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MBA PROFESSIONAL REPORT

**A Study of Industry Best Practices in Ethics Programming:
Learning from Exemplary Ethical Organizations to Inspire
Moral Courage in the Military**

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December 2005**

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LEARNING FROM EXEMPLARY ETHICAL ORGANIZATIONS TO INSPIRE
MORAL COURAGE IN THE MILITARY**

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I. INTRODUCTION

A. BACKGROUND

This MBA project is part of the *Ethics in Action* research education program at the Naval Postgraduate School (NPS) sponsored by Rear Admiral Daniel H. Stone, SC, United States Navy, Chief of Supply Corps and his predecessor Vice Admiral Justin D McCarthy. As a part of this program there was interest in learning what best practices in industry could be identified to potentially benefit the military, with regard to ethics and moral courage. NPS was chosen for this research because it is known as one of the leading research institutions for military issues. This MBA Project is part of the this program under the supervision of Professor Leslie Sekerka, PhD, at the Graduate School of Business and Public Policy, Naval Postgraduate School, Monterey, California.

B. OBJECTIVE

The objective of this project is to identify and define best commercial practices relating to ethics programming in today's corporate organizations, and determine those that might be utilized in a military context. In an effort to remain open to all possibilities, the researchers develop a theoretical framework to advance subsequent research. The objective is realized by identifying and defining best practices relating to the promotion of ethical behavior in today's corporate environment.

C. SCOPE

The concept behind this project is to learn from companies with proven track records in areas such as ethical reform and employee ethics. The companies identified for this investigation were selected through convenience sampling methods based on location, Professor Leslie Sekerka's professional contacts, and Business Ethics Magazine's top 100 best corporate citizens of 2005. Seventeen companies were contacted via phone, email and the U.S. Postal Service; of the seventeen companies contacted, six agreed to be interviewed and participate in this inquiry (Attachment 1).

The researchers compiled a rubric with the intention to identify critical elements on which ethical companies to focus. The identification of critical elements headed to facilitate the determination of best commercial practices. This investigation is based upon a review of academic literature and popular press, and is supported through interviews with industry ethics officers and experts.

USN Supply Corps Officers are the Navy's business managers, professional logisticians and contracting officers. Therefore, it behooves them to manage the risk of unethical behavior that can lead to distrust and credibility issues amongst employees, customers, suppliers, et al, that collectively make up the Navy's business environment. By effectively promoting an atmosphere where moral courage and professionalism are exemplified and rewarded, we can potentially reap the benefits of greater efficiency, and employee and stakeholder loyalty.

By comprehending best practices in the civilian businesses, we will learn if they may be considered for application within the United States Navy Supply Corps. Once we have isolated these best practices, we then provide recommendations that help move the United States Navy Supply Corps towards establishing work environments that support moral courage. Given this review and analysis, the researchers will close with recommendations and if there is a feasibility of application within the USN Supply Corps.

D. METHODOLOGY

The multidimensional nature of morals and ethics in business complicates the task of evaluating firms. Vogel elaborates, "Companies, like individuals, do not typically exhibit consistent moral or social behavior" (Vogel, 2005, pg 5). To mitigate this complexity, we use a broad approach that includes a literature review, rubric, company overviews, and interviews with company representatives to arrive at our recommendations.

1. Literature Review

A literature review was conducted from current events, academia, the World Wide Web and other resources. We obtained this information from the library and the internet. The purpose of this information is to provide a background and supporting documentation for subsequent research. We define ethics and morals, provide an overview of business ethics, and present several studies on business ethics. The following questions are specifically addressed:

- What is ethics programming?
- What is moral courage?
- What is a best practice?

2. Rubric

Based on the evidence presented in the literature, a rubric, or framework for understanding, was formulated to present key items that are generally included when a company is viewed as being *ethical*. The rubric served as a tool used to help to determine whether organizations attained a certain level of expertise in the area of ethical programming and concern. The rubric was separated into primary elements that constituted an ethical company, examining these areas: 1) Customers, 2) Employees, 3) Shareholders, 4) Suppliers/Vendors, 5) Community, and 6) Human Rights/Equal Opportunity and Diversity. This rubric is used to verify to some degree that each of the corporations we researched has noteworthy processes within their Ethics Programs.

3. Company Overview

We then identified the best practices of some of today's "ethical businesses." Seventeen companies were contacted via phone, email and standard mail; of the companies contacted six agreed to be interviewed and participate in this exploration (Attachment 1). We will provide a brief overview of the ethics policies and programs of the following six companies:

- Accenture
- Hewlett Packard

- Xerox
- Northrop Grumman
- Washington Mutual
- Booz-Allen

The ethics policy overview included employee codes of conduct, core values, education, training, and other pertinent information regarding their ethics programs available. We examined their respective websites and conducted interviews with company representatives.

4. Civilian Industry Interview

The researcher's questions focused on two primary elements: Corporate Values and Leadership. The interviews, conducted over the telephone, were recorded and transcribed. The questions asked were the following:

Corporate Values

- Does the company have an established ethics policy/code and if so how often are employees required to review that policy and/or code?
- Is there ethics training (information focus) in the organization? If so, what kind how often is it conducted? Which company stakeholders do this training address (i.e. shareholders, employees, customers, community, suppliers, et al)?
- Is there ethics education (developmental focus) in the organization? If so, what kind how often is it conducted? Which company stakeholders do this training address (i.e. shareholders, employees, customers, community, suppliers, et al)?
- Which stakeholders take precedence to the company and in what order?
- How is moral courage (doing the "right thing") rewarded? How is poor customer service or unethical behavior punished?

Leadership

- How do leaders create a culture and atmosphere where the social norms are to behave in a moral fashion in daily work life?
- Have you ever experienced a moral dilemma that arose as a result of pressure from above?

- How do the leaders' actions promote an environment free of sexual harassment and prejudice?
- What do leaders do to make employees feel that they add value to the company?
- How does the leadership promote just and moral treatment of customers and suppliers?
- Is the organization perceived by the public as a company based on sound principles and values? Why or why not?
- How does leadership measure and track an individual's ethical value as an employee within the organization? How is the organization's ethical value measured and tracked?

5. Interview and Discussion

In this section we use the interview questions to look for similarities and differences, and distinctive processes with regard to the companies' methods for attaining ethical compliance and promoting moral courage. Our findings in this exploration were used to formulate recommendations.

6. Conclusions and Recommendations

This section takes the best practices identified through our company overviews, the interviews and discussion section to set forth recommendations to potentially be considered for adoption, for further research. This section answers such questions as:

- How do successful corporations motivate workers to act with moral courage on a sustained (daily) basis?
- Can the best practices identified in this project be implemented and adopted?
- Given the military organizational structure and current ethics programming within the United States Navy (USN) Supply Corps, what recommendations can be made?

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II. LITERATURE REVIEW

A. INTRODUCTION

The goal of this literature review is to provide a background and supporting documentation for our inquiry. To begin, we provide definitions of *ethics*, *morals* and *best practices*, and describe *ethics programming* and *moral courage*. A brief overview of business ethics is presented, along with several case studies to describe ethics issues emergent in organizations.

B. ETHICS

Ethics is rooted in philosophy, emerging in written form during the 6th century as the Greeks began to look at its meaning. The word *ethics* comes from the Greek word *ethika*, which is a derivative of the Greek word *ethos*, or character. *Ethika* refers to principles or standards of human conduct (MSN Encarta, 2005). Today, *ethics* has many different connotations, as evident when an internet search revealed 21 different definitions (see Appendix 2, Definitions of *Ethics*). A central definition of ethics is a set of moral principles or values, or the principles of conduct governing an individual or a group (Merriam-Webster Online, 2005).

Ethics has since become specialized within each discipline, having its own distinct focus given the individual domain. This includes: business, medical, biological, political, environmental, and military forms of ethics. Our inquiry narrows the focus to business ethics as it may apply to military contexts. Business ethics can be defined as, “the branch of ethics that examines ethical rules and principles within a commercial context; the various moral or ethical problems that can arise in a business setting; and any special duties or obligations that apply to persons who are engaged in commerce” (Wikipedia Online Encyclopedia, 2005).

As a scholar of organizational ethics, Francis J. Aguilar, Professor of Business Administration at Harvard University, elaborates, “A common, if not traditional, view of business ethics is that it centers on individual actions, that it is problem oriented, and that the problems tend to be dramatic and occur occasionally, at times of unusual pressure or

temptation.” He goes on to say that “dealing with these ethical issues chiefly involves the application of the appropriate moral principles” (Aguilar, 1994, pg. 15). Richard T. DeGeorge, Director of the International Center for Ethics in Business at the University of Kansas, provides a slightly less complex definition of business ethics, “simply the application of everyday moral or ethical norms to business” (DeGeorge, 2005).

C. ETHICS PROGRAMMING

Based on the definition of ethics above and personal experiences as both leaders and subordinates in military service, we conclude that ethics programming is a broad and overarching concept. Given our survey of ethics programs within organizations we define ethics programming as: Any education or training that instills ethical behavior and fosters moral growth. But is there a difference between ethics education and ethics training?

Education is defined as the action or process of educating or of being educated, and the knowledge and development resulting from the educational process (Merriam-Webster Online, 2005). Ethics education is defined by Harold Langenderfer (University of North Carolina) and Joanne Rockness (University of North Carolina-Wilmington) as “a process whereby individuals become more consciously involved in making ethical decisions” (Langenderfer and Rockness, 1989). Cheryl Lehman, a professor of Legal Studies in Business at Hofstra University, determined the main goal of ethics education “should be to encourage students to recognize social responsibilities within their profession” (Lehman, 1988). Ethics education continues to be pushed into the forefront of business in the academic arena. The American Assembly of Collegiate Schools of Business (AACSB) and the American Institute of Certified Public Accountants (AICPA) recommended that students receive ethics education at the general education level, the business administration level, and in every accounting course (Haas, 2005).

Training is defined as, teaching with the intent of qualification, or proficiency through instruction, discipline, or drill (Merriam-Webster Online, 2005). Lynn Sharp Paine, Professor of Business Administration at Harvard University, suggests training “focuses on decision making, the challenges of balancing multiple responsibilities and compliance with laws and regulations critical to the company” (Harvard Business

Review, 2003, pg 101). Robert Madgett, of Bechtel National and a contributing author for *Contract Management* magazine, elaborated on ethics training when he said, “While training may not be the sole answer to repairing ethics, the lack of training increases the risk for any organization. To be effective, this training should be ongoing with annual refreshers – especially for leaders and officials. There is a cost associated with it but the lack of training can be more costly” (Madgett, 2005).

Although ethics education and training are overlapping concepts, they differ in that ethics education is an ongoing process dealing with knowledge and personal development; ethics training is an ongoing process focusing on instruction and the dissemination of information. Ethics education is knowledge based and focuses on the development and growth of its participants. Ethics training on the other hand focuses on the transmission of ethical standards, associated policies and expectations, and the dissemination of information about them throughout an organization. Ethics programming can be viewed as any combination of education and training that instills ethical behavior and fosters moral growth.

D. MORALS

The word *moral* comes from the Latin word *moralis*, meaning proper behavior of a person in society (Online Etymology, 2005). The word *moral* has many different connotations, as was evident when searching for *moral* on the internet; over 15 definitions were found (see Appendix 3, Definitions of *Morals*). A central definition of morals is standards of good or bad behavior, fairness and honesty, which each person believes in (Cambridge Dictionary Online, 2005).

In the 1920s, values, morals, and conscience began to appear as a focus of study in the social sciences. It was not until the 1960s, however, that one’s morality becomes a subject of in-depth scientific study, prompted by world events such as the Vietnam War and the “free love” movement among the youth of America (Grolier, 2005). In Lennick and Kiel’s book entitled, *Moral Intelligence*, they describe the essence of morals as having four vital skills:

- 1) Integrity
- 2) Compassion and Forgiveness
- 3) Emotions and “gut reactions”
- 4) Responsibility (Linnick and Kiel, 2005, p. 179).

There is a difference between ethical and moral behavior. Ethics has to do with obeying the rules. Morality, on the other hand, has to do with reasoning and behaving according to values that go beyond narrow self-interest. To make both companies and government organizations behave morally, the focus should be on organizational values and leadership. (Maccoby, 2005, p. 59)

E. MORAL COURAGE

What is moral courage in a professional setting? Michael Josephson, the founder of the Josephson Institute of Ethics, describes moral courage as “being honest at the risk of disapproval, lost income or a maimed career; being accountable when owning up to a mistake that can get us in trouble; being fair when we have the power to be otherwise; and following the rules while others get away with whatever they can – these things take moral courage, the inner strength to do what’s right even when it costs more than we want to pay” (Josephson, 2002).

Paul Johnson is an eminent British historian who authored an article called “Five Marks of a Great Leader.” In this article he names moral courage as the number one characteristic of a great leader. He goes on to say that moral courage is what “matters most” and that one’s willingness to stick to their beliefs despite criticism and adversity is what defines moral courage but is in short supply in our society today (Johnson, 2005, p. 031).

Although we live in a world that has seen the executive chain of command of companies such as Enron, WorldCom, and Global Crossing brought up on criminal charges, we still overwhelmingly devote our business education to technical training. Studies have shown that corporate employees that fail morally – rarely do so because

they lack technical know-how. (Lindsay, 2002, p. B11) The provost of the University of Dallas, Thomas K. Lindsay, wrote a commentary entitled: *What Does It Profit a Man to Gain an MBA? Business schools must stress ethics and say 'Stop.'* In this commentary, Lindsay supports the notion that a lack of moral emphasis in our education programs leads to a lack of moral courage. When only 5% of a business student's education is spent on developing moral capacities, and the other 95% spent learning how to calculate one's way to maximum wealth, we should not be surprised when business professionals are faced with moral dilemmas, when profits are the sole priority (Lindsay, 2002).

Lindsay argues that all MBA students need an education in moral reasoning, and that moral reasoning will be acquired through a liberal arts education that includes: history, philosophy, literature, theology, and logic. He goes on to support his thesis with examples of successful leaders that developed their moral philosophies from the great thinkers found in literature such as: Winston Churchill, who held Aristotle's Nicomachean Ethics in high esteem; Alexander the Great, whose role model was Homer's Achilles; and Julius Caesar, who, in turn, adopted many of his ambitions from Alexander the Great (Lindsay, 2002). Profound thinkers such as Winston Churchill and Alexander the Great thought it wise to look at our world's history and its great leaders in order to develop their moral compass. They also chose to ponder such subjects as human nature, logic, theology, and moral philosophies. One could say that doing so leads to the development of moral character and critical thinking skills. Is it not then logical to deduce that where strong, ambitious minds are being developed and educated, that much credence should be given to the same such literary knowledge and teachings? A liberal arts education is simply relevant; it is central to making business students thinkers with moral fiber rather than just great technicians who merely see debits and credits (Lindsay, 2002).

F. BEST PRACTICES

Best practices are generally accepted, exceptional ways of doing something. "A best practice is formulated after the study of specific business or organizational case studies to determine the most broadly effective and efficient means of organizing a

system or performing a function” (Wikipedia Online Encyclopedia, 2005). For the purposes of this study we focus on best commercial practices (BCP) pertaining to business ethics that might be adapted to the military. Frank Camm, a Senior Economist for the Rand Corporation explains, “BCPs are typically tied to processes—i.e., activities that transform inputs into outputs in any organization. Processes can, for example, transform strategic priorities into requirements, development resources into new products, or labor and material inputs into serviceable parts” (Camm, 2003). In order for the military to properly implement BCPs, they must first be identified and then understood.

G. HISTORY OF BUSINESS ETHICS

“As civilization developed from its primitive roots, there were always some individuals who were more sensitive to issues of right and wrong, good and evil, than others were,” says Gordon Shea, former President of PRIME Systems Company, a training and human resource development firm. He goes on to say of these people, “whether inspired by God, developed through periods of meditation and reflective thought, or produced by exceptional empathy with the living universe about them, these moral leaders grappled with the discernment of good or evil” (Shea, 1988, p. 18). Business ethics most likely emerge through the teachings of leaders and in response to ethical norms they are created through religion and philosophy. De George elaborates further stating that, “ancient texts have guided people’s actions in all realms, including business, for centuries” (De George, 2005). But when did ethics become commonplace in the modern business world?

Modern business ethics in the United States is widely considered to have begun with The Civil Rights Act of 1964. According to De George, it wasn’t until the early 1970s that the term *business ethics* came into common use (De George, 2005). In 1970, major steps were taken to secure the foundation of ethics in business. The Occupational Safety and Health Act was passed to ensure the protection of workers’ rights. In the same year, the Environmental Protection Act was passed forcing businesses to clean up their act regarding the environment. This sudden emergence of business ethics was

essentially a response to a number of corporate scandals that erupted in the 1970s. The subsequent government legislation was designed to enforce new ethical standards in corporate America.

By the 1980s, companies were beginning to proactively adopt ethical policies. In 1986, seventeen major defense contractors signed the Defense Industry Initiative on Business Ethics and Conduct (KPMG International, 2005). The initiative states that the companies would review their ethical standards annually. Nobel Prize-winning economist Milton Friedman once said that the purpose of corporate ethics was simply to return a profit, and that anything goes as long as it's within the rules of the game (Petry, 2005). The idea that ethics could be good for the corporation, shareholder and consumer was a new idea that encouraged the ever-increasing business ethics movement.

The 1990s marked an ever-increasing incorporation of business ethics programs into corporate America. According to an anonymously penned article entitled "The Age of Ethics," by KPMG, an audit, tax, and advisory service, the Conference Board, a research organization in New York City, estimates at least 95% of the Fortune 500 companies now have codes of conduct, as opposed to approximately 84% of 250 major companies surveyed in 1991. The same KPMG article also suggests "companies often created compliance systems as a public demonstration of an effort to clean up their own ranks before the courts did it for them" (KPMG International, 2005). This trend will undoubtedly continue to grow in breadth and depth as long as the possibility of corporate scandal exists.

H. RECENT BUSINESS ETHICS STUDIES

To understand the state of ethics in business today, it is essential to look at the results from various industry studies. This section examines three such studies, including one from the Ethics Resource Center, a non-profit organization that helps business leaders impact their organizations by identifying ethical risks and establishing systems to emphasize higher standards for business conduct; the Business Research Lab, a business research and consulting group; and a joint study conducted by the consulting firm Booz-Allen and the Aspen Institute.

1. The 2003 National Business Ethics Survey

The 2003 National Business Ethics Survey (NBES) conducted by the Ethics Resource Center, surveyed 1,500 employees from the 48 contiguous states (Ethics Resource Center, 2003). The questions asked were aimed at finding how individuals determined right and wrong behavior in the work place and what resources aided in the general actions of respect and honesty in their working environment.

The major focus areas of the 2003 NBES were:

- Ethics practices of executives, supervisors, and coworkers
- Prevalence of formal ethics programs
- Pressures to compromise ethics standards
- Misconduct at work and the influences on reporting it
- Frequency with which certain ethical values are practiced
- Accountability for ethics violations

In a statement released by the Ethics Resource Center, they described the primary findings of the survey as “enlightening and surprisingly hopeful” (Ethics Resource Center, 2003). It was surprising because when compared to the 2000 NBES, the 2003 survey it revealed that employees overall view their companies/organizations in a more positive light in the arena of ethics. Positive responses rose from 77% to 82% when asked if management speaks of the importance of ethics and if they were likely to keep their promises and act as ethical role models.

The observation of misconduct fell from 31% to 22%, while pressures to compromise ethics in the workplace also declined from 13% to 10%. It is important to note, however, that it was only in the area of non-management where observation of misconduct and pressures to comprise declined. Reporting of misconduct is up from 57% in 2000 to 65% in 2003, and, overall, the numbers indicate that traits such as respect and honesty are more frequently practiced in 2003 than in 2000.

- Nearly 1/3 of those surveyed said that coworkers condone questionable ethics practices by showing respect to those that succeed by using such practices

- The most frequent examples of misconduct observed were:

Intimidating/Abusive Behavior	21%
Misreporting Work Hours	20%
Lying	19%
Withholding Information	18%

Table 1. Examples of misconduct

- Employees of those organizations undergoing transitional changes, such as mergers, acquisitions, or restructurings, feel pressure to compromise or observe actions of misconduct at nearly twice the rate of the more stable organizations.
- Employees under age 30 and those who are low in tenure are twice as likely to compromise their ethical standards when put under pressure.
- Although there was an increase in the reporting of misconduct, 44% of the non-management employees who observe misconduct do not report it due, overwhelmingly, to a fear that the report will not be kept confidential, as well as the feeling that even if reported no corrective action would be taken.
- Only 43% of younger employees are likely to report misconduct compared with 69% of other employees.
- After misconduct has been reported, only 58% of employees are satisfied with the response of their organization.
- In many areas, the view of ethics in the organization is “rosier at the top.”

Key to this analysis is that the 2003 NBES results support the fact that “ethics programs make a difference” and that “actions count.” Results have shown “where systems are in place to help make ethics a priority, employees are responding” (Ethics Resource Center, 2003). These findings have led us to conclude that corporate America is doing something right, however it is important to recognize and strongly consider the areas of weakness and the future challenges that remain.

2. Ethics Study by the Business Research Lab

The negative impact of unethical behavior in an organization can be catastrophic. It is a risk in any business, but the Business Research Lab study suggests that it is a risk that can be lessened when top leaders and management understand how their own employees view the organization's ethical standards or corporate code of ethics. The result of one corporate ethics online survey conducted in May of 2003 showed how employees from one company viewed their organization:

Extremely Unethical	5.13%
Very Unethical	10.77%
Somewhat Unethical	15.90%
Somewhat Ethical	21.54%
Very Ethical	30.77%
Extremely Ethical	15.90%

Table 2. The Business Research Lab, 2005

This type of information can give the organization a window into what areas may need attention and can reveal how employees at every level of the organization perceive the company's ethical climate and reputation. Strong ethical programs, backed up throughout the chain of command by example and action, can act as a real preventive measure to misconduct by their employees.

3. Deriving Value from Corporate Values Survey

Do corporate values add to the value of an organization's bottom line? This question was answered with a "yes" after analyzing the results of a 2005 global research survey called "*Deriving Value from Corporate Values*" (Verschoor, 2005, p. 17). The survey was conducted by the consulting firm Booz-Allen Hamilton and the Aspen Institute and given to 9,500 senior leaders in 30 different countries and throughout 365

companies in various industries. The survey defined values as a “corporation’s institutional standards of behavior.” The primary overall findings reported in the Booz-Allen/Aspen study were:

- Ethical behavior and values-based language are used to set expectations for the corporation and employee behavior. Of the companies surveyed, 89% have a written values statement; 90% refer to ethical conduct as a principle; 88% of the value statements included a commitment to customers; and 78% included a commitment to their employees.
- The majority of the companies surveyed agreed that values influence relationships and reputations, and the respondents included employee retention, recruitment, and corporate reputation as affected by values, as well as key to their business strategies.
- Tone at the top really does matter. Of those surveyed 85% said that they rely explicitly on the CEO to support and reinforce values and 77% said that the support of ethical behavior from the top is the most effective way to reinforce values. Other effective measures included strategy, practice, dispersed leadership, and measurement as essential to management of corporate values.

Booz-Allen released a descriptive summary of their survey titled “*New Study Finds Link between Financial Success and Focus on Corporate Values.*” In this summary, Booz-Allen states that “public companies that report superior financial results also report greater success in linking values to corporations.” (Verschoor, 2005) A company that demonstrates sound values appears less risky to shareholders and this in turn is reflected favorably in the company’s stock prices.

This study leads us to conclude that corporate values and moral courage add to a business’ financial strength. These same concepts undoubtedly apply to the military, whose shareholders are the citizens of the United States of America. Therefore, these ideas should be incorporated, developed, taught, nurtured, and, more importantly, acted upon. Our reputation is based on public opinion, thus it is our duty to maintain ourselves as an ethical organization.

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III. RUBRIC

A. RUBRIC

Within the rationale of defining an ethical company, it is essential that we form a rubric from which we can determine what constitutes “ethical” in corporate America. A rubric is “a short commentary or explanation covering a broad subject or an authoritative rule or direction” (Dictionary.com, 2005). In this analysis, the rubric will be a broad explanation of what constitutes an ethical business.

With the aim of creating an effective rubric for comparing our identified ethical companies, it was important to review prior works and research on the subject. Each resource cited below pinpoints specific stakeholders that a company must treat ethically in order to qualify as an ethical business (see Figure 1, Ethics and Stakeholders).

		Resources				
		<i>Ethics Magazine</i>	<i>Management Ethics</i>	<i>Harvard Business Review</i>	<i>Managing Corporate Ethics</i>	<i>Electronic Business</i>
Stakeholder	Shareholders	X	X		X	X
	Community	X	X	X		
	Employees	X	X	X	X	X
	Environment	X				
	Customers	X	X	X	X	X
	Minorities and Women	X				
	Human Rights	X				
	Suppliers			X	X	X
	Dealers					X

Figure 1 Ethics and Stakeholders

Not all of the publications referred to in figure 1 agreed 100% as to what stakeholders must be addressed and in what ways for a company to be considered ethical. We examined the ethics policies of the selected organizations to see where they stand with regard to the elements noted in the Organizational Ethics Program rubric (Figure 2).

Upon completion of this brief examination we felt comfortable that each company in the subsequent section, *ethics policy overview*, identified programs that appeared to consistently emphasize the stakeholders addressed in the rubric.

The rubric we developed was used as a tool to aid us in determining how each organization attained the level of expertise in the area of ethical programs. It was constructed to be used as means to determine that each company included in our research did indeed have an ethical program of greater ethical distinction and therefore suitable for the purpose of this project. For the sake of this study, we have determined that the elements that constitute an ethical company will include: 1) Customers, 2) Employees, 3) Shareholders, 4) Suppliers/Vendors, 5) Community, and 6) Human Rights/Equal Opportunity and Diversity. These elements were then broken out into a scale including 1) weak, 2) developing, 3) accomplished, and 4) exemplary. (See Figure 2, Rubric for: Organizational Ethics Program)

A company's ethics program would be classified as **Weak** if within each of the stake holder categories (customers, employees; shareholders; suppliers/vendors; community/environment; and human rights/equal opportunity/ diversity) the subject is either not mentioned, or is identified in the corporations' Ethical Program code but is not emphasized or acted upon. A company's ethics program will be classified as **Developing** is under said category the subject is identified in the Ethical program code accompanied by stated intentions to further develop and grow within that category. A company's ethics program will be considered **Accomplished** when the stated subject is identified in the Ethical program code along with action a noted action(s) taken, such as: education, events, special programs, etc. A company's ethics program will be considered **Exemplary** when the subject in question is identified in the Ethical program code and where there are multiple programs that where the subject is consistently emphasized through continuing education and training. Due to time restrictions, each identified organization was researched and evaluated using a company overview and individual interviews. This type of evaluation allowed us to be precise to a certain degree that we had identified corporations that exuded ethical best practices.

RUBRIC FOR: ORGANIZATIONAL ETHICS PROGRAM

	Weak	Developing	Accomplished	Exemplary
Customers	Subject not mentioned, or the subject is identified in Ethical Program code but not emphasized or acted upon	Subject identified in Ethical Program Code along with stated intentions to further develop and grow	Subject identified in Ethical Program Code with action taken, such as: Education, events, special programs, etc.	Subject identified in Ethical Program Code with action taken in multiple programs and/or consistently emphasized
Employees	Subject not mentioned, or the subject is identified in Ethical Program code but not emphasized or acted upon	Subject identified in Ethical Program Code along with stated intentions to further develop and grow	Subject identified in Ethical Program Code with action taken, such as: Education, events, special programs, etc.	Subject identified in Ethical Program Code with action taken in multiple programs and/or consistently emphasized
Shareholders	Subject not mentioned, or the subject is identified in Ethical Program code but not emphasized or acted upon	Subject identified in Ethical Program Code along with stated intentions to further develop and grow	Subject identified in Ethical Program Code with action taken, such as: Education, events, special programs, etc.	Subject identified in Ethical Program Code with action taken in multiple programs and/or consistently emphasized
Suppliers/ Vendors	Subject not mentioned, or the subject is identified in Ethical Program code but not emphasized or acted upon	Subject identified in Ethical Program Code along with stated intentions to further develop and grow	Subject identified in Ethical Program Code with action taken, such as: Education, events, special programs, etc.	Subject identified in Ethical Program Code with action taken in multiple programs and/or consistently emphasized
	Subject not mentioned, or the subject is identified in Ethical Program code but	Subject identified in Ethical Program Code along with stated intentions to further develop and	Subject identified in Ethical Program Code with action taken, such as:	Subject identified in Ethical Program Code with action taken in multiple programs and/or

Community/ Environment	not emphasized or acted upon	grow	Education, events, special programs, etc.	consistently emphasized
Human Rights/ Equal Opportunity	Subject not mentioned, or the subject is identified in Ethical Program code but not emphasized or acted upon	Subject identified in Ethical Program Code along with stated intentions to further develop and grow	Subject identified in Ethical Program Code with action taken, such as: Education, events, special programs, etc.	Subject identified in Ethical Program Code with action taken in multiple programs and/or consistently emphasized

Figure 2. Organizational Ethics Rubric

IV. COMPANY ETHICS POLICY OVERVIEW

A. INTRODUCTION

In this section we provide a brief overview of the ethics policies and programs that each of the selected companies employ. By examining their policies and programs, it was determined that each company interviewed performed in an exemplary manner with regard to all categories, in accordance with the pre-established rubric. To review their ethics programming we include, employee codes of conduct, core values, education, training, and other pertinent information regarding the companies' ethics efforts that were available on their respective websites and through interviews with company representatives. The companies participating in this project include:

- Accenture
- Hewlett Packard
- Xerox
- Northrop Grumman
- Washington Mutual
- Booz-Allen Hamilton

This information is important in helping us to understand the different styles each company employs with regard to ethics. Although there are differences in presentation, this information will be used in conjunction with the interviews during the discussion and recommendation sections.

B. ACCENTURE

Accenture features a Code of Business Ethics and Ethics and Compliance Program. This program is designed to:

- Foster the highest ethical standards amongst Accenture personnel.
- Be effective in preventing, detecting and appropriately reporting and addressing any allegation of misconduct and violations of law by Accenture personnel.

- Comply with government standards, including those set forth in the US Sentencing Commission's *Federal Sentencing Guidelines for Organizations*. (Accenture Website,2005)

All employees are required to read and adhere to this program, which includes, “written standards and procedures, training and communications, visible support of senior leadership, appropriate oversight and delegation of authority, auditing and monitoring, consistent enforcement and discipline, and response and prevention (Accenture Website, 2005).”

Accenture's Code of Business Ethics is designed to reflect and build upon their core values of:

- Client Value Creation
- One Global Network
- Integrity
- Stewardship
- Best People
- Respect for the Individual (Accenture Website, 2005)

They expect all employees to apply the principles of their Code of Business Ethics in all decisions they make affecting their people, clients and the company. They also hold all employees accountable, “for reporting violations and for protecting from retaliation those who report their concerns (Accenture Website, 2005).”

C. HEWLETT PACKARD

The people at Hewlett Packard (HP) define themselves based on a few fundamental concepts: “there is no substitute for personal and professional integrity; doing well and doing good can go hand in hand; and trust and respect have always been the cornerstones of our success (Hewlett Packard Website, 2005).” These concepts are evident in HP's Ethics Principles. These principles include:

- Honesty in communicating within the company and with our business partners, suppliers and customers, while at the same time protecting the company's confidential information and trade secrets
- Excellence in our products and services, by striving to provide high-quality products and services to our customers

- Responsibility for our words and actions
- Compassion in our relationships with our employees and the communities affected by our business
- Citizenship in our observance of all the laws of any country in which we do business, respect for environmental concerns and our service to the community by improving and enriching community life.
- Fairness to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations and policies, and a high standard of behavior.
- Respect for our fellow employees, stakeholders, business partners, customers and suppliers while showing willingness to solicit their opinions and value their feedback. (Hewlett Packard Website, 2005)

HP realizes these principles through its training programs. “Regular ethics training is designed to ensure our employees understand and comply with our Standards of Business Conduct (Hewlett Packard Website, 2005).” All employees are required to take business ethics training. In addition Managers and Vice Presidents are expected to discuss HP Standards of Business Conduct with their personnel. HP also “conducts focus groups and audit surveys with employees to determine their awareness of ethics resources. These activities, and analysis of alleged ethics infractions, help to shape the direction of future ethics programs (Hewlett Packard Website, 2005).”

NOTE: The Ethics Program at HP was recently lauded by *Business Ethics Magazine* who named them #7 on their list of the 100 best corporate citizen for 2005.

D. XEROX

Xerox has an Ethics and Compliance Program that is overseen by the Audit Committee of the Board of Directors; the Ethics Office reports directly to the CEO. Every employee at Xerox is expected to conduct business with ethical integrity and the program helps enforce this through:

- A global, written employee code of conduct
- A supplemental code of conduct for finance employees
- A specific code of conduct for the board of directors

- A dedicated Ethics Helpline accessible from anywhere in the world at any time and a strictly enforced non retaliation policy to promote comfort in using the Helpline
- An Ethics Office e-mail address to receive questions and complaints
- An Ethics & Compliance Governance Board comprised of senior executives representing all areas of Xerox business
- Annual cascade of ethics policy and message from management.
- Code of Conduct training required of all employees, including senior management
- An annual ethics certification process that includes all senior managers and officers. (Xerox Website, 2005)

NOTE: The Ethics Program at Xerox was recently lauded by *Business Ethics Magazine* who named them #10 on their list of the 100 best corporate citizen for 2005.

E. NORTHROP GRUMMAN

Northrop Grumman's ethics program is guided by a set of company values. These values describe the company as they want it to be; they emphasize that these values should be reflected through the decisions and actions of all its employees. NG believes that by putting their values into practice they can create long-term benefits for shareholders, customers, employees, supplier, and the community. These values are:

- We take responsibility for **QUALITY**. Our products and services will be "best in class" in terms of value received for dollars paid. We will deliver excellence, strive for continuous improvement and respond vigorously to change. Each of us is responsible for the quality of whatever we do.
- We deliver **CUSTOMER SATISFACTION**. We are dedicated to satisfying our customers. We believe in respecting our customers, listening to their requests and understanding their expectations. We strive to exceed their expectations in affordability, quality and on-time delivery.
- We provide **LEADERSHIP** as a company and as individuals. Northrop Grumman's leadership is founded on talented employees effectively applying advanced technology, innovative manufacturing and sound business management. We add more value at lower cost with faster response. We each lead through our competence, creativity and teamwork.
- We act with **INTEGRITY** in all we do. We are each personally accountable for the highest standards of behavior, including honesty and fairness in all aspects of our work. We fulfill our commitments as

responsible citizens and employees. We will consistently treat customers and company resources with the respect they deserve.

- We value Northrop Grumman PEOPLE. We treat one another with respect and take pride in the significant contributions that come from the diversity of individuals and ideas. Our continued success requires us to provide the education and development needed to help our people grow. We are committed to openness and trust in all relationships.
- We regard our SUPPLIERS as essential team members. We owe our suppliers the same type of respect that we show to our customers. Our suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance. We consider our suppliers' needs in conducting all aspects of our business. (Northrop Grumman Website, 2005)

Northrop Grumman's vision is to be the most trusted provider of systems and technologies that ensure the security of the United States and its allies. CEO, Ronald Sugar stated, "We cannot realize this vision without a commitment to the highest standards of ethics and integrity." He goes on to say that, "Everyone who acts on Northrop Grumman's behalf has a personal responsibility to comply with all legal, contractual, and policy obligations as well as to live our Company Values" (Northrop Grumman Website, 2005). He believes that living the company values builds trust and will have a long term benefits for all Northrop Grumman stakeholders.

F. WASHINGTON MUTUAL, INC.

Washington Mutual's mission is to build strong, profitable relationships with a broad spectrum of consumers and businesses. They look to treat their various stakeholders ethically through adherence to their core values. These values include being:

Fair

- Ethics of absolute fairness, honesty, and integrity guide everything we do.
- Our actions match our words.
- We balance the expectations and earn the trust of our customers, employees, communities and investors.
- We offer our customers products and services which fit their needs and provide great value.

Caring

- We ensure that every human interaction is caring, courteous, and respectful.
- We expect leaders to make difficult decisions, and to carry them out in a way that allows all involved to maintain dignity.
- We value and respect diversity of background, thought, and style and know they are a competitive advantage.
- We speak candidly and listen openly.

Human

- We are positive, energetic, and committed to achieving our objectives and living our values.
- We celebrate our successes and learn from our failures.
- We keep our egos in check and maintain a sense of humor.
- We believe in the power of talented, committed individuals—working as a team—to make an extraordinary difference.

Dynamic

- We are never satisfied with the status quo and know that we must continually reinvent our organization and ourselves.
- We break down silos and bureaucracies in order to serve our customers efficiently as one company.
- We continuously drive operational excellence to innovate our products, processes and services.

Driven

- We are committed to excellence and the achievement of superior long-term returns for our shareholders.
- We set high, measurable goals and hold ourselves accountable to achieve them.
- We recognize that addressing challenges head-on is a requirement for success.

- We benchmark from our customers' viewpoint and deliver what is most important to them.
- We look both within and outside our industry to learn. (Washington Mutual Website, 2005)

Washington Mutual, Inc, or WaMu as they call themselves, believes that there is a “WaMu Difference: We’ve always been about making things better for people—both for our customers and our neighbors” (Washington Mutual Website, 2005). Washington Mutual has an emphasis on “People & Culture.” Employees that work a minimum of twenty hours per week are eligible to use and claim up to four hours of paid time each month for volunteer work within the community. They are also proud that company “values are reflected in our commitment to diversity and our work in our communities, including our employee volunteer programs” (Washington Mutual Website, 2005).

“For us, diversity isn't just a word—it's a commitment. Our policies are designed to provide everyone, from our employees and customers to our vendors, with equal access to opportunities” (Washington Mutual Website, 2005). WaMu upholds their commitment to equal opportunity by maintaining alliances with respected organizations including:

- National Council of La Raza (NCLR); nclr.org*
- National Urban League; nul.org*
- United States Hispanic Chamber of Commerce (USHCC); ushcc.com*
- National Association for the Advancement of Colored People (NAACP); naacp.org*
- National Black MBA Association (NBMBAA); nbmbaa.org*
- Washington State Business Leadership Network (WSBLN)
- Society for Human Resources Management (SHRM); shrm.org*
- National Minority Supplier Development Council (NMSDC); nmsdcus.org*
- Women's Business Enterprise National Council (WBENC); wbenc.org* (Washington Mutual Website, 2005)

NOTE: The Ethics Program at Xerox was recently lauded by *Business Ethics Magazine* who named them #88 on their list of the 100 best corporate citizen for 2005.

G. BOOZ-ALLEN HAMILTON

Talent is color-blind and gender neutral. It comes in all shapes, sizes, and abilities. To recruit and retain the best and brightest, we want to find talent wherever it is and bring it to Booz Allen. — Dr. Patrick McLaurin, Director of Diversity & Multinational People Strategies

Booz-Allen's states that their vision "is to be the absolute best management and technology consulting firm measured by the value we deliver to our clients and our strength and spirit as a firm. We also aspire to be the employer of choice in our industry for people of all backgrounds." (Booz-Allen Hamilton Website, 2005) Booz-Allen's ethics programming is based upon 10 core values, those are:

- Client Service
- Diversity
- Entrepreneurship
- Excellence
- Fairness
- Integrity
- Professionalism
- Respect
- Teamwork
- Trust (Booz-Allen Hamilton Website, 2005)

Their policies state that these 10 Core Values are to be incorporated into all areas of the work place including:

- The Work: Where the primary mission is helping clients succeed and fulfilling that mission by building teams of outstanding strategists and technologists, creative problem solvers, and innovative achievers.
- The Corporate Culture: To value the unique offerings each employee makes to the firm. Foster a belief that the best, most effective teams reflect diverse backgrounds, ideas, and perspectives. Programs are meant to ensure that everyone reaches his or her potential.
- Community Service: To make giving back to the community a bona fide priority. It's a commitment to making a difference through employee-driven activities and pro bono projects.

Booz-Allen explains that **career development** and **training** is responsible for one realizing their potential and fulfilling their ambitions. Interestingly they state an employee of Booz-Allen Hamilton does not “have to fit into a mold to succeed.” They say they want to employee to succeed and manage their own career and they will in turn provide the tools and methodologies to do so by having access to: (Booz-Allen Hamilton Website, 2005)

- Diverse, cross-team assignments
- Formal coaching and mentoring
- Our award-winning Center for Performance Excellence learning programs
- Immersion programs to help you develop skills as you advance
- Our award-winning Virtual Campus
- Targeted courses in consulting, management, and business development
- University partnerships and cultural exchanges
- Tuition assistance for academic and technical certification (Booz-Allen Hamilton Website, 2005)

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V. INTERVIEW AND DISCUSSION

A. INTRODUCTION

The purpose of this study is to determine what the military can learn from the best commercial practices of Hewlett Packard, Accenture, Xerox, Northrop Grumman, Washington Mutual Inc., and Booz-Allen's Ethics Programs. In this section the researchers derive conclusions based upon the inquiry data. Our discussion section compares and contrasts the answers given in the interviews, extracting those practices thought to be most effective. The researchers deconstructed the responses by question to identify parallels or dissimilarities. The interviews were conducted with the following officials from each of the aforementioned companies:

- Accenture – Corporate Ethics and Compliance Manager
- Hewlett Packard – Director of Global Standards of Business Conduct
- Xerox – Director of Business Ethics and Compliance
- Northrop Grumman – Corporate Director of Ethics and Business Conduct
- Washington Mutual.-Branch Manager and Director of Personnel
- Booz-Allen Hamilton.-Administrative Manager, Government Contracts

B. DISCUSSION

1. Corporate Values

Question 1. Does the company have an established ethics policy/code and if so how often are employees required to review that policy and/or code?

There was an obvious consistency to the responses to the first portion of question number one. “Yes”, was essentially the answer given by each of the subjects interviewed. What differed were the answers to the periodicity required for employees to review their corporations' Ethics Policy. However, for all six corporations, the frequency of Ethics Policy review is required annually at a minimum.

Accenture uses their biweekly “time report” as a means for each employee to sign off and confirm that they are fully aware and in compliance with the Accenture Code of

Business Ethics. The biweekly frequency was reportedly a convenient method to reinforce the existence and emphasis given by the Accenture Corporation for their required ethical compliance. Northrop Grumman requires hourly employees to review their Ethics Policy more frequently than their salaried employees. We concluded that one should be cautious when differentiating the requirement for ethics overviews based upon salary or position. This type of separation could lead to the hourly employees believing they are less trusted than salaried personnel. It also could lead to the salaried employee's feeling a sense of superiority over the hourly employees.

The military does require annual ethics training and should continue to do so, but our leaders must be mindful not to make the requirement appear to be just merely a "check in the block" but of vital importance to achieve and maintain military members with moral aptitude.

Question 2. Is there ethics training (predominantly information focus) in the organization? If so, what kind and how often is it conducted? Which company stakeholders does this training address (i.e. shareholders, employees, customers, community, suppliers, et al)?

All six organizations do have information focused ethics training that is conducted at least once a year. It was conveyed that all stakeholders such as shareholders, employees, customers, community, and suppliers are addressed in some fashion in all six organizations' ethics training. Training was delivered primarily via, online training, seminars, bulletins, and newsletters.

For all organizations the information flowed down from the top. A key and difference noted in Washington Mutual's program was that every executive, including the CEO physically attended and participated in the ethics training with all of their employees. This action from the CEO to physically attend training gives his written policies the credibility they must have for buy-in from the employees. In this case we could see how leaders would be viewed as practicing what they preached vice merely dictating rules and regulations. We see codes and policy without active and overt support from those in leadership as mute and ineffective.

Question 3. Is there ethics education (predominantly developmental focus) in the organization? If so, what kind and how often is it conducted? Which company stakeholders does this training address (i.e. shareholders, employees, customers, community, suppliers, et al)?

When asked to speak about ethics education (developmental focus), vice ethics training (information focus), all six organizations excluding Booz-Allen and Northrop Grumman felt there was little or no difference between the two. Booz-Allen did say that their seminars and group discussions are geared more toward the education and ethical development of their employees, whereas their bulletins and online communications are aimed more towards passing on training and the passing on of information.

Northrop Grumman (NG) consciously avoids using the term ‘ethics training’ and prefers the term ‘compliance training.’ NG uses compliance training as a method to communicate the rules. They use week long workshops to further their employee’s ethics education. Northrop Grumman has been developing their ethics education since the early 1980’s and has concluded that workshops are more effective when using a team oriented, hands-on approach. They still preach the need for production, on time, on schedule, and on budget, but they now also place great emphasis on building teams, buy-in, and esprit de corps at the very same time they introduce and discuss values and ethics. Their workshop critiques have taught them that emphasis on one without the other would not work.

Education shows an employee how to make sound decisions and the right choices. Educators should refrain from relying upon compliance, but instead give their employee the tools that will enable them to reason through any ethical dilemma that requires moral courage.

Question 4. Which stakeholders take precedence to the company and in what order?

Answers to question number four were of the ‘packaged answer’ sort. Five of the six organizations answered with a fairly definite “no”, that there was no precedence given to any stakeholder, indicating that they felt all stakeholders were of equal importance. It

is interesting and we believe necessary to note that our Northrop Grumman contact is no longer an active employee, but recently retired. He admittedly felt that in most instances, if push came to shove, that the stakeholder that takes precedence is the stockholder.

Question 5. How is moral courage (doing the “right thing”) rewarded? How is poor customer service or unethical behavior punished?

It appeared that answering how customer service and unethical behavior is punished was easier for our interviewee to answer than it was to answer how moral courage is rewarded. This having been said, the answers to how poor customer service and unethical behavior was punished were similar in that there was no set punishment for any given misconduct. Punishment for actions of misconduct varied and tended to be handled in a very lawyer like fashion.

The issuance of rewards also did not appear to have a concrete method for an employee having shown moral courage. Rewards are more generally distributed based upon the reaching of goals such as sales or employees of the quarter nominations. Washington Mutual conducts quarterly Mystery Shops. The Mystery Shop works much the same way a mystery shopper works in the retail world. An unannounced assessor comes into a Washington Mutual branch as a customer, this person then fills out a report as to how what kind of assistance they received and in what manner they received that assistance. The results are forwarded to the regional manager. It is then the responsibility of the regional managers to ensure all negative issues brought up by Mystery Shops are given an action plan for correction. The Mystery Shops enables a manager to use information gained as a tool for monitoring employees whose performance has earned them a right to an award or corrective action.

Surprise audits are excellent tools to ensure compliance. It is essential however that the audit are indeed a surprise to all that are to be evaluated, including the manager, in order to be an effective and fair means of evaluation.

2. Leadership

Question 1. How do leaders create a culture and atmosphere where the social norms are to behave in a moral fashion in daily work life?

The primary and most consistent answer to this question was that in order for a leader to create an atmosphere where the social norm is to conduct ones self in an ethical manner was that a leader must **lead by example**. Also included by each of those interviewed was the need for a leader to **communicate expectations** and be **consistent**.

Accenture said that modeling behavior could be summed up in eight categories:

- foster open communication
- take a visible action approach
- hold candid discussions
- have an open door policy
- lead by example
- raise awareness of ethical dimensions of behavior
- nurture a safe environment
- do the right thing

Our analysis leads to the conclusion that rules and policy are needed to create boundaries not to address every action in detail. People are more apt to respond ethically when they witness on a daily basis that their leaders are behaving with the same integrity that they expect from their people.

Question 2. Have you ever experienced a moral dilemma that arose as a result of pressure from above?

The answer from all six of those interviewed was that, “yes”, they had experienced some form of moral dilemma or another. One voiced that it was from the exterior pressure that came from working for a corporation listed on the stock exchange. Another said that project expectations lead them to report fewer hours worked on a project than they actually had, this action is known as “ghosting.” Our analysis leads us to conclude that most employees do not make a habit of lying. However, expectations dictated solely by too many short term goals, rules, or miss-guided matrix can cause an

employee to simply tell the boss what they want to hear. This behavior prevents accurate data from reaching the decision makers.

Question 3. How do the leaders' actions promote an environment free of sexual harassment and prejudice?

As with question number one under the leadership category, the general consensus was that education and training was necessary but that training alone would not be effective. Leadership by example was again said to be strongest tool a leader can use to influence an environment free of prejudice and sexual harassment.

It was also noted that good examples of employees from all walks of life, gender, and ethnicity can help to change or lessen the ignorance that causes prejudice or sexual harassments of any kind. This question also brought up that diversity can turn into a two edged sword that when not carefully integrated, can sometimes result in under-qualified individuals being hired or promoted only to reach a quota of diversity. The best practices noted in the interviews are being used in the military today.

In our experience the United States military is at the forefront of change and innovation in the prevention of sexual harassment and prejudice. Industry practices are similar and comparable to the military and we did identify any additional processes for implementation.

Question 4. What do leaders do to make employees feel that they add value to the company?

All answers included employees receiving recognition for their contributions to the organization. Accenture calls their process of reward and recognition "meritocracy." Even if on a team not all are given the reward. A person is awarded as an individual and according to their specific contribution to the job. The reward is in most cases monetary, but the reward is purposely not referred to as a "bonus."

Xerox has developed an annual event called the Teamwork Program. What it does is allow teams to showcase their contributions to the company such as a created cost

savings or process improvement. Teams are encouraged to physically showcase their contributions by using banners, buttons, catch phrases, etc.

Allowing for one to be recognized and acknowledged for their contribution gives an individual a pride of ownership. That pride in ownership will motivate an employee to continue to nurture what ever their accomplishment may have been, but it will also encourage them to develop further contributions.

Question 5. How does the leadership promote just and moral treatment of customers and suppliers?

The theme for all of the answers to this question was relatively consistent. They included answers such as:

- Leading by example
- The use of training
- Treating the customers and suppliers as partners
- The use of customer surveys to evaluate performance
- Verbal emphasis on striving to please customers and suppliers alike

After analyzing all of the answers to this question, it became clear that the **number one way** to promote any type of behavior is to **lead by example**.

Question 6. Is your organization perceived by the public as a company based on sound principles and values? Why or why not?

Responses to this question included: “generally, I think so, (2) I hope so, and I believe so.” Booz-Allen was the one corporation that responded with a definite “yes.” They did not only mention their various citizen and community awards, but they based their reputation to be sound based on word of mouth. They gain many of their new customers from recommends given by their current or former customers.

The lesson to be learned here is that a good public relations department can get a corporation onto a “best company to work for” list, but the real measure of a corporations values will reveal themselves through the opinions made by customers and suppliers they conduct business with.

Question 7. How does leadership measure and track an individual's ethical value as an employee within the organization? How is the organization's ethical value measured and tracked?

It was unanimous that it was difficult to measure or track an individual's ethical value. Evaluations primarily judge the employees work performance. To try and gauge some sense of how their people perceive the workplace and their leaders, Accenture has developed an anonymous survey. With a safety of anonymity an employee is asked to indicate from strongly agree to strongly disagree about things such as:

- Overall I think my organization is highly ethical
- There is very little pressure in the workplace to cut corners on ethical or compliance issues
- Compliance problems once identified are dealt with completely and fairly
- Employees feel comfortable reporting misconduct

We conclude that this process can be extremely effective. However, it is imperative that the employee believe and trust that the responses are indeed anonymous.

Question 8. How do leaders prepare employees for ethical performance in instances where rules conflict with other organizational objectives? For example, how do you help employees address situations where rules conflict with other organizational objectives?

Because one cannot effectively make a list of rules to deal with day to day situations and conflicts, Hewlett Packard prefers to set "value based standards" for employee to follow. Varied forms of hotlines are also used by most of the corporations studied. In an effort to make them appear more user friendly, they have chosen to call the hotline a "helpline" or an "openline."

Accenture's ethics training provides their employees with what they call the 5 C's Model:

- Communication: Keeping others informed, using discretion to share information with those who need to know, and facilitating future contacts. This is to ensure one does not find themselves alone in a difficult situation.

- Consultation: Integrating others into the decision process. To reach out to those who have the skills, capabilities, qualifications and/or experience that another may not.
- Cross-checking: Involves one befitting from having someone else to check their thinking to make sure they have not missed an issue or misread a situation.
- Collaboration: This suggests taking a multi-disciplinary approach, especially with big decisions. It entails teaming and non-hierarchical, partnering approach.
- With Courage: Critical because it involves taking a principled stand that is not easy. Courage, meaning speaking out for what one knows is right, and taking action.

We conclude that an ethics hotline is a tool that is and should remain available in a large organization. However, it will more likely be used as a 911 line instead of the kind of day to day process that we are searching for. A set of definitions or tools that one can easily memorize and refer to such as the 5 C's Model could prove to be more effective and practical when asking oneself how to deal with an ethical dilemma.

Question 9. How does the leadership help employees with moral issues that are not right or wrong, but fall in the gray area?

Surprisingly, five of the six individuals interviewed felt that their response to question number eight, under the category of leadership, could also be used to answer how one deals with the “gray areas” of their job (see Question 8). Perhaps after already having answered thirteen questions our interviewees grew tired of the process. However, the Accenture Corporation provided insight by sharing with us their easy to use model for ethical decision making. (see Figure 3 The Accenture Ethical Decision Making Model) This model is expounded upon in training, and is distributed to every employee to be used a daily decision making tool.

The Accenture Ethical Decision-Making Model

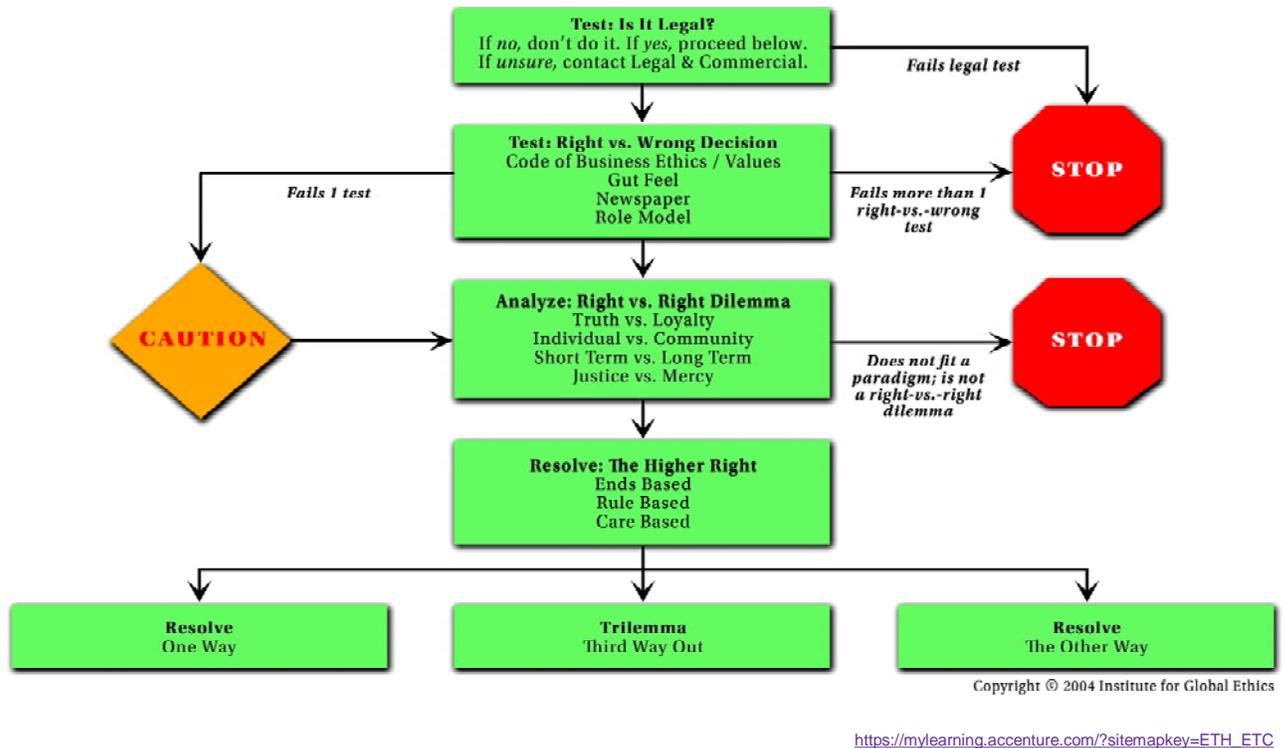


Figure 3 The Accenture Decision-Making Model

A model such as this one can be used in ethical education and training and can easily be posted and referred to at one's work space.

C. CONCLUSION

The discussion section was used to determine how successful corporations go about motivating workers to act on a sustained basis. We highlighted best practices used to create a culture of ethical behavior and considered how social norms might inspire such behavior in employee's daily work life. The best practices revealed through literature research and the interview analysis is the basis for the recommendations to be forwarded to the United States Navy Supply Corps for consideration and implementation.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

In this section we discuss conclusions and provide recommendations to NAVSUP. We highlight discoveries and areas of interest uncovered through our inquiry. Our recommendations bear in mind today's military structure and current ethics programming practices within the United States Navy Supply Corps.

B. CONCLUSIONS AND RECOMMENDATIONS

How do successful corporations motivate workers to act with moral courage on a sustained (daily) basis?

Based on the information we gathered from six companies with sound ethical programming, we conclude that none of these demonstrate the means to promote moral courage. We found no methods for rewarding moral courage. What we did find were rewards based on financial goals and punishment for breaking the rules. We discovered their ethics programs were primarily compliance based. As stated in the ethics programming portion of the Literature Review, there is a difference between education and training. Education deals with knowledge and personal development while training focuses on instruction and the dissemination of information. During the interview process and with the help of the company overview our discovery was that companies consistently did not differentiate between training and education in their ethics programs. We've determined it's likely that this lack of differentiation between ethics training and education in combination with compliance based ethics programming results in a fundamental indifference toward the development of moral courage.

Can the best practices identified in this project be implemented and adopted?

Structurally the United States Navy Supply Corps is currently not capable of adopting these programs in their entirety. The programs identified in this project are run by semiautonomous organizations within the companies; the military would need to restructure in order to make any such undertaking feasible. This restructuring would

involve the creation of a military ethics organization at the upper echelons of every command. Although these programs cannot be implemented in their entirety, there are some processes within these programs that might be easily implemented at various levels of command. We question however, how effective these processes will be without a support structure. Specific best practices will be discussed further in the recommendations below.

Given the military organizational structure and current ethics programming within the United States Navy (USN) Supply Corps, what recommendations can be made?

1. Leadership at the most senior levels of the chain of command should place additional and significant weight on the importance of ethical practices coupled with compliance. They should do this in a consistent manner that reaches subordinates at all levels. We draw this recommendation based on the repeated emphasis on leading by example that was expressed in the interviews. Leaders should strive to be certain that short term goals do not interfere with the overall objective of an ethical working environment. Therefore, it is imperative that leaders create an environment where the truth is accepted. Based on our experiences as military officers, we've found that many leaders say they want to know the truth; however, all too often they will punish subordinates if their desired results are not met. In situations such as this, oftentimes the reaction is for subordinates to cut corners and to hold the truth in an effort to avoid being chastised.

2. Generally speaking, in our experience internet based training is ineffective. Ethics programming should be conducted with an emphasis placed on one-on-one and small group-based interaction that uses realistic, practical examples, and case studies. All levels of leadership must not only attend but actively participate in all ethics programming with their subordinates. This provides leadership an opportunity to lead by example while simultaneously giving participants hands-on experience dealing with ethical issues. A reference tool such as a memorable acronym can act to reinforce expectations or a decision model providing consistency and ease of use for individuals faced with ethical dilemmas would be assets in ethics programming. Surprise audits and

mystery shopping were identified in the interviews as a means to ensure sustained accountability of ethics programs. The use of these audits could prove to be effective tools to help manage ethics programs; however it would not be feasible in the military without the necessary support structure in place.

3. NAVSUP should consider the hiring of professional researchers or a consulting firm to further evaluate and recommend a custom designed ethics program for the Supply Corps. The objective of this program would be to promote and foster sustained ethical behavior and moral courage. The reason we suggest an independent party is two fold. First, NAVSUP does not have sufficient resources to effectively analyze and implement an undertaking of this magnitude. Secondly, we need an objective opinion to properly diagnose and expose any specific areas of importance or concern. Once an Ethics Program has been implemented it should be subjected to an ongoing assessment by representatives from the consulting firm and NAVSUP for continued process improvement. Once again, this is an undertaking that requires a support structure to be implemented.

4. Another best practice garnered from the companies we reviewed was the use of surveys and a website/hotline. There should be a comprehensive survey that is tailored towards measuring the overall health of ethics within an organization. The surveys are meant to work on a macro level, focusing on the overall ethical health of the organization. The website/hotline is another means to assess ethics and address ethical issues. Whereas the survey focuses on the organization at the macro level, the website hotline focuses on the organization at the micro level. It concentrates on the individuals concerns or questions with regard to ethical issues. All of the companies identified in this project used some combination of surveys and a website/hotline in an attempt to receive feedback on what areas need improvement and what areas are working. Currently the military has no such all inclusive, comprehensive website/hotline devoted to ethics, nor do we have a method for assessing the moral health of our organizations.

C. CLOSING REMARKS

NAVSUP first needs to determine how badly they want to develop and implement an ethics program that fosters moral courage. If this is a priority they will need to supply the necessary resources and manning to make such a program possible; currently there is no such structure available to support it, nor is there the expertise to make it happen.

Another major issue is that neither civilian corporations nor the military do an effective discernment between ethics training and ethics education. Both are a necessary part of ethics programming, but by not differentiating, we blur the line between compliance and knowledge. A focus on ethos, the values of moral action, are therefore never discussed, let alone groomed and fostered.

Lastly, we found no evidence of a system used to promote moral courage in the civilian sector. This does not mean that the participating companies do not have outstanding ethics programs. Our findings suggest that both military and civilian organizations have developed best practices in the arena of ethics programming; however both are lacking when it comes to fostering environments that promote moral courage. Further research is needed if we are to determine how moral courage can be elevated in any organization.

ATTACHMENT 1

Companies Contacted

Company	Participating	Ranking*
Cummins Inc.	N	1
Green Mountain Coffee Roasters Inc.	N	2
St Paul Travelers Cos. Inc.	N	3
Nuveen Investments Inc.	N	4
Intel Corp.	N	5
Wells Fargo & Co.	N	6
Hewlett-Packard Co.	Y	7
Proctor & Gamble Co.	N	8
Novell Inc.	N	9
Xerox Corp.	Y	10
General Mills Inc.	N	15
Cisco Systems Inc.	N	19
Starbucks Corp.	N	42
Washington Mutual	Y	88
Accenture	Y	N/A
Booz-Allen	Y	N/A
Northrop Grumman	Y	N/A

<p>*Business Ethics Magazine 100 Best Corporate Citizens 2005</p>

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ATTACHMENT 2

DEFINITIONS OF ETHICS

The following is a list of twenty-two definitions that were revealed when doing an online search for *Ethics* at **OneLook: Dictionary Search** online (www.onelook.com).

1. A system of moral principles governing the appropriate conduct for a person or group.
<http://encarta.msn.com/encnet/features/dictionary/DictionaryResults.aspx?refid=1861609283>
2. The moral principles governing or influencing conduct; the branch of knowledge concerned with moral principles.
http://www.askoxford.com/concise_oed/ethics?view=uk
3. The study of what is morally right and what is not.
<http://dictionary.cambridge.org/define.asp?key=26403&dict=CALD>
4. The rules of conduct or moral principles of an individual or a group.
<http://www.wordsmyth.net/live/home.php?script=search&matchent=ethics&matchtype=xact>
5. That branch of philosophy dealing with values relating to human conduct, with respect to the rightness and wrongness of certain actions and to the goodness and badness of the motives and ends of such actions.
<http://www.infoplease.com/dictionary/ethics>
6. (1) A set of principles of right conduct, a theory or a system of moral value. (2) The study of the general nature of morals and of the specific moral choices to be made by a person; moral philosophy. (3) The rules or standards governing the conduct of a person or the members of a profession.
<http://dictionary.reference.com/search?r=66&q=ethics>
7. The philosophical study of moral values and rules.
<http://www.ultralingua.net/index.html?service=ee&text=ethics>
8. A system of accepted beliefs that control behavior, esp. such a system based on morals
http://dictionary.cambridge.org/define.asp?key=ethic*1+0&dict=A
9. Ethics is the branch of axiology – one of the four major branches of philosophy, alongside metaphysics, epistemology, and logic – which attempts to understand the nature of morality; to define that which is right from that which is wrong. The Western

tradition of ethics is sometimes called moral philosophy.

<http://en.wikipedia.org/wiki/Ethics>

10. The science of human duty; the body of rules of duty drawn from this science; a particular system of principles and rules concerting duty, whether true or false; rules of practice in respect to a single class of human actions; as, political or social ethics; medical ethics.

<http://www.onelook.com/?other=web1913&w=Ethics>

11. The science of human duty; the body of rules of duty drawn from this science; a particular system of principles and rules concerting duty, whether true or false; rules of practice in respect to a single class of human actions; as, political or social ethics; medical ethics.

<http://machaut.uchicago.edu/cgi-bin/WEBSTER.sh?WORD=ethics>

12. The philosophical study of moral values and rules; motivation based on ideas of right and wrong. <http://www.rhymezone.com/r/rhyme.cgi?Word=ethics>

13. The study or the science of morals; rules or principles of behavior.

<http://www.allwords.com/query.php?SearchType=3&Keyword=ethics&goquery=Find+it%21&Language=ENG>

14. The doctrines of morality or social manners; the science of moral philosophy, which teaches men their duty and the reasons of it.

http://65.66.134.201/cgi-bin/webster/webster.exe?search_for_texts_web1828=ethics

15. In philosophy, the study and evaluation of human conduct in the light of moral principles. <http://www.bartleby.com/65/et/ethics.html>

16. The branch of philosophy that deals with morality. Ethics is concerned with distinguishing between good and evil in the world, between right and wrong human actions, and between virtuous and nonvirtuous characteristics of people.

<http://www.bartleby.com/59/5/ethics.html>

17. (Greek *ethika*, from *ethos*, “character,” “custom”), principles or standards of human conduct, sometimes called morals (Latin *mores*, “customs”), and, by extension, the study of such principles, sometimes called moral philosophy.

<http://encarta.msn.com/encnet/refpages/RefArticle.aspx?refid=761555614>

18. The name generally given to the science of moral philosophy.

<http://41.1911encyclopedia.org/E/ET/ETHICS.htm>

19. The principles of right and wrong that are accepted by an individual or a social group; a system of principles governing morality and acceptable conduct.

<http://poets.notredame.ac.jp/cgi-bin/wn?cmd=wn&word=ethics#Overview%20of%20noun%20ethics>

20. Motivation based on ideas of right and wrong; the philosophical study of moral values and rules. <http://lookwayup.com/lwu.exe/lwu/d?s=f&w=ethics>

21. In philosophy, the study and evaluation of human conduct in the light of moral principles. <http://www.encyclopedia.com/searchpool.asp?target=%22ethics%22>

22. The discipline dealing with what is good and bad and with moral duty and obligation. A set of moral principles or values, or the principles of conduct governing an individual or a group. <http://www.m-w.com/cgi-bin/dictionary?book=Dictionary&va=ethics>

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ATTACHMENT 3

DEFINITIONS OF *MORALS*

The following is a list of seventeen definitions that were revealed when doing an online search for *Moral* at **OneLook: Dictionary Search** online (www.onelook.com).

1. Involving right and wrong: relating to issues of right and wrong and to how individual people should behave.

<http://encarta.msn.com/encnet/features/dictionary/DictionaryResults.aspx?refid=1861631191>

2. Concerned with the principles of right and wrong behavior and the goodness or badness of human character.

http://www.askoxford.com/concise_oed/moral?view=uk

3. Of or relating to principles of right and wrong in behavior: ethical.

<http://www.mw.com/cgibin/dictionarybook=Dictionary&va=moral>

4. Relating to the standards of good or bad behavior, fairness, honesty, etc. which each person believes in, rather than to laws.

<http://dictionary.cambridge.org/results.asp?dict=B&searchword=moral>

5. Of, relating to, or concerned with the principles of right and wrong in human conduct.

<http://www.wordsmyth.net/live/home.php?script=search&matchent=moral&matchtype=exact>

6. (1) Of or concerned with the judgment of the goodness or badness of human action and character. (2) Teaching or exhibiting goodness or correctness of character and behavior.

<http://www.bartleby.com/61/75/M0417500.html>

7. Of pertaining to, or concerned with the principles or rules of right conduct or the distinction between right and wrong.

<http://www.infoplease.com/dictionary/moral>

8. Arising from conscience or the sense of right and wrong.

<http://dictionary.reference.com/search?q=moral&r=66>

9. Of or pertaining to character or temperament (good or bad).

<http://www.etymonline.com/index.php?term=moral>

10. (1) Arising from the sense of right and wrong. (2) Psychological rather than physical or tangible in effect.

<http://www.ultralingua.net/index.html?service=ee&text=moral>

11. Relating to standards of good behavior, honesty, and fair dealing, or showing high standards of this type.

http://dictionary.cambridge.org/define.asp?key=moral*1+0&dict=A

12. Acting upon or through one's moral nature or sense of right, or suited to act in such a manner. <http://www.onelook.com/?other=web1913&w=Moral>

13. Relating to duty or obligation; pertaining to those intentions and actions of which right and wrong, virtue and vice, are predicated, or to the rules by which such intentions and actions ought to be directed; relating to the practice, manners, or conduct of men as social beings in relation to each other, as respects right and wrong, so far as they are properly subject to rules. <http://machaut.uchicago.edu/cgi-bin/WEBSTER.sh?WORD=moral>

14. Concerned with principles of right and wrong or conforming to standards of behavior and character based on those principles.

<http://www.rhymezone.com/r/rhyme.cgi?Word=moral>

15. Relating to the practice, manners or conduct of men as social being in relation to each other, and with reference to right and wrong. The word moral is applicable to actions that are good or evil, virtuous or vicious, and has reference to the law of God as the standard by which their character is to be determined.

http://65.66.134.201/cgi-bin/webster/webster.exe?search_for_texts_web1828=moral

16. Moral means "righteous" or "ethical".

<http://web.uvic.ca/wguide/Pages/UsMoral.html>

17. (1) Relating to principles of right and wrong. (2) Concerned with principles of right and wrong or conforming to standards of behavior and character based on those principles.

<http://lookwayup.com/lwu.exe/lwu/d?s=f&w=moral>

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