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Director's Message

Welcome to the third 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, Ohio (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; (4) provide a feedback forum for comments, questions and suggestions for improvement; and (5) apprise you of IBI sponsorship opportunities.

Since the last edition, the IBI has continued to expand its civic engagement and partnership building efforts with diverse local organizations. The IBI hosted its Third Business Integrity Breakfast in partnership with the Better Business Bureau of Dayton/Miami Valley and its Fourth Business Integrity Breakfast in partnership with 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, provided coaching services for successful Regional and National Student Ethics Bowl teams, and co-sponsored a wide range of on-campus and off-campus business ethics-related activities.

The IBI Associate Director, Dr. Scott D. Williams, and the IBI Research Assistants, Mr. Keith Brunton and Ms. Amanda Olsen, 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 Sponsor Corporations and the Board of Advisors, we continue to provide a valuable service to our stakeholders and welcome our readership into the "IBI family."

Joseph A. Petrick, Ph.D., SPHR
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IBI Activities

Third IBI Breakfast

On June 15, 2005, in collaborative partnership with the Better Business Bureau of Dayton and the Miami Valley, the Institute for Business Integrity (IBI) in the Raj Soin College of Business at Wright State University, co-sponsored its Third IBI Breakfast on the topic of "Dayton Best Business Ethics Practices and Resources." This dual-panel breakfast program was introduced by Dr. Raj Soin, Chairman and Founder of Soin International and MTC Technologies. The theme of the Third IBI Breakfast focused on recognizing and celebrating the best Dayton metropolitan business ethics practices and resources - building bridges among private, public, and non-profit organizations that support business ethics.

The first panel contained five speakers. Dr. Petrick, the first speaker, discussed research on four organizational ethics culture-strengthening processes: (1) the Organizational Ethics Needs Assessment (OENA); (2) the Ethical Leadership Scale (ELS); (3) Triple Bottom Line Accountability (TBLA); and (4) the Balanced Judgment Integrity Decision-Making Model (R²C²)™. The second speaker, Mr. Mark Land, Director of Public Relations at Cummins Inc., discussed lessons learned and best practices shared by the Cummins Leadership Team, winner of the 2005 Best U.S. Corporate Citizenship Award. Mr. David T. Gagner, Vice President of Internal Audit at Standard Register, shared his positive experience with third party online ethics training at work and whistleblower protection. Next, Mr. Edmund Massie, Director of Human Resources at Shore to Shore Inc. in Miamisburg, discussed how the consulting support from the IBI helped the company to voluntarily achieve Social Accountability (SA 8000) Certification to ensure positive labor-management relations domestically and globally that prevent sweatshops in the garment labelling multi-national corporation. Finally, Mr. Steve Birchall, from Devesys Inc., shared state-of-the-art software tracking/reporting software on moral and legal violations for small business use.

The second panel also contained five speakers. Ms. Donna Childs, President and CEO of the Better Business Bureau (BBB) of Dayton and the Miami Valley, provided an overview of business ethics trends in the Dayton metropolitan area demonstrating the critical role the BBB plays in countering unethical business practices. The second speaker, Mr. Jack Kostak, President of All Seal Home Improvement, discussed the day-to-day ethical business practices from the perspective of a Dayton small business owner who had recently won the

Dayton Better Business Bureau Eclipse Award for Business Integrity. Dr. Jack Dustin, Director of the Wright State University Center for Urban and Public Affairs, was the third speaker and he focused on the public conflicts that challenge and the public values that guide the development of Dayton's metropolitan ethical climate. The fourth speaker was Ms. Heather Martin, Publisher of the Dayton Business Journal, and she expounded on the importance of journalistic truth in accurately reporting on business ethics practices. Finally, Mr. Mark Levy, President and CEO of the United Way of the Greater Dayton Area, elaborated on the importance of transparency and accountability for sustaining trust in charitable organizations locally and elsewhere.

The detailed agenda of the Third IBI Breakfast is provided below and copies of the powerpoint presentations are available on the IBI web site (<http://www.wright.edu/business/ibi>) under Service.

Third IBI Breakfast Agenda

8:00-8:05 a.m.

Raj Soin, Chairman and Founder, Soin International and MTC Technologies

8:05-9:20 a.m.

Dayton Best Business Ethics Practices & Resources I

- Best Organizational Ethics Resources: Joseph A. Petrick
- Lessons from the 2005 Best Corporate Citizenship Award Winner: Mark Land
- Third Party Online Ethics Training and Whistleblower Protection: David T. Gagner
- Social Accountability (SA 8000) Certification: Edmund Massie
- Software Tracking/Reporting of Ethics and Legal Violations for Small Business: Steve Birchall

9:20-10:30 a.m.

Dayton Best Business Ethics Practices & Resources II

- Dayton Business Ethics Trends: Donna Childs
- Dayton Area Eclipse Award Winner: Jack Kostak
- Public Sector Perspective on Dayton Ethical Climate: Jack Dustin
- Business Media Perspective on Dayton Business Ethics: Heather Martin
- Nonprofit Perspective on Dayton Ethical Climate: Marc Levy

IBI Activities

Fourth IBI Breakfast

On May 23, 2006, in collaborative partnership with the *Dayton Business Journal* (DBJ), the Institute for Business Integrity (IBI) co-sponsored its Fourth IBI Breakfast in the Berry Room of the Nutter Center on the topical question: "What does the responsible corporation of the future look like?" After the full breakfast, the focus of the Fourth IBI Breakfast turned toward local CEO perspectives regarding current and future responsible corporate practices. This breakfast panel program was introduced by Ms. Heather Martin, Publisher of the DBJ, and Dr. Joseph Petrick, Director of the IBI. The panel was then moderated by Mr. Caleb Stevens, the DBJ Managing Editor, with structured questions for the CEOs - interspersed with spontaneous questions from the audience.

The three CEO panelists included: Mr. Jim Mahoney, President and CEO of DPL Inc., Mr. Finbarr O'Neill, President and CEO of Reynolds & Reynolds Company, and Mr. Ray Webb, President and CEO of Fifth Third Bank of Western Ohio. All the



From left to right: Heather Martin, CEO James Mahoney, CEO Finbarr O'Neill, CEO Ray Webb, and Joseph Petrick

CEOs attested to the importance of continually monitoring and improving organizational ethics. Mr. Mahoney discussed the hard work entailed in rebuilding trust among DPL stakeholders after the downfall of DPL's former executive team, who left the company in 2004 after state and federal investigations into its corporate governance and accounting practices. He and his new executive team have created more transparency in decision-making and have set a good example of accountability that starts at the top. Mr. O'Neill talked about the importance of



From left to right at the IBI Ethics Bowl trophy table: Heather Martin, Joseph Petrick, and Caleb Stevens

sustained development of an ethical work culture in a business organization. A recent review by the U.S. Securities and Exchange Commission attested to the key role of executive accountability for firm performance, even when the operational details of that performance may not be known by the CEO. Mr. O'Neill also addressed some of the international business ethics challenges faced by a U.S.-based multinational corporation complying with the Foreign Corrupt Practices Act. He also mentioned that while compliance with the Sarbanes-Oxley Act has been beneficial for large U.S. corporations, it has put a financial strain on many small businesses. Finally, Mr. Webb discussed the importance of ongoing organizational ethics training and repeated ethics communications to reinforce individual responsibility for acting ethically at work and exercising social responsibility in the community.

All the CEOs addressed the importance of incentive systems that reward more than simply achieving short-term financial results, such as, including customer/client satisfaction and repeat business measures, the number of customer/client complaints, the extent of sustained business relations, and/or environmental impact of policies on various stakeholders. All three panelists agreed that cultivating and infusing a corporation with business integrity values requires a significant investment of time and energy. Nevertheless, it has become part of the expanded CEO role responsibility not only to identify and reduce organizational ethical risk but to foster ethical work cultures that sustain trustworthy, collaborative innovation.

IBI Activities

IBI Sponsored Channel 16 TV Series Sunday Mornings on Positive Business Ethics Practices

The IBI sponsored a new business ethics TV series entitled, "The Ethical Marketplace" on ThinkTV, Channel 16 Public Television, which was broadcast to the southwestern Ohio, northern Kentucky, and southeastern Indiana viewing audiences. The IBI-sponsored TV series provided a public service by increasing awareness of positive business ethics practices that currently meet the standard of "triple bottom-line accountability" (economic-financial, socio-legal, and ethical-ecological success) and treat human and natural stakeholders of business enterprises in a sustainable manner.

The 13-part TV series included 30-minute episodes on the following topics:

- "Redefining Success"
- "Global Corporate Social Responsibility"
- "The Non-money Economy"
- "Green Building"
- "Investing in Your Community"
- "Fair Trade, Ethical Trading"
- "Renewable Energy"
- "Shareholder Activism"
- "Women Owned Businesses"
- "Clean Food, Organic Agriculture"
- "Transformation of Work"
- "Health and Wellness"
- "Socially Responsible Investing"

The series was broadcast every Sunday morning from 11:30 am to 12:00 noon (between Bill Moyer's NOW public issue series and the McLaughlin Group) from March 27, 2005 and continued on a single repeat program until September 11, 2005, to cover both the Spring and Summer academic terms at WSU.

The responses from the public, business and academic communities were immediate and positive. The IBI office received appreciative phone calls, e-mails, and increased web site traffic during and after the TV series. Some local business executives acknowledged useful tips on corporate governance and financially-sound environmental practices from several episodes. Public comments included an appreciation for some positive news about business ethics practices rather than only headline scandals. University and secondary school business educators welcomed access to video resources on concrete socially responsible business practices for their students.

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

The IBI co-sponsored 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 in April, 2005 at the Mandalay Banquet Center.

The panel title was: "Your Advertising: Fact or Fiction? How to Build Your Brand with Integrity, Not Trickery." The panelists included: 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 Counsel for Procter & Gamble and General Counsel for IAMS. The panelists endorsed the importance of self-regulation of advertising in order to promote business professionalism and accountability in the field.

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

The IBI co-sponsored, with the Center for Business Ethics and Social Responsibility at Xavier University, a panel on Ethics in Small Business in May, 2005 at the Cintas Center on Xavier University's Campus in Cincinnati. The keynote speakers included: the Honorable Bob Taft, Governor of Ohio, and Mr. Aaron Feuerstein, former CEO of Malden Mills in Massachusetts. Governor Bob Taft spoke on the importance of business ethics in Ohio and the new Taft-Petro Act, a state version of the Sarbanes-Oxley Act, which applies to small businesses in Ohio.



From left to right: IBI Research Assistant Jason Scott, Ohio Governor Bob Taft, IBI Director Dr. Joseph Petrick

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Mr. Aaron Feuerstein then spoke on the lessons learned from responsible business practices in employer-employee relations. In 1995, Aaron Feuerstein's Malden Mills plant burned down in Massachusetts. Instead of declaring bankruptcy, abandoning his employees and/or off-shoring their jobs overseas, he rebuilt the factory locally. During the rebuilding process, however, 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.



From left to right: Ex-Malden Mills CEO, Mr. Aaron Feuerstein, and IBI Director Dr. Joseph Petrick

IBI Co-Sponsored a Best Practices in Diversity Forum

The IBI, the Raj Soin College of Business, and other diversity-supporting organizations co-sponsored a Best Practices in Diversity Forum on May 24, 2005 in the Berry Room in the Nutter Center at Wright State University. The forum highlighted industry best practices in employment diversity. Discussions included company presentations from Marathon Oil and Procter and Gamble. In addition, a best practices mock mediation of employment discrimination was included. Three hours of human resources recertification credit (PHR/SPHR) was available for those attending.

2005 WSU Regional Ethics Bowl Success

A team of five Wright State University undergraduates placed third on November, 2005 in the Seventh Annual Midwestern Regional Ethics Bowl, the largest regional ethics bowl in the nation, and were, therefore, invited to compete in the National

Intercollegiate Ethics Bowl to be held on March 2, 2006 in Jacksonville, Florida.

Jennifer L. Rammel, (team captain) a junior pre-med major from Beavercreek, Mike Boehringer, a senior management major from Fairborn, Amanda Marsh, a junior marketing major from Urbana, Matthew Watson, an accounting major from Beavercreek, and Daniel J. Furman, an international business/computer science major from Dayton were coached by Dr. Joseph A. Petrick, Director of the Institute for Business Integrity at the WSU Raj Soin College of Business.



From left to right: Back Row: Daniel Furman, Jennifer Rammel (captain), Amanda Marsh, Dr. Joseph Petrick (coach). Front Row: Matthew Watson and Mike Behringer

Wright State University was among 20 colleges and universities that competed in the November 12 event that was held in Indianapolis. Other schools competing included Loyola University-Chicago, University of Kentucky, Indiana State University, Indiana University/Purdue University at Indianapolis, Taylor University, Butler University, Valparaiso University, Northeastern Illinois University, Northern Kentucky University, University of Southern Indiana, and Saint Louis University among others.

The format for the Midwestern Regional Ethics Bowl begins with a moderator who randomly selects one of fifteen ethics cases and poses a challenging moral question to the first competing team. Then, that team has 60 seconds to confer before answering the question by stating its case analysis and

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resolution in ten minutes. This is followed by five minutes of rebuttal from an opposing team and then ten minutes of follow-up questions from a panel of judges who are experts in the field. Then teams reverse roles. Finally, the judges evaluate the teams' presentation and rebuttal responses on a scale of zero to twenty in terms of clarity, focus, depth, and logic. After six matches, the team with the most earned points wins.

WSU won the National Intercollegiate Ethics Bowl in 2002, was runner-up champion in 2004, and placed in the top five last year. A former Ethics Bowl team member stated: "The Ethics Bowl experience sharpened my moral reasoning and oral persuasion skills."

IBI Director Earns University and College Research Awards

Dr. Joseph A. Petrick, IBI Director, was named recipient of the 2005-2008 Brage Golding Distinguished University Professor of Research Award. Named after Wright State's first president, the university award recognizes outstanding research by a Wright State faculty member. Petrick is the first business faculty member at Wright State University ever to win this research award.

"Dr. Petrick's research passion is to improve principled business leadership performance, the quality of work systems and the quality of work life for people domestically and globally, in line with the college mission to develop ethical business leaders who are able to constructively contribute to the globalized mar-



From left to right: WSU President Kim Goldenberg and IBI Director Joseph A. Petrick

ketplace," said Berkwood Farmer, Dean of the Raj Soin College of Business. "What is distinctive about his approach to scholarship is the significant positive teaching and service impact that results from his integrated research streams."

Petrick's research interests include management ethics, international strategic management, environmental management, human resource management, and quality organization development. His research has been described as "well grounded in the management literature, highly relevant in terms of improving managerial performance, and providing excellent guidance to those leading today's companies in their efforts to achieve competitive success in a rapidly changing global economic structure."

Dr. Petrick was also awarded the 2004-2005 Outstanding Business Faculty Scholarship Award at the Raj Soin College of Business. Of the more than 70 full-time business faculty, Petrick's research work was judged superior in terms of quality and quantity by his business faculty peers. Dr. Petrick has won or shared the Outstanding Business Faculty Scholarship Award every year from 2002 to 2005.



From left to right: Raj Soin College of Business Dean Berkwood Farmer and Dr. Joseph Petrick

IBI Co-Sponsors African Debt Relief Panel

The IBI, the College of Liberal Arts, the African and African-American Studies Program, the International Studies Program, and the International Business Club co-sponsored a panel of experts on the "African Initiative Program for Debt Relief."

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The three African studies scholars - Drs. John Bomba, Momasonto Mthimkulu, and Jean-Claude Nkundwa - provided evidence to warrant elimination or significant reduction of financial debt incurred by the less developed countries of Africa. The panelists argued that excessive financial debt burdens obstructed African economic development and diverted essential natural, financial and human resources needed for basic economic development into simply servicing the debt. The panel event was well-attended and the international business ethics issues raised awareness of new moral challenges facing global leaders.

IBI Co-Sponsored Faculty Development Workshop on Business Ethics Education

The IBI co-sponsored a business faculty development workshop on teaching business ethics with Xavier University's Center for Business Ethics and Social Responsibility in Spring, 2005.

The workshop was presented by Dr. Marianne Jennings, Professor of Legal and Ethical Studies in Business, at Arizona State University. After earning her J.D., Dr. Jennings worked with the Federal Public Defender and U.S. Attorney in Nevada prior to her assuming an academic position. Dr. Jennings published six textbooks including *Business Ethics: Case Studies and Selected Readings*, *Business: Its Legal, Ethical and*



Left to right: Back Row: IBI Associate Director, Dr. Scott Williams and IBI Director, Dr. Joseph Petrick. Front Row: Workshop Presenter, Dr. Marianne Jennings and Xavier Ethics Center Director, Dr. Paul Fiorelli

Global Environment, and *Building a Business through Good Times and Bad* and over 130 articles. Her weekly columns are syndicated around the country and her work has appeared in the *Wall Street Journal*, the *New York Times*, and the *Washington Post*. She has been a commentator on business ethics issues on *All Things Considered* for National Public Radio. The workshop was well-received by business faculty and the combination of ethical and legal expertise enriched the quality of the business ethics workshop.

2006 WSU National Ethics Bowl Success

Wright State University's undergraduate National Ethics Bowl Team, coached by IBI Director Dr. Petrick, recently placed in the top ten in the nation, continuing a six-year tradition of excellence in leadership ethics development. Wright State University was among 40 universities competing in the Twelfth National Intercollegiate Ethics Bowl that took place in conjunction with the annual meeting of the Association for Practical and Professional Ethics in Jacksonville, Florida on March 1, 2006 at the Hyatt Regency Jacksonville Riverfront Hotel.

The 2006 Wright State Ethics Bowl Team consisted of: Jennifer Rammel (team captain), a biological science major; Daniel Furman, an international business major; Nathan Sedgwick, a political science major; Sarah Lyons, a marketing major; and Brian Gillis, an economics major.

Coordinated by the Illinois Institute of Technology, the National Intercollegiate Ethics Bowl has brought together undergraduate students since 1997, in teams of three to five peers, to compete nationally in a timed critical reasoning contest that randomly poses fifteen complex moral cases on a wide range of controversial topics that people face as family members, employees and citizens.

"The competitive and cooperative elements of this national event emphasize two educational purposes: the development of analytic skills in rationally dealing with complex moral issues and the exercise of persuasive, oral argumentation skills required in democratic deliberations and professional accountability," Petrick said.

The format for the National Intercollegiate Ethics Bowl begins with a moderator who poses a randomly selected ethics case to the first competing team. Then, the team has 60 seconds to confer before stating its analysis and resolution in ten minutes.

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This is followed by five minutes of rebuttal from an opposing team and then ten minutes of follow-up questions from a panel of judges who are experts in the field. Finally, the judges evaluate the teams' responses on a scale of zero to twenty in terms of focus, intelligibility, depth, and soundness.



From left to right: Back Row: Jennifer Rammel (captain), Nathan Sedgwick, Daniel Furman, Dr. Joseph Petrick (coach)
Front Row: Brian Gillis and Sarah Lyons

Other participating universities included: California State University at Chico, Clemson University, Indiana University, University of Florida, Clemson University, DePauw University, Loyola University Chicago, San Jose State University, Texas A & M University, Valparaiso University, University of Montana, University of Richmond, Saint Louis University, Seton Hall University, Valparaiso University, Villanova University, Western Michigan University, University of Washington, the United States Air Force Academy, the United States Naval Academy, and the United States Military Academy.

"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 offices of the Vice President for Curriculum and Instruction and Dean of University College, directed by Dr. Lillie P. Howard, and the office of the Dean of Raj Soin College of Business, Dr. Berkwood M. Farmer. 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.

Upcoming Events

IBI Co-Sponsoring a Best Practices in Diversity Forum

The IBI, the Raj Soin College of Business, and other organizations are co-sponsoring a Best Practices in Diversity Forum on November 1, 2006 in Wright State University Student Union. This forum will highlight industry best practices in employment diversity. Schedule and registration questions can be directed to either Carolyn Rice at carolyn.rice@wright.edu or Dr. Ann Wendt at ann.wendt@wright.edu. Three hours of human resources recertification credit (PHR/SPHR) and other related certifications are available by attending.

Fall Regional Midwestern 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 on November 11, 2006 in Indianapolis, Indiana. In the 2005 Midwestern Regional Intercollegiate Ethics Bowls, the IBI-sponsored Wright State University team placed third in a field of twenty universities competing in the regional competition.

Student recruitment has been ongoing since April, 2006 and will continue until Friday, September 29, 2006. Interested students and/or faculty can access the following link for regional and national WSU Ethics Bowl information, student benefits, and application forms: <http://www.wright.edu/~joseph.petrick/ethicsbowl/ethicsbowl.htm>.

The National Intercollegiate Ethics Bowl competition rules for this and subsequent years have been tightened. Only regional ethics bowl teams that place in the top four will receive an invitation to compete in the National Intercollegiate Ethics Bowl, which will be held in Cincinnati, Ohio on March 1, 2007.

Business Integrity News

International Level

Enron Verdict Has Global Impact on Corporate Governance and Executive Accountability

Former Enron executives, Kenneth Lay and Jeffrey Skilling, have been found guilty and convicted of fraud and conspiracy by the jurors in the U.S. judicial system. Jurors spent six days deliberating about the verdict after more than three months of testimony from 54 witnesses in the fraud and conspiracy trial held in Houston, Texas.

Lay, 64, was convicted on all six counts against him, including conspiracy to commit securities and wire fraud. He faces of maximum of 45 years in prison from this case verdict, but also faces another 120 years in prison in a separate non-jury bank fraud trial related to his personal banking practices. Skilling, 52, was convicted on 19 counts of conspiracy and fraud. Combined with his conviction on one count of insider trading, he faces a maximum of 185 years in prison. Even with appeals, both convicted former Enron executives are likely to be in prison for a long time.

The Enron executive guilty verdicts have had and will continue to have a global impact on improving corporate governance practices and executive accountability. The Sarbanes-Oxley Act of 2002, the revised U.S. Federal Sentencing Guidelines for Organizations, their state counterparts, and the institutionalization of legal compliance and ethics systems are raising the standards of organizational moral performance expectations for domestic and global stakeholders.

National News

Business Roundtable Survey on Corporate Governance

The Business Roundtable, an association of CEOs of 160 leading U.S. companies, released its fourth annual survey of corporate governance practices among its members, showing continuing improvements in corporate governance practices, including a continual rise in the percentage of companies that have increased pay-for-performance for senior executives.

“Companies continue to make great strides toward increased board independence, greater transparency, improved shareholder communications and more director evaluations,” said

Steve Odland, Chairman of the Roundtable’s Corporate Governance Task Force and Chairman and CEO of Office Depot, Inc. ‘Of particular note this year is the continued upswing in pay-for-performance, a positive sign in the area of executive compensation.’

“For the first time, companies reported that costs of implementing the Sarbanes-Oxley law and new stock exchange listing standards have stabilized,” added Odland. The portion of companies reporting estimated costs of more than \$10 million dropped to 40 percent from the 47 percent reported in 2005. A full 94 percent of companies expect their Sarbanes-Oxley compliance costs to either remain the same (42 percent) or decrease (52 percent) in 2006. The survey’s four key findings include:

1. **Pay-for-performance:** Almost 6 out of 10 companies (57 percent) report an increase in the pay-for-performance element of senior executive compensation in the past year, compared to 49 percent in 2005 and 40 percent in 2004. Of the companies placing more emphasis on performance, 20 percent indicate that the performance element includes primarily long-term goals, 73 percent stress a mix of long- and short-term performance goals, and only 7 percent stress short-term goals.
2. **Board independence:** More than nine out of ten companies (91 percent) have an independent chairman, lead director or presiding director -- up from 83 percent in 2005 and 71 percent in 2004. The percentage of companies with an independent chairman has continued to increase, from 4 percent in 2004 and 9 percent in 2005, to 11 percent in this 2006 survey....
3. **Director evaluations:** 38 percent of companies performed individual director evaluations in 2005 and 45 percent are planning to do such evaluations in 2006, up sharply from the 27 percent in 2004. Of these companies, a growing number rely on peer reviews -- 38 percent in 2005, and 48 percent planning to do so in 2006....
4. **Compensation consultants:** 85 percent of companies report that they have retained a compensation consultant in the last year, and 53 percent of CEOs report that their Nominating/Governance Committees have retained a search firm in the last year....”

Business Integrity News

Research: U.S. Business Managers' Ethical Attitudes Improving

A research study published in the April, 2006 issue of the *Journal of Small Business Management* finds that U.S. business managers over the past 17 years are demonstrating more ethical attitudes in business decision making. This longitudinal study suggests that the ethical attitude of U.S. corporate and small businesses managers are improving.

The study was based on responses from more than 5,000 managers of both small and large firms in all 50 states. Over a time period stretching three decades, the authors mailed surveys to respondents in 1985, 1993, and 2001 asking them to judge the degree to which they found 16 scenarios compatible with their own ethical views. The business situations ranged from the illegal to the debatable. With the exception of the 1993 survey, in which small business respondents showed a propensity to be less ethical, there was no difference between large and small firms. Both showed increasingly positive selections.

This study is published in the 50th Anniversary Special issue of the *Journal of Small Business Management*. Media wishing to receive a PDF please contact

JournalNews@bos.blackwellpublishing.com.

Longenecker, Justin G., Carlos W. Moore, J. William Petty, Leslie E. Palich, and Joseph A. McKinney (2006). "Ethical Attitudes in Small Businesses and Large Corporations: Theory and Empirical Findings from a Tracking Study Spanning Three Decades," *Journal of Small Business Management* 44(2): 167-183.

Regional Level

2006 Best Midwestern Regional Corporate Citizens

In its Spring 2006 edition, *Business Ethics*, the magazine of corporate responsibility, published its seventh annual listing of best corporate citizens.

The 100 Best Corporate Citizens list put a numerical rating on service to multiple market and non-market stakeholders. It uses data from Socrates, the online social research database created by KLD Research & Analytics in Boston, an independent research firm serving investment professionals.

The universe of firms for the list encompassed U.S. firms in the Russell 1000, the S&P 500, and the Domini 400 Social Index.

These firms were ranked on performance in eight stakeholder categories: shareholders, community, governance, diversity, employees, environment, human rights, and product. Social scores use KLD's assessments of "strengths" and "concerns" demonstrated in each category. (For a complete list of social ratings criteria, see <http://web.kld.com/research/socrates/indicators.html>) The shareholder score is based on three-year average total return (stock appreciation plus dividends) through 2005. To arrive at a single score per company, the rating methodology takes an unweighted average of all eight measures. For additional details on methodology, see www.business-ethics.com/whats_new/100best.html.

The Midwestern Regional Best Corporate Citizenship List Included the following companies and their respective state headquarters:

<u>Midwestern Companies</u>	<u>State</u>
Motorola, Inc.	IL
Chicago Mercantile Exchange Holdings Inc.	IL
Northern Trust Corporation	IL
Grainger (W.W.), Inc.	IL
Herman Miller, Inc.	MI
Whirlpool Corporation	MI
Kellogg Company	MI
Zimmer Holdings, Inc.	IN
Cummins, Inc.	IN
Biomet, Inc.	IN
Modine Manufacturing Company	WI
Brady Corporation	WI
Johnson Controls, Inc.	WI

State Level

2006 Best Ohio Corporate Citizens

In its Spring 2006 edition, *Business Ethics*, the magazine of corporate responsibility, published its seventh annual listing of best corporate citizens, including the following companies from Ohio and their national ranking:

<u>Ohio Companies</u>	<u>National Ranking</u>
Nationwide Financial Services, Inc.	36
KeyCorp	79
The Timken Company	87
Procter & Gamble Company	90

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While the rating involved eight categories, specific information about each includes the following points.

Social scores use KLD's assessments of "strengths" and "concerns" demonstrated in each category. (For a complete list of social ratings criteria, see <http://web.kld.com/research/socrates/indicators.html>)

In the community category, firms receive a strength rating for charitable giving over 1.5 percent a year, innovative giving, support for housing and education, and volunteer programs. On the negative side, a firm could receive community concerns for lending controversies, negative economic impact, or tax disputes.

In the environment category, strengths include pollution prevention, clean energy, major use of recycled materials, and beneficial products. Concerns include hazardous waste sites, substantial penalties for environmental violations, or contributing significantly to climate change.

In the category of governance, firms receive strengths for transparency in political contributions and effective social reporting. Concerns include excessive CEO pay and accounting controversies.

Companies thus have a number of strengths and concerns in each category. In the employee category, for example, a firm might get three strengths for profit sharing, strong retirement benefits, and employee involvement - with two concerns for poor union relations and significant workforce reductions. To arrive at a net score here, the methodology is to add three strengths and subtract two concerns. The same is done in each category. Standardization of scores is obtained by determining standard deviation from the mean - which indicates performance relative to peers.

Local Level

BBB, IBI and Others Co-Sponsor Local Organizational Ethics Awards

Ms. Donna Childs, President and CEO of the Better Business Bureau (BBB) of Dayton and the Miami Valley, hosted the 13th Annual Eclipse Integrity Awards Dinner on May 16, 2006 at the Schuster Performing Arts Center in Dayton.

The local Integrity Eclipse Awards are presented to businesses demonstrating significant, unique and continuous commitment to exceptional customer service, trust and fair play in the marketplace and in day-to-day living. The award winners perform during moments of truth, as well as demonstrate high ethical standards through policies, training and/or staff. They exercise outstanding internal business practices, practice honest competition and have a reputation in the community for sound ethics, service/products and community service. They also promote truth in advertising, exercise fair play, exceed customer expectations and support the ideals of the Better Business Bureau.

The judging criteria specify that a company or non-profit should demonstrate its commitment to high ethical standards of behavior and provide documentation in the following categories: management practices; customer/vendor/supplier/shareholder relations; marketing/advertising/communications/sales practices; and reputation within industry and community.

The Integrity Awards 100+ employees category went to Complete Petmart. 10 Wilmington Place was honored in the 51-100 employees category. Ohio Eyecare Specialists was the winner in the 21-50 employees size and Dayton Dental Collaborative was the winner in the 1-20 employees category. The Nonprofit Integrity Award went to Victor J. Cassano, Sr. Health Center.

Resources, Forum, and Sponsorship Opportunities

Business Integrity Resources

Books

Cuilla, Joanna B., Clancy Martin, and Robert C. Solomon (2007). *Honest Work: A Business Ethics Reader* (New York: Oxford University Press)

Wood, Donna J., Jeanne M. Logsdon, Patsy G. Lewellyn, and Kim Davenport (2006). *Global Business Citizenship: A Transformative Framework for Ethics and Sustainable Capitalism* (Armonk, New York: M.E. Sharpe)

IBI Team Recent Articles

Ebrahimi, Bahman P., Joseph A. Petrick, and Sandra A. Young (2005). "Managerial Role Motivation and Role-related Ethical Orientation in Hong Kong." *Journal of Business Ethics*, 60: 29-45.

Williams, S. D. and T.C. Dewett (2006). "Yes, You Can Teach Business Ethics: A Review and Research Agenda." *Journal of Leadership and Organizational Studies*, 12(2): 109-120.

Rinefort, Foster C. and Joseph A. Petrick (2006). "Occupational Safety and Health Trends in the Four 'East Asian Tigers'". *Global Business and Finance Review*, 11(1): 79-87.

Whittier, N.C., S.D. Williams and T.C. Dewett (2006). "Evaluating Ethical Decision Making Models: A Review and Application." *Society and Business Review*, 4: 94-112.

Petrick, Joseph A. and Robert F. Scherer (2005). "Management Educators' Expectations for Professional Ethics Development," *Journal of Business Ethics*, 61: 301-314.

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 Sooin 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 Global Ethics Center. If you have found useful information in this e-newsletter, please feel free to forward it to your interested colleagues.

If you would like to be added or removed from our e-distribution list for this newsletter, please forward your request to rscob-businessintegrity@wright.edu and we will be pleased to honor your request.

Sponsorship Opportunities

The number and range of IBI sponsorship opportunities include Founding Sponsors, Elite Sponsor, Executive Sponsor, and Partners. Please select this link if you are interested in more information about becoming a sponsor of the Institute for Business Integrity.