model of Ethical Business including an Ethical Scorecard performance measurement technology is presented based on international ethical investment criteria and case studies of businesses rated highly by ethical investors. Ethical Performance Scores are presented for these businesses and New Zealand business. Examples from New Zealand are presented to illustrate the Ethical Scorecard and ethical business practice. The model and scoring system provide a basis for international benchmarking of ethical business to assist investors, managers and researchers.

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In search of ethical business

Ethical Business (EB) philosophy emphasises "doing well while doing good" and redefines the meaning of corporate responsibility: "Only if business learns that to do well it has to do good can we hope to tackle the major social challenges facing developed societies today" (Drucker, 1984, p. 55). Within EB, business is urged to take "responsibility for the whole". Harman (1990) explains why this is necessary:

> Business has become, in this last half-century, the most powerful institution on the planet. The dominant institution in any society needs to take responsibility for the whole. This is a new role for business, not yet well understood and accepted. (Harman, 1990, p. 12)

In 1991 Kanter developed this theme by posing some challenging "root questions" about what guides business decisions:

> Is wealth production really the goal of business, as some economists say, or is wealth a by-product, an incentive en route to other ends? When a corporate mission statement contains only one goal – to create shareholder value – has an essential ingredient been lost? (Kanter, 1991, p. 10)

Her conclusion reflects the essence of EB:

> Money should never be separated from mission. It is an instrument, not an end. Detached from values, it may indeed be the root of all evil. Linked effectively to social purpose, it can be the root of opportunity. (Kanter, 1991, p. 10)

Similar questions and the concomitant search for models of EB prompted the establishment in

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1990 of The Business Enterprise Trust, whose US Trustees included the Board Chairs of businesses including Johnson and Johnson, IBM and Hewlett Packard, and such noted academics as Peter Drucker and Robert Reich. The Trust placed advertisements in the *New York Times* and *Wall Street Journal*, asking readers to "Tell us about the business decision you most admire":

> It's one of the great untold stories in business – the success of individuals and companies who know there's more to good business than next quarter's bottom line:
>
> - Employees who aren't afraid to show moral courage and act on principle.
> - Entrepreneurs willing to take risks for a socially visionary product or service.
> - Managers who have pioneered enlightened business practices.
> - Investors and executives with a long-term perspective and commitment to the commonweal.
>
> If you have encountered such acts of courage, integrity or social vision in business we invite you to nominate them for one of the 1990 Business Enterprise Awards. . . . These stories become models for all of us – and for the next generation of business leaders. They help shape the future of American business. (Hanson, 1990, p. 1)

This paper responds to the call from leading business people and academics such as those involved with the Business Enterprise Trust for more research defining and illustrating EB. This is done through adopting an international investment perspective and linking this with management and business ethics. A particular focus is ethical investment (EI) in which investors are constantly judging the environmental, social, and financial performance of business and considering this triple bottom line in their investment decision making. Indeed, EI researchers make an award similar to that of the Business Enterprise Award whenever they assess a business as having satisfied their investment criteria.

The EI community has identified a similar need to that articulated by the Business Enterprise Trust. United States socially responsible investment (the US term for EI) researcher Steven Lydenberg (1996) called for

> . . . more work by the socially responsible investment community on the important question of how to define more explicitly what we all instinctively recognise as a socially responsible company. This daunting task of putting all the pieces together into a cohesive whole still lies ahead for those who would reimagine and redefine the relationship between corporations and society. (Lydenberg, 1996, p. 76)

This paper tackles this "daunting task" by integrating and expanding the management and EI approaches. To date there have been minimal connections between these two worlds, which is unfortunate because the EI perspective has the potential to make a significant contribution in assisting management theorists and practitioners. The model and examples presented here can provide a framework for recognising, understanding, implementing and evaluating EB, thereby increasing the quality and quantity of EB. Before presenting some findings from my search for EB I firstly address the financial objection that prevents many business practitioners and investors from seriously considering EB.

Ethical rewards and the triple bottom line

Many investors believe that EB provides superior financial performance. Benefits that a company might experience include: increasing productivity and loyalty of employees; improving customer sales and loyalty; growing supplier commitment; improving environmental quality; and reducing legislative demands with strengthening community and government relations. Management quality can increase and when combined with enhanced relationships with stakeholders, can improve financial performance for shareholders.

Despite these potential benefits critics argue that EI and EB must involve a reduction in financial return and/or an increase in risk. Many business practitioners and investors who believe that environmental and social responsibility are a distraction from the business of business, which they see as being solely the task of making profits, share this view. The belief has led to a tendency for EI and EB to be dismissed. The EI

experience provides valuable insights to address this objection.

The most comprehensive and ongoing guide to the performance of EI in the US is the Domini Social Index (DSI) created by leading EI research organisation Kinder, Lydenberg, Domini and Co., Inc. (KLD). The DSI comprises 400 companies and is designed to represent the market of stocks that most ethical investors buy from, thereby acting as a standard by which the performance of ethically screened portfolios can be measured. It can be compared with the S&P 500, which represents the market of large capitalisation stocks most investors buy from. The performance of the DSI has demonstrated that there is no cost to EI (KLD, 1996; Luck and Pillote, 1993). This conclusion is consistent with those of Hamilton, Jo and Statman (1993) in the US and Mallin, Saadouni and Briston (1995) in the UK who found no significant difference between the performance of ethical funds and that of conventional funds.

Providing financial support for the view that EB outperforms conventional business, Herremans, Akathaporn and McInnes (1993) found that UK socially responsible companies have higher stock market returns, and the authors suggested that ethical investing strategies are fundamentally sound since their selection criteria help to effectively lower investment risk. More recently, Russo and Fouts (1997) found that environmental performance and economic performance were positively correlated in the US, with environmentally conscious portfolios achieving *better* returns compared both with the S&P 500 index and those companies considered to be not environmentally conscious. My own analysis of the performance of the NZSE 40 (the index of the 40 largest companies listed on the New Zealand Stock Exchange) and an ethical portfolio screened for the conventional "sin" stocks of alcohol, gambling, and tobacco showed that there was no significant difference between the two portfolios for the five years to 31 March 1998.

The international experience suggests that there need not be a cost to investing ethically. Accordingly, it can be concluded that it is possible for investors to "do well while doing good", achieving a triple bottom line of environmental, social, and financial wealth creation. The major financial objection to EI and EB has therefore been resolved.

The "Four P's of ethical business"

Having shown that business can do well while doing good the next question is how can this be achieved? My approach to this question was two-pronged: on the one hand to research companies internationally rated most highly by EI researchers, and, on the other, to review a wide range of literature from texts on ethics through to accountancy. My findings are summarised in what I refer to as "the Four P's of ethical business": *purpose, principles, practices*, *and performance measurement*. This model is illustrated in Figure 1 below.

The purpose of EB is to create environmental, social, and financial wealth, thereby making a positive contribution to the environment and society in a financially responsible manner. The principles that guide the EB include fairness, caring, honesty, and courage. EB practices address stakeholder concerns – such stakeholders include the community, the environment, employees, customers, suppliers, and shareholders. EB performance measurement involves accounting for environmental and social as well as financial performance. This involves qualitative as well as quantitative measures and utilising both stakeholder perceptions and company data to determine performance in terms of the triple bottom line.

Purpose

The EB aim to create environmental and social as well as financial wealth occurs most explicitly in those businesses that respond to the challenge made by Drucker (1984) for business to identify and respond to environmental and social needs by transforming these problems into opportunities.

The approach recommended by Drucker (1984) goes beyond the views that business should "do well in order to do good" or that

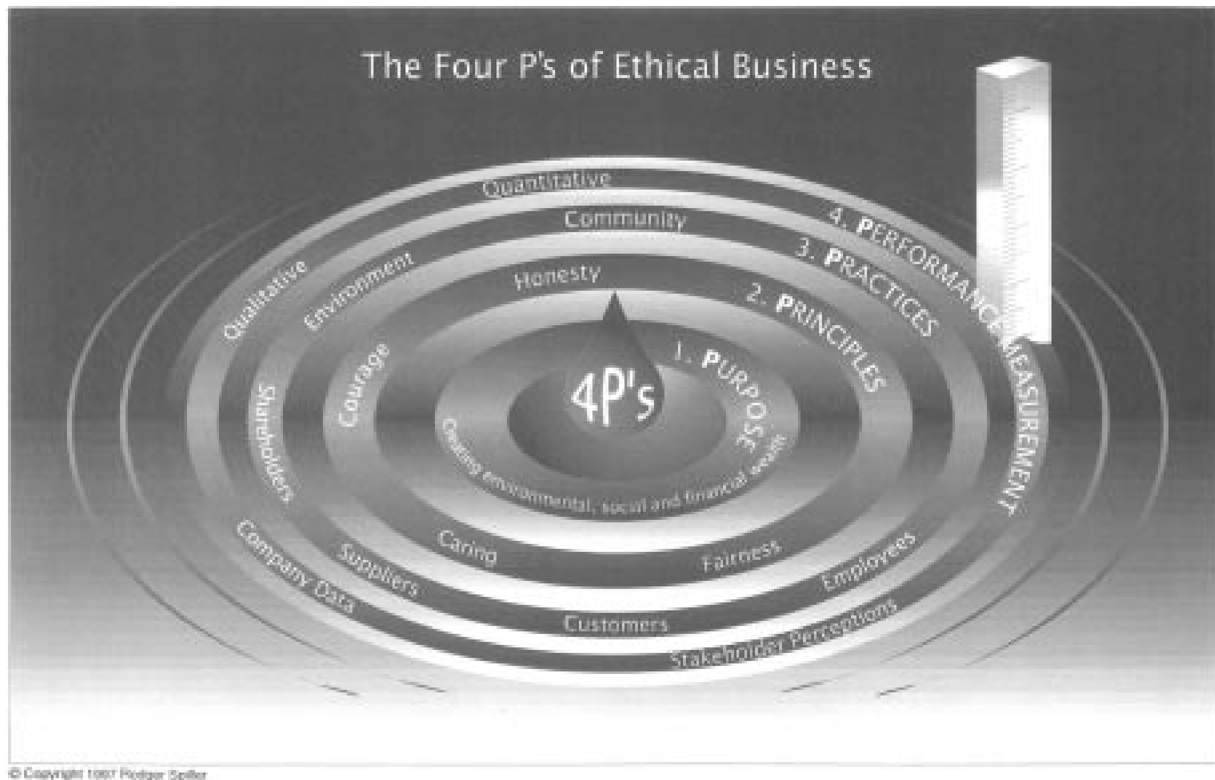

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Figure 1.

business social responsibility can be achieved through simply donating money. For him, social responsibility extends from the goods and services created through to the way in which these are produced, and beyond. A key challenge here is to recognise the relationship between the business and the environmental and social problems that the business could assist in addressing. Mitroff, Mason and Pearson (1994) describe this as a spiritual activity and encourage business to pursue "world service and spirituality". They maintain that the essence of spirituality in organisations is

> to encourage and allow everyone involved with an organisation to draw his or her own unique spiritual connections between the resources of that organisation and an important social or environmental problem that those resources could help alleviate. (Mitroff, Mason and Pearson, 1994, p. 81)

EB practitioners and ethical investors argue that profit is a means to an end rather than an end in itself. O'Toole (1985) noted that "profits are like breathing. You must breathe to live: but you don't live to breathe." In other words, focusing solely on profit maximisation fails to provide a sufficiently meaningful purpose for business and investors to commit to, and fails to recognise a wish to assist other people and the planet.

Principles

The principles that ethical investors want to see reflected in the businesses in which they invest can be deduced from an analysis of Aristotelian virtues. While there is room for debate about which virtues to select and what they should be called, the selection that follows provides a sketch of what a plausible list might look like.

- *Honesty* lies at the heart of the functioning of business, which is built on a free-enterprise model of individual choice and liberty. Informed choice and a properly functioning market each require honesty. A lack of honesty impacts not just on the participants

who have been deceived in a transaction but also on the business system that relies on an ability to make mutually beneficial agreements (Solomon, 1992).

- The virtue of *fairness* or justice implies that a company has a sense of value, being willing to exchange value for value in a market that is inherently subjective (Solomon, 1992). It also involves a company being concerned to have fairness characterise all of its relationships, including those with society and the environment. Justice was considered by both Aristotle and Plato to be the basic virtue. As "fairness", it is the essential element in keeping the members of an organisation and everyone concerned with it (in other words all the stakeholders) committed to and supportive of the enterprise. Without this commitment and support business cannot function effectively.
- *Caring* is a fundamental attitude within the model EB. It involves a genuine concern and attention to the well-being of others and the environment. Solomon (1992) describes caring as the "glue" of organisational life – an attitude that provides employees and all other stakeholders with a real sense of connection to, and support from, the business. This in turn provides a strong bond with the business and a reason for "sticking with it" and also caring about its well-being (Solomon, 1992, p. 226).
- *Courage* was the first virtue listed by Aristotle. This meant courage in combat, which can be equated to the courage displayed by EB practitioners who refuse to accept that the only social responsibility of investors and business is profit maximisation. Describing courage as the essence of greatness, O'Toole (1985) maintains that this virtue not only serves business and society but is also critical for the survival of capitalism.

Practices

It is at the level of business practices that the true test of EB occurs as practices reflect the application of purpose and principles. While it is relatively easy for a business to produce a statement of purpose and principles, it is far more challenging to implement it.

To guide implementation, I have identified ten key business practices for each of the six main stakeholder groups: community; environment; employees; customers; suppliers, and shareholders. By necessity many of these practices summarise various facets, for example "Fulfilling work" includes "employee work/life balance". These practices are drawn from applying the EI perspective to an evaluation of EB case studies and business literature. As would be expected in an emerging field, the list of 60 practices summarised below is neither exhaustive, nor uncontroversial. However, it does provide a starting point, a menu from which companies can choose, preferably in conjunction with their stakeholders, the areas on which to focus.

1. Community

1.1. Generous financial donations
1.2. Innovative giving
1.3. Support for education and job training programmes
1.4. Direct involvement in community projects and affairs
1.5. Community volunteer programmes
1.6. Support for the local community
1.7. Campaigning for environmental and social change
1.8. An employee-led approach to philanthropy
1.9. Efficient and effective community activity
1.10. Disclosure of environmental and social performance

2. Environment

2.1. Environmental policies, organisation and management
2.2. Materials policy of reduction, reuse and recycling
2.3. Monitoring, minimising and taking responsibility for releases to the environment
2.4. Waste management
2.5. Energy conservation
2.6. Effective emergency response

2.7. Public dialogue and disclosure
2.8. Product stewardship
2.9. Environmental requirements for suppliers
2.10. Environmental audits

3. Employees
3.1. Fair remuneration
3.2. Effective communication
3.3. Learning and development opportunities
3.4. Fulfilling work
3.5. A healthy and safe work environment
3.6. Equal employment opportunities
3.7. Job security
3.8. Competent leadership
3.9. Community spirit
3.10. Social mission integration

4. Customers
4.1. Industry-leading quality programme
4.2. Value for money
4.3. Truthful promotion
4.4. Full product disclosure
4.5. Leadership in research and development
4.6. Minimal packaging
4.7. Rapid and respectful responses to customer comments, complaints and concerns
4.8. Customer dialogue
4.9. Safe products
4.10. Environmentally and socially responsible production and product composition

5. Suppliers
5.1. Develop and maintain long-term purchasing relationships
5.2. Clear expectations
5.3. Pay fair prices and bills according to terms agreed upon
5.4. Fair and competent handling of conflicts and disputes
5.5. Reliable anticipated purchasing requirements
5.6. Encouragement to provide innovative suggestions
5.7. Assist suppliers to improve their environmental and social performance
5.8. Utilise local suppliers
5.9. Sourcing from minority-owned suppliers
5.10. Inclusion of an environmental and social element in the selection of suppliers

6. Shareholders
6.1. Good rate of long-term return to shareholders
6.2. Disseminate comprehensive and clear information
6.3. Encourage staff ownership of shares
6.4. Develop and build relationships with shareholders
6.5. Clear dividend policy and payment of appropriate dividends
6.6. Corporate governance issues are well managed
6.7. Access to company's directors and senior managers
6.8. Annual report and accounts provide a comprehensive picture of the company's overall performance
6.9. Clear long-term business strategy
6.10. Open communication with the financial community

Performance measurement

Internationally there is a growing demand from stakeholders for businesses to report on their performance in terms of those issues that have an impact on the stakeholders. This can be seen in the development of ethical accounting and the work of the Institute of Social and Ethical AccountAbility.

Ethical accounting requires company participation however many companies are reluctant to publish such reports. This presents a problem for the EI community, which needs to understand and provide investors with a picture of a company's ethical performance. This problem can be addressed using my concept of an Ethical Scorecard. The Ethical Scorecard can be a transition step for a company prior to the publication of a full ethical accounting statement or where such accounting exists the Scorecard can be used either by the company or EI researchers to present this information to investors.

The concept of a "Scorecard" has been popularised by Kaplan and Norton (1996) authors of *The Balanced Scorecard*. The Balanced Scorecard seeks to provide managers with the information they require by translating the company's mission

and strategy into performance objectives and measures, along with targets and initiatives in terms of what Kaplan and Norton describe as four balanced perspectives: financial, customers, internal business processes, and learning and growth.

The Ethical Scorecard extends the Balanced Scorecard focus on satisfying shareholders and customers to take account of the other primary stakeholders in terms of employees, suppliers, community, and the environment. While the Balanced Scorecard focuses on how the company appears to its shareholders and customers, the Ethical Scorecard incorporates the perceptions of all stakeholders.

The company's purpose and vision is central to and the starting point for The Ethical Scorecard. Purpose is considered in terms of creating wealth through achieving a triple bottom line of environmental, social and financial performance.

Ethical principles are highlighted within The Ethical Scorecard. These principles can be derived from a company's Code of Ethics and where this does not exist can be created, preferably through a process of dialogue with stakeholders. Ethical principles provide an important navigational tool to guide action.

The primary focus of The Ethical Scorecard is the company's practices. These can be categorised in terms of the six main stakeholder groups and considered in terms of the inventory of 60 best practices that I created based on international case studies and investment analysis and which are presented above.

The Ethical Scorecard can be prepared at varying levels of depth. It can simply be an account of publicly available information regarding quantitative measures, from the level of donations disclosed in the company's accounts to its financial results, and qualitative assessments such as stakeholder perceptions of company performance included in media reports. Additional research with stakeholders can strengthen this data.

Company involvement is preferable. This can range from the provision of information to external researchers, through to a complete embracing of the Ethical Scorecard and ethical accounting technology and the utilisation of this as a management tool. The greater the involvement of the company, the greater the potential for it to obtain the benefits offered from measuring performance in terms of the triple bottom line. The Ethical Scorecard offers a diagnostic tool and strategy for integrating various management technologies aimed at improving the company's performance from quality management through to employee satisfaction tools.

The Ethical Scorecard includes assessments of the significance of company performance relative to other companies. This benchmarking concept was applied by Kirk Hanson of the Stanford Business School in his "Social Evaluation" of The Body Shop. Introducing the report, he noted that:

> The company requested an examination of its social performance on those dimensions addressed in its Mission Statement and Trading Charter, but authorised me to include any other dimensions which I felt were critical to an assessment of its social impact and the fulfilment of its mission. . . . I sought to evaluate The Body Shop against comparable companies, against the company's own values and goals, against the practices of the most outstanding companies ("best practice"), and against the company's claims regarding its social performance. (Hanson, 1995, pp. 1, 3)

The terminology used in the Ethical Scorecard is similar to that applied by Boston based investment research firm Kinder, Lydenberg and Domini in its rating of "strengths and concerns". I have assigned numeric ratings to assess each of the sixty practices to obtain an overall quantitative Ethical Performance Score (EPS) that summarises the Ethical Scorecard. A major strength is recorded as 2, a strength as 1, no strengths or concerns, or equal strengths and concerns, or no information as 0, a concern as –1 and a major concern as –2. The perfect EPS is 120 where each of the sixty practices is a major strength. Conversely the worst EPS is –120 where each of the sixty practices is a major concern. A neutral score is 0.

The model practices represent the ideal company from an EI perspective and what the EB case study companies, particularly The Body

Shop and Ben & Jerry's state that they aspire to achieve. These companies are not perfect nor do they claim to be. Perfection is not a realistic expectation. What ethical investors do expect is a positive score and continuous improvement. In some cases information about these practices was not available from the reports provided by the EB companies. This highlights a shortfall between the EI reporting requirements and existing EB reporting. The Ethical Scorecard addresses this shortcoming by integrating the EI perspective with EB.

EPS ratings for each of the international case study companies are presented in Table I. These ratings are not presented as a definitive statement of the ethical performance of the companies, but simply report the findings based on the practices information on which this research is based.

The EPS results reflect the pioneering work of The Body Shop and Ben & Jerry's. The similarity in their scores may be partly attributed to their sharing ideas and insights regarding NPB initiatives. The EPS results for Blackmores and Lend Lease indicate a solid basis for the positive regard in which ethical investors hold these companies.

The Ethical Scorecard can be used as a tool for identifying companies whose practices are exemplary. This process is reflected in business ethics awards, which have an important role to play in creating improved business practice, by recognising leading companies whose practices provide examples for others to learn from. It is being used in the New Zealand Business Ethics Awards, which are being modelled on The Business Enterprise Trust.

Ultimately, the Ethical Scorecard has the ability not only to assist investors but also to provide a major contribution to company management wishing to improve business environmental, social, and financial performance. It provides a valuable tool for operationalising ethics and value-based leadership.

Ethical business in New Zealand

This section presents the EPS for the NZSE 40 index of the largest 40 companies on the New Zealand sharemarket and provides examples of one practice from each stakeholder grouping from the Ethical Scorecard of the NZSE 40. This analysis is based on an extensive search of a range of information sources including companies, media and special interest groups. The focus was the 1996 reporting year supplemented by information from the recent history prior to 1996 of the NZSE 40 companies.

The EPS for the NZSE 40 was 5. In percentage terms this equates to 52%. While there is substantial room for improvement the NZSE 40 EPS and Ethical Scorecard, examples from which are presented below, reflects a wide range of positive practices. The highest ranked company was Fisher & Paykel which at an EPS of 32 or 63% was clearly in first position. This performance is similar to the international case study companies. The examples below illustrate some of the Fisher & Paykel practices along with other best practices from the NZSE 40.

TABLE I
Ethical performance scores

Company	Stakeholder group ethical performance scores						Total EPS
	Community	Environment	Employees	Customers	Suppliers	Shareholders	
The Body Shop	13	11	11	3	6	0	44
Ben & Jerry's	14	10	7	8	3	1	43
Blackmores	5	7	7	9	1	4	33
Lend Lease	7	6	8	3	1	5	30

Community – innovative giving

- Carter Holt Harvey co-sponsored "Habitat for Humanity New Zealand", an interest-free home ownership scheme launched in South Auckland for low-income families. Habitat for Humanity was sponsored to build 10 homes in Otara which were to be sold for about $70 000 each and will also build a further 20 homes throughout the country. Habitat for Humanity New Zealand purchased the land and the sponsoring companies supplied materials and labour. Social agents welcomed the initiative, saying market rentals had made state homes unaffordable (*New Zealand Herald*, 22 June 1995).
- St Lukes Group supported the Courageous Kids Awards promotion. Developed by the company's Plaza Pakuranga in partnership with the local newspaper, *Howick and Pakuranga Times*, it involved nomination by the community of children who have overcome great odds, or faced a difficult challenge. All children were presented with certificates and awards. This project has attracted nation-wide media attention (St Lukes Group, 1996, p. 13).
- Ports of Auckland is a major supporter of youth development through its ongoing commitment to the Spirit of Adventure Trust and sailing programmes based at Westhaven Marina, including an ongoing commitment to sailing for the visually impaired (Ports of Auckland, 1996, p. 20).

Environment – recycling

- Fisher & Paykel has a recycling plant for its old appliances, separating out the reusable and recyclable components. Established in 1993 in conjunction with a major retailer, the operation involves selling the recyclable raw materials and disposing of the rest in keeping with an agreement with the regional authority. It currently strips around 45 appliances daily using trade-ins from retailers and in-house factory rejects. The plastics salvaged from refrigerators and freezers are now reused as vacuum-formed bases for packaging new appliances (*Consumer*, 1995, p. 31; *The Independent*, 11 June 1993).
- Through Milburn's oil recovery programme, used oil, historically land-filled, illegally dumped or burned in an uncontrollable manner, is being used as a partial replacement for coal (a non-renewable resource) for fuelling the company's Westport Works cement kilns. The result is disposal of used oil in an environmentally sound manner and extraction of the full energy value (Milburn New Zealand, 1996, p. 6; *The New Zealand Herald*, 15 September 1994; *The Merchant*, August 1995; *The New Zealand Manufacturer*, March 1996).

Employees – learning and development opportunities

- Fisher & Paykel's focus on training has assured it a high percentage of long-serving employees. Each task is analysed and the training required specified (*The Sunday Star*, 15 August 1993). Company policy encourages staff to become skilled in a range of tasks such as problem solving, leadership, and quality improvement. This is also part of the composite agreement between Fisher & Paykel and the 11 unions, which rewards employees for their occupational skills, the number of different jobs they can do and their involvement in improvement activities (*New Zealand Business*, July 1992).
- Fisher & Paykel's training is mainly carried out on-the-job, two hours' training per week allocated to each employee (*Export News*, 1994, 1995). All employees are reviewed at least once a year and some more often (*The Sunday Star*, 15 August 1993). Near each processing line are team meeting areas with whiteboards which list members and details the skills they have attained or would like to attain.
- The Warehouse was given "a big tick for its commitment to staff training' by the

union (*Metro*, 1996, p. 79). The Warehouse induction programme consists of six modules that are completed in 10 hours over three months. Each Warehouse store has an in-store trainer responsible for on-the-job coaching and operational training. An area trainer – responsible for in-house training – supervises this position. The training programme includes units on customer service, loss prevention, security, health and safety, a two-stage management development component and area management development (*The Merchant*, December 1995).

Customers – environmentally and socially responsible production and product composition

- Fisher & Paykel's research and development expertise has responded to the environmental challenge of replacing chlorofluorocarbons (CFCs) traditionally used in refrigerators and considered to be a significant offender in atmospheric ozone breakdown. CFCs are used to make the polyurethane foam that insulates fridges and also serve as the liquid refrigerant which performs the cooling. In August 1994, Fisher & Paykel succeeded in eliminating CFC insulating foam and coolants from its fridges. It now uses a natural hydrocarbon called pentane, and the coolant R134a, both of which are non-ozone-damaging. Fisher & Paykel said that it is continuing to research and introduce ways to reduce energy use (*Consumer*, 1995, p. 31).
- St Lukes WestCity shopping centre is seeking to address public demands for environmentally friendly practices. The eco-initiative at the company's newly developed centre is a joint effort between the Waitakere City Council, the Ministry for the Environment and the St Lukes Group. Clean Retail is a scheme that aims to implement environmental practices with retailers in Waitakere City, using WestCity as a leader in encouraging other businesses to take part. Based around the three Rs of environmental policy – reduce, reuse and recycle – Clean Retail includes such practices as reducing waste, energy and water use. Retailers are encouraged to use less packaging, recycle all waste, carry out environmental audits, set achievable goals, and monitor procedures on a regular basis (*New Zealand Hardware*, 1997). St Lukes has also demonstrated social responsibility by adopting a policy phasing out smoking in public areas in its seven shopping centres (*The New Zealand Herald*, 8 April 1994).

Suppliers – inclusion of an environmental and social element in the selection of suppliers

- Fisher & Paykel and The Warehouse are two New Zealand examples of companies that have publicly stated commitments in this area. Fisher & Paykel says that it only deals with suppliers that avoid "unnecessary harm to the environment" (*Consumer*, 1995, p. 31) and The Warehouse announced in 1995 that the company would buy no more French products until the nuclear issue had been resolved (*The Dominion*, 9 August 1995).

Shareholders – corporate governance issues are well managed

- Carter Holt Harvey discusses corporate governance issues in the company's 1996 Annual Report, with regard to the board of directors and the board audit committee, finance committee and management development and compensation committee. The report notes that the board of directors comprises nine non-executive directors (including the chairman) and one executive director (the chief executive officer and managing director) and that it normally meets eight times per year. The report states that the board is committed to a high standard of corporate governance. It also

notes that policy areas such as health and safety, staff training and development, environment, ethical conduct and regulatory compliance are regarded as important (Carter Holt Harvey, 1996, p. 68).

- The St Lukes Group board of directors has nine members, eight of whom are non-executives. The Chairman is a non-executive director as required by company policy. The report notes that the board seeks to appoint directors with complementary experience and knowledge who will, at all times, act in accordance with the highest ethical standards and will contribute in a positive and constructive manner to the board discussions and debate (St Lukes Group, 1996, p. 29).

Conclusion

The international evidence shows that there need not be any cost to investing ethically and this has also been shown to be true in New Zealand. It can therefore be said that business and investors can do well while doing good.

The experience of EB coupled with the EI perspective provides guidance for achieving this. The "Four P's of Ethical Business" model provides a holistic and explicit account of ethical business, an Ethical Scorecard system, ethical inventory of ten best practices for each of the six main stakeholder groups and an ethical performance scoring system. This provide a basis for international benchmarking of ethical business performance to assist investors, managers and researchers to recognise, understand, implement and evaluate EB, thereby increasing the quality and quantity of EB.

Actual examples of EB, such as those provided from New Zealand business, provide illustrations and guidance for others. Key questions for every business in terms of ethical performance are: Where are we now? Where do we want to be? How will we get there? There can be little doubt that sustainable wealth creation for business and investors will increasingly rely upon a solid ethical foundation.

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