

ethical connections

Institute for
Global Ethics  Ethical Fitness® for a Better World

Family Values for an Ethical Business Culture *by Marty Taylor*

CEO Roger Berkowitz distinguishes Legal Sea Foods from its competitors by recalling its family origin in the seafood retail business. The Web site for the company —www.legalseafoods.com— describes Legal as “a fish company with restaurants.” This difference, though perhaps subtle to customers, directs Legal Sea Foods’ approach to product quality.

Fanatical attention to product began in the original fish market, founded by George Berkowitz in 1950. The equally passionate concern for quality service grew from the first restaurant opened by George and his wife Harriet in 1968. Since then, one simple restaurant in Boston has spawned twenty-six award-winning eating establishments spanning the U.S. Atlantic Coast.

IGE contends that high quality and effective leadership can be achieved only through ethics. In a recent interview, Berkowitz agreed.

“We’ve always thought of ourselves as an ethical company. We put values we deemed important out to our

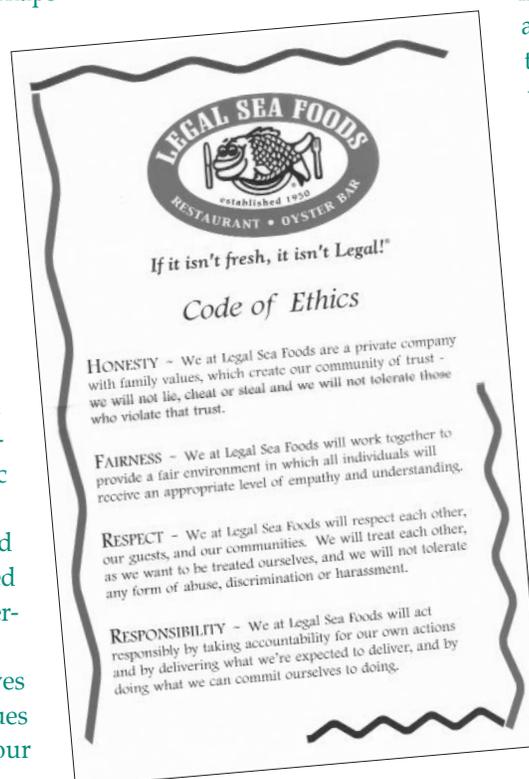
people through channels such as the employee handbook,” he says.

What, then, motivated Berkowitz to consult with IGE about an ethics program for Legal Sea Foods?

“I have meetings with employees from all over the company with no management attending. They can discuss their concerns and problems freely and we try to do something about it,” he notes. “It became clear that our unique culture in Boston was not getting through to outlying areas. And there were issues with unethical employees. We were concerned that we were not as effective as we could be.”

Berkowitz wanted to communicate the company’s values across the spectrum to emphasize the important elements of its unique business culture. The first emphasis, as always, was to maintain the highest standards of quality. The second was to establish the positive family culture that would make Legal Sea Foods the most desirable workplace in its industry, reducing turnover and offering first-pick recruiting.

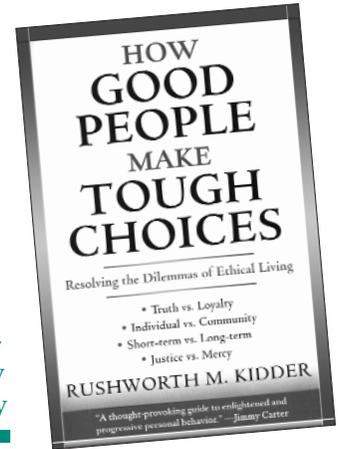
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What's NEWS?

■ Re-release of *Tough Choices*

During December 2003 and January 2004, IGE president Rushworth Kidder participated in several radio interviews to promote the recent re-release by HarperCollins of his book, *How Good People Make Tough Choices*. His seven interviews included shows across the country—from New York to California to Alaska. “What fascinated me,” Rush notes, “is that I was on stations all across the spectrum, from far left to far right—and they were all equally interested in our ideas. Ethics done properly really is apolitical.” ■



In Brief

Canada News

Twenty-four school administrators from across British Columbia recently received their IGE Certified Trainer certificates. They now will be scheduling and offering Ethical Fitness® Seminars to other education professionals in their respective school districts. These efforts will further the goals of IGE’s cross-province Ethics Education Initiative in conjunction with the British Columbia School Superintendents Association. A key aim of the program is to deliver the message throughout the public school system that ethics matters.

An Ethical Fitness® Seminar and Workshop will be held in April for educational administrators from a number of Toronto-area private and independent schools. Most of the schools already have purchased our K–12 curriculums and are using our program as a significant resource for teaching ethics in their respective institutions.

UK News

Sheila Bloom, chief executive of the Institute for Global Ethics UK Trust has joined the board of the UK’s PressWise Trust (www.presswise.org.uk), a non-profit organization founded in 1993 by “‘victims of media abuse,’ supported by concerned journalists, media lawyers, and politicians in the UK.” The organization encourages ethical behavior by the media, helps those victimized by unethical media practices, and provides advice, information, research, and training on all aspects of media policy, practice, and law. IGE UK and PressWise have been exploring how the shared energies, resources, and concerns of the two organizations might be combined to produce an independent body having the confidence of both the public and media industries.

“I’m delighted to see Sheila and IGE recognized in a way that takes us into journalism ethics in the

company of such an impressive body of professional journalists and media-watchers,” says IGE president Rushworth Kidder, whose own background is in journalism. “In an age where media giants such as the New York Times and the BBC have been shaken badly by scandal, a renewed focus on media ethics is welcome—and sadly necessary.”

Kidder Keynotes for Independent Schools

Rushworth Kidder delivered an inspiring keynote—“Why Does Ethics Matter?”—to a crowd of over 2,000 independent school educators in March 2004. As a featured speaker at the National Association of Independent Schools’ annual conference, Rush underscored the need—now more than ever—for ethics in schools.

Coding Out: Reviving Ethical Behavior in Fatal Cultures

by Melissa Parisot

The recent bouts of corporate scandals have taught that a code of ethics, while an admirable and integral part of any corporation, is not enough to ensure ethical behavior by the company.

Take Enron, ImClone, and WorldCom. Each had a code of ethics. Each had vocalized their support for ethical ideals. Yet each ultimately failed to “walk the talk.”

Before these companies’ names became synonymous with scandal and corruption, these codes seemed like noble safeguards. Shouldn’t a company that openly declares its desire to uphold its “reputation for fairness and honesty” and conduct its “business affairs . . . in accordance with all applicable laws and in a moral and honest manner” (Enron Corp., Code of Ethics, July 1, 2000) remain above the moral fray? ImClone’s code of ethics stated its “commitment to the highest level of ethical conduct [that] must be reflected in all of the Company’s business activities including, but not limited to, relationships with employees, customers, suppliers, competitors, the government, and the public, including our shareholders.” At these firms, policy clearly failed to match practice.

In his 2003 book, *Setting Global Standards*, S. Prakash Sethi, an international authority on corporate codes of conduct, discusses the “legitimacy gap” that often exists between corporations and the public. This gap is the difference between the public’s perceptions of a company’s actions and its expectations of what those actions should be. The narrower the gap, the greater is the public’s trust. On the other hand, Sethi writes, “when there is a large and persistent legitimacy gap, the public is not likely to believe the company’s messages and is liable to take a dim view of its actions.”

Why is credibility so important for corporations? As social institutions, companies rely on consumer acceptance to thrive. How can corporations assure a distrustful public of their intention to behave ethically, avoiding the ethical pitfalls that proved fatal for Enron, ImClone, and WorldCom? Here are some ways companies can move beyond a code of ethics to an ethical culture:

- **Modeling.** Ethical behavior in the workplace is set best by example. Admonitions such as “do as I say, not as I do” are hardly effective management tools. Supervisors and executives should adhere to the highest standards of conduct. Laxity, or the appearance thereof at management levels, may be seen as tacit permission to allow standards to slide.
- **Enforcement.** Unethical behavior should not be tolerated. Appropriate disciplinary action must be taken in each and every case. Just as bad behavior should have clear and predictable results, ethical behavior should have clear and public rewards.
- **Communication.** Maintaining an open dialogue about ethics and proper corporate behavior is paramount. At the outset, communication between executives and workers can enable the development of a comprehensive and relevant code of ethics, investing each employee in the company’s reputation. Workers should feel that the ethical reputation of the company is as much their individual responsibility as it is the responsibility of the CEO.
- **Transparency.** Corporations should publicly vocalize their commitment to ethical behavior. The more transparent a company is, the more trustworthy they appear to the public. One way this can be accomplished is through annual reports that discuss how the company has dealt with ethical issues. In addition, a company’s code of ethics should be posted in a central place in the office—its physical prominence indicating its import within the corporation.
- **Oversight.** Corporate boards should create a committee designed to make sure the firm acts ethically by implementing ethics education for employees, facilitating dialogue about ethical issues, maintaining consistent enforcement policies, protecting whistle-blowers, and even anticipating potential problems.

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F E A T U R E S

Special people and projects—all about ethics. The individuals we write about here have all made special contributions to ethical thinking—moral exemplars who can inspire us into greater action and endeavor. The projects, from grassroot to global, will focus on applied ethics—how people are bringing about ethical change in the world. Read on!

Dilemma

This area is devoted to the discussion and dissection of ethical dilemmas drawn from real life. Each issue, we focus on a tough choice faced by a member, reader, or friend of the Institute—putting into practice the methods and principles we’ve found helpful in navigating the often difficult waters of daily life.

Tough Sell

A dilemma from real life

John owned a successful, community-based computer business on the coast of California. The business built, repaired, and customized computers and computer networks for the local area. Although business was steady, the competition was stiff, forcing John to put in brutally long hours. Even with his wife Nicole joining the firm to help with accounting, John felt the pace and workload were taking a heavy toll on their relationship. After visiting John’s former home in Maine, the couple decided they needed a change and would move back to the East Coast, requiring them to sell the business.

John and Nicole faced a tough decision: Should they keep quiet or should they tell their

employees about their plans to sell the business? Nicole felt the employees had a right to know what would be happening in the future. After all, the business had gone through some very difficult times and most of the current employees had been loyal and ridden out the

storm. During those tough times, it always had been important to have open communication between the employees and the owners.

John also felt a closeness and loyalty to his employees, some of whom had worked alongside him for many years. At the same

time, he worried that if he told them about the impending sale, they might start looking for jobs elsewhere, jeopardizing the future of the

firm. While John wanted the new owner to have a viable business with a knowledgeable staff when he took over. He also worried that if he didn’t tell his employees about the sale, they eventually would hear about it in the community, sparking resentment and a sense of betrayal.

Both John and Nicole felt strong and competing responsibilities to the business, to the community, and to the employees. After years of working hard to gain and keep the trust of their workers, they were torn about what to do. Should they tell the employees of their plan to sell the business and risk a reduced workforce? Or should they keep it a secret until the company was sold, possibly creating feelings of bitterness and anger among previously loyal employees? ■

*John and Nicole
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For analyses of this dilemma, please see page 5. To learn how John resolved his dilemma, please see page 6.

Dilemma Analysis: What Should John Do?

Two friends of the Institute take a look at this real-life dilemma

Analysis No. 1

John needs to determine where his loyalties lie: He obviously is torn between the open and honest dialogue he has built with his employees and the need for confidentiality surrounding the sale of his business.

John is clearly a skilled manager who has built up a firm whose employees have remained true during difficult times. However, the company belongs to John and it is his decision to sell and move east. It is John's investment capital and intense hard work that have made the firm successful and attracted the sort of attention that means it can be sold as a going concern, safeguarding the livelihoods of the staff.

Like all business founders, John has taken the primary risk in establishing a new venture. In a pure business sense, this is a simple case of risk and reward. After all, it could be argued that John's responsibility to his employees extends only as far as their next paycheck. But if that were the case, why should John feel honor-bound to consider his staff's longer-term welfare?

There is a quid pro quo argument that John's employees have gone out of their way to help him when times were hard, and in a small firm it is easy to develop relationships that makes them like family. However, John has a real family and needs to put his wife first.

The employees should recognize that John has sought always to do the right thing by them. In a fast-moving industry,

the staff will understand that the business environment is highly dynamic and the business cannot progress by standing still. As the business continues to grow, it will require a new management team, additional skills, and capital.

By selling out now, John can ensure the future of the firm and the jobs of his staff. Such negotiations require confidentiality. Despite his open management style, John needs to be discrete so as not to jeopardize the deal. By impressing on the new owner the high skill level of his staff, John can sell the business and secure his employees' future without any loss of faith.

—Jonathan Bye
Senior manager,

The Royal Bank of Scotland Group

Analysis No. 2

This dilemma is loaded with competing values. Also, it has some similarities to corporate downsizing, relocation, and restructuring. Now that it is your turn to lead by example, what should you do?

There is a certain "justice" in telling no one. That way you get to sell your business intact with all employees on board, knowing that everyone would still be working hard to "make the year's numbers." You also get to sell a prospering business, get your revenue, and beat it to Maine. But, where is the "mercy" in this kind of behavior? Your employees, who have ridden out the storm with you, have lives and families, too.

Then there is the conflict of "truth versus loyalty." If the truth is that you are selling and moving, it makes sense that you tell the employees your plan so that all of your actions and behaviors are congruent with this truth. On the other hand, it would make perfect sense to say nothing out of loyalty to your vision to sell your business with all its aspects functioning smoothly.

Now that we understand why this dilemma could keep you up at night, how should you resolve it? The Ends-Based Principle informs that you should tell your employees and community the truth. Certainly, the greatest good would be to empower people to decide their own fates.

Alternatively, the Rule-Based Principle focuses on the justice of the means rather than the justice of the ends. So, regardless of the consequences, what decision would represent your highest sense of duty? In this instance, could anything be nobler than telling the truth?

Finally, with the Care-Based Principle (Golden Rule), the employees, community, and buyer, can all work in good faith and conscience if you, the seller, give them the power to do so.

So, based on the above principles, the right decision would be to include everybody in the sale of the business. This act of individual courage should foster a collective confidence that can only add value to the business.

—Peter Cooke
President, Cooke Associates

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Family Values for an Ethical Business Culture (cont.)

Legal Sea Foods management, including Berkowitz, participated in IGE's Ethical Fitness® Seminar on September 10, 2001, in Boston. Despite the devastating effect on the hospitality industry of September 11, 2001, the Institute spent the next nine months studying the company's ethical climate and core values. With data and values drawn from all corners of the company, Legal's management team established the company's core values and expanded each into a statement with special meaning for employees.

Rolling out the new code required extensive communication and training. IGE certified twelve senior managers to lead code-of-ethics training (derived from the Ethical Fitness® Seminar) in all locations. Training and communications managers designed code posters and integrated the code into the employee handbook and a new orientation video. Berkowitz also

introduced the new code in a letter to all employees, which has been amplified by managers with their direct reports, employee committees, and new employee orientation sessions. It has since been discussed in shift meetings and quarterly manager and employee meetings. Training is on going for the company's 2,300 current employees and all new hires.

Has Legal's new code, which is based on values identified by people around the globe, made a difference? While it's a little early for a comprehensive assessment, CEO Berkowitz says he's watching for signs that Legal Sea Foods is communicating its values effectively outside the company as well as inside. In the meantime, he's getting anecdotal reports that the new code is having an impact.

"I think we're doing more things right," he says. "Having a template for our decisions is bound to make a

difference. I see people thinking about their decisions and using our company's values. That's the first step toward reinforcing our culture so that values-based decisions become second nature. The word is getting out—I travel frequently and outlying areas are more in touch with our culture."

Berkowitz expects the code to guide Legal Sea Foods as it continues to evolve and grow. Change will be continuous and deliberate. Berkowitz says that business success is like physics: A business in motion remains in motion. Those that don't, lose their momentum—and he has no intention of slowing down. "I expect our path to be more direct," Berkowitz says. "I want to be moving toward a greater good, with less randomness." What better way to achieve that greater good with efficiency and confidence than through Ethical Fitness®? ■

Coding Out: Reviving Ethical Behavior in Fatal Cultures (cont.)

- **Education.** Employees and executives need to be given the tools for proper decision making. Their training should familiarize them with the company's code of ethics and provide them with strategies for dealing with common workplace dilemmas. Every organization faces dilemmas—some of which will be common, some unique. The more practical and rele-

vant is the ethics training, the more consistent and sustainable will be its implementation.

- **Prevention.** Recognize at the outset where conflicts of interest may arise and put specific safeguards in place. In a world of sound bites, sensationalism, and suspicion, even the appearance of unethical behav-

ior can be damaging to a company's reputation.

Just as a code of ethics does not ensure ethical behavior, these new measures will be only as effective as the people behind them. Enron, ImClone, and WorldCom have taught us that constructing an ethical culture takes long-term commitment and that the consequences of failure can prove fatal. ■

For a schedule of upcoming seminars, please turn to page 8.

Dilemma Resolution *Decision Time*

John did not tell his employees until the business was sold. At that point, he spoke with each worker individually, making sure that they and the new owner knew he was willing to help with the transition. John

worked for six weeks at no cost to the new owner to help with the transition. The employees were extremely supportive and understanding and stayed with the new owner for several years. ■

Snapshots from the Institute...



Ethical Fitness® Seminar participants with IGE's Paula Mirk (standing, far right) at John Marshall High School, Los Angeles, CA.



Camden Ethics Symposium™ participants gather in Camden, ME, for a two-and-a-half-day workshop on putting ethics into action.



Ethical Fitness® trainers from BD (Becton, Dickinson and Company) in Singapore with IGE's Marty Taylor (back row, far left).

Director Profile

■ Marcia L. Worthing

IGE (US) board member

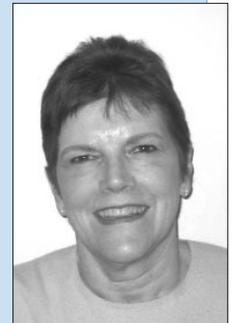
Marcia L. Worthing has had a long and successful career focused on human resources and women in the workplace. She is executive vice president of Mullin & Associates/Lincolnshire International, which provides professional career transition and human resources planning services. Previously she was senior vice president of human resources and corporate affairs at Avon Products. An IGE board member since 2002, she also serves on the boards of the American Women's Economic Development Corporation, the Institute for Women's Policy Research, and Plays for Living.

Marcia sees a clear link between corporate ethics, diversity, and the treatment of women in the workplace, noting that corporate culture extends to ethics and issues of equality and diversity. Recent studies conclude that while women today have many more opportunities for career advancement than ever before, significant inequalities still exist. Women still earn an average of 20 percent less than men doing similar jobs. Marcia asserts that such workplace inequities are a symptom of a far-reaching problem with ethics.

Marcia outlines four principles she considers salient to corporate ethics:

- 1. Ethics starts at the top.** CEOs and senior managers must be committed to the creation of an ethical environment. Their commitment and enthusiasm will have a trickle-down effect within the corporation.
- 2. Ethics must be woven into all systems.** Ethical behavior should permeate all parts of the business (e.g., human resources, finance, marketing, etc.). A corporation cannot be "partly" ethical.
- 3. Ethics must be continually reinforced.** Ethical behavior does not happen naturally. For example, executives should be educated about the ethical implications of diversity. Marcia states that while men traditionally have been promoted based on their potential, women and minorities often are assessed only on what they have actually accomplished—not on what they have the potential to do.
- 4. Ethics means keeping your word.** Companies should make their ethical stance clear and consistent. As an example, Marcia cites the importance of confidentiality. Employees should know that when they go to HR with a concern, it will be handled professionally and confidentially. Sticking to your word is paramount to building a trusting environment, which is key to an ethical culture.

So why should a company be interested in ethics? A strong ethical culture will produce a cohesive and diverse work environment in which all employees work toward a common goal from a multiplicity of perspectives. ■



Seminar Schedule 2004

Ethical Fitness® Seminars

May 17	Camden, Maine, U.S.A.
July 11–12*	Camden, Maine, U.S.A.
August 15–16*	Camden, Maine, U.S.A.
September 21	Camden, Maine, U.S.A.
October 12	Camden, Maine, U.S.A.

Camden Ethics Symposium™

May 17–19 *	Camden, Maine, U.S.A.
July 13–15*	Camden, Maine, U.S.A.
August 17–19*	Camden, Maine, U.S.A.
September 21–23*	Camden, Maine, U.S.A.
October 12–14*	Camden, Maine, U.S.A.

* These seminars and symposia will be led by Institute president Rushworth Kidder.

For seminar and symposium information in the U.S., call 800-729-2615 (toll free); in the U.K., call 020-7486-1954; and in Canada, call 877-843-8315 (toll free).

■ Middle East Project Update

In September 2002, the Institute for Global Ethics convened an international conference and consultation on “Businesses for Middle East Peacebuilding” at St. George’s House, Windsor Castle, England. Shortly afterward, the political situation in the Middle East changed dramatically as the war with Iraq suddenly moved front and center. Ensuing events compelled us to place the project on hold until the international situation begins to clarify. However, we firmly believe the findings of the Windsor meeting still hold strong. If you would like a copy of the report of that meeting, please call Linda Muth at 1-800-729-2615. ■

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