

# In Search of the Ethical Corporation

*Celebrating the light, acknowledging the dark*

By Marjorie Kelly

The call came late one Thursday afternoon—the first of several calls I was to receive from the anonymous and distraught woman. “You’ve heard of Deep Throat, the Watergate informer?” she began. “This call is like that. Can I phone you at home tonight?” I gave her my number, and in the bustle of the day thought little more about it—until that evening at home, when the phone rang.

I recognized the voice immediately. Declining to identify herself or her company, the caller told me only that she was an upper-level manager at a company touted as extremely ethical. “But there’s a big gap between the carefully calculated facade and the reality,” she told me. “It’s like an incestuous family. Terrible things are happening, but no one says anything.”

When I pressed her for specifics, she had few. She talked about chemical spills that hadn’t made the news, but upon questioning, admitted the spills had appeared in the local press. She was disappointed it hadn’t become a national scandal. She talked about a manager in her division who was so difficult that six people left the company. She talked about an unwillingness on the part of the company to hear criticism. “When do you stay and fight,” she said in the end, “and when do you leave?”

The pain in her voice was very real. And though I found myself sympathetic to her, I wondered how much she really sought constructive change, and how much she simply wanted to vent.

I told her we were working at the time on the first Business Ethics Awards, and could she tell me if her company was on our list of finalists? She phoned me a week later at the office (too frightened to divulge her name or number, even when promised anonymity), and I read her our list of thirteen companies—selected by our Editorial Advisory Board as the leading ethical companies. There was silence on the line. “Yes,” she said finally. “My company is among them.”



As I mused on our conversation in the days that followed, I found myself recalling a discussion I’d

had months earlier with writer Karen File, who handled the cover story on the Business Ethics Awards. “What if a scandal breaks about one of our award recipients, while we’re writing the piece?” I asked her. We decided that wouldn’t automatically exclude a company. The salient point was not, Does the company run up against disaster sometimes?, but rather, How does the company *handle* disaster?

Does it stonewall, become evasive, deny responsibility? Does it downplay the seriousness of what has occurred, or give out full and accurate information?

The classic example of ethical crisis management is Johnson & Johnson’s response to the Tylenol poisoning case, when the company pulled Tylenol off shelves nationwide, despite millions in lost sales. It has become almost a parable for our times, so often is the tale repeated.

In File’s report on Johnson & Johnson, she discusses other, less well-known examples of J&J’s responsible crisis management style. When the drug Zomax led to deaths among a handful of users in 1983, J&J pulled it off the market completely—even though deaths had been reported only among those who took the drug improperly. And when news first surfaced about the cancerous effects of sun exposure, the company discontinued its ad campaign pushing baby oil as a sun-tanning aid—and saw sales drop from \$10 million to \$5 million.

But J&J is still not perfect. The company adamantly maintains operations in South Africa—a fact that bumps it off the list for many socially responsible investors.

Indeed, no company we have chosen to honor here is perfect. Herman Miller has taken employee participation to extraordinary new heights, but it stops well short of workplace democracy. And while H.B. Fuller sets remarkably high environmental standards for itself, it markets the adhesive Resistol, which has become a major drug of abuse among poor children in Central America. The street children who sniff it are so common they’ve come to have a name: “los Resistoleros.”

*We were looking for leading corporations with an ongoing and sincere commitment to ethics—a commitment that went deep into company culture.*

In preparing the cover story for this issue, Karen File and I spoke at length about such complexities. We had begun our quest looking for the "Three Best Corporate Ethics Programs," then dropped that when our advisory board proved reluctant to name any company "best." The word seemed to say these companies were stamped and certified as absolutely ethical—indeed, *more* ethical than any other. No one was willing to make such a claim.

We then shifted our focus to search for the "Three Most Highly Evolved Ethics Programs," and after lengthy discussions with our advisors, established four criteria:

1) The company's commitment to ethics must have a *history and an ongoing vibrancy*. Not an initiative begun last year, it must be something that has endured and remained vital through time.

2) The company's ethics program must have *depth and sincerity*. It could not, for example, be an ESOP adopted to avoid taxes, nor an ethics training program mandated by law.

3) The company must have demonstrated that ethics is *genuinely a part of its culture*, not an add-on. Foundations and community relations programs would not be enough.

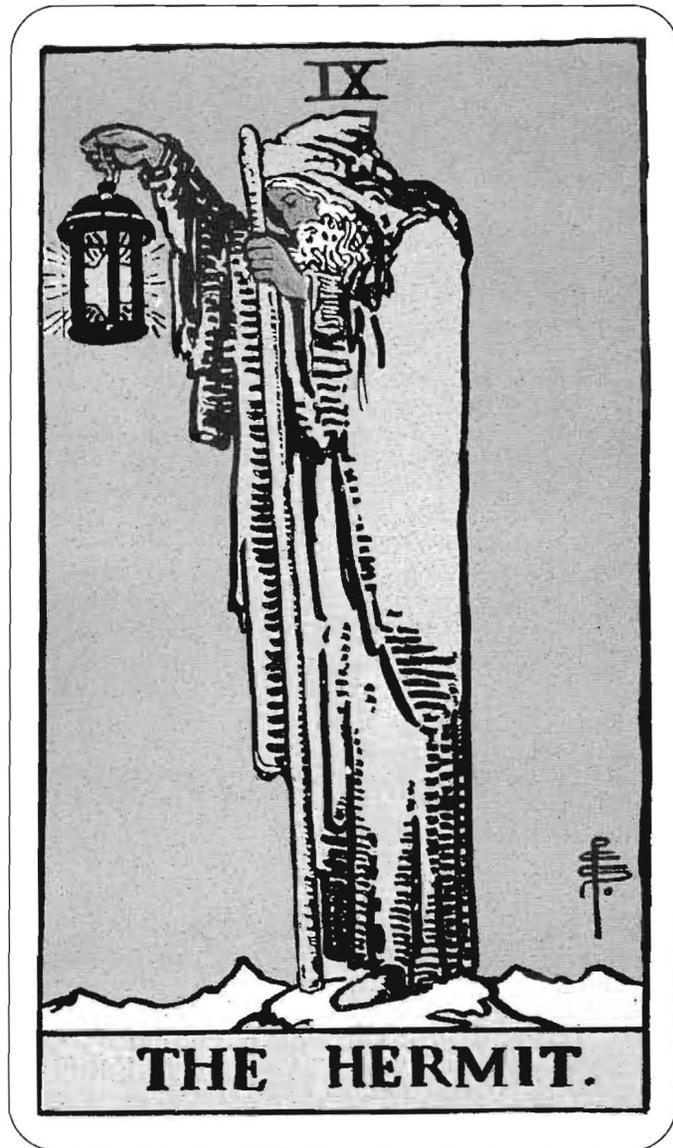
4) The company must have a *substantial presence in the world*, and be capable of having a powerful impact on business. For these first awards, that meant Fortune 500 companies only.

The companies we chose met these standards, but we ultimately abandoned the term "highly evolved," because it seemed to imply longevity was the most important criteria. In the end, we gave the awards for "Ethical Excellence."

As for Deep Throat, we researched her allegations, but ultimately decided *not* to drop her company from the list of thirteen. (We also decided not to divulge the company's name.) The caller did remind us, however, that we could honor companies not for flawlessness across the board, but for the *one specific aspect of their operations* that embodied a high commitment to ethics.

Through it all, I've come to see that somewhere we've gotten the notion that ethical means perfect. By claiming to be ethical, companies somehow do open themselves to greater criticism. When we admire companies or individuals for one aspect of their behavior, we come to expect flawlessness in everything. John Kennedy and Martin Luther King were great leaders, but to learn they were sexually promiscuous is shattering to us. We take one visible flaw to mean the whole is tainted.

It is a childlike view of ethics, this reaching for purity. The deeper challenge, I believe, is to evolve a more mature understanding of ethics, one that allows us to acknowledge shortcomings, and still celebrate excellence when we find it.



It is my belief—and the premise of Business Ethics—that change comes not from harping, criticizing, berating, but from celebrating the positive role models that inspire us to move forward. The exceptional role models like Herman Miller, which is enlarging the very concept of employee ownership. Johnson & Johnson, which has sustained ethics-based decision making over four decades. And H.B. Fuller, which is seeking not to lower environmental standards but to raise them.

These companies are extraordinary. And they are imperfect. As the ancient Chinese yin-yang symbol reminds us, even in the whitest light lie the seeds of darkness, and in the blackest darkness lie the seeds of light.

In ourselves, no less than in our companies, we must come to know fully what is flawed, imperfect, tainted—and embrace and accept ourselves nonetheless. We must know just us fully what is right about ourselves, what is excellent, what is sheer genius—and celebrate that excellence with wisdom, and with joy. ✕

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