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Ethical Marketing: A Look on the Bright Side

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ETHICAL MARKETING: A LOOK ON THE BRIGHT SIDE

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This article offers an alternative to conventional approaches to ethical analysis in business and marketing. We submit that studying companies with exemplary records of ethical conduct and social responsibility offers useful and compelling guidance to marketing students and managers. It provides another needed perspective beyond simply examining examples of misconduct or offering normative advice that may not reflect the specifics of corporate situations. Based on examples presented in a recent text by the authors and Better Business Bureau Torch Awardees, we present information on thirteen companies of varying size and from several different industries. That information includes ethics policies, management practices, environmental practices, and company reputation. From these examples, we draw lessons that should offer ethical guidance to marketing managers.

INTRODUCTION

With respect to business and marketing ethics, public attention and journalistic focus is mostly drawn to high profile scandals and serious violations of laws and obligations. Examples include Ford's Pinto and Firestone's '500' in the 1970s; Union Carbide's disaster at Bhopal and the Exxon Valdez oil spill in the 1980s; safety concerns about tires and rollovers with SUVs in the 1990s; and, since 2001, accounting misstatements at Enron, Worldcom, Parmalat, and AIG. With respect to marketing ethics, our attention is mostly drawn to unsafe products, violations of confidentiality in internet transactions, "spam" and telemarketing, misleading promotions and outright scams, as well as illegal pricing schemes.

It should not be surprising that instruction in business ethics has tended to follow this lead. Our first task in ethics education is to heighten student sensitivity to the presence of marketplace and workplace ethical dilemmas. Ethical theory can be quite dry and, unless students connect principles to problems, ethics instruction seems irrelevant. Bringing forward examples of egregious breaches of duty affecting hundreds or thousands of people provides that linkage. We might call this the "aha approach."

Unfortunately, this "aha approach" doesn't take us beyond this initial cognitive threshold of sensitivity. First, students (and executives, for that matter) tend to see these outrageous scandals as examples of stupidity as well as knavery - "no-brainers." Once exposed to the light of day, i.e., public transparency, few would approve of or engage in the behaviors recounted in these storied events; most managers and students don't need hours of discussion on deontological and teleological debate to see that these are outside the bounds of acceptable conduct.

Second, this focus on violations of ethical principles leaves the impression that marketing and business in general is inherently unethical, that unethical behavior is the norm rather than the exception. This sends students into the job market with a cynical attitude that unethical behavior in business is expected, even desired, and necessary to get ahead – and leaves the vast majority of honest employers with the task of re-educating them to the obligations and expectations required for survival and advancement. As a member of the Business Advisory Council at one of the schools represented by the authors

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noted: "Our biggest challenge with new hires fresh out of college is convincing them that you don't get ahead in business by being unethical. In fact, that is the quickest way to get fired here."

Third, we believe studying the "ethics train wrecks" noted above provides little in the way of positive guidance. To paraphrase neo-conservative moral theologian Michael Novak discussing poverty at a symposium several years ago: "We've spent years and hundreds of millions of dollars studying poverty. Now we know why people are poor. Shouldn't we study what makes people rich?" There appears to be a useful analogy here with respect to ethics. Studying scandals tells us how people and companies are unethical; shouldn't we study how people and companies do the right thing and meet ethical obligations to stakeholders, even sometimes at a significant economic cost?

Apart from the intuitive logic of this more affirmative approach, research on moral education and development supports the prospect that positive guidance provides an antidote to the often existential or morally ambiguous frameworks implied by attending solely to the detail of ethical violations (Kavathatzopoulos 1993). Seeking role models to shape moral behavior goes back at least as far as Aristotle and is consistent with the virtue ethics approach to improving the morality of business behavior.

Our substantive response to this challenge is to identify a variety of examples of companies that have, in fact, done "the right thing." We have developed a list of companies, large and small, that have been recognized through Better Business Bureau Torch Awards in Wisconsin and Ohio for taking actions that (1) can be identified as meritorious marketing conduct and that (2) reflect one or another ethical theory or principle. We also incorporate some examples reported in our recent book (Murphy *et al.* 2005). Some of these illustrations are drawn from well known companies. However, we also want to bring to light several "unsung heroes" among small and mid-sized businesses that rarely get national attention and only limited coverage at the local level. Through this approach, we hope to have a fairly representative sample of companies, situations, and actions that might provide the basis for a study of ethical, rather than unethical, marketing. We expect, as a byproduct, to impart the sense that ethical expectations are the usual and unexceptional norm in most companies.

As a follow-up to this key contribution, we shall develop some practical suggestions that can be implemented in large and small companies. The approach here will be to examine our cases and identify what principles, policies, and practices can be induced and adapted. The contribution of this work will be to demonstrate a more positive and, we believe, more useful approach to teaching and understanding marketing and business ethics. Such an approach to research also provides a more appropriate basis for classroom ethics instruction, an approach we believe should supplant or, at least, complement approaches that tend to dwell on legal violations and ethical disasters.

The organization of this article is to start by discussing individual companies, i.e., thumbnail case studies, drawing special attention to how the importance of ethical conduct is reflected in, for instance, employee training, written codes, and corporate culture, as well as how policies and practices of each address such issues as fairness, promise keeping, and environmental concerns. Then, as promised above, we draw some lessons from these cases that can be applied to the advancement of ethical practices in other companies. But first, we provide information on the *Torch Awards*, as this program's evaluation criteria provide a template for identifying exemplary business conduct.

Torch Awards for Business Ethics and Integrity. One way the business community spreads good news about what's right concerning business conduct is the *Torch Awards* program of the Better Business Bureaus (BBB) International. Throughout the U.S., regional BBB offices encourage businesses of all sizes to apply for Torch Awards that explicitly recognize the positive qualities embodied in most business

organizations. Statewide winners can choose to proceed to an international competition.
The *Torch Awards* explicitly recognize and provide publicity for businesses (as well as not-for-profit and charitable organizations) that live out ethical business principles, provide outstanding customer service, embody truth and honesty in their communications, and help foster socially responsible behavior in their industries and communities. Competing in categories based on their size and sector, applicants submit materials that document their management practices, stakeholder relations, marketing communications, community reputation, and general ethical culture. In this way, step by step, local businesses (in conjunction with the BBB) are trying to mitigate the negative perceptions that seem to contribute to the erosion of public trust in business. (For more information, see http://www.bbb.org/BizEthics/torchAward.asp.)

Some Definitions. Before discussing actual cases, it seems useful to define some essential terms. First, *marketing ethics* is a sub-discipline of business ethics, the systematic study of how moral standards are (or ought to be) applied to marketing decisions, behaviors, and institutions. Given the usually invoked principles of business ethics, we then can begin to refine the ideals of marketing ethics in a more aspirational manner. *Ethical marketing* involves practices that emphasize transparent, trustworthy, and responsible policies and actions that exhibit integrity and fairness to customers and other stakeholders.

We must also distinguish between *normative* (or prescriptive) ethics and *positive* (or descriptive) ethics. We are mostly accustomed to responding to the types of scandalous events described in the introduction with corrective advice: "They shouldn't have done that" or "They should have done something else (that didn't involve cheating, etc.)." Those statements exemplify normative ethics. On the other hand, observations of the sort that ABC Company has a Code of Ethics for its sales force and recently fired its top sales rep for cheating on his expense account would be examples of positive (in the sense of positive social science) ethics, because they describe actual behavior. (At the risk of confusing the point then, the actual misconduct is also "positive" because it is what took place.) Thus, carrying the concept further, when exemplary ethical practices are observed, those observations may be considered "best practices," worthy of benchmarking in the same way that "quality improvement" programs are frequently based on observed ways of doing things in other organizations.

Of course, providing one set of definitions typically poses additional questions. Just what do we mean by "transparent marketing practices?" Does that imply no trade secrets? What is "fair" in competitive strategies and practices? How does an organization formulate a "social responsibility program" that also reflects or, at least, does not defy shareholder interests? These sorts of questions defy simple answers because the actual issues they reflect are so complex and because legitimate conflicting interests are involved. After all, businesses are neither agents of the government nor charitable agencies.

Nonetheless, the thrust of these definitions seems to point to policies and practices that go beyond minimum standards of conduct. Therefore, we strive here to highlight business practices that exceed the letter requirements of the law with case studies of specific organizations that allow one to identify those policies and practices. Recognizing that organizations, like people, are seldom perfect, when analysis reveals what might well be classified as "virtuous conduct" and does not expose significant examples of misconduct, taking into account the size and scope of the organizations involved, we believe it is appropriate to identify those organizations as "ethical marketers." Multiple examples of organizations that merit a designation of "ethical exemplar" are given below. Our illustrations are intentionally numerous in order to reflect a diversity of organizational size, industry category, and a wide scope of marketplace operations. The number of companies profiled is also motivated by our desire to provide classroom instructors looking for moral "role models" with ones mostly closely related to company examples that might be featured in their own lectures or classroom case studies.

Research Methods and Reporting. The sources of information for the case reports and the nature of the language in the reports calls for an introductory comment.

As noted above, there are two distinct sources for the cases. Several are drawn from our recent text; information on these companies was originally developed through interviews with company officials, printed materials, and information on the company websites. That information is simply referenced to our book. In several instances, we were also able to add information, typically from company websites; these are also referenced. Other cases were drawn from the Better Business Bureau Torch Awards in Wisconsin and Toledo, Ohio (Northwest Ohio and Southeast Michigan). The information for these cases has been drawn from application materials (including supporting documentation such as letters from customers) and the results of follow-up efforts (interviews with company officials and printed materials) by the authors and are referenced as the Better Business Bureau of Northwest Ohio and Southeast Michigan, the Wisconsin Better Business Bureau, or, in the case of follow-up interviews or documentation, company names). Sources for the information in the case reports are indicated as endnotes.

Readers will note that the language of the case reports is sometimes congratulatory, e.g., “they treat their employees like family,” unusual and generally frowned upon in academic reporting. To a considerable extent, this is due to the source of the information reported, company documents. To the extent that objective information has been provided, we try to document such statements in terms of policies and practices. At the same time, however, it must be recognized that, for example, company vision and policy statements are, to a considerable extent, aspirational in nature. Aspirations are an important foundation for organizational policies and practices and, we believe, are appropriately included in a report such as this.

CASES

BadgerMeter, Inc.[1]

BadgerMeter, Inc. was founded in 1905 as a manufacturer of water meters and applications that control the flow of water, other liquids, and gas. It has been publicly held since 1971 and trades on the American Stock Exchange. From the time of its establishment, the company has been operating under these three guiding principles: (1) Exemplary ethical conduct, (2) Respect for all people, and (3) Managing for the long term. Even as the company expanded internationally, it never lost its focus on strong ethics. Today, as BadgerMeter operates in Singapore, Mexico, Slovakia, and several other countries, its attitude toward genuine customer service and quality has not changed. As stated in their *Connectivity* newsletter, “At BadgerMeter, we care about our customer just as if that customer were a Milwaukee neighbor. That’s what ‘Home Town Attitude’ really means.”

Ethics Policies. BadgerMeter has made ethics first among its three guiding principles, and, therefore, puts great emphasis on education and policies related to ethics. Each employee of the company is obliged to follow the Code of Conduct in the company handbook which includes the following four main sections: (1) Ethical standards and policies, (2) Conducting company business, (3) Responsibility to the company, and (4) Resistance and compliance. Its Code of Conduct is also emphasized in annual employee meetings and employee training. Any questions that an employee may have about this code can be answered through BadgerMeter’s Ethics Hotline.

In addition to communicating strong ethics to its employees, BadgerMeter also encourages the same approach with the organizations with which it does business. Rather than going straight to the big name suppliers, BadgerMeter promotes local companies. BadgerMeter has its own set of criteria for these relationships with suppliers to help ensure acceptable ethical behavior.

Furthermore, BadgerMeter expands its code of ethics to the community. It acts on this by contributing to health and human service organizations and volunteering in student mentoring programs. It also goes beyond the limits of its community by making donations to developing countries.

Management Practices. Due to the management's focus on the long term, BadgerMeter has continued to have low employee turnover. Management encourages quality customer service, not only for external customers, but internal customers as well. This has created a better working environment for employees. In addition, employees have the chance to participate in training and development and have numerous resources available to them. These opportunities are communicated to them through the employee newsletter, *The Wright Way* (named after a long-time company CEO). Management creates additional communication through its other publication, *Connectivity*. The open communication with employees and customers has been essential to successful management at BadgerMeter.

Environmental Practices. BadgerMeter is serious about its environmental practices, and has been willing to take a leading role in its industry. BadgerMeter has concentrated on water conservation. Its facilities are ISO compliant and its water meter housings are NSF certified. Its state-of-the-art hydro lab also continues to work on environmental testing for different weather conditions.

Industry Reputation. BadgerMeter was runner-up for the 2004 Wisconsin Better Business Bureau Torch Award for Business Ethics and Integrity. BadgerMeter and officials in the company have also received other notable awards. In 1994, Ron Dix, Vice President of Administration and Human Resources received the WHA's Award of Merit. CEO Richard A. Meeusen was a recipient of the Boy Scouts of America's Silver Beaver Award. Director Emeritus James O. Wright was honored for 50 years of leadership at the Goodwill Industries of Southeastern Wisconsin and was inducted into the Goodwill Hall of Fame. Former chairman and CEO, Jim Wright, and his wife Nancy were recipients of the 1999 Billy and Ethel Heller Award, presented annually to the individual, family, or foundation which best epitomizes outstanding service to the community and leadership in financial support of United Way of Greater Milwaukee. BadgerMeter received the Energy Technology of the Year Award from Frost and Sullivan in 2004.

Baxter International[2]

Baxter Laboratories was founded in 1931, the first manufacturer of commercially prepared intravenous solutions. In 1939, the company introduced the Transfuso-Vac container, the first sterile, vacuum-type blood collection and storage unit. Before this breakthrough product, blood could be stored for only a few hours; the new container allowed storage for up to 21 days, making blood banking practical for the first time. In the 1940s, Willem Kolff, a Dutch physician, began searching for a way to use dialysis, the process by which particles pass through a membrane, to treat patients with kidney failure. This work resulted in the Kolff rotating drum kidney, the first machine to remove waste materials successfully from the blood through dialysis. Kolff's work was incorporated into Baxter in the 1950s. In 1960, Edwards Laboratories, later to become a division of Baxter, introduced the first implantable heart valve in the United States. Over the next few years, Edwards also introduced the industry's first balloon catheters for therapeutic use. Research and development continuing from these beginnings have built a Fortune 500 company with 250 facilities in 50 countries. In 1985, Baxter acquired American Hospital Supply Corporation, becoming a broad-based health-care products distributor in addition to a developer of medical technologies.

Ethics Policies. Baxter defines itself as committed to solving problems related to complex medical conditions. It also has written statements governing, e.g., comprehensive financial information for investors, high-quality products, excellence in service, integrity in business practices, corporate governance, meeting the needs of customers, building successful relationships with suppliers, environmental sustainability, and caring for the world community. These statements - expressing company values of respect, responsiveness, and results - were integrated into Baxter's "Shared Values" program in the early 1990s, which has become the foundation for employee training and corporate culture building.

Management Practices. Baxter takes great care to integrate ethics into the organizational culture. In addition to exemplary financial management, workplace relations, and business practices, Baxter has established the Baxter International Foundation, devoted to increasing access to health care, particularly for the disadvantaged and underserved.

Perhaps the most notable actualization of the "Shared Values" program occurred in 2001 when several deaths of elderly people in three different Spanish cities were connected to kidney dialyzers manufactured by a Swedish company Baxter had recently purchased. Baxter recalled the equipment involved, but investigation failed to pinpoint any cause. Subsequently, however, a similar wave of deaths occurred in Croatia. Once these deaths came to light, it seemed clear that more than coincidence was involved. Accordingly, Baxter withdrew its equipment from the market, accepted liability, and undertook an intensive investigation to learn what was causing these deaths.

Eventually, 53 deaths were at least circumstantially linked to this product. But only after intensive study was it found that the filters were to blame. Against the advice of corporate lawyers, CEO Harry Kraemer apologized on behalf of the company to the families of the victims (Hammonds 2002).

Industry Reputation. Baxter received the 2004 Manufacturer of the Year award from the California Manufacturers & Technology Association, a 2003 "Passport for Life" e-Healthcare Leadership Award for its disease management website, and the 2003 Institute for Safe Medication Practices Cheers Award. Over the years, Baxter has received recognition from many organizations and media for its products, marketing efforts, environmental achievements, public educational efforts, environmental reporting, and employee health and safety. It is also a frequent member of *Business Ethics* magazine's "Top 100 Companies" and *Fortune* magazine's "100 Best Companies to Work For."

The Bentley Company[3]

The Bentley Company was founded in 1848 as a family-owned general contracting firm for commercial, industrial, retail, and educational facilities and religious institutions. Since 1995, the company has doubled in size and has become the 11th largest general contractor in Southeast Wisconsin, with total sales of $48 million. Throughout its long history and many advancements, honesty and integrity to customers has remained a constant focus, as well as building lifelong relationships with clients. Because of these commitments, The Bentley Company is the oldest family-run general contracting firm in Wisconsin.

Ethics Policies. The Bentley Company communicates its dedication to superior ethics through its mission statement:

> The Bentley Company is dedicated to achieving its client's facilities goals and construction objectives by providing the highest level of professional services in an atmosphere of mutual support, trust, and teamwork, while adhering to a strong code of ethics.

Since the first contract undertaken in 1848, The Bentley Company has given strict loyalty to all agreements. As Thomas H. Bentley III, Chief Executive Officer, says, "We can look them in the eye and tell them [clients] we'll finish what we start. We'll be here." This trust can be seen in the history of annual sales by The Bentley Company; 75 percent of its business is with repeat customers or direct referrals.

Numerous customers have commented on their experiences with The Bentley Company as exhibiting flexibility, patience, and understanding. The staff of The Bentley Company has proven to follow its mission statement on ethics by providing maximum value and quality and through problem solving with creativity that is honest and upfront.

Management Practices. Management at The Bentley Company looks out for the best interest of both employees and clients. Open communication lines foster positive employee and customer relations with continual communications on changes and what to expect on projects on a day-to-day basis. In addition, frequent documentation, including a monthly "Project Progress Report" and constant budget updates are provided. These communication efforts help The Bentley Company complete projects on time, often ahead of schedule.

The Bentley Company frequently works for non-profit organizations and understands the importance of cost-effectiveness. The Bentley Company management will often encourage clients to provide their own labor to help with costs and always supplies a transparent cost ledger. The Bentley Company further takes care of clients through customer satisfaction studies conducted by an unbiased third party consulting firm. These studies give clients, architects, subcontractors, and internal customers a voice.

Environmental Practices. The Bentley Company is aware of possible workplace injuries and manages environmental risks. Therefore, the company is very conscientious about activities and events taking place on construction sites and adjusts schedules around these events to be sure to keep work sites neat and orderly. The company must show flexibility to entranceways and footpaths to other locations on site. The Bentley Company also allows for educational presentations at work sites for children so they understand some of the possible safety issues, as well as learn about different occupations.

Industry Reputation. In 2003, The Better Business Bureau of Wisconsin awarded The Bentley Company with the Torch Award for Business Ethics and Integrity. In addition, Thomas Bentley III, owner and Chief Executive of The Bentley Company, received the Ernst and Young Service Entrepreneur Award for the State of Wisconsin in 1996. He was also awarded the 2003 Pioneer Award by the Associated General Contractors (AGC) of Greater Milwaukee. This award represents "longevity, good deeds, and a commitment to excellence." The Bentley Company also received the Outstanding General Contactor of the Year Award from the Subcontractor Association of Wisconsin in 1999 and 2000 and has been a recipient of Contractor of the Year and Annual Safety Awards.

British Petroleum[4]

Contemporary British Petroleum (BP) represents the consolidation of several companies, the oldest (Arco) dating to 1866. The parent company's origins go back to May 1901, when William Knox D'Arcy, a wealthy Englishman, obtained a concession from the Shah of Persia to explore for and exploit the oil resources of the country, excluding the five northern provinces bordering Russia. This concession was the base for what was then known as the Anglo-Persian Oil Company. Controlling interest in Anglo-Persian was purchased by Burmah Castrol in 1909. After World War I, controlling interest was purchased by the British government. In more recent years, coincident with a reduction in governmental ownership (ended in 1987), BP acquired several original components of the Standard Oil Trust in the United States: Arco (Atlantic Richfield), Sohio (Standard Oil of Ohio), and Amoco (American Oil/Standard Oil of Indiana). Today, BP is a global energy business with 103,000 employees in 100 different countries.

Ethical Policies. BP's leaders believe that a responsible energy business must be founded on strong values and have clear policies and objectives. Values identified regularly include "innovative, progressive, performance-driven, and 'green.'" Particularly notable is an "Ethical Conduct Policy," including a "decision model" that identifies BP's commitments to "human rights, legality, honesty, common decency, and trust," spells out those commitments, provides a set of "ethics checks" and positive guidelines (e.g., "Think how others will interpret it"), and ultimately advises employees to "consult with others."

Management Practices. BP has long recognized the importance of good governance. The board has adopted and operates within a robust set of governance policies that go beyond regulatory compliance and are designed to place the interests of shareholders at the heart of management decisions. Formulated in 1997, these policies, which use a principles-based approach, anticipated many developments in UK governance practices.

Environmental Practices. BP was an early adherent to what has become known as the "triple bottom line" that includes economic, societal, and environmental measures of performance. With respect to this environmental dimension, BP has attempted to position itself more as an energy company than as a petroleum producer/marketer. While this commitment has yet to be significantly realized, BP has taken many steps to provide cleaner energy, taking into account virtually the entire value chain from extraction to transportation, refining, and distribution. BP's current ad campaign stresses the prospect that alternative fuel sources need to be developed. BP's CEO, Lord John Browne has shown positive leadership in positioning BP in the vanguard of the environmental sustainability movement. In that context, it issues an annual "Sustainability Report" that assesses this dimension of corporate performance.

Reputation. An energy industry leader is typically not the first place one looks for ethical leadership. Natural resource exploration and development in overseas settings (some notorious for public corruption), the exploitation of limited fossil fuel resources, and the addition to greenhouse effects of the final product contribute major social liabilities to any comprehensive balance sheet. Nonetheless, within the industry, BP is widely recognized for economic and social performance and for creating an organizational climate that encourages responsible conduct. While this evaluation may not be shared widely among the general public, the company has done a relatively good job of communicating its commitments and achievements to that wider audience.

Brooks Insurance[5]

Founded by E. Paul Brooks in 1922, Brooks Insurance is now under the 3rd generation of management and ownership and is one of the largest independent agencies in Northwest Ohio and Southeast Michigan. It represents more than 40 insurance companies and provides a full spectrum of insurance products and services, including commercial insurance and risk management services, employee benefits consulting, surety services, home and auto insurance, and other financial services. Brooks Insurance provides these services to hundreds of area firms ranging from sole proprietorships to publicly-owned corporations (some with operations spanning the globe) as well as to thousands of area families. Through its affiliation with Intersure, a consortium of 40 large agencies across North America with international partners, it has access to insurance markets and coverage worldwide. The Brooks organization has approximately 85 associates at its Toledo, Ohio headquarters and has branch offices in Bowling Green, Ohio and Monroe, Michigan.

Ethical Policies. Brooks has prepared an *Agency Associates Handbook* that includes (1) a mission statement that references innovation, quality, teamwork, and dedication to customers and community; (2) a values statement that identifies four key values: customer service and satisfaction, providing a level of service to customers we would expect to receive ourselves; an obligation to be a positive influence in the communities in which we do business; and trust and integrity in all business dealings; (3) an equal employment opportunity policy that explicitly covers "hiring, job assignment, promotion, termination, layoff, recall, transfer, leaves of absence, compensation, and access to benefits and training;" and (4) an "ethics statement" and code of conduct.

Customer Relations. Brooks was a recipient of a 2004 Torch Award for Business Ethics and Integrity by the Better Business Bureau of Northwest Ohio and Southeast Michigan. This award was largely based on three incidents where service to business customers that had experienced major casualty losses was determined to be well above customer and industry expectations. One such incident involved a new hotel property which had a sprinkler head burst, causing water damage to 70 percent of its rooms. Brooks agent Jim Schwartzkopf worked with the owners, the claims adjuster, and contractors to repair the damage. The hotel reopened to guests five days after the incident.

Social Responsibility. Brooks has made numerous significant commitments to the concept of social responsibility. Senior managers at the agency are frequently involved in community activities and non-profit agencies. Dennis Johnson, Brooks Insurance CEO, received a community service award from the Press Club of Toledo in 2004. Brooks Insurance is also involved in Partners in Education, the Toledo "adopt-a-school" program. Partnering with a central city public school, employees tutor students, sponsor a student achievement recognition program, and help provide classroom supplies. On the environmental front, Brooks Insurance has an aggressive recycling program in all its offices.

Charter Manufacturing Company, Inc.[6]

Charter Manufacturing Company was established in 1936 as a family owned business in Mequon, Wisconsin, providing steel and steel components. In the past 68 years, Charter Manufacturing expanded and opened four operating divisions which include (1) Charter Steel (1936), (2) Milwaukee Wire Products (1947), (3) Charter Wire (1978), and (4) Charter Manufacturing. Charter strives to operate as a team of employees that fully share the responsibility of creating quality products. Although the company has continued to grow, it attempts to keep a sense of family and an objective to exceed customer expectations.

Ethics Policies. Charter communicates strong ethics with both employees and customers. When hired, employees are given a company handbook that expresses strict requirements for ethical behavior both inside and outside the organization. After agreeing in writing to follow the ideas expressed in this handbook, employees are given complete trust. This is shown through the elimination of the time clock in 1972; employees are responsible for reporting their own work hours. Employees are not penalized for arriving a few minutes late or leaving a few minutes early and are allowed to take a few days off work in the case of a short term illness. Customers are shown this same trust with Charter's unique pricing mechanism, which is based on market indices. Because customers know the indices on which many prices will be based, they can anticipate how prices might change.

Management Practices. Management at Charter has continued to change as it has grown and expanded. It has decentralized - each facility has its own management, but is linked by ownership and culture. Management wants to see employees develop; to that end, it is planning a state-of-the-art training and development facility. All employees spend 5-10 percent of their time participating in educational and training programs. A portion of this training focuses on teamwork and functional cross-training. Therefore, if special circumstances arise, employees can fill in for one another.

This extra knowledge does not go unnoticed or unrewarded. Employees are paid for this extra effort and have the options of gain sharing, profit sharing, and retirement plans.

Environmental Practices. Charter Manufacturing is a leader in developing processes that protect the environment. This environmental awareness has earned a number of certifications and accreditations including the following: ISO

14001 (Environmental Management), ISO 9001/9002 and QS 9000 (Quality Systems) and A2LA (Metallurgical Lab). They have also exceeded quality requirements of Ford Motor Company, Daimler Chrysler, and General Motors.

Social Responsibility. Many employees play an active role in contributing resources and time to local charity organizations including The United Way, Junior Achievement, Milwaukee School of Engineering, and Milwaukee YMCA. Junior Achievement recently named John Mellowes, Charter's Chairman and CEO, their "Distinguished Executive" of the Year.

Reputation within Industry. In addition to a 2004 Torch Award for Business Ethics and Integrity from the Wisconsin Better Business Bureau, Charter Manufacturing Company has received a number of other notable recognitions. In 1987, The Mellowes family (which controls Charter) was honored as the Cornell University Entrepreneur of the Year. General Motors recognized the company in 1994, 1995, 1997, and 1998, as "International Supplier of the Year." In 1995, Charter Manufacturing received the Wisconsin Manufacturer of the Year award from the Wisconsin Manufacturers & Commerce Association. John Mellowes, owner and CEO of Charter Manufacturing, was awarded the Ernst & Young Entrepreneur of the Year Award in 2003. That same year, Charter was recognized on the Wisconsin Honor Roll as the 24^{th} largest privately-held business in Wisconsin.

GSD & M[7]

Established in 1971 by six graduates of the University of Texas who wanted to work together and stay in Austin, GSD&M is now a $1.5 billion advertising agency with 650 employees and clients that include AARP, Kohler, Krispy Kreme, MasterCard, the PGA Tour, SBC Communications, Southwest Airlines, and Tostitos.

Ethical Policies. Most notable about GSD&M is that its values statement is literally chiseled into the floor of the foyer of its office building: "Integrity – Do the right thing; Restlessness – What's next?; Freedom and Responsibility – Success is in your hands; Curiosity – There's got to be a better way; Winning – Play hard, play fair, play to win; and Community – We're all in this together and everyone's important: clients, vendor partners, us." These values are reinforced by employees and visitors walking over or by this testament each day. GSD&M also states in a variety of company documents that these are "... principles we do not compromise. Under any circumstances. Ever."

Management Practices. Ethics is part of the culture at GSD&M. Employees are encouraged to raise ethical questions related to their work and those issues are considered seriously by senior management. Specifically, all employees have a say in the client selection process. As a result, some clients have been turned down and campaign strategies have been rejected.

Golden Construction Company[8]

Golden Construction received a 2004 Torch Award for Business Ethics and Integrity from the Better Business Bureau of Northwest Ohio and Southeast Michigan. This award was based on documentation regarding employee, customer, and vendor relationships. This small residential contractor has no formal ethics policy, but has adopted the principles of "Where Quality Workmanship is No. 1" and "Good Products and Happy Experienced Workers Result in Happy and Satisfied Customers." The documentation provided indicates crew leaders have 12-25 years of experience in construction and 3-10 years employment with Golden. Vendor relationships are strengthened by 100 percent on-time payment, unusual for this line of trade. In one incident, a vendor rep sold material to Golden in what is known as a back-door sale (usually involving material falsely declared to be defective and to be disposed of), violating the vendor's policy. Golden terminated the employment of its purchasing manager and reported the incident to the vendor, which terminated the rep's employment. Customer satisfaction is documented by letters from customers and several occasions where dissatisfaction with materials and related disputes with vendors was handled by replacement at Golden's expense.

Honest Tea[9]

Honest Tea was founded by Seth Goldman and Barry Nalebuff on the recognition that there was little on the market between water and sweet soft drinks to quench one's thirst after exercise. At the time, Nalebuff had just returned from India where he had learned that most of the tea purchased for bottling by American companies was the lower quality dust and fannings left after quality tea had been produced. He came up with a name to describe a bottled tea that was made with real tea leaves - Honest Tea. This was the perfect name to fit an all-natural brand that would strive to create healthy and honest relationships with its customers, suppliers, and the environment. (The original name was actually "Honestea;" the threat of a lawsuit by "Nestea" forced the change.)

Five weeks after quitting his previous job to brew batches of tea in his kitchen, Goldman brought thermoses of tea and a bottle with a mock-up label to Fresh Fields (now Whole Foods Markets). It ordered 15,000 bottles - and Goldman and Nalebuff were in the tea business. Today, Honest Tea is found in stores across the United States.

Ethics Policies. Honest Tea has applied its passion for social responsibility to initiatives in the environment and to creating partnerships with the growers, cultures, and communities behind the teas in a variety of ways. It has a "Statement of Aspirations for Social Responsibility" that covers cooperation with suppliers, workplace diversity, community activity, and a preference for business that benefits economically disadvantaged communities.

Social and Environmental Practices. Honest Tea is now buying "Fair Trade" tea from an estate in Darjeeling where profits are shared with workers and organic farming is practiced and from a Native American woman from the Crow nation in Montana. Another tea is marketed in a partnership with an AmeriCorps program that unites 17-24 year olds with communities in need. Participants commit to a year of full-time community service and leadership development. The program is publicized on the label of "Community Green" tea and receives a portion of its sales. Another tea, "Haarlem Honeybush," is sourced from a subsistence farming community in Haarlem, South Africa. A percentage of sales is returned to help the farmers continue to develop their community. Limes for another tea variety are purchased from a Guatemalan farming co-operative. Finally, Honest Tea invented and uses tea bags with a one-piece, tag-and-bag design and no staple or string, making them fully biodegradable. The bag itself is made with unbleached fiber from the abaca plant.

Stowell Associates' Select Staff Inc.[10]

Stowell Associates' Select Staff Inc. was established in 1983 to provide home health care services for the elderly and their families. Incorporated in 1996, Stowell Associates quickly established an excellent reputation for offering top quality in-home care in the metropolitan Milwaukee area. Select Staff has repeatedly proven itself to be a top service provider and an ethical organization in delivering in-home health services and assistance.

Ethics Policies. Stowell Associates communicates its ethics policies through an Agency Bill of Rights given to clients and an Office Staff Code of Conduct. Both are reprinted in the company's Policy and Procedure Manual. In addition, employees have a monthly in-service and/or a paid self-study in which they can choose to participate. This training includes topics such as stress management or caregiver discussion groups where employees can dissect common problems or issues and share solutions to them.

Management Practices. Management at Stowell Associates fosters positive employee relations through open communication and respect.

These practices have resulted in low employee turnover; the average employee works with Stowell Associates for over two years - in an industry notorious for turnover. All employees have the opportunity to participate in entry-level and advanced educational and training programs, helping them feel confident about their work and also developing a well-trained and highly qualified care-giving staff. Day-to-day accountability is enhanced by the documentation that must be kept by the employees and employer. This includes performance reviews, receipts for expenses incurred on behalf of clients, hours worked records, and reports on any observed client injury, neglect, abuse, or harassment.

As employees continue to grow with the company, they experience the "family atmosphere" of Stowell Associates. Some examples of this include acknowledgment of birthdays; a *Staff Matters Newsletter* announcing special occasions like wedding anniversaries, newborns, condolences, and marriage announcements; and handwritten notes from the company founder. On birthdays, employees receive a special gift of movie tickets; in other special situations, employees are given gift certificates to show the company's appreciation for their hard work. Exemplary staff members are regularly acknowledged through employee recognition programs.

Environmental Practices. Stowell Associates has systems in place to prevent workplace injuries and manage environmental risks. General guides, always to be followed, are the company code of ethics and the Pledge of Ethics of the National Association of Professional Geriatric Care Managers. All caregivers at Stowell Associates have nursing or social work backgrounds, providing them with the fundamentals and know-how for preventing workplace injuries. In addition, Stowell Associates operates a 24-hour emergency response system.

Industry Reputation. In 2004, The Better Business Bureau of Wisconsin awarded Stowell Associates with the Torch Award for Business Ethics and Integrity. Stowell Associates has also received other notable awards. In 2000, it was named to the Metro Milwaukee Association of Commerce's "Future 50 List" by the Council of Small Business Executives (COSBE). Stowell Associates is accredited by the Council on Accreditation for Children and Family Service (COA), indicating the organization meets the highest national standards for the profession. Finally, Stowell Associates is a member of the National Association of Professional Geriatric Care Managers (GCM) an association of professional practitioners working for the development and advancement of health care for the elderly and their families.

Toledo Metal Spinning[11]

Established in 1929, Toledo Metal Spinning is an industry leader in experimental, prototype, and production metal forming, using various metals and serving customers in the aerospace, automotive, defense, lighting, pharmaceutical, and food processing industries. Family-owned and engineering-oriented, this company does not have formal ethics, equal opportunity, or environmental policies. However, it received a 2002 Torch Award for Business Ethics and Integrity from the Better Business Bureau of Northwest Ohio and Southeast Michigan for its extraordinary handling of its operations in the aftermath of a 1998 fire which destroyed virtually all of its equipment, 80 percent of its manufacturing space, and the records of over 70 years of tooling, job development plans, quality control gauges, and files.

The conduct of Toledo Metal Spinning in this extreme circumstance was reminiscent of the well-known Malden Mills and Cole Hardwoods stories (Seeger and Ulmer 2001). Employees were retained, customers were contacted and kept abreast of progress (approximately 500 orders were in process at the time of the fire), and the task of salvage, cleaning, setting up a temporary office, rebuilding, installing (after finding and ordering) new equipment, and getting up and running again was begun. Within 48 hours, some primitive operations were back in place; 7 months later, Toledo Metal Spinning was back in full operation. Over this period, many projects were outsourced to meet the immediate needs of customers.

The rebuilding strategy focused on keeping customers informed on a regular basis. Initially, this was done by cell phone and memory. (As customer records had been destroyed, even phone numbers had to be looked up.) The second concern was employee retention. Wages were continued throughout the rebuilding process and employees were brought into the unusual task of finding and negotiating with equipment vendors for specifications, prices, and shipping dates and handling the flood of administrative activities (setting up new customer and vendor files, adapting software for company applications, etc.) associated with reorganizing the company's activities.

Its performance in this extraordinary situation has been further recognized by ethics awards from the International Better Business Bureaus and the Society of Financial Professionals.

Tom's of Maine[12]

Since its start in 1970, Tom's of Maine has remained committed to producing safe, effective natural care products without using artificial flavors, dyes, sweeteners, or preservatives. The company has a long history of supporting social and environmental causes. Can companies that promote social values and believe in doing good survive and prosper in today's cutthroat environment? "Absolutely," says Tom Chappell, co-founder and CEO. The country's leading manufacturer of natural care products, such as toothpaste and soap, Tom's of Maine, with just 150 employees, has earned a place on the *Working Mother Magazine's* "100 Best" list with companies employing hundreds of thousands. This recognition has been given for over 10 consecutive years.

Ethical Policies. Chappell enunciates the foundation of corporate ethics and social responsibility: "People and nature have inherent worth and deserve respect." The implementation of this philosophy is based on what Chappell calls "Managing Upside Down." According to Chappell, "Values-Centered Leadership" is built on "Seven Intentions:"

(1) CONNECT WITH GOODNESS - Set aside your own ego, open up, and connect to a universal force that is bigger than you and available to everyone—the power of goodness;
(2) KNOW THYSELF, BE THYSELF - Explore who you are, your gifts, and what you care about most in life. These are the clues to finding meaning in your work;
(3) ENVISION YOUR DESTINY - Envision your future with your head and your heart. The Upside Down approach is to allow your business goals to emerge from who you are as a company, your essence, your reason for being;
(4) SEEK COUNSEL - Tom's of Maine listens to everyone—its board of directors, employees, consultants, suppliers, retailers, and customers;
(5) VENTURE OUT: Build a creative strategy for every dimension of your new business, make sure it is aligned with your values, and go for it— even if there is nothing like it in the world;
(6) ASSESS: No matter how creative you might be or how unique you are in the marketplace, you are still accountable to your values, vision, and goals. Managing Upside Down is a trial-and-error process, and assessment requires constant affirmation and editing; and
(7) PASS IT ON - When you receive gifts, knowledge, goodness, extra time, and profits, you are obliged to pass them along to others. Along the way, you set up an exchange of experiences and a trial-and-error process that can help everyone improve.

Tom's of Maine also has developed several ethics-oriented statements: (1) a mission (twelve purposes related to employees, customers, and the natural environment); (2) a statement of beliefs (ten responsibilities all beginning with "We believe"); and (3) a "stewardship model" that speaks to the use of limited processing, only high quality natural ingredients, free of artificial and animal products, and organically grown wherever possible and practical. Tom's has also established "Standards for Sustainability," that include safety and efficacy without animal testing, recyclable or biodegradable packaging, and the use of renewable resources. Other policies state respect for human rights and the rights of indigenous people, accountability to future generations, honesty, affordability, and respect for the standards of regulatory agencies and partner organizations.

Management Practices. The *Working Mother Magazine* award recognizes the extent to which this philosophy is applied in employee relations. Chappell states, "Our work/life policies are based on company values, not an economic model. We believe people who work in a fulfilling environment, where they are both valued and respected, are happier, more productive, and loyal. In fact, companies who find creative ways of motivating and retaining their employees are better equipped to succeed in challenging economic times." *Working Mother* cites Tom's flexible work schedules, generous parental leave, long-term care insurance for parents, spouses, and children, and employee wellness programs. Health insurance coverage extends to domestic partners. Fathers receive four weeks paid time off following the birth or adoption of a child. And employees can spend up to five percent of their work time volunteering in their communities.

Weber O'Brien, Ltd.[13]

Weber O'Brien is a 20-year old Toledo, Ohio accounting firm with 46 associates. While its business is concentrated in the Toledo area, it also has several clients who are located elsewhere. It was nominated for a Torch Award in 2004 based on its stated ethics policy and several incidents where this policy was applied at a significant expense.

Ethics Policy. Weber O'Brien has a statement of "core values" which includes a written ethics policy: "... to conduct ourselves in an ethical manner, … respect[ing] the dignity of … employees, clients, and professional affiliates." Elsewhere, stakeholder references include "third parties who rely on our work and the community."

Management Practices. CPAs are in an unusual fiduciary relationship that involves clients, the IRS, investors and banks that depend on reliable financial statements, and professional standards. In the course of managing these relationships, Weber O'Brien has recently (1) resigned an engagement with a client found to be lying, (2) reimbursed a tax client for the costs associated with amending tax returns based on an overlooked tax credit that should have been taken for several years, including a late filing charge, and (3) resigned an account when it proved to be impossible to verify certain cash transactions claimed in the client's internal reports. Weber O'Brien also provides accounting services for area charitable organizations at substantially reduced fees. Weber O'Brien identifies itself as an "equal opportunity employer" and fosters a "paperless" operation to the extent possible.

LESSONS TO BE DRAWN

The purpose of this final section is to identify some actionable ideas or practices which seem to mark the companies examined above. With few exceptions, all of these exemplary companies are characterized by (1) ethics policies that guide conduct throughout the organization; (2) commitments to stakeholders - employees, customers, communities (local or worldwide) and the natural environment; (3) organizational leadership that typifies or models those commitments; (4) trust in employees in terms of both ethical conduct and participation in corporate decisions; (5) prominent organizational awareness about those ethical and social commitments; and (6) a recognition that not all relationships are good ones. Below, we elaborate briefly on these characteristics.

1. Ethics Policies. One important characteristic to note about almost all of these organizations is that they have put their commitments about acting with integrity into writing. Often these declarations of company principles take the form of "Values Statements" or "Codes of Conduct." GSD & M advertising agency is perhaps the extreme example here, literally carving their core values into the granite floor of its corporate headquarters. Others, such as Baxter and Tom's of Maine, devote substantial attention to listing and discussing their ethics policies on company websites. We would advocate that all firms promote their ethics statements on websites or in public places at company locations.

2. Stakeholder Orientation. Stakeholders consist of all the parties affected by the operations of an organization. Obviously, the most direct (and therefore primary) stakeholders are owners and investors, customers, and employees. Other important stakeholders include distributors, suppliers, and the general public. Ethical exemplar companies, like those profiled above, commit to a stakeholder orientation because it recognizes the rights, claims, and presumptions that other parties expect of business organizations - especially those that go beyond the basic requirements of law. Two examples of this stakeholder approach drawn from the above case profiles include the willingness of Charter Manufacturing to be perfectly transparent with any price changes to its clients and BadgerMeter's training program for its employees.

3. Leadership. Ethics is deeply tied to leadership in that a commitment to ethics often derives from the top of the organization - typically the CEO; it also involves having a vision that goes beyond simply maximizing short run profitability. The decisions of Toledo Metal Spinning to retain its employees on payroll after its manufacturing facility burned down or the constant cost/schedule feedback provided by The Bentley Company are clearly not actions taken to maximize company gains in the short run. Instead they demonstrate an abiding commitment to the long run needs of employees or customers.

It may also be noted that several of these firms are still run by founders and several more are led by direct descendants of the founders. These founder families provide an ethical heritage that is a kind of endowment. The current generation of executives must lead from and uphold that ethical heritage.

4. Trust in Employees. The ethical promises of organizations must often be delivered by employees. Employees embody the principles of the organization in their delivery of products and services and their discharge of company policies. Companies that are ethical exemplars seem to create extraordinary partnerships with their employees. The *Agency Associate's Handbook* prepared for agents of Brooks Insurance, the frequent in-service programs for home health providers at Stowell Associates, and the elimination of the time clock at Charter Manufacturing are clear examples of trust building in order to ethically educate and empower employees. Firms that take ethics very seriously know they must cultivate a strong relationship with employees. The companies profiled above utilize several avenues to attain this goal. Other organizations are encouraged to determine which "trust building" activities are most relevant for them.

5. Awareness of Social Responsibility and Obligations. The ability to discharge ethical duties depends, in part, on cultivating the aptitude to see a "greater responsibility" than the minimums required by law. The commitment of Honest Tea to providing a fair recompense to tea growers represents the voluntary undertaking of such a greater social obligation as does the willingness of Baxter International to make good on the defective medical products of a subsidiary they only recently acquired. The decision of BP to report not only on financials but also on social and environmental impacts is another illustration of this point. In addition to these large companies, community involvement takes a variety of forms in some of the smaller firms, for example, Brooks Insurance's "adopt a school" program and Weber O'Brien's financial assistance to local non-profits. Another reason these companies are believed to be exemplary by both the BBB and numerous other organizations is that they take their community involvement as part of their mandate. In effect, these larger responsibilities are important aspects of the company's consciousness.

6. Business Relationships. Not all business relationships are good ones. If some business relationships are unsavory from an ethical standpoint, organizations must be willing to "walk away," even when they are profitable. The repudiation by Golden Construction of potentially cost advantageous "back door" sales and the elimination of clients that knowingly provided false information by the Weber O'Brien accounting firm are examples of this point included in our profiles. This position is one that is sometimes difficult for younger and less experienced students and employees to understand. Both faculty and business leaders bear responsibility for conveying this message to students and junior employees as well as other, sometime cynical, stakeholders.

CONCLUSIONS

Beyond the introductory few paragraphs, this paper is unique in that it examines only positive ethical examples of companies. We are quick to add that there is no such thing as a perfect organization, but these companies have been judged by the BBB and other national and state or regional organizations as demonstrating "best practices" when it comes to ethics, values, and overall management effectiveness. We also realize that we have just exposed the "tip of the iceberg" when it comes to ethical companies. We believe the six areas reviewed above, while certainly not comprehensive, outline what separates exemplary companies from others. We look forward to others extending this work by providing additional examples of companies that take the "high road."

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