



CENTER FOR ETHICAL
BUSINESS CULTURES®

2000-2001 Annual Report

Members and Colleagues:

We live in demanding times, with business playing an ever-expanding role in our modern society. With this heightened role comes ever-increasing pressures to perform – from Wall Street to Main Street. There are success stories where businesses are seeking to "reach a higher standard" in serving multiple stakeholders. But the headlines are frequent reminders of "the high costs of failure."

The Center for Ethical Business Cultures (CEBC) exists to help business leaders navigate through these uncharted waters of building ethical and profitable cultures. In response to growing business demands, CEBC has worked over the past twelve months to develop products, services, research and educational training tools that assist business leaders and help us fulfill our mission.

With our growing partnership with the University of St. Thomas College of Business and the University of Minnesota Carlson School of Management, we are beginning to identify and tap their enormous research, teaching and training capacities.

Today, the Center is increasingly well-positioned to serve as a key resource for business and an educator of the next generation. We could not have moved forward without your support – our business members, our donors, and our colleagues across the community and the country. We look forward to working with you in the coming year.

Many thanks,

James J. Renier, Ph.D.
Chair, Board of Directors

Ron James
President & CEO

Ethical Leadership and Management

Services and education in ethical leadership and management are the heart of CEBC's mission and work. This year CEBC added significant service and research capacity and can report accomplishments of practical value to the business community. As a result, CEBC is well-positioned to serve as a key resource.

- **Ethics Training Modules** – CEBC released the first of a series of CD-Rom based Ethics Training Modules that can be easily customized to the needs of individual companies. The kick-off module, *Ethics Overview for Senior Executives*, was sent directly to all member companies. Modules will be supplemented with 36 **Ethics Case Scenarios** developed by CEBC and with a periodic report on the **High Cost of Failure** illustrating the consequences to businesses from missteps in ethics and compliance.
- **Business Ethics NetworkSM** – Convened six times to assist ethics practitioners at CEBC member companies. Issues covered: data privacy, gifts and gratuities in domestic and international business, FCPA and OECD anti-corruption rules, and an ethics overview for senior executives.

- **Ethical Value Project** – Led by James A. Mitchell, retired CEO of IDS Life Insurance and CEBC Executive Business Fellow, Leadership, the project integrates insights from focus groups with experienced CEOs with the results of academic research to develop a performance model and a report titled ***How an Ethical Culture Adds Economic Value To A Business.***
- **Minnesota Business Ethics Award™ and Educational Forum** – Recognizing excellence encourages companies to adopt effective ethics management systems. CEBC, collaborating with the Minnesota chapters of the Society of Financial Service Professionals, organized the 2nd Minnesota Business Ethics Award™. This year we added an outstanding half-day Educational Forum. CEBC honors Year 2000 Award Winners: **Medtronic, Karlsson Consulting, and Window Lite Home Improvement.**
- **Community Engagement and Services** – CEBC delivered workshops including the **Leadership Institute on Corporate CounselingSM**, exploring legal and ethical dimensions of real world cases, cosponsored by the Minnesota chapter of the American Corporate Counsels Association and the William Mitchell College of Law and engaging ethicists from the University of St. Thomas and the University of Minnesota; **Ethics Retreat for Leadership Saint Paul**; and **University of Minnesota Educational Forum on Ethics, Leadership and Human Resources** for senior U of M HR leaders.
- **Assisting Companies** – CEBC negotiated **discounted vendor services agreements** (of up to 40%) with vendors of ethics management related services to benefit CEBC members, and the Center provided intensive **advice and consultation** to several member companies drafting codes of conduct, creating an ethics management system, and managing an ethical culture in crisis.
- **Public Speaking and Media Exposure** – Speeches and workshops to 40-plus business, civic and professional audiences succeeded in getting the Center's message on ethical culture and leadership. Articles by or about the Center appeared in the *StarTribune* and the *St. Paul Pioneer Press*.
- **Annual Meeting 2000** – The Center's Annual Meeting 2000, attended by 280-plus and titled *Movers & Shakespeares: The Bard's Guide to Succeeding Ethically on the Business Stage*, used the writing of William Shakespeare to explore 21st century issues in business leadership.

The Employer/Employee Relationship

The employer/employee relationship is a critical factor determining the success or failure of a business, and employees are in many respects the bridge between the business and the community, between life at work and life at home. During the past year, the Center has continued its work/life focus and begun the process of connecting that focus to broader issues in the relationship between employers and employees.

- **Retention Study** – CEBC's first effort to partner academic researchers with member companies focused on the impact of workplace culture on employee attrition: ***Why Do Great Employees Leave?*** The project engaged St. Thomas faculty member Dr. Teresa Rothausen and 4 CEBC member companies.
- **The Work↔Life NetworkSM** – Three Network meetings assisted work-life practitioners within companies and in the community: *Building a New Kind of Company*, *Convincing the Skeptical Executive*, and *The Workplace and Children's Lives*.
- **Strategic Planning** – The Center engaged senior HR executives to examine CEBC's work/life focus in the context of HR's role in building ethical business cultures.

- **Work/Life Summit** – Assisted the **National Family Relations Council** in planning and leading its Work/Life Summit titled *Making Minnesota an Employer of Choice* in conjunction with NCFR's national conference.
- **Community Engagement** – Center staff serve on advisory councils or provide consultation to a number of organizations including: **Children Youth and Family Consortium Advisory Council**, University of Minnesota and the **Working Family Resource Center Advisory Council**, St. Paul Public Schools. In addition, CEBC co-sponsored the **13th Annual MultiCultural Forum *Work Place Evolutions and Revolution*** co-sponsored by the University of St. Thomas Graduate School of Business and the National Black MBA Association.

Corporate Citizenship

The CEOs who founded the Center in 1978 began with the proposition that business success and community well-being are linked and the belief that business can make a profound, positive contribution to the well-being of communities. The Center's work in corporate citizenship builds on that proposition.

- **Published *Culture of Corporate Citizenship: Minnesota's Business Legacy for the Global Future***. – Commissioned by CEBC, this book by Wilfred Bockelman chronicles the development of corporate citizenship in Minnesota. The book can be ordered through your local bookstore.
- **Building Business Investment in Community (BBIC)** – CEBC plays a central leadership role in collaboration with a coalition of Minnesota organizations. The collaboration, *Building Business Investment in Community (BBIC)*, received a major 3-year, \$320,000 grant from New Ventures in Philanthropy to research and increase business giving and community involvement statewide in Minnesota. The coalition includes the Minnesota Council on Foundations, Minnesota Keystone ProgramSM, the Minnesota and Greater Minneapolis Chambers of Commerce, all of the regional Initiative Funds, and several other business related organizations.
- **Distinguished Corporate Citizenship Award – James P. Shannon**, whose career has included leading the General Mills and Minneapolis Foundations, service as an auxiliary bishop of the Archdiocese of Saint Paul and Minneapolis and the presidency of the College (now the University) of St. Thomas, received the award.
- **Co-sponsorships** – CEBC assists in planning, marketing and co-sponsoring a number of key events each year including: the University of St. Thomas **11th Annual Stakeholder Dialogue *Global Haves and Have Nots: Is It the Business of Business?*** and **The Natural Step** workshops on sustainability practices in business.

Educating the Next Generation

The goal of educating the next generation of business leaders cuts across all areas of the Center's work and is central to achieving our mission of creating ethical and profitable business cultures. During the past year, CEBC has intensified its relationships with the University of St. Thomas College of Business and the University of Minnesota Carlson School of Management.

- **Internships** – The Center created four graduate internship positions during the past year in ethics (3) and work/life (1). These provide both talent for the Center and an excellent educational and professional development opportunity for our interns.
- **Tools for Teachers** – CEBC designed and led an ethics and crisis management decision-making simulation, called the Pogo Simulation, modeled on the Nike sweatshop case. The simulation was one of the highest-rated events during the Carlson School MBA Orientation program and was used in an Executive MBA class at

St. Thomas. In addition, CEBC staff presented a day-long workshop on ethics and corporate citizenship for students at Hopkins Public Schools.

- **Teaching and Guest Lectures** – CEBC staff have been teachers and guest lecturers at institutions across the region including the University of St. Thomas, University of Minnesota, St. Mary's University and the William Mitchell College of Law as well as at in-house seminars sponsored by individual businesses and professional associations like the Minnesota State Bar Association and the Minnesota Institute for Legal Education.
- **Study Abroad on Ethics Planned** – A CEBC-designed study abroad, *Ethics, Culture and Business: A European Perspective in a Global Economy*, has been approved for credit by the University of St. Thomas and is scheduled for June 22 – June 30, 2002.

Building the Center's Capacity

- **Core Academic Partnerships Strengthened** – CEBC's university partnerships are unique in the nation. The Center serves as a two-way connection between business and academia – as an entry point for businesses seeking to find research and educational resources inside our two universities and as a facilitator for faculty and students seeking research and developmental opportunities with our business partners. Over the past year, **Kenneth Goodpaster**, Koch Endowed Chair in Business Ethics at the University of St. Thomas College of Business, and **Norman Bowie**, Andersen Chair in Corporate Responsibility at the University of Minnesota Carlson School of Management, have been fully integrated into CEBC planning and programming. Both institutions are identifying their current capacity to support the business community in addressing the ethical dimensions of issues.
- **Board of Directors and Board Governance** – CEBC's Board of Directors has welcomed two new directors: **Robert Dayton**, CEO of the Okabena Company and **Kathryn Tunheim**, President and CEO of GCI Tunheim. Additionally, the Board will propose the election of **Thomas Gegax**, founder of Tires Plus, **Kendrick Melrose**, Chairman and CEO of The Toro Company and **Lawrence Benveniste**, Ph.D., Acting Dean, Carlson School of Management. To enhance its effectiveness, the Board has organized itself into five committees: Governance, Finance and Administration, Membership and Development and Services as well as an Executive Committee. The Center adopted an entirely new set of Bylaws at its *Annual Meeting 2000*. **Thank you to retiring Board members Paul Baszucki, John Carlson, John Castro, Ron Hoge, Jim Howard, David Kidwell and Don Wegmiller.**
- **Collaborative Relationships/Strategic Alliances** – To serve our business and academic partners, strategic relationships have been developed with a number of organizations. Chief among these are the **Caux Round Table** (whose globally-utilized *Principles for Business* are shaped in large measure by *The Minnesota Principles*) and the **Minnesota chapters of the Society of Financial Service Professionals** (with whom CEBC sponsors the Minnesota Business Ethics Award™ and Educational Forum). The Center has on-going conversations focused on developing strategic alliances with organizations in Canada, Europe, Asia and various regions of the United States.
- **Web Site Development** – CEBC has begun a project to redesign and enhance its web resource for business. Working with our academic partners and consultants, we seek to enhance the site's design, content and functionality. You can find us at: www.cebcglobal.org.
- **Membership** – Annual membership revenues constitute a major part of CEBC's economic resources. Membership revenues will have grown by approximately 11%, from \$211,090 in FY 1999–2000 to \$234,650 in FY 2000–2001. The membership fee schedule was redesigned starting last year; there will be no change in membership fees in the coming year.

- **Development** – The Center received major gifts totaling nearly \$500,000 during this fiscal year that provided critical financial resources for operations and have enabled the Center to add staff capacity and build services. **Thank you David & Barbara Koch, Tony Andersen, Jim & Chriss Renier, and Jim & Linda Mitchell!** To prepare for a major fund raising campaign, CEBC has worked closely during the past year with development consultants and with our university partners seeking advice and guidance. In addition, we have begun the process of laying the foundation with potential donors to build understanding of the Center and its new mission and direction.