The Value of Values:

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No business enterprise acts exclusively as an abstract legal institution. Enterprises are an entity of human beings working at different levels of the hierarchy of institutions – be they political, cultural, social, or economic. Human beings – not machines or computers – are the initiators and actors executing all work and accomplishing all relevant tasks. It is also human beings who are the relevant moral actors: working men and women are responsible for actions or omissions of action they have a formative influence but cannot "hide" behind institutional structures.

Values matter. They determine the morality – or lack of morality – in any institutional context. Normative convictions empower human beings to stand up for and contribute their values and understanding of integrity. Because people learn much better by witnessing others' modes of behavior than by words in codes of conduct and corporate guidelines, top management's exemplary conduct makes an enormous difference. The driving force behind any corporate culture is the living example of managers who coherently and consistently adhere to global values and to intercultural acknowledged normative convictions. The corporate culture shapes, reinforces, and strengthens the modes of behavior of all employees. Decisions are then based on special expertise, shaped by values and conditioned by legitimate interests.

And all employees are important for a values-based approach to conducting business. An exclusive focus on established superiors neglects the fact that "followers" also have a significant impact on corporate culture. Candor and a "voice" are desirable: Employees at any level of the hierarchy should be able to speak up and act according to the proclaimed values. In this way, all employees have a significant impact on corporate culture in addition to their specialist knowledge, professional experience, and social skills. They are also under an obligation to take responsibility for the people affected by their decisions and for achieving corporate objectives – including the normative ones.

In a fair division of societal duties, the particular responsibility of business enterprises is to create material and immaterial value through their core competences, serve customers' needs, and be profitable while acting with integrity. By virtue of the authority and responsibility delegated to them, members of top management have a particularly decisive, non-delegable influence on the values structure and moral culture of a company.

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They set and communicate the right "tone" and inspire others as a role model for good personal and corporate conduct. They send out signals – for example, by pledging support to the *UN Global Compact* (UNGC) or by signing the *General Declaration towards a Global Business Ethos* – both within and outside the company to show that ethical concerns are important and that management members are concerned with things that go beyond the day-to-day routine and are of importance beyond the economic sphere. As a result, management elites have immense influence on the creation of a coherent "moral community."

The members of top management also play the central role in introducing morally sensitive governance structures so that individuals can act morally when they are under time pressure and face limited resources, moral dilemmas, and high levels of uncertainty – without having to become "tragic" moral heroes. The basic elements of such governance structures are the following:

- a *corporate purpose* and *mission* that are holistically defined – i.e., they cover a triple bottom line (economic, social, and environmental) and not just the business sphere;
- *codes of conduct* that clarify the values employees should live by when they go about their work, cover all relevant fields of action in their content, and use wording that is unequivocal and capable of being practiced;
- *corporate guidelines* for activities in sensitive areas that likewise cover all relevant fields of action and are worded in such a way that compliance can be unequivocally measured; and
- *objectives* and *performance appraisal processes* that cover not only business-specific, scientific, and technical criteria but also ethical criteria – *everything that is defined as legitimate activity* is also implemented in day-to-day business using the known tools of *compliance management*.

Of particular importance in times of globalization is the company's sensitivity to the difference between national legality in a particular country and what is perceived as legitimate in most modern societies. Discrepancies of this kind have been – and are repeatedly – cause for reputation-damaging criticism of companies. Filling the space between legality and legitimacy in a constructive way is one of the most important tasks of ethical management. The strategic policy initiative and corporate responsibility platform known as the UN Global Compact is very helpful in this context.[2] It invites business enterprises to align their operations and strategies, within their "sphere of influence," with 10 universally accepted principles in the areas of human rights, labor norms, environment, and anti-corruption. By doing so, business enterprises can help ensure that markets, commerce, technology, and finance advance in ways that benefit economies and societies everywhere – and can minimize risks that usually arise in the context of illegitimate conduct. The 10 principles are as follows:

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[2]   See www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html.

Human Rights

- **Principle 1**:
  Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:**
  make sure that they are not complicit in human rights abuses.

Labor

- **Principle 3**:
  Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4**:
  the elimination of all forms of forced and compulsory labour;
- **Principle 5**:
  the effective abolition of child labor; and
- **Principle 6**:
  the elimination of discrimination in respect of employment and occupation.

Environment

- **Principle 7**:
  Businesses should support a precautionary approach to environmental challenges;
- **Principle 8**:
  undertake initiatives to promote greater environmental responsibility; and
- **Principle 9**:
  encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- **Principle 10**:
  Businesses should work against corruption in all its forms, including extortion and bribery.

In terms of compliance with the 10 principles of the UNGC, values also matter. Management responsibility begins with asking the "right" questions – and answering them after proper reflection. Questions such as, What is the role of our corporation in society? How are the UNGC principles translated into internal guidelines for employees? What specific imperatives to act or desist from action result from these principles in daily business practices? How narrowly or broadly do we define key terms such as "sphere of influence"? What specific consequences does each principle have for business policy? How can we implement our normative convictions into practical business actions? How do we deal with dilemmas: what, when in doubt, has the higher importance?

Enlightened managers answer such questions not only as a consequence of their specialist knowledge and their material skills but also in light of their humanistic value-based premises, their social conscience, their social skills, and their moral creativeness, which also empowers them to think "outside the box" – all of this depends on their "ethical musicality." A simple commonsense approach beyond all theoretical complexity is the

trust-building Rotarian "Four Way Test in the Things We Think, Say or Do" developed by Herbert J. Taylor – and slightly amended by Karl Schlecht, by adding "honesty" and "open-mindedness," into a "Five Question Probe" as a corporate Trust Codex that invites responsible people to scrutinize themselves:[3]

1. Is it the truth?
2. Am I honest and open-minded?
3. Is it fair to all concerned?
4. Will it build goodwill and better friendships?
5. Will it be beneficial to all concerned?

As managers in internationally acting corporations are confronted with different social values and normative convictions, competing with integrity is even more complex. Additional questions have to be answered, such as:

- In which areas do we need to take action beyond *local legality* in order to achieve *international legitimacy*?
- What are specific "western" concepts and what are transcultural, transreligious, and consequently globally accepted values? If there are conflicts, which norms do we apply in order to solve a dilemma?
- If we accept that human behavior is determined through explicit or implicit shared values, how do we deal with situations where "our" values and interests clash with those of our customers or partners in their home country? If we accept that peoples' perceptions of "good" or "bad," "fair" or "unfair," and "desirable" or "undesirable" can differ vastly between cultures and different stages of economic development and therefore that different normative cultures can judge the same actions and solve dilemmas in different ways because the goods available for weighting possess different levels of importance, how can we define a "corridor of values" without falling into the trap of ethical relativism?

Moral attitudes or even arrogance from a "white Anglo-Saxon Protestant" perspective are not only inappropriate, they are also unproductive and inefficient. What is recommended is an approach that incorporates the values and ethical experiences of different cultures and that works with common fundamental ideas on the subject of law, justice, and fairness, based on moral principles and values, which have been used by all cultures since ancient times and are supported by common experience.

Here the *World Ethos*[4] work of Hans Küng and the *General Declaration towards a Global Business Ethos*[5] derived from it is helpful. The World Ethos work does not look at the differences between cultures, religions, and normative schools but looks instead for normative commonalities – and there are many. Values and ethical standards that stem from all humanity's wealth of ethical knowledge and experience include:

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[3]   See www.karl-schlecht.de/werte/die-5-fragen-probe.
[4]   See www.weltethos.org/index-en.php.
[5]   See Küng H. / Leisinger K.M. / Wieland J.: Manifesto Global Economic Ethic. Consequences and Challenges for Global Businesses. Dtv München 2010.

- non-violence and a reverence for life;
- a preference for a culture of solidarity and a fair economic order;
- a preference for a culture of tolerance and truthfulness; and
- a preference for a culture of equal rights and a fair partnership between men and women.

This is valid not only for companies but for all economic stakeholders in all countries of the world – management, entrepreneurs, investors, creditors, employees, suppliers, agencies, consumers, trade unions, and so on.

To conclude: The *business of business* will remain business – and is therefore "*to use its resources and engage in activities designed to increase its profits.*" Profits, as understood here, are sustained proceeds from corporate activities pursued in a responsible way. Sustained earnings, however, can only be realized if and when a company uses its resources in a socially responsible, environmentally sustainable, politically acceptable way.

Competing with integrity is to a large extent identical with *good management practices*. For corporations *and* society to thrive and prosper, a balance of interests is essential. This balance must reflect that there is a fair division of societal duties and obligations – corporations are not in charge of solving all the world's problems. They are, however, also a party in the *contrat social* in the sense of Jean Jacques Rousseau and must contribute accordingly. Under such conditions profits are *not* the isolated corporate objective. They are understood as the aggregate indicator that a company is successful in a comprehensive sense and over time. Today, most citizens of modern societies, who are the employees, customers, and shareholders of companies, continue to expect good financial business results from any business enterprise – but *not* in isolation from responsible social and environmental performance.

Competing with integrity and acting in the light of globally accepted norms is not only the "right thing to do," it is also good for business as it facilitates sustainable success – whether by:
- the prevention or at least the reduction of legal, financial, and reputational risks entailing significant punitive damage costs;
- the attraction, retention, and motivation of above-average employees as well as enhanced corporate morale;
- an enhanced corporate reputation and corporate branding;
- the creation of good will among ethically minded investors and consumers; and, on a more abstract level,
- preservation of corporate freedom in the sense of a societal license to operate and grow.

This makes a value-based approach to business a "triple-win" affair: it is beneficial for the employees of business enterprises, for sustainable success of the companies involved, and for the benefit of the society. Let us not forget that corporate success is of high social and ethical value. Profits are not a "zero-sum affair" in which one actor gains and all others lose out. Successful companies create productive jobs and income, pay taxes, contribute to insurances and pension funds, train and educate employees on the job (improving their employability and

value in the job market), and – last but not least – provide society with products and services that help solve problems and improve the quality of life.