

ethical

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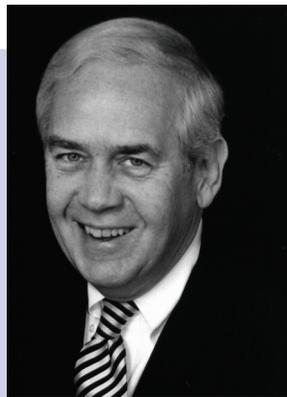
IGE's New Center for Corporate Ethics Opens in New York

Financial scandals make for all too common headlines in the daily newspapers: Another CEO loots his company; another accounting firm “cooks” a company’s books. To meet the growing demand by stockholders and the business community for a more principled environment in business, the Institute for Global Ethics has begun a new venture in the heart of the business world, Manhattan.

The Center for Corporate Ethics (CCE), an ethics-based consultancy and a division of the Institute for Global Ethics, has opened its doors on Madison Avenue. Led by managing director Robert W. Hutchinson, formerly of KPMG, the CCE will serve national and multinational corporations in the United States and abroad. Hutchinson has more than twenty-five years’ experience in corporate consulting and line management employment.

The purpose of the Center for Corporate Ethics, which is supported initially by a grant from the David and Lucile Packard Foundation, is “to provide tools, techniques, and programs that reduce both the risks and the costs of ethical lapses,” says Institute president Rushworth M. Kidder. “Building on fifteen years of

work with corporations here and overseas, our aim is to help companies that truly care about ethics by bringing clarity to their ethical values and integrity to their decision-making and governance processes.”



Robert W. Hutchinson, managing director of CCE, most recently worked as KPMG’s national director and global practice leader of Supply Chain Management Consulting. He was executive vice president of Garr Consulting Group (Division of Deloitte & Touche); vice president at W & H Systems, Dayton-Hudson Corporation; and served in the United States Air Force.

Center for
Corporate Ethics 
A division of the Institute for Global Ethics

The CCE’s thesis is that employees are drawn naturally into compliance with external legal and regulatory requirements through the clear articulation of a values-based internal culture, rather than through hard-to-enforce corporate policies and procedures. Hutchinson says that the CCE’s flagstone product, the Assessment of Organizational Beliefs and Values, “enables us to give an organization an overall ‘health check’ to determine the effectiveness of its current business ethics activities. This diagnostic report will help the client identify gaps between what they think is going on at the company and what really is going on.”

Firms that make this kind of effort typically experience reductions in turnover and pilferage, as well as increases in productivity, responsibility, and creativity, says Hutchinson.

The Center for Corporate Ethics is located at 575 Madison Avenue, Suite 1006, New York, NY 10022-2511, and can be reached at 212-937-8435. Visit the CCE’s web site at www.ethics-center.com.

What's NEWS?

■ New Corporate and Foundation Support for *Ethics Newslines*TM

The Institute launched its online publication, *Ethics Newslines*TM, more than six years ago. Each week, subscribers find the world's corporate, political, and national ethics issues conveyed to them with commentary from Institute founder Rushworth Kidder. *Ethics Newslines*TM is archived and indexed online, providing a tremendous resource for those interested in the world's major ethical issues and trends.

We are grateful to announce that the J. M. Smucker Company, Weyerhaeuser, and the Lounsbury Foundation have recently provided funds to support *Ethics Newslines*TM. These organizations recognize that *Ethics Newslines*TM, as the only weekly combining coverage and commentary on ethics in a global context, plays a central role in building the constituency for ethics. With these funds we will continue to grow *Newslines*'s subscriber base (now over 6,000) and seek further contributions.

■ Our Readers Write about *Ethics Newslines*TM

- Weekly reading has helped me change my perspective. . . . Your publication has helped me form my ethics baseline, and continued reading helps me keep it solid.
- I look forward to Tuesday morning, entering my office and starting the day with an ethical thought. . . . I find that it sets me up and prepares me for the many ethical dilemmas that face me as I go about my business. . . . It keeps me focused on what is right.

To sign up, visit the Institute's home page at www.globalethics.org.

■ New Moral Courage Audio CD Available:

In a live recording of his first lecture on moral courage, Rushworth Kidder leads a Silicon Valley, California, audience through the essential steps that promote moral courage. This CD makes excellent listening, and priced at \$12.00, it makes a fine gift for the holidays. To order your copy, please call Polly Jones at 1-800-729-2615.

In Brief

Visit by UK Educators

Leading educators from England, Northern Ireland, Scotland, and Wales recently spent a week at the U.S. headquarters of the Institute, exploring values education in the state of Maine with vice president of education, Paula Mirk. Accompanied by IGE, UK Trust chief executive, Sheila Bloom, their visit included meetings with staff at the George Mitchell Institute in Portland, representatives of the state's Department of Education in Augusta, as well as students and staff from local schools.

President's Circle Telephone Consultations

To give members and donors greater access to Rushworth Kidder, we established our President's Circle two years ago. Members of the Circle tell us how much they appreciate their consultations with Kidder. Normally, we host these meetings by phone conferences, which focus on one of the world's leading topical issues, with Circle members offering their ideas and guidance. We plan to host more of these in 2005. Our subject lineup will include ethics and journalism, philanthropy, and growing ethical cultures in schools and in the workplace. If you would like more information, please call Linda Muth at 1-800-729-2615.

IGE Welcomes Four New Board Members



Duke Albanese is a world-renowned education expert who has held numerous positions in the field, including teacher, superintendent, and Commissioner of Education for the State of Maine. He is currently spearheading reform efforts in academics and athletics at the secondary school level. He is a past recipient of numerous awards including the President's Award from the New England Association of School Superintendents.



Edes Gilbert retired from a career-long adventure as a teacher and educational administrator in 1998. She began teaching in Amherst, Massachusetts, before founding an independent nursery school. She became dean of studies and teacher of Latin and English at Brookline's Dexter School, then moved on to the Mary Institute, a college-preparatory school for girls in St. Louis, Missouri. Shortly thereafter, Gilbert became the school's headmistress, a position she held for seven years. In 1983, she was appointed head of New York's Spence School from which she retired in 1998. During Gilbert's academic career, she served for thirteen years as a member of the TIAA-CREF board of trustees. Gilbert

has been a member of the board of Lesley University in Cambridge, Massachusetts, for twelve years, serving as president for three years. Currently, she is a consultant with Resource Group 175, a firm that advises independent schools and other educational institutions on issues of growth and change.



David Hurwitt is president of Hurwitt Associates, a nine-year-old consultancy firm specializing in marketing and strategic counsel to customer-focused companies. Prior to starting his own company, Hurwitt served as vice president of marketing and communications for Flagstar Companies, Inc., where he was responsible for media buying, corporate promotions, direct marketing, external and internal communications, and overall relationships with the company's four advertising agencies. Before joining Flagstar, he was executive vice president of Sanofi, Inc., where he ran the French parent company's six North American subsidiaries. Prior to Sanofi, Hurwitt spent

twenty-six years with General Foods Corp. in both marketing and general management assignments. He is currently serving on the boards of A Better Chance as well as Shakespeare On The Sound, and is a member of the advisory council of CUNY's Baruch Business School.



Diane Neimann is founder and president of Family Philanthropy Advisors, Inc. Neimann is one of the nation's leading philanthropic and wealth management advisors, recognized as a leading authority on issues of organizational development, governance, and philanthropy. Known for her work in the start-up formation and transition of the family enterprise and the family foundation, she emphasizes the importance of direct family involvement, values clarification, and education as part of the governance process. Neimann's firm manages the George Family Foundation, the Global Healing Community Foundation, the James Ford Bell Foundation, the Philanthropic Collaborative for Integrative Medicine, and the Fran and Warren Rupp Foundation, among others, all noted for strategic giving in the United States and abroad.

Featuring

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!

Film 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.

Fair Play On and Off the Field

Fred and Stan are excited about their new video production business, Film For You, which they started together nine months ago. After months of just getting by, the company was hired in the fall by the Smithville high school booster club to film the varsity basketball team's eight season games and the championship game. Smithville had won the state championship game for the previous nine years. The team's fans were hoping to make it a ten-year winning streak this season.

Fred and Stan made sure that all expenses were laid out clearly in their contract with Smithville. The contract pricing was broken down into five different fees:

- Fee for filming the eight season games
- Fee for editing the eight season games
- Fee for filming the championship game
- Fee for editing the championship game
- Fee for video equipment set-up and take down at the end of season awards banquet

In addition, the contract specifically stated that all video filmed at each game became the property of Film For You.

Fred and Stan filmed Smithville's eight regular season games. When the team qualified for the state championship, Fred and Stan went to film that final game. Unfortunately, Smithville did not win that game, ending their successful record.

Three of the games filmed by Fred and Stan during the season were against Jonesburg, Smithville's arch rival in basketball. After the close of the season, Jonesburg's booster club approached Fred and Stan to ask if they would make a short video of the team's efforts for them to distribute to each member. Knowing that Film For You had recorded three of the games during the regular season, the club asked that that footage be included in the film.

Fred and Stan were very excited that one job had turned into two, and quickly agreed to do the film for Jonesburg. However, when

Fred mentioned in casual conversation that the company had this new job with Jonesburg, a Smithville booster club member became upset, asking if it was ethical for Fred to use footage done while under contract to Smithville for Jonesburg's video.

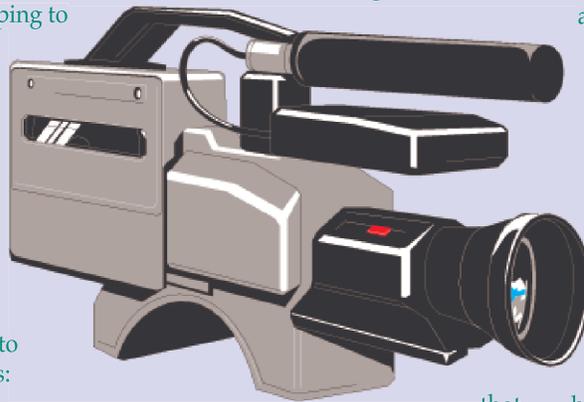
Fred told Stan about the conversation he had with the Smithville booster club member, and the two men discussed the issue at length. Fred thought that because the business was new

and they were trying to break into the school event market, they should grab this opportunity with Jonesburg. Fred also

reminded Stan that all of the video footage taken at each game was the property of Film For You. Stan expressed concern

that by making a video for Jonesburg, Smithville might not hire them again or might make it hard for them to get future business from other high schools.

In addition, neither man could decide what an appropriate fee for the contract with Jonesburg should be. Should they include some sort of a fee for the filming of the Jonesburg games, although they had already charged Smithville for those three regular season games? If they didn't charge a fee, would their contract with Smithville set their rate too low and diminish their chances of making the business profitable in the future? Finally, was it ethical to make the film at all? ■



For analyses of this dilemma, please see page 5. To learn how Fred and Stan resolved this dilemma, please see page 6.

Dilemma Analysis: What Should Fred and Stan Do?

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

Analysis No. 1

My first response to the story was that there is no ethical dilemma here. It might appear to be a conflict-of-interest issue, but the clear statement in the contract that the film remained the property of Fred and Stan seemed to undeniably resolve the issue from a legal perspective. However if they make the second film using the existing footage, would this be a breach of the principle of fairness? Surely not, but why the plausible objection from the supporter when it was unlikely that the club would be concerned about who supplied their kit or boots, even if both clubs were served by the same supplier?

However I then realized that it would be a different matter if the decision were that the coach worked for one team and then proposed that he worked for the other team simultaneously. The issue of the extent to which Fred and Stan's actions affected the competitiveness of Smithville's team was somehow entering the equation. But in this situation, there is no obvious link to the issue of a change in team competitiveness if the film clips are reused. So is it fair if the consequences of the action don't materially damage Smithville?

So is the conflict of interest one of loyalty to the customer versus the loyalty to building Film For You? Or is the heart of this problem the issue of consequences, rather than the breach of a moral principle?

I think I have to see this through

utilitarian eyes – and act to mitigate the consequences of the action. If Fred and Stan came to me, I would advise them to make the film for Jonesville and charge fees for the new work based on their normal rates. I would advocate also selling the existing footage (at a discount), but I would be inclined to offer retrospectively a small 'second use rebate' to Smithville as a way of mitigating the perceived unfairness of the situation. I would also suggest that a subsequent use rebate be built into all future contracts!

Robert Goodsell

*Founding Partner, HRG Partners
London, England*

Analysis No. 2

There is no question, based on the case, that Film For You owns the film and all attendant rights. From this, it would appear that they could do with the film as they wished.

The questions posed in the last paragraph approach the dilemma from at least two perspectives. The first of these is ethical, while the second involves business pragmatics. In my opinion, the business pragmatics element should be and is always a secondary consideration while the ethical element is primary.

As with many ethical dilemmas, the water is far from clear. As noted before, Film For You owns the film. On the other hand, they were paid by Smithville for the

filming. The issue of charging twice for the same work also is raised. This too has ethical and pragmatic dimensions. In my opinion, it would not be ethical to charge twice for the same work. However, as the case points out, this could present a pricing perception problem in the future. I would not charge for the filming the second time, but I would be clear with the second client that this cost was being omitted from the bill and why.

The only way I would provide an edited version of the film to Jonesburg would be with a written release from someone in authority at Smithville. Even though the film is the property of Film For You, I believe there is an ethical obligation to the original customer. I would, of course, explain this to both parties and very likely confirm it in writing. Finally, I would abide by the decision of those in positions of authority at Smithville. In the event that Smithville agreed, I would do the work and would charge for the additional effort and materials required to edit and produce the film for Jonesburg, including standard margins.

In my opinion and experience, ethical behavior coupled with clear and pervasive communication will result in satisfaction for all parties and ongoing business opportunities and relationships with any and all customers.

James F. Bednarski,

*President, The Patriot Group
Lancaster, Pennsylvania, USA*

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Field Report

Moral Courage Reaches Bookstores Just After New Year's Day

Institute president Rushworth M. Kidder's ninth book focuses on moral courage, the catalyst that turns ethical decisions into practical actions. *Moral Courage* will be released by publishers William Morrow, an imprint of HarperCollins, on January 4, 2005. Here is an introduction excerpted from the book's jacket:

Why did a group of teenagers watch a friend die instead of putting their own reputations at risk? Why did a top White House official decide to come clean and accept a prison sentence during Watergate? Why did a finance executive turn down millions out of respect for her employer? Why are some willing to risk their futures to uphold principles while others walk away? What gives us the strength to stand up for what we believe?

As these questions suggest, the topic of moral courage is front and center in today's culture. Enron, Arthur Andersen, the U.S. Olympic Committee, abusive priests, cheating students, domestic violence—all of these remind us that taking ethical stands should be a higher priority in our culture. Why, when people discern wrongdoing, are they sometimes unready, unable, or unwilling to act?

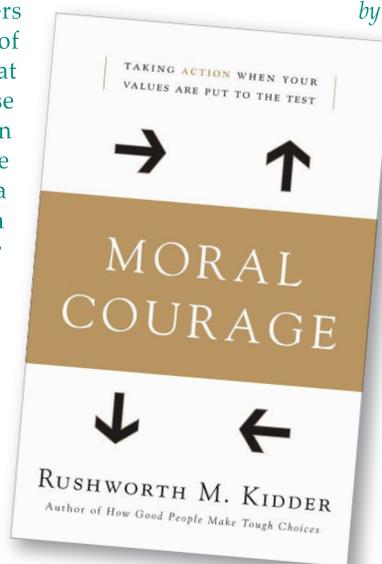
In a book rich with examples, Rushworth Kidder reveals that moral courage is the bridge between talking ethics and doing ethics. Defining it as a readiness to endure danger for the sake of principle, he explains that the courage to act is found at the intersection of three elements: action based on core values, awareness of the risks, and a willingness to endure necessary hardship. By exploring how moral courage spurs us to strive for core values, he demonstrates the benefits of ethical action to the individual and society—and the severe consequences that can result from remaining morally dormant.

Treating this subject not as an esoteric branch of philosophy but as a practical necessity for modern life, Kidder deftly leads us to a clear understanding of what moral courage is, what it does, and how to get it.

"Moral Courage is a wonderful book—lively, thoughtful, and practical. It is grounded in careful research, explained with clear analysis, and enlivened by great, real-life stories both of

people who stand up for moral values, and of those who do not. . . . It is hard to think of anyone more qualified to write this book. Rushworth Kidder is both a longtime newspaperman and a careful scholar, deeply informed by the research he has led, worldwide, as president of the Institute for Global Ethics. All this makes Moral Courage such a fine book—clear, thoughtful, and a joy to read."

—Bob Abernethy, executive editor and Host of "Religion & Ethics Newsweekly" on PBS



"Over the past decade or so, crises of character have affected all major leadership areas of American society. Character is tested in moral dilemmas, and Rushworth Kidder brilliantly deals with the perilous pathways where moral courage is absolutely required."

—David M. Abshire, president of the Center for the Study of the Presidency, former U.S. Ambassador to NATO, and cofounder of the Center for Strategic and International Studies

To reserve your copy of *Moral Courage*, visit www.moral-courage.org and complete the ordering information, or call us at 1-800-729-2615. Dr. Kidder will sign all books ordered before January 1, 2005, and we will ship your order as soon as we receive the stock. The regular price is \$24.95, but we'll discount early orders by 10 percent, to \$21.56. ■

Snapshots from the Institute...



Group of trainers with Marty Taylor, IGE's vice president of Organizational Services (front row, right), in Camden, Maine



Rushworth Kidder with retiring board members Elizabeth Hart (London), Janet Norwood (Washington, DC), and Robert Pratt (Rye, NY)

Dilemma Resolution *Fair Play*

Fred and Stan spent several days weighing their options. After much discussion and a review of their contract with Smithville, they decided that they needed to be fair and honest with the Smithville booster club, whose members had held many community events to cover the cost of the film.

They broke down the total cost to Smithville into nine equal parts, representing the filming and editing fee for each game filmed. They then decided that the filming fee for the three games that involved both teams should be split equally between Smithville and Jonesburg. They would

charge Jonesburg one half of the cost for the three games, but then return that money to Smithville, the original client. In that way, they would be paying Smithville a "courtesy fee" to incorporate game footage in Jonesburg's film.

They presented this resolution to the Smithville booster club members, who thanked the two men for their conscientiousness. Several months after the second film was completed, Film For You was asked to film three other events at local schools. All of the jobs were referred to them by parents affiliated with the Smithville and Jonesburg teams. ■

Leadership Development for Middle East Conservation Professionals



Peter Cooke

Certified Master Trainer for IGE

Finding representatives of Egypt, Israel, Jordan, Lebanon, and the West Bank together in one room is surprising enough. Finding them together discussing ethical decision making is reason for a double glance! Yet this past July, certified master trainer Peter Cooke delivered a Leading With Values™ seminar to eight people from the Middle East as part of an international environmental program sponsored by Quebec-Labrador Foundation/Atlantic Center for the Environment in Ipswich, Massachusetts.

Each year, QLF/Atlantic Center for the Environment brings together environmentalists from the United States and abroad to promote information sharing and to create a network of environmental professionals. This year's program in the Middle East also focused on leadership development for conservation professionals.

"I was tremendously impressed by the readiness, seriousness, and desire of the participants to share stories about ethical dilemmas and moral courage," says Cooke. "At the close of the seminar, everyone was ready to return home to galvanize their organizations and communities into making the best possible socially responsible decisions regarding the environment."

The eight participants found that the seminar led them to think not only about reaching a specific goal, but about the methods they use to achieve that goal. "I understand the need for structured ethical codes in national institutions in the Middle East," said one woman from Egypt, "and I'm excited to bring back what I have learned."

Peter Cooke is a certified master trainer for IGE, and formerly worked for Outward Bound. For more information, please e-mail him at: cookeassociates@cookeassociates.net. ■

Seminar Schedule 2005

Ethical Fitness[®] Seminars

July 11* Camden, Maine, U.S.A.

Camden Ethics Symposium[™]

Communicating Ethics Effectively

July 12–13* Camden, Maine, U.S.A.

Moral Courage

June 2–3* Camden, Maine, U.S.A.
August 22–23* Camden, Maine, U.S.A.
October 13–14* 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.

Celebrating Heritage Society Members

The Institute has been privileged to enjoy the loyalty of many members for over ten years. To acknowledge that loyalty and thank our many long-term members, the Heritage Society was established. We are extremely grateful to all of our members for their support and encouragement over the past fourteen years. The Heritage Society now includes over 400 members, many of whom have been with us from the start. Congratulations and thank you! ■

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