

REALITY CHECK

The ethics dilemma



In a classic case of “damned if you do, damned if you don’t,”

business leaders must decide whether to actively promote policies of corporate social responsibility. Once the answer to “why bother?” is apparent, the next most frequently asked question is “how to?” Reality Check, the 2000 Canadian Business Ethics Summit held last November, offers four practical answers

BY DEAN WILLIAMS ILLUSTRATIONS BY TADEUSZ MAJEWSKI

Why bother?



THE PUBLIC'S GROWING CONCERN over corporate responsibility has recently manifested itself in many ways, from public protests at meetings of the World Trade Organization to negative media coverage, consumer boycotts and employee dissatisfaction. Even corporations that actively promote their own social responsibility can get blasted for not meeting the public's high expectations.

Ironically, but not surprisingly, these kinds of incidents add to corporate reticence to undertake proactive practices. While some business leaders fear that investing in a social responsibility strategy would be cost-prohibitive, others worry that being proactive might set their corporation up as another target for "unreasonable" consumer activism.

But what are the options? As globalization continues to change the power balance in society between governments and corporations, consumer expectations are increasing at the same time as voter expectations are decreasing. However, if the choice is between doing nothing and being proactive, the evidence suggests that being proactive is worth both the risk and the investment.

Corporate social responsibility issues, such as business integrity, environmental stewardship, employee relations (including concern for employees' health and well-being), community involvement and human rights, are being covered in the media with greater frequency and prominence. You can almost feel the political, social and economic culture shifting.

The often-quoted Millennium Poll, conducted by Environics International Ltd. in co-operation with the Prince of Wales Business Leaders Forum and The Conference Board of Canada, confirms this shift toward an emphasis on ethical standards and corporate citizenship.

According to the Millennium Poll,

- 90 per cent of respondents believe that companies should focus on more than profitability
- 60 per cent said that they form an impression of a company based on its social responsibility
- 40 per cent responded negatively to or said they talked negatively about companies that they perceived as not being socially responsible.

As with most instances of change, there is a period of uncertainty and insecurity for both corporations and the public. On the plus side, studies, such as a recent one by Harvard University, indicate that "stakeholder-balanced" companies showed four times the growth rate and eight times the employment growth when compared with companies that are simply "shareholder-focused."

Eleanor Clitheroe, president and chief executive officer of Ontario's Hydro One Inc. and a founder of The Canadian Centre for Ethics & Corporate Policy, is convinced that "corporate leaders need to appreciate that a corporate ethics program is good for a company's sustainability." Clitheroe believes that ethics programs can be cost-effective. She argues that they go a long way toward preventing lost sales, a demoralized work force and unethical behaviour that can be increasingly costly to an organization, both in dollars and in terms of perception. In her experience, corporate ethics programs can also help to attract and retain good employees who wish to work in an environment with high standards.

Real leadership, however, means that leaders must set the standard. By acting ethically, for example, Hydro One hopes to earn the trust and confidence of its employees, customers and other stakeholders. Louise Cannon, senior vice-president of group compliance at Scotiabank, agrees. She says that Scotiabank has had decades of experience in being linked to the communities in which it operates. "We've been involved in corporate social responsibility since long before it had a catchy name," says Cannon. "Forging stronger links to communities has built customer loyalty and reinforced employee satisfaction at Scotiabank."

"Commitment is fundamental to good corporate citizenry," adds Gerry McDole, president and chief executive officer of AstraZeneca Canada Inc. "Making a difference in the communities where we live and work means more than researching and developing new medicines. We are committed to improving the lives of Canadians. Our commitment motivates our employees and enhances our relationships with our stakeholders."

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DR. CHITRA REDDIN,
Vice-president,
Public Affairs, Canadian
Institute of Chartered
Accountants (CICA)

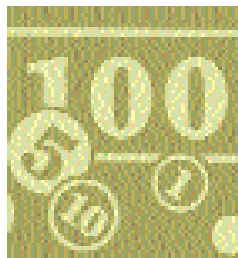
How to?

Four practical approaches — a guide courtesy of The Canadian Centre for Ethics & Corporate Policy

Last November, The Canadian Centre for Ethics & Corporate Policy held its 2000 Canadian Business Ethics Summit, called Reality Check: Business Ethics in the Real World. The summit was co-hosted by *The Globe and Mail* and The Conference Board of Canada and was sponsored by the Canadian Institute of Chartered Accountants (CICA), Scotiabank, Laidlaw Foundation and Nike Canada. Participants at the summit included ethics experts and academics and a wide range of corporate representatives. "What is especially valuable about this summit is its commitment to developing workable solutions, outcomes that can be implemented once it is over," observes Dr. Chitra Reddin, vice-president, public affairs, CICA.

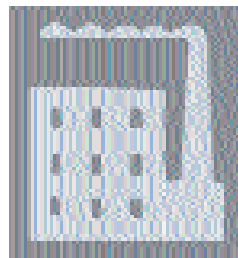
The theme and purpose of Reality Check flowed naturally from the first business ethics summit held in the fall of 1999. Participants at that summit established key themes aimed at the advancement of business ethics and corporate social responsibility.

The four key themes that came out of the 1999 Canadian Business Ethics Summit can be summed up in the following way:



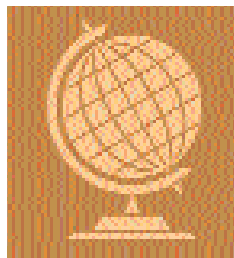
BUSINESS CASE

If businesses exist to be profitable, what benefit does ethics offer to business leaders? Is ethical behaviour profitable?



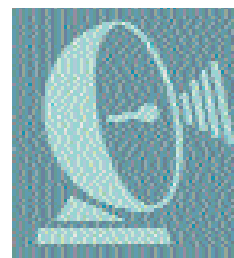
MEASURING BUSINESS PRACTICES

If we are to treat business ethics as a practical business issue, can we develop a credible, transparent method of measuring the level of corporate social behaviour?



EDUCATION AND TRAINING

If business ethics isn't as strong as it should be, where are the weaknesses? Who should be responsible for delivering the improvements? And how should it be done?



DEVELOPING A COMMON LANGUAGE

If the words we use in discussing business ethics don't have universally understood meanings, communication is less effective. What is the solution?

The 2000 summit, Reality Check, created a forum for constructively critiquing the answers to these questions. It also created a platform for the development of effective products to help business leaders, the media, consumers, teachers, students and others understand, implement and evaluate business ethics and social responsibility practices.

A business case for investing in an ethical orientation

As leader of the working group to develop a business case for what he prefers to call "an ethical orientation," Steven Cross of Mountain Equipment Co-op and a member of the steering committee of Ethics in Action deals with the question: "Does ethics pay?"

Cross is convinced that, in the long term, investing in an ethical orientation does pay. "Ethics is not a substitute for a fundamentally sound business strategy," he says. "However, there is compelling evidence to show that investing in an ethical orientation returns real value to organizations."

During 2001, the business case team, led by Cross, will complete the development of its business case. Its goal is not only to make the case that an ethical orientation is strategically relevant in solving business problems but to demonstrate how business leaders can implement these solutions.

Measuring business practices

George Khoury, director of the Canadian Centre for Business in the Community at The Conference Board of Canada, and Chris Pinney, director of The Imagine Campaign at the Canadian Centre for Philanthropy, have an ambitious yet realistic goal. Before the end of this year, after months of intense con-

REALITY CHECK ACKNOWLEDGMENTS

A true reality check on business ethics can only happen with the involvement of people who influence or are impacted by decision making. That's why in planning the Reality Check summit, the organizers aimed for a balance of business people, ethics experts, academics and government and non-governmental organizations.

Just as importantly, Reality Check could not have happened without the generous support of its sponsors, represented at the summit by Bob Lord, chair of the Canadian Institute of Chartered Accountants (CICA); Louise Cannon, senior vice-president of group compliance for Scotiabank; Don Lenz, a director of the Laidlaw Foundation; and Scott Wood, a director of Nike Canada.

A special note of appreciation goes to Roger Parkinson, chair of *The Globe and Mail*, who was a skillful and enthusiastic facilitator for the Reality Check summit.

sultations with businesses, non-governmental organizations, government and other stakeholder groups, they will have developed and begun beta-testing the only business-relevant corporate social responsibility index (CSR Index) in Canada.

The CSR Index will be a credible, transparent, practical and realistic tool for measuring socially responsible performance. As an important factor in the credibility of the CSR Index, a corporation's economic sector, organizational structure, size, financial resources and other factors will be reflected in the types of performance indicators that are developed.

Improving education and training in business ethics

Jim Ridler of the School of Business at Queen's University knows as well as anyone the role that the education system plays in the development of ethical values and skills for use in the business world.

"While it is important to try to train people already in the work force," says Ridler, "education in business ethics must be improved and made more available in universities and, even earlier, in the public school system. For this to happen, the need for business ethics training must become better recognized and more valued to overcome inertia in the education system."

Ridler has formed a network of key contacts throughout Canada to influence decision makers at all levels of education, from the deans of business schools and universities to those who teach the teachers and practitioners.

To this end, Ridler and his network are building a database on the who, how, why, where and when of business ethics in Canada and generating feedback regarding a vision of the future and how to make it happen.

Developing a common language

The working group headed by Morley Lemon, director of the School of Accountancy at the University of Waterloo, and Michael Deck, director of the Business Ethics practice at PricewaterhouseCoopers, set out to come up with a language that works, but they concluded that the prerequisite conceptual clarity does not exist.

"In the arena of business ethics, even the most common analytical words can hold different assumptions and interpretations between and among business leaders, ethics experts and academics," says Lemon. "Even the simplest words such as 'ethics,' 'values,' 'integrity' and 'stakeholder' are not precise enough to ensure effective communication of ideas, motivations, actions or results."

"The real-world solution is not to pretend that precise definitions exist but to create a better awareness of the shades of meaning that words can have," adds Deck.

The answer lies in their efforts to develop a "Problem-Solving Dictionary." Unlike a standard dictionary, which has very precise definitions, this proposed dictionary will show the various shades of meaning that key words can have.

Every business leader has his or her reasons for actively promoting business ethics and corporate social responsibility. For some it is a matter of strong personal values that influence corporate culture. For others it may be a case of effective marketing. There are many other reasons, but whatever they may be, they all return benefits. The demand for increased corporate social responsibility is real and the pressure for corporations to act in socially responsible ways will only increase.

"Fortunately, the wind is at our back," said *Globe and Mail* chair Roger Parkinson at the Reality Check summit. "For one thing, we will soon have a persuasive business case that we can sell to CEOs. For another, we're actively developing a credible index for measuring socially responsible corporate practices that will allow corporations, the public and the media to track corporate behaviour. On top of that, the words we need to make our arguments are being refined and we are preparing for the next generation of business leaders by getting into the education system."

By promoting the development of these four practical deadline-driven products, The Centre for Ethics & Corporate Policy is there to help businesses and organizations ride this wave of change. Corporations can either be on the leading edge of that wave or find themselves trying to catch up to it. ●

Dean Williams is the owner of Williams Savvy & Associates and SavvyPR.com, a marketing communications business, and an active contributor to the work of The Centre for Ethics & Corporate Policy.

The Canadian Centre for Ethics & Corporate Policy is an independent ethics centre and a registered charity that works with its members and with other organizations involved in business ethics to build programs and address current issues. A volunteer-driven organization comprised of corporations and individuals, The Centre for Ethics & Corporate Policy is dedicated to developing and maintaining an ethical culture in businesses and other organizations. Its mission is to champion the application of ethical values in the decision-making processes of businesses and other organizations.



For information about The Canadian Centre for Ethics & Corporate Policy or a copy of the report from Reality Check: Business Ethics in the Real World, contact The Canadian Centre for Ethics & Corporate Policy at
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