

Business Integrity E-Newsletter

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Director's Message

Welcome from Dr. Joseph A. Petrick

Welcome to the second issue of the *Business Integrity E-Newsletter*, the official newsletter of the Institute for Business Integrity (IBI). In mid-2003, the Raj Soin College of Business at Wright State University in Dayton, Oh (USA) launched the IBI with the vision of enhancing education in ethical business leadership and promoting responsible business practices in the business community.

The IBI is directly aligned with the Raj Soin College of Business mission of developing successful and ethical business leaders and it does so through focused service, teaching and research activities. Through this *E-Newsletter* we : (1) keep you informed of past, present and upcoming IBI events; (2) provide important business integrity news at the local, state, regional, national and international levels; (3) spotlight key business integrity resources; and (4) provide a feedback forum for comments, questions and suggestions for improvement.

Since the last edition, the IBI has hosted its Second Integrity Breakfast in collaboration with the Dayton Area Chamber of Commerce and the Dayton Daily News, sponsored a 13-part TV series on "The Ethical Marketplace" for the Channel 16 viewing audience in Ohio, Indiana, and Kentucky, been showcased by the AACSB in Colorado as a model program for teaching business ethics, assisted a local corporation in obtaining SA8000 certification, provided leadership in co-founding the new International Business Honor Society with integrity at a cornerstone value, provided coaching services for runner-up student championship teams at national and regional Ethics Bowls, enacted sustainability-oriented service-learning projects in the community, received a Best Business Ethics Research Paper Award from the Southern Management Association, and co-sponsored a wide range of on-campus and off-campus business ethics-related activities.

Highlighting the role of business integrity capacity in improving individual, group and organizational and community assets is the basis for the constructive partnership of IBI with its diverse stakeholders. The IBI is prepared to fulfill the promise of contributing to and networking with stakeholders committed to ethical business leadership both domestically and globally.

The IBI Associate Director, Dr. Scott D. Williams, and the IBI Research Assistant, Mr. Jason Scott, are also part of the IBI Leadership Team, and along with Dr. Berkwood M. Farmer, Dean of the Raj Soin College of Business, the Founding Sponsors and the Board of Advisors, we look forward to continue to provide a valuable service to our stakeholders and having our readership become part of the "IBI family."

Sincerely,

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Dr. Berkwood Farmer, Raj Soin, Jason Scott and Dr. Joseph Petrick

IBI Activities: Past/Present Events

— **Service Activities**
Second IBI Integrity Breakfast



Raj Soin

In August 2004, in collaboration with the Dayton Area Chamber of Commerce and the Dayton Daily News, the Institute for Business Integrity (IBI) in the Raj Soin College of Business at Wright State University sponsored its Second IBI Breakfast on "Organizational Compliance and Ethics Updates." This session provided the business community with regular exposure to experts on business ethics and serve as a forum for openly discussing and sharing information about best organizational ethics practices. Corporate scandals were the impetus behind government rules that attempt to regulate accountability and retain public confidence in business. The panel of speakers provided a small and large business perspective on federal and state laws that now govern business practices.

Second IBI Integrity Breakfast (Continued from page 1)

Speakers included Raj Soin, chairman and founder of MTC Technologies and Chairman and CEO of Soin International. Raj Soin welcomed everyone to the event and emphasized the importance of business ethics to corporations and the community at the local, national, and international levels. Phillip Parker, President and CEO of the Dayton Area Chamber of Commerce, recognized the participating sponsors and speakers. Paul Fiorelli, member of the National Committee for Amending the U.S. Federal Sentencing Guidelines, gave an update on more rigorous sentencing guideline standards especially with regard to ethics training. Connie Woods, Vice President of Woods & Woods CPA's and Past Chair and current Board Member of the Accountancy Board of Ohio, provided details on the Ohio regulatory climate. Richard Quimby, Partner of Assurance & Business Advisory Services in PricewaterhouseCoopers, discussed the impact of regulations on large organizations.

Joseph Petrick, IBI Director, emphasized self-regulatory ethical improvements in corporations by discussing values-based organizational best practices to achieve accountability and measured improvement of organizational integrity. Jacklyn Ford, attorney from Vorys, Sater, Seymour, and Pease LLP in Columbus, Ohio, offered an update on health care industry compliance with HIPAA. Pam Sunderland, Vice President of Operations of the Dayton Foundation, discussed organizational ethics practices from the nonprofit perspective.



Phil Parker, Raj Soin, and Dr. Joseph Petrick



Jacklyn Ford, Maureen Patterson, Pam Sunderland, Dr. Joseph Petrick

IBI Assists Shore To Shore in Successful SA 8000 Certification

Part of the mission of the Institute for Business Integrity (IBI) at the Raj Soin College of Business is to promote socially responsible practices in the business community. Worldwide businesses, governments, trade unions, and non-governmental organizations (NGOs) regard Social Accountability 8000 (SA 8000) as one of the strongest workplace standards for social responsibility. SA 8000 is based on recommendations made by the International Labor Organization (ILO) and international human rights conventions. It helps to create environments in which both management and workers benefit.

Shore To Shore, a global provider of tags and labels in the apparel and retail markets, has achieved SA 8000 Certification under the leadership of Howard Kurdin, President and CEO. Shore To Shore has adopted an SA 8000 Policy that places a high value on sound business ethics, adherence to local, national, and international laws, and absolute regard for human rights. With production facilities in 12 different countries, Shore To Shore plans on implementing SA 8000 internationally. The preliminary SA 8000 audit provided by Dr. Joseph Petrick, IBI Director, assisted the firm in its successful achievement of the SA 8000 Certification at its Miamisburg headquarters.



Pictured Left: Ed Massie, Director of Human Resources, at Shore To Shore's international headquarters in Miamisburg, Ohio; Pictured right: Joseph Petrick, Consultant and Director of IBI.

The IBI-sponsored Food Drive Supports St. Vincent DePaul's Food Pantry

The Raj Soin College of Business and the Institute for Business Integrity sponsored a food drive to support St. Vincent DePaul's food pantry during the summer of 2004 to promote business citizenship. The food pantry, located in Downtown Dayton, serves hundreds of less fortunate families in the Miami Valley each month. Food pantry stores tend to run low during summer months. Over a two week period in August, collection bins were placed outside the Department of Management Suite and outside the Dean's Suite in Rike Hall. Many staff and faculty members contributed nonperishable items. Several cash donations were also provided. We thank all those who contributed, especially the leadership of Dr. Scott Williams, IBI Associate Director, and the assistance of Dr. Todd Dewett of the Department of Management for helping to organize the food drive.

New Alpha Kappa Epsilon Chapter of International Business Honor Society

In January 2005, Wright State University's Raj Soin College of Business held the inauguration of the Alpha Kappa Epsilon Chapter of the International Business Honor Society. Drs. Douglas Nord (University Center for International Education), Inder P. Khera (Marketing Department) and Joseph A. Petrick (Management Department) inducted members at the initiation ceremony. Speakers included Dr. Oded Shenkar, Ford Motor Company Chair and Professor of Management and Human Resources at the Ohio State University's Fisher College of Business, Mr. Raj Soin, chairman and founder of MTC Technologies and Chairman and CEO of Soin International, and Dr. Berkwood Farmer, dean of the Raj Soin College of Business at Wright State University.

IBI Director, Dr. Petrick assumed the 2005 National Executive Vice Presidency in 2005 and the Presidency in 2006 and was crucial in including integrity as a core international business value in the national and international constitution and all future induction ceremonies. The reinforcement of integrity capacity as a key business leadership value links both IBI and the Alpha Chapter of the new international business honor society, and supports the Raj Soin College of Business mission of developing ethical business leaders capable of making constructive contributions in our globalized business environment.

Photos from the New Alpha Kappa Epsilon Chapter of International Business Honor Society



Drs Inder Khara, Oded Shenkar, Mr. Raj Soin, Drs. Berkwood Farmer, Joseph Petrick



Dr. Oded Shenkar shares his experience in international business research

— Teaching Activities

The IBI Showcased at the AACSB Teaching Business Ethics Conference



Drs. O.C. Ferrell (Colorado State University), Linda Ferrell (University of Wyoming), Joseph Petrick (Wright State University), Anthony Buono (Bentley College), Duane Windsor (Rice University)

Dr. Joseph A. Petrick, Director of the Institute for Business Integrity (IBI), was among the featured speakers at the AACSB International Teaching Business Ethics Conference held in July, 2004 in Boulder, Colorado. Dr. Petrick and the IBI at the Raj Soin College of Business were showcased as national leaders in developing a new business ethics education model based on integrity capacity development, in teaching business ethics and in designing an institute sponsored by a strong public-private partnership to promote socially responsible business practices. The conference was attended by 150 international specialists in business ethics.

In addition to Dr. Petrick, among the expert presenters were Drs. O.C. Ferrell, Linda Ferrell, Anthony Buono, and Duane Windsor (all pictured). Dr. Petrick focused on the need for the AACSB-accredited business curriculum to contain both a required stand-alone business ethics course for a systematic conceptual foundation of the field and required integration of ethics into other business functional courses. The drift toward unstructured dispersal of business ethics education topics dilutes the impact of ethics on improving business performance. In addition, Dr. Petrick talked about the many research, teaching and service contributions that the Institute for Business Integrity provides to enhance the moral competence of current and future business leaders at the Raj Soin College of Business, e.g., Business Integrity breakfasts, SA 8000 consulting services, student Ethics Bowl leadership experiences.

WSU is Runner-Up at 2004 Midwestern Regional Intercollegiate Ethics Bowl

The WSU undergraduate team, coached by Dr. Petrick, participated in the 6th Annual Midwestern Regional Intercollegiate Ethics Bowl held at Marian College in Indianapolis, Indiana on November 13, 2004. The Regional Ethics Bowl was hosted by Marian College and sponsored by Vectren Energy. It was the first time Wright State University had been invited to participate in the regional event and their inclusion was an indication of the growing reputation of Wright State University as a major regional contender in Ethics Bowl competitions. The runner-up Wright State University team consisted of Andrea Harris, an English major, Jennifer Rammel, a biological sciences/criminal justice major, Alyson Satchell, a marketing major, David Robins, a political science major, and Brian Apwisch, a human resource management major. The Regional Ethics Bowl's runner-up showing was a good testing ground to determine which students would be prepared to represent Wright State University in the National Intercollegiate Ethics Bowl in February, 2005. Among the competing universities in the Regional Intercollegiate Ethics Bowl were: Butler University College of Pharmacy, Depauw University, University of Southern Indiana, Indiana University Kelley School of Business (2 teams), Valparaiso University, Manchester College, IUPUI, St. Louis University, Taylor University, Marian College (2 teams), University of Indianapolis, and Wabash College.

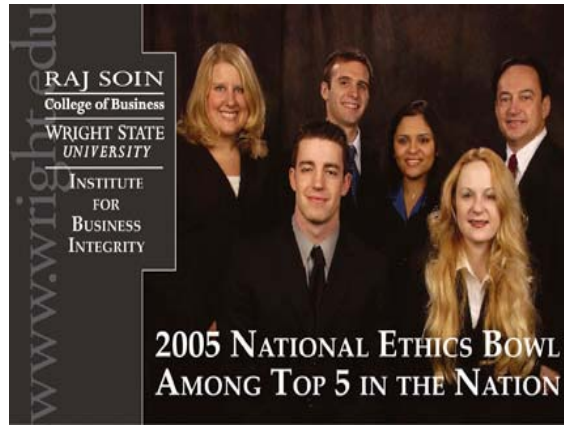


2004 Wright State University Regional Ethics Bowl Team
Back Row: Jennifer Rammel, Alyson Satchell, Dr. Joseph Petrick
Front Row: Brian Apwisch, Andrea Harris, David Robins

WSU 2005 Ethics Bowl Team in the Top Five Nationally in San Antonio

Wright State University's undergraduate National Ethics Bowl Team recently placed in the top five in the nation. Wright State University was among 40 universities competing in the Eleventh National Intercollegiate Ethics Bowl that took place in conjunction with the annual meeting of the Association for Practical and Professional Ethics in San Antonio, Texas on February 24, 2005 at the Wyndham St. Anthony Hotel.

The Wright State National Ethics Bowl Team consisted of Andrea Harris, (team captain) an English major, Jennifer Rammel, a biological sciences/criminal justice major, David Robins, a political science major, Hiloni Bhavsar, a chemistry major, and Dylan Borchers, a political science major. They were prepared and coached for this academic extracurricular activity by Dr. Joseph A. Petrick, Director of the Institute for Business Integrity in the Raj Sooin College of Business.



2005 WSU National Ethics Bowl Team: Back Row (Left to Right): Jennifer Rammel, Dylan Borchers, Hiloni Bhavsar, Dr. Joseph Petrick; Front Row (Left to Right): David Robins and Andrea Harris

Other participating universities included but were not limited to: California State University, Clemson University, DePauw University, University of Florida, Illinois Institute of Technology, Indiana University, Loyola University, University of Richmond, Texas A&M University, United States Air Force Academy, Southern Methodist University, Northern Kentucky University, St. Louis University, the United States Naval Academy, University of Montana, Villanova University, the United States Military Academy, and the University of Washington.

"While this successful extracurricular educational experience demonstrated the conscientious efforts of talented students and dedicated faculty, it required the collaborative financial support of the office of the Vice President for Student Affairs and Enrollment Services, directed by Dr. Dan Abrahamowicz, the office of Vice President for Curriculum and Instruction and Dean of the University College, directed by Dr. Lillie P. Howard, the office of the Dean of the Raj Sooin College of Business, Dr. Berkwood M. Farmer, and the office of the Institute for Business Integrity, directed by Dr. Joseph A. Petrick. The hard work and cooperative support that led to Wright State's outstanding performance in the National Intercollegiate Ethics Bowl is now a source of shared pride on campus and an institutional tradition. It brought out the best in people in our academic community and serves as another source of local Dayton community pride," said Petrick.

Mgt 470: Pilots Business Citizenship and Service-Learning Course Project

Dr. Joseph Petrick, Director of the Institute for Business Integrity, piloted the first undergraduate course at the college that embedded a formal service-learning project in its formal requirements - Management 470: Business Integrity Capacity. Service-learning in this business course was designed to enhance classroom learning by providing services to meet identified off-campus community needs and generating structured reports to strengthen business citizenship competencies. The class and Dr. Petrick participated in the state and national Make a Difference Day by contributing to the honeysuckle removal project at Taylorsville MetroPark in the greater Dayton community. Dr. Petrick states, "Business service-learning projects enable future business leaders to develop good community citizenship habits that make a positive difference in the lives of the people around them and create a more supportive environment for business." Mr. Charles Shoemaker, Executive Director of Five Rivers MetroParks, and his volunteer coordinator, Mr. Robert Butts, both expressed appreciation to Dr. Petrick, his students, and the Raj Sooin College of Business for their socially responsible business education contributions.



Dr. Joseph Petrick pictured far right with a team of WSU students that participated in Ohio Make a Difference Day at Taylorsville MetroPark in Huber Heights, Ohio

Dr. Petrick, his students, and the Raj Sooin College of Business for their socially responsible business education contributions.

Business Faculty Professional Development Seminar on "Teaching Business Ethics: The Business Integrity Capacity Approach"

As part of the IBI mission to improve ethical decision making across the business education curriculum, Dr. Joseph Petrick led a business faculty professional development seminar at the Raj Soin College of Business on "Teaching Business Ethics: The Business Integrity Capacity Approach" on May 19, 2004. Participants discussed issues in teaching ethics currently facing graduate and undergraduate business faculty, and a basic framework was provided with which to analyze cases. This approach is known as the R²C² model, which stands for Rules, Results, Character, and Context.

For additional information and copies of the teaching materials, see the IBI webpage at: <http://www.wright.edu/rscob/ibi/teaching.htm>.

— Research Activities

Best Business Ethics Research Award at the Southern Management Association

In November 2004, Joseph Petrick, IBI Director, presented a co-authored international business ethics research paper entitled, "Managerial Role Motivation and Role Related Ethical Orientation in Hong Kong" to the Southern Management Association (SMA) in San Antonio, Texas. This paper, which was co-authored with Drs. Bahman P. Ebrahimi and Sandra Young, both from the University of Denver (pictured), received the Best Business Ethics Research Paper Award from the SMA Conference on November 6, 2004.

The research statistically examines the relationship between the psychological construct of hierarchic managerial role motivation and the moral construct of role-related ethical orientation from a sample of 147 business students in Hong Kong. As hypothesized, managerial respondents with higher managerial role motivation, i.e., higher levels of respect for authority figures, competitive games, competitive situations, assertive role responsibilities, the desire to exercise power, and a liking for routine administrative functions, demonstrated greater managerial role-related ethical orientation as compared with their less managerially motivated counterparts.

Among the practical Chinese recruitment and promotion implications of the research are that: (1) Hong Kong business students who anticipate assuming managerial roles locally realize that becoming a social and moral role model is part of the implicit set of cultural, family, and work expectations for credible managerial performance in a context where losing face through public moral hypocrisy has severe costs and (2) Hong Kong business students who have cultivated *qinyou quanxi* (kin and kith relationships emphasizing favor-seeking), experience the benefits of reciprocity in work and non-work settings and are further incentivized to sustain mutually rewarding relationships through sound managerial performance.



Drs. Bahman P. Ebrahimi and Sandra Young, (University of Denver),
Dr. Joseph A. Petrick, (Wright State University)

Dr. Krishnaswamy visits Institute for Business Integrity

Dr. R.S. Krishnaswamy, Adjunct Professor from the M.S. Ramaiah Institute of Management of Bangalore, India, visited the Institute for Business Integrity in April, 2004. Dr. Krishnaswamy had extensive Indian and international business experience as well as business education experience. He discussed research topics in Indian business ethics with Dr. Petrick and delivered a lecture to undergraduate business students on Vedanta Philosophy and Indian Management ethics. He treated comparative U.S. and Indian business ethics approaches to contemporary, controversial business topics, such as outsourcing of jobs.

IBI Cross-Cultural Managerial Research

Dr. Wu Yiang (Beijing Normal University), Dr. Yih-Teen Lee (Ecole Superiure Des Sciences Commerciales D'Angers), and Dr. Joseph Petrick (Wright State University) are currently engaged in a cross-cultural comparative study of perception, attitude, and value differences between Chinese and American managers. The results of this research study will be available in 2006.

IBI Activities: Upcoming Events

IBI Sponsors Channel 16 TV Series Sunday Mornings on Business Ethics

This IBI is sponsoring a new business ethic TV series entitled, "The Ethical Marketplace" on ThinkTV, Channel 16 Public Television broadcast to the southwestern Ohio, northern Kentucky, and southeastern Indiana viewing audiences. This IBI-sponsored series will enhance business education by providing both positive economic policies and business practices that meet the standard of "triple bottom-line accountability" (economic-financial, socio-legal, and ethical-ecological success) and treat human and natural stakeholders of the business enterprise in a sustainable manner.

The 13-part TV series is broadcast every Sunday morning from 11:30 am to 12:00 noon (between Bill Moyer's NOW public issue series and the McLaughlin Group) having started on March 27, 2005 and continued on a single repeat program until September 11, 2005, to cover both the Spring and Summer academic terms. To view the details of the programming schedule and each episode theme, [click on this link](#).

IBI Sponsors Channel 16 TV Series Sunday Mornings on Business Ethics (Continued from page 5)

Not only does this IBI-sponsored TV series enhance the positive visibility of the Raj Sooin College of Business in a timely manner, it also provides business faculty at Wright State University and other universities in the broadcast area with a video resource to supplement the treatment of the moral dimensions of each business function. Some spring term business courses have recommended and/or provided extra credit to students who view and write reports on at least two segments of the IBI-sponsored "Ethical Marketplace." See the IBI website and the sample syllabus ([Mgt 493 syllabus](#)) for a concrete example of how the Raj Sooin College of Business faculty are incentivizing the use of "The Ethical Marketplace" to enhance ethical business leadership skills.

This IBI-sponsored TV series has strengthened connections with the Miami Valley business community and viewing public. The demonstration of business citizenship activity that supports public awareness and discussion of positive business ethics practices has resulted in favorable business and public reactions to the IBI through appreciative phone calls, e-mails, and increased website traffic. The IBI-sponsored "Ethical Marketplace" TV series was also singled out for honorable mention for creative business ethics education linking campus to community in the meeting of Ohio business school deans at Ashland University.

IBI Co-Sponsoring Advertising Ethics Panel for the Dayton Advertising Club

The Institute for Business Integrity is co-sponsoring another event that enhances the business integrity skills of business community practitioners in the field of advertising. This time the focus is on ethical perspectives for marketing professionals. The IBI is co-sponsoring a panel of experts with The Dayton Advertising Club and The Better Business Bureau Dayton/Miami Valley at the monthly luncheon meeting of the Dayton Advertising Club on Thursday, April 7 at the Mandalay Banquet Center.

The panel title is: "Your Advertising: Fact or Fiction? How to Build Your Brand with Integrity, Not Trickery." The panelists include: Leslie Fair, from the Federal Trade Commission in Washington D.C., Wayne Keeley, Assistant Director of the BBB National Advertising Division, Stan Morton, Associate General Council for Procter & Gamble and General Counsel for IAMS. See this link for the [Dayton Advertising Club flyer](#) and [reservation form](#).

IBI Co-Sponsoring Governor Taft and Ethics in Small Business Panel

The IBI is co-sponsoring, with the Center for Business Ethics and Social Responsibility at Xavier University, a panel on Ethics in Small Business on May 11, 2005 at the Cintas Center on Xavier University's Campus in Cincinnati from 9:00 am to 3:45 pm. The cost is \$100 per person (reduced to \$65 for members of sponsoring organizations) and includes a continental breakfast and lunch.

The scheduled keynote speakers are: the Honorable Bob Taft, Governor of Ohio and Mr. Aaron Feuerstein, former CEO of Malden Mills. Governor Bob Taft is scheduled to speak on business ethics and the Taft-Petro Act, a version of the Sarbanes-Oxley Act, which applies to small businesses in Ohio. In 1995, Aaron Feuerstein's Malden Mills plant burned down in Massachusetts. Instead of off-shoring the jobs overseas, he rebuilt the factory. During the rebuilding process, he paid all of his 3,000 employees and became a role model for corporate responsibility. His story was the subject of several *60 Minutes* episodes and he received numerous awards for business ethics.

IBI Co-Sponsoring a Best Practices in Diversity Forum

The IBI, the Raj Sooin College of Business, and other organizations are co-sponsoring a Best Practices in Diversity Forum on Tuesday, May 24 at 11:00 am to 5:00 pm in the Berry Room in the Nutter Center at Wright State University. This forum will highlight industry best practices in employment diversity. Scheduled discussions will include company presentations from Marathon Oil and Procter and Gamble. In addition, a mock mediation of employment discrimination will be included. Three hours of recertification credit PHR/SPHR and other related certifications are available by attending.

The registration cost is \$35 and includes lunch and parking for the event. Registration can be faxed to 937-775-5517 or mailed to: Event Services, Wright State University, E005 Student Union, 3640 Colonel Glenn Highway, Dayton, Ohio 45435-001. The deadline for registration is May 17, 2005. For registration questions, contact Janice Hartzell at 937-775-5512 and event questions can be directed to Carolyn Rice at carolyn.rice@wright.edu.

IBI Sponsors Third Integrity Breakfast in Summer, 2005

In the summer of 2005, in collaboration with the Dayton Better Business Bureau, the United Way of the Greater Dayton Area, and the Dayton Daily News, the IBI will co-sponsor its Third IBI Breakfast. The Third IBI Breakfast will be opened by Mr. Raj Sooin and curtain expert panels dealing with small business ethics and non-profit organizational ethics. Details will be forthcoming and available on the IBI website.

Fall Regional Ethics Bowl Competition

The Institute for Business Integrity will support another Wright State University Ethics Bowl Team to compete in the Midwestern Regional Intercollegiate Ethics Bowl Competition in the Fall. The competition is to be held in November 2005 in Indianapolis, Indiana. In the 2004 Midwestern Regional Intercollegiate Ethics Bowls, the IBI-sponsored Wright State University team succeeded to a runner-up finish.

Business Integrity News — International Level

Orlitzky, Mark and Schmidt, Frank L. (2003). "Corporate Social and Financial Performance: A Meta-analysis," *Organization Studies*, 24 (3): 403-441.

Most theorizing on the relationship between corporate social/environmental performance (CSP) and corporate financial performance (CFP) assumes that the current evidence is too fractured or too variable to draw any generalizable conclusions. With this integrative, quantitative study, the authors show that the mainstream claim that we have little generalizable knowledge about CSP and CFP is built on shaky grounds. Providing a methodologically more rigorous review than previous efforts, the authors conducted a meta-analysis of 52 studies (which represent the population of prior quantitative inquiry) yielding a total sample size of 33,878 observations. The meta-analytic findings suggest that corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility is likely to pay off, although the operationalizations of CSP and CFP also moderate the positive association. For example, CSP appears to be more highly correlated with accounting-based measures of CFP than with market-based indicators, and CSP reputation indices are more highly correlated with CFP than are other indicators of CSP. This meta-analysis establishes a greater degree of certainty with respect to the CSP–CFP relationship than is currently assumed to exist by many business scholars. ([Click here to see the entire article](#))

White, Andrew and Kleman, Matthew (2004). *Corporate Environmental Governance*. (Almondsbury, England: Environmental Agency).

The Environmental Agency (U.K.) believes that all companies have a duty of care toward the environment. It also maintains that companies with reduce their environmental risks and impacts are more sustainable, profitable, valuable, and competitive. The Agency commissioned this report to shed light on the value of good environmental governance from a business perspective. It aims to encourage the wider adoption of sound environmental policies and practices, leading to improved environmental and financial performance.

Good environmental governance helps to deliver better financial performance. In recent years there has been a marked increase in research suggesting that good environmental governance practice can deliver better financial performance. During the literature review, we found strong evidence for the existence of a positive relationship between environmental governance and financial performance. This result is largely consistent with other literature reviews conducted over the past years. ([See the entire report, summaries of case findings, and details of the Environmental Agency at *www.environmentagency.gov.uk/business*](#))

— National Level

2004 Amended Federal Sentencing Guidelines for Organizations (FSGO)

The Amended U.S. Federal Sentencing Guidelines for Organizations (FSGO) took effect on November 1, 2004. The Amended Guidelines embrace four major changes: (1) a broadened purpose for an effective legal compliance and ethics program to promote an ethical organizational culture, (2) specific requirements to design a program around identified risks and periodic program evaluation, (3) recognition of a practical *disincentive* to having an effective program, often called the "litigation dilemma," and (4) attention to the challenges of compliance for the small organization.

The revised purpose of an effective legal compliance and organizational ethics program is "*to exercise due diligence to prevent, detect, and report criminal conduct and otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with all applicable law.*" Seven minimum requirements are to serve as "indicators of program performance":

- (1) Standards and procedures to prevent and detect criminal conduct;
- (2) Responsibility at all levels of the program, together with adequate program resources and authority for its managers;
- (3) Due diligence in hiring and assigning personnel to positions with substantial authority;
- (4) Communicating standards and procedures, including a specific requirement for ethics training at all levels;
- (5) Monitoring, auditing, and non-retaliatory internal guidance/reporting systems, including periodic evaluation of program effectiveness;
- (6) Promotion and consistent enforcement of compliance and ethical conduct; and
- (7) Taking reasonable steps to respond appropriately and prevent further misconduct upon detecting a violation.

The Commission on Sentencing Guidelines now requires in subsection (c) that "an organization must periodically assess the risk of the occurrence of criminal conduct." In practice, this provision changes the emphasis of compliance and ethics program design, implementation, and enforcement from program best practices to effectively managing identified risks and uncertainties.

The Amended Guidelines reflect what has been learned in the compliance and ethics field since 1991 and other related fields, such as enterprise risk management, managing for results, and outcomes-based program evaluation. The linking of organization risk assessment and program results/outcomes evaluation is a key new emphasis in the Amended Guidelines. The new 2004 COSO Integrated Framework for Enterprise Risk Management (see below) provides a comprehensive foundation for establishing organizational internal controls. It identifies organizational ethics as an operational risk, i.e., a risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. Some risk reduction tools for leaders include: annual organizational ethics needs assessments; tracking issues employees seek guidance on, misconduct reported, or employee satisfaction by business unit or staff function; reviewing internal and outside audit reports, regulatory investigations/complaints; and conducting exit interviews and stakeholder satisfaction surveys. Industry leaders are often subjects of media reports and advocacy groups, which may raise operational risk issues, not to mention reputation risks.

2004 Amended Federal Sentencing Guidelines for Organizations (FSGO) (Continued from page 7)

In addition, the purpose of federal Government Performance and Results Act of 1993 (GPRA) is to improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. See the state of Maryland's "Managing for Results" program, which is based on internal and external assessments, planning for results, and performance evaluation. Click here to see the State of Maryland resources for its "Managing for Results" program at <http://www.dhr.state.md.us/mfr/>.

The Amended Guidelines, in effect, require an organization to perform the following activities: (1) Surface its core beliefs, which need to include a commitment to compliance with the letter and spirit of the law and ethical conduct, as it defines it; (2) Understand the strengths and weaknesses of its own culture and organizational capacities; (3) Scan its business environment, presumably on an enterprise-wide basis, to determine what pressures the organization faces, especially the risk of criminal conduct and violating other applicable laws, and, more broadly, benchmarking data of industry standards and best practices; (4) Determine, relative to its goals and objectives and baseline data of its prior performance, what outcomes should be expected of the program; (5) Identify targets and measurable indicators of expected program outcomes; (6) Design, implement, and enforce its program to meet all seven of the hallmark minimum requirements; and (7) Regularly evaluate its program to determine if it was effective and capture what the organization learned along the way.

COSO Report on Evaluating Enterprise Ethical Risk Management

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is comprised of five major professional US associations (The American Accounting Association, The American Institute of Certified Public Accountants, Financial Executives International, The Institute of Management Accountants, and The Institute of Internal Auditors) who joined in 1985 to sponsor an initiative to study the factors that can lead to fraudulent financial reporting and develop recommendations for public companies and their independent auditors, for the SEC, other regulators, and educational institutions. In October, 2004, following several years of research, analysis and a public comment period, the group released the COSO Enterprise Risk Management Framework, which expanded upon their original "Internal Control Framework." Authored by PricewaterhouseCoopers on behalf of COSO, the Framework is designed to raise a consistent "risk and control consciousness" throughout an enterprise and to become a commonly accepted model for discussing and evaluating the organization's risk management processes at the financial, market and operational levels.

The Executive Summary for Enterprise Risk Management -- Integrated Framework defines enterprise risk management (ERM), discusses the objectives of ERM, and suggests uses of the report. Download the Executive Summary of the Framework at: http://www.coso.org/Publications/ERM/COSO_ERM_ExecutiveSummary.pdf

COSO and PricewaterhouseCoopers also answer frequently asked questions about COSO's Framework, such as how the Framework relates to other documents, including Sarbanes-Oxley and the Internal Control Framework, why organizations should support the Framework and how its use might impact a variety of people in an organization. Read the frequently asked questions at: <http://www.pwc.com/extweb/manissue.nsf/docid/AE705DF482E6B67485256F1C007017F1> (Web version) or http://www.fei.org/download/coso_faq_9_29_04.pdf

US Federal Lobbyists Double Spending in Six Years

In a major study of the federal lobbying industry, the Center for Public Integrity in Washington, D.C. reported that lobbyists have spent nearly \$13 billion since 1998 to influence members of Congress and federal officials on legislation and regulation. Lobbyists have doubled their spending in six years. The findings include: (1) Breaking the Law: At least one in five companies lobbying fail to file required forms; (2) Your Tax Dollars at Work on K Street: Cities, states and universities spend more than half a billion dollars lobbying; and (3) More Than 2,000 Spin Through Revolving Door: Nearly 250 former members of Congress and agency heads register to lobby.

As part of the report, the Center built an extensive online database that includes the names of all registered lobbyists, the names of the top clients of all the lobbyists, the issues lobbied, the agencies that are lobbied and the government officials involved in the revolving door system. To read the full report and access the Lobby-Watch database log on to <http://www.publicintegrity.org>.

SEC Advisor's Code of Conduct

In May, the Securities and Exchange Commission voted to adopt form amendments regarding disclosure requirements for mutual funds and a new rule, as well as amendments to rules and forms, dealing with investment adviser codes of ethics. The amendments require a mutual fund to provide enhanced disclosure regarding breakpoint discounts on front-end sales loads and are intended to assist investors in understanding the breakpoint opportunities available to them. The new rule under the Investment Advisers Act would require registered investment advisers to adopt and enforce codes of ethics, with certain minimum provisions, that would be applicable to their supervised persons. Read the SEC press release at: <http://www.sec.gov/news/press/2004-71.htm>

The ERC and the Washington, D.C. office of Thelen Reid & Priest LLP submitted a joint comment letter to the SEC regarding the Commission's efforts concerning advisers' codes of ethics. The ERC and Thelen Reid offered four comments with respect to the code of ethics requirements under consideration. Read the comment letter at: <http://www.ethics.org/resources/advisercodecomments.pdf>

Marsh & McLennan and the Insurance Industry

In October, 2004 New York Attorney General Eliot Spitzer filed civil charges against Marsh & McLennan, the world's biggest insurance broker, and announced settlements of criminal charges with two employees at AIG, the world's biggest insurer, and one at ACE, a big property-casualty insurer. The suit accused Marsh of taking payoffs from insurance companies to steer corporate clients their way rather than acting in the best interest of the clients and cited other misbehavior including outright threats against those resisting participation in the fraudulent schemes. Officials in other states have also been investigating allegations of price-rigging and kickbacks by insurers and insurance brokers. At the heart of the matter are "contingent commissions" - money paid only if the broker places a certain amount of business with a particular insurer. In May, Advisen, an insurance industry research company, found that 69% of the 330 risk managers it canvassed in an anonymous survey considered contingent commission arrangements a conflict of interest. For more information <http://www.cfo.com/printable/article.cfm/3324341?f=options> or http://www.economist.com/finance/displayStory.cfm?story_id=3308447

— US Midwestern Regional Level

Michigan Employer Tells Workers to Quit Smoking or Quit Their Job

Following the resignation of four workers from a Michigan company that told employees to either quit smoking or quit their jobs, press reports last week profiled recent efforts by employers determined to stamp out cigarette use. Insurance-claim processing firm Weyco Inc. of Okemos, Michigan, is among the firms taking the toughest line on smoking, requiring workers to take breath tests that check for off-duty smoking. The company, which began offering free stop-smoking classes and financial incentives to kick cigarettes about two years ago, says its current clampdown stems from a desire to both help employees and save on health care costs. Nearly 30 workers and their spouses quit smoking under Weyco's incentives program, according to the **Los Angeles Times**. "For every smoker who quits ... there will be many people -- family members, friends, coworkers -- who are very thankful the person won't be going to an early grave," Weyco president Howard Weyers, a health enthusiast, wrote in a message on the company's web site. (View the entire article at: <http://www.globalethics.org/redir/nl.html?d=1/31/2005&id=01310518011657>)

— State Level

Ethics Commission Passes Resolution Endorsing Disclosure

At its December meeting, members of the Ohio Ethics Commission discussed issues coming before the Commission and the General Assembly that involve how Ohio's Ethics Laws apply to non-profit corporations and their executives who contract to perform significant public services. At the end of the discussion, the Commission adopted this resolution:

"As a matter of public policy, the Ohio Ethics Commission strongly believes that officials in non-profit corporations that are contracted to conduct significant public functions of government and expend substantial sums of public money have a duty to file financial disclosure and comply with the provisions of Ohio's Ethics laws. This disclosure and compliance with Ohio law (1) protects against the occurrence of conflicts of interest by officials or employees contracting with public agencies to perform important public services, and (2) promotes the accountability of non-profit corporations that expend considerable public funds in serving citizens."

(To view the entire release from the Ohio Ethics Commission, click here.)

— Local Level

Companies lauded for business ethics

Five companies with significant employment levels in the Dayton area have been named to the annual list of the 100 Best Corporate Citizens. The list, published by *Business Ethics* magazine, recognizes publicly traded companies that excel at serving stakeholders well. One thousand companies were surveyed for the rankings, with categories including product satisfaction, the environment, human rights, shareholders, employees, community, and minorities. Highest ranking among companies with a Dayton-area connection was Procter and Gamble, at No. 2. Procter is the parent company of Iams Co., the Vandalia-based pet food manufacturer.

Also on the list:

- No. 34, Delphi Corp., an auto parts manufacturer that employs about 9,000 workers at eight local plants;
- No. 58, Eastman Kodak Corp., a photographic film and digital imaging company that has about 600 workers at its Kodak Versamark subsidiary in Kettering;
- No. 85, Emerson Electric, the parent company of Copeland Corp., a manufacturer of compressors for air conditioners and refrigerators, located in Sidney;
- No. 98, Whirlpool Corp., which employs 850 people in Greenville, where Kitchen-Aid mixers and other home appliances are manufactured.

The 100 Best Corporate Citizens story appears in the spring issue of *Business Ethics*. (This article and more are located at <http://dayton.bizjournals.com/>.)

Business Integrity Resources

— Book

Lam, James (2003). *Enterprise Risk Management: From Incentives to Controls* (Hoboken, N.J.: John Wiley & Sons)

McNamara, Carter. *Basic Guide to Outcomes-Based Evaluation for Nonprofit Organizations with Very Limited Resources*. (Available at <http://www.mapnp.org/library/evaluatn/outcomes.htm>)

— Articles

IBI Team Classic Articles

Patrick, Joseph A. and John F. Quinn (2004). "Restoring Integrity Capacity to Domestic and International Accounting," *Global Business and Economics Review*, 6 (1), 1-21.

This article delineates the need to rebuild public trust in accounting in light of numerous domestic and international accounting scandals and uses the Arthur Andersen LLP debacle to provide the comprehensive integrity capacity theoretical model for diagnosis of causes and prognosis of remedies for domestic and international accounting. Four areas of improved moral accountability at the microeconomic and macroeconomic levels for responsible leadership in domestic and international accounting are recommended.

Patrick, Joseph. A. and John F. Quinn (2000). "The Integrity Capacity Construct and Moral Progress in Business," *Journal of Business Ethics* 23:3-18.

This article introduces the integrity capacity construct with its four dimensions (process, judgment, development and system dimensions) as a framework for analyzing and resolving behavioral, moral and legal complexity in business ethics' issues. The authors proceed to demonstrate that moral progress in business comes about through the increase in stakeholders who regularly handle moral complexity by demonstrating process, judgment, developmental and system integrity capacity domestically and globally.

— Articles

IBI Team Classic Articles (Continued)

Petrick, Joseph A., John F., Quinn & Scott D. Williams (2001). "Integrity Capacity, Organizational Innovation and Global Technological Challenges," *Global Business and Economics Review* 3(1): 1-19.

This article links the subfields of organizational ethics and organizational innovation in the context of five global technological challenges. The authors provide an interactive model of organizational innovation and integrity capacity that depicts parallel reinforcing findings at the individual, group, organizational and environmental levels of analysis. They provide level-specific, proactive queries designed to critically review and simultaneously leverage innovation and integrity capacities in the face of global technological challenges.

Petrick, Joseph. A. and John F. Quinn, (2001) "The Challenge of Leadership Accountability for Integrity Capacity as a Strategic Asset," *Journal of Business Ethics* 34:331-343.

This article identifies the challenge of holding contemporary business leaders accountable for enhancing the intangible strategic asset of integrity capacity in organizations. After defining integrity capacity and framing it as part of a strategic resource model of sustainable global competitive advantage, the stakeholder costs of integrity capacity neglect are delineated. To address this neglect issue, the authors focus on the cultivation of judgment integrity to handle behavioral, moral and economic complexities as key dimensions of integrity capacity. Finally, the authors recommend two leadership practices to build competence in business leaders to enhance integrity capacity as an organizational strategic asset.

Feedback Forum

Do you have questions, comments or improvement suggestions about this publication? Please feel free to contact the Wright State University Institute for Business Integrity via e-mail at rscob-businessintegrity@wright.edu or by phone at 937-775-2428.

The mission of the Institute for Business Integrity (IBI) is to provide a forum and resources to continually improve moral competency as an integral part of business education and to promote responsible practices in the business community. The Institute is aligned with the Raj Soin College of Business mission of developing successful and ethical business leaders and it does so through focused service, teaching and research activities.

The IBI would like to acknowledge the contributions of multiple media sources including other ethics centers and institutes such as The Ethics Resource Center. If you have found useful information in this e-newsletter, please feel free to forward it to your interested colleagues.

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