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The Business Enterprise Trust Awards**

**CEO Publication
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by James O'Toole

ABSTRACT In March 1991, the Business Enterprise Trust presented its first annual awards for acts of "courage, integrity and social vision" in business. The stated purpose of the awards is to honor those "who know there's more to good business than next year's bottom line." Co-chaired by former Johnson & Johnson CEO James Burke and the controversial television producer Norman Lear, the Trust seeks to identify managers "who have responded in creative, morally thoughtful ways to the complex and changing business environment" and who "have overcome complicated pressures for short-term performance to address vital long-term concerns of both business and society."

Predictably, an effort designed to "shine a spotlight on courageous and principled acts of business responsibility" would be met with skepticism by some members of the business community. And, even before the award winners were announced, Fortune cynically questioned the motives not only of the Trust but, by extension, of all business executives who claim to do good. This piece explores both the validity of the Trust's efforts to reward business "virtue," and the arguments of those who claim that doing good is bad business.

Cynicism is the curse of our times. Among those of the journalistic persuasion, "healthy skepticism" gave way long ago to contemptuous mistrust of those who claim to pursue virtue in their public lives. Indeed, today, an inverted double-standard is often applied to the words and deeds of politicians, the clergy, and leaders of labor and business: Those who proclaim self-aggrandizement as their goal are saluted for "telling it like it is," while the words and actions of those who seek to do good are subjected to unmerciful suspicion and mistrust.

Blame it on Vietnam, Watergate, hypocritical TV evangelists, cocaine-snorting mayors, or buncombe-spouting cold-fusion scientists--whoever or whatever is the cause, the effect is manifest throughout society, most shockingly among those presumably too young to have experienced the most faith-destroying events of the last quarter century. A recent study by the Josephson Institute for the Advancement of Ethics reveals that cynicism has so deeply infected American youth that the majority express doubt about the efficacy of even minimal standards of honesty, integrity, responsibility and fairness.(1) Relatedly, there is the prevalent belief that those who appear to play straight have an ulterior motive.

Doubting the motives of virtuous business people, in particular, has become a pastime enjoyed not only by the young

and by disillusioned former liberals, but by the business press, as well. Illustrative of this trend was the recent response of the editor of one of the nation's oldest business periodicals to an article that cast the top management of a fast-growing airline in a favorable light. A free-lance writer had argued that the company's policies relating to stock ownership, profit-sharing, training, childcare and compensation were among the nation's most enlightened--and suggested that these practices resulted from the principled commitment on the part of the company's president to "do the right thing" by way of his employees. The editor then re-wrote the piece, portraying the president as a Frank Lorenzo in sheep's clothing, and arguing that the airline's employment practices were designed solely to keep unions at bay. The editor explained the rationale for the re-write to the author: The magazine would "lose all credibility with its readers if we portrayed a business leader acting in a manner that was not self-interested." The author had explicitly written that self-interest and virtue are not necessarily in conflict. Apparently, this was insufficient for the editor who found it necessary to show that, while the airline president may have done good, there was reassuring evil in his heart! (2)

In such a cultural milieu, it is not surprising to find that the initial press reaction to the Business Enterprise Trust (BET) annual awards for "courage, integrity and social vision" has been one of cynicism. A hostile volley was fired across the Trust's prow even before its awardees were announced. Daniel Seligman, a former editor of Fortune and now its leading columnist, offered two indictments against the BET, the most

significant of which was philosophical: He asserted that doing good was bad business (a point to which we return below). Second, the curmudgeonly Mr. Seligman accused prominent members of the Trust's board of rank hypocrisy. BET co-chairman Norman Lear, who has often spoken out against the moral dangers of greed, found his motives eviscerated by Seligman's powerful left claw:

We have to assume that Norman thinks some greed is meritorious because...he was discovered to be a sizable investor in a tax shelter deal that promised investors four bucks in tax losses for every greenback put up in cash. The deal's packagers were convicted of fraud. (3)

And Lear's fellow board member Warren Buffet, chairman of Berkshire Hathaway, who has been publicly critical of managers who benefit at the expense of shareowners, got the same treatment, this time from Seligman's infamous roundhouse right:

When Berkshire Hathaway broke down and spent \$850,000 for a used corporate jet two years ago, Buffet's discussion of the transaction in the annual report came out sounding like Augustine's Confessions. Also, the topic was wryly set in diminutive, barely visible type. (4)

Clearly, to do good--or even to advocate virtuous business practices--is to have oneself measured against the standard of Mother Teresa--a standard, by definition, against which all but saints will fail. Worse, it is to expose oneself to ridicule and derision. For in the media, and in the arts as well, the business culture of the 1980s was portrayed as the Age of Aggressive Avarice. The press, smarting from criticism levelled against it in the '60s and '70s that it was "anti-business," did a volte face in the '80s and glamorized the exploits of such business "realists" as Ivan Boesky, Michael Milken, Frank Lorenzo

and Donald Trump--right up to their respective predicaments at the end of the decade. And, as usual, art imitated life in the '80s: fictionalized businessmen like the "elegant, cunning New York takeover artist" Lawrence Garfinkle (in the play "Other People's Money") and the amoral Gordon Gecko (in the film "Wall Street") were presented--some would argue sympathetically--as exemplars of the dominant business philosophy. In general, TV sitcoms and Hollywood feature films characterized business people of Madonna's generation as material girls and boys devoted to the individualistic ethic of concern only for their own immediate bottom lines.

A Corporate Counter-Culture

This stereotype of business values in the 1980s was manifestly false because, for starters, it equated the "let 'er rip" laissez-faire values of the Wall Street robber brokers with the decidedly more moderate values of most managers of publicly held corporations. Clearly, there was a significant difference between the business values of an Ivan Boesky, in the former camp, and a Lee Iacocca, in the latter. In fact, throughout the decade of headline-making excess, there was even a small minority of corporate limpets who had tenaciously clung to an old-fashioned philosophy rooted in gentle business values. Among these hardy contrarians were some four hundred men and women who, in 1990, were nominated for the first Business Enterprise Trust awards, including...

*Arnold Hiatt, chairman of Stride Rite shoes, who has created an "intergenerational day care center" where employees

can bring both their preschool children and their aged relatives.

*Robert Pfiesser, CEO of Hawaii's Alexander & Baldwin, who spurned demands of speculators for short-term profits and saved the jobs of 500 sugar plantation workers on Kauai. While under the gun from take-over artists--and while competitors were succumbing to similar pressures to abandon agriculture--Pfeiffer joined with his workers in an effort to develop alternative crops in order to insure the long-term viability of their enterprise.

*Joan Bavaria and Robert Zevin, who pioneered the concept of "socially responsible investing," helping to create an industry that grew from \$40 billion to \$500 billion in the '80s.

*Pelligrino Porraro of Prudential Insurance, who bucked his own industry and own bureaucracy to create "living benefits" for terminally ill and permanently confined policy holders who formerly would not have had the use of their "death benefits."

*Executives of Merck and Company, who have distributed free treatment to 600,000 victims of River Blindness in the Third World, pledging to do so "wherever and for as long as needed."

*John Hutt, who talked his fellow managers in a division of GE into forgoing their corporate golf and tennis "team building" activities and, instead, donating their time and efforts to renovate community school facilities.

*The aging owners of the Orchard Corporation who, with no heirs to leave their company to, sought an acquirer who would not only meet the financial requirements of their shareholders but who also offered a good fit with the company's corporate culture. The owners passed on two lucrative offers until they finally

found a buyer who promised not to sell off assets to finance the acquisition, and was willing to let the company continue its people-oriented "open communications policy" while operating as a relatively independent unit.

*CEO Theodore Kennedy of BE&K, Inc., who introduced BEKare, the world's first portable day care center. This mobile facility is designed to meet the special needs of his construction workers, an increasing number of whom are women with children.

*Executives of PG&E who, after having been locked in a bitter adversarial relationship with environmentalists in the '70s, have since joined forces with their erstwhile opponents in cooperative efforts to save the environment. Among other activities, PG&E has appointed noted conservationists to its board, and now employs some 200 people who assess the company's environmental impact.

*J. Irwin Miller, pater familias of the Cummins Engines company who, for four decades, has sought to make that company a model of corporate responsibility: The company has hired the world's greatest architects to turn Columbus, Indiana into a "living museum"; it consistently donates 5% of pre-tax profits to charitable and cultural causes; and it has been a national leader in applying ethical criteria to all their business decisions. The company once declined to bid on a \$500 million South African contract because they suspected that their engines would be used by the South African military to enforce apartheid.

Given the surge of opinion in the '80s opposed to such uses of shareholder money, one might marvel at the ability of

these individuals and corporations to hold to their counter-cultural convictions. But merely to swim against the fast-changing currents of the popular culture requires only a modicum of courage, integrity and vision; in contrast, to buck the tide of science calls upon the deepest reserves of moral fortitude! Indeed, the above-named members of the corporate counter-culture found themselves not merely out of step with prevailing fashions in the media, their philosophy was countered in America's business schools by adherents of "the science of perfect markets." Through elegant equations and curves that gracefully intersect at the point of optimal efficiency, the economics professoriate demonstrate that the woes of mankind are the predictable outcome of do-gooders interfering with the natural mechanisms of the market. Therefore, most perfect market economists argue not only that government must play laissez-faire, but business people, too, must refrain from doing good. In fact, a business person who attempts to do good is not merely mucking up the smooth workings of the market, he or she is committing theft--or something tantamount--from shareholders. (5)

Hence, Fortune's Seligman's primary argument against the Trust: Corporate "high-minded causes" are "at the expense of and without the support of shareholders." Interestingly, this classic Friedmanite argument was also advanced by Michael Milken who, on hearing of the creation of the Trust, reportedly urged that the effort be abandoned on the grounds that encouraging managerial do-goodism not only undermines the efficient workings of the market, it amounts to stealing from the owners of

corporations.

The Enlightened Capitalist Response

Clearly, the philosophy that the sole responsibility of business is to maximize profits for shareholders was widely shared in the 1980s, not only by the business press, the economics professoriate, and the financial community, but by key members of the national Administration in Washington, as well. For shorthand purposes, we will call this philosophy Seligmanism. And, while Seligmanism could make a claim to being the dominant philosophy of business in the '80s, there is, was, and has been for sometime, an opposed minority doctrine that we might call Enlightened Capitalism (as we see by the examples of the BET nominees).

Practitioners of Enlightened Capitalism may believe that laissez-faire is theoretically the most desirable system, but they recognize that totally unfettered markets will inevitably produce side-effects--such as environmental pollution and poverty-amid-plenty--that will demand correction in a democratic system. Hence, the enlightened capitalist concludes it is better for the business community to seek to correct such shortcomings voluntarily rather than be forced to do so by government. They further argue that corporations often have a unique ability to address certain social problems, and failure to do so is not only morally irresponsible, it is shortsighted because a business cannot retain its economic health for long in a troubled social environment.

It is important to understand that advocates of this

position are not extremists. Not only do they believe in the market, they are committed to letting the market work wherever and whenever it works best. They further recognize that some social problems are too large or intractable to be addressed by voluntary business actions. As the Chairman of the Herman Miller Corporation, Max De Pree, explains, the goal of enlightened capitalism is merely to address the "exclusionary" aspects of the system--that is, to make more people capitalists, to let more people participate in the workings of the system, and to let more enjoy its material benefits:

One of the great problems of the capitalist system during its first couple of hundred of years is that it has...excluded too many people from both its process and a generally equitable distribution of results...I do not know of a better system, but the capitalist system can be improved, both in practice and in theory, with the influence of an inclusive perspective. (6)

To this end, at Herman Miller all employees own stock in the firm, all participate in profit sharing and managerial decision making, and the maximum salary in the firm is fixed at twenty times the salary of the average plant employee. In general, the process by which enlightened capitalism becomes "inclusive" in other corporations is through efforts to serve the many and various constituencies of the firm, including shareowners, employees, customers, dealers, suppliers, host communities and the broader society. The importance of this "stakeholder" philosophy is explained by former Johnson & Johnson CEO--and BET co-chairman--James Burke:

The business that serves its various constituencies best--its customers, its employees and their families, its community and the environment--in the long run serves its shareholders best.

The Business Enterprise awards will stimulate and inspire businesspeople to the kind of behavior that reflects the single truth--that business institutions have a responsibility to all those in society who are dependent upon them--and that following this simple moral imperative turns out to be very good business. (7)

Indeed, Burke claims that adherence to this philosophy caused J&J to promptly recall Tylenol when a psychopath laced several capsules of the product with cyanide in 1982--and this responsiveness, in turn, led to the company's rapid regaining of consumer confidence (and market share). The crux of Burke's reasoning is that shareowners cannot be served directly (that is, corporations can't simply manufacture money and send it to their owners). Instead, the long-term interests of shareowners are best met when employees are empowered to meet the needs of customers and society, thus creating lasting business relationships (and business legitimacy), which are the stuff from which long-term profitability grows.

Hence, Seligmanism is not fundamentally wrong (in the way Marxism is fatally flawed by its failure to understand the salutary functions of markets and private ownership); rather, Seligmanism is self-defeatingly shortsighted. Enlightened capitalists put it this way: Ignore the many constituencies of a corporation in the short term, and there will be no long term; myopically focus on immediate profit maximization for stock speculators, and there will be no long-term creation of wealth for the patient owners of the organization. In effect, advocates of Seligmanism go off the track not when they stress the importance of profit, but when they analytically short-circuit the complicated managerial processes by which profit is produced,

and when they fail to make a distinction between the minimal legal responsibilities a corporation has to stock speculators, on one hand, and the deeper responsibilities it has to long-term investors, on the other.

Seligmanism in Sheep's Clothes?

Yet, if enlightened capitalists are pursuing their long-term self-interest are they not, then, merely extremely clever and sophisticated Seligmanites who should be praised for their business acumen rather than for their virtue? In fact, this charge--or, depending on one's ideological predilections, this encomium--has been directed toward BET award nominee Anita Roddick, founder of England's The Body Shop International, a chain of 400 stores in 34 countries that makes and markets products which "cleanse, polish and protect the skin and hair." Elizabeth Arden once wrote that "the cosmetics business is the nastiest business in the world," but Roddick's intention has been to create a firm that will be recognized for its compassion, caring and candor. Writes Roddick in her firm's one sentence mission statement: "We will be known as the most honest cosmetics company around."

Cynics say they are the most trendy company around: The Body shop does no animal testing; all its products are biodegradable; all come from ingredients "as close to the natural source as possible"; no aerosol containers are ever used; and they recycle everything from their labels and annual reports to the bottles used to contain cosmetics (at least in Europe; it is illegal to do so in the "home of the free" for reasons that have

their origin in the failure of American cosmetics firms to be self-regulating). Moreover, the Body Shop advertises only to provide information, not to create demand; each shop is required to undertake a community service project (done on company time); and it contracts for products in the Third World in imaginative job-creation projects among particularly destitute populations ("Trade not Aid" is their motto--for which their Tory critics jeeringly accuse them of "leftist exploitation of labor").

Roddick is many times a millionaire and has been awarded an OBE by the Queen, as much for her Thatcher-approved entrepreneurialism as for her self-proclaimed do-goodism. In light of her impressive accumulation of Pounds Sterling, her critics say she has merely capitalized on the values of her times in the way that Elizabeth Arden responded to the quite different market demands of her era. Hence, they ask, what's all the fuss about Roddick's "virtue"? A professor at the Harvard Business School put the cynics' case against Roodick to me in this fashion: "Be a realist, Roddick has just come up with an au current marketing strategy."

In Roddick's defense, the rationale for her nomination for a BET award was rooted in the clear distinction she draws between ends and means. To her, the purpose of the Body Shop is to provide society with the goods and services that it needs. The measure of their success in doing so--and their reward for their effort--is profit. That profit is then viewed as the means to improve the standard of living and quality of life of the people whose lives the corporation touches. Let there be no doubt,

profits are the irreducible minimum. Anita Roddick is the first person to salute the old "more profits the better" notion. She says, "I think profits are jolly good!"...but is quick to add that profits are means not ends. (8) She does not use her profits to personally affect the lifestyle of the rich and famous. She uses the company's profits for higher ends than speculating in Van Goghs. For example, the Body Shop invested £8 million to build a soap factory in Glasgow in what is doubtless Europe's worst slum area (unemployment reaches the 70% level). Then, the Body Shop plows 25% of the profits from the plant back into the community "and they can tell us what to do with it," Roddick says. "Now, that's what you do with profits." (9)

Equally able to make money either by investing in a nice, safe suburban industrial park or by investing in risky Glasgow, she chooses the latter. Able to make money either through hard sell advertising of sex and glamour or through providing consumer information on health and physiology, she chooses the latter. After thoughtful moral analysis, she has concluded that it is better in the long term for her investors and her company that the people of Glasgow are employed consumers rather than disaffected social burdens, and better that her customers are healthy rather than comparing themselves invidiously with Catherine Deneuve. As a result, in the short term she and her investors may have to be content with being very rich instead of fabulously rich, but their hope is that their children may inherit a better world as the result of this small deferment of gratification. In effect, Anita Roddick has made a moral choice--and such a choice is an essential aspect of virtue.

It can be argued that all this may be well and good for Roddick, but isn't she "imposing her values" on those investors who prefer a quid today to two in the future, and on those customers who are indifferent to natural products and are shopping only for the lowest-priced items? The answer is that traditionally managed firms also have value-based agendas and are also governed by assumptions about profit, products and managerial processes; hence, what really differentiates Roddick from her competitors is that she makes everything explicit from her ingredients to her values. Thus, her investors, customers and other stakeholders are able to make more informed choices about whether or not they wish to do business with her--and such choices are not only the stuff of morality, they also are a requisite of market efficiency.

Stakeholder Analysis: The Sine Qua Non of Business Virtue

Traditional business decision-making is based on the analysis of "net present value." But the enlightened capitalist sees decision making as a far more complicated process--one that, for certain, incorporates economic analysis, but includes other factors as well. Consider three examples mentioned above: Cummins Engines' decision not to bid on a South African contract; J&J's famous recall of Tylenol; Herman Miller's decision to involve all employees in stock ownership, profit sharing and participative management. These corporations included economic analyses in the decision-making processes that led to these respective policies, but they didn't stop there. In addition,

there was a separate process of "stakeholder analysis" in which the long-term consequences for every corporate constituency was explicitly considered. While the principle is simple, the hard part comes in creating policies and practices that meet the needs of all stakeholders--which means, at the minimum, doing no harm to those least able to protect themselves from any negative consequences of a decision. This act requires moral imagination, as the experience of BET award nominee Gerry Dudley demonstrates.

In the mid-'80s, Dudley was the manager of Jamalco, Alcoa's bauxite business in Jamaica (96% of which was owned by the Pittsburgh-based company, and the remainder held by the host country). During this era, the Reagan administration launched its "Caribbean Initiative" with the intent of encouraging U.S. investment to shore up pro-American governments like that of Jamaica's Harvard Business School-trained Prime Minister, Edward Seaga. In the midst of these efforts, the bottom fell out of the world bauxite market, and Alcoa decided to shut-down its Jamalco operations. But Dudley was concerned about the cascading effects of the plant closing on the Jamaican economy because the 900 Jamalco workers were the among the highest paid on the island, and thousands of others were dependent on their paychecks. Dudley petitioned Alcoa management in Pittsburgh to reconsider their decision, suggesting that the facility could be made to run profitably even in bad times if several managerial changes he proposed were made. When he failed to win Alcoa's consent, Dudley turned to the Seaga government which, on reviewing its contract with Alcoa, opted to exercise a clause that allowed either party to continue alone if the other withdrew from the partnership.

Dudley was asked to stay on as manager and, working with employees to improve the efficiency of the operation, together they more than doubled productivity--saving jobs and, perhaps, even the shaky Seaga government. Reportedly, Alcoa was furious at Dudley for his disloyalty and lack of team play. However, when bauxite prices recovered three years later, Alcoa exercised its right to buy back into Jamalco (although in a less-advantageous 50/50 partnership). When Alcoa resumed the managerial reins of Jamalco, it was clear that there was no future in the company for Dudley, so he took early retirement.

The point of this example is not that Alcoa was "wrong." In fact, as taught in nearly every finance and economics class in American business schools, they made exactly the right decision: They sought to protect the interests of their shareowners by shutting down a plant to decrease the supply of bauxite--thus increasing the price of the product made at their other, non-Jamaican operations. Dudley saw the situation differently. He had approached his Jamaican assignment as a public trust with an obligation to make decisions that were sensitive to the needs of a developing country. Dudley believed that Jamalco employees and Jamaican society were stakeholders with legitimate interests that needed to be addressed in any decisions affecting their future. He also considered the long-term consequences of a closing on the U.S. pledge to help the region. While Alcoa has not publicly disclosed the rationale for its decision, it is apparent that such non-economic concerns were not weighed heavily by its managers--and understandably so. Indeed, if the managers were

well-trained in business school economics, such concerns would be considered beyond the pale of their legitimate concern.

Here it is worth noting that, as it so often turns out in such cases, the economic consequences ended up being neutral: Alcoa profited doing things its way; Jamalco made money following Dudley's strategy. Hence, it is the moral consequences that are at issue. As for Dudley, he was presented with the choice of doing what was morally right from his perspective, or doing what was expedient. In choosing the former, he displayed not only vision and integrity, but courage, as well. He fully recognized that he would pay a considerable personal price for doing what he believed was right--and that willingness to "pay the price" is, unfortunately, a requirement of virtue in the preponderance of organizations.

But need it be the case that virtuous acts must always be taken in defiance of a hostile organization? As the following story from Ben & Jerry's illustrates, individual virtue is most forthcoming in a supportive organizational environment--an essential point that runs counter to the practice of those corporations which, when caught with their moral trousers down, institute programs that stress improving the personal ethics of employees while leaving the norms, practices and rewards of their organizations to stand.

Doing Well by Doing Good

In many ways, Ben & Jerry's, the famous Vermont ice-cream makers, looks like a traditionally managed firm; so much so, in fact, that a few year's back Ronald Reagan invited the real life

Ben and Jerry to the White House to declare them "Entrepreneurs of the Year" for the success they had made of selling what Time has called "the world's greatest ice-cream." What President Reagan didn't mention at the awards ceremony is that the company leads the nation in sharing the wealth it creates, not only with its stakeholders but with such worldwide causes as saving the Amazon and promoting world peace. One might have expected that Ben & Jerry's would have been nominated for a BET award based on this philanthropic record. But enlightened capitalism is not about traditional philanthropy. This somewhat paradoxical point requires explanation...

With regard to some instances of philanthropy, Seligmanites come close to hitting the mark when they accuse corporate managers of "theft" from shareholders--for example, the late Armand Hammer's use of Occidental Petroleum funds to build the Armand Hammer Museum to house his personal art collection is a blatant instance of the behavior Seligmanites deplore. It is significant that those on the opposite end of the political spectrum agree on this score; moreover, those on the left argue that it is also "theft" from taxpayers when managers support their favorite charities with money that otherwise would have been taxed and used for purposes chosen by democratically elected representatives of the citizenry.

The defense of tax-exempt corporate philanthropy is far trickier, and rests on the notion of pluralism: To give government a monopoly on allocating funds to educational, artistic and eleemosynary institutions would be to concentrate

too much power in the hands of a singularly unimaginative--and potentially authoritarian--bureaucracy. Given this potential for statist repression and censorship, it is better to encourage many, alternative funding sources for non-profit activities. This argument rests, of course, on the premise that corporate philanthropy will be more risk-taking than government grants--an assumption that is difficult to support by data. In fact, most corporate giving displays the same play-it-safe mentality found in federal bureaucracies--not withstanding such notable exceptions as the risk-taking philanthropy of the Body Shop, Ben & Jerry's, Dayton-Hudson, Levi Strauss and a handful of other companies.

While imaginative charitable activities deserve praise from all those who favor innovation and fear concentration of power in government, the line between the "imaginative" giving of Ben & Jerry's and the "bureaucratic" giving of say, a G.M. or an Exxon, is far too subjective to be drawn with authority...indeed, if one truly values a diversity of approaches, one will applaud both. Thus, were the BET to give an award for imaginative philanthropy this would, at a minimum, create a hornets' nest of controversy and, at the maximum, discourage such activities as giving to the United Way which are clearly necessary (if not imaginative).

Paradoxically, then, it was not for altruism but for acts that made money for the company that Ben & Jerry's was nominated for a BET award. Here's how a profitable, business-related activity can be considered virtuous: Sometime back, Ben & Jerry's publicly dedicated themselves to a concept called

"linked prosperity," the belief that the central role business plays in society gives it tremendous leverage--and responsibility--to improve the quality of life in the broader community. To employee Gail Mayville, that pledge opened the door for her to search for ways to link Ben & Jerry's business activities to efforts to improve the environment. While working as an office manager, she had noticed that Ben & Jerry's wasn't "being as pro-active as we might be in managing our solid waste and conserving our resources." So Mayville took the initiative, beginning with the company's chronic sewage problem: she fed the sludge left over from the manufacture of ice-cream to pigs, and poured the remainder on farm land as fertilizer...for a profit. Then, she recycled the ten bales of cardboard the company was dumping each week...and saved \$17,500 per annum. After that, she found a "technically impossible" way to recycle the fifty thousand 4.5 gallon plastic buckets the company uses to hold ice cream ingredients...at a saving of 78% of the cost of dumping. And on and on she went, each activity requiring moral and entrepreneurial imagination to turn social costs into company savings and profits. Her program became so successful, in fact, that it is now being copied all over the U.S. by companies that had never before been concerned with conservation.

Clearly, the cynics have a point in this case: what Gail Mayville achieved at Ben & Jerry's required no act of selfless altruism. But that she was able to find ways to do well through doing good in no manner detracts from her impressive display of moral imagination. What she did took vision and integrity; that

it took relatively little courage is not a detraction but, rather, at the heart of why this particular effort is praiseworthy. Technically and financially, what Mayville did could have been done by any other company; that it was done first at Ben & Jerry's, is a direct outcome of their commitment to the enlightened capitalistic notion of "linked prosperity." By stating this ideal as the starting premise of the company, Ben & Jerry's created an environment in which a morally imaginative and enterprising employee like Gail Mayville would feel empowered to act. In a traditionally managed company which starts with the premise of maximizing short-term profits, it is unlikely that an employee would be willing to risk stepping forward with such "uneconomical" ideas. Certainly, individual virtue is most likely to flourish in an organizational atmosphere that encourages and rewards moral imagination. In such an organization, an employee like Alcoa's Gerry Dudley who wished to behave morally could have done so without having to "pay the price" for his virtue. Indeed, in organizations where such behavior is punished, only those rare individuals who are "saintly" are willing to risk defiance of the corporate norms.

It is also noteworthy that Gail Mayville was granted a BET award for embodying the philosophy of one who was, perhaps, the most criticized business leader of the '80s, William Norris, past CEO of Control Data Corporation. Norris--who argued that corporations "should address society's unmet needs as profitable business opportunities"--was the bete noir of Seligmanites and, when he was forced to step down as a result of CDC's near financial ruin, his comeuppance was seized upon by Wall Street

analysts and others as proof that corporations must not attempt to do good. (10)

But, in fact, Norris's critics drew the wrong conclusion from his fall. All Norris's failure "proved" is that CEOs need to be effective managers as well as persuasive philosophers. CDC did not stumble because of Norris's much-publicized "social joint ventures" to meet the needs of the inner-city poor, American Indians, isolated farmers, displaced workers, high school drop-outs and other groups for whom CDC designed computer-based programs. Such activities--albeit not always well-conceived and seldom efficiently managed--were small pickings financially speaking at CDC. The company's big losses were run up in their mainline businesses--like computer peripherals where the company frittered away a once-commanding share of the disk-drive market through old-fashioned mismanagement. Significantly, Norris was known as an insensitive, cantankerous manager who refused to listen to his customers, employees--and even to his partners in his social joint ventures. Simply put, he could not serve the needs of his shareowners because he failed to meet the needs of all his other constituencies. It is essential to underscore that Norris was not, as his critics claim, a failure as a philosopher; he was a failure as a manager. Indeed, as the scores of profitable companies nominated for the BET awards attest, he was right on target when he claimed that companies can succeed by finding "profitable ways of meeting society's unmet needs." If they are well-managed.

Here's what the record shows: It is nearly impossible to find an example of a company that got into financial trouble because it behaved ethically or in a socially responsible manner. Granted, some companies have failed in attempts to market what they believed were socially useful goods--but, then, many other companies have failed to find markets for trivial gadgets with no redeeming social value. Similarly, companies that have been totally indifferent to the social consequences of their actions have succeeded in accumulating great fortunes, and others that have been equally as insensitive to social questions have failed spectacularly.

So what is one to make of this "contradictory data"? Certainly, the lesson to be drawn from the BET nominees is not that virtue will lead to success but, rather, that it is not the inevitable road to ruin that Seligmanites have claimed. Thanks to the Business Enterprise Trust, there are now numerous examples which illustrate that the choice of whether or not to do good is a moral, and not an economic, decision. One may either succeed or fail taking the high road, as one may either succeed or fail taking the low road. Given this reassuring knowledge that socially responsible behavior is on a different dimension from financial success, one might expect more businesspeople to take the high road. For is it not the case that managers would much prefer the peace-of-mind of doing what they feel is morally right, as opposed to being compelled to do what is expedient?

NOTES

- (1) Josephson, Michael, Ethics of American Youth, Josephson Institute, Los Angeles, October 1990
- (2) For a pluperfect example of such journalistic cynicism, see Queenan, Joe, "Purveying Yuppie Porn," Forbes, November 13, 1989 pp.60-64
- (3) Seligman, Daniel, "Keeping Up," Fortune, July 31, 1989, p.273.
- (4) Ibid.
- (5) Friedman, Milton "The Social Responsibility of Business is to Increase its Profits" Sunday Times Magazine September 13, 1970
- (6) De Pree, Max Leadership is An Art Doubleday, 1989, pp.56-57
- (7) From Statement of James Burke quoted in nomination form for BET awards. The Business Enterprise Trust, 204 Junipero Serra Blvd., Stanford, CA. 94305
- (8) Adolph, Jonathan and Florence Graves, "More Than Skin Deep," New Age Journal May/June 1989, p.93
- (9) Ibid.
- (10) Walters, Donna K. "Control Data Founder Has Few Regrets," L.A. Times March 10, 1986 , Business Part 4, p.1: "Analysts, many of whom had always fretted over the company's socially responsible bent, say a complete recovery requires that Control Data adopt a more traditional posture..."

And Jeffery Fiala, President of Rendrant Corp., wrote to the editors of Inc. as follows: "But what has Control Data done since 1957? By achieving a smidgen of its start-up potential, it has cost the economy thousands of jobs and millions of tax dollars, and it has contributed to trade deficits by coming out with uncompetitive products. Yet the founder pats himself on the back for using other people's money (his stockholders') to foster his own notion of social responsibility. I submit that the most socially responsible companies are those that are kicking ass in their markets--creating real jobs, paying taxes, and holding exports at bay. Any company that weakens itself by trying to act like a social welfare agency contributes to the problems our society faces. Norris wants to feel good about himself and his company, but he pursues his social "experiments" at great cost to the nation and to everybody with a persoanl stake in Control Data..." "Mixed Bag," Inc. August, 1988

[Box A]

"And the Winners Are..."

The following five organizations and individuals are the recipients of the first annual Business Enterprise Trust awards:

[BOX B]

The BET Selection Process (A Personal Perspective)

Nominations for the Business Enterprise Trust awards were generated thorough ads placed in leading business periodicals and through informal requests to knowledgeable business authorities. From the four hundred some nominees received, BET president Kirk Hanson and his staff sorted out the inappropriate, the bizarre and the self-serving (it seems that corporate directors of P.R. can be counted on to nominate their CEOs: "This man is a paragon of virtue.").

At this point, a screening committee was called upon to review those nominees who had met the minimal criteria established by the BET board of directors. I had the honor to serve as a member of this uncompensated committee. From my perspective, we conscientiously analyzed and debated the pros and cons of each qualified nomination--the preponderance of which, it seemed to me, consisted of well-meaning efforts to help public schools and to fight drug abuse. These are, of course, the community-oriented activities in which most publicly held corporations are actively involved in the early '90s. Since literally hundreds of awards could be justly granted in these two areas, we agreed not to recommend any of these nominations to the board. (On these issues, I suspect I may have been more negative than the majority of the committee: First, while I agree that fighting drug abuse is absolutely necessary in our society, it does not strike me that corporate programs to this end require any extraordinary vision, integrity or courage; second, I find it ironic that companies who have lost significant markets to foreign competitors will then turn around and offer to save schools thorough introducing their "sound management

techniques").

In all, I found a dishearteningly small number of worthy candidates. For example, try as I might, I failed to find sufficient virtue in the activities of one particularly self-congratulatory company who had nominated themselves for the "socially responsible" approach they used in shutting down American plants while, at the same time, expanding manufacturing operations abroad. Nonetheless, the screening committee was able to agree on a score or so of nominees that were sufficiently meritorious by the standards of vision, integrity and courage to warrant their being sent on to the board.

At this stage, the process was turned over to the members of the prestigious BET board--and how they proceeded from there is a matter on which I can do no more than speculate. What the board seemed to be looking for were examples of unmistakably profitable business activities that also had a clear social utility. Thus, I would conclude that the awardees chosen by the board display more vision than integrity, and more integrity than courage. In so choosing, the board was perhaps reacting to the stinging criticism of Fortune's Daniel Seligman. As I argue above in defense of awardee Gail Mayville, it is a mistake to denigrate activities that do well through doing good. Yet, this concept of business virtue is not only limited, it is particularly difficult to distinguish from the ordinary activities of all law-abiding business people. While it is possible to draw a distinction between the moral virtues of the winners and say, the more mundane virtues of those who provide society with the shirts, shoes and shampoo it needs, this difference is so subtle that I fear it may be lost in the cynical reports of the awards that will appear in the popular press. That is why I believe the BET board might have made a stronger statement had they chosen to award one or two courageous nominees who had clearly "paid the price" for their virtue. In the final analysis, I wish that the board would have heeded the admonition of David Vogel:

It is irresponsible to imply that acting responsibly is always costless, and it is unethical to base the case for ethics on economic self-interest. If we want executives to act more ethically, we need to be more honest with them and they need to be more honest with each other. The market has many worthwhile features, but setting an appropriate price on virtue is not among them.*

Ah, well, there's always next year.

*

Vogel, David, "Ethics and Profits Don't Always Go Hand in Hand," Ethics: Easier Said than Done, Vol 2, No. 1, pp.63