Good Companies?

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In the wake of the ethical scandals in business in the past five years, critics of the corporation would say that corporations are the root of evil, fundamentally broken in terms of structure and practice. This theme is reflected in popular literature such as *The Corporation*[1] or *When Corporations Rule the World*[2].

Businessweek had a cover story a few years ago, "Are there any good CEOs left?" The *New Yorker* magazine had a cartoon showing a couple approaching the front door of a house where a party was going on. The wife said to the husband, "Make sure no one finds out you are a CEO." Over the past several years, we have seen senior officers of corporations such as Enron, Boeing, WorldCom, Tyco, and Imclone taken to prison. Even Martha Stewart spent time in jail.

And the scandals are not confined to the U.S. The book *Asia's New Crisis*[3] documents challenging behavior of businesses and business leaders in Asia. I have recently returned from doing a feasibility study for micro-economic development in the Central African Republic. The picture for doing business there is bleak indeed.

So we are challenged with the questions: are there any good companies, and if so, what might they look like?

One argument says there are no good companies. In addition to the growing list of business evidence, we can look at a biblical framework to address this question. As long as we are in a world that has been impacted by sin, every person and every company employee at every level is impacted by sin. This was Paul's argument in Romans 3:12 when he said, "There is none that does good, no not one." Or in Ecclesiastes 7:20 Solomon says, "For there is not a just man upon earth who does good and sins not." Perhaps this is why any company that is identified as good immediately generates the response, "My wife worked there and here is what happened to her," or "I will never again do business with that company because here is what they did to me."

If we are going to talk about good companies, we must start by acknowledging that we are not talking about perfect companies, companies that are good in any absolute sense. But biblically, we are encouraged to identify good without perfection. The Proverbs are filled with examples of those who are wise, prudent, and acting with righteousness. Cornelius was referred to by Peter as "one who does right." Job was called "blameless."

Perfection aside, how might we approach a model for a good company? And can we find any of them in practice? In this paper I sketch and illustrate what I believe to be a criteria for a good company.

Two movements, Catholic Social Traditions (CST) and Corporate Social Responsibility (CSR) offer frameworks that can be applied to thinking about a good company. Though I am not an expert in either CST or CSR, I will suggest from my understanding how I believe they contribute to "good companies." I will also show why I believe both CST and CSR offer much of value in thinking about good companies, but in reality work at the edges, almost as "watchdogs," rather than at the heart of defining a good business.

Throughout, I will identify a few (of many, I believe) good companies. There is some risk in doing this. In books like *Good to Great*[4], *In Search of Excellence*[5], or *Good Business*[6], it is not hard to find once lauded companies that have fallen. I said earlier, there are no perfect companies, and that is one explanation. A second is that a company can start in a positive direction, and through change in leadership, growth, mergers, or many other factors, the company can lose its way. A third factor is that a company may be "good" in certain aspects of a criteria, but perhaps not so good in other aspects.

Elements of a Good Company

What are the basic elements of a good company? I suggest that they include both internal (in the control of the business) and external factors. They include a very complex set of factors that cannot be reduced to just "one thing." In this discussion, I will focus on the internal factors within the control of the business. But I will first identify some external factors, because without such factors it is difficult to run a business at all, let alone a good business.

External Factors

In a study to assess the feasibility of micro economic development in Central Africa, we identified a number of external factors supporting good business:

1. The government. It is critical that there be a "rule of law" to enable business to function. Dennis Bakke said from his experience as CEO of AES, "We need two things to operate a business: peace, because it's very hard to operate in war, and the rule of law. You have to have a legal system that enforces agreements[7]." Government corruption, civil unrest, and ineffective laws can make business very difficult.

2. Infrastructure. This includes transportation, telecommunications, safety on the highway, banking. and insurance. It is difficult to recognize the extent to which we depend on these things for business until they are not available.
3. Healthcare. Healthcare costs are major costs for business. A poor healthcare environment in a nation challenges both the society and its businesses.

4. Education. It is difficult for a business to operate without access to an educated workforce. In places where education is not available, or not valued, it is very difficult to build a strong workforce.
5. Individual character. The workforce is made up of individuals. No amount of law can make up for lack of character. "If somebody comes in with a set of values and beliefs that are contradictory to what we stand for, I'm probably not going to be able to change them[8]," said Orin Smith, Starbucks CEO. Character is set by family, church, and communities, and the influence of these institutions is vital for good business.
6. Society. Since it is societal forces that create the pressure points for and against the practices of a company, it will be difficult to have a good company in a broken society.

There are isolated good businesses in environments where these factors are not in place, though people in the West often struggle with the kinds of compromises that must be made. Take the example of Januar Darmawan, Chairman of Nurtifoods in Indonesia. He said, "We are trying to be a clean glass of water in a dirty river. We can only be ethical within the company because we have full control there. Most of the time we have no choice but to adapt to the practices of other companies when dealing with external entities. For instance, it is necessary to pay an 'informal fee' to get shipments out of the port. If we attempt to go against established practices within the existing infrastructure, it is almost impossible to exist as a business. [9]"

Internal Factors

Internally, a good company starts with a right purpose, has a good set of values, and has a strong set of practices. It has a great set of products and services that meet real needs in the marketplace. It deals well with all its stakeholders, including employees, customers, suppliers, the community, its shareholders, and the environment. Since no company meets its aspirations perfectly, a good company deals well with its failures. A good company creates capital rather than destroys it. It is tempting to want to reduce the list to one or two or six things to keep it simple, but it's not that simple.

Bakke went on to say, "Some people challenge a company to give a low price to poor people. But you haven't done anything good unless you've figured out how to do it so well that you can afford to do it. Otherwise it won't last….The good CEOs know instinctively you have to balance these stakeholders. When profits go up, that money does not automatically get redistributed to the shareholders….There is no thought of, 'This is how much the customer gets, this is how much the management and the people get, and then everything else falls to the shareholders.' That is not how it works and it shouldn't work that way either. [7]"

All of the foundational ideas can be argued from a biblical base, but I believe all of them can also be presented in a secular language with secular arguments. If Christians are to be "salt and light" in our world, we must be prepared to challenge companies in a way that communicates persuasively to those who do not acknowledge biblical authority. And it is also true that people who are not Christians, but nonetheless are made in God's image, often demonstrate right principles, sometimes in a better way than Christians do.

One of the huge challenges of measuring a good company is that motivation is vital and not always apparent in studying a company or practice. Further, measuring motivation (even our own) is likely not doable in an objective manner. To illustrate, I often quote a former vice president of a steel company in Pittsburgh, Wayne Alderson: "If you treat people with love, dignity, and respect in the work place, the people will be more motivated in their work, and your productivity and profits will soar. But if you treat people with love, dignity, and respect in the workplace so that motivation, productivity, and profits will soar, they will see through you in an instant." It is easy to relate to the truth of this statement. Good practices can be used for manipulation rather than be rooted in purpose. Perhaps the only test of reality is how well the practices continue in a crisis, when there is no clear way to deal with the problem and survive as a company. So this challenge stands in the way of an objective measure for good companies.

One company that emerges using this test is Johnson and Johnson and its handling of the Tylenol problem more than twenty years ago. When a person died after taking Tylenol, the company had no way of knowing whether the problem was caused by the manufacturing of the product, or by tampering with the product on the shelf of the store in Chicago. By pulling the product from the shelves everywhere, it demonstrated that the company was committed to the safety of its products in spite of the devastating results to the bottom line. Historians have observed that when the tampering was proven, and the product returned to the shelves in the now famous tamper proof packaging, the brand came back so quickly that this may well have been the best solution from an economic point of view as well. But of course, the company had no way of knowing this at the time.

Let's consider the elements of a good company starting with the purpose of business.

Purpose of Business

A good company starts with a lofty purpose, stating why it is in business. The purpose drives everything the company does. Van Duzer, et. al. [10], discussed the purpose of business from a biblical viewpoint, narrowing it to the commitment it makes to delivering needed products and services to the marketplace and the commitment it makes to creating meaningful employment for people.

A company's purpose can be a statement on the wall, or the goal that is used for decision making at every juncture. The former is simply window dressing. But the latter drives choices for the products and services that are offered, the marketing assessment of needs, the pricing of products, and the representation of those products and services to the marketplace. This purpose also drives internal company policies regarding the way workers will be valued and the way processes will be carried out. In summary, the purpose drives what a company *will* do, though it also suggests what the company will not do.

Another level of unpacking the purpose for a company addresses how the company intends to treat the environment, the shareholders, the community, its customers and employees, etc. It is interesting to note that profit is absolutely vital to a good business. A company that has inefficiencies leading to bankruptcy, or creates products that are not really needed in the marketplace, or fails to develop outstanding distribution channels cannot be a good company no matter how well it does on the other issues. The primary reason for this conclusion is that it will not be a company very long!

Don Flow, owner of Flow Automotive, put it well when he said, “We have to have a profit in order to serve our customers, employees, and community, but profit is not the goal. I don’t know a healthy person who gets up in the morning and looks in the mirror and says I live for my blood. But I don’t know a person alive who doesn’t have blood. Blood is like profit—necessary to live, but not the reason for living. If you don’t create value for capital, you are actually destroying wealth in society. An organization should not exist if it is destroying society’s wealth. [11]”

Perhaps no single factor has led to ethical failure in the marketplace more than having the wrong purpose. Unfortunately, the purpose for business so often upheld by businesses and business schools is at the center of this wrong purpose. In 1970, Milton Friedman said the purpose of business is “to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom. [12]” This purpose is often referred to as “maximizing value for the shareholders.” Sometimes Friedman’s constraints of staying within the law and ethical customs are mentioned and sometimes they are not.

ServiceMaster retired chairman and CEO Bill Pollard said, “Profit is a means goal, not an end goal. You have to have profit to survive as a company and to satisfy your shareholders, and it provides the means to do many other things important to your customers, but it is not the purpose of your business. [13]”

Where does a purpose focused on the shareholder go wrong? Van Duzer, et. al. [10] argued from a biblical point of view that the purpose is not right because it is inconsistent with the biblical purpose for business. In their paper they developed the case that the purpose of business is to serve, providing needed products and services in the marketplace and providing and opportunity for people to use their gifts and talents in meaningful work.

But there is another way to argue that Milton Friedman is wrong. Erisman[14] showed that Milton Friedman has stated the purpose of business as a mathematical optimization problem. Using the arguments from mathematical optimization, he showed that when the problem “maximize a function f subject to constraints” is solved in its simplest form, the solution will always end up on the boundary of at least one of the constraints. In Friedman’s case, the boundary of the constraint is the boundary of the law or ethical custom, and this is a very dangerous place to operate a business. And it is dangerous not just because you might slip past the boundary and violate the law, though this is a concern. It is also dangerous because the law is a blunt instrument not designed to be handled on the edge. One of the problems with Enron’s ethical behavior was the number of times where they *met* the letter of the law but violated intent. This problem is made more challenging in an age of technology. Technology changes the way work is done, leaving new practices where no laws have been written.

Some of the good companies we have identified have focused on a higher purpose than maximizing shareholder value. Here are two examples:

TriWest, a healthcare provider for the military in the U.S., has a mission statement that reads:

> "TriWest's mission is to provide its customers access to high-quality, cost-effective health care services and superior customer service while returning a reasonable profit to its owners. [15]"

The key is its focus on the customer using profit as a support to running the business rather than the major objective. David McIntyre, CEO, showed how this played out in a crisis when data was stolen and there was potential for customer identity theft. "We asked ourselves, 'If our name was in the database, what would we want to have done?' [15] " he said. ROI did not automatically win the day over all other issues.

Blake Nordstrom, CEO of Nordstroms, said, "In the 1990s, Nordstroms lost its way when it put its focus on shareholder value. Only when we got our focus back where it belongs, on our employees and our customers, have we begun to restore shareholder value. [16]"

By contrast, in addition to Enron, Tyco International, Ltd had a major ethical failure and its former CEO, Dennis Koslowski is now in prison. Their mission statement focuses first on the dollar value of the company:

> "We will increase the value of our company and our global portfolio of diversified brands by exceeding customers' expectations and achieving market leadership and operating excellence in every segment of our company."

Wal-Mart is another example of excesses driven by the focus on the bottom line. Wal-Mart has many very ethical practices, including its strict avoidance of bias with vendors by making sure no buyer ever is treated to lunch by a vendor. But the strict adherence to driving down prices has caused significant problems for the company, for its suppliers, and for communities in which it operates.

> "The idea that Wal-Mart will somehow shake off its low-price soul, that it will gradually infuse style and other intangibles into a culture that measures how many items each cashier scans each hour—that kind of transformation runs counter to every instinct on which Wal-Mart has been built," argues Charles Fishman in his book *The Wal-Mart Effect*[17]. He goes on to say, "There's another hurdle….us the shoppers. Wal-Mart has spent forty years teaching us what things should cost, which way prices should go and why cheaper is better. We have learned that lesson well….Their motivation doesn't excuse their behavior or justify it, but it does explain it."

Purpose creates the context for the business. Perhaps as much as any other factor, this is central to creating a good business.

Great Products and Services

Business is God's vehicle in the world today for distributing goods and services. As such, there is intrinsic value in business. A good business will not only deliver great goods and services, but its people will have a passion for doing this well, recognizing the need their business is meeting. This passion, particularly when it is driven by the recognition of doing God's work in the world, is an essential ingredient in a good company. The Scripture tells us that all people are made in God's image. So this may be reflected in the work of a business without this source ever being explicitly acknowledged. This is one reason I believe that good companies are not limited to those where the leaders acknowledge God in any explicit way.

Values for a Good Business

Whether published or not, every business has a set of values. This is the culture of the company that shows itself every day in the way people are treated, business is run, and the stakeholders are honored. The culture carries on whether bosses are watching or not.

Some companies work hard at writing down their statement of values and hanging them on a wall. Unfortunately, when the values are not lived, particularly at the top, the inconsistency between the statements on the wall and the actions every day become the source of cynicism in the organization. It this case it would be better if there were no set of values on the wall.

A second alternative is where the company clearly lives it values starting at the top, but nothing is written down. While this is better than the first case, it also has its problems. In times of growth or mergers, many new people come into the organization and don't really know what is expected of them. They can watch and learn, but this is a slow process. Worse, the culture becomes diluted through growth, and the values the business once practiced become lost.

The third alternative is to both write down the set of values and then live them—talking about them frequently. Since no organization is perfect, the key time comes when leaders act inconsistently with the values. When this situation is ignored, we get back to the cynicism of the first case. But if one of the values is accountability, and its real, then a leader that strays from the value will be called on it. A person low in the organization that strays from the values will be called on it by his or her colleagues—it's not necessary to wait for the boss. And if one of the values is forgiveness, then the correction of a problem is not a time of punishment, but a time of learning.

Good companies have their values written down and talk about them and live by them. When someone comes into the company and doesn't fit with the set of values, they are forced out by the "system."

One such company is Starbucks. CEO Orin Smith made this observation about his culture:

"I've had to let more people go in this company because of the lack of fit with the organization's values and principles than for any other reason. This is not to say these are bad people. But in this particular company--with the things we hold important--if you behave differently it's a forgone conclusion that you will be gone. Then I remind people, 'The culture has let you go, now I just want to make sure you understand that.'[8]"

In *Ethix* we have published a proposed set of values for companies to consider (see Eight Traits of a Healthy Organizational Culture, www.ethix.org). While every company must consider its own objectives and values, these are included to account for innovation and excellence as well as the reality of the brokenness of the marketplace through values like accountability, dealing with failure, and courage. The values are:

1. Openness and humility
2. Accountability
3. Innovation within boundaries
4. Excellence
5. Dealing with failure
6. Integrity
7. Collaboration
8. Courage

Note that these values are more than boundaries regarding what to avoid. Collaboration, excellence, and innovation are all vital to a good company. Second, these values are rooted in Scripture, since they represent a business application of the Beatitudes, see *Becoming Good* by David Gill[18]. Once again, we have an opportunity to look at biblically based truth that can be discussed in a secular language.

Interestingly, the first value, openness and humility, seems like a strange place to start in the competitive global business world of today. But the case is easier to make today than it was ten years ago because of the work of Jim Collins in his book *Good to Great*[4]. Here he shows this is a key attribute of great companies from his research, because these are the learning companies, acknowledging that they don't have all the answers internally. It is true that Collins definition of "great" focused on sustained stock performance over time, which is only one of the many factors of a good company in our way of thinking.

Further discussion of these values is outside the scope of this paper.

Practices for a Good Business

In addition to a set of values, a good company will have a set of practices that will capture its intent. Often, it is my experience that companies' practices will reveal past failures. That is, a company that has had problems with financial fraud will have numerous policies regarding fraud. A company that had problems with sexual harassment will have policies in this area. But good companies think ahead and lay out policies in many key areas. Again, the values of accountability and dealing with failure are key to recognition that no company can perfectly carry out its practices.

We have proposed these ten practices for consideration in *Ethix* (Ten Principles of Highly Ethical Business Leaders, www.ethix.org):

1. Support each employee's freedom, growth, and development
2. Communicate to employees by name with respect
3. Treat all employees as unique, valuable individuals
4. Model and encourage a balanced life of good work and good rest
5. Honor and respect employee families

6. Protect employees' life, safety, and health
7. Create a working environment free of sexual harassment
8. Be fair and just in financial matters—fair wages and prices
9. Communicate honestly and truthfully
10. Cultivate a positive attitude toward others and their accomplishments

To unpack these at the next level would be beyond the scope of this paper. These practices include not just financial performance but financial restraint (8), but they also deal with employees, customers, and other stakeholders. Many of these practices are recognized when they are seen, but they are not measurable in the usual sense. They get to attitude and intent, things that are classically difficult to measure.

Another factor that makes these attractive is their biblical base. They represent an application of the Ten Commandments as discussed by David Gill in his book, *Doing Right*[19]. Interested readers are referred there for a detailed development of each principle.

Other Factors in a Good Company

In addition to purpose, products and services, values and principles, I believe it is necessary to think carefully about all stakeholders. The role of the business as a good citizen, dealing well with customers, employees, suppliers, shareholders, and its community is vital. The responsibility of sustainability (economically, but not just economically) over the long term is needed. This will include thinking carefully about processes within the company to assure great jobs as well as economic sustainability (no easy balancing act) and great marketing to identify the products and services that are needed in a changing world .

Doing all of these things is never simple. There comes a time when economics conflicts with the community, such as a downturn in the economy leading to layoffs. There may be conflicts between fair wages and economic sustainability. Good companies must deal openly and fairly with these conflicts that cannot be reduced to numbers or simple priorities.

This is where the difference between good company objectives and watchdog agencies come into focus. A labor union can focus strictly on wages for the workers without regard for the shareholders and even (based on history) the long term survival of the company. An environmental group can focus on the impact of the company's activities on the environment without concerning itself with great products for the marketplace. Each watchdog group plays an important role, but does not by itself define a good company. It is my contention that CSR and CST are closer to watchdog roles than definers of good companies. CSR has moved closer to the heart of good business over time and is now sometimes acknowledged as a fundamental part of doing business, particularly in Europe. CST, on the other hand, has the potential to move more closely into the center of what a good business is all about. I will now offer a few observations regarding CSR and CST.

Corporate Social Responsibility

Wikipedia characterizes the Corporate Social Responsibility this way:

> "Today's heightened interest in the proper role of businesses in society has been promoted by increased sensitivity to environmental and ethical issues. Issues like environmental damage, improper treatment of workers, and faulty production leading to customers inconvenience or danger, are highlighted in the media.

Issues of sensitivity to the environment, ethics, treatment of workers, and reliable products are clearly important for a business. In this sense, the CSR movement does well in challenging companies in areas of past failures.

To make their case, CSR proponents often argue for "doing well by doing good," i.e., building a business case that shows doing such "good things" often leads to a better business. This happens in a number of areas, and here are just a few examples.

> Human Resources—acting properly in these areas makes recruiting and retaining top talent easier. "A company attracts the best, brightest, and most committed employees not as a result of slick recruiting campaigns, but by creating a corporate reputation that makes the best people want to work there," according to Schwartz and Blain in *When Good Companies Do Bad Things*[20].
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> Risk Management—the reputation of a company takes years to build and can be lost quickly when a company fails in one of these areas. Orin Smith, recently retired CEO of Starbucks, said[8], "It takes a very short time to have a negative impact; a long time to erase it," He added, "I'm on the board of Nike, and I think that they're a fabulous company. But they went through something five or six years ago [sweat shops in the supply chain] that was terribly demoralizing. Now they are a leader in the industry, a model for any company looking at social responsibility. But it did lots of damage."
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> Brand Differentiation—In an era of over production, "What enables your company to succeed today is not quantity, reliability, or quality of production. It's the extent, reach, and power of its marketing," according to Prabhu Guptara[21]. So it makes sense for companies to create positive images around their brand if they are to succeed in the marketplace.
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> Regulatory Freedom—Companies that operate on the boundary of the law, with Enron as the quintessential example, not only often fail, but cause legislation that will be costly for others. In the U.S., Sarbannes-Oxley fits this case. "I am sure that [the Sarbanes-Oxley Act] has had some negative cost impact for some corporations. It would have been better if the marketplace itself had dealt with the issues, but it failed. We did need to act through legislation," Susan Collins, US Senator from Maine, Chair of the Senate Governance Committee[22]. Companies that operate on the boundary can cause legislation that is costly for themselves (if they stay in business) and for others.

It is not difficult to build good arguments for companies to act in socially responsible ways. Some have tried to go further than this and build the case that commitment to CSR translates to positive results at the bottom line. Orlizty, Schmidt, and Rynes[23] make this argument. David Vogel argues that this case is true only in a narrow niche market, and otherwise cannot withstand careful scrutiny, in his book *The Market for Virtue*[24]. Vogel's argument is compelling in the general case. CSR is but one success factor of many in creating financial success for a company. But financial success itself is far too narrow a measure for a good company.

CSR is silent on other factors that we have used to define a good company including innovation, efficiency, and marketing strategy, except to provide boundaries for what companies should not do.

Some have called for the so-called triple bottom line reporting, to capture economic, social, and environmental aspects of the business. But Dennis Bakke, co-founder and former CEO of AES argues[7], "It's not triple. It's about sixteen levels. The good CEO knows you have to balance all of the stakeholders, not just one or three."

CSR plays the role of a watchdog for business in particular areas. It is an important role. In recent years, in part through the movement for "doing well by doing good," CSR has moved closer to the mainstream. At the recent CSR conference sponsored by The Ethical Corporation, speakers on the agenda included executives from BP, Merck, Phillip Morris, and Coors. But by its very nature, CSR is still operating at the edge, though closer to the heart of the business than it once was.

Catholic Social Thought

The Catholic Social Thought is a broader concept than CSR, more a world view than a specific application to business. It has the potential to be applied to the heart of business, as Michael Naughton suggests in his essay "About Catholic Social Tradition" on the St. Thomas website:

> "This tradition provides a vision about our work in terms of its meaning, how we organize it, what it does for the community and how we are affected by it…. As *contributors* to this tradition, we need both to embrace these past contributions and to face with courage and creativity the new and unique challenges of today and tomorrow…. The social teachings of the popes, bishops and councils suppose appropriation by a laity whose faith-filled and imperfect engagement in the concrete, day-to-day complexities of human existence alone can turn the Gospel values into renewing action. "

Catholic Social Thought is characterized by these key things, according to a statement by the Conference of Catholic Bishops[25]:

Life and Dignity of the Human Person
We believe that every person is precious, that people are more important than things, and that the measure of every institution is whether it threatens or enhances the life and dignity of the human person.

Call to Family, Community, and Participation
We believe people have a right and a duty to participate in society, seeking together the common good and well-being of all, especially the poor and vulnerable.

Rights and Responsibilities
Every person has a fundamental right to life and a right to those things required for human decency. Corresponding to these rights are duties and responsibilities--to one another, to our families, and to the larger society.

Option for the Poor and Vulnerable
A basic moral test is how our most vulnerable members are faring. In a society marred by deepening divisions between rich and poor, our tradition recalls the story of the Last Judgment (Mt 25:31-46) and instructs us to put the needs of the poor and vulnerable first.

The Dignity of Work and the Rights of Workers
The economy must serve people, not the other way around. Work is more than a way to make a living; it is a form of continuing participation in God's creation. If the dignity of work is to be protected, then the basic rights of workers must be respected--the right to productive work, to decent and fair wages, to the organization and joining of unions, to private property, and to economic initiative.

Solidarity
Our love for all our sisters and brothers demands that we promote peace in a world surrounded by violence and conflict.

Care for God's Creation
We show our respect for the Creator by our stewardship of creation. This environmental challenge has fundamental moral and ethical dimensions that cannot be ignored.

That these principles could be turned into specific applications for a business is clear. How that might be done offers a range of possibilities that would call for Catholic theologians and business practitioners to develop. To take just two examples,

> **Options for the Poor and Vulnerable** could call for charity, or economic innovation creating new business opportunities;
>
> **Care for God's Creation** could call of environmental safeguards, or creative new products that support the business and the environment (like General Electric's research push into innovation around "green" products).

Depending on how these are applied, they could be like CSR (watchdog-like approach for particular aspects of a business) or much more encompassing activity dealing with the heart of all that a business is about. This would include getting at areas like the purpose of business, a proper understanding of profit, innovation in products and services, great marketing, and the like. There is a parallel here with business ethics. Some people take this to mean "damage control." In this case, the key question is: how do we avoid some of the bad things that can come from unethical business decisions? But another way to look at business ethics includes "mission control:" how do we use ethical principles to both avoid negative results and create great organizations?

The challenge for CST is to build the whole case for business from the foundation of its principles. Another alternative is to allow CST to play a watchdog role and to continue to point out areas where businesses fall short of the ideal. As I mentioned in the discussion of CSR, both are important. CST is perhaps behind CSR in attracting mainstream businesses to its objectives. Proponents of CST have taken a step toward building the whole model for business in the new book *Rediscovering Abundance*[26]. A significant article is the dialogue between Michael Naughton and Robert Wahlstedt. This article breaks new ground in bringing CST thought face-to-face with the complexities of running a business.

Regulatory Approach?

My general sense of this book, though, from the perspective of someone who has spent a large part of his life in the corporation, is that the authors are focusing on regulating business from the outside rather than transforming it from the inside. I will leave it to the scholars of CST to decide the truly desirable goal.

Here are some examples.

In the introduction, the authors state, "Owners and managers of companies have considerable influence on their 'wages,' whether they are operators of small firms or executives positioned to cultivate cozy relationships with corporate compensation committees and boards of directors," p. 8. It is true there have been abuses of relationships between executives and compensation committees, but this is an over generalization. Further, nothing is said about risks taken by the business leaders.

The authors go on, "The wealthy, both households and corporations, have a disproportionate influence on tax and spending policies of the governments at all levels, as the move to reduce or eliminate the estate tax (which affects only a minute portion of the population) or the concentration of the benefits of tax cuts and tax subsidies toward the richest Americans clearly demonstrates…In fact, this is the whole logic of supply-side economics: cut taxes on the rich so that they will accumulate more wealth, which will lead to economic growth and job creation. While this can happen, it is not very likely as most money is saved and not spent on job creating activities."

No support or data is provided. Estate tax elimination also allows small businesses to be passed from one generation to another. Supply-side economics requires more careful analysis and data (regardless of which side one supports) than such sweeping generalizations.

Then the authors go on to discuss world wealth distribution, citing graphs showing the concentration of wealth in the West. Again, they are guilty of oversimplification. They state, "…the fact is that only those whose incomes exceed their basic needs can purchase productive assets." They go on to explain, "This disparity….stems partly from rich societies taking, purchasing, or using the productive assets of poor ones….We see in the graph that the international distribution of wealth is grossly uneven."

To their credit, they say "partly" this is the explanation. But other parts (corrupt governments, poor business climate, lack of education, lack of a rule of law that would enable contracts) are ignored. That the wealth distribution is uneven is evident. Why it is that way, and what to do about it, require much more careful thought. In Central Africa recently, I saw groups of women taxing themselves to enable them to buy productive assets, start businesses, and open bank accounts, so even the poverty stricken can purchase productive assets.

As a final illustration, the essay on "The Role of 'Indirect Employees' in Wage Distribution" focuses on the need for third party advocates such as labor unions to create equity in wages. Again, this is an external solution. Some business leaders are building the case from the inside rather than the outside. A cashier at Costco will earn $40,000 per year with full benefits after three years with the company. Did this happen because of external pressure? Rather, it came about because the CEO, Jim Sinegal, recognized the need for motivated workers who considered Costco a career opportunity. Sinegal argues the case as good business rather than response to pressure. Both inside and outside solutions are required.

Conclusions

CST and CSR play important roles in acting as a social conscience for businesses. But this role might be seen primarily as a constraint on how a business operates, rather than a basis for all that a company does. The problem is, a company can act well in these criteria and still not be a good company because of the fundamental business challenges where these "watchdogs" are silent.

A good company addresses these issues but so many more. It offers innovation in products, does great marketing, makes a profit delivering value to its shareholders, has efficient processes, and effectively navigates the contradictory constraints from its many stakeholders. It's a messy, complex activity.

In spite of this challenge, there are many companies I would call "good," though not in the sense of being perfect. Many have been examined through in-depth interviews I have conducted for *Ethix,* and I would include Flow Automotive, Costco, Getty Images, Nordstroms, Starbucks, Herman Miller, ServiceMaster, Nutrifoods, The Singapore Exchange, TriWest, and AES. Marc Gunter in his book *Faith and Fortune*[27], does not try to develop a specific criteria, but adds to the list of what could be called "good companies." Steve Hilton and Giles Gibbons, in their book *Good Business*[6] add many more.

Jim Sinegal, Costco CEO, said, "The good news is that there aren't that many bad guys. Most business leaders are trying to run their business in an ethical fashion. The biggest single thing that causes difficulty in the business world is the short-term view[28]." Yet the forces that create the short term view, such as pressure from the analysts for near term results, are not the enemy but just another factor in the complexity of managing a business. "The pressure from analysts and Wall Street is good because it forces us to think carefully about our business. Reflection and thinking from another point of view is not bad at all."

This "long term thinking" is a fundamental part of Daniel Yankelovich's book *Profit with Honor*[28]. His insight into good companies differs from this paper in a key point. He still allows the purpose focused on shareholder value, but by insisting on shareholder value in the long term, his analysis leads to remarkably similar conclusions. In fact, since no one can truly calculate shareholder value in the long term, or determine precisely which management decisions contribute to achieving it[14], the two may reduce to similar practical actions.

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